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# Derivatives Disclosures by Major U.S. Banks, 1995

*Gerald A. Edwards, Jr., and Gregory E. Eller, of the Board's Division of Banking Supervision and Regulation, prepared this article. Terrill Garrison provided research assistance.*

The use of derivative contracts has grown rapidly during the 1990s. These off-balance-sheet instruments, whose market value (and cash flow) changes with that of an underlying variable (such as an interest rate, a foreign currency exchange rate, an equity price, or a commodity price), are a powerful tool for companies in managing their exposure to risk.[1] The increasing importance of derivatives to financial institutions (including banks that are dealers of these instruments), as well as to other enterprises, has heightened the need to understand them better.

Public awareness of these instruments has also grown, a consequence of highly publicized losses by some large businesses and municipalities that had entered into derivative contracts. In a few instances, the losses were blamed on derivatives even though they had in fact resulted from the trading of traditional financial instruments. Nevertheless, these events illustrate the need for firms entering into contracts, shareholders of these firms, policymakers, and the public to understand derivative instruments more fully.

The risks associated with derivatives are no different from the risks that firms have always had to recognize and control (see box "Risks Associated with Derivatives"). All financial contracts carry some degree of risk. Nonderivative contracts, in fact, can be riskier and more complex than derivatives. For example, a junk-rated bond that is tied to a foreign interest rate and is convertible into the issuer's common stock carries credit and market risk that would be difficult to quantify. In contrast, the risks of some derivatives, such as futures contracts, can be easily assessed because prices are observable from trading on exchanges and cash changes hands daily to maintain collateral, mitigating credit risk. Nonetheless, derivatives can be highly complex in their design, and their pricing can be opaque, making their risks difficult to understand, measure, and manage.

One approach to increasing public understanding of derivatives has been the implementation of more comprehensive accounting practices and disclosure requirements. In particular, these two tools are helpful in characterizing more accurately the effects of these instruments on firms' financial performance and in explaining those effects through public financial reporting. The benefits of these tools are not limited to derivatives, however. They should also lead to better understanding of how firms manage risks arising from nonderivative financial contracts as well as from other sources. The goals are to demystify derivatives, to facilitate the assessment of firms' derivatives activities by readers of financial statements, and thereby to help improve the allocation of capital by financial markets.

Many groups have been involved in bringing about changes in derivatives accounting and reporting: authorities that set accounting standards, regulators and bank supervisors, and industry associations. These groups have set various regulatory requirements and have made numerous recommendations (see box "Requirements and Recommendations for Public Disclosure"). As a result, the nature of the information publicly disclosed by firms has been evolving in several ways, including the amount and type of information disclosed and the way information is presented.

The published annual reports to shareholders and other public financial reports of banks and other companies play an important role in disseminating information to investors, creditors, and other stakeholders in the enterprises. The information they convey about derivatives has improved significantly in the past few years. A survey of the annual reports of the top ten U.S. banks that deal in derivatives showed that their 1994 reports were substantially more "transparent" than their 1993 reports, with more discussion and analysis of, and more quantitative information about, their use of these instruments.[2]

1. See box "Classes of Derivatives" for an explanation of the different types of derivatives and the ways they are used.

2. Gerald A. Edwards, Jr., and Gregory E. Eller, "Overview of Derivatives Disclosures by Major U.S. Banks," *Federal Reserve Bulletin*, vol. 81 (September 1995), pp. 817–31.

## Classes of Derivatives

Derivatives are contracts that derive their market values by reference to a physical commodity, another contract (such as a debt or equity instrument), or an interest rate or equity index (collectively referred to as "goods"). Some derivative contracts may be settled either by delivery of the contracted-for good or by the payment of cash, while others are settled only in cash. Derivative contracts make reference to a notional amount. The amount is "notional" because it is only an artifice for calculating the amount of cash due periodically. There are two basic classes of derivatives, forwards and options. Both types of instruments are used as a means of transferring, between the parties to the contract, risk associated with possible changes in prices.

### *Forward Contracts*

A forward contract is a bilateral agreement in which one party, the buyer, is obligated to purchase the contracted-for good and the second party, the seller, is obligated to sell the good to the buyer. At the inception of the forward contract, the quantity and grade of the good, the price to be paid, and the date and location of delivery are fixed. The price to be paid in the future under a new forward contract will be closely related to the good's current market price (its spot price), with adjustments to cover the costs of carrying an inventory of the good during the interim period, such as the costs of storage, insurance, and interest.

*Futures.* A futures contract is a type of forward that has standard commodity-unit and delivery terms and is traded on an organized exchange. A clearinghouse normally serves as counterparty to both the buyer and the seller. This arrangement reduces credit risk because the parties look to the clearinghouse for performance. Clearinghouses typically reduce their credit risk by requiring that the counterparties put up collateral and by marking to market frequently. Futures are available for agricultural products and other commodities, bonds and other interest-bearing instruments, equity interests, and foreign exchange.

*Forward Rate Agreements (FRAs).* An FRA is a forward contract between two parties seeking to fix a future interest rate. The parties agree on an interest rate for a specified period associated with a specified notional principal amount (though no commitment to lend or borrow that amount is made). The contract is settled in cash; the payment amount is equal to the product of the notional principal amount and the difference between a spot market rate and the contractual forward rate. If the spot rate on the maturity date is higher than the contracted rate, the seller pays the difference; if the spot rate is lower, the buyer pays the difference.

*Swap Contracts.* An interest rate swap can be viewed as a contract that bundles a series of forward rate agreements into a single instrument, with one FRA for each swap payment through maturity of the swap contract. In a simple interest rate swap, one party agrees to make fixed cash payments (equivalent to a fixed rate of interest based on a notional principal amount) and the other party agrees to make variable cash payments (equivalent to a floating-rate index such as the London Interbank Offered Rate, LIBOR). Besides interest rates, the structure of exchanging a fixed payment for a floating payment has been applied to such goods as foreign exchange, precious metals, and bulk commodities.

### *Option Contracts*

An option contract is a unilateral agreement in which one party, the option writer, is obligated to perform under the contract if the option holder exercises his or her option. The option holder pays a fee, or "premium," to the writer for this privilege. The option holder is under no obligation, however, and will exercise the option only when the exercise price is favorable relative to current market prices. If, on the one hand, prices move unfavorably for the option holder, the holder loses only the premium. If, on the other hand, prices move favorably for the option holder, the holder gains (a theoretically unlimited amount) at the expense of the option writer. In an option contract, the exercise (or "strike") price, the delivery date, and the quantity and quality of the commodity are fixed.

Options can be either *calls* or *puts.* A call option grants the holder of the contract the right to purchase a good from the option writer, while a put option grants the holder the right to sell the underlying good to the option writer.

*Interest rate caps and floors* can be viewed as a series of call options packaged into a single financial instrument in which the underlying good is an interest rate index. For example, a borrower arranges to borrow at a variable rate reset quarterly at LIBOR. He also purchases a 6.5 percent rate cap. If LIBOR rises to 9 percent, the borrower pays his creditor 9 percent and receives from the cap writer 2.5 percent (9 percent minus the 6.5 percent option exercise price). The borrower has effectively limited his interest expense to a maximum of 6.5 percent plus the premium paid for the interest rate cap.

Under a floor contract, the borrower writes an option in which he agrees to pay the difference between the strike price and the interest rate index specified in the contract. The premium received offsets a portion of the overall interest expense of the obligation; however, the debtor retains exposure to higher interest rates and forgoes the benefit of lower interest rates on his floating-rate obligation.

**Risks Associated with Derivatives**

The risks associated with derivative contracts are no different from those associated with other bank financial instruments. The major categories of risk are described here.

*Credit risk* is the possibility of loss from the failure of a counterparty to fully carry out its contractual obligations. The types of information about credit risk associated with derivatives that institutions might disclose include the following:

- Gross positive market value—the gross replacement cost of a contract, excluding the effects of any netting arrangements
- Current credit exposure—the fair value on a given date of contracts that are favorable to the holder (that is, are assets)
- Potential credit exposure—a statistical measure of the possible future value of contracts held today if prices or rates move favorably for the holder before the contracts mature
- Credit risk concentrations—indicators of diversification by geographic area or industry group
- Collateral and other credit enhancements that may reduce credit risk
- Counterparty credit quality, nonperforming contracts, and actual credit losses.

*Market risk* is the possibility that the value of a financial contract (or of a real asset, for that matter) will adversely change before the contract can be liquidated or offset with other positions. The value of these contracts may change because of changes in interest rates (interest rate risk), foreign exchange rates (foreign exchange rate risk), or commodity prices or other indexes.

For some larger institutions, disclosure of information about internal value-at-risk measures and methodology can help financial statement readers understand the institution's exposure to market risk. Using value-at-risk methods involves the assessment of potential losses in portfolio value resulting from adverse movements in market risk factors for a specified statistical confidence level over a defined holding period.

*Liquidity risk* has two broad types: market liquidity risk and funding risk. Market liquidity risk arises from the possibility that a position cannot be eliminated quickly either by liquidating it or by establishing offsetting positions. Funding risk arises from the possibility that a firm will be unable to meet the cash requirements of its contracts.

*Operational risk* is the possibility that losses may occur because of inadequate systems and controls, human error, or mismanagement.

*Legal risk* is the possibility of loss that arises when a contract cannot be enforced because of, for example, poor documentation, insufficient capacity or authority of the counterparty, or uncertain enforceability of the contract in a bankruptcy or insolvency proceeding.

This article follows up on the previous survey by reviewing the 1995 annual reports of the top ten banks that deal in derivatives. Although disclosure requirements did not change during the intervening period, banks nonetheless improved their reporting of derivatives activities in 1995 compared with 1994. In particular, they expanded their discussions of derivatives activities and provided more quantitative information. The vastly greater amount of information presented in the 1995 reports is especially evident when they are compared with the financial statements issued for 1992, in which banks typically disclosed little more than the total value of their trading assets and liabilities, their total trading profits, their overall net credit exposure across all counterparties, and the notional amounts of their derivative contracts.[3] Regulators and industry groups that have advocated fuller disclosure have clearly had significant influence in improving the overall quality of reporting about derivatives activities.

## *REVIEW OF 1995 ANNUAL REPORTS*

The institutions whose annual reports were surveyed for this article were the ten U.S. commercial banks having the greatest credit risk exposure from derivatives on December 31, 1995 (taking into account the effects of netting agreements) (table 1).[4] Nine of the

3. The notional amount is the face amount of a contract to which an interest rate, a price, or a rate of exchange is applied to determine the contractual cash payments or receipts. In general, the notional amount is not exchanged and does not reflect the risk of a transaction.

4. In this article, "bank" refers to a banking organization, comprising bank holding companies, their banking affiliates, and other subsidiaries that are consolidated for purposes of public financial reporting.

Credit risk exposure as of a particular date (current credit exposure) is a measure of the potential loss resulting from a hypothetical default by a counterparty. It is the fair value on the date of measurement of those contracts that are favorable to the bank (that is, those that are assets). If a legally enforceable bilateral netting agreement is in place, credit risk exposure is the net fair value of all contracts subject to the agreement. For example, if a bank has two contracts with a counterparty, one worth $10 and the other worth −$6, the bank's credit risk exposure is $10. If, however, the bank and its counterparty have agreed to net their contracts, the bank's credit risk exposure is $4

1. Ten U.S. commercial banks with the greatest exposure to credit risk from derivatives on December 31, 1995

Billions of dollars

| Institution | Credit risk exposure[1] | Total notional amount of derivatives outstanding |
|---|---|---|
| J.P. Morgan & Company | 33.6 | 3,403 |
| Chase Manhattan Corporation[2] | 28.0 | 4,728 |
| Citicorp | 19.4 | 2,301 |
| Bankers Trust New York Corporation | 12.1 | 1,742 |
| BankAmerica Corporation | 8.3 | 1,515 |
| First Chicago NBD Corporation | 7.3 | 801 |
| NationsBank Corporation | 3.3 | 1,006 |
| Republic New York Corporation | 3.0 | 268 |
| State Street Boston Corporation | .6 | 58 |
| Bank of New York | .6 | 56 |

1. Exposure taking into account the effects of legally enforceable bilateral netting agreements.

2. Pro forma combination for Chemical Banking Corporation and Chase Manhattan Corporation.

SOURCE. Publicly available regulatory reports filed by bank holding companies with the Federal Reserve

ten banks were also included in the survey of 1994 annual reports. Two of the 1994 banks, Chemical Banking Corporation and Chase Manhattan Corporation, merged in 1996 and published a combined annual report for year-end 1995. Moving into the group for 1995 was State Street Boston Corporation.[5]

These ten banks dominate the banking industry's share of the derivatives market: Collectively, they accounted for more than 95 percent of the derivatives held or issued by all U.S. banks at year-end 1995 in terms of notional amounts; they accounted for a similar share of the industry's trading portfolios in terms of fair value (table 2). Of the derivatives they held or had issued as of year-end, approximately two-thirds were interest rate contracts and one-third were foreign exchange contracts, with a small amount of equity and commodity exposures. The ten banks also accounted for nearly 90 percent of the profits from trading that were earned by all U.S. banks in 1995.

In their annual reports, banks disclose information about derivative instruments on a consolidated basis (that is, combining all legal entities that make up the enterprise). The information is usually presented in two main sections of the report:

($10 – $6). Note that the current credit exposure of the ten banks on December 31, 1995, was approximately 1 percent of the total notional amount of their outstanding derivative contracts (see table 1).

5. Also included in the tables in this article, to provide a baseline for assessing the extent of change, are data on disclosures in the 1993 annual reports of the top ten banks. The group of banks for that year was essentially the same as in 1994. Continental Bancorp, which was ranked in the top ten in 1993, was acquired by BankAmerica Corporation in 1994. It was replaced in the 1994 survey by Bank of New York, which had been eleventh in 1993.

- *Management's discussion and analysis* provides, in narrative form supported by tabular or graphical data, an analysis of the bank's financial condition and performance. As part of its analysis, management typically describes the bank's exposures to risk and its techniques for managing risk. This section is not usually audited by independent accountants.
- The *annual financial statement* presents statements of financial position, income, changes in stockholders' equity, and cash flow. The financial statement and any accompanying footnotes are typically audited by independent accountants.

This survey considered disclosures in both sections of the annual reports. The analysis was "binary," with coverage judged to be either present or not present, and the decision about whether or not a particular disclosure was present was in many instances subjective. Information on derivatives used for trading purposes was analyzed separately from information on derivatives intended for risk management or other end-user purposes. Because groups that set disclosure standards also recommend that firms report on their trading of nonderivative financial instruments and nonfinancial items (such as precious metals or other physical commodities), we

2. Derivatives positions and trading activity of the top ten banks and all U.S. banks, 1995

Billions of dollars

| Item | Top ten banks | All banks |
|---|---|---|
| | Notional amount of derivatives outstanding as of year-end | |
| TYPE OF DERIVATIVE INSTRUMENT | | |
| Interest rate contracts | 10,231 | 10,800 |
| Foreign exchange contracts | 5,286 | 5,366 |
| Equity, commodity, or other contracts | 361 | 361 |
| Total | 15,878 | 16,527 |
| | Fair value as of year-end | |
| POSITIONS IN TRADING PORTFOLIO | | |
| Trading assets | 255 | 275 |
| Derivatives | 95 | 100 |
| Trading liabilities | 159 | 169 |
| Derivatives | 97 | 102 |
| Total trading positions (absolute value) | 414 | 444 |
| Derivatives | 191 | 202 |
| | Trading profit from all sources for year | |
| TYPE OF RISK ASSUMED TO EARN PROFIT | | |
| Interest rate | 2.9 | 3.3 |
| Foreign exchange | 2.0 | 2.4 |
| Equity, commodity, or other | .8 | .8 |
| Total | 5.7 | 6.5 |

*SOURCE. Publicly available regulatory reports filed by bank holding companies with the Federal Reserve* also reviewed the reports for disclosures about those instruments. A look at the trading books of the ten banks gives some perspective on the extent of the use of derivatives as a trading vehicle: Derivatives accounted for less than half of the fair value of their trading assets and liabilities on December 31 (table 2). In this article, information for all trading account items is presented to give a more complete picture of trading.

## QUALITATIVE INFORMATION

Managers give qualitative information in the narrative portions of their annual reports in which they identify the risks presented by their business activities and their methods for measuring and controlling those risks. The depth of these narratives on risk has increased substantially over the past few years. The banks' 1993 reports typically had only limited discussions about trading and perfunctory information about derivatives. The 1994 reports had much richer disclosure on these topics. The overriding characteristics of the 1995 annual reports were refinement of methods of disclosure first used in 1994 and further diffusion of these methods among the top ten banks; for example, whereas a 1994 report might have discussed overall value at risk, the 1995 report broke down value at risk into its elements and discussed exposure to different kinds of risk.[6]

### *Discussion of Specific Risks*

Although nearly all of the banks described credit and market risk in 1994, the 1995 reports contained fuller, more coherent explanations of exposures to those risks (table 3). The 1995 reports as a rule broadened the approaches used in 1994 to frame discussions and analyses of other products (such as bonds) and other lines of business (such as selling foreign currency to customers or trading for the firm's own account as opposed to marketmaking). Also, the reports generally integrated discussions of derivatives into clearer discussions of identical risks inherent in traditional banking books; in contrast, disclosures about market and credit risk in some of the 1994 reports focused solely on derivatives. In 1995, as in earlier years, the depth of discussion was roughly commensurate with the importance of trading profits to the institution's overall income. For example, some banks earned more on deposit account service charges than they did from trading, and the limited level of disclosure about trading may have reflected that priority.

3. Number of top ten banks discussing their management objectives and the risks of derivatives in their annual reports, 1993–95

| Type of qualitative disclosure | Number of banks disclosing | | |
|---|---|---|---|
| | 1993 | 1994 | 1995 |
| DISCUSSION OF MANAGEMENT OBJECTIVES AND STRATEGIES | | | |
| For trading activities | 4 | 9 | 10 |
| For nontrading activities | 4 | 10 | 10 |
| DISCUSSION OF RISKS AND MANAGEMENT TECHNIQUES | | | |
| Placed in context with balance sheet risks | 7 | 10 | 10 |
| Credit risk | 6 | 9 | 10 |
| Market risk | 6 | 9 | 10 |
| Liquidity risk | 4 | 6 | 9 |
| Operating and legal risks | 1 | 3 | 3 |

Similarly, banks' discussions of funding liquidity risk at their institutions and their means of controlling it were generally more informative in 1995. Banks summarized their processes for identifying their funding requirements, their procedures for predicting cash needs, and contingency plans for unexpected cash demands. None of the banks, however, discussed the market liquidity of their financial instrument portfolios.

Disclosures of operating and legal risks were somewhat more detailed in 1995, but discussions of management techniques for controlling these risks remained rather shallow. This shallowness may reflect the difficulty of reliably quantifying these risks. However, it is noteworthy that the roots of some of the more notorious trading debacles in recent years can be traced to operating or legal problems; therefore, more discussion of these risks might have been appropriate.

Most of the ten banks described their processes for controlling the risks arising from trading and other business activities by identifying the management group responsible for setting trading policies and by describing the managerial functions responsible for ensuring compliance with those policies. The typical report gave an overview of risk management that sketched the bank's business objectives and its management philosophies (for example, by describing the extent to which its management responsibilities are centralized or diffuse). Most banks also briefly described the information systems and

6. Value at risk is a method of measuring risk by estimating potential losses in portfolio value that could result from adverse movements in market prices and other risk factors. The method is based on statistics in which a confidence level and a portfolio holding period are specified.

## Requirements and Recommendations for Public Disclosure

Although authorities that set accounting standards, regulators, and industry groups have long recognized that there are deficiencies in accounting practices for and disclosure of financial instruments in general, the growing use of derivatives has brought these deficiencies into sharp focus. The Financial Accounting Standards Board (FASB), the organization that sets accounting standards, in 1986 created a task force on financial instruments to address these deficiencies. After some study, the FASB decided that the accounting issues surrounding derivatives would be best addressed by first establishing minimum disclosure requirements and then devising consistent accounting methods. The FASB has so far published three statements of accounting standards (SFAS) affecting disclosures about derivatives and other financial instruments. Financial statements that conform to generally accepted accounting principles necessarily follow these standards.

SFAS 105, *Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk*, became effective with 1990 annual reports. It requires the disclosure of the basic contractual terms of certain derivative contracts and discussion of their market and credit risks. It also requires the disclosure of large concentrations in credit risk and, for certain derivative instruments, the disclosure of the loss the firm could incur if counterparties were to default on their obligations.

SFAS 107, *Disclosure about Fair Value of Financial Instruments*, requires the disclosure of the fair value of derivatives (as well as that of most traditional banking instruments). The standard first applied to 1992 annual reports; it was amended by SFAS 119 for the purpose of making fair value disclosures better organized and more understandable to readers of financial statements.

SFAS 119, *Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments*, became effective for 1994 annual reports. It requires firms to differentiate in their disclosures between derivatives used for trading purposes and those used for risk management or other "end-user" purposes.

- *Trading activities*. For derivatives used for trading, firms must report the fair value of their derivatives positions (both as of year-end and as an annual average) and must report their profits from the trading of derivatives separately; these trading profits may be reported as a total or may be broken down by, for example, line of business (such as sales of foreign currency) or exposure to market risk (such as interest rate or foreign exchange risk).

- *End-user activities*. Firms must explain their objectives in using derivatives for hedging or other risk-management purposes and must discuss their strategies for achieving those objectives. They must also indicate where in their financial statements end-user derivatives are presented and give certain details about derivatives used to hedge anticipated transactions (such as the amount of gains or losses that were deferred). The fair values of end-user derivatives must be disclosed separately from the fair values of items hedged by the derivatives. Encouraged but not required is the disclosure of quantitative information that managers use as a basis for controlling risk exposure.

### *Proposed Requirements*

Disclosures in the 1995 annual reports were influenced by requirements formally proposed in December 1995 by the Securities and Exchange Commission (SEC), the agency responsible for administering federal securities laws and for regulating accounting and disclosure by publicly traded companies. The SEC has delegated much of its authority for setting accounting standards for publicly traded companies to the Financial Accounting Standards Board, but it also occasionally issues supplemental guidance. The proposed amendments to current requirements focus on the disclosure of market risk. If adopted, they would become effective for 1996 annual reports.

The SEC proposal requires more detailed disclosure of quantitative and qualitative information about the market risks associated with derivatives. Quantitative information could be disclosed by means of (1) a table showing contract terms and other information, including fair value, expected cash flows, and effective rates and prices; (2) a sensitivity analysis of a hypothetical loss of earnings, fair values, or cash flows resulting from an arbitrary change in current interest rates, foreign exchange rates, or commodity or other prices; or (3) a statement of value at risk expressing the companywide (that is, in trading as well as in other lines of business) loss of fair values, earnings, or cash flows of market-risk-sensitive instruments that might arise from price movements of a given likelihood of occurrence over some time interval, with a separate estimate of value at risk for each type of market risk to which the firm is exposed. Also required would be the disclosure of limitations that might cause the quantitative information about market risk to not fully reflect the overall market risk to the company.

The SEC proposal also requires that companies disclose more detail than currently required by the FASB about their procedures for accounting for derivatives, including information about the accounting methods used, the types of derivatives to which each method was applied, and the criteria for choosing which method to apply.

### *Recommendations*

In the past two years, several industry groups and regulators, either individually or in association with other agencies, have called for additional disclosure of derivatives activities. These groups have generally stressed the advisory nature of their recommendations, in an effort to encour-

**Requirements and Recommendations for Public Disclosure—Continued**

age firms to develop better ways of informing readers of financial statements and of enhancing market discipline. Their recommendations, though nonbinding, appear to have influenced disclosures in the 1994 and 1995 annual reports.

Euro-currency Standing Committee

In 1994, a working group of the Euro-currency Standing Committee of the Group of Ten central banks (ECSC) recommended that firms disclose quantitative information about their market and credit risk exposures and their success at managing those risks, to provide a framework for their qualitative discussions. At a minimum, quantitative information about the market risk of the trading portfolio should be disclosed; also desirable is similar disclosure about the consolidated portfolio (that is, about derivatives and financial instruments relating to traditional banking activities as well as to trading). The information should reveal the portfolio's riskiness by indicating the volatility of its market value.

The ECSC also recommended that firms increase the transparency of their disclosures about credit risk. Suggestions include the reporting of current and potential credit exposure and the quantification of the variability of credit exposure over time. Reporting of actual credit losses, arrangements for collateral, and other credit enhancements were suggested to give an indication of the quality of the firm's risk-management practices.

Basle Supervisors Committee and
International Organisation of Securities Commissions

In November 1995, the Basle Supervisors Committee (BSC) and the International Organisation of Securities Commissions (IOSCO), international associations of national regulators, made several recommendations for the disclosure of more qualitative and quantitative information about trading and derivatives activities and their effect on credit risk and earnings. The groups agreed on using a common set of data provided by regulated enterprises to assess the use of derivatives by these enterprises. The recommendations were issued in connection with a survey of disclosures in the 1994 annual reports of seventy-nine large international banks and securities firms in the Group of Ten (G-10) countries. The 1994 and 1995 annual reports described in this article provided virtually all the data recommended by these groups.

*Other Information about Derivatives Available to the Public*

Regulators have long required that banking organizations report notional amounts and fair values of the derivative instruments they hold or have issued. Since 1995, the Federal Reserve and the other federal banking agencies, under the auspices of the Federal Financial Institutions Examination Council (FFIEC), have required that notional amounts and fair values be reported by risk exposure and management objective. Information about trading revenues and the effects of end-user derivatives on accrual-basis income has also been required since 1995, as has the past-due status of derivative contracts and actual credit losses. This information is available to the public. The information required in these regulatory reports appears to have influenced the disclosures made by the larger of the top ten banks in their 1995 annual reports.

management tools used to assess the results of their efforts to control risk.

## *Explanation of the Financial Presentation of Derivatives*

Under generally accepted accounting principles, firms have long been required to describe their accounting policies in general terms. More recently they have had to disclose their means of determining the fair value (sometimes called the fair market value) of many financial instruments they hold or issue. For derivatives, firms must describe not only the way they determine fair value but also the accounting methods under which they recognize income and expense and the legal techniques that underlie their presentation of net credit exposure in financial reports. In meeting these requirements, all ten banks discussed their reasons for using derivatives, identified where in the financial statement information about derivatives was presented, and explained how derivatives were accounted for (that is, by fair value or on an accrual basis; see box "Accounting for Derivative Contracts"). In general, their 1995 descriptions were better organized and more specific than those in earlier reports. The 1995 reports also provided much more detailed and more useful descriptions of the methods and assumptions used in valuing financial instruments that did not have observable market prices.

### *QUANTITATIVE INFORMATION*

Quantitative information illuminates management's discussion of the firm's financial performance. With respect to derivatives and trading, these data give

## Accounting for Derivative Contracts

Derivative instruments, like some other financial instruments such as traditional loan commitments, are executory contracts. That is, the two parties to the contract have made mutual promises but have not carried out all the obligations specified in the contract. Under generally accepted accounting principles, an executory contract is reported in a financial statement only after some economic performance (in what may be a series of requirements) has taken place—under a firm commitment to lend, for example, when funds are drawn. The commitment is "off balance sheet" until some performance occurs. When the cash disbursement is reported as a loan, the financial contract can be said to be "on balance sheet."

In keeping with this accounting principle for executory contracts, the accounting treatment of derivative instruments may reflect only the next required contractual performance during the period covered by the financial statement (such as the accrual of a cash receipt or disbursement characterized as income or expense). Under this procedure, an example of *accrual accounting*, even though a party to a derivative contract—an interest rate swap, for example—could be obligated to make a series of cash payments over a number of years if interest rates change adversely, these potential future obligations are not reflected on the balance sheet. Hence, the derivative contract is "off balance sheet," and its potential risks and rewards are obscure. Also, when derivative contracts are used as hedges, losses or gains on them may be deferred to match revenue from loans or interest expenses on deposits or other items being hedged. Future benefits or obligations associated with off-balance-sheet contracts, then, are not well captured in financial statements and therefore lack transparency.

Although executory contracts may not be recognized for accounting purposes, they nonetheless have economic value. For example, an interest rate swap entitling a firm to receive a fixed rate of 8 percent is more valuable than one entitling the firm to receive 7 percent, even though the comparative benefit does not appear on the balance sheet. In some financial reporting situations (such as in reporting trading activities), using economic value is more relevant than using accrual accounting conventions to represent derivatives. The accounting practice of estimating economic value, called *marking to market*, involves determining the fair value of the contract (by market quote, if available; otherwise through estimation techniques), recording that value on the balance sheet, and recognizing the change in value as a gain or a loss. When derivative contracts are marked to market, their fair value is reflected in accounting statements at a point in time (the balance sheet date) and their volatility is demonstrated through the change in fair value reported in earnings.

Accountants may disagree about which procedure—marking to market or accruing cash flows—more faithfully represents a particular transaction. However, they do agree that more thorough disclosure of the contractual terms of derivative contracts and discussion by management of their hedging programs and the results of those efforts improve the transparency of off-balance-sheet instruments.

readers of financial statements an indication of the levels of market and credit risk assumed by the bank and finer detail on the profit the organization earned by taking those risks.

### *Basic Information on Derivatives Positions*

The top ten banks continued in 1995 to disclose the general contractual terms of their derivative contracts (table 4). All ten reported the notional amounts of such contracts, in all cases distinguishing derivatives used in trading from those intended for other (so called end-user) purposes. Most of the ten provided details on their annual average and year-end trading positions, giving the dollar values of assets and liabilities in their trading portfolios disaggregated among the different classes of derivatives and other items therein. Some types of information published in 1994 appeared less frequently in 1995: gross positive and negative fair values of derivatives positions and, for interest rate contracts held for trading purposes at year-end, detailed schedules of interest rates and maturities.

### *Disclosures about Traded Derivatives*

Most of the ten banks gave more detail about their trading positions and trading revenues in 1995 than had been done in 1994. This enhancement follows a significant change in the 1994 reports: For that year, generally accepted accounting principles for the first time required that firms separate the fair values of derivative contracts in a gain position (assets) from those in a loss position (liabilities), under much more stringent rules for netting for accounting purposes.[7] These details were supplemented in 1995 with more information on the types of instruments, both deriva-

7. As a result of this accounting change, the assets and liabilities of one of the ten banks increased $14 billion. The change had no effect on income, however.

4. Number of top ten banks disclosing the general terms of their derivative contracts in their annual reports, 1993–95

| Type of quantitative disclosure | Number of banks disclosing | | |
|---|---|---|---|
| | 1993 | 1994 | 1995 |
| NOTIONAL AMOUNTS | | | |
| Dealer (trading account) positions | 5 | 9 | 10 |
| End-user (nontrading account) positions | 10 | 10 | 10 |
| Derivatives traded over the counter separated from those traded on an exchange | ... | 3 | 4 |
| *Maturity schedule* | | | |
| Dealer (trading account) positions | 1 | 6 | 2 |
| End-user (nontrading account) positions | 7 | 10 | 8 |
| Combined | 2 | 1 | 3 |
| *Contract rates* | | | |
| Receive or pay rates | 3 | 10 | 4 |
| Receive or pay notional amounts | 2 | 10 | 4 |
| FAIR VALUE DATA | | | |
| Gross positive fair value | 7 | 7 | 4 |
| Gross negative fair value | 0 | 6 | 4 |
| *Trading account* | | | |
| Trading assets separated from trading liabilities | 0 | 10 | 10 |
| Nonderivative instrument detail | | | |
| End-of-period fair value | 0 | 8 | 10 |
| Average-for-period fair value | 0 | 6 | 7 |
| Derivative instrument detail | | | |
| End-of-period fair value | 0 | 9 | 10 |
| Average-for-period fair value | 0 | 7 | 7 |
| *End-user positions* | | | |
| Overall fair value | 9 | 9 | 10 |
| By related asset or liability being hedged | 6 | 9 | 6 |
| By type of derivative contract | 2 | 6 | 4 |

tive and nonderivative, that made up the year-end fair value (and annual average fair value) of the trading portfolio.

## Credit risk

The state of disclosure about credit risk in 1995 compared with 1994 was mixed (table 5). As in 1994, all ten banks reported their current credit exposure taking into account the effects of bilateral netting agreements. However, additional information about credit risk exposure was generally lacking. Six banks showed how much their gross credit risk exposure on December 31 had been reduced through bilateral netting agreements. Of these six, three also quantified the potential credit exposure of their positions.[8] None of the banks gave a quantitative measure of the volatility during the year of their credit exposures resulting from their trading activities.

Reflecting a general shortcoming of annual financial statements—one that is not limited to the reporting of derivatives—the ten banks furnished only limited data on the credit quality of the financial instruments they held or their portfolios as a whole. Five banks disaggregated credit exposures for their derivatives portfolios according to whether or not the counterparty was investment grade (as rated by an outside agency or internally), but banks generally did not publish this information for loan or investment portfolios. Disclosure about geographic concentration was less common in 1995 than in 1994. The extent of disclosure of nonperforming contracts was unchanged: Six banks either quantified their actual credit losses and their derivative contracts for which payments were past due or explicitly stated that the amounts were immaterial. In most instances, losses were reported in the context of a discussion of losses incurred from traditional banking activities.

As a supplement to their disclosures of credit risk and capital adequacy, seven banks reported the risk-based-capital credit-equivalent amount of their off-balance-sheet contracts in describing their risk-weighted assets and risk-based capital ratios.[9]

8. Potential credit exposure is a measure of the probable loss to the bank if the contracts held on a certain date were to become more valuable before they mature because of favorable market price changes and then counterparties were to default.

9. The risk-based-capital credit-equivalent amount is a measure resulting from the conversion of off-balance-sheet contracts into an equivalent balance sheet asset. Regulatory calculations of risk-based-capital amounts and ratios are used by supervisors to assess capital adequacy.

5. Number of top ten banks disclosing in their annual reports data on credit risk relating to derivatives they trade, 1993–95

| Type of quantitative disclosure | Number of banks disclosing | | |
|---|---|---|---|
| | 1993 | 1994 | 1995 |
| Current credit exposure (net) | 10 | 10 | 10 |
| Reduction of exposure attributed to bilateral netting agreements | 7 | 7 | 6 |
| Potential credit exposure | 1 | 2 | 3 |
| Volatility of credit exposure | 0 | 0 | 0 |
| *Counterparty credit quality* | | | |
| By counterparty type (for example, bank, other corporation, government) | 4 | 4 | 1 |
| By internal or external credit rating of counterparty | 0 | 1 | 5 |
| *Concentration* | | | |
| Exposure by geographic area | 4 | 4 | 1 |
| Exposure by industry group or government entity | 4 | 6 | 5 |
| Collateral and other credit enhancements | 0 | 2 | 1 |
| Actual credit losses | 4 | 6 | 6 |
| Nonperforming contracts | 1 | 6 | 6 |
| Risk-based-capital credit equivalent for derivatives | 4 | 7 | 7 |

### Market risk

Most of the ten banks reported details of their measurements of market risk in their 1995 annual reports. Seven reported using value at risk as a means of assessing market risk and gave daily, monthly, or quarterly data. These seven gave varying amounts of detail on the assumed holding period, the high, low, and average value at risk, and portfolio performance versus management's intended limits on losses that could result from market risk exposure (table 6). One bank gave portfolio performance figures without giving details of management's limits on losses. Four reported both management's limits and actual trading profits and losses. The disclosure of numerical details on value at risk was a significant innovation in the 1994 reports and became more widespread in the 1995 reports. Indeed, inclusion of these details is the single most remarkable development in annual report disclosures over the past two years. In their 1993 reports, several institutions indicated that they relied on a value-at-risk method but did not disclose value-at-risk data, and in their 1992 reports they were largely silent about how they managed market risk and gave little or no measure of their market risk exposure.

Several banks included in their 1995 reports additional data on value at risk that reflected a recent proposal by the Securities and Exchange Commission regarding market risk disclosures (see box "Requirements and Recommendations"). These banks not only described the market risks of their trading portfolios in terms of value at risk but also published data on their exposure to specific kinds of market risk (for example, interest rate and foreign exchange) as well as a measure of how these risks interacted or correlated to reduce overall market exposure through diversification.

The larger dealers among the ten banks wove these quantitative details into their discussions of risk-management policies, giving some flavor of the dynamics of their risk-taking during the year by disclosing their actual trading portfolio results relative to their risk measurements and their risk-control objectives. Several banks used graphics to more fully convey information about their trading portfolios in general, about daily value at risk, and about daily changes in portfolio value.

6. Number of top ten banks disclosing in their annual reports data on the management of market risk relating to derivatives, 1993–95

| Type of quantitative disclosure | Number of banks disclosing | | |
|---|---|---|---|
| | 1993 | 1994 | 1995 |
| TRADING ACTIVITIES | | | |
| *Value-at-risk information* | | | |
| High and low value at risk for the year | 0 | 5 | 6 |
| Average daily value at risk | 0 | 7 | 5 |
| Daily change in value of portfolio | 0 | 4 | 7 |
| Average daily change in value of portfolio | 0 | 3 | 4 |
| Frequency of changes in portfolio value exceeding value-at-risk limit | 0 | 4 | 5 |
| Confidence interval used in value-at-risk analysis | 0 | 6 | 7 |
| Aggregation across risk factors | 0 | 0 | 4 |
| END-USER ACTIVITIES | | | |
| Effect of derivatives on duration[1] | 1 | 2 | 0 |
| Effect of derivatives on gap positions | 8 | 8 | 8 |
| Scenario analysis—Impact of rate shock | 3 | 5 | 6 |
| Value at risk for nontrading portfolio | 0 | 3 | 1 |

1. Duration is a method of measuring interest sensitivity that is based on financial instrument cash flows weighted by the time to receipt or payment.

### Liquidity risk

Quantitative information about liquidity risk was limited in the 1995 annual reports, as it was in the 1994 reports. The topic generally was addressed through discussion of overall institutional liquidity requirements and policies.

## *Disclosures about End-User Derivatives*

The most common disclosure about end-user derivatives was general information about positions: notional amounts, maturities, and fair values (table 4). The most prevalent means of conveying information about how derivatives were used to manage a bank's interest rate risk continued to be a gap position schedule (table 6).[10] All banks publishing a gap schedule cautioned that it represented only a point in time and did not capture option and other dynamic characteristics of the balance sheet. In several reports the gap schedule was supplemented either by a discussion of the effect of a hypothetical rate shock on capital or earnings or by a discussion of earnings-at-risk methods applied to nontrading portfolios. Publishing these alternatives to gap analysis was new in the 1994 reports and became more widespread in 1995. Most banks, in varying detail,

10. Gap analysis is a method used to estimate interest rate risk in which financial instruments are categorized by maturity in a series of time bands. Liabilities are subtracted from assets in each time interval, and the magnitude of the difference gives an indication of interest sensitivity. Banks can use derivatives to adjust their sensitivity to interest rate risk.

described whether the derivatives were linked to specific components of the balance sheet or were used to manage overall, or macro, exposures. Reflecting the expansion of value-at-risk methods to activities not related to trading, one bank furnished quantitative information on the value at risk related to its nontrading portfolios.

As a result of minor changes in generally accepted accounting principles, the 1994 annual reports contained clearer, more understandable information about the fair value of the financial instruments in the firms' portfolios. Firms were required to disclose the fair value of financial assets and liabilities carried at historical cost separately from the fair value of derivatives used to hedge these instruments. This approach makes it much more obvious whether an instrument was favorable (that is, an asset from which the bank could expect to receive cash) or unfavorable (a liability on which the bank probably would pay cash), given year-end prices or interest rates. The 1995 reports showed little change in how this information was presented.

### *Disclosures about Earnings*

For 1995, all ten banks disaggregated their trading revenues: Nine reported their results according to line of business or risk exposure with little differentiation between derivative and other instruments, and one reported about derivatives only (table 7). These numbers compare favorably with the 1994 reports,

7. Number of top ten banks disclosing data on income relating to derivatives in their annual reports, 1993–95

| Type of quantitative disclosure | Number of banks disclosing | | |
|---|---|---|---|
| | 1993 | 1994 | 1995 |
| INCOME FROM TRADING ACTIVITIES | | | |
| *Disaggregation of income* | | | |
| By risk exposure or line of business | 2 | 5 | 9 |
| By specific instrument (for example, interest rate swaps) | 8 | 7 | 1 |
| By derivative versus nonderivative instruments | 5 | 6 | 4 |
| INCOME RELATED TO END-USER ACTIVITIES | | | |
| Effect of derivatives on income from operations | 4 | 8 | 4 |
| Amount of deferred gains or losses | 6 | 5 | 3 |
| Amortization period for deferred gains or losses | 2 | 5 | 3 |
| Unrealized gains or losses on derivatives | 7 | 10 | 10 |

in which most banks gave only the minimum required information (that is, they reported only about derivatives). As a result, the 1995 reports gave a more complete picture of profits and risks from trading both derivative and nonderivative financial instruments.

In contrast, fewer banks gave details about the effects of end-user derivatives on accrual-basis accounting income and expense. Only four banks reported the effect on operating income of derivatives accounted for on an accrual basis, compared with eight in 1994. And only three banks disclosed gains or losses from end-user derivatives that had been deferred and provided details on when the deferrals would be reflected in future earnings, down from five in 1994. The absence of these details makes it somewhat more difficult to assess the accounting consequences of a bank's hedging activities (for example, whether income will decrease in future years when losses that had been deferred are recognized.)

## *CONCLUSION*

The detail and clarity of information about derivatives and trading published by the top ten U.S. dealer banks continues to improve. The banks that had the more innovative annual reports in 1994 also led the group in 1995, reporting more quantitative details on value at risk and the results of their trading activities. Also as was the case in 1994, the disclosures of those banks whose trading revenues make up a larger share of their income tended to be more informative about derivatives and trading. Institutions with larger traditional banking segments devoted more attention to those lines of business than to trading.

The experimentation in better approaches to disclosure that has been encouraged by standards setters and others is evident in the variety of methods used to present information about derivatives activities—and also in the discarding of some information that was provided in 1994. None of the reports can be singled out as the best; most of the banks had a novel approach to reporting on some aspect of their derivatives activities that was not used by the others. Disclosures about market risk have been greatly improved, but it appears to us that credit risk disclosures are lagging and need more depth. Further experimentation should be encouraged, as these private efforts have made significant strides in increasing the transparency of derivatives activities. □

# Treasury and Federal Reserve Foreign Exchange Operations

*This quarterly report describes Treasury and System foreign exchange operations for the period from April through June 1996. It was presented by Peter R. Fisher, Executive Vice President, Federal Reserve Bank of New York, and Manager for Foreign Operations, System Open Market Account. Daniel Katzive was primarily responsible for preparation of the report.*[1]

During the second quarter of 1996, the dollar traded in a relatively narrow range against the Japanese yen, fluctuating between ¥104 and ¥110. Against the mark, the dollar appreciated early in April, then proceeded to trade between DM 1.51 and DM 1.55 for the duration of the quarter. Throughout the period the dollar was supported by expectations of an increase in U.S. interest rates by the end of 1996. Meanwhile, evolving market views of the likely course of German and Japanese monetary policy contributed to fluctuations within the trading range. Over the quarter, the dollar appreciated 3.2 percent against the German mark, 2.2 percent against the Japanese yen, and 1.6 percent on a trade-weighted basis against other Group of Ten (G–10) currencies.[2] The U.S. monetary

1. The charts for the report are available on request from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. The dollar's movements on a trade-weighted basis against ten major currencies are measured using an index developed by staff of the Board of Governors of the Federal Reserve System.

1. Foreign exchange holdings of U.S. monetary authorities, based on current exchange rates

Millions of dollars

| Item | Balance, Mar. 31, 1996 | Quarterly changes in balances by source | | | | Balance, June 30, 1996 |
|---|---|---|---|---|---|---|
| | | Net purchases and sales[1] | Impact of sales[2] | Investment income | Currency valuation adjustments[3] | |
| **Federal Reserve** | | | | | | |
| Deutsche marks | 13,266.0 | 0 | 0 | 103.4 | –387.3 | 12,982.1 |
| Japanese yen | 6,636.6 | 0 | 0 | 4.0 | –143.3 | 6,497.3 |
| Interest receivables[6] | 75.7 | ... | ... | ... | ... | 74.0 |
| Other cash flow from investments[7] | 7.1 | ... | ... | ... | ... | .5 |
| **Total** | **19,985.4** | ... | ... | ... | ... | **19,553.9** |
| **U.S. Treasury Exchange Stabilization Fund** | | | | | | |
| Deutsche marks | 6,715.5 | 0 | 0 | 51.7 | –196.0 | 6,571.2 |
| Japanese yen | 9,730.5 | 0 | 0 | 6.1 | –213.3 | 9,523.3 |
| Mexican pesos[4] | 10,500.0 | –235.3 | 0 | 235.3 | 0[5] | 10,500.0 |
| Interest receivables[6] | 272.7 | ... | ... | ... | ... | 277.3 |
| Other cash flow from investments[7] | 7.5 | ... | ... | ... | ... | 4.4 |
| **Total** | **27,226.2** | ... | ... | ... | ... | **26,876.2** |

Note. Figures may not sum to totals because of rounding.

1. Purchases and sales include foreign currency sales and purchases related to official activity, swap drawings and repayments, and warehousing.

2. Calculated using marked-to-market exchange rates; represents the difference between the sale exchange rate and the most recent revaluation exchange rate. Realized profits and losses on sales of foreign currencies, computed as the difference between the historic cost-of-acquisition exchange rate and the sale exchange rate, are shown in table 2.

3. Foreign currency balances are marked to market monthly at month-end exchange rates.

4. See table 4 for a breakdown of Mexican swap activities. Note that the investment income on Mexican swaps is sold back to the Bank of Mexico.

5. Valuation adjustments on peso balances do not affect profit and loss because the effect is offset by the unwinding of the forward contract at the repayment date. Note that the ESF does not mark to market its peso holdings, but the Federal Reserve System does.

6. Interest receivables for the ESF are revalued at month-end exchange rates. Interest receivables for the Federal Reserve System are carried at cost and are not marked to market until interest is paid.

7. Cash flow differences from payment and collection of funds between quarters.

authorities did not undertake any intervention operations in the foreign exchange market during the quarter.

In June, the dollar became increasingly entrenched in tight ranges, pinned between DM 1.51 and DM 1.54 and between ¥107.60 and ¥110. After the first week of June, the dollar's Friday closing levels against the mark and yen never varied more than 1 percent from the preceding week's close. In this environment, implied volatility on dollar–mark and dollar–yen one-month options declined to levels seldom seen. The probability distribution of future exchange rates implied by one-month currency option prices became notably tighter during the second quarter, reflecting expectations of lower exchange rate volatility and market participants' greater willingness to bear the risks of selling options.

### *Support for the Dollar from Expectations of a Hike in U.S. Rates*

Throughout the quarter U.S. economic data releases led many market participants to anticipate a near-term Federal Reserve tightening. Most notably, nonfarm payroll reports for March and April provided evidence that the U.S. labor market remained strong. Initial reports (although later revised down) that first-quarter gross domestic product (GDP) had grown at a 2.8 percent year-on-year rate reinforced the perception of strength in the economy. Expectations of monetary tightening were reflected in forward rates, with three-month rates on December Eurodollar futures rising nearly 60 basis points from April 1 to mid-June.

The perception of underlying economic strength in the United States prompted dollar buying during episodes of dollar weakness, providing support for the dollar at the bottom of its trading range. In the last week of the second quarter, expectations of an imminent Federal Reserve tightening were sharply scaled back after several press and market research reports suggested that a change in policy in the near term was unlikely. The dollar had little reaction to these late developments, with foreign exchange market participants focusing instead on developments in Germany and Japan.

Shifting expectations about U.S. monetary policy caused sporadic disturbances in U.S. asset markets. Declines in U.S. stock and bond prices, which had weighed on the dollar in previous periods, did not significantly weaken the dollar during this quarter.

### *The Dollar Benefits against the Mark in April and May from Expectations of German Monetary Easing*

Early in the period, expectations of a further easing of money market rates by the German Bundesbank were supported by official policy actions. On April 18, the Bundesbank announced that it would cut its discount and Lombard rates, effectively lowering the range within which German money market rates fluctuate. Although the key repurchase rate remained fixed at 3.3 percent, the change in official rates spurred expectations that cuts in the repurchase rate would follow in subsequent weeks.

These perceptions were bolstered by weak economic data and by downward revisions of projections for 1996 growth made by several German economic institutes. Consumer price index data released in late April for western Germany confirmed that inflationary pressures remained subdued; together with Bundesbank officials' hints that scope for easing existed, this development appeared to reinforce the prospects of an ease.

In this environment the dollar broke above the trading range in which it had been contained for much of March. After decisively breaking DM 1.50 on April 11, the U.S. currency continued to appreciate, closing on May 28 at a high for the quarter of DM 1.5470.

### *Retreat of the Dollar in June from Its Highs against the Mark*

The Bundesbank did not, in fact, reduce money market rates during the second quarter, and the repurchase rate remained fixed at 3.3 percent. Anticipation of additional Bundesbank easing during the cycle had begun to fade by late May as indicators of improved business sentiment were released. Stronger-than-expected industrial orders and continued growth of M3—well above the 7 percent ceiling of the Bundesbank's target range in April and May—further dampened expectations. By mid-June, prices in German credit markets began to reflect an expectation of Bundesbank rate hikes by the autumn of 1996, and forward rate agreement (FRA) rates for three-month Euromark deposits three months out moved sharply higher than cash rates, after having traded in a range roughly equal to or lower than that of cash rates for most of the quarter.

Dissipating expectations of German monetary easing weighed on the dollar–mark exchange rate. The dollar's continued failure to break through DM 1.55

prompted market participants to scale back long dollar positions, and the U.S. currency retreated from its highs in May to close at a low for June of DM 1.5122 on June 18. Apparently capped at DM 1.55 but well supported above DM 1.51, the dollar proceeded to trade in a narrow corridor, and implied volatility on one-month dollar–mark options approached record lows. At the same time, although the dispersion of the probability distribution of the future dollar–mark exchange rate implied by currency options declined, it became increasingly skewed toward a weaker dollar.

### *Expectations of a Hike in Japanese Interest Rates Weigh on the Dollar–Yen Exchange Rate*

Early in the second quarter, the dollar fell against the yen as sentiment grew that the Bank of Japan's accommodative monetary policy stance could end as early as the later part of the quarter. This perception was supported by data released in April that suggested recovery in the retail, manufacturing, and housing sectors of the economy. Official comments also fueled interest rate anxieties. Market participants were particularly wary of April comments from Governor Matsushita, of the Bank of Japan, suggesting that rising rates were "natural" in a recovering economy and noting the link between Japan's easy money policies of the 1980s and the ensuing "bubble economy."

At the peak of these concerns and with December Euroyen futures contracts reflecting three-month rates nearly 90 basis points above cash rates, at the end of April the dollar traded to the bottom of its range for the quarter. The dollar briefly traded below ¥104, and dollar–yen one-month implied options volatility spiked to a high of 11.25 percent for the quarter. The dollar was supported at these levels by a market perception that the Japanese monetary authorities would not tolerate a weaker dollar because this might jeopardize Japan's economic recovery.

2. Net profits or losses (–) on U.S. Treasury and Federal Reserve foreign exchange operations, based on historical cost-of-acquisition exchange rates
Millions of dollars

| Period and item | Federal Reserve | U.S. Treasury Exchange Stabilization Fund |
|---|---|---|
| *Valuation profits and losses on outstanding assets and liabilities, Mar. 31, 1996* | | |
| Deutsche marks | 2,505.9 | 859.5 |
| Japanese yen | 1,487.9 | 2,188.9 |
| **Total** | **3,993.8** | **3,048.3** |
| *Realized profits and losses from foreign currency sales, Mar. 31, 1996–June 30, 1996* | | |
| Deutsche marks | .0 | .0 |
| Japanese yen | .0 | .0 |
| **Total** | **.0** | **.0** |
| *Valuation profits and losses on outstanding assets and liabilities, June 30, 1996*[1] | | |
| Deutsche marks | 2,118.7 | 663.5 |
| Japanese yen | 1,337.5 | 1,968.3 |
| **Total** | **3,456.1** | **2,631.7** |

Note. Figures may not sum to totals because of rounding.
1. Valuation profits or losses are not affected by peso holdings, which are canceled by forward contracts.

### *Recovery of the Dollar against the Yen*

By early June, anticipation of an imminent Japanese rate hike began to ebb. Analysts concluded that ongoing problems in Japan's financial sector and the absence of compelling evidence that Japan's economic recovery could sustain itself without fiscal stimulus precluded such a step. That perception became more prevalent on May 15 after Governor Matsushita said that Japan's recovery was not "self-sustaining." The Bank of Japan's *Tanken* survey, released on June 7, was somewhat stronger than expected but still too weak to alter these expectations. Forward rates declined in this environment, and the dollar recovered against the yen, appreciating from its early-May lows to trade above ¥109 in early June.

The June 18 announcement that Japan's annualized first-quarter GDP growth rate was 12.7 percent briefly revived speculation that a Bank of Japan tightening might be imminent, and the dollar traded off its highs to below ¥108 in tandem with a sell-off in Japanese credit markets. The dollar and Japanese bonds recovered, however, as market participants ultimately concluded that the strong GDP figure would not in itself prompt a rate hike.

In the final week of the quarter, remaining anticipation of a Bank of Japan tightening by summer's end subsided with the release of weaker-than-expected industrial production figures and reports that in May, unemployment had surged to a record high of 3.5 percent. December Euro–yen contracts ended the quarter reflecting three-month rates only 53 basis points above cash rates, and the dollar rose to close the quarter at a twenty-nine-month high of ¥109.65.

As in preceding quarters, Japan reported declining trade surpluses and sharp contractions of its trade surplus with the United States. These data releases provided support for the dollar throughout the period, although immediate reaction to individual data releases was muted. Data for March, April, and May indicated that, in each month the bilateral surplus had declined more than 30 percent from the previous year's level.

## *Weakening of the Mexican Peso amid Concerns about a Possible U.S. Rate Hike*

Through April and May, the Mexican peso traded against the dollar in a steady range between NP 7.40 and NP 7.55 despite a backup in U.S. bond yields. In June, growing concerns about a possible U.S. monetary tightening sparked a correction, pushing the peso out of its recent range to trade above NP 7.60 against the dollar.

Toward the end of the period, markets reacted positively to the Mexican authorities' announcement that in August they intended to repay a substantial portion of the $10.5 billion outstanding under the U.S. Treasury's Exchange Stabilization Fund (ESF) medium-term swap facility. This announcement came amid continued positive news on the Mexican economy. Waning expectations of an imminent Federal Reserve tightening in the final week of the quarter also benefited the peso, and the currency partially recovered, closing the quarter at NP 7.58.

3. Currency arrangements
Millions of dollars

| Institution | Amount of facility | Outstanding, June 30, 1996 |
|---|---|---|
| | Federal Reserve Reciprocal Currency Arrangements | |
| Austrian National Bank | 250 | 0 |
| National Bank of Belgium | 1,000 | |
| Bank of Canada | 2,000 | |
| National Bank of Denmark | 250 | |
| Bank of England | 3,000 | |
| Bank of France | 2,000 | |
| Deutsche Bundesbank | 6,000 | |
| Bank of Italy | 3,000 | |
| Bank of Japan | 5,000 | |
| Bank of Mexico[1] | 3,000 | |
| Netherlands Bank | 500 | |
| Bank of Norway | 250 | |
| Bank of Sweden | 300 | |
| Swiss National Bank | 4,000 | |
| *Bank for International Settlements* | | |
| Dollars against Swiss francs | 600 | |
| Dollars against other authorized European currencies | 1,250 | |
| **Total** | **32,400** | **0** |
| | U.S. Treasury Exchange Stabilization Fund Currency Arrangements | |
| Deutsche Bundesbank | 1,000 | 0 |
| Bank of Mexico[1] | | |
| Regular swaps | 3,000 | 0 |
| United Mexican States[1] | | |
| Medium-term swaps | ... | 10,500 |
| **Total[1]** | ... | **10,500** |

1. Facilities available to Mexico comprise short-term swaps between the Bank of Mexico and both the Federal Reserve and the ESF, as well as medium-term swaps and government guarantees between the government of Mexico and the ESF. The total amount available from both medium term swaps and government guarantees is $20 billion, less any outstanding drawings on the short term facilities.

## *Treasury and Federal Reserve Foreign Exchange Reserves*

The U.S. monetary authorities did not undertake any intervention operations this quarter. At the end of the quarter, the foreign currency reserve holdings of the Federal Reserve System and the ESF were valued at $19.5 billion and $16.1 billion, respectively, and consisted of German marks and Japanese yen.

The U.S. monetary authorities invest all their foreign currency balances in a variety of instruments that yield market-related rates of return and have a high degree of liquidity and credit quality. A significant portion of these balances is invested in German and Japanese government securities that are held directly or under repurchase agreement. As of June 30, outright holdings of government securities by U.S. monetary authorities totaled $4.6 billion and included investments in Japanese treasury bills and German government bonds.

Japanese and German government securities held under repurchase agreement are arranged either through transactions executed directly in the market or through agreements with official institutions. Government securities held under repurchase agreements by the U.S. monetary authorities totaled $12.3 billion at the end of the second quarter. Foreign currency reserves are also invested in deposits at the Bank for International Settlements and in facilities at other official institutions.

In addition, the ESF held $10.5 billion equivalent in nonmarketable Mexican government securities in connection with the ESF's medium-term swap arrangement. □

4. Drawings/rollovers and repayments (–) by Mexican monetary authorities
Millions of dollars

| Item | Outstanding, Mar. 31, 1996 | Apr. | May | June | Outstanding, June 30, 1996 |
|---|---|---|---|---|---|
| *Currency arrangements with the U.S. Treasury Exchange Stabilization Fund* | | | | | |
| Bank of Mexico | | | | | |
| Regular | 0 | 0 | 0 | 0 | 0 |
| Medium-term | 10,500 | 0 | 0 | 0 | 10,500 |

Note. Data are on a value date basis.

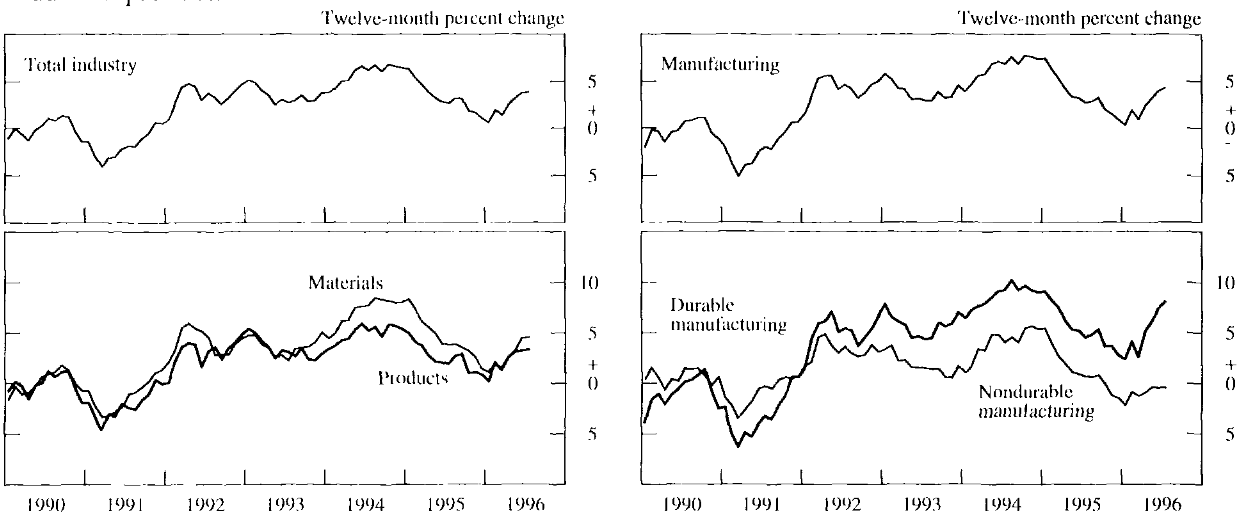
# Industrial Production and Capacity Utilization for July 1996

*Released for publication August 15*

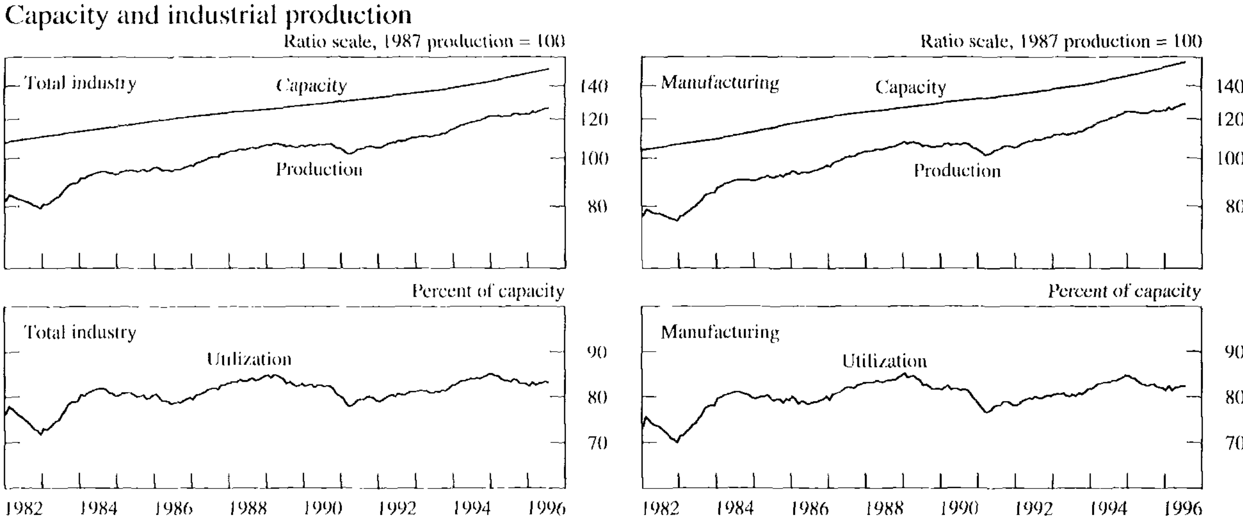
Industrial production edged up 0.1 percent in July after an upward revised gain of 0.6 percent in June. A 4.3 percent gain in the output of motor vehicles and parts was mostly offset by a 1.8 percent decrease in the output of utilities in July; output in other categories was unchanged, on balance. The gain in the production of motor vehicles and parts was led by an increase in car and truck assemblies to a seasonally adjusted annual rate of 13.4 million units; the decrease at utilities reflected cooler-than-normal weather on the East Coast. At 126.2 percent of its 1987 average, total industrial production in July was 3.8 percent higher than it was in July 1995. Industrial capacity utilization decreased 0.2 percentage point, to 83.2 percent.

When analyzed by market group, the data show that the production of consumer goods increased 0.3 percent because of the strength in the output of

Industrial production indexes




Capacity and industrial production




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

Industrial production and capacity utilization, July 1996

| Category | Industrial production, index, 1987 = 100 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1996 | | | | Percentage change | | | | |
| | | | | | 1996[1] | | | | July 1995 to July 1996 |
| | Apr.r | Mayr | Juner | Julyp | Apr.r | Mayr | Juner | Julyp | |
| **Total** | **124.5** | **125.2** | **126.0** | **126.2** | **.8** | **.5** | **.6** | **.1** | **3.8** |
| Previous estimate | 124.5 | 125.1 | 125.7 | . . | .7 | .5 | .5 | . . . | . . . |
| *Major market groups* | | | | | | | | | |
| Products, total[2] | 120.8 | 121.2 | 121.8 | 122.0 | .6 | .3 | .5 | .2 | 3.3 |
| Consumer goods | 115.9 | 116.1 | 116.1 | 116.5 | .5 | .2 | .0 | .3 | 1.6 |
| Business equipment | 166.3 | 166.2 | 168.5 | 169.3 | 2.2 | -.1 | 1.4 | .5 | 8.7 |
| Construction supplies | 109.2 | 110.4 | 112.8 | 112.8 | -2.1 | 1.1 | 2.2 | .0 | 5.2 |
| Materials | 130.3 | 131.4 | 132.5 | 132.6 | .9 | .8 | .8 | .1 | 4.5 |
| *Major industry groups* | | | | | | | | | |
| Manufacturing | 126.5 | 127.2 | 128.1 | 128.6 | 1.1 | .5 | .7 | .3 | 4.3 |
| Durable | 138.3 | 139.2 | 141.2 | 142.0 | 2.0 | .6 | 1.4 | .6 | 8.0 |
| Nondurable | 113.5 | 114.0 | 113.8 | 113.8 | .1 | .4 | .2 | .1 | .4 |
| Mining | 100.4 | 100.2 | 101.9 | 101.6 | .7 | .2 | 1.7 | -.3 | .8 |
| Utilities | 126.4 | 127.9 | 125.9 | 123.6 | -1.3 | 1.2 | 1.5 | -1.8 | .8 |
| | Capacity utilization, percent | | | | | | | | MEMO Capacity, percentage change, July 1995 to July 1996 |
| | Average, 1967–95 | Low, 1982 | High, 1988–89 | 1995 | 1996 | | | | |
| | | | | July | Apr.r | Mayr | Juner | Julyp | |
| **Total** | **82.1** | **71.8** | **84.9** | **83.3** | **83.0** | **83.2** | **83.4** | **83.2** | **3.9** |
| Previous estimate | . . | . . . | . . | . . . | 82.9 | 83.1 | 83.2 | . . . | . . . |
| Manufacturing | 81.4 | 70.0 | 85.2 | 82.4 | 81.9 | 82.0 | 82.3 | 82.3 | 4.4 |
| Advanced processing | 80.7 | 71.4 | 83.5 | 80.6 | 80.4 | 80.3 | 80.6 | 80.7 | 5.1 |
| Primary processing | 82.6 | 66.8 | 89.0 | 86.7 | 85.5 | 86.0 | 86.5 | 86.2 | 2.5 |
| Mining | 87.4 | 80.6 | 86.5 | 90.0 | 89.7 | 89.6 | 91.1 | 90.9 | 1 |
| Utilities | 86.9 | 76.2 | 92.6 | 90.8 | 92.7 | 93.7 | 92.2 | 90.3 | 1.3 |

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

automotive products. Production of other durable consumer goods edged down 0.1 percent, and output of nondurable consumer goods decreased 0.3 percent. Apart from a drop in the residential use of electricity, output of nondurables was little changed: Production gains in chemical and paper products were offset by declines in foods, tobacco, and fuels.

The output of business equipment increased 0.5 percent. The gain in motor vehicle assemblies boosted the output of transit equipment, but the production of other types of transit equipment was little changed. The output of industrial equipment declined 0.2 percent, its fifth consecutive monthly decrease. This string of declines is the most pronounced cumulative drop in this grouping since 1991. Despite a 1.7 percent rise in the production of computers and office equipment, the output of information processing equipment edged up only 0.2 percent; the production of some types of communications equipment and instruments fell. The output of construction supplies held steady after increasing substantially in the preceding two months; the production of goods in this grouping has risen 5.2 percent during the past twelve months.

The output of industrial materials edged up despite the drop in electricity generation. The output of durable goods materials advanced 0.4 percent, reflecting gains in computer parts and semiconductors. A rebound in paper and paperboard production helped the output of nondurable goods materials post a 0.2 percent increase.

When analyzed by industry group, the data show that manufacturing production increased 0.3 percent; excluding motor vehicles and parts, the gain was 0.1 percent. Although the output of durable goods advanced 0.6 percent, the gain was concentrated in electrical machinery and in office and computing equipment in addition to motor vehicles and parts. The production indexes for lumber, furniture, primary metals, instruments, miscellaneous manufactures, and stone, clay, and glass products declined ½ percent or more. The output of nondurable goods edged down 0.1 percent. Among nondurable goods, only the paper and products industry posted more than negligible gains; the output of food, tobacco, apparel, petroleum products, and leather and products fell ½ percent or more. Mining output decreased 0.3 percent.

The factory capacity utilization rate held steady at 82.3 percent. The operating rate for the advanced-processing grouping edged up 0.1 percentage point, to 80.7 percent, but the rate for the primary-processing grouping fell 0.3 percentage point, to 86.2 percent. Capacity utilization in manufacturing is little changed from its level a year ago. As was the case a year ago, the rate for advanced-processing industries stood at its 1967–95 average in July. The rate for primary-processing industries has slipped 0.5 percentage point since July 1995, but it remains 3.6 percentage points above its long-run average. The operating rate for mining decreased 0.2 percentage point in July, and the rate for utilities fell 1.9 percentage points; rates for both of these sectors remain more than 3 percentage points above their 1967–95 averages.

This release and the history for all series published here are available on the Internet at http://www.bog.frb.fed.us, the Board of Governors' World Wide Web site.

## *1996 Annual Revision*

*During the fourth quarter,* the Federal Reserve will publish revisions of its measures of industrial production (IP), capacity, capacity utilization, and industrial use of electric power; the current target month for the release is November. The revisions of IP, capacity, and capacity utilization will incorporate updated source data for recent years and will feature a change in the method of aggregating the indexes. From 1977 onward, the value-added proportions used to weight individual series will be updated annually rather than quinquennially. In addition, the IP indexes and the capacity measures will be rebased so that 1992 actual output equals 100. Capacity utilization, the ratio of IP to capacity, will be recomputed on the basis of revised IP and capacity measures.

The aggregate IP indexes will be constructed with a superlative index formula similar to that introduced by the Bureau of Economic Analysis as the featured measure of real output in its January 1996 comprehensive revision of the National Income and Product Accounts. At present, the aggregate IP indexes are computed as linked Laspeyres indexes, with the weights updated every five years. Because of the rapid fall in the relative price of computers and peripheral equipment, that periodic updating of weights is too infrequent to provide reliable estimates of current changes in output, capacity, and capacity utilization. With the publication of the revision, value-added proportions will be updated annually, and the new index number formula will be applied to all aggregates of IP, capacity, and gross value of product. For the most part, relative price movements among the 260 individual components of the IP index are likely to have little visible effect on total IP. However, the more frequent updating of the relative price of the output of the computer industry could lower overall IP growth in some years by as much as ½ percentage point; in other years, the updating of weights will have virtually no effect. Because the new index number formula will slow capacity growth as well as IP growth, the effect of the reaggregation on overall capacity utilization should be small.

The regular updating of source data for IP will include the introduction of annual data from the *1994 Annual Survey of Manufactures* and selected *1995 Current Industrial Reports* of the Bureau of the Census. Available annual data on mining for 1994 and 1995 from the Department of the Interior will also be introduced. Revisions to the monthly indicators for each industry (physical product data, production worker hour, or electric power usage) and revised seasonal factors will be incorporated back to 1992.

The statistics on the industrial use of electric power will be revised back to 1972. These revisions stem from three basic sources. First, the new figures incorporate more complete reports received from utilities for the past few years. Second, an updated panel of reporters on cogeneration will be fully integrated into our survey of electric power use. Third, the levels of the monthly electric power series for manufacturing industries will be benchmarked to indexes derived from data published in the Census Bureau's annual surveys and censuses of manufactures. These indexes will also be revised so that 1992 electric power usage equals 100.

More detail on the plans for this revision is available on the Internet at http://www.bog.frb.fed.us. Once the revision is published, the revised data will be available at that site and on diskettes from the Board of Governors of the Federal Reserve System, Publications Services, 202-452-3245. The revised data will also be available through the Economic Bulletin Board of the Department of Commerce, 202-482-1986. In addition to the data currently provided, the time series of implicit prices necessary for a user to aggregate IP and capacity under the new methodology will be provided by the Industrial Output Section, 202-452-3151. □

# Statements to the Congress

*Statement by Herbert A. Biern, Deputy Associate Director, Division of Banking Supervision and Regulation, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, July 17, 1996*

I am pleased to appear before the Committee on Banking, Housing, and Urban Affairs to discuss actions that the Federal Reserve has taken over the past several years to address the problem of "prime bank" financial instruments and related illegal financial schemes. The Federal Reserve has taken an active role in alerting the banking industry and the public about the illicit activities of individuals trying to peddle nonexistent financial instruments here in the United States and abroad, and we have worked closely with the law enforcement community to assist their efforts to investigate and prosecute these wrongdoers.

## *"Prime Bank" Schemes and Advisories*

In late 1993, Federal Reserve staff members were alerted by domestic and foreign banking organizations that their names were being used for apparently unlawful purposes in connection with the attempted sale of questionable financial instruments. We were also contacted by individuals who had been approached to purchase questionable, highly complex investment-type instruments.

The transactions that were brought to our attention involved notes, guarantees, letters of credit, debentures, or other seemingly legitimate types of financial instruments being issued by an unidentified "prime bank" or by a domestic or foreign banking organization that was said to be keeping the issuance of the instruments secret. The various proposals that involved "prime bank"-related financial instruments had similar characteristics:

1. The investor could realize extremely high rates of return on an instrument described as risk free.
2. The investor was buying a part of a large tranche of securities or financial instruments that was almost fully subscribed by other investors or was part of a "roll program" that automatically put the investor into an investor group of some sort.
3. The financial instrument that was being purchased was traded on a worldwide secret exchange.
4. The documentation related to a "prime bank" investment was extremely complex and difficult to comprehend.
5. A secure escrow account maintained at a "prime bank" or by an attorney would be used to hold the investors' funds, and payments into this account would be made by some sort of "key tested telex" message.
6. The financial instruments being issued were in formats purportedly approved by the International Chamber of Commerce or fully sanctioned by the Federal Reserve, the World Bank, or some other known international organization.

Some "prime bank" schemes appeared to be targeted to individuals and companies who needed loans. These potential borrowers were advised that their loans would be funded by a "prime bank" provided they paid a large, up-front fee to secure the funding. Board staff members believed that the proposed payment of unrealistic rates of return was indicative of a fraudulent scheme and contacted several banks to make sure that legitimate banking organizations were not referring to themselves as "prime banks" or using financial instruments that in any manner referred to "prime banks." Once assured that there was no legitimate use of the term "prime bank" or lawful use of a "prime bank" instrument, we drafted an interagency advisory on "prime bank" schemes and began to work through the Department of Justice's Interagency Bank Fraud Working Group to issue the pronouncement. Coordination efforts to address the problem were also initiated with some of the other twelve agencies participating in the Working Group, including the Securities and Exchange Commission (SEC), as well as with international law enforcement authorities, including Britain's Scotland Yard and Department of Trade and Industry.

On October 21, 1993, the Federal Reserve and the other federal banking agencies issued the first interagency advisory entitled "Warning Concerning 'Prime Bank' Notes, Guarantees, and Letters of Credit and Similar Financial Instruments." The advisory, which is attached to my prepared statement, informed banking organizations and the public that the Federal Reserve and the other regulators know of no legitimate use of any "prime bank"-related financial instrument.[1] The advisory also asked the public to contact agency representatives if approached to invest in a "prime bank" instrument or pay an advance fee to secure a loan funded by a "prime bank" note, letter of credit, or other type of questionable financial instrument. The banking agencies committed to refer cases of potential illegal conduct associated with supposed "prime bank" documents to a senior official in the Washington, D.C., office of the SEC and to the local offices of the Federal Bureau of Investigation because almost all "prime bank" schemes appeared to involve fraud, including securities fraud.

The advisory prompted numerous calls and letters about "prime bank" matters. Between late 1993 and mid-1995, hundreds of inquiries were received from individuals who had been solicited to purchase "prime bank" financial instruments, from investment advisers considering potential investments on behalf of clients, and from banking organizations that had received faxed solicitations. Calls and letters came from as far away as South Africa, Germany, Australia, France, and Singapore. The correspondents were highly suspicious of the proposed schemes, and many indicated they wanted to check with the government "to be sure" that their suspicions were justified. During this period, Board staff members assisted federal prosecutors in New Jersey, Oklahoma, Virginia, and in other districts to investigate and eventually convict individuals for "prime bank"-associated federal criminal law violations.

Calls and letters to the Federal Reserve regarding "prime bank" scams began to slow in late 1995 and early 1996 but, unfortunately, began again in recent months. The new inquiries have focused on the role of the Federal Reserve itself, with callers asking whether the Federal Reserve registers agents in certain European countries, licenses traders on secret "prime bank" exchanges, clears the transfers of "prime bank" securities, or oversees investment plans comprising "prime bank" instruments.

The Federal Reserve responded with a new advisory, released on June 11, 1996, to dispel any misconceptions that the Federal Reserve plays a role in "prime bank"-related investments. The recent advisory is also included with my statement.

## *THE EFFECT OF "PRIME BANK" SCHEMES*

The Federal Reserve is not aware that banking organizations supervised by the Board or any other federal banking agency have engaged, or otherwise knowingly participated, in any illegal "prime bank"-related conduct. We know of no domestic bank that has suffered losses from "investments" in "prime bank" financial instruments or from any other enterprise involving such instruments. Most "prime bank" scams entail multimillion dollar investments, and as such we are not aware of losses to individual, as opposed to institutional, investors. Some well-known organizations, however, have suffered large losses because of their investments in phony "prime bank" financial instruments.

In criminal matters involving "prime bank" schemes, U.S. Attorney's Offices have prosecuted and won cases under existing criminal statutes, and the SEC has been able to freeze accounts of wrongdoers and obtain other injunctive relief.

## *LEGISLATION*

The committee has asked the Federal Reserve to comment on the need for additional legislation addressing misconduct by fraudsters selling these instruments. The Board generally defers to the law enforcement community and to the securities regulators regarding legislative proposals such as S.1009, the "Financial Instruments Anti-Fraud Act of 1995" proposed by Senator D'Amato. It is our view, however, that continuing successful prosecution of these cases is crucial in sending a message to potential "prime bank" fraudsters. Thus, new statutory authority enhancing law enforcement's ability to prosecute wrongdoers may prove useful.

I am happy to address any questions you may have about the Federal Reserve's efforts to address the problems associated with these illegal financial schemes.

1. The attachment to this statement is available from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551.

*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, July 18, 1996*

Before I take this opportunity to discuss the performance of the U.S economy and the conduct of monetary policy, I would first like to thank the chairman and the other members of this committee for their support during my confirmation process.[1] I am grateful for the opportunity to serve the nation in this capacity for another term.

## *REVIEW OF THE FIRST HALF OF 1996*

Nineteen ninety-six has been a good year for the American economy. By all indications, spending and production were robust in the first half of this year. Gross domestic product increased at a 2¼ percent annual rate in the first quarter. Partial data suggest a significantly stronger increase in the second quarter, as the economy, as expected, accelerated out of its soft patch around the turn of the year. During the second quarter, industrial production rose at an annual rate of 5½ percent, and manufacturers are currently running their plant and equipment at utilization rates that are a touch above their postwar averages. About 1.4 million workers have been added to nonfarm payrolls in the first six months of the year, and the unemployment rate fell to 5.3 percent in June.

Even though the U.S. economy is using its productive resources intensively, inflation has remained quiescent. The core inflation rate, measured by the consumer price index less food and energy prices, at a 2.8 percent annual rate over the first six months of the year, is about ½ percentage point slower than the same period one year ago. While increases in energy prices have boosted the overall CPI inflation rate to 3.5 percent thus far in 1996, a partial reversal of the jump in petroleum product prices observed in the first half appears to be in train. I shall be discussing in greater detail later some possible reasons for this favorable inflation experience and offering some thoughts about how long it might last.

Economic activity thus far this year has turned out to be better than many analysts expected. An important supporting factor, as I pointed out in February, was favorable conditions in financial markets in the latter part of 1995 and early 1996. Intermediate- and longer-term interest rates were low. Among the influences accounting for this were optimism about prospective budget deficit reduction, small easings of the stance of monetary policy in the second half of 1995 and early 1996, and the possibility of a further moderation in credit demands owing to a potentially soft economy. Credit remained readily available, with banks and other lenders in financial markets generally pursuing credit opportunities aggressively. And a rising stock market reduced the cost of capital to businesses and bolstered household balance sheets.

Looking forward, there are a number of reasons to expect demands to moderate and economic activity to settle back toward a more sustainable pace in the months ahead.

First, the bond markets have taken a turn toward restraint this year as they have responded to incoming data depicting an economy that was stronger than had been anticipated. Intermediate- and longer-term interest rates have risen from 1 percentage point to 1¼ percentage points since January.

Second, the value of the dollar on foreign exchange markets has appreciated significantly on a trade-weighted basis against the currencies of other industrial countries over the past year or so. This appreciation importantly reflects the market perception that the U.S. economy has been performing better than those of many of our major trading partners. The rise in the dollar helps to keep down price pressures, but it also tends to divert domestic demand toward imported goods and damp exports some.

Third, the support to economic growth provided by expenditures on durable goods, both for household consumption and business fixed investment, is likely to wane in coming quarters. Consumer spending in the past few years has been boosted as households have made up for the purchases of big-ticket items that they had deferred during the recession and the early, weaker phase of the recovery. Five years after the business cycle trough, however, we should expect that this pent-up demand has been largely exhausted. Moreover, many households have built up sizable debt burdens in recent years, and coping with debt repayments could hold down their spending. The business sector has been adding considerably to capacity; opportunities to invest profitably in new capital should be increasing less rapidly as final demand slows some.

While these are all good reasons to anticipate that economic growth will moderate some, the timing and extent of that downshift are uncertain. We have not, as yet, seen much effect of the rise in interest rates on, for example, the housing market. In many other aspects, financial market conditions remain quite sup-

1. See "Monetary Policy Report to the Congress," in the August 1996 issue of the *Bulletin*, pp. 701–16.

portive to domestic spending, and the economies of many foreign countries are showing signs of achieving more solid growth, which should help support our export sales. Moreover, and perhaps of most relevance, a desire to build inventories could add significantly to production in the near term. Data available for 1996 through May show that inventories were reduced relative to sales and are now fairly lean in many important industries. Although the use of just-in-time inventory and production systems encourages purchasing managers to keep stocks lean, any evidence that deliveries of previously ordered goods are being delayed for extended periods would quickly alert companies to the need for higher safety stocks. Indeed, indications of some mounting delivery delays in June do raise warning flags in this regard. The reversal of earlier draw-downs in inventories, of course, could potentially impart an important boost to incomes and production as we enter the second half of the year. The economy is already producing at a high level—and some early signs of pressures on resources are emerging, especially in the labor market.

## *The Recent Behavior of Inflation*

There are, to be sure, legitimate questions about how much margin in resource utilization currently exists. Historically, current levels of slack, measured in terms of either the unemployment rate or capacity utilization, have often been associated with a gradual strengthening of price and wage pressures. Yet, the recent evidence of such pressures is scant. I have already noted the lack of a distinct trend in the growth rate of the so-called core CPI. Increases in more comprehensive, and perhaps more representative, chain-weighted measures of consumer prices, based on the national income and product accounts, actually have continued to edge lower. The same is true of a still broader measure of price change, the chain-weighted price index for gross domestic purchases, which covers both consumers and businesses. Although nominal wage rates have accelerated recently, the rate of increase has been lagging significantly behind that predicted on the basis of historical relationships with unemployment and past inflation. And domestic profit margins have held up far later into this economic expansion than is the norm.

Have we moved into a new environment where inflation imbalances no longer threaten the stability and growth of our economy in ways they once did? The simple answer, in our judgment, is no. But the issue is not a simple one.

As we have discussed before, powerful forces have evolved in the past few years to help contain inflationary tendencies. An ever-increasing share of our nation's work force uses the tools of new technologies. Microchips embodied in physical capital make it work more efficiently, and sophisticated software adds to intellectual capital. The consequent waves of improvements in production techniques have quickly altered the economic viability of individual firms and sometimes even entire industries, as well as the market value of workers' skills. With such fast and changeable currents, it is not surprising that workers may be less willing to test the waters of job change. Indeed, voluntary job leaving to seek other employment appears to be quite subdued despite evidence of a tight labor market. Because workers are more worried about their own job security and their marketability if forced to change jobs, they are apparently accepting smaller increases in their compensation at any given level of labor market tightness. Moreover, a growing share of all output competes in an increasingly global marketplace, allowing fixed costs to be spread over ever-broader markets, promoting greater specialization and efficiency and enhancing price competition.

As I indicated in February, these forces, to the extent that they are operative, exert a transitory, not permanent, effect in reducing wage and price inflation. These trends leave the *level* of both wages and prices lower than historical relationships would predict. But, at some point, greater job security will no longer be worth the further sacrifice of gains in real wages. The growth of wages will then again be more responsive to tightness of labor markets, potentially putting pressure on profit margins and ultimately prices. Moreover, the reductions in unit costs that are a consequence of the ever-expanding global reach of many companies must ultimately be bound by the limits of geography. To be sure, production and sales will continue to be diversified across geographic areas, but the world can only figuratively shrink so far. At some point, possibly well into the future, increasing returns from ever-greater globalization must also ebb.

Perhaps reflecting these unusual influences, we have yet to see early signs in prices themselves of intensifying pressures, despite anecdotal and statistical evidence that the amount of operating slack in our economy has been at low levels by historical standards for some time. Among the encouraging indicators, industrial commodity prices have remained roughly flat, and the list of reported shortages of materials has been exceptionally small. This pattern is consistent with the view that American businesses, by and large, have felt comfortable that inflation has been subdued, and it offers little evidence of the advance buying and expanded commitments that would come if businesses were expecting significant price pressures in the reasonably near future.

Nonetheless, there are early indications that this episode of favorable inflation developments, especially with regard to labor markets, may be drawing to a close. The surprising strength in the employment cost index for wages and salaries in the first quarter raises the possibility that workers' willingness to surrender wage gains for job security may be lessening. Wage data since March have been somewhat difficult to read. Average hourly earnings clearly accelerated in the second quarter. However, in looking at those figures, one must be mindful that they can reflect not only changes in wage rates but also shifts in the composition of employment. And in recent months, a significant part, although not all of the pickup, has been accounted for by a tendency for employment to shift to relatively high-pay industries, such as durable goods manufacturing. Whether such shifts also imply a correspondingly higher level of output per worker will determine whether unit labor costs also accelerated to impart upward pressures to price inflation. Increases in pay, of course, are not inflationary so long as they are matched by gains in productivity. Without question, we would applaud such trends, which increase standards of living. However, wage gains that increase unit costs and are eaten up by inflation help no one and ultimately place economic growth in jeopardy.

Clearly, in this environment, the Federal Reserve has had to become especially vigilant to incipient inflation pressures that could ultimately threaten the health of the expansion. The relatively good inflation performance of the past few years, as best we can judge, owes, in part, to transitional forces that are only temporarily damping the wage–price inflation process. We cannot be confident that we can ascertain when that process will come to an end. This makes policy responses more difficult than usual because, as always, the impact of policy will be felt with a significant lag. Of course, if the economy grows so strongly as to strain available resources, transitional forces notwithstanding, history persuasively indicates that imbalances will develop that will bring the expansion to a halt.

### *The FOMC's Outlook for the Remainder of 1996 and 1997*

The forecasts of the governors of the Federal Reserve Board and presidents of the Federal Reserve Banks for economic performance over the remainder of this year and the next reflect the view that sustainable economic growth is likely in store. The growth rate of real GDP is most commonly seen as between 2½ percent and 2¾ percent over the four quarters of 1996 and 1¾ percent to 2¼ percent in 1997. Given the strong performance of real GDP in the last two quarters, this outcome implies slower growth in the second half of this year. Nonetheless, for the remainder of this year and the next in these projections, the unemployment rate remains in the range of the past 1½ years. Inflation, as measured by the four-quarter percentage change in the consumer price index, is expected to be 3 percent to 3¼ percent in 1996. The governors and bank presidents, however, view the prospects for inflation to be more favorable going forward. The expected reversal of some of the recent run-up in energy prices would contribute to that result, but policymakers' forecasts also reflect their determination to hold the line on inflation. The central tendency of their inflation forecasts for 1997 is 2¾ to 3 percent, returning to the range from 1991 to 1995.

### *The Pursuit of Price Stability*

We at the Federal Reserve would welcome faster economic growth, provided that it were sustainable. As I emphasized last February, we do not have firm judgments on the specific level or growth rate of output that would engender economic strains. Instead, we respond to evidence that those strains themselves are developing. Whatever the long-run potential for sustainable growth, we believe that a necessary condition for achieving it is low inflation. As a consequence, the Federal Reserve remains committed to preventing a sustained pickup in inflation and ultimately achieving and preserving price stability.

Price stability is an appropriate and desirable goal for policy, not only because it allows financial markets and the economy to work most efficiently but also because it most likely raises productivity and living standards in the long run. Specifically, in an inflationary environment, business managers are distracted from their basic function of building profits through prudent investment and cost control. My own observation of business practices over the years suggests that the inability to pass cost increases through to higher prices provides a powerful incentive to firms to increase profit margins through innovation and greater efficiency, which boosts productivity and ultimately standards of living over time. Holding the line on inflation, thus, does not impose a speed limit on economic growth. On the contrary, it induces the private sector to focus more on efforts that yield faster long-term economic growth.

In this context, we can readily understand why financial markets welcome sustained low inflation. Uncertainty about future inflation raises the risks associated with investing for that future. Lowering that uncertainty by keeping inflation down diminishes those risks, so that all commitments concerning future income become more valuable. During periods of low inflation, stock and bond prices tend to reflect the higher valuation that comes from harnessing our physical plant more efficiently to provide improved opportunities in the future, including higher wages and profits. What investors fear, what all Americans should fear, are inflationary instabilities. They diminish our ability to provide the wherewithal for the standards of living of the next generation and the retirement incomes of our current work force. The interests of investors as expressed in bond and stock markets do not conflict with those of average Americans—they coincide.

In order to realize the benefits of low and declining inflation, Federal Reserve policy has, for some time now, been designed to act preemptively—as I indicated earlier—to look beyond current data readings and base action on its assessment of where the economy is headed. Policy restraint initiated in February 1994 followed from the judgment that unchanged policy would encourage subsequent inflationary imbalances that would ultimately cut short the economic expansion. The three easing steps in the past year were instituted when we anticipated that inflationary imbalances would be less threatening and that lower rates would be compatible with promoting sustainable economic expansion. Similarly, I am confident that the Federal Open Market Committee would move to tighten reserve market conditions should the weight of incoming evidence persuasively suggest an oncoming intensification of inflation pressures that would jeopardize the durability of the economic expansion.

## *The Ranges for the Debt and Monetary Aggregates*

The Committee selected provisional ranges for the monetary aggregates in 1997 that once again encompass the growth rates associated with conditions of approximate price stability, provided that these aggregates act in accord with their historical relationships with nominal income and interest rates. These ranges are identical to those endorsed for 1996—1 percent to 5 percent for M2 and 2 percent to 6 percent for M3. The Committee reaffirmed its range of 3 percent to 7 percent for the debt of the domestic nonfinancial sectors for this year and chose the same range provisionally for next year. The Committee's expectations for inflation and nominal GDP expansion in 1996 and 1997 suggest growth of the monetary aggregates at the upper ends of their benchmark ranges as a distinct possibility this year and next, though debt should be in the middle portion of its range.

The experience of the first part of the 1990s—when money growth diverged from historical relationships with income and interest rates—severely set back most analysts' confidence in the usefulness of M2. Recently, there have been tentative signs that the historical relationship linking the velocity of M2—or the ratio of nominal GDP to the money stock—to the cost of holding M2 assets has reasserted itself. For now, though, the Committee is satisfied with watching these developments carefully, waiting for more compelling evidence that M2 has some predictive content in forecasting current and prospective spending. Such evidence, however, at best will only accumulate gradually over time.

## *Budgetary Policy*

Monetary policy is, of course, only one factor shaping the macroeconomic environment. I thus would be remiss if I did not again emphasize the critical importance to our nation's economic welfare of continuing to reduce our federal budget deficit. We have made significant and welcome progress on this score in recent years. But unless further legislative steps are taken, that progress will be reversed. Inevitably, such changes will require addressing the consequences for entitlement spending of the anticipated shift in the nation's demographics in the first few decades of the next century. Lower budget deficits are the surest and most direct way to increase national saving. Higher national saving would help to lower real interest rates, spurring spending on capital goods so as to put cutting-edge technology in the hands of more American workers. With a greater volume of modern equipment at their disposal, American workers will be able to produce goods that compete even more effectively on world markets.

The rally in capital markets last year that trimmed as much as 2 percentage points from longer-term Treasury yields was almost surely, in part, a response to the developing positive dialogue on deficit reduction. While the backup in intermediate- and longer-term market interest rates this year has mostly reflected the unexpected vigor of economic activity, market participants must also have been struck by the dying out of serious discussions that might lead to a bipartisan agreement to eliminate the budget deficit over time.

*CONCLUSION*

Our economy is now in its sixth year of economic expansion. The staying power of the expansion has owed importantly to the initial small size and rapid correction of emerging imbalances, reflected in part in the persistence of low inflation.

To be sure, the economy is not free of problems. But as we address those problems, policymakers also need to recognize the limitations of our influence and the wellspring of our success. The good performance of the American economy in the most fundamental sense rests on the actions of millions of people, who have been given the scope to express themselves in free and open markets. In this, we are a model for the rest of the world, which has come to appreciate the power of market economies to provide for the public's long-term welfare.

*Chairman Greenspan presented identical testimony before the Subcommittee on Domestic and International Monetary Policy of the Committee on Banking and Financial Services, U.S. House of Representatives, July 23, 1996.*

*Statement by Janet L. Yellen, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions and Regulatory Relief, Committee on Banking, Housing, and Urban Affairs, U.S. Senate, July 24, 1996*

I am pleased to appear before this subcommittee today to discuss trends in consumer lending and the Federal Reserve Board's view of how recent developments in this sector are affecting U.S. commercial banks. As the subcommittee knows, consumer delinquencies on nonmortgage debt have increased in recent periods and are beginning to affect profit margins at some financial institutions. The Federal Reserve has been monitoring these conditions and discussing their implications with individual banking organizations and industry groups. However, given the generally strong financial condition of the institutions most affected by these developments and that of the U.S. banking system, we believe that these adverse trends do not currently present a material threat either to individual banking organizations or to the overall banking system.

In my remarks, I would like to begin with an overview of the economic developments that have caused the Federal Reserve to devote greater attention to consumer lending matters. I shall then turn to the emerging—and still well-contained—consequences that these developments are having on the banking organizations that are most affected and on the industry overall. Because current concerns are predominantly centered on revolving credit portfolios, I shall focus my comments on a discussion of credit card lending activities. Finally, I shall discuss the steps taken by the Federal Reserve throughout the past year to caution its examiners, state member banks, and bank holding companies about the risks inherent in weakening credit standards and to ensure that financial institutions are taking appropriate action to address emerging problems in consumer loan portfolios.

*ECONOMIC TRENDS*

Economic conditions in the United States have in recent years been favorable to growth in spending and borrowing by the household sector and to strong growth in consumer lending by U.S. banks. Just since early 1992, nonfarm payroll employment has increased nearly 11½ million, driving the U.S. unemployment rate to 5.3 percent in June of this year, its lowest level in six years. As one consequence, personal income has risen substantially. The dramatic rise in stock and bond prices in recent years has also produced sharp gains in wealth for some households.

During this same time period, rates and fees on consumer financing products have been coming down. Average credit card rates, which stood at about 18¼ percent in late 1991, declined to less than 15½ percent by May of this year. At the same time, annual fees on credit cards were dropped by many institutions. In addition, declining residential mortgage rates throughout most of this interval contributed to a significant reduction in monthly payments on such debts. While mortgage rates have recently backed up, the relatively low mortgage rates of the early 1990s precipitated a refinancing boom that allowed many consumers to significantly reduce their monthly mortgage obligations.

Combined, these generally favorable developments have given consumers the confidence and financial foundation to incur additional debt to finance major purchases. Nevertheless, some concerns remain about the increase in consumer debt. Aggregate statistics do not address conditions in individual households, an important consideration because the economic expansion has not affected all households equally. Further, while for some households the use of credit in making a purchase is simply a matter of convenience or a means of managing liquidity, for others borrowing may be a means of sustaining consumption through a period of household economic distress.

Nonmortgage consumer debt has grown at double-digit rates over the past two to three years. This rapid pace is not unusual for a period of economic expansion. Indeed, as the economy emerged from recession in 1991, growth in nonmortgage consumer debt was much slower than typical, reflecting sluggish spending on durable goods and lingering fears about long-term layoffs and other threats to job security. However, by 1994, consumer confidence had recovered considerably, and demand for autos and other durable goods had strengthened. Nonmortgage consumer debt grew about 15 percent that year and the next, but even this rapid pace remained below that of a decade earlier. Lower inflation in recent years can account for some of the difference.

Recently, revolving credit—primarily credit card debt—has been, by far, the fastest growing component of consumer debt, averaging annual increases of 20 percent over the past two years. However, that performance—rapid growth during an expansion—is also typical of the past two decades. The cumulative effect has been a dramatic rise in the relative importance of revolving credit. In 1977, when first reported separately to the Federal Reserve, revolving debt of U.S. consumers totaled $30 billion, or 14 percent of all consumer debt. In May of this year, the amount outstanding was $444 billion, or nearly 40 percent of the total. Surveys show that 80 percent of U.S. households now have at least one credit card.

A consequence of the increase in consumer borrowing of recent years is that debt-servicing requirements—that is, the amount of scheduled payments of principal and interest—have consumed a bigger share of disposable income. Our staff estimates that this ratio, which includes both mortgage and nonmortgage payments, peaked in late 1989 at about 17½ percent and then declined over the next four years to about 15½ percent in 1993, as households curtailed their borrowing and average interest rates on their debts fell. Since then, the ratio has risen to about 16¾ percent. This standard measure is based on aggregates that include households without debt and uses estimates of scheduled payments. The Survey of Consumer Finances, conducted periodically by the Federal Reserve, suggests that the median ratio of *actual* debt payments to pretax income of *debt-holders* was relatively constant from 1989 to 1995, as was the proportion of the debt-holders that had very high debt repayment to income ratios. What has tended to rise over time is the proportion of low-income households with an unusually high fraction of their income absorbed by debt repayments. Unfortunately, the latest data—which are still preliminary—are a year old.

To be sure, some of the increase in consumer debt is merely a reflection of the greater prevalence of convenience use of credit cards as a substitute for cash or check payment, with card balances paid in full each month. This trend has been reinforced in recent years by a variety of incentives, such as the availability of frequent flier miles. But—as our Survey of Consumer Finances suggests—there are also signs that some households have let their debts build up to the point where they may have difficulty servicing them: Loan delinquency rates and personal bankruptcies are both up.

Generally speaking, delinquency rates on nonmortgage consumer loans have been trending up for the past year, with some of the increase in delinquency rates merely the result of the "seasoning" of recently underwritten loans, a typical pattern. However, for credit cards, the widely followed statistics of the American Bankers Association show that the delinquency rate by *number* of accounts is historically high. The more comprehensive figures from the official bank Call Reports based on the *dollar* volumes of loan balances, however, show a much milder upturn in delinquencies—but still one warranting our attention.

## *Credit Card Lending by Commercial Banks*

These economic and market developments have had clear effects on banks. As a percentage of total bank loans, consumer debt (including mortgages) has been increasing steadily for some time—from 33 percent of total bank loans in 1980 to roughly 40 percent five years ago and about 44 percent today. This shift in asset allocation by banks reflects several factors, not the least of which is a declining market share of the credit extended to commercial customers. In part, it also reflects substantial growth in credit card debt. Since late 1991, credit card debt has risen about twice as fast as total loans. If one adds back estimates of the outstanding securitized credit card debt of banks, such credit has risen almost three times as fast as total loans at banks.

The industry's total increase in credit card loans has come about with the growing popularity of cards, supported by their aggressive marketing by some banks. Marketing campaigns typically involve broad-based, regional, or nationwide solicitations and often include pre-approved lines of credit based on the results of "credit scoring" models that statistically evaluate an individual's creditworthiness. In addition, banks' success in securitizing consumer debt instruments for resale in capital markets has increased both their willingness and their ability to make such loans.

Also encouraging more aggressive competition have been heavy investments in the technological infrastructure needed to evaluate, originate, and manage effectively such credits. Indeed, the major competitors have increasingly used special promotions offering reduced fees and rates to obtain market share and maximize the scale economies of their operations. Some have also been more willing to take on greater risk in the interest of increasing loan volumes. Such competitive zeal all too often attracts weak or otherwise marginal borrowers. The resultant adverse selection of credit risks has contributed to a decline in asset quality at some banks.

While these problems have eroded returns at individual institutions, a critical factor that continues to contribute to the emphasis on such lending has been the significant, overall long-term profitability of the credit card business. This is not irrelevant for a banking system whose largest institutions had been under earnings pressure through much of the 1980s because of their exposures to developing countries, energy sector borrowers, and commercial real estate markets.

One indication of the profitability of credit card lending can be seen in analyzing the so-called credit card banks (defined here to include banks with more than $1 billion in assets and with credit card balances comprising more than 50 percent of total assets). For various legal, tax, and operating reasons, most large banking organizations find it convenient to establish such banks, separate from their other operations, as a vehicle for booking most, if not all, of their credit card loans. These roughly thirty entities most recently reported an average return on assets of 2 percent, compared with 1.1 percent for all insured commercial banks. They also maintained average equity to asset and loan-loss reserve to total loan ratios well above industry averages.

The strong earnings profiles of the credit card banks, and their associated capital and reserve allocations, are reflections of the risks associated with this form of lending. Higher risk and higher return go hand in hand, and the higher capital and reserves associated with this form of credit are required to balance the risk. Put another way, lenders active in the credit card business are conscious of higher potential loss rates and expect returns that will fully absorb these losses and still provide an adequate profit margin. They are also aware of the necessity to take steps to assure that the variance in returns on these loans does not create significant solvency concerns for their organizations.

### *INCREASED INCIDENCE OF PERSONAL BANKRUPTCY*

On several occasions during the past year or so, various industry and professional groups have expressed concern about perceived weakening of credit standards within consumer lending, including the aggressive marketing of credit cards. At these meetings, some of the private sector participants have given anecdotal evidence of practices that they believe to be potentially harmful in the long run, either to financial institutions or to the consumer lending market in general. Similar, and still anecdotal, indications of declining standards and increased competition have been provided by various state banking delegations that periodically visit the Federal Reserve and other bank regulatory agencies.

One concern cited with increased frequency is a higher incidence of borrowers with substantial credit card debt declaring bankruptcy, without any previous record of missed or delinquent payments. Bankers often cite borrowers who have tens of thousands of dollars of outstanding loans on a number of credit card accounts with various financial institutions. Such borrowers may not always be readily detected by controls and monitoring procedures and could contribute to increased charge-offs at card issuers.

Several factors are said to be contributing to higher rates of personal bankruptcy, including greater social acceptability of the practice, changes in law that have made bankruptcy less onerous for individuals, and increased advertising by bankruptcy attorneys. Whatever the underlying causes, it is a reality that credit card issuers and others must address. Moreover, banks and nonbanks that issue credit cards and other consumer lines of credit should also consider the extent to which the trend is fueled by their willingness to lend to individuals whose credit history is dubious. One may not wish to foreclose the possibility of renewed credit access to those who have been forced by uncontrollable circumstances to seek the protection of bankruptcy, but it should be recognized that undue generosity on this score only encourages greater use of the bankruptcy remedy and consequent chargeoffs.

## *Supervisory Response*

In response to these and other indications that terms of credit and credit standards may have been declining, about a year ago the Federal Reserve issued an advisory letter to its examiners and supervised banking organizations cautioning them about the risk of weakening standards. This advisory also requested Federal Reserve examiners to discuss any questionable easing of standards with bank management, regardless of whether quantitative measures of problem loans had begun to increase.

Since March 1995, the Federal Reserve has also been conducting a quarterly survey of its most senior examiners to track their assessments of conditions in the banking market, including their assessments of any changes in lending terms and conditions for consumer loans. To supplement these surveys, regular discussions are conducted with bankers and supervisory officials at the Reserve Banks to ascertain their opinions on current lending conditions.

The Federal Reserve has also recently undertaken a number of initiatives to focus its examinations more tightly on the activities exposing financial institutions to significant risks and to heighten its emphasis on evaluating management processes to identify, measure, monitor, and control the risk of banking activities. We believe that these enhancements to our supervisory procedures will further improve our ability to detect nascent problems—such as those arising from the increased and more accommodating consumer lending of recent years—and will foster appropriate responses by bank management. Consistent with these initiatives, an inter-District task force of Federal Reserve examiners is currently conducting a comprehensive review of the retail credit and credit-scoring operations of several large bank holding companies.

Earlier this year, we also implemented procedures whereby examiners assign specific ratings to an institution's overall risk-management processes, including its internal controls. This requirement, we believe, further highlights the importance of sound management practices and should help to provide more specific feedback to senior management of the examined institution. In the context of consumer lending, such assessments generally address a banking organization's operating strategies for increasing market share, its goals, and the controls in place to maintain credit standards, including ongoing review of the credit strength of its loan portfolio. Examiners also typically evaluate the adequacy of the institution's information systems and the appropriateness of the information provided to directors and senior managers.

Recently, our supervisory activities, surveys of examiners, and discussions with bankers all have supported the view that banks are recognizing weaknesses in the consumer lending market and are actively adjusting their underwriting and monitoring procedures for these loans. Some banks have also increased their levels of reserves for these loans in recent months.

I should also note that in each of the two most recent Federal Reserve Senior Loan Officer Surveys, approximately one-quarter of the respondent banks, on net, had tightened underwriting standards for approving new credit card applications. More broadly, the proportion of respondents *less* willing to make consumer installment loans slightly exceeded the proportion that was *more* willing to lend, for the first time since 1991. Such a revisiting of current credit standards and practices seems well considered, given the length of the current period of economic expansion and the signs of weakness in some elements of consumer finances that we have seen.

## *Conclusion*

To sum up, the rapid growth in consumer lending by banks, particularly that involving credit card loans, reflects a natural evolution of banking activities toward the household sector and has generally enhanced consumer convenience and produced significant profits for banks. In recent years, this growth has been caused, in part, by aggressive solicitations of credit card customers by a relatively small number of large bank and nonbank organizations and by an active market for securitized credit card debt.

The recently emerging trend of higher delinquencies and personal bankruptcies has certainly increased the costs of making consumer credit card loans and is forcing some institutions to review and modify their marketing strategies and underwriting standards. It has also prompted the Federal Reserve to devote more attention to the monitoring of consumer loan exposures, both on and off bank balance sheets, and to the evaluation of risk-management practices, including internal controls, for these activities. Nevertheless, the industry's condition is strong when measured in terms of its profitability, capital ratios, loss reserves, and overall asset quality. Moreover, banks price and reserve for credit card loans with the expectation of occasional periods of relatively high rates of loss. Therefore, unless future conditions deteriorate dramatically, we believe that the industry is well positioned to absorb any problems resulting from the competitive consumer underwriting practices of the recent past.

*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, July 26, 1996*

I appreciate this opportunity to appear before the Banking Committee today to address certain recent reports on the Federal Reserve's operations. Of most relevance, the General Accounting Office (GAO) has raised some significant issues with respect to the management of the Federal Reserve System. Both the GAO and the Congress deserve our full response.

We are strongly committed to ensuring that the Federal Reserve System is managed efficiently and effectively. It is most important to us at the Federal Reserve Board and the Reserve Banks not only to run a "tight ship" but to foster the attitudes and processes that will ensure continuous improvement in the effectiveness of the Federal Reserve's operations. We recognize that spending nonappropriated funds places a special obligation on us to be particularly diligent in the use and application of those funds.

Accordingly, even though we may ultimately disagree with some of the specific suggestions of the GAO, we welcome all of them and their insights because they require us to rethink our positions and change them if appropriate. Certain GAO recommendations for review of specific aspects of our management clearly have merit, and reviews of a number of issues highlighted in the GAO's report are currently under way. These reviews may lead to changes in the Federal Reserve's administration that will further enhance our effectiveness.

It is most important for any organization, including the Federal Reserve, periodically to reassess its businesses and how they are carried out. Strategic planning is particularly critical given our rapidly changing environment in which technology is advancing at an extraordinary pace and the financial services industry is becoming ever more complex. It is essential that the Federal Reserve adapt to this changing environment with some foresight and as effectively as possible. To that end, in 1995 we formalized our strategic focus by establishing a System Strategic Planning Coordinating Group to assess how the Federal Reserve can most effectively meet its public policy objectives into the next century.

Our strategic focus is also reflected in recent significant changes that the Federal Reserve has made in the way it carries out its major responsibilities. For example, we have undertaken a major redesign and upgrade of our computer systems, communications networks, and critical software applications to improve reliability, respond more quickly to changing business requirements, and improve our disaster-recovery capabilities. We have placed an increasing reliance on automation to provide a more flexible approach to bank examinations—an approach that is risk-oriented, cost-effective, and sensitive to the burden placed on banks. We have also consolidated certain fiscal agency functions that we provide for the government in order to improve cost-effectiveness and quality, and a Reserve Bank policy committee has been established to coordinate the provision of Federal Reserve financial services.

In addition, the Federal Reserve already had under way several specific initiatives related to recommendations made by the GAO. For example, we recently engaged an independent accounting firm to audit and certify the combined financial statements of the Reserve Banks. The firm issued an unqualified opinion on the 1995 financial statements, as prepared in accordance with the financial accounting manual for the Reserve Banks. In addition, we are actively reviewing the appropriate infrastructure for providing certain financial services, taking into consideration both cost-efficiency and service quality. One difficult issue that has confronted, and will confront, the Federal Reserve Board in our oversight of the System is the appropriate degree of consolidation of various activities. Certain Systemwide activities do appear to be more cost-effective if consolidated. For example, we anticipate that the consolidation of our critical electronic payment applications will reduce our costs of providing these services. But it is also evident that the element of autonomy that is accorded to the Reserve Banks has created an environment within the Federal Reserve that attracts highly qualified staff who contribute importantly to the effectiveness and efficiency of the Federal Reserve System over the long run. The advantages of this environment must be balanced against the possible savings from consolidation.

### *FEDERAL RESERVE'S ROLE AS SERVICE PROVIDER*

Many of our resources are devoted to providing priced payment services. The Federal Reserve has played an integral role in the nation's payments system since the System's inception. Indeed, one of the Congress's original goals in establishing the Federal Reserve System was to improve the efficiency of check clearing. Before the passage of the Monetary Control Act (MCA) in 1980, the Federal Reserve provided payment services to its member banks; the banks paid for these services implicitly with non-interest-bearing reserves rather than through explicit fees. The MCA fundamentally changed the manner in which the Federal Reserve provided and received payment for these services.

Because the act expanded reserve requirements to all depository institutions, it also required that the Federal Reserve offer its payment services to all depository institutions. To offset the act's reduction in the level of required reserves, as well as to broaden and level the competitive market for interbank payment services, the Congress required us to price our services at full cost with a rate of return comparable to that of private firms. I believe that the increased competition resulting from the MCA requirements has benefited the payments system.

The GAO has recommended that we review our future role in providing payment services. We are in the process of conducting such a review in the context of our overall strategic plan. In general, we view our role as a payments service provider as crucial in carrying out our overall central bank mission. We believe it is important for the Federal Reserve to foster the integrity, efficiency, and accessibility of the U.S. dollar payments system, which in turn is important to maintain financial stability and maximize sustainable economic growth. The provision of services by the Federal Reserve has contributed directly to these goals. In addition, the knowledge and operational expertise we have gained as a service provider strengthens our efforts in containing systemic risks and is crucial in managing potential financial crises.

We regard the wholesale payments services we provide, such as Fedwire and net settlement, as essential central bank services and important in limiting payments system risk. Our role in providing these services probably will not change significantly as the marketplace evolves, although the nature of the services themselves might.

It is quite possible, if not likely, that as changes occur in the financial services marketplace over time, or owing to other considerations, our role in providing other services, such as check collection, may change as well. In this regard, we must be sensitive to the fact that, as the nation's central bank, we have an unsurpassable credit rating that must not be used to unfairly compete with private-sector providers. We are continually assessing our available means of achieving our payments system goals, including our regulatory authority and our role as a direct participant in the payments system, with our public service role always kept paramount. For example, the Federal Reserve has adopted regulations that have fostered competition and efficiency in the provision of check collection services, even though they resulted in a reduction in the Federal Reserve's direct participation in the check system. At the same time, the Federal Reserve has encouraged other efficiencies in the payments system through innovations in its service offerings. To the extent that we can achieve our payments system goals most effectively through our direct participation, our continued provision of these services will remain appropriate.

### *FEDERAL RESERVE COST-EFFECTIVENESS*

In considering the cost structure of the Federal Reserve, it is necessary to keep in mind the unique combination of responsibilities that have been assigned to this institution. The Federal Reserve is responsible for conducting monetary policy, supervising and regulating certain financial institutions, promoting the efficiency and integrity of the payments system, and providing fiscal agency services to the Treasury and other government agencies at their direction.

Different factors affect the cost structure of each of these functions. For example, priced services are subject to the inherent discipline of the marketplace, as the Federal Reserve must control costs in order to meet the statutory directives for cost recovery in the

Monetary Control Act. On the other hand, in providing depository and fiscal services to the Treasury, the Federal Reserve must respond to the instructions of the Treasury. We endeavor to carry out the Treasury's directives in a cost-effective manner but cannot refuse legitimate requests because of their effect on our costs or because they are inconsistent with other Federal Reserve plans. In the areas of monetary policy and financial institution supervision, there are fewer external constraints on our expenses. Here we must be particularly vigilant.

Given the critical nature of the Federal Reserve's responsibilities, particularly in the areas of monetary policy, financial stability, and financial institution supervision, our major initiatives must be judged not only in terms of cost but also in the context of risk management and the appropriate level of resources to be devoted to each function. For example, the Congress, in enacting the Foreign Bank Supervision Enhancement Act in 1991, clearly concluded that the additional costs of expanding the Federal Reserve's supervisory responsibilities for U.S. operations of foreign banks were justified by the greater financial stability and protection that the enhanced supervision would bring.

We focus our banking examination resources based on risk assessments, with the expectation that areas not covered extensively in the examinations will not become serious problems. Had we devoted more resources to Daiwa, and perhaps less elsewhere, would we have uncovered its wrongdoing at an early stage? We can't know for sure, but the odds would have been higher. But if we had had the foresight to divert these resources from other activities, would we have increased our risk exposure elsewhere?

As another example, the Federal Reserve's recent investment in a major upgrade of our computer systems and personnel to adapt our surveillance and payments technologies to the major changes that have occurred in private financial markets was also driven in large part to improve risk management. While the costs of these improvements were not trivial, they have enhanced our ability to ensure the smooth functioning of the financial markets, even during periods of financial or operational disruptions. To hold the risk of systemic crises to acceptably low levels in both U.S. markets and U.S. dollar markets abroad requires some redundancy of resources. Given the vast scale of the value of payment transactions that flow through our systems—our Fedwire volume alone averages almost $1.5 trillion a day—we believe that the benefits of this redundancy far exceed the associated incremental costs.

The risk-management decisions that we make concerning the way we provide payment services to depository institutions are tested directly in the marketplace. These services comprise more than one-third of the Federal Reserve Banks' total budget, and the Monetary Control Act requires that, over the long run, we price these services to recover their costs as well as costs that would be borne by private businesses, such as taxes and a return on equity. If we provide these services inefficiently, we price ourselves out of the market.

Over the past decade, our track record has been good. The Reserve Banks have recovered 101 percent of their total cost of providing priced services, including the targeted return on equity. I should also note that, by recovering not only our actual costs but also the imputed costs that a private firm would incur, the Federal Reserve's priced services have consistently contributed to the amount we have transferred to the Treasury. During the past decade, priced services revenue has exceeded operating costs by almost $1 billion.

Our fiscal agency services, which comprise another one-sixth of the Reserve Banks' total budget, are provided at the direction of the Treasury and other federal government agencies for whom we provide these services and whose reimbursements to us are made primarily with appropriated funds. Here our difficulty has been in obtaining full reimbursement over the years. We understand that, as part of its funding request for fiscal year 1997, the Treasury sought a permanent indefinite appropriation, similar to that in place for the Bureau of the Public Debt, for services provided to its Financial Management Service. The Federal Reserve and our fiscal principals continue to work closely to identify and implement initiatives that improve further the efficiency of these operations.

With respect to staff compensation and some other aspects of our infrastructure that are necessary to support our varied responsibilities, only indirect market criteria are available to judge the Federal Reserve's costs. For example, we try to set salary structures that can attract and retain the personnel with skills necessary to run the Federal Reserve System in a highly effective manner. To acquire and hold such personnel, we strive to provide salaries and benefits competitive with local private- and public-sector markets, tempered by the willingness of many professionals to accord a nonmonetary premium to Federal Reserve employment. Although the GAO report suggests that the Federal Reserve does not adequately review Federal Reserve employee salary and benefit levels to determine whether they continue to be justified, I can assure the committee that these costs are scrutinized regularly to ensure that they are appropriate.

We believe that the GAO's comparison of growth in Federal Reserve employee benefits with those of the federal government is incorrect. The problem is that although we accrue such benefits according to generally accepted accounting principles, the federal government does not. Were the federal government to use accrual accounting, presumably the comparisons would be straightforward. The federal government, however, employs an outmoded cash accounting system, which makes it difficult for us to reverse our accruals in a manner consistent with it. As best we can judge, when calculated on a comparable basis using federal government accounting principles, the cost of benefits per employee for the Federal Reserve and the federal government increased by approximately the same percentage during the 1988 to 1994 period—64 percent and 62 percent respectively. We believe the GAO significantly overstated the increase in Federal Reserve benefit costs by including the cost of future pension benefits related to Federal Reserve early retirement plans on an accrual basis without considering the associated future savings attributable to those programs. Each of the early retirement programs has a positive net present value, indicating a net cost savings from such plans. Including the present value cost of early retirement plans without considering the present value of cost savings skews any comparison of the increase in total benefits costs for the Federal Reserve and the federal government.

Applying peer analysis more broadly, during the 1988 to 1994 period reviewed by the GAO, the increase in Federal Reserve operating costs was slightly less than the 51 percent increase in federal discretionary nondefense spending, which has been subject to increasing congressional restraint in recent years. The GAO makes this as one of its comparisons. The Federal Reserve effectively contained its costs despite a significant expansion in its mandated responsibilities and expanded resources required to monitor and contain the financial market turmoil of that period. To also compare, however, as the GAO did in its report, the rate of our expense increases with that of *total* federal discretionary outlays, which are dominated by the major post–cold war retrenchment in defense, is clearly inappropriate. Moreover, with the significant expansion of our computer systems now close to completion and our adjustment to our expanded supervisory mandates reaching fruition, our costs during the past two years and those projected for the immediate future are definitely on a flattening trajectory.

More generally, we believe that the GAO is mistaken in its notion that the Federal Reserve does not regularly assess certain ongoing programs to determine whether they are reasonable and justified. In particular, we do not use a "current services" approach to develop the Board and Reserve Bank budgets. The significant reallocation of System resources among the various responsibility areas during recent years clearly demonstrates that this is not the case.

In summary, although the Board believes that much of the GAO's analysis and recommendations have merit, we take exception to the broad implication of the GAO report that the Federal Reserve has not exercised appropriate budget constraint and that it has not adequately addressed the changing technological and financial environment in which it operates. In my experience, the Federal Reserve is as well run an organization as any with which I have been associated, private or public, over the decades. Is there nonetheless room for improvement? Certainly. I am not aware of any complex organization for which this is not the case. In particular, the Board plans to review several specific areas highlighted by the GAO related to management of health care benefits, Reserve Bank procurement and contracting procedures, and Reserve Bank travel reimbursement policies.

### *THE FEDERAL RESERVE SURPLUS*

One area discussed in the GAO report—the elimination or reduction of the Federal Reserve's surplus—has received substantial, and often misleading, media coverage. I agree with the assessment of the Conference Report on the fiscal 1997 budget resolution on this matter. The report concluded that a transfer of the Federal Reserve's surplus to the Treasury would be a "gimmick" that "has no real economic impact on the deficit." While a transfer of Federal Reserve surplus would increase "unified receipts" (because the Federal Reserve, for technical reasons, is not included in the unified budget), it would nonetheless be an intragovernmental transfer that would not change the government's true economic and financial position with respect to the private sector.

The Federal Reserve holds government securities as the asset counterpart to its surplus, interest on which it returns to the Treasury. If the Federal Reserve decreased its surplus, it would do so by selling government securities and transferring the proceeds to the Treasury. Consequently, the Federal Reserve's future payments to the Treasury would decline permanently by the foregone amount of interest on the surplus funds transferred, exactly offsetting the Treasury's savings on gross interest payments.

The surplus is part of our capital account. In that context, I believe retention by the Federal Reserve of some level of surplus is desirable, but I acknowledge that the appropriate level of the Federal Reserve's surplus is debatable. We would welcome the opportunity to work with the Congress to review this issue.

## *OTHER RECENT INQUIRIES*

I would like to conclude my testimony by commenting on several recent inquiries into certain aspects of the Reserve Banks' operations—specifically, the management of our Interdistrict Transportation System (ITS) and cash statistical reporting problems experienced by the Los Angeles Branch of the Federal Reserve Bank of San Francisco.

Earlier this year, Representative Henry Gonzalez issued a report on the administration of the Federal Reserve's ITS network. The report asserts that the Federal Reserve may have violated the Monetary Control Act to the extent that it does not fully recover the costs of ITS through revenue attributable to its use. The GAO and the courts reviewed this issue in the mid-1980s and concluded that such cost recovery was *not* required by the act.

No integrated company in the private sector (such as one that provides check collection services) prices individual segments of its operation to achieve a uniform rate of return. Optimum profitability, that is, minimum consolidated costs, is enhanced through transfer pricing flexibility. Even aside from the imprecisions associated with allocating fixed costs, it would not make sense for us to separately recover the costs of each input to a service, such as transportation, data processing, or labor, as implied by Representative Gonzalez. Rather, *all* of the costs the Reserve Banks incur in providing check services to depository institutions, including ITS costs (which represent less than 5 percent of the costs of our check service), are recovered through fees for their various check products.

Representative Gonzalez's report also alleges that certain contracting practices used by the Boston Reserve Bank in managing ITS were improper and wasteful. Administration of ITS requires Federal Reserve management to make numerous, rapid, and complex business decisions every day, constantly balancing efforts to improve service, reduce float, and control operating costs. In hindsight, are there some decisions that should have been made differently? Almost surely. But from a broad perspective, ITS has been managed effectively in our judgment.

Finally, I would like to put in context the errors made by the Los Angeles Branch of the Federal Reserve Bank of San Francisco in reporting certain statistical cash information to the Federal Reserve Board. Unfortunately, the press coverage of this matter, in our judgment, has significantly overstated the problem.

First, these reports are used for informational purposes only. No taxpayer money has been lost. No key decisionmaking has been compromised. The errors have not affected the usefulness of the information derived from the Federal Reserve's financial statements, nor have they affected the Federal Reserve's calculation of the money supply, its conduct of monetary policy, or the amount of shipments of currency and coin to or from the Branch.

Second, although there were reports of mistakes amounting to $178 million, the errors changed the Branch's reported production volume by less than one-half of 1 percent. If the mistakes had not been discovered, at worst there would have been slight errors in forecasting future currency demand, which could have caused a slight increase to the Federal Reserve's order to the Treasury to print new currency. The cost of this higher currency print order would have been offset, however, by a lower print order in the following year.

Third, the Los Angeles Branch had identified the problems internally and was in the process of resolving them before Representative Gonzalez began his inquiry. The Los Angeles Branch is working diligently to ensure that all of the data used to prepare the cash statistical reports transmitted to the Board are accurate.

In closing, let me state that we appreciate the GAO's review in that it assists us in our ongoing evaluation of the Federal Reserve's structure and functions and our efforts to continually improve operations. As I noted, many recommendations are useful, and we are pursuing them. In my opinion, however, the general tenor of the report does not reflect the high level of effectiveness with which the Federal Reserve has fulfilled its mission. While, as is likely the case with any organization, the Federal Reserve has opportunities for further improvement, I believe these opportunities should be put in the context of our significant accomplishments. □

# Announcements

## *Nominations Sought for Appointments to the Consumer Advisory Council*

The Federal Reserve Board announced on July 2, 1996, that it is seeking nominations of qualified individuals for eight appointments to its Consumer Advisory Council.

The Consumer Advisory Council consists of thirty representatives of consumer and community interests and of the financial services industry. The council was established by the Congress in 1976, at the suggestion of the Board, to advise the Board on the exercise of its responsibilities under the Consumer Credit Protection Act and on other matters on which the Board seeks its advice. The council by law represents the interests both of consumers and of the financial community. The group meets in Washington, D.C., three times a year.

Eight new members will be selected to serve three-year terms that will begin in January 1997. The Board expects to announce the selection of new members by year-end 1996.

Nominations must be submitted in writing and should include information about nominees' past and present positions held and about their special knowledge, interests, or experience related to community reinvestment, consumer credit, or other consumer financial services.

Nominations must be received by August 31, 1996, and should be addressed to Dolores S. Smith, Associate Director, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

## *Regulation K: Final Rule*

The Federal Reserve Board announced on July 23, 1996, a final rule amending Regulation K (International Banking Operations) regarding the management of offshore offices by U.S. branches and agencies of foreign banks. The final rule was effective August 28, 1996.

The rule implements a provision of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 that amended the International Banking Act of 1978 by adding a new provision regarding the management of shell branches of foreign banks by such banks' U.S. offices.

The provision prohibits foreign banks from using their U.S. branches or agencies to manage types of activities through offshore offices that could not be managed by a U.S. bank at its foreign branches or subsidiaries. This prohibition applies with respect to those offshore offices that are "managed or controlled" by a foreign bank's U.S. branches or agencies.

## *Proposed Actions*

The Federal Reserve Board on July 11, 1996, extended the comment period from August 1 to September 6 on its proposal to amend Regulation E (Electronic Fund Transfers).

The Federal Reserve Board on July 31, 1996, requested comment on three proposals to modify the conditions under which section 20 subsidiaries of bank holding companies may underwrite and deal in securities.

The first proposal would increase the amount of revenue that a section 20 subsidiary may derive from underwriting and dealing in securities from 10 percent to 25 percent of its total revenue. Comments on this proposal were requested by September 30, 1996.

The second proposal would amend or eliminate three of the prudential limitations, or firewalls, imposed on the operations of the section 20 subsidiaries as listed below:

- The prohibition on director, officer, and employee interlocks between a section 20 subsidiary and its affiliated banks or thrift institutions (the interlocks restriction)
- The restriction on a bank or thrift institution acting as an agent for, or engaging in marketing activities on behalf of, an affiliated section 20 subsidiary (the cross-marketing restriction)
- The restriction on the purchase and sale of financial assets between a section 20 subsidiary and its affiliated bank or thrift institution (the financial assets restriction).

The third proposal would clarify, in an accounting change to the revenue limit, that the Board will not consider interest income earned on securities that a member bank could hold for its own account toward a section 20 subsidiary's revenue limit.

Comments on the second and third proposals were requested by September 3, 1996.

### *Availability of Revised Lists of Over-the-Counter Stocks and of Foreign Margin Stocks*

The Federal Reserve Board on July 26, 1996, published a revised list of over-the-counter stocks that are subject to its margin regulations (OTC list). Also published was a revised list of foreign equity securities (foreign list) that meet the margin criteria in Regulation T (Credit by Brokers and Dealers). The lists became effective August 12, 1996, and supersede the previous lists that were effective May 13, 1996. The next revision of the lists is scheduled to be effective November 1996. These lists are published for the information of lenders and the general public.

The changes that were made to the revised OTC list, which now contains 4,614 OTC stocks, are as follows:

- Two hundred eighty-two stocks have been included for the first time, 233 under National Market System (NMS) designation.
- Sixty-one stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing.
- Sixty-seven stocks have been removed for reasons such as listing on a national securities exchange or involvement in an acquisition.

The OTC list is composed of OTC stocks that have been determined by the Board to be subject to margin requirements in Regulations G (Securities Credit by Persons Other Than Banks, Brokers, or Dealers), T, and U (Credit by Banks for Purchasing or Carrying Margin Stocks). It includes OTC stocks qualifying under Board criteria and also includes all OTC stocks designated as NMS securities. Additional NMS securities may be added in the interim between quarterly Board publications; these securities are immediately marginable upon designation as NMS securities.

The foreign list specifies those foreign equity securities that are eligible for margin treatment at broker-dealers. The Board recently amended Regulation T, effective July 1, 1996, to provide that foreign stocks may be included on the foreign list either by meeting the existing Regulation T criteria for foreign securities or by being deemed to have a "ready market" for purposes of the net capital rule of the Securities and Exchange Commission (SEC). Since 1993, the SEC has effectively treated all stocks included in the Financial Times/Standard & Poor's Actuaries World Indices as having a "ready market" for capital purposes. The Board is therefore adding 1,261 foreign stocks currently included on the World Indices List that were not on the previous foreign list. The revised foreign list now contains 1,961 securities displayed by order of country. □

# Minutes of the Federal Open Market Committee Meeting Held on May 21, 1996

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D.C., on Tuesday, May 21, 1996, at 9:00 a.m.

*Present:*

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Boehne
Mr. Jordan
Mr. Kelley
Mr. Lindsey
Mr. McTeer
Ms. Phillips
Mr. Stern
Ms. Yellen

Messrs. Broaddus, Guynn, Moskow, and Parry, Alternate Members of the Federal Open Market Committee

Messrs. Hoenig and Melzer, and Ms. Minehan, Presidents of the Federal Reserve Banks of Kansas City, St. Louis, and Boston respectively

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

Messrs. Lang, Lindsey, Mishkin, Promisel, Rolnick, Rosenblum, Siegman, Simpson, and Stockton, Associate Economists

Mr. Fisher, Manager, System Open Market Account

Mr. Ettin, Deputy Director, Division of Research and Statistics, Board of Governors
Mr. Slifman, Associate Director, Division of Research and Statistics, Board of Governors
Mr. Madigan, Associate Director, Division of Monetary Affairs
Ms. Low, Open Market Secretariat Assistant, Division of Monetary Affairs, Board of Governors

Mr. Rives, First Vice President, Federal Reserve Bank of St. Louis
Mr. Beebe, Ms. Browne, Messrs. Davis, Dewald, Eisenbeis, Goodfriend, and Hunter, Senior Vice Presidents, Federal Reserve Banks of San Francisco, Boston, Kansas City, St. Louis, Atlanta, Richmond, and Chicago respectively
Mr. Altig, Mses. Chen and Rosenbaum, Vice Presidents, Federal Reserve Banks of Cleveland, New York, and Atlanta respectively

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on March 26, 1996, were approved.

The Manager of the System Open Market Account reported on developments in foreign exchange markets during the period March 26 through May 20, 1996. There were no open market transactions in foreign currencies for System account during this period, and thus no vote was required of the Committee.

The Manager also reported on developments in domestic financial markets and on System open market transactions in government securities and federal agency obligations during the period March 26 through May 20, 1996. By unanimous vote, the Committee ratified these transactions.

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

The information reviewed at this meeting suggested that economic activity had expanded moderately on balance in recent months. Final demand, which had been quite robust early in the year, was showing some signs of slowing in recent data. Consumer spending appeared to be growing at a moderate pace; business expenditures on durable equipment had registered further large gains, though new orders had flattened out; and housing demand seemed to be holding up well despite the increase in mortgage interest rates this year. Business inventories, most notably in the automotive industry, had been brought into better alignment with sales, and industrial production and employment had risen appreciably. Upward pressures on food and energy prices accounted for somewhat larger increases in consumer prices.

Nonfarm payroll employment was essentially unchanged in April after rising substantially in the first quarter; part of the slowdown resulted from an unwinding of special factors that had boosted job growth in the first quarter. Payrolls continued to expand in April in retail trade; finance, insurance, and real estate; and the services industries. In contrast, employment in construction fell sharply, reversing much of the large first-quarter gain. In manufacturing, employment declined further in April despite the settlement of a major strike in the automotive sector and the return of affected workers to their jobs. The civilian unemployment rate fell to 5.4 percent.

Industrial production rebounded in April from an appreciable decline in March. The changes in industrial output over the two-month period largely reflected fluctuations in motor vehicle assemblies associated with a strike and its subsequent settlement. Manufacturing of products other than motor vehicles rose moderately in April on the strength of further large advances in the output of office and computing equipment and of construction supplies. Utilization of total industrial capacity, which had varied in recent months in concert with movements in production, climbed in April to a rate slightly above that of the fourth quarter of 1995.

Retail sales declined somewhat in April after posting a strong gain in the first quarter. Sales of durable goods, which had increased substantially in the first quarter, retraced part of that advance in April; the drop more than offset a further rise in sales of nondurable goods. Housing activity was well sustained in April, with the run-up in mortgage rates that began in February having had little perceptible effect to date. Single-family housing starts were up considerably in April, and sales of new and existing homes remained brisk in March (latest data available).

Business fixed investment accelerated sharply in the first quarter of 1996 following three quarters of relatively moderate expansion; however, recent data on orders and contracts pointed, on balance, to some deceleration in business spending on both durable equipment and nonresidential structures. Much of the first-quarter pickup reflected stronger spending for durable equipment; purchases of computing equipment remained robust and spending on other durable equipment increased. Nonresidential construction activity also advanced further in the first quarter; however, construction of office buildings continued to lag, and construction of other commercial buildings slowed after recording strong gains for several years.

Business inventories declined in March after rising appreciably on average over January and February; inventory accumulation over the quarter as a whole was of modest proportions, as firms sought to bring stocks into better balance with sales. In manufacturing, inventories changed little in March and the ratio of stocks to sales was not far above historical lows. In the wholesale sector, inventories declined a little further in March, reflecting a reduction in stocks of motor vehicles, and the inventory–sales ratio remained near the middle of its range in recent years. Retail inventories also declined in March, with cuts in stocks of motor vehicles more than accounting for the drop. The inventory–sales ratio for the retail sector was near the low end of its range in recent years.

The nominal deficit on U.S. trade in goods and services in the first quarter was substantially larger than in the fourth quarter of last year. The value of imports increased sharply in the first quarter after declining in the two previous quarters. Moreover, growth in the value of exports slowed considerably in the first quarter from the pace of other recent quarters. Available data indicated that the performance of the economies of the major foreign industrial countries was mixed in the first quarter. The recovery in Japan was still under way while economic activity in continental Europe remained generally weak, with the German economy apparently having contracted further and the French economy exhibiting signs of only a modest upturn after a fourth-quarter decline. Moderate further expansion in economic activity evidently was occurring in Canada and the United Kingdom.

Rising crude oil and, to a lesser extent, food prices led to somewhat larger increases in consumer and producer price indexes in March and April. For nonfood, non-energy items, however, consumer prices rose only slightly in April after three months of somewhat faster advances; over the twelve months ended in April, this measure of consumer inflation increased a little less than the rise over the comparable year-earlier period. At the producer level, prices of finished goods other than food and energy items recorded a third straight small increase in April. Over the twelve months ended in April, this measure of producer prices rose slightly less than over the comparable year-earlier period. Hourly compensation of private industry workers expanded in the first quarter at the average rate for all of 1995; the growth was associated with a decline in benefit costs and a sharp rise in wages and salaries.

At its meeting on March 26, 1996, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions and that did not include a presumption about the likely direction of any adjustments to policy during the intermeeting period. The directive stated that in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly greater reserve restraint or slightly lesser reserve restraint would be acceptable during the intermeeting period. The reserve conditions associated with this directive were expected to be consistent with moderate growth in M2 and M3 over coming months.

Open market operations were directed toward maintaining the existing degree of pressure on reserve positions throughout the intermeeting period, and the federal funds rate averaged near 5¼ percent, the level expected to be associated with that unchanged policy stance. Other short-term market interest rates changed little over the period, and because the Committee's decision had been largely anticipated in financial markets, longer-term rates also were little changed initially. Over the remainder of the period, however, intermediate- and long-term rates came under upward pressure when incoming economic data were seen by market participants as pointing to stronger growth in output and employment and therefore to a somewhat tighter monetary policy stance than previously had been expected. Despite the increase in bond yields, most indexes of stock prices rose on balance over the intermeeting period, apparently reflecting generally favorable first-quarter earnings reports and the improved economic outlook.

In foreign exchange markets, the rise of U.S. interest rates contributed to a considerable appreciation of the trade-weighted value of the dollar in terms of the other G-10 currencies. The dollar was particularly strong against the German mark, reflecting incoming data that suggested continued weakness in economic activity in Germany and, accordingly, a greater likelihood of further monetary policy easing by the Bundesbank. The dollar rose less against the yen, partly owing to information indicating a strengthening of the economic recovery in Japan and heightened market expectations of a near-term tightening of monetary policy by the Bank of Japan.

Growth of M2 and M3 slowed substantially in April after having recorded sizable increases earlier in the year. Weakness in demand deposits after unusually rapid first-quarter expansion and sluggishness in currency demand were factors in the slowdown. In addition, the rise in market interest rates in recent months, which had increased the opportunity costs of holding retail deposits, likely had a restraining effect on these deposits. For the year through April, both aggregates grew at rates somewhat above the upper bounds of their respective ranges for the year. Expansion in total domestic nonfinancial debt remained moderate on balance over recent months, and this aggregate stayed near the middle of its monitoring range for the year.

The staff forecast prepared for this meeting suggested that the economy would remain generally around its estimated potential. Consumer spending was expected to grow in line with disposable income; the favorable effect of higher equity prices on household wealth and the still-ample availability of credit were expected to outweigh persisting consumer concerns about job security and the influence of already-high household debt burdens. Homebuilding was projected to decline a little in response to the recent backup in residential mortgage rates but to remain at a relatively high level because of generally supportive employment and income conditions and the still-favorable cash flow affordability of homeownership. Business spending on equipment and structures was expected to grow less rapidly in light of the projected moderate growth of sales and profits and the lower rate of utilization of production capacity now prevailing. The external sector was projected to exert a small restraining influence on economic activity over the projection period, even though an anticipated firming of economic activity abroad would bolster demand for U.S. exports. Little additional fiscal contraction was anticipated over the projection period. Inflation recently had been lifted by adverse developments in the energy market and was projected to remain above the levels of recent years, given the high level of resource utilization and the effects of tight grain supplies on food prices. Further risks of inflationary pressure were associated with a possible elevation of the federal minimum wage.

In their discussion of current and prospective economic conditions, members commented that the economy had been stronger this year than they had anticipated and appeared to be growing at a quite robust pace. However, they generally expected the expansion to slow, keeping the economy close to its potential. Views differed to some extent with regard to the risks surrounding such an outlook. Some saw those risks as fairly evenly balanced, given prospective restraint from the rise in bond yields and the foreign exchange value of the dollar since early this year. Others expressed concern that economic growth might continue at a pace that could increase pressures on resources, with adverse implications for inflation in an economy already operating in the neighborhood of its estimated long-term potential. Moreover, faster increases in energy and food prices could contribute to higher overall inflation, both directly and by boosting inflationary expectations, and the proposed increase in the minimum wage would add to cost pressures if it were enacted into law. Nonetheless, while the chances of a pickup in inflation later had risen to some extent, a number of members emphasized that no firm evidence had surfaced thus far to signal that labor compensation was increasing at a faster rate or that core inflation was worsening, and even the early signs of increased pressures on costs and prices were mixed. The past few years had witnessed significantly lower cost pressures and more subdued inflation than typically would have been experienced in earlier years with similar rates of resource utilization, but whether this favorable outcome would persist was an open question.

Members observed that the stronger-than-expected performance of the economy thus far this year reflected relatively rapid growth in final demand. Favorable financial conditions, notably the relatively low interest rates of the latter part of 1995 and early 1996 and increases in wealth stemming from sizable advances in stock market prices, evidently were undergirding the expansion. Indications of improving or continuing high levels of economic activity were widespread across the nation according to recent anecdotal reports and regional data, though agricultural conditions in many areas were cited as a significant exception. While the economy appeared to have solid and balanced momentum that pointed to sustained growth, a number of factors were seen as likely to foster more moderate expansion beginning in the second half of the year. These included the effects of higher intermediate- and long-term interest rates on interest-sensitive sectors of the economy such as housing, consumer durables, and business fixed investment. The appreciation of the dollar over the past year and near-term moderation in federal government spending also were expected to exert some restraint on economic activity over the forecast horizon. Some members also questioned the sustainability of the performance of the stock market; a correction in this market would help to restrain aggregate demand. Nonetheless, the continued strength in economic activity raised questions about whether these developments would damp demand sufficiently to keep resource utilization at sustainable levels.

In their review of recent developments and the outlook for key sectors of the economy, members noted that consumer spending had strengthened considerably this year after a period of sluggish growth in late 1995. The recent data on consumer spending were reinforced by anecdotal reports from various parts of the country. The wealth effects from the further gains that had occurred in stock market prices, along with sustained increases in employment and a ready availability of consumer financing, were seen as playing a positive role in boosting consumer expenditures. Barring changes in these underlying factors, continued growth in consumer spending seemed likely, although members referred to developments that could begin to slow such growth over the months ahead. The latter included the satisfaction of much of the earlier pent-up demand for consumer durables and fairly elevated levels of consumer debt. On balance, moderate expansion in consumer expenditures, perhaps in line with the growth in incomes, seemed likely over the projection period.

Business fixed investment was believed likely to remain a source of considerable strength in the expansion, though growth in this sector of the economy also was expected to moderate from the elevated pace thus far this year. The desire of many business firms and other users of capital equipment to take advantage of new, more effective, and less expensive computer and other technologies and more generally to add further to capital in an effort to reduce costs in highly competitive markets would continue to underpin investment spending. In addition, equity and other financing remained available on relatively attractive terms. On the other hand, the rise in business investment in recent years had brought capital stocks into more acceptable alignment with expected sales, damping the need for further sizable additions.

Business firms appeared to have completed, or nearly completed, their efforts to bring inventories into better balance with sales, including the rebuilding of motor vehicle stocks after the strike at a major manufacturer was settled in March. On the basis of recent experience, subdued growth in inventories could be anticipated in the context of the projected expansion of overall economic activity at a pace near the economy's long-run potential. It was suggested, however, that such an expectation implied relatively restrained inventory investment in comparison with past cyclical patterns. Accordingly, much stronger growth in such investment could occur, with concomitant effects on incomes and the growth of overall spending.

With regard to the outlook for housing, the rise in mortgage rates in the past few months could be expected to retard residential construction activity to some extent. Thus far, however, increased interest costs did not appear to have had any perceptible effects on housing sales or construction. Indeed, the housing sector was continuing to display a good deal of strength in many parts of the country. Some members observed that the appreciable momentum in housing activity reflected strength in the underlying fundamentals, including continued affordability, that seemed likely to sustain a high level of housing construction for a considerable period of time despite somewhat higher mortgage rates.

In the area of fiscal policy, legislative agreement had not yet been reached on how to implement the objective of a balanced federal budget over time, but decisions covering the nearer term implied continued budget restraint. On the foreign trade side of the economy, an anticipated firming of economic conditions abroad would provide impetus to real net exports. At the same time, however, imports were expected to rise appreciably in response to the expansion of domestic economic activity and the appreciation of the dollar, and on balance the external sector probably would not be boosting real GDP.

The outlook for inflation was of key importance to the formulation of monetary policy at this time, but it was clouded by substantial uncertainty. One source of uncertainty was the behavior of food and energy prices. Increases in these prices largely accounted for the more rapid rise in consumer prices thus far this year, and they likely would continue to add to inflation in the months ahead. Retail energy prices had risen appreciably, but at least some of that increase was expected to be reversed over the near term. Retail food prices did not yet display any significant effects from the sizable rise in grain prices in recent months, and while some effects on retail prices were likely, their extent and duration were difficult to gauge at this point. Moreover, it was difficult to anticipate how much the higher food and energy prices might affect inflation expectations and wage demands and thereby potentially become embedded more generally in the price structure.

Also of concern to the members were the possible effects on inflation of continued pressures on resources, especially if the current pace of the expansion should fail to moderate as much as projected. In recent years, the relationship between resource use and inflation had not followed earlier patterns. In particular, increases in labor compensation had been comparatively subdued over an extended period of what seemed to be relatively full employment highlighted by anecdotal reports of scarcities of various types of labor in numerous parts of the country. In part, worker willingness to accept comparatively limited increases in compensation could be attributed to the apparent rise in insecurity about the permanence of jobs or the availability of alternative jobs, but the reasons were not fully understood. From the standpoint of the inflation outlook, it therefore was uncertain how long the period of relatively restrained increases in labor compensation would last. Against this background, a number of members indicated that they perceived an appreciable risk of rising labor costs and related inflation, even though there was little evidence to date of such developments; others noted that they could not rule out the possibility that the favorable experience would be extended.

In the Committee's discussion of policy for the intermeeting period ahead, all the members supported a proposal to maintain an unchanged degree of pressure in reserve markets. The members agreed that the balance of risks on inflation had shifted substantially since early in the year. At that time, the economy had seemed sluggish and inflation was seen as possibly easing, but more recent developments indicated that the economy was stronger and rising inflation down the road could not be ruled out. Nonetheless, while policy might need to be firmed at some point to head off emerging inflation pressures, financial conditions were not so obviously stimulative as to counsel a need for any immediate tightening of policy. The real federal funds rate probably was not greatly out of line with its appropriate level, and the rise in longer-term interest rates and the exchange rate meant that financial conditions were now exerting more restraint than earlier this year. More information might provide a better sense of how the higher interest rates were affecting aggregate demand and perhaps also help—to a small degree—to shed light on the considerable uncertainties surrounding the relationship of output to inflation. In any event, actual inflation data—apart from food and energy prices—and many of the usual early warning signs of mounting price pressures did not yet indicate a pickup in the underlying trend of prices. Accordingly, the members viewed policy as appropriately positioned under current circumstances, though ongoing developments would need to be reassessed at the upcoming meeting in early July. Some members noted that the Committee would need to anticipate, and act to preclude, a rise in the core rate of inflation that, if it were to materialize, would be difficult and costly to reverse. In this regard, the view was expressed that a firming in policy sooner rather than later was likely to end up promoting stability in output and prices.

In the Committee's discussion of possible intermeeting adjustments to policy, all the members indicated at least some preference for retaining a symmetric directive. Members commented that the probability of developments during this period that would warrant a change in policy before the next meeting was quite low. Moreover, symmetry did not rule out an intermeeting adjustment, and the Chairman could call for a Committee consultation should the incoming information raise questions about the stance of monetary policy. Some members felt that it was especially appropriate that a policy action that represented a reversal of the previous move be made with a full discussion at a regular meeting. Some members also commented that an asymmetric directive toward restraint would imply a predisposition on the part of the Committee to tighten policy at some point, possibly at the next meeting. While they would be prepared to take such a step if the evidence warranted, their preference was to come into the July meeting without such a presumption.

At the conclusion of the Committee's discussion, all the members indicated a preference for a directive that called for maintaining the existing degree of pressure on reserve positions and that did not include a presumption about the likely direction of any adjustments to policy during the intermeeting period. Accordingly, in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, the Committee decided that slightly greater or slightly lesser reserve restraint would be acceptable during the intermeeting period. The reserve conditions contemplated at this meeting were expected to be consistent with moderate growth in M2 and M3 over coming months.

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

The information reviewed at this meeting suggests that, on balance, economic activity has grown moderately in recent months. Nonfarm payroll employment changed little in April after rising substantially in the first quarter; the civilian unemployment rate fell to 5.4 percent. Industrial production increased sharply in April, largely reflecting a rebound in motor vehicle assemblies after a strike in March. Retail sales declined somewhat in April after posting a strong gain in the first quarter. Single-family housing starts rose considerably in April. Orders and contracts point to some deceleration in spending on business equipment and nonresidential structures after a very rapid expansion in the first quarter. The nominal deficit on U.S. trade in goods and services widened significantly in the first quarter from its rate in the fourth quarter of last year. Upward pressures on food and energy prices have led to somewhat larger increases in the consumer price index over recent months.

Short-term market interest rates have changed little while long-term rates have risen somewhat further since the Committee meeting on March 26. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies has appreciated considerably over the intermeeting period.

Growth of M2 and M3 slowed substantially in April after recording sizable increases earlier in the year. For the year through April, both aggregates grew at rates somewhat above the upper bounds of their respective ranges for the year. Expansion in total domestic nonfinancial debt remained moderate on balance over recent months.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at its meeting in January established ranges for growth of M2 and M3 of 1 to 5 percent and 2 to 6 percent respectively, measured from the fourth quarter of 1995 to the fourth quarter of 1996. The monitoring range for growth of total domestic nonfinancial debt was set at 3 to 7 percent for the year. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly greater reserve restraint or slightly lesser reserve restraint would be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with moderate growth in M2 and M3 over coming months.

Votes for this action: Messrs. Greenspan, McDonough, Boehne, Jordan, Kelley, Lindsey, McTeer, Ms. Phillips, Mr. Stern, and Ms. Yellen. Votes against this action: None.

It was agreed that the next meeting of the Committee would be held on Tuesday–Wednesday, July 2–3, 1996.

The meeting adjourned at 1:15 p.m.

Donald L. Kohn
Secretary

# Legal Developments

## *Orders Issued Under Bank Holding Company Act*

### *Orders Issued Under Section 3 of the Bank Holding Company Act*

Banco Santander, S.A.
Madrid, Spain

*Order Approving the Acquisition of a Bank*

Banco Santander, S.A., Madrid, Spain ("Santander"), a foreign bank subject to the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire 99.2 percent of the voting shares of Banco Central Hispano Puerto Rico, Hato Rey, Puerto Rico ("BCH-PR").

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 19,626 (1996)). 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.

On the basis of all the facts of record, the application is approved for the reasons set forth in the Board's Statement, which will be released at a later date. The Board also has denied a request for a public hearing or meeting on this proposal. The Board's approval is specifically conditioned on compliance by Santander with all the commitments made in connection with this application. For purposes of this action, the commitments and conditions relied on by the Board in reaching its decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decisions and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective July 31, 1996.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Lindsey, Phillips, Yellen, and Meyer.

JENNIFER J. JOHNSON
*Deputy Secretary of the Board*

*Statement by the Board of Governors of the Federal Reserve System Regarding the Application by Banco Santander, S.A., to Acquire Banco Central Hispano Puerto Rico*

By Order dated July 31, 1996, the Board approved the application of Banco Santander, S.A., Madrid, Spain ("Santander"), a foreign bank subject to the Bank Holding Company Act ("BHC Act"), under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire 99.2 percent of the voting shares of Banco Central Hispano Puerto Rico, Hato Rey, Puerto Rico ("BCH-PR").[1] The Board hereby issues this Statement regarding its approval Order.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 19,626 (1996)). 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.

Santander, with total consolidated assets equivalent to approximately $136 billion, is the largest banking organization in Spain.[2] Santander is the second largest commercial banking organization in Puerto Rico, controlling total deposits of approximately $3.1 billion, representing 14 percent of total deposits in commercial banks in the Commonwealth.

BCH-PR is the fourth largest commercial banking organization in Puerto Rico, controlling deposits of approximately $1.7 billion, representing 7.6 percent of total deposits in commercial banks in the commonwealth. On consummation of the proposal, Santander would remain the second largest commercial banking organization in Puerto Rico, controlling deposits of approximately $4.8 billion, representing 21.6 percent of total deposits in commercial banks in the commonwealth.

1. Santander's subsidiary bank, Banco Santander Puerto Rico, San Juan, Puerto Rico ("BS-PR"), also proposes to purchase substantially all the assets and assume substantially all the liabilities of BCH-PR in a transaction subject to approval by the Federal Deposit Insurance Corporation ("FDIC") under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c) ("FDI Act")) (the "Bank Merger Act"). Immediately after this transaction, BCH-PR would be liquidated and all minority shareholders of BCH-PR would receive a *pro rata* distribution of proceeds from the purchase and assumption transaction.

2. Asset data are as of December 31, 1995. Deposit data are as of June 30, 1995.

*Competitive Considerations*

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

In evaluating the competitive effect of a proposed transaction, the Board must determine the appropriate product market and the relevant geographic market.[3] Based on all the facts of record, the Board concludes that the appropriate geographic markets for analyzing the combination of Santander and BHC-PR are the Aguadilla, Mayaguez, Ponce, and San Juan banking markets as defined in the Appendix.[4] In reaching this decision, the Board has, as in previous cases, considered the location of the relevant banks, worker commuting patterns (as indicated by census data), and other indicia of economic integration and the transmission of competitive forces among depository institutions.[5]

The traditional product market for analyzing the competitive effects of a bank acquisition or merger is the cluster of banking products and services approximated by market deposits.[6] Using this approach, consummation of this proposal would not have a significantly adverse effect on competition in any relevant banking market. In the Mayaguez and Ponce banking markets, the proposal would not exceed the threshold levels of market concentration as measured by the Herfindahl–Hirschman Index ("HHI") under the Department of Justice Merger Guidelines.[7] The thresholds would be exceeded in the San Juan and Aguadilla banking markets.[8]

The Board notes that HHI thresholds are only guidelines that are used by the Board, the Department of Justice, and the other banking agencies to help identify cases in which a more detailed competitive analysis is appropriate to ensure that the proposal would not have a significantly adverse effect on competition in any relevant banking market. A proposal that fails to pass the HHI market screen may nevertheless be approved because other information may indicate that the proposal would not have a significantly adverse effect on competition. In this case, the Department of Justice has reviewed the proposal and advised the Board that consummation of the proposal would not likely have any significantly adverse competitive effects in the San Juan and Aguadilla banking markets or in any other relevant banking markets. The Puerto Rico banking commissioner and the FDIC also have not objected to the proposal.

The Board believes that a number of factors mitigate the potential anticompetitive effects of the proposal in the San Juan and Aguadilla banking markets. Sixteen commercial banks and two thrifts (together, "depository institutions") would remain in the San Juan banking market, and six commercial banks would remain in the Aguadilla banking market following consummation of this proposal.

In addition, 55 savings and credit union cooperative societies ("cooperatives") compete in the San Juan banking market and six cooperatives compete in the Aguadilla banking market.[9] The Board has previously recognized that cooperatives are significant competitors of commercial banks in Puerto Rico.[10] Cooperatives are commonwealth-insured depository institutions that are unique to Puerto Rico. Although cooperatives are membership organizations, few impose membership restrictions, and cooperatives are authorized to provide a full range of products and

3. *Chemical Banking Corporation*, 82 *Federal Reserve Bulletin* 239, 241 (1996) ("*Chemical Order*"); *See United States v. Philadelphia National Bank*, 374 U.S. 321, 357 (1963). *United States v Phillipsburg National Bank*, 399 U.S. 350 (1969).

4. Based on the factors discussed below, which the Board believes are the appropriate delineators of the market, the relevant market is not the entire island of Puerto Rico, as argued by Santander, or small geographic areas, as argued by Inner City Press/Community on the Move ("Protestant").

5. For a detailed discussion of the methodology and commuting data used in defining the banking markets, *see* David Holdsworth, "Definition of Banking Markets in Puerto Rico," manuscript, Federal Reserve Bank of New York, February 1995. In defining the scope of the Aguadilla banking market, the Board has included the municipality of Rincon. Rincon is located approximately 13 miles from the city of Aguadilla and approximately 30 percent of its residents reported that they commute to the Aguadilla MSA or to the municipalities of Isabela and San Sebastian within the Aguadilla banking market.

6. *Chemical Banking Corporation*, 82 *Federal Reserve Bulletin* 239, 241 (1996) ("*Chemical Order*"); *See United States v. Philadelphia National Bank*, 374 U.S. 321, 357 (1963).

7. The HHI would increase for the Mayaguez banking market by 147 points to 2096 and for the Ponce banking market by 51 points to 2412. 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 above 1800 is considered to be highly concentrated. In such markets, the Department of Justice is likely to challenge a merger that increases the HHI by more than 50 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 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other nondepository financial entities.

Market share data are contained in the appendix and are as of June 30, 1995. These data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

8. The HHI would increase for the San Juan banking market by 231 points to 1896 and for the Aguadilla banking market by 253 points to 3001.

9. Cooperatives in the Aguadilla banking market control 31.7 percent of total deposits in insured depository organizations.

10. For a detailed discussion of the activities of cooperatives, incorporated herein by reference, *see BanPonce Corporation*, 77 *Federal Reserve Bulletin* 43, 45 (1991) ("*BanPonce Order*"). There are 180 cooperatives controlling approximately $2.2 billion in deposits, representing approximately 8.9 percent of deposits in depository institutions in Puerto Rico. All data for cooperatives are as of December 31, 1995.

services to nonmembers.[11] Cooperatives provide transaction accounts and are authorized to lend to both members and nonmembers for any purpose, including home purchases and improvements and business purposes. In addition, the Puerto Rico Inspector of Cooperatives is authorized to grant broad lending authority, and cooperatives were recently authorized by statute to make small business loans to individuals.[12] If cooperatives are factored into the calculation of the market indexes, the proposal does not exceed the thresholds in the Department of Justice Merger Guidelines in the San Juan or Aguadilla banking markets.[13]

The Board has considered Protestant's contention that consummation of this proposal would have a significantly adverse effect on competition for small business loans in areas of Puerto Rico. Based on an analysis of the record, the Board concludes that this proposal would not have a significantly adverse effect on small business lending even if that product were analyzed apart from the cluster of banking products and services. Available data indicate that, upon consummation of this transaction, the HHI for small business lending in San Juan would increase by 440 points to 3095. However, the effect of the proposal on small business lending would be significantly mitigated by a number of factors. A large U.S. bank holding company with a substantial branch network in Puerto Rico has recently entered the market for small business lending and has already rapidly increased its share of small business lending. In 1994, several large thrift institutions headquartered in Puerto Rico converted to commercial banks and also entered the market for small business loans. In addition, cooperatives are authorized to make small business loans to individuals and provide a meaningful amount of small business credit. Moreover, there are a large number of other commercial banks in the relevant markets with significant capacity, as measured by deposits, that could be used to make small business loans.

11. Deposits in cooperatives are insured to a maximum of $50,000 per person under the Shares and Deposits Insurance Program, an agency of the commonwealth. *See* P.R. Stat. Ann. tit. 7, § 1151(b).

12. The record indicates that cooperatives were a significant source of small business credit even before the legislation was enacted because many personal loans were used to purchase or repair equipment and provide working capital.

13. Protestant contends that deposits in cooperatives should be weighted at 25 percent, and Santander contends that these deposits should be weighted at 100 percent. The Board has not weighted cooperatives at 100 percent because of their limited ability to make medium- and large-sized commercial loans. Based on the asset composition of cooperatives, the Board believes that cooperatives are at least as significant as thrift institutions as competitors of commercial banks, and should be weighted at 50 percent. If deposits of cooperatives are weighted at 50 percent, the HHI would increase for the San Juan banking market by 215 points to 1761, and for the Aguadilla banking market by 167 points to 2212. If deposits of cooperatives are weighted at 25 percent, the HHI would increase for the San Juan banking market by 223 points to 1831, and for the Aguadilla banking market by 203 points to 2429.

*Other Factors Under the BHC Act*

The BHC Act also requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved, the convenience and needs of the community to be served, and certain other supervisory factors.

## A. Supervisory Factors

The Board previously has determined that Santander is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor.[14] The Board also has carefully considered the financial and managerial resources and future prospects of Santander, BS-PR, BCH-PR, and BCH-PR's parent company, Banco Central Hispanoamericano, S.A., Madrid, Spain ("Banco Central"), as well as other supervisory factors in light of all the facts of record.[15] These facts include supervisory reports of examination assessing the financial and managerial resources of the organizations and confidential managerial and financial information provided by Santander.[16] Based on these and all other facts of record, the Board concludes that all the supervisory factors under the BHC Act, including financial and managerial resources, weigh in favor of approving this proposal.[17]

14. *See First Fidelity Bancorporation and Banco Santander, S.A.*, 79 *Federal Reserve Bulletin* 622 (1993). The Board has determined that Santander has provided adequate assurances of access to information necessary to determine compliance with U.S. law.

15. Protestant maintains that Santander has violated the terms of certain passivity commitments made in connection with its acquisition of a minority interest in First Union Corporation, Charlotte, North Carolina ("First Union") by making public statements regarding the value of this investment and implying that its passive investments in other bank holding companies are of greater importance. *See Banco Santander, S.A.*, 81 *Federal Reserve Bulletin* 1139 (1995) ("*Santander Order*"). Protestant also argues that Santander, through a representative on the First Union board of directors authorized under the commitments, is exercising a controlling influence over First Union's expansion strategies as evidenced by the board's decision to enter a market favored by the Santander representative. Santander denies any violations of the commitments. Based on all the facts of record, the Board does not believe that Protestant's allegations support the conclusion that Santander has violated its passivity commitments.

16. The Board has reviewed comments from several minority shareholders of BCH-PR criticizing the performance of bank's management in a number of areas, including allegations that bank's management has not provided them enough information on the proposal, has not provided an adequate return on their investment, and has diminished the value of their investment by selling the bank's branches before this proposal. The Board has considered these comments in light of reports of examination assessing the managerial resources of BCH-PR and the fact that the bank's management will be substantially replaced by Santander managers after consummation of the proposal. The Board also believes that complaints concerning the value of their investment do not relate to factors specified in the BHC Act and are therefore beyond the jurisdiction of the Board to consider in reviewing applications under section 3 of the BHC Act. *See Western Bancshares, Inc. v. Board of Governors*, 480 F.2d 749 (10th Cir. 1973).

17. Protestant has provided publicly available information regarding possible violations of securities laws in connection with Santander's

B. Convenience and Needs Factor

The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). As provided in the CRA, the Board has evaluated this factor in light of examinations by the primary federal supervisor of the CRA performance records of the relevant institutions. The Board also has carefully considered comments from Protestant criticizing Santander's record of performance under the CRA in meeting the credit needs of the delineated community of its branch in New York.

An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its primary federal supervisor.[18] In addition, the Board considers an institution's policies and practices for compliance with applicable fair lending laws. The Board also takes into account information on an institution's lending activities that assist in meeting the credit needs of low- and moderate-income neighborhoods, including programs and activities initiated since its most recent CRA performance examination.

*Performance Examinations.* BS-PR received an "outstanding" rating for CRA performance from its primary federal supervisor, the Federal Deposit Insurance Corporation ("FDIC"), as of September 18, 1995 ("FDIC Examination"). In addition, the New York branch of BS-PR ("Branch") received a "satisfactory" rating for CRA performance from its primary supervisor, the New York State Banking Department ("Department"), as of November 22, 1995 ("Department Examination").[19] BCH-PR also received a "satisfactory" rating for CRA performance from the FDIC, as of August 15, 1994.[20]

*CRA performance record of BS-PR.* After consummation of the proposal, Santander will implement its policies and programs in the communities previously served by BCH-PR. The FDIC Examination found that BS-PR engaged in extensive efforts to ascertain and serve the credit needs of all segments of its community, including low- and moderate-income areas. For example, BS-PR's Pequeñas y Medianas Empresas program ("PYMES"), developed jointly with the University of Puerto Rico and the United Retailers Center, provided small- and medium-sized businesses with free technical, administrative, and financial advice. PYMES used a touring bus and a toll-free telephone number to reach additional members of the community, and met with local government officials in all 78 municipalities in Puerto Rico. During 1994, through PYMES, BS-PR made $65 million of small business loans, provided financial advice to 1,261 small businesses, and developed loan programs to meet specific small business requirements. BS-PR also is a Small Business Administration preferred lender and originated more than $10 million of SBA guaranteed loans between October 1993 and September 1994. In addition, BS-PR participated with several commonwealth housing agencies during 1994, and extended 13 residential construction loans for $83.8 million.

The FDIC Examination found that CRA performance was a management priority of BS-PR and noted favorably the close supervision of CRA programs by the bank's board of directors, the bank's extensive fair lending training, monitoring, and compliance auditing programs, and the incorporation of CRA objectives into strategic marketing decisions. Several forms of mass media and direct advertising were used to promote retail banking products in all areas of the bank's delineated community, including consumer loan products specifically developed for low- and moderate-income borrowers.[21] The bank's branches were considered to be readily accessible by all areas of its delineated community, and 27.7 percent of all loans were originated in low- and moderate-income areas. Examiners found no evidence of any practices intended to discourage

purchase of stock in First Fidelity Bancorporation, Lawrenceville, New Jersey, prior to First Fidelity's acquisition by First Union. The Board has carefully reviewed this information in light of all facts of record, including information provided by federal regulatory agencies, and concludes that all supervisory factors relating to Santander are consistent with approval. Protestant also asserts that Santander's relationship with The Royal Bank of Scotland Group plc, Edinburgh, Scotland ("Royal Bank"), is inconsistent with approval of this proposal. The Board approved Santander's retention of its minority interest in Royal Bank under section 3 of the BHC Act. *See Banco de Santander, S.A.*, 78 *Federal Reserve Bulletin* 60 (1992).

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

19. Protestant's criticisms of the Department Examination were considered by the Board in the *Santander Order*, and for the reasons discussed in the *Santander Order* and incorporated herein by reference, the Board believes that the examination is sufficient. *See Santander Order*, 81 *Federal Reserve Bulletin* at 1141 n. 19 (1995). Protestant also maintains that Branch makes an inadequate amount of loans within its delineated service area. Branch, with total assets of approximately $67 million, has no retail banking operations and meets community credit needs by supporting the community development projects of community-based organizations and financial intermediaries serving low- and moderate-income neighborhoods, such as Neighborhood Housing Services of New York City, Inc., and the National Federation of Community Development Credit Unions. Through its community development contacts, Branch has committed $1 million toward the rehabilitation of a foreclosed property in the Bronx in order to produce approximately 20 new housing units, and maintains a $100,000 certificate of deposit in an institution in Brooklyn that engages in community development activities. In addition, total loans by Branch within its delineated community exceed $12.4 million, including $1.2 million in loans to businesses owned by minorities.

20. The New York branch of Banco Central received a "needs to improve" rating in its most recent CRA performance evaluation from the FDIC. The branch is separately owned by BCH-PR's foreign bank parent and would not be acquired in connection with this proposal. Protestant argues that a current management interlock between the branch and BCH-PR would adversely affect Santander's CRA performance after consummation of the proposal.

21. BS-PR made 30,324 consumer loans totalling $270.6 million in 1994.

or prescreen applicants, and no violations of fair lending laws were noted.

*Branch Closings*. Santander has identified three branches of BCH-PR located in low- or moderate-income census tracts that would be closed as a result of this proposal. Two of these branches are located less than one-tenth of a mile from BS-PR branches. The third branch is within one-half mile of a BS-PR branch that is also equipped with an automated teller machine. The Board notes that all branch closings resulting from this proposal would be subject to Santander's branch closing policy and the Joint Agency Policy Statement on Branch Closings ("Joint Policy Statement").[22]

Santander's branch closing policy at BS-PR has been reviewed by FDIC examiners and found to be satisfactory. Under the policy, the impact of any proposed branch closing on the ability of the bank to serve its community, including low- and moderate-income areas, is assessed. This assessment includes meeting with representatives of affected communities and considering alternatives that minimize the adverse impact of the proposed branch closing. The FDIC Examination found that the two branches closed and seven branches consolidated under this policy during the period covered by the examination did not adversely affect the availability of banking products and services in the communities involved. The Board also notes that any branch closings by BS-PR, particularly in low- and moderate-income neighborhoods, would be assessed by examiners as part of the institution's future CRA performance evaluations, and would be reviewed by the Board in future applications to acquire a depository facility.

*Conclusion on Convenience and Needs Factor*. The Board has carefully considered the entire record in its review of the convenience and needs factor under the BHC Act. Based on all the facts of record, including information provided by Santander and CRA performance examinations, the Board concludes that the efforts of Santander and BCH-PR to help meet the credit needs of all segments of the communities served, including residents of low- and moderate-income areas, are consistent with approval. In this light, the Board concludes that convenience and needs considerations, including the CRA performance records of Santander, BS-PR, and BCH-PR, are consistent with approval.[23]

## *Conclusion*

Based on the foregoing and all other facts of record, the Board has determined that the application should be, and hereby is, approved.[24] The Board's approval is specifically conditioned on compliance by Santander with all the commitments made in connection with this application. For the purpose of this action, the commitments and conditions relied on by the Board in reaching its decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decisions and, as such, may be enforced in proceedings under applicable law.

August 1, 1996

JENNIFER J. JOHNSON
*Deputy Secretary of the Board*

22. Protestant contends that Santander should be required, in connection with the proposal, to determine all branches of the resulting institution that would be closed within the next 12 months and submit this list. Santander has not yet determined all the branches of the resulting institution that would be closed. As discussed above, the Board has carefully reviewed the policies that Santander applies in determining whether to close a branch. In addition, under the FDI Act, all insured depository institutions are required to submit a notice of any proposed branch closing to the appropriate federal banking agency no later than 90 days before the date of closure that contains:

(1) The identity of the branch to be closed and the proposed closing date;

(2) A detailed statement of the reasons for the decision to close the branch; and

(3) Statistical or other information supporting the reasons for closure, consistent with the institution's written policy for branch closings.

Movement of branches within the same immediate neighborhood that do not substantially affect the nature of the business or the customers served are considered consolidations or relocations under the Joint Policy Statement and, as such, do not require prior notice. *See* section 228 of the *Federal Deposit Insurance Corporation Improvement Act* of 1991, which added a new section 42 to the FDI Act (12 U.S.C. § 1831r-1). *See also* Joint Policy Statement, 58 *Federal Register* 49,083 (1993).

23. Protestant also has requested that the Board hold public hearings or meetings in Puerto Rico and New York to consider public testimony concerning the convenience and needs and managerial factors. Section 3(b) of the BHC Act does not require the Board to hold a public hearing or meeting unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, neither the FDIC nor the Puerto Rico banking commissioner has recommended denial.

Under the Board's rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered Protestant's request in light of all the facts of record. In the Board's view, Protestant has had ample opportunity to submit its views and has, in fact, submitted substantial materials that have been considered by the Board in acting on the application. Protestant fails to demonstrate why its written submissions do not adequately present its allegations and what, if any, additional matters would be addressed in a public hearing or meeting. Based on all the facts of record, the Board has determined that public hearings or meetings are not necessary to clarify the factual record or otherwise warranted in this case. Accordingly, Protestant's request for public hearings or meetings on the application is denied.

24. Protestant requests that action on this proposal be delayed pending an on-site investigation of the competitive effects of this proposal, an investigation of Santander's compliance with its passivity commitments, and an on-site investigation of the New York branch of Banco Central (or until the results of a forthcoming FDIC examination of the branch are made available for public comment). The Board is required under applicable law and its processing procedures to act on applications submitted under the BHC Act within specified time periods. Based on all the facts of record, and for the reasons discussed above, the Board concludes that the record is sufficient to act on the proposal at this time and that delay or denial of this proposal on the grounds of informational insufficiency is not warranted.

## Appendix

*Banking Markets in Puerto Rico*

*Aguadilla* Aguadilla Metropolitan Statistical Area and the municipalities of Isabela, Rincon, and San Sebastian.

Santander is the third largest depository institution in the market, controlling deposits of approximately $93.4 million, representing 16.2 percent of deposits in depository institutions in the market ("market deposits"). BCH-PR is the fourth largest depository institution in the market, controlling deposits of approximately $45.1 million, representing 7.8 percent of market deposits. On consummation of the proposal, Santander would remain the third largest depository institution in the Aguadilla banking market, controlling deposits of approximately $138.5 million, representing 24 percent of market deposits.

*Mayaguez* Mayaguez Metropolitan Statistical Area and the municipalities of Lajas, Las Marias, and Maricao.

Santander is the fourth largest depository institution in the market, controlling deposits of approximately $118.9 million, representing 9.9 percent of market deposits. BCH- PR is the fifth largest depository institution in the market, controlling deposits of approximately $88.7 million, representing 7.4 percent of market deposits. On consummation of the proposal, Santander would become the third largest depository institution in the Mayaguez banking market, controlling deposits of approximately $207.8 million, representing 17.3 percent of market deposits.

*Ponce* Ponce Metropolitan Statistical Area and the municipalities of Adjuntas, Arroyo, Coamo, Guanica, Guayama, Patillas, Salinas, and Santa Isabel.

Santander is the third largest depository institution in the market, controlling deposits of approximately $176.5 million, representing 11.4 percent of market deposits. BCH-PR is the ninth largest depository institution in the market, controlling deposits of approximately $35 million, representing 2.3 percent of market deposits. On consummation of the proposal, Santander would remain the third largest depository institution in the Ponce banking market, controlling deposits of approximately $211.5 million, representing 13.7 percent of market deposits.

*San Juan* San Juan-Caguas-Arecibo Consolidated Metropolitan Statistical Area and the municipalities of Aibonito, Barranquitas, Ciales, Jayuya, Lares, Maunabo, Orocovis, Quebradillas, Utuado, and Vieques.

Santander is the second largest depository institution in the market, controlling deposits of approximately $2.7 billion, representing 14.3 percent of market deposits. BCH-PR is the fourth largest depository institution in the market, controlling deposits of approximately $1.5 billion, representing 8.1 percent of market deposits. On consummation of the proposal, Santander would remain the second largest depository institution in the San Juan banking market, controlling deposits of approximately $4.2 billion, representing 22.4 percent of market deposits.

## Hibernia Corporation
## New Orleans, Louisiana

*Order Approving the Merger of Bank Holding Companies*

Hibernia Corporation, New Orleans ("Hibernia"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to merge CM Bank Holding Company, Lake Charles ("CM Company") into Hibernia, and thereby indirectly acquire CM's subsidiary bank, Calcasieu Marine National Bank of Lake Charles, Lake Charles ("Calcasieu Bank"), all in Louisiana.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 29,101 (1996)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Hibernia, with total consolidated assets of approximately $7.5 billion, operates Hibernia Bank in Louisiana.[2] Hibernia is the second largest commercial banking organization in Louisiana, controlling approximately $6.3 billion in deposits, representing approximately 17 percent of the total deposits in commercial banks in the state ("state deposits").[3] CM Company is the eighth largest commercial banking organization in Louisiana, controlling $624.6 million in deposits, representing approximately 1.7 percent of state deposits. On consummation of the proposal, Hibernia would become the largest commercial banking organization in Louisiana, controlling approximately $7.1 billion in deposits, representing approximately 19.3 percent of state deposits.[4]

*Competitive Considerations*

Section 3 of the BHC Act prohibits the Board from approving an application if the proposal would result in a monopoly, or would substantially lessen competition in any relevant market unless such anticompetitive effects are clearly

1. Calcasieu Bank would be merged with and into Hibernia National Bank, New Orleans, Louisiana ("Hibernia Bank") immediately after the merger of the parent holding companies. The Office of the Comptroller of the Currency ("OCC") has approved the merger of the banks under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c) (the "Bank Merger Act").

2. Total consolidated assets data are as of June 30, 1996.

3. Asset and state deposit data are as of March 31, 1996.

4. These data reflect the pending acquisition of St. Bernard Bank & Trust Co., Arabi, Louisiana.

outweighed in the public interest by the probable effects of the transaction in meeting the convenience and needs of the community to be served. Hibernia and CM Company do not compete in any banking market. In light of all the facts of record, the Board has concluded that consummation of the proposal would not result in any significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

*Other Factors Under the BHC Act*

The BHC Act also requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved, the convenience and needs of the community to be served, and certain other supervisory factors.

## A. Supervisory Factors

The Board has carefully considered the financial and managerial resources and future prospects of Hibernia, CM Company, and their respective subsidiaries, as well as other supervisory factors, in light of all the facts of record. These facts include supervisory reports of examination assessing the financial and managerial resources of the organizations and confidential financial information provided by Hibernia. The Board notes that Hibernia would not incur or assume any debt in connection with the proposal and would conform the loan and investment portfolios of Calcasieu Bank to Hibernia's lending and investment policies. Based on these and all the facts of record, the Board concludes that all the supervisory factors under the BHC Act, including financial and managerial resources, weigh in favor of approving this proposal.

## B. Convenience and Needs Factor

The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). As provided in the CRA, the Board has evaluated this factor in light of examinations by the primary federal supervisor of the CRA performance records of the relevant institutions.

The Board also has carefully considered the comments from the Plaisance Development Corporation ("Protestant") that maintain that Hibernia and its subsidiary bank, Hibernia Bank, have failed to meet the banking needs of all segments of the bank's delineated communities,[5] particularly communities with predominately African-American residents, and to comply with fair lending laws.[6] Protestant also contends that Hibernia Bank's 1992 and 1993 lending data reported under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA") indicate disparities in the rates of home-related loan applications from and loan originations to African Americans compared to those for nonminority residents, and contends that these data demonstrate that Hibernia Bank engages in illegal discriminatory practices.[7]

An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its primary federal supervisor.[8] In addition, the Board considers an institution's policies and practices for compliance with applicable fair lending laws. The Board also takes into account information on an institution's lending activities that assist in meeting the credit needs of low- and moderate-income neighborhoods, including programs and activities initiated since its most recent CRA performance examination.

*Performance Examinations.* Hibernia Bank received a "satisfactory" rating from its primary federal supervisor, the OCC, at its most recent CRA performance examination as of August 10, 1995 ("1995 Examination"). Calcasieu Bank also received a "satisfactory" rating from the OCC at its most recent CRA performance examination as of January 9, 1995.

The 1995 Examination found no evidence of prohibited discrimination or any practices or procedures that discour-

5. Hibernia's delineated communities include Greater New Orleans (Orleans, Jefferson, Lafourche, St. Tammany, St. Bernard, St. Charles, St. John the Baptist, Terrebone and Washington Parishes), South Central Louisiana (East Baton Rouge, Lafayette, Livingston, Ascension, Vermillion, Iberia and St. Mary Parishes), Northeast Louisiana (Avoyelles, East Carroll, Morehouse, Madison, Ouachita, Rapides and West Carroll Parishes), and Northwest Louisiana (Caddo and Bossier Parishes).

6. Protestant alleges that Hibernia and Hibernia Bank have failed to:
(1) Develop and implement CRA policies that assist African Americans;
(2) Provide capital and financing to African-American homeowners;
(3) Provide funds, grants, and loans to African-American community organizations;
(4) Provide capital to businesses owned by African Americans;
(5) Participate in community development projects to improve economic opportunities in African-American communities; and
(6) Locate branches in African-American communities.

7. Protestant believes that several factors contribute to the alleged failure to comply with fair lending laws, including the following:
(1) Delineation of service areas to exclude the African-American community;
(2) Solicitation of real estate agents and developers serving predominately nonminority residential areas;
(3) Employment of few African-American loan officers;
(4) Use of a compensation program for lending officers that provides incentives to solicit and originate mortgages only on higher-priced homes;
(5) Failure to use media and images oriented to the African-American community in advertising its loan products; and
(6) Infrequent marketing of its Federal Housing Administration, Veterans Administration, and Small Business Administration loan products in the African-American community.

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

aged applications for available credit from any segment of Hibernia Bank's delineated communities. As part of the examination, OCC examiners conducted a fair lending review of home improvement loan files and found no evidence of illegal discrimination or other illegal credit practices.[9] In addition, examiners noted that Hibernia Bank has in place written policies, audit and review procedures, and regularly scheduled training programs for all employees to ensure compliance with fair lending laws and regulations. Hibernia Bank also has a second review process for all housing-related and small commercial loan applications that are recommended for denial to ensure that all relevant information has been considered and that there are no alternative means of extending credit to the applicant. Hibernia Bank recently established a pilot second review program for all consumer loan applications that are recommended for denial.

The OCC examiners found that the community delineations of Hibernia Bank were reasonable and did not exclude any low- and moderate-income areas. Examiners also reported that the geographic distribution of Hibernia Bank's loan applications, approvals, and denials represented a reasonable penetration of all segments of its delineated communities. The 1995 Examination stated that Hibernia Bank's efforts to ascertain credit needs and to solicit credit applications from all segments of its community had been effective.[10] In addition, Hibernia Bank's branch network, with 25 percent of the bank's branches located in low- and moderate income ares, were considered to be reasonably accessible to all segments of its delineated community.

*Lending activities.* Examiners noted that Hibernia Bank participated in a variety of housing-related and other lending programs that assist in meeting the credit needs of all its communities, including areas with low- and moderate-income and predominately minority residents. For example, Hibernia Bank initiated its Affordable Home Program in May 1995 to assist low- and moderate-income families to purchase their first homes in all of its delineated communities by offering flexible underwriting criteria and below market interest rates.[11] As of May 31, 1996, the program originated approximately 630 loans totalling approximately $38 million. The bank also made a number of loans through the Federal Housing Administration ("FHA"), Veterans Administration ("VA"), and Farmers Home Administration ("FmHA") loan programs. In 1995, Hibernia originated 599 FHA, VA, and FmHA loans, totalling more than $37 million, including 157 loans totalling $8.5 million to African-American borrowers.

The 1995 Examination also discussed two affordable housing programs in the New Orleans area. In January 1995, Hibernia Bank initiated a Community Lending Program ("CLP"), which uses flexible underwriting standards in evaluating consumer loan applications from low- and moderate-income applicants, as a pilot lending program in the Greater New Orleans area. As of May 31, 1996, Hibernia had originated through the program 2,882 loans totalling approximately $17.6 million. In addition, Hibernia Bank participated in the East Baton Rouge Mortgage Finance Authority ("EBRMFA"), which provides funding to low- and moderate-income home buyers. Hibernia Bank serves as the master servicer and lead lender in the EBRMFA bond program for low- and moderate-income, first-time home buyers. Hibernia Bank was a participant in a $21 million bond issue for home mortgages through EBRMFA and, as of June 30, 1995, Hibernia Bank funded through this program 71 loans totalling $3.5 million.

Hibernia Bank created the Small Business Banking Division in 1992 to enhance its services to small businesses, and OCC examiners noted a number of Hibernia Bank's small business lending activities. For example, Hibernia Bank made 68 Small Business Administration ("SBA") loans totalling $8.7 million, in 1994, and in the first two quarters of 1995, Hibernia Bank made 32 SBA loans totalling more than $5 million. Hibernia also participates in the Lafayette Capital Certified Development Company ("LCCDC"), which makes direct loans to businesses under the SBA 504 program. Since April 1993, Hibernia has made over $5 million in loans through this program in the Acadiana region of Louisiana. Hibernia also is involved with the Regional Loan Corporation ("RLC"), a nonprofit, government-sponsored organization offering small business loans to stimulate the economy and create jobs. Hibernia has made several small business loans through this program under the SBA 504 Loan Program. By May 31, 1996, Hibernia had made 10 loans under the program, totaling $1.4 million. Hibernia has established programs to facilitate lending to small businesses, and has invested in loan pools for economic development corporations and foundations in each of its designated regions. As of June 1996, loans closed through these economic development corporations and foundations were approximately $8 million.

Hibernia Bank also actively participated in programs that focus on lending to businesses owned by minorities and businesses in low- and moderate-income areas.[12] Hi-

9. Examiners previously conducted a fair lending examination of Hibernia Bank's residential mortgage loan applications as part of the bank's 1993 CRA performance examination and found no evidence of illegal discrimination.

10. The 1995 Examination noted that Hibernia's marketing efforts included advertising in newspapers and on radio stations that focused on communities with predominately low- and moderate-income and minority residents. Hibernia's advertising campaigns also have used minority models.

11. In connection with the program, Hibernia worked closely with several non-profit housing organizations that offer homebuyer training and education programs for low- to moderate-income residents, including the New Orleans Neighborhood Development Foundation, Alexandria Budget Management Services, Monroe Homeownership, Inc., and St. Tammany Community Housing Resource Board.

12. Hibernia supports a number of organizations that provide training, educational seminars and technical expertise to small businesses, including businesses owned by minorities. Hibernia participates in the Economic Freedom Association, New Orleans Minority Business Development Center, Northwestern State University Small Business

bernia Bank invested $300,000 in the Gulf Coast Business and Industry Development Corporation ("Gulf Coast"), a minority-owned and operated company that provides mezzanine financing to existing small businesses, including minority-owned businesses. By June 24, 1996, Gulf Coast had funded nine loans for approximately $1.2 million.

OCC examiners also noted that Hibernia Bank supported a variety of community development organizations. Hibernia Bank donated more than $100,000 to the New Orleans and Baton Rouge offices of the Local Initiatives Support Corporation ("LISC"), a national non profit organization that assists in organizing community development companies to redevelop low- and moderate-income neighborhoods.[13] Hibernia also provided funding and other support to the Holy Cross CDC, Creole Cottage Coalition, and the Highland Area Partnership to finance the renovation of homes located in low- and moderate-income communities, and to the Baton Rouge Mid City Fix-Up and the ShreveCorp, two community organizations that focus on neighborhood clean-up, renovation and beautification projects.

The Board has carefully reviewed HMDA data covering the period 1993 through 1995 in light of Protestant's contentions that Hibernia illegally discriminates on the basis of race. These data show that, as a percentage of total applications, Hibernia's applications from African-American applicants, from minority census tracts, and from low- to moderate-income areas, has increased over the 1993-1995 period. In 1995, Hibernia's percentage of total applications from minority census tracts and from low- to moderate-income tracts approximated that of the aggregate of other lenders. In other respects, however, the data show disparities in the denial rates to minority loan applicants as compared to nonminority applicants.

The Board is concerned when the record of an institution indicates disparities in lending to minority applicants, and believes that all banks are obligated to ensure that their lending practices are based on criteria that assure not only safe and sound lending, but also assure equal access to credit by creditworthy applicants, regardless of race. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community because these data cover only a few categories of housing-related lending and provide limited information about the covered loans.[14] HMDA data therefore have limitations that make the data an inadequate basis, absent other information, for concluding that an institution has engaged in illegal lending discrimination. Because of the limitations of HMDA data, the Board has carefully reviewed other information, particularly examination reports that provide an on-site evaluation of compliance by Hibernia with fair lending laws as discussed above.

*Conclusion on Convenience and Needs Factor*

The Board has carefully reviewed the relevant CRA examination information, the programs implemented by the relevant institutions, the policies in place to ensure fair lending, relevant HMDA and other lending data, comments and concerns raised by Protestants, and other facts of record in its consideration of the effect of this transaction on the convenience and needs of the community. Based on this review, and for the reasons discussed above, the Board concludes that convenience and needs considerations, including Hibernia's record of performance and its plans for operating Calcasieu Bank, are consistent with approval of the application.

*Conclusion*

Based on the foregoing and all the other facts of record, the Board has determined that the application should be, and hereby is, approved.[15] The Board's approval is expressly conditioned on Hibernia's compliance with all the commitments made in connection with this application. For purposes of this action, these commitments and conditions in this order shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

Development Center, Central Louisiana Business League, and several chambers of commerce.

13. Hibernia has provided funding and other assistance to several of the community development corporations that have received LISC's support. As of June 24, 1996, Hibernia had made ten loans through LISC.

14. For example, these data do not provide a basis for an independent assessment of whether an applicant who was denied credit was in fact creditworthy. Thus, credit history problems and excessive debt levels relative to income reasons most frequently cited for credit denial are not available from the HMDA data.

15. Protestant believes that Hibernia's record of employing African-American loan officers and originators is insufficient. Because Hibernia employs more than 50 people, serves as a depository of government funds, and acts as agent in selling or redeeming U.S. savings bonds and notes, it is required by Department of Labor regulations to:

(1) File annual reports with the Equal Employment Opportunity Commission ("EEOC"); and

(2) Have in place a written affirmative action compliance program which states its efforts and plans to achieve equal opportunity in the employment, hiring, promotion, and separation of personnel. *See* 41 C.F.R. 60 1.7(a), 60 1.40.

The EEOC has jurisdiction to investigate and determine whether companies are in compliance with federal equal employment laws. The Board has noted that unsubstantiated allegations of improper actions under a statute administered by another federal agency are beyond the scope of the Board's review under the factors specified in the BHC Act. On the other hand, substantiated improper actions may be considered by the Board in light of all the facts of record of an application under the factors in the BHC Act or in the context of the Board's general supervisory authority over bank holding companies. *See Norwest Corporation*, 82 *Federal Reserve Bulletin* 580, 582 (1996).

By order of the Board of Governors, effective July 31, 1996.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Lindsey, Phillips, Yellen, and Meyer.

JENNIFER J. JOHNSON
*Deputy Secretary of the Board*

## Hibernia Corporation
## New Orleans, Louisiana

*Order Approving the Acquisition of a Bank*

Hibernia Corporation, New Orleans ("Hibernia"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire St. Bernard Bank & Trust Co., Arabi ("St. Bernard Bank"), both in Louisiana.[1]

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 29,101 (1996)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Hibernia, with total consolidated assets of approximately \$7.5 billion, operates Hibernia Bank in Louisiana.[2] Hibernia is the second largest commercial banking organization in Louisiana, controlling approximately \$6.3 billion in deposits, representing approximately 17 percent of the total deposits in commercial banks in the state ("state deposits").[3] St. Bernard Bank is the 15th largest commercial banking organization in Louisiana, controlling \$231.7 million in deposits, representing less than one percent of state deposits. On consummation of the proposal, Hibernia would become the largest commercial banking organization in Louisiana, controlling \$7.1 billion in deposits, representing approximately 19.3 percent of state deposits.[4]

Hibernia Bank and St. Bernard Bank each operate offices in the New Orleans banking market.[5] On consummation of this proposal, Hibernia Bank would remain the second largest commercial bank or thrift ("depository institution") in the New Orleans banking market, controlling market deposits of approximately \$3.1 billion, representing approximately 24.2 percent of total deposits in depository institutions in the market ("market deposits").[6] The market would remain moderately concentrated, as measured by the Herfindahl–Hirschman Index ("HHI"),[7] and numerous competitors would remain in this market. Based on all the facts of record, the Board concludes that consummation of this proposal would not result in any significantly adverse effect on competition or concentration of banking resources in the New Orleans or any other relevant banking market.

The Board has carefully considered the financial and managerial resources and future prospects of Hibernia and St. Bernard Bank as well as other supervisory factors in light of all the facts of record. These facts include supervisory reports of examination assessing the financial and managerial resources of the organizations and confidential financial information provided by Hibernia. The Board notes that Hibernia would not incur or assume any debt in connection with the proposal and would conform the loan and investment portfolios of St. Bernard Bank with Hibernia's lending and investment policies. Based on these and all the facts of record, the Board concludes that all the supervisory factors under the BHC Act, including financial and managerial resources, weigh in favor of approving this proposal. The Board also concludes that considerations relating to the convenience and needs of the community to be served, are also consistent with approval.[8]

1. Hibernia would merge St. Bernard Bank, a state member bank, with and into a wholly owned interim state chartered bank. Immediately after this merger, St. Bernard Bank would merge with and into Hibernia National Bank, New Orleans, Louisiana ("Hibernia Bank"). The Office of the Comptroller of the Currency ("OCC"), has approved the merger of St. Bernard Bank and Hibernia Bank under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act"). In light of all the facts of record, the Board believes that no regulatory purpose would be served by requiring an application under the Bank Merger Act for the interim merger.

2. Total consolidated assets data are as of June 30, 1996.

3. Asset and state deposit data are as of March 31, 1996.

4. These data reflect the pending acquisition of CM Bank Holding Company, Lake Charles, Louisiana.

5. The New Orleans banking market is comprised of Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, St. John the Baptist, and St. Tammany Parishes, all in Louisiana.

6. Market data are as of June 30, 1995. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

7. The HHI would increase by 81 points to 1783. 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 to be moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anti-competitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anti-competitive effects implicitly recognize the competitive effects of limited-purpose lenders and other non-depository financial entities.

8. The Board received comments from the Plaisance Development Corporation criticizing Hibernia's record of performance under the Community Reinvestment Act and fair lending laws. These comments are identical to the comments considered by the Board in Hibernia's application to acquire CM Bank Holding Company ("CM Company"), and thereby indirectly acquire Calcasieu Marine National Bank of Lake Charles, both in Lake Charles, Louisiana. In light of all the facts of record, and for the reasons stated in the Board's order approving the CM Company acquisition dated today, which are incorporated herein by reference, the Board concludes that all the factors required to be considered under the BHC Act are consistent with approving the St. Bernard Bank acquisition.

Based on the foregoing and all the other facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is expressly conditioned on Hibernia's compliance with all the commitments made in connection with this application. For purposes of this action, these commitments and the conditions in this order shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective July 31, 1996.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Lindsey, Phillips, Yellen, and Meyer.

JENNIFER J. JOHNSON
*Deputy Secretary of the Board*

## NVE Bancorp, MHC
## Englewood, New Jersey

## NVE Bancorp, Inc.
## Englewood, New Jersey

*Order Approving the Formation of Bank Holding Companies*

NVE Bancorp, MHC ("MHC"), and its wholly owned subsidiary NVE Bancorp, Inc. ("Bancorp") have requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to become bank holding companies by acquiring all the voting shares of NVE Savings Bank ("NVE Bank"),[1] all of Englewood, New Jersey.

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 17,703 (1996)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

MHC is a company organized in mutual form, and it would become a bank holding company by acquiring all the voting shares of Bancorp, which in turn would acquire all the voting shares of NVE Bank. NVE Bank is the 54th largest depository institution in New Jersey, controlling approximately $339.2 million in deposits, representing less than 1 percent of all deposits in depository institutions in the state.[2] Based on all the facts of record, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market, and that competitive considerations are consistent with approval.

In every 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 and banks concerned, and the convenience and needs of the communities to be served. The Board previously has noted that ownership of stock in a converted mutual bank by a mutual bank holding company and minority shareholders could raise significant issues under the managerial and convenience and needs factors in the BHC Act, if this structure was used to transfer economic value from the mutual holding company to the minority shareholders.[3] Although there are no minority shareholders in this proposal and applicants have no current plans to issue additional shares in Bancorp or NVE Bank, stock issuances are contemplated for the future. Under the proposed structure, therefore, the potential exists that shares owned by minority shareholders could raise the same concerns as those identified in *Northwest*.

In order to address those concerns, MHC and Bancorp have made a number of commitments,[4] including the following:

(1) MHC and Bancorp will obtain prior Board approval for the issuance of securities by Bancorp or NVE Bank to third parties and for the conversion of MHC from mutual to stock form; and

(2) In any subsequent transfer or issuance of shares to shareholders other than MHC, the depositors of NVE Bank will be accorded the same share purchase priorities as if MHC were a mutual savings bank converting to stock form.

These constraints would give the Board the opportunity to review any future conversion or issuance of securities in light of the concerns discussed above. Accordingly, based

1. NVE Bank currently operates as a mutual savings bank, and has applied to the Federal Deposit Insurance Corporation ("FDIC") to convert to a stock savings bank.

2. All banking data are as of June 30, 1995. In this context, depository institutions include commercial banks, savings banks, and savings and loan associations.

3. *See Northwest Bancorp, MHC*, 80 *Federal Reserve Bulletin* 1131 (1994) ("*Northwest*"). In *Northwest*, the Board concluded that a waiver of dividends by the mutual holding company shareholder could have the effect of transferring economic value from the mutual holding company to the minority shareholders and depriving the holding company of resources necessary to serve as a source of strength for the bank. The decision to waive the dividends would be made by the trustees of the mutual holding company, who were also minority shareholders of the bank, and the decision would not be reviewable by the mutual owners of the holding company. The Board, therefore, viewed this potential conflict of interest as raising adverse considerations under the factors in the BHC Act. The Board relied on a number of commitments to address these issues, including commitments to ensure that any dividends waived by the mutual holding company would be retained by the bank and would not inure to the benefit of the bank's minority shareholders.

4. The commitments are listed in the Appendix.

on all the facts of record, including commitments made by MHC and Bancorp, the Board concludes that the financial and managerial resources and future prospects of MHC, Bancorp, and NVE Bank, and other supervisory factors the Board must consider under section 3 of the BHC Act, are consistent with approval, as are considerations relating to the convenience and needs of the communities to be served.

Based on the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved. The Board's approval of this proposal is expressly conditioned on compliance with all the commitments made by Applicants in connection with these applications, and is conditioned on receipt by Applicants and NVE Bank of all necessary approvals from all relevant regulators, and compliance with the requirements imposed by those regulators. For purposes of this action, the commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective July 15, 1996.

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

JENNIFER J. JOHNSON
*Deputy Secretary of the Board*

## Appendix

(1) After the reorganization, the NVE Bancorp MHC ("MHC") will not sell, transfer, or otherwise dispose of any of its shares in NVE Bancorp, Inc., ("Bancorp") or NVE Savings Bank ("Bank") (together "Applicant") to any person (including Employee Stock Ownership Plan) and Bancorp will not sell, transfer or otherwise dispose of any of its shares of Bank without the prior approval of the Board of Governors of the Federal Reserve System (the "Board"). If, subsequent to the reorganization, Bancorp or Bank issues equity securities or any securities that would accord the holder the right to acquire equity securities or that would bestow upon the holder an interest in the retained earnings of the issuer to persons other than MHC, MHC and Bancorp will make prior application to the Board for approval for the issuance of the securities.

(2) In any conversion of the MHC from mutual to stock form, the holding company will file an application for approval of the conversion with the Board (to the extent the mutual holding company is a bank holding company).

(3) In connection with Commitments 1 and 2, Applicant agrees with the following:

(A) In any sale, transfer or issuance of shares of Bank or Bancorp to any person other than the MHC, the depositors of Bank will be accorded the same stock purchase priorities given to depositors of a mutual savings association in connection with such association converting to stock form. In making such sale, or transferring or issuing such shares, Applicants and their management will comply with any fiduciary duty they owe.

(B) The Board will take into account the extent to which the proposed transactions conform with the provisions and purpose of the regulations of the Office of Thrift Supervision ("OTS") (12 C.F.R. Part 563b and 575) and the Federal Deposit Insurance Corporation ("FDIC") (12 C.F.R. 303.15 and 333.4), as currently in effect at the time the Board reviews the required materials related to the proposed transactions. Any nonconformity with those provisions will be closely scrutinized. Conformity with the OTS and FDIC requirements, however, will not be sufficient for Board regulatory purposes if the Board determines that the proposed transaction would pose a risk to the institution's safety and soundness, violate any law or regulation or present a breach of fiduciary duty.

## Perryton Bancshares, Inc.
## Perryton, Texas

*Order Approving Formation of a Bank Holding Company*

Perryton Bancshares, Inc., ("Perryton"), has requested the Board's approval under section 3 of the Bank Holding Company Act ("BHC Act") to become a bank holding company by acquiring all the voting shares of Perryton National Bank, both in Perryton, Texas ("Bank").[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 21,113 (1996)). 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 of the BHC Act.

Perryton is a nonoperating corporation formed for the purpose of acquiring Bank. Bank is the 417th largest commercial banking organization in Texas, controlling deposits of approximately $41.5 million, representing less than 1 percent of total deposits in commercial banking

1. Perryton proposes to acquire Bank by chartering a wholly owned interim national bank ("Interim Bank") and merging Bank with and into Interim Bank with Interim Bank surviving under the title of Perryton National Bank. On June 12, 1996, the Office of the Comptroller of the Currency ("OCC") approved the merger of Bank and Interim Bank under the provisions of section 18(c) of the Federal Deposit Insurance Act (the "Bank Merger Act", 12 U.S.C. § 1828(c)). On consummation of the merger and conversion of shares, Perryton would own all the voting stock of Interim Bank. Bank shareholders would be entitled to receive cash or to tender their Bank stock in exchange for the number of Perryton shares set forth in the merger agreement. Untendered Bank stock would represent evidence of the shareholder's ownership of Perryton shares.

organizations in the state.[2] In this light, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market and that competitive considerations are consistent with approval.

The Board has also considered the other factors set forth in the BHC Act in light of all the facts of record, including the reasonableness of the financial projections for satisfying the debt to be acquired by Perryton, and the reports of examination by Bank's primary federal supervisor, the OCC, that assess the financial and managerial resources of Bank and its record of performance under the Community Reinvestment Act. Based on all these facts, the Board concludes that the financial and managerial resources and future prospects of Perryton and Bank are consistent with approval, as are convenience and needs considerations and other supervisory factors that the Board is required to consider under section 3 of the BHC Act.[3]

Based on the foregoing and all the other facts of record, the Board has determined that the application should be, and hereby is, approved.[4] The Board's approval is expressly conditioned on compliance with all the commitments made by Perryton in connection with the proposal. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective July 22, 1996.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Lindsey, Yellen, and Meyer. Absent and not voting: Governors Kelley and Phillips.

JENNIFER J. JOHNSON
*Deputy Secretary of the Board*

2. All banking data are as of June 30, 1995.

3. The Board has carefully reviewed comments received from a minority shareholder and director of Bank ("Commenter") maintaining that there are no valid reasons for forming a bank holding company and that he should be permitted to retain his Bank stock. Commenter also contends that the proposal would adversely affect his personal finances. Applicant asserts that a bank holding company provides tax advantages to shareholders and operational flexibility to engage in nonbanking activities. Bank's shareholders must approve the formation of the bank holding company and, as noted, the merger transaction approved by the OCC over the objections of Commenter would convert Commenter's Bank stock into a right to receive Perryton stock. Commenter may also exercise dissenting shareholder rights under the procedures provided in the National Bank Act if he believes that the consideration offered for his Bank stock (cash or Perryton shares) is unreasonable. *See* 12 U.S.C. §§ 215 and 215a. The Board, moreover, is limited to considering specific statutory factors in reviewing applications under section 3 of the BHC Act, and courts have determined that the Board does not have the authority to consider share pricing and similar matters unless they directly relate to a factor specified in the BHC Act. *See Western Bancshares, Inc. v. Board of Governors*, 480 F.2d 749 (10th Cir. 1973). In light of all the facts of record, and for the reasons discussed above, the Board concludes that these factors are consistent with approval.

4. Commenter has requested the opportunity to speak if a public meeting or hearing is held in connection with the application. Section 3(b) of the BHC Act does not require the Board to hold a public meeting or hearing unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. As noted, the OCC has approved the merger of the national banks involved in the transaction. The Board may also, in its discretion, hold a public meeting or hearing on an application under its Rules of Procedure to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board notes that Commenter has had ample opportunity to submit his views and has, in fact, submitted comments that have been carefully considered by the Board. The record fails to demonstrate why Commenter's written submissions do not adequately present his allegations or why a public meeting or hearing is otherwise warranted in this case. After a careful review of all the facts of record, the Board concludes that a public meeting or hearing is not necessary to clarify the factual record in the application and is not otherwise warranted in this case.

## Texas Financial Bancorporation, Inc.
## Minneapolis, Minnesota

## First Bancorp, Inc.
## Denton, Texas

## First Delaware Bancorp, Inc.
## Dover, Delaware

*Order Approving the Acquisition of a Bank*

Texas Financial Bancorporation, Inc., Minneapolis, Minnesota ("Bancorporation"), and its subsidiaries, First Bancorp, Inc., Denton, Texas ("Texas Company"), and First Delaware Bancorp Inc., Dover, Delaware ("Delaware Bancorp") (collectively, "Applicants"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all the voting shares of Riverside National Bank, Grand Prairie, Texas ("Riverside Bank").[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 18,731 (1996)). The time for filing comments has expired, and the Board has considered the

1. Bancorporation owns 87.8 percent of the voting shares of Texas Company which owns all of the voting shares of Delaware Bancorp. Texas Company would acquire all the voting shares of Riverside Bank and then contribute the bank's stock to Delaware Bancorp. After consummation of these transactions, Riverside Bank would merge with and into First State Bank of Denton, Denton, Texas ("Denton Bank"), a wholly owned subsidiary of Applicants. The merger is subject to the approval of the Federal Deposit Insurance Corporation ("FDIC") under section 18(c) of the Federal Deposit Insurance Act (the "Bank Merger Act", 12 U.S.C. § 1828(c)).

proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Applicants, with total consolidated assets of $1.3 billion, operate subsidiary banks in Illinois and Texas.[2] Applicants are the 23d largest commercial banking organization in Texas, controlling approximately $952 million in deposits, representing less than 1 percent of all deposits in commercial banking organizations in the state ("state deposits").[3] Riverside Bank is the 468th largest commercial banking organization in Texas, controlling approximately $40 million in deposits. After consummation of the proposal, Applicants would remain the 23d largest commercial banking organization in Texas, controlling approximately $993 million in deposits, representing less than 1 percent of state deposits.

*Considerations under the BHC Act*

Applicants and Riverside Bank compete in the Dallas, Texas, banking market ("Dallas banking market").[4] On consummation of the proposal, Applicants would operate the 12th largest commercial banking organization in the Dallas banking market, controlling deposits of approximately $644.6 million, representing 2.1 percent of total deposits in depository institutions in the market.[5] The market would remain moderately concentrated, as measured by the Herfindahl–Hirschman Index ("HHI"),[6] and numerous competitors would remain in the market. Based on all the facts of record, the Board concludes that consummation of the proposal would not result in any significantly adverse effects on competition or concentration of banking resources in the Dallas banking market or any other relevant banking market.

The Board has carefully considered the financial and managerial resources and future prospects of Applicants, Riverside Bank, and their respective subsidiaries, and other supervisory factors in light of all the facts of record. These facts include supervisory reports of examination assessing the financial and managerial resources of the organizations. Based on these and all other facts of record, the Board concludes that all the supervisory factors under the BHC Act, including financial and managerial resources and future prospects of the institutions involved, weigh in favor of approving this proposal.

The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions in assisting to meet the credit needs of all the communities served by an institution, including low- and moderate-income communities, under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). As provided in the CRA, the Board has evaluated the convenience and needs factor in light of examinations by the primary federal supervisor of the CRA performance records of the relevant institutions.

The Board also has carefully reviewed this factor in light of comments from the African American Council for Empowerment ("Protestant") which contends that Riverside Bank has not adequately assisted in meeting the housing-related and small business credit needs of the Dalworth community in Grand Prairie, Texas.[7] As noted, Riverside Bank would be merged with and into Denton Bank, Applicants' lead subsidiary bank in Texas, and Applicants have committed to implement the CRA-related policies, procedures, and programs of Denton Bank in the communities now served by Riverside Bank, including the Dalworth community. The Board has carefully considered Denton Bank's record of performance under the CRA in this light.

An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its primary federal supervisor.[8] Denton Bank, which comprises approximately 40 percent of Bancorporation's consolidated assets, received an "outstanding" rating from the Federal Deposit Insurance Corporation ("FDIC") in its most recent evaluation for CRA performance in 1994 ("Denton Examination").[9] The Den-

2. Asset data are as of March 31, 1996.

3. State deposit data are as of June 30, 1995. Data has been updated for structural changes in commercial banking organizations that have occurred through May 15, 1996.

4. The Dallas banking market is approximated by McKinney and Plano in Collin County, Denton and Lewisville in Denton County, the northern half of Rockwall County, the communities of Forney and Terrel in Kaufman County, Midlothian, Waxahachie, and Ferris in Ellis County, and Grapevine and Arlington in Tarrant County, all in Texas.

5. Market data are as of June 30, 1995. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

6. On consummation of this proposal, the HHI would remain unchanged at 1330 points. 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. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal threshold for an increase in the HHI when screening bank mergers and acquisitions for anticompetitive effects implicitly recognizes the competitive effects of limited-purpose lenders and other non-depository financial entities.

7. Dalworth is a low- and moderate-income community with a predominately minority population that encompasses parts of Dallas County census tract 161.00 and Tarrant County census tract 1130.02.

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

9. Bancorporation's other subsidiary banks all received a CRA performance rating of "satisfactory" or "outstanding" in their most recent examinations by their primary federal supervisor.

ton Examination found that the Bank's delineated community is reasonable and did not exclude any low- and moderate-income areas. The geographic distribution of Denton Bank's credit extensions, applications, and denials also were found to be reasonable. Examiners noted that senior management of the bank maintained ongoing contact with community leaders and government officials and used written surveys to ascertain the credit needs of the community. According to the examination, the bank's strong marketing program which utilized publications that reach all areas of the community, including African-American and low- and moderate-income residents, indicated that Denton Bank affirmatively solicits applications from all segments of its community.

A fair lending review conducted in connection with the Denton Examination did not reveal any evidence of discriminatory or other illegal credit practices. Denton Bank has developed policies and procedures to prevent illegal discrimination, and examiners noted that Denton Bank had audit and review procedures to ensure compliance with anti-discrimination laws and regulations. The examiners noted that the bank also conducted a second review of all credit denials.

After consummation of the merger with Riverside Bank, Denton Bank will ascertain the credit needs of the bank's new communities with the assistance of the Denton Bank Community Reinvestment Act Advisory Board, and will expand the lending programs currently offered by Riverside Bank. For example, Denton Bank will initiate the following lending programs to assist low- and moderate-income borrowers:

(1) Urban Homesteading Program, which offers home improvement loans to eligible low- and moderate-income residents;

(2) Federal National Mortgage Association's Community Homebuyer's Program, which offers alternative underwriting standards for eligible applicants; and

(3) Homebuyer Assistance Program, which lends money to eligible low- and moderate-income, first-time home buyers who have received municipal government assistance to pay the down payment and closing costs to purchase a home.[10]

Denton Bank also will offer loans sponsored through the Small Business Administration.

Riverside Bank received a "satisfactory" rating in its most recent evaluation from its primary supervisor, the Office of the Comptroller of the Currency, for CRA performance as of 1995 ("Riverside Bank Examination"). Examiners found that the bank made reasonable efforts to ascertain the credit needs of the community and to market its products and services in newspapers that focus on African-American and Hispanic communities. According to the examination, the geographic distribution of loans within the community reflected a reasonable penetration of all segments within the community. For calendar year 1995, Riverside Bank originated 86 loans in low- and moderate-income areas totalling approximately $6.8 million and 115 small business loans totalling approximately $9.8 million. In addition, Riverside Bank offered loans with flexible underwriting guidelines that allowed consideration of utility and rent payment records for customers without formal credit histories. The Riverside Bank Examination noted that the bank solicited credit applications from all segments of its local community, including low- and moderate-income neighborhoods, and that the bank was in compliance with anti-discrimination laws and regulations.[11]

The Board has carefully reviewed all the facts of record in light of the convenience and needs factor, including Protestant's comments, the banks's most recent evaluations for CRA performance and other supervisory information provided by their primary federal supervisors, and the policies and programs of Denton Bank to be implemented after its merger with Riverside Bank. Based on this review, the Board concludes that considerations relating to convenience and needs, including the CRA performance records of the relevant institutions, are consistent with approval of the application.

*Conclusion*

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

10. As a member of the Federal Home Loan Bank of Dallas, Denton Bank also would be eligible to participate in the Community Investment Program ("CIP") and the Affordable Housing Program ("AHP"). CIP funds help finance affordable housing, small businesses, industrial development, health care facilities, and the revitalization of downtown business and shopping areas. AHP funds help finance the construction or rehabilitation of low- and moderate-income housing, and finance closing costs, partial down payments, or reduced interest rates for low- and moderate-income individuals. Both of these programs would be available to assist Denton Bank in addressing ascertained credit needs in Riverside Bank's communities.

11. Protestant alleges that Riverside Bank's management lacks racial diversity which has significantly impaired its ability to serve the credit needs of its communities, particularly the Dalworth community. Based on all the facts of record and for the reasons discussed above, the Board does not believe that Protestant's allegations of poor performance by Riverside Bank in helping to meet the credit needs of all its communities, including low- and moderate-income areas, are supported by the record. The Board also notes that Riverside Bank would be merged with and into Denton Bank, and Denton Bank is required under regulations of the Department of Labor to file annual reports with the Equal Employment Opportunity Commission and to have in place a written affirmative action compliance program which states the bank's efforts to achieve equal opportunity in the employment, hiring, promotion, and separation of personnel. *See* 41 C.F.R. 60-1.7(a), 60-1.40.

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

By order of the Board of Governors, effective July 22, 1996.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Lindsey, Yellen, and Meyer. Absent and not voting: Governors Kelley and Phillips.

JENNIFER J. JOHNSON
*Deputy Secretary of the Board*

## *Orders Issued Under Section 4 of the Bank Holding Company Act*

### Banc One Corporation
Columbus, Ohio

### CoreStates Financial Corp
Philadelphia, Pennsylvania

### PNC Bank Corp.
Pittsburgh, Pennsylvania

### KeyCorp
Cleveland, Ohio

### National City Corporation
Cleveland, Ohio

### *Order Approving a Proposal to Engage in Certain Data Processing Activities*

Banc One Corporation, Columbus, Ohio; CoreStates Financial Corp, Philadelphia, Pennsylvania; PNC Bank Corp., Pittsburgh, Pennsylvania; KeyCorp, Cleveland, Ohio; and National City Corporation, Cleveland, Ohio (collectively, "Applicants"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)) for their joint subsidiary, Electronic Payment Services, Inc., Wilmington, Delaware ("EPS"), to engage in certain data processing activities pursuant to section 225.25(b)(7) of Regulation Y (12 C.F.R. 225.25(b)(7)).

Applicants, through EPS, would provide data processing and related services to banks and other automated teller machine ("ATM") owners ("ATM Deployers") in connection with the distribution through ATMs of tickets to concerts and other events, gift certificates, prepaid telephone cards, and other documents evidencing a prepayment for goods or services.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 27,352 (1996)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Applicants are large commercial banking organizations headquartered in Ohio and Pennsylvania, and engage directly and through subsidiaries in a broad range of banking and permissible nonbanking activities in the United States.[2] EPS currently provides data processing and transmission services to banks and retail merchants that are members of its branded ATM and point-of-sale ("POS") networks. EPS also is engaged in developing and providing a variety of electronic payment, benefit transfer, and data interchange services.[3]

### *Proposed Activities*

EPS proposes to provide data processing services to ATM Deployers in connection with the distribution through ATMs of tickets, gift certificates, prepaid telephone cards, and other documents evidencing a prepayment for goods or services.[4] EPS would provide the software and telecommunications channels necessary to transmit cardholder requests and card issuer authorizations, and related switching and account reconciliation services.[5]

1. For purposes of this order, ATM Deployers include depository financial institutions, retail merchants, and independent sales organizations that package and sell ATM services to merchants. In addition, a financial institution means a bank, bank holding company, thrift institution, thrift holding company, and subsidiaries of any of these companies.

2. Asset and deposit information for each of the Applicants is contained in the Appendix.

3. *See Banc One Corporation et al.*, 79 *Federal Reserve Bulletin* 1158 (1993).

4. The tickets contemplated by this proposal would include public transportation tickets and tickets to entertainment events. Gift certificates and prepaid telephone cards would be issued in fixed denominations for a specific merchant or group of merchants, and would evidence prepayment of the purchase price of merchandise or services to be selected by the bearer at some time in the future. ATM Deployers also would sell products that could be offered for sale directly by a financial institution such as mutual fund shares or insurance policies where permitted by applicable law.

5. Specifically, EPS would provide "terminal driving services" which include:

(1) Establishing and maintaining an electronic link between an ATM and a telecommunications switch to transmit cardholder requests and card issuer authorizations; and

(2) Operating the feature and function displays on an ATM screen using computer software to permit an ATM to dispense various products in addition to currency.

EPS also would provide switching services and transaction processing to transmit account debiting, transaction authorization, and settlement between the ATM Deployer, or its bank, and the cardholder's bank. In certain cases, some of these services may be provided by third parties, such as national ATM networks or third-party processors.

In a typical transaction, an ATM cardholder would select a particular product from a menu offered at an ATM. Electronic commands transmitted by EPS would verify that the deposit account or line of credit designated by the cardholder holds sufficient funds to make the purchase. After the authorization is received, the ATM then would dispense the product and a receipt in accordance with the Board's Regulation E (Electronic Fund Transfers).[6] Finally, the card-issuing bank would debit an amount equal to the cost of the purchase from the cardholder's designated account and transfer the funds to the account of the merchant or ATM Deployer, as appropriate, using settlement procedures established by the ATM network.

*Closely Related to Banking Analysis*

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval, engage in any activity that the Board determines to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto."[7] The Board previously has determined by regulation that processing and transmitting financial, banking, or economic data are activities that are closely related to banking and, therefore, permissible for bank holding companies under section 4(c)(8) of the BHC Act.[8] The Board also has specifically determined that a bank holding company may provide data processing and related services necessary to permit customers to use an ATM card to debit a deposit account or line of credit at an ATM terminal for cash and credit transactions, and for the purchase of travelers checks, money orders, and postage stamps.[9] In addition, the Board has determined that a bank holding company may provide data processing services that support the use of credit cards by consumers in the direct purchase of goods and services from merchants.[10]

The data processing activity proposed in this case involves providing the same type of data processing support as the Board previously has approved for credit card transactions and other more traditional types of ATM transactions. Based on all the facts of record, the Board has concluded that the activities proposed by EPS in this case are permissible data processing and transmission services encompassed within the Board's data processing regulation and, therefore, the activities are closely related to banking within the meaning of the BHC Act.

*Proper Incident to Banking Analysis*

In order to approve this proposal, the Board also must determine that the proposed activities are a proper incident to banking; that is, that the proposal "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[11]

As part of its review of these factors, the Board has considered the financial and managerial resources of Applicants and their respective subsidiaries and the effect the proposal would have on such resources.[12] Based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of this proposal.

The Board expects that the proposed activities would result in benefits to consumers, merchants, and ATM Deployers. The proposed activities would allow consumers to purchase products at additional locations and during non-business hours, and would facilitate convenient payment for such products. The proposed activities also would enhance the ability of merchants to distribute products through new channels and would provide ATM Deployers with additional sources of transaction volume and resulting fee income. In addition, the proposed activities would increase the level of competition among existing providers of these services.

There is no evidence in the record that consummation of this proposal would result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that are not outweighed by the public benefits of this proposal. Accordingly, and based on all the facts of record, the Board has concluded that the balance of the public interest factors it is required to consider under the proper incident to banking standard of

6. 12 C.F.R. 205.

7. 12 U.S.C. § 1843(c)(8). *See National Courier Association v. Board of Governors*, 516 F.2d 1229, 1237 (D.C. Cir 1975). In addition, the Board may consider any other basis that may demonstrate that the proposed activity has a reasonable or close connection or relationship to banking or managing or controlling banks. *See* Board Statement Regarding Regulation Y, 49 *Federal Register* 806 (1984); *Securities Industry Association v. Board of Governors*, 468 U.S. 207, 210-11, n.5 (1984).

8. *See* 12 C.F.R. 225.25(b)(7). Regulation Y also requires that the data processing services be provided pursuant to a written agreement and places certain limitations on the facilities and hardware provided with the data processing services. Specifically, the facilities must be designed, marketed, and operated for the processing and transmission of financial, banking, or economic data; hardware must be provided only in conjunction with permissible software; and general purpose hardware must not constitute more than 30 percent of the cost of any packaged offering. EPS has committed that it will provide the proposed services pursuant to a written agreement and will provide facilities and hardware within the limitations established by Regulation Y.

9. *See The Bank of New York Company, et al.*, 80 *Federal Reserve Bulletin* 1107, 1109 (1994). EPS currently conducts these activities. *See* Letters dated February 13, 1996, from the Federal Reserve Bank of Cleveland to Phyllis Dietz, Esq., and from the Federal Reserve Bank of Philadelphia to John E. Stefanowicz, CoreStates Financial Corp.

10. *See Banc One Corporation*, 81 *Federal Reserve Bulletin* 492 (1995); *Citicorp*, 76 *Federal Reserve Bulletin* 549 (1990); and *Barclays Bank PLC*, 71 *Federal Reserve Bulletin* 113 (1985).

11. 12 U.S.C. § 1843(c)(8).

12. *See* 12 C.F.R. 225.24. *See also The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

section 4(c)(8) of the BHC Act is favorable and consistent with approval of this proposal.

*Conclusion*

Based on the foregoing and all the facts of record, the Board has determined to, and hereby does, approve this proposal subject to all the terms and conditions set forth in this order. The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(g) (12 C.F.R. 225.7 and 225.23(g)), 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, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all the commitments made in connection with this proposal. These commitments and conditions shall both be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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 Banks of Cleveland or Philadelphia, acting pursuant to delegated authority.

By order of the Board of Governors, effective July 1, 1996.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Lindsey, Phillips, Yellen, and Meyer.

JENNIFER J. JOHNSON
*Deputy Secretary of the Board*

## Appendix

*Asset and Deposit Data as of December 31, 1995.*

Banc One Corporation, with $90.2 billion in total consolidated assets, is the tenth largest commercial banking organization in the United States, controlling $67.4 billion in deposits. Banc One operates subsidiary banks in Ohio, Kentucky, Indiana, Michigan, Illinois, Wisconsin, Texas, Colorado, Arizona, California, Oklahoma, Utah, and West Virginia.

CoreStates Financial Corp, with $29.7 billion in total consolidated assets, is the 31st largest commercial banking organization in the United States, controlling $21.5 billion in deposits. CoreStates operates subsidiary banks in Pennsylvania, New Jersey, and Delaware.

PNC Bank Corp., with $73.5 billion in total consolidated assets, is the 12th largest commercial banking organization in the United States, controlling $21.5 billion in deposits. PNC operates subsidiary banks in Pennsylvania, Ohio, Kentucky, Indiana, New Jersey, Massachusetts, and Delaware.

KeyCorp. with $66.3 billion in total consolidated assets, is the 14th largest commercial banking organization in the United States, controlling $47.3 billion in deposits. KeyCorp operates subsidiary banks in Ohio, Indiana, Michigan, New York, Washington, Maine, Oregon, Idaho, Utah, Colorado, Wyoming, and Alaska.

National City, with $36.2 billion in total consolidated assets, is the 24th largest commercial banking organization in the United States, controlling $25.2 billion in deposits. National City operates subsidiary banks in Ohio, Indiana, and Kentucky.

## Dresdner Bank AG
## Frankfurt, Germany

*Order Approving Notice to Engage in Nonbanking Activities*

Dresdner Bank AG, Frankfurt, Germany ("Dresdner"), a foreign banking organization subject to the provisions of the Bank Holding Company Act ("BHC Act"), has requested Board 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 retain its ownership interest in the United States operations of Kleinwort Benson Group plc, London, England,[1] and thereby engage in the following activities:

(1) Underwriting and dealing in, to a limited extent, all types of debt and equity securities other than interests in open-end investment companies through Dresdner Kleinwort Benson North America LLC, New York, New York ("Company");

(2) Acting as agent in the private placement of all types of securities, and buying and selling all types of securities on the order of customers as a "riskless principal" through Company;

(3) Providing securities brokerage services pursuant to 12 C.F.R. 225.25(b)(15) through Company;

(4) Providing investment advisory services pursuant to 12 C.F.R. 225.25(b)(4) through Company and Kleinwort Benson Investment Management ("KBIMA"); Kleinwort Benson (USA), Inc.; and KB-LPL Holdings, Inc., all of New York, New York;

(5) Serving as general partner for unregistered limited partnerships now existing or to be established in the future; and

(6) Leasing personal or real property or acting as agent, broker, or adviser in leasing such property, pursuant to 12 C.F.R. 225.25(b)(5) through Parc Tec Inc., New York, New York.

1. Dresdner previously received approval under section 4(c)(9) of the BHC Act to retain temporarily the United States operations of Kleinwort Benson. *See* Letter dated July 13, 1995, from Jennifer J. Johnson, Deputy Secretary of the Board, to David M. Huggin, Esq.

Dresdner would establish Company through the merger of Kleinwort Benson North America Inc. ("KBNAI") and Dresdner Securities (USA), Inc. ("DSI"), both of New York, New York. KBNAI and DSI are, and Company would be, registered as a broker-dealer with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*).[2] Accordingly, Company would be subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 and the SEC.

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 62,093 (1995)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Dresdner, with total consolidated assets of approximately $338 billion, is the second largest banking organization in Germany.[3] In the United States, Dresdner operates branches in New York, New York, and Chicago, Illinois, and an agency in Los Angeles, California.[4] Dresdner also controls several subsidiaries that engage in various nonbanking activities in the United States. Kleinwort Benson Group plc, with total consolidated assets of $14.2 billion, is a merchant bank based in the United Kingdom that engages in a variety of securities-related, advisory and other nonbanking activities worldwide.

*Activities Approved by Regulation*

The Board previously has determined by regulation that the proposed investment advisory, leasing and securities brokerage activities are closely related to banking for purposes of section 4(c)(8) of the BHC Act.[5] Dresdner proposes to conduct these activities in accordance with the Board's regulations and prior Board decisions relating to these activities.[6]

*Underwriting and Dealing in Bank-Ineligible Securities*

The Board has determined that, subject to the prudential framework of limitations established in previous decisions to address the potential for conflicts of interests, unsound banking practices, or other adverse effects, the proposed activities of underwriting and dealing in bank-ineligible securities 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.[7] Dresdner has committed that Company will conduct the proposed underwriting and dealing activities using the same methods and procedures and subject to the same prudential limitations established by the Board in the Section 20 Orders.

The Board also has determined that the conduct of these securities underwriting and dealing activities is consistent with section 20 of the Glass-Steagall Act (12 U.S.C. § 377), provided that the company engaged in the underwriting and dealing activities derives no more than 10 percent of its total gross revenue from underwriting and dealing in bank-ineligible securities over any two-year period.[8] Dresdner has committed that Company will conduct its underwriting and dealing activities in bank-ineligible securities subject to the 10-percent revenue test.[9]

2. Dresdner currently operates DSI pursuant to grandfather rights established by section 8(c)(1) of the International Banking Act of 1978 ("IBA"). 12 U.S.C. § 3106(c). Dresdner's grandfather rights with respect to DSI will terminate on the merger of DSI with and into Company.

3. Asset and ranking data are as of December 31, 1995, and use exchange rates then in effect.

4. Deutsche-Suedamerikanische Bank AG, Hamburg, Germany, a wholly owned subsidiary of Dresdner, also operates an agency in Miami, Florida.

5. *See* 12 C.F.R. 225.25(b)(4), (5) and (15).

6. Because Company would provide investment advisory and brokerage services with respect to ineligible securities that it may hold as a principal, Dresdner has committed that Company would inform its customers at the commencement of the relationship that, as a general matter, it may be a principal or may be engaged in underwriting with respect to, or may purchase from an affiliate, those securities for which brokerage or advisory services are provided. In addition, Dresdner has committed that the confirmations sent by Company to customers would state whether Company acted as agent or as principal in the transaction. *See PNC Financial Corp.*, 75 *Federal Reserve Bulletin* 396 (1989); *Bankers Trust New York Company*, 74 *Federal Reserve Bulletin* 695 (1988). The Board also notes that Company would be registered as an investment adviser under the Investment Advisers Act of 1940 (15 U.S.C. § 80b-1 *et seq.*) ("Advisers Act"). Pursuant to the Advisers Act, if Company provides advice to a customer on the purchase or sale of a security for which Company is acting as principal, Company must disclose to the client that it is acting as a principal in the transaction and obtain the client's written consent before the transaction occurs. *See* 15 U.S.C. § 80b-6(3); Investment Advisers Act Release No. 40, *reprinted in* 6 Fed. Sec. L. Rep. (CCH) 56,374 (Jan. 5, 1940).

7. *See Canadian Imperial Bank of Commerce, et al.*, 76 *Federal Reserve Bulletin* 158 (1990); *J.P. Morgan & Co. Incorporated, et al.*, 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 900 F.2d 360 (D.C. Cir. 1990); *Citicorp, et al.*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir. 1988), *cert. denied*, 486 U.S. 1059 (1988) (collectively, "Section 20 Orders").

8. *See* Section 20 Orders. Compliance with the 10 percent revenue limitation shall be calculated in accordance with the method stated in the Section 20 Orders, as modified by the *Order Approving Modifications to the Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989); the *Order Approving Modifications to the Section 20 Orders*, 79 *Federal Reserve Bulletin* 226 (1993); and the *Supplement to Order Approving Modifications to Section 20 Orders*, 79 *Federal Reserve Bulletin* 360 (1993) (collectively, "Modification Orders"). In light of the fact that Dresdner acquired a going concern, the Board believes that allowing Company to calculate compliance with the revenue limitation on an annualized basis during the first year after consummation of the acquisition and thereafter on a rolling quarterly basis would be consistent with the Section 20 Orders. *See Dauphin Deposit Corporation*, 77 *Federal Reserve Bulletin* 672 (1991). The Board notes that Dresdner has not adopted the Board's alternative indexed revenue test to measure compliance with the 10 percent limitation on bank-ineligible securities activities, and, absent such election, will continue to employ the Board's original 10 percent revenue test.

9. As an incident to the proposed underwriting and dealing activities, Company would participate in certain derivative transactions for hedging purposes in accordance with the Board's policy statement on derivative transactions. *See* 12 C.F.R. 225.142. The Board also notes

*Private Placement and "Riskless Principal" Activities*

Private placement involves the placement of new issues of securities with a limited number of sophisticated purchasers in a nonpublic offering. A financial intermediary in a private placement transaction acts solely as an agent of the issuer in soliciting purchasers and does not purchase the securities and attempt to resell them. Securities that are privately placed are not subject to the registration requirements of the Securities Act of 1933, and are offered only to financially sophisticated institutions and individuals and not to the public. Company will not privately place registered securities and will only place securities with customers that qualify as accredited investors.

"Riskless principal" is the term used in the securities business to refer to a transaction in which a broker-dealer, after receiving an order to buy (or sell) a security for a customer, purchases (or sells) the security for its own account to offset a contemporaneous sale to (or purchase from) the customer.[10] Riskless principal transactions are understood in the industry to include only transactions in the secondary market. Thus, Company would not act as a riskless principal in selling bank-ineligible securities at the order of a customer that is the issuer of the securities to be sold, or in any transaction where Company has a contractual agreement to place the securities as agent of the issuer. Company also would not act as a riskless principal in any transaction involving a bank-ineligible security for which it or an affiliate makes a market.

The Board has determined that, subject to the limitations established by the Board in prior orders, the proposed private placement and riskless principal 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.[11] The Board also has determined that acting as agent in the private placement of securities, and purchasing and selling securities on the order of investors as a riskless principal, do not constitute underwriting and dealing in securities for purposes of section 20 of the Glass-Steagall Act, and that revenue derived from these activities is not subject to the 10-percent revenue limitation on bank-ineligible securities underwriting and dealing.[12]

Dresdner has committed that Company will conduct its private placement activities using the same methods and procedures and subject to the same prudential limitations as those established by the Board in *Bankers Trust* and *J.P. Morgan*,[13] including the comprehensive framework of restrictions imposed by the Board in connection with underwriting and dealing in bank-ineligible securities, which were designed to avoid potential conflicts of interests, unsound banking practices, and other adverse effects. Dresdner also has committed that Company will conduct its riskless principal activities subject to the limitations previously established by the Board.[14]

*Other Activities*

Dresdner also proposes that Company act as general partner of, and maintain an equity interest in, limited partnerships that now exist or that may be established in the future ("Partnerships").[15] Interests in Partnerships would be exempt from the registration and prospectus requirements of the Securities Act of 1933 (15 U.S.C. § 77a *et seq.*) and the Partnerships would be exempt from registration as investment companies under the Investment Company Act of 1940 (15 U.S.C. § 80a-1 *et seq.*).[16]

that Company may engage in activities that are necessary incidents to the proposed underwriting and dealing activities, provided that they are treated as part of the bank ineligible securities activities, unless Company has received specific approval under section 4(c)(8) of the BHC Act to conduct the activities independently. Until such approval is obtained, any revenues from the incidental activities must be counted as ineligible revenues subject to the 10-percent revenue limitation.

10. *See* SEC Rule 10b-10(a)(8)(i) (17 C.F.R. 240.10b-10(a)(8)(i)). The Board notes that Company, as a registered broker-dealer, must conduct its riskless principal activities in accordance with the customer disclosure and other requirements of the federal securities laws.

11. *See J.P. Morgan & Company Incorporated*, 76 *Federal Reserve Bulletin* 26 (1990) ("*J.P. Morgan*"); *Bankers Trust New York Corporation*, 75 *Federal Reserve Bulletin* 829 (1989) ("*Bankers Trust*").

12. *See Bankers Trust.*

13. Among the prudential limitations discussed more fully in *Bankers Trust* and *J.P. Morgan* are that Company will not privately place open-end investment company securities or securities of investment companies that are advised by Dresdner or any of its affiliates. In addition, Company will make no general solicitation or general advertising for securities it places.

14. *See The Bank of New York Company, Inc.*, 82 *Federal Reserve Bulletin* 748 (1996). Neither Company nor its affiliates will hold themselves out as making a market in the bank-ineligible securities that Company buys and sells as riskless principal, or enter quotes for specific bank-ineligible securities in any dealer quotation system in connection with Company's riskless principal transactions, except that Company and its affiliates may enter bid or ask quotations, or publish "offering wanted" or "bid wanted" notices on trading systems other than NASDAQ or an exchange, if Company or the affiliate does not enter price quotations on different sides of the market for a particular security for two business days. In other words, Company or its affiliate must wait at least two business days after entering a "bid" quote on a security before entering an "ask" quote on the same security and vice versa. Company will not act as riskless principal for registered investment company securities or for any securities of investment companies that are advised by Dresdner or its affiliates. In addition, because Company proposes to provide riskless principal services in combination with investment advisory services, Company will conduct its riskless principal activities in accordance with the limitations established by the Board for the full-service brokerage activities of bank holding companies. *See* 12 C.F.R. 225.25(b)(15)(ii).

15. DSI currently serves as general partner of a single Partnership with 20 limited partners. Dresdner may hold a small equity interest in a Partnership to enable the Partnership to be treated as a partnership for tax purposes.

16. Dresdner also proposes that Company act as investment adviser to the Partnerships and privately place interests in the Partnerships with institutional customers. As discussed above, the Board has approved these activities by regulation or order and Dresdner will conduct the activities in accordance with the limitations previously established by the Board with respect to such activities. *See* 12 C.F.R. 225.25(b)(4); *J. P. Morgan*; and *Bankers Trust.*

The Board previously has determined that Dresdner's proposed Partnership activities are permissible, and Dresdner has committed to conduct those activities subject to the limitations established by the Board in its prior decisions.[17] For example, the Partnerships, together with Dresdner and its affiliates, will hold not more than 5 percent of any class of voting securities of any issuer and not more than 25 percent of the total equity, including subordinated debt, of any issuer. In addition, Dresdner has committed that no directors, officers, or employees of Dresdner or its affiliates will serve as directors, officers, or employees of any issuer of which the Partnerships, Dresdner and its affiliates hold more than 10 percent of the total equity.[18]

*Financial Factors, Managerial Resources, and Other Considerations*

Under the proper incident to banking standard of section 4(c)(8) of the BHC Act, in order to approve this notice, the Board must determine that the performance of the proposed activities by Dresdner can reasonably be expected to produce public benefits that would outweigh possible adverse effects. As part of the Board's evaluation of these factors, the Board considers the financial and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[19] The Board notes that Dresdner's capital ratios satisfy applicable risk-based standards under the Basle Accord, and are considered equivalent to the capital levels that would be required of a United States banking organization. The Board also has reviewed the capitalization of Dresdner and Company in accordance with the standards set forth in the Section 20 Orders and finds the capitalization of each to be consistent with approval. The determination of the capitalization of Company is based on all the facts of record, including Dresdner's projections of the volume of Company's underwriting and dealing activities in bank-ineligible securities. The Federal Reserve Bank of New York ("Reserve Bank") has reviewed the operational and managerial infrastructure of Company, including its computer, audit, and accounting systems and internal risk management procedures and controls, with respect to the proposed underwriting and dealing in debt and equity securities, and has determined that Company has established an adequate operational and managerial infrastructure to ensure compliance with the requirements of the Section 20 Orders. On the basis of the Reserve Bank's review and all the facts of record, the Board concludes that financial and managerial considerations are consistent with approval of this proposal.

In evaluating the public interest factors in this case, the Board considered that Dresdner, through Dresdner-NY Incorporated, New York, New York ("DNY"), engages in bank-ineligible securities activities in the United States pursuant to grandfather rights established by section 8(c)(1) of the IBA.[20] Dresdner, however, has committed that DNY and the operations of Dresdner authorized under section 4 of the BHC Act will remain completely separate and will not engage in any business with or on behalf of each other.[21]

In light of these commitments, and under the framework and conditions established by the Board in the Section 20 Orders and this order, the Board concludes that consummation of this proposal is not likely to result in significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices, and that Dresdner would not gain an unfair competitive advantage in conducting its grandfathered activities. Moreover, the Board expects that consummation of the proposal would provide added convenience to Dresdner's customers and would increase the level of competition among existing providers of these

17. *See Meridian Bancorp, Inc.*, 80 *Federal Reserve Bulletin* 736 (1994). Because Dresdner would indirectly serve as general partner of the Partnerships, Dresdner would be required, for regulatory purposes, to hold capital and present financial information relating to Company and the Partnerships on a consolidated basis. *See The Bessemer Group, Incorporated*, 82 *Federal Reserve Bulletin* 569 (1996).

18. The Partnerships will not invest in futures contracts or options on futures contracts on any financial or nonfinancial commodity, or knowingly acquire debt securities that are in default at the time of acquisition, without prior approval from the Federal Reserve System. The Partnerships, however, might invest in futures contracts based on foreign exchange, U.S. Government and agency securities, and money market instruments solely for hedging purposes and in conformance with the Board's policy statement on derivative transactions. *See* 12 C.F.R. 225.142.

19. *See* 12 C.F.R. 225.24; *see also The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

20. DNY acts as a specialist for certain stocks listed on the New York Stock Exchange ("NYSE"). Although DNY currently operates as a subsidiary of DSI, Dresdner does not propose to merge DNY into Company, and Dresdner would continue to hold DNY as a separate subsidiary pursuant to section 8(c)(1) of the IBA after consummation of the proposal. The IBA authorizes Dresdner to retain its interest in DNY unless the Board, after notice and opportunity for a hearing, finds that the continuation of the activities would give rise to adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices in the United States.

21. In furtherance of this commitment, and not in limitation thereof, Dresdner also has committed that there will be no director, officer or employee interlocks of any kind between DNY and Dresdner's U.S. subsidiaries authorized under section 4 of the BHC Act; there will be no joint marketing efforts between DNY and Dresdner's subsidiaries authorized under section 4 of the BHC Act; and DNY and Dresdner's subsidiaries authorized under section 4 of the BHC Act will not share fees, profits or customer information with, will not make customer referrals to, and will not engage in cross marketing with, each other. Dresdner has requested that the Board permit Dresdner's subsidiaries authorized under section 4 of the BHC Act to execute trades through DNY on the NYSE in stocks for which DNY acts as a specialist. The Board notes that DNY is the only specialist on the NYSE for the stocks at issue. Dresdner has committed that all transactions effected by DNY for its affiliates authorized under section 4 will be conducted on an arm's length basis and on terms no more favorable than those offered to unaffiliated third parties. In light of the unique facts of this case and the limited nature of the proposed relationship between DNY and its affiliates authorized under section 4 of the BHC Act, the Board concludes that Dresdner's request is consistent with the public interest factors the Board must consider in this case. The Board expects Dresdner to ensure that DNY and its affiliates authorized under section 4 are operated entirely separately in all other respects.

services. The Board has determined, therefore, that the performance of the proposed activities by Dresdner can reasonably be expected to produce public benefits that outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Accordingly, and for the reasons set forth in this order and in the Section 20 Orders, the Board has concluded that Dresdner's proposal to engage in the proposed activities is consistent with the Glass Steagall Act, and that the proposed activities are so closely related to banking as to be proper incidents thereto within the meaning of section 4(c)(8) of the BHC Act, provided that Dresdner limits Company's activities as specified in this order and the Section 20 Orders, as modified by the Modification Orders.

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

The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(g) (12 C.F.R. 225.7 and 225.23(g)), 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 Board's decision is specifically conditioned on Dresdner's compliance with all the commitments made in connection with this notice, including the commitments discussed in this order and the conditions set forth in the Board regulations and orders noted above. The commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions, and may be enforced in proceedings under applicable law.

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 the Reserve Bank, acting pursuant to delegated authority.

By order of the Board of Governors, effective July 15, 1996.

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

JENNIFER J. JOHNSON
*Deputy Secretary of the Board*

## First Southern Bancorp, Inc.
## Stanford, Kentucky

*Order Approving the Acquisition of a Savings Association*

First Southern Bancorp, Inc., Stanford, Kentucky ("First Southern"), 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 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 Lincoln Financial Bancorp, Inc. ("Lincoln"), and thereby acquire Lincoln Federal Savings Bank ("Lincoln FSB"), also in Stanford, Kentucky.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 27,077 (1996)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4 of the BHC Act.

The Board has determined that the operation of a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act.[2] The Board requires savings associations acquired by bank holding companies to conform their direct and indirect activities to those permissible for bank holding companies under section 4(c)(8) of the BHC Act and Regulation Y. First Southern has committed to conform all activities of Lincoln FSB to those requirements.[3]

First Southern is the 34th largest commercial bank or thrift institution ("depository institution") in Kentucky, controlling deposits of approximately $172.4 million, representing less than 1 percent of total deposits in depository

1. First Southern proposes to transfer the main office and one branch of Lincoln FSB, accounting for 84 percent of the thrift's total deposits, to First Southern's subsidiary bank, First Southern National Bank of Lincoln County, Hustonville, Kentucky ("First Southern Bank"). Lincoln FSB would continue to operate at the location of its single remaining branch. The transaction is subject to the approval of the Office of the Comptroller of the Currency ("OCC") under section 18(c) of the Federal Deposit Insurance Act ("FDI Act") (12 U.S.C. § 1828(c) (the "Bank Merger Act")) and section 5(d)(3) of the FDI Act. Lincoln also has granted First Southern an option to purchase up to 19.9 percent of the voting shares of Lincoln under certain circumstances. The option would be cancelled on consummation of the proposal.

2. *See* 12 C.F.R. 225.25(b)(9).

3. First Southern has committed that all impermissible real estate activities will be divested within two years of consummation of the proposal, that no new impermissible projects or investments will be undertaken during this period, and that capital adequacy guidelines for Lincoln FSB will be met excluding impermissible real estate investments. First Southern also has committed that all impermissible insurance activities will be divested or terminated within two years of consummation of the proposal and that no new impermissible insurance activities will be undertaken during this period except for the renewal of existing insurance policies. In addition, First Southern has committed that all impermissible securities activities will cease on or before consummation of the proposal.

institutions in the state.[4] Lincoln is the 169th largest depository institution in Kentucky, controlling deposits of approximately $40.8 million. On consummation of the proposal, First Southern would become the 27th largest depository institution in Kentucky, controlling deposits of approximately $213.2 million, representing less than 1 percent of total deposits in depository institutions in the state.

*Competitive Considerations*

Under section 4(c)(8) of the BHC Act, the Board is required to consider whether a proposal is likely to result in any significantly adverse effects, such as undue concentration of resources or unfair competition, conflicts of interests, or unsound banking practices. First Southern, through its two subsidiary banks, and Lincoln compete directly in the Danville, Kentucky, banking market ("Danville banking market").[5] In addition, the Board has approved First Southern to acquire up to 24.9 percent of the voting shares of Casey County Bancorp, Inc., Liberty, Kentucky ("Casey County"), which also competes in the Danville banking market, as a noncontrolling passive investment.[6] The Board has noted previously that one company need not acquire control of another in order substantially to lessen competition between them. It is possible, for example, that the acquisition of a substantial ownership interest in a competitor or a potential competitor of the acquiring firm may alter the market behavior of both firms in such a way as to weaken or eliminate independence of action between the organizations and increase the likelihood of cooperative operations.[7]

When the deposits of Casey County are combined with First Southern, First Southern is the largest depository institution in the market, controlling deposits of approximately $171.7 million, representing 27.8 percent of total deposits in depository institutions in the market ("market deposits").[8] Lincoln is the tenth largest depository institution in the market, controlling deposits of approximately $40.8 million, representing 3.3 percent of market deposits. On consummation of the proposal, First Southern would remain the largest depository institution in the market, controlling deposits of approximately $212.5 million, representing 33.3 percent of market deposits. Market concentration, as measured by the Herfindahl Hirschman Index ("HHI"), would increase 272 points to 1914.[9]

The Board notes, however, that HHI levels are only guidelines that are used by the Board, the Department of Justice, and the other banking agencies to help identify cases in which a more detailed competitive analysis is appropriate to assure that the proposal would not have a significantly adverse effect on competition in any relevant market. A proposal that fails to pass the HHI market screen may nonetheless be approved because other information may indicate that the proposal would not have a significantly adverse effect on competition. The Department of Justice has reviewed the proposal and advised the Board that consummation of the proposal would not likely have any significantly adverse competitive effects in the Danville banking market or any other relevant banking market.

In addition, a number of factors indicate that the market concentration as measured by the HHI tends to overstate the competitive effects of the proposal. After consummation of the proposal, for example, ten competitors would remain in a relatively small banking market.[10] Six of these competitors are commercial banking organizations, two of which each control more than 10 percent of market deposits and three others of which each control more than 5 percent of market deposits. In addition, two of these commercial banking organizations are large regional bank holding companies.

Based on these and all the other facts of record, the Board concludes that consummation of the proposal is not likely to have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

4. Deposit data are as of June 30, 1995.

5. The Danville banking market is approximated by Boyle and Lincoln Counties, the Lancaster and Bryantsville census divisions of Garrard County, and the northern portion of Casey County, all in Kentucky.

6. *See First Southern Bancorp, Inc.*, 82 *Federal Reserve Bulletin* 424 (1996). In connection with acquiring the interest in Casey County, First Southern agreed to abide by certain commitments, set forth in the appendix to the Board's order, that previously had been relied on by the Board in cases involving passive minority investments. *See, e.g., Mansura Bancshares, Inc.*, 79 *Federal Reserve Bulletin* 37 (1993) ("*Mansura*"). First Southern has acquired approximately 5.3 percent of the voting shares of Casey County.

7. *First Banks, Inc.*, 80 *Federal Reserve Bulletin* 34 (1994); *Mansura, supra.*

8. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50 percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991). Because the deposits of Lincoln FSB would be controlled by a commercial banking organization after consummation of the proposal, they have been included at 100 percent in the calculation of the market share of First Southern after consummation of the proposal. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669, 670 n.9 (1990).

9. 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 above 1800 is considered highly concentrated. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points.

10. The Danville banking market has a population of 56,700 residents and total deposits in depository institutions of approximately $617 million.

*Other Considerations*

The Board also concludes that consummation of the proposal would result in a broader financial network through which First Southern could serve its customers and former Lincoln customers. Former Lincoln customers would have increased services, including access to Small Business Administration loans, and, for the majority of depositors whose accounts would be transferred to First Southern Bank, expanded access to automated teller machines in the Danville banking market. The Board also concludes that the financial and managerial resources of First Southern and Lincoln FSB are consistent with approval of the proposal. In light of all the facts of record, the Board finds that consummation of the proposal is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices that would outweigh the public benefits of the proposal. Accordingly, the Board has determined that the performance of the proposed activities by First Southern can reasonably be expected to produce public benefits that outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

*Conclusion*

Based on the foregoing and all the facts of record, the Board has determined that this notice should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by First Southern with all commitments made in connection with this notice. The Board's determination is also subject to all the conditions in Regulation Y, including those in sections 225.7 and 225.23(g) (12 C.F.R. 225.7 and 225.23(g)) and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. These commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective July 22, 1996.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Lindsey, Yellen, and Meyer. Absent and not voting: Governors Kelley and Phillips.

JENNIFER J. JOHNSON
*Deputy Secretary of the Board*

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

### Bank of Boston Corporation
### Boston, Massachusetts

*Order Approving the Acquisition of a Bank Holding Company*

Bank of Boston Corporation, Boston, Massachusetts ("Bank of Boston"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire BayBanks, Inc. ("BayBanks"), also in Boston, Massachusetts.[1] Bank of Boston would indirectly acquire the subsidiary banks of BayBanks, BayBank, N.A., Boston, Massachusetts ("BayBank MA"), and BayBank NH, National Association, Derry, New Hampshire ("BayBank NH").[2]

Bank of Boston also has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)) to:

(1) Acquire all the voting shares of BayBank FSB, Nashua, New Hampshire ("BayBank FSB"), and thereby engage in the operation of a savings association pursuant to section 225.25(b)(9) of Regulation Y (12 C.F.R. 225.25(b)(9)); and

(2) Increase Bank of Boston's ownership interest from 6 percent to 16.53 percent of the voting shares of NYCE Corporation, Hackensack, New Jersey ("NYCE Corporation"), which engages in operating retail electronic funds transfer networks and data processing activities pursuant to section 225.25(b)(7) of Regulation Y (12 C.F.R. 225.25(b)(7)).[3]

Notice of the proposals, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 14,308 (1996)). The time for filing comments has expired, and the Board has considered the proposals and all comments received in light of the factors set forth in sections 3(c) and 4(c)(8) of the BHC Act.

1. Bank of Boston also has requested the Board's approval to acquire options for up to 19.9 percent of the voting stock of BayBanks, and BayBanks has requested the Board's approval to acquire options for up to 19.9 percent of the voting stock of Bank of Boston.

2. Bank of Boston proposes to merge its wholly owned subsidiary Boston Merger Corp., Boston, Massachusetts, into BayBanks with BayBanks to be the surviving company. Bank of Boston would be renamed BankBoston Corporation. After consummation of this proposal, Bank of Boston would merge BayBank MA with and into Bank of Boston's lead subsidiary bank, The First National Bank of Boston, Boston, Massachusetts ("FNBB"). The bank merger is subject to the approval of the Office of the Comptroller of the Currency ("OCC") under the Bank Merger Act (12 U.S.C. § 1828(c)).

3. Bank of Boston also has provided notice of its intention to acquire a branch of BayBank MA located in the Cayman Islands, B.W.I., pursuant to the Board's Regulation K (12 C.F.R. 211.3(a)(3)).

Bank of Boston, with total consolidated assets of $47.4 billion, operates subsidiary banks in Massachusetts, Connecticut, Florida, and Rhode Island, and a special purpose bank in Maine that provides cash management services.[4] Bank of Boston is the 17th largest commercial banking organization in the United States and the largest commercial banking organization in Massachusetts. Bank of Boston controls deposits of $16.8 billion in Massachusetts, representing 16.5 percent of all deposits in depository institutions in the state ("state deposits").[5] Bank of Boston also engages in a number of permissible nonbanking activities nationwide.

BayBanks, with total consolidated assets of $12.1 billion, operates a subsidiary bank in Massachusetts, and a subsidiary bank and a thrift institution in New Hampshire.[6] BayBanks is the 51st largest commercial banking organization in the United States and the third largest commercial banking organization in Massachusetts. BayBanks controls deposits of $9.2 billion in Massachusetts, representing approximately 9 percent of state deposits.

On consummation of this proposal, Bank of Boston would become the 15th largest commercial banking organization in the United States, with total consolidated assets of $59.5 billion and would control less than 1 percent of the total deposits in banks and savings associations insured by the Federal Deposit Insurance Corporation ("FDIC"). On consummation of this proposal and completion of the proposed branch divestitures, Bank of Boston would remain the largest commercial banking organization in Massachusetts, controlling $25.1 billion in deposits, representing approximately 24.7 percent of state deposits.

*Interstate Analysis*

Section 3(d) of the BHC Act allows the Board to approve a proposal by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company, if certain conditions are met. For purposes of the BHC Act, the home state of Bank of Boston is Massachusetts, and BayBanks operates banks located outside Massachusetts.[7] The conditions for an interstate acquisition under section 3(d) are met in this case.[8] In view of all the facts of record, the Board is permitted to approve this proposal under section 3(d) of the BHC Act.[9]

*Competitive Considerations*

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly, or if the proposal would substantially lessen competition in any relevant banking market, unless such anticompetitive effects are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Bank of Boston and BayBanks compete directly in nine banking markets in New England.[10] The Board has carefully considered the effects that consummation of this proposal would have on competition in these banking markets in light of all the facts of record, including characteristics of each market,[11] the increase in

4. Asset data are as of December 31, 1995.

5. Depository institutions include commercial banks, savings banks, and savings associations. State deposit data are as of June 30, 1995, adjusted to reflect acquisitions and sales consummated by Bank of Boston through June 30, 1996.

6. BayBank MA operates two branches in Connecticut.

7. 12 U.S.C. § 1842(d). Pub. L. No. 103-328, 108 Stat. 2338 (1994). A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

8. 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). Bank of Boston is adequately capitalized and adequately managed. The subsidiary banks of BayBanks have been in existence and continuously operated for the minimum periods of time required under applicable state law. In addition, on consummation of this proposal, Bank of Boston and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and less than 30 percent of the total amount of deposits of insured depository institutions in the relevant states. On consummation of this transaction, which includes the divestiture of approximately $860 million in deposits in Massachusetts, Bank of Boston would control less than 25 percent of the total deposits of all state- and federally-chartered banks in Massachusetts. *See* M.G.L.A. c. 167, § 2 (Supp. 1996). The Board's determination on this proposal is specifically conditioned on Bank of Boston obtaining approval under applicable state law.

9. BayBanks has filed several applications with the OCC for permission to merge BayBank FSB into BayBank NH, relocate the main office of BayBank NH a distance of less than 30 miles into Massachusetts, and merge BayBank NH into BayBank MA, with BayBank MA retaining BayBank NH's New Hampshire branches. The New Hampshire Bank Commissioner ("New Hampshire Commissioner") contends that these applications would permit BayBank MA illegally to establish interstate branches, and has joined a lawsuit filed in the Federal District Court for the Northern District of Texas to challenge the OCC's approval of these types of relocation and merger transactions for national banks. On May 22, 1996, the district court ruled that upon the relocation of the main office of a national bank, the bank is authorized to establish an interstate branch only to the extent authorized under state law. *Ghiglieri v. Ludwig*, No. 3:95-CV-2001-H, 1996 U.S. Dist. LEXIS 8321, at *49 (N.D. Tex. May 22, 1996). The Board notes that the OCC has not approved the BayBanks relocation, branching, and merger applications, and that this matter is solely within the OCC's jurisdiction to consider in light of all applicable legal precedent. If the OCC disapproves the applications, or if the OCC's approval of the applications is later overturned by a court, Bank of Boston would nevertheless be permitted to own BayBank NH as a separate New Hampshire bank under section 3(d) of the BHC Act. The Board has forwarded the New Hampshire Commissioner's comments to the OCC.

10. The banking markets are described in the Appendix. Market share data are as of June 30, 1995.

11. Based on the particular characteristics of the institutions and markets involved, the Board previously has determined that certain savings associations in New England offer significant competition to commercial banks in the provision of the full range of financial services, and has weighted the deposits of those savings associations at more than 50 percent in calculating market share. *See Fleet Financial Group, Inc.*, 82 *Federal Reserve Bulletin* 50 (1996); *Fleet/Norstar Financial Group, Inc.*, 77 *Federal Reserve Bulletin* 750 (1991); *Cenvest, Inc.*, 74 *Federal Reserve Bulletin* 807 (1988); and *Hartford National Corporation*, 73 *Federal Reserve Bulletin* 720 (1987). The Board has determined to include the deposits of savings associations in Connecticut, Massachusetts, New Hampshire, and Rhode Island

the concentration of total deposits in depository institutions in these markets as measured by the Herfindahl-Hirschman Index ("HHI"), and the HHI levels set out in the revised Department of Justice Merger Guidelines ("DOJ Guidelines").[12] As part of this proposal, Bank of Boston would divest a total of 20 branches of the subsidiary banks of Bank of Boston and BayBanks in the Boston metropolitan area. These branches represent deposits of approximately $860 million.[13]

Consummation of this proposal would not exceed the DOJ Guidelines in any relevant banking market and numerous competitors would remain in each market.[14] The Department of Justice has reviewed the proposal and advised the Board that, subject to completion of the proposed divestitures, the proposal would not likely have any significantly adverse effects on competition in any banking market.[15] The Office of the Massachusetts Attorney General has reached the same conclusion on the competitive effects of this proposal in the Massachusetts banking markets. In this light, and based on all the facts of record, the Board concludes that consummation of this proposal is not likely to have a significantly adverse effect on competition or concentration of banking resources in any relevant banking market.

*Other Factors Under the BHC Act*

The BHC Act also requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved, the convenience and needs of the community to be served, and certain other supervisory factors.

## A. Supervisory Factors

The Board has carefully considered the financial and managerial resources and future prospects of Bank of Boston and BayBanks and their respective subsidiaries, and other supervisory factors, in light of all the facts of record. These facts include supervisory reports of examination assessing the financial and managerial resources of the organizations, and confidential financial information provided by Bank of Boston. Bank of Boston would incur no additional debt in connection with this proposal and has sufficient financial and managerial resources to accomplish this transaction without impairing these resources. After consummation of this proposal, Bank of Boston's subsidiary banks all would remain well capitalized. Based on these and all the facts of record, the Board concludes that the supervisory factors under the BHC Act, including financial and managerial resources, weigh in favor of approval of this proposal.[16]

## B. Convenience and Needs Factor

The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). As provided in the CRA, the Board has evaluated this factor in light of examinations by the primary federal supervisor of the CRA performance records of the relevant institutions.

The Board also has carefully considered all comments submitted on this proposal, including comments from the Rhode Island Community Reinvestment Association ("RICRA") criticizing the CRA performance record of

banking markets at up to 100 percent based on a number of factors indicating their commitment to commercial lending, including their ratio of commercial and industrial loans (other than those secured by real estate) to total assets, percentage of small business loans in the market, resources committed to commercial lending, and the legal authority of the association to make commercial loans.

12. Under the DOJ Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is less than 1000 is considered unconcentrated and a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. A market in which the post-merger HHI is above 1800 is considered to be highly concentrated. In such markets, the Department of Justice is likely to challenge a merger that increases the HHI by more than 50 points. The Department of Justice has informed the Board that a bank acquisition or merger generally will not be challenged (in the absence of other factors indicating anti-competitive effects) unless the post-merger HHI is at least 1800 and the merger or acquisition increases the HHI by at least 200 points. The Department of Justice has stated that the higher than normal threshold for anti-competitive effects implicitly recognizes the competitive effect of limited-purpose lenders and other non-depository financial entities.

13. Bank of Boston has committed to execute a sales agreement to accomplish this divestiture before consummation of this proposal and to complete the divestiture within 180 days of consummation. Bank of Boston also has committed that, if it is unsuccessful in completing the divestiture within 180 days of consummation, it will transfer the unsold branches to an independent trustee that is acceptable to the Board and that will be instructed to sell the assets promptly. In addition, Bank of Boston has committed to submit to the Board, before consummation of the acquisition, an executed trust agreement acceptable to the Board stating the terms of the divestiture.

14. Based on all the facts of record, including the proposed divestitures, the HHI increases in the banking markets in which Bank of Boston and BayBanks compete would be as follows: in Massachusetts, Amherst Northampton (141 points to 1723); Boston (423 points to 1467); Cape Cod (74 points to 1597); New Bedford (27 points to 2819); Springfield (219 points to 1356); Taunton (156 points to 2558); and Worcester (171 points to 2258); in the Hartford, Connecticut, banking market (7 points to 3011); and in the Providence, Rhode Island, banking market (30 points to 3277). The HHI calculations in the Boston, Massachusetts, banking market include the deposits of BayBank FSB.

15. The OCC also has not objected to the proposal.

16. The Board has received comments from an individual contending, without providing any supporting evidence, that mergers of local banking organizations have a number of adverse effects, including decreased competition, increased risk of failure to the banking system, increased collusion to set fees for banking products and services, and higher fees for fewer services to customers, particularly small businesses. The Board considered identical comments made by this commenter in connection with its evaluation of Bank of Boston's acquisition of The Boston Bancorp and its subsidiary South Boston Savings Bank, both in Boston, Massachusetts. *See Bank of Boston Corporation*, 82 *Federal Reserve Bulletin* 733 (1996) ("*South Boston Order*"). This commenter has presented no new considerations relevant to the BayBanks proposal. The Board has incorporated the analysis and findings discussed in the *South Boston Order* in its consideration of this transaction.

Bank of Boston's subsidiary bank, Rhode Island Hospital Trust National Bank, Providence, Rhode Island ("Hospital Trust"), in serving the credit needs of low- and moderate-income ("LMI") areas, particularly in Providence. In addition, RICRA maintains that Hospital Trust does not adequately support community initiatives through charitable contributions. RICRA and other individual commenters also speculate that branch closings resulting from the proposal would have an adverse effect on LMI areas throughout New England.[17]

An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its primary federal supervisor.[18] In addition, the Board considers an institution's policies and practices for compliance with applicable fair lending laws. The Board also takes into account information on an institution's lending activities that assist in meeting the credit needs of LMI neighborhoods, including programs and activities initiated since its most recent CRA performance examination.

*Performance Examinations.* Bank of Boston's subsidiary banks all received ratings of "outstanding" or "satisfactory" in their most recent examinations for CRA performance by their primary federal supervisors. Bank of Boston's lead subsidiary bank, FNBB, received an "outstanding" rating from its primary federal supervisor, the OCC, as of December 1994.[19] Hospital Trust also received an "outstanding" rating from the OCC, as of December 1994 ("Hospital Trust Examination").[20] All the subsidiary banks and thrifts of BayBanks received ratings of "outstanding" or "satisfactory" in their most recent examinations for CRA performance by their primary federal supervisors, and BayBanks's lead subsidiary bank, BayBank MA, received an "outstanding" rating from the OCC, as of March 1996.[21]

*Record of CRA Performance in Rhode Island.* The Hospital Trust Examination reflects substantial efforts by the bank to help address the housing, consumer, and small business credit needs of all its communities, including LMI areas. Examiners found that Hospital Trust solicited credit applications from all segments of its community, and that there was no evidence of illegal discriminatory credit practices in the bank's lending activities. The bank also has in place effective policies, procedures, and training to support equal treatment of applicants in lending and credit activities.

The Hospital Trust Examination noted that Hospital Trust had developed credit products specifically designed to address the credit needs of LMI individuals and geographies. The bank developed the "First Step" residential real estate lending products, including a purchase money mortgage loan offering flexible terms and low down payments for first-time home buyers, and a home improvement loan providing extended loan terms, lower repayment requirements, and flexible underwriting criteria.[22] In addition, Hospital Trust created "First Community Bank" which is a special program with marketing and retail strategies focused on providing credit and banking needs to predominantly LMI communities in Rhode Island.

Examiners also indicated that Hospital Trust actively participated in local-based lending programs designed to address the credit needs of LMI individuals, including those sponsored by the Rhode Island Housing and Mort-

17. RICRA and other commenters contend that projected job losses resulting from the proposal also would adversely effect LMI areas. The BHC Act specifically enumerates the factors the Board may consider in reviewing a proposal under that Act. As previously noted, these factors relate to the effect of the proposal on competition, the financial and managerial resources of the institutions involved, certain supervisory factors, and the convenience and needs of the communities served by the institutions involved. The effect of the proposed acquisition on employment in a community is not among the factors the Board is required to consider under the BHC Act. The convenience and needs factor, moreover, has been consistently interpreted by the federal banking agencies, the courts, and Congress to relate to the effect of a proposal on the availability and quality of banking services in the community. *See Wells Fargo & Company*, 82 *Federal Reserve Bulletin* 445, 457 (1996). The Board notes that Bank of Boston has taken several steps to minimize any adverse effects of this proposal on employment or the economy in New England, and has indicated that it will provide support to displaced employees. For example, Bank of Boston and BayBanks initiated a hiring freeze in January 1996 that has reduced the combined workforce of BayBanks and Bank of Boston by 700 employees. Bank of Boston also established an Enhanced Severance Program, in which certain employees are offered early retirement and other employees whose jobs are eliminated receive enhanced severance and transition assistance.

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

19. The Board reviewed in detail FNBB's CRA performance record in the *South Boston Order* and that review is incorporated herein.

20. Bank of Boston's subsidiary bank in Connecticut, Bank of Boston, Connecticut, Hartford, Connecticut ("BKB CT"), received an "outstanding" rating from its primary federal supervisor, the FDIC, as of June 1994. Bank of Boston, Florida, N.A., a trust oriented institution received a "satisfactory" rating from the OCC, as of February 1995. Bank of Boston (Maine), N.A., Portland, Maine, a cash disbursement bank with no public operations, has not been evaluated for CRA performance. FNBB, Hospital Trust, and BKB CT together account for 99.84 percent of the total assets held by Bank of Boston's subsidiary banks.

21. BayBank NH and BayBank FSB have not been examined for CRA performance since they were acquired by BayBanks. In its most recent examination for CRA performance, however, BayBank NH received a "satisfactory" rating from the FDIC, as of May 1994 (BayBank NH, formerly known as Cornerstone Bank, recently converted from a state-chartered bank to a national bank). The two savings associations that merged to become BayBank FSB (NFS Savings Bank, FSB, Nashua, New Hampshire; and Plaistow Cooperative Bank, FSB, Plaistow, New Hampshire) received "outstanding" and "satisfactory" ratings from the Office of Thrift Supervision, as of July 1994 and May 1993, respectively. *See BayBanks, Inc.*, 81 *Federal Reserve Bulletin* 723 (1995).

22. Since 1989, Hospital Trust has approved First Step mortgage loans totalling $58.8 million.

gage Finance Corporation ("RIHMFC").[23] The Hospital Trust Examination indicated that Hospital Trust also was actively involved in FHA and VA guaranteed mortgage programs through its affiliate mortgage company, BancBoston Mortgage Corporation, Boston, Massachusetts.

Hospital Trust offers traditional consumer products such as home equity and auto loans, and a "First Step" personal loan program that provides unsecured loans for LMI borrowers. Furthermore, the Hospital Trust Examination indicated that the bank offered a wide variety of small business loans throughout its delineated community and has increased its involvement with the Small Business Administration through direct lending programs and through loan pools with other financial intermediaries.[24]

The Hospital Trust Examination also indicated that Hospital Trust designed programs to market its products and services to its entire community, including LMI areas. In addition, Hospital Trust participated in local community development projects to improve LMI areas, including projects that emphasize affordable housing and job creation. Examiners specifically found that Hospital Trust maintained a high level of participation in development and redevelopment programs in the local community, including projects sponsored by organizations such as The Business Development Corporation of Rhode Island, East Providence Housing Services, Inc., and Local Initiatives Support Corporation.[25]

*Branch Closings.* Bank of Boston has stated that it continues to evaluate whether branches in close proximity could be combined in the interest of efficiency without disrupting existing customer relationships or the ability of the combined organization to continue to serve its communities, including LMI communities.[26] The Board notes that all branch closings resulting from this proposal would be subject to Bank of Boston's branch closing policy and the Joint Agency Policy Statement on Branch Closings ("Joint Policy Statement").[27]

Bank of Boston's Corporate Branch Closing Policy, particularly at FNBB and Hospital Trust, has been reviewed by examiners and found to be satisfactory. Before proposing to close a branch, under this policy, Bank of Boston would evaluate whether it or BayBanks had other branches in the community, the plans of either institution to open additional offices (including supermarket branches) in the community, and other relevant factors. Bank of Boston also would consult with community leaders to determine ways to minimize any adverse impact of a branch closure. The Board also notes that any branch closings by Bank of Boston, particularly in LMI neighborhoods, would be assessed by examiners as part of the institution's CRA performance evaluation, and would be reviewed by the Board in future applications to acquire a depository facility.

*Conclusion on the Convenience and Needs Factor.* The Board has carefully considered the entire record in its review of the convenience and needs factor under the BHC Act. Based on all the facts of record, including information provided by Bank of Boston and the commenters in this case, CRA performance examinations and other information from the primary federal supervisors of Bank of Boston and BayBanks, and for the reasons discussed above and in the *South Boston Order*, the Board concludes that the efforts of Bank of Boston and BayBanks to help meet the credit needs of all segments of the communities served, including LMI neighborhoods, are consistent with approval.[28] In this light, the Board concludes that convenience

23. RICRA's comments primarily focus on data filed under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA") for RIHMFC's loan programs. These data were previously considered by the Board in connection with Bank of Boston's acquisition of BankVermont Corporation, Burlington, Vermont. *See Bank of Boston Corporation*, 75 *Federal Reserve Bulletin* 35 (1989) ("*BankVermont Order*"). RICRA also has provided updated HMDA data for RIHMFC's loan programs in selected census tracts. The Board notes that since the *BankVermont Order*, Hospital Trust has become one of RIHMFC's top three mortgage originators. In addition, Hospital Trust was a partner with RIHMFC in 1993 in introducing the "Opening Doors" program for minority first time home buyers, and allocated $1 million to this program in 1993, 1994, and 1995. The Board also notes that HMDA data for 1993 and 1994 indicate that Hospital Trust compares favorably to its competitors in the percentage of loans originated to borrowers in LMI areas and individuals in its delineated community.

24. Examiners indicated that Hospital Trust's volume of residential mortgage, housing rehabilitation, home improvement, and small business loan originations or purchases was significant throughout Rhode Island.

25. Bank of Boston indicates that at least 30 percent of grants made by Hospital Trust are to non-profit community development organizations that support local economic development and affordable housing initiatives, banking and credit education programs for consumers and small businesses, and other financing and technical assistance programs.

26. In response to RICRA's concerns about branch closings in Rhode Island, Bank of Boston notes that BayBanks has no branches in Rhode Island and that Hospital Trust has no plans to close any of its branches that serve LMI neighborhoods.

27. *See* section 228 of the Federal Deposit Insurance Corporation Improvement Act of 1991, which added a new section 42 to the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1). *See also* Joint Policy Statement, 58 *Federal Register* 49,083 (1993). Under these provisions, all insured depository institutions are required to submit a notice of any proposed branch closing to the appropriate federal banking agency no later than 90 days before the date of closure that contains:

(1) The identity of the branch to be closed and the proposed closing date,

(2) A detailed statement of the reasons for the decision to close the branch, and

(3) Statistical or other information supporting the reasons, consistent with the institution's written policy for branch closings.

Movement of branches within the same immediate neighborhood that do not substantially affect the nature of the business or the customers served are considered consolidations or relocations under the Joint Policy Statement and, as such, do not require prior notice.

28. RICRA alleges that Hospital Trust charges higher fees for basic banking services than its competitors. Bank of Boston disputes this allegation and states that Hospital Trust has a competitive fee structure that provides consumers, including residents in LMI areas, with various options to meet individual deposit and credit needs. The record indicates that Hospital Trust has an established record of providing a full range of banking services in its delineated communities, including substantial lending services and a full range of retail banking services. Examiners noted, for example, that the bank offered low-cost basic banking services, did not charge for cashing govern-

and needs considerations, including the CRA performance records of the companies and banks involved in this proposal, are consistent with approval.[29]

*Other Considerations*

Bank of Boston also has requested the Board's approval under section 4(c)(8) of the BHC Act to acquire BayBank FSB and thereby engage in the operation of a savings association pursuant to section 225.25(b)(9) of Regulation Y, and to increase its ownership interest in NYCE Corporation, a joint venture with other banking organizations, that operates retail electronic funds transfer networks and engages in other data processing activities. The Board has determined that the operation of a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act.[30] The Board also has determined that the activities of NYCE Corporation are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[31] Bank of Boston has committed to conduct these activities in accordance with, and subject to the limitations of, the Board's regulations and orders approving these activities for bank holding companies.[32]

In order to approve this proposal, the Board also must determine that the acquisition of the nonbanking subsidiaries of BayBanks and the performance of the proposed activities by Bank of Boston "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[33]

Bank of Boston and BayBank FSB compete directly in the Boston, Massachusetts, banking market. As noted above, consummation of this proposal would not result in concentration levels in that market that would exceed the threshold standards of market concentration, as measured by the HHI under the DOJ Guidelines. Based on all the facts of record, the Board concludes that the acquisition of BayBank FSB by Bank of Boston would not result in any significantly adverse effects on competition or the concentration of banking resources in the Boston, Massachusetts, banking market or any other relevant banking market.

The Board also has further determined that the acquisition of BayBank FSB and the increased investment in NYCE Corporation by Bank of Boston would not result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Bank of Boston indicates that consummation of the proposed transaction would result in benefits to the public. In particular, the proposed transaction would combine the retail strength of BayBanks with the corporate and global banking operations of Bank of Boston. The combined institution would be able to provide a large customer base with a broader range of products and services. In addition, Bank of Boston maintains that the proposal would improve the risk profile of the combined institution and achieve significant cost savings. Accordingly, the Board has determined that the balance of public interest factors it is required to consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval.[34]

*Conclusion*

Based on the foregoing, including the commitments made to the Board by Bank of Boston in connection with this proposal, and in light of all the facts of record, the Board has determined that this proposal should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by Bank of Boston with all commitments made in connection with this proposal as well as the conditions discussed in this order.

The Board's determination on the nonbanking activities to be conducted by Bank of Boston is subject to all the conditions in the Board's Regulation Y, including those in

ment checks, and processed food stamps. The record also does not support the conclusion that the fees charged by Hospital Trust for checking accounts or other banking services are based in any way on a factor prohibited by law. Based on all the facts of record, RICRA's allegations regarding the bank's fees do not raise adverse considerations under the convenience and needs factor.

29. RICRA has requested that the Board hold a public meeting or hearing on the proposal and several of the individual commenters have expressed their interest in attending if such a hearing or meeting were scheduled. The Board notes that a hearing is required under section 3(b) of the BHC Act (12 U.S.C. § 1842(b)) only if the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial. The subsidiary banks of BayBanks that would be acquired by Bank of Boston are national banks and the OCC has not recommended denial of this proposal. Generally, under the Board's Rules of Procedure, the Board may, in its discretion, hold a public meeting or hearing on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 252.3(e) and 262.25(d). All interested parties have had an opportunity to present their views and several commenters, including RICRA, have submitted comments that have been considered by the Board. On the basis of all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in this proposal or otherwise warranted in this case. Accordingly, RICRA's request for a public meeting or hearing on this matter is denied.

30. *See* 12 C.F.R. 225.25(b)(9). The Board requires savings associations acquired by bank holding companies to conform their direct and indirect activities to those permissible for bank holding companies under section 4(c)(8) of the BHC Act and Regulation Y. Bank of Boston has committed that all activities of BayBank FSB will conform to those requirements.

31. *See The Bank of New York Company, Inc., et al.*, 80 *Federal Reserve Bulletin* 1107 (1994); 12 C.F.R. 225.25(b)(7).

32. Bank of Boston also has requested the Board's approval to acquire three inactive subsidiaries of BayBanks. Bank of Boston has committed that it will not reactivate these subsidiaries without the prior approval of the Federal Reserve System.

33. 12 U.S.C. § 1843(c)(8).

34. Bank of Boston also has provided notice of its intention to establish a branch in the Cayman Islands, B.W.I., at the location of the current branch of BayBank MA under the Board's Regulation K (12 C.F.R. 211.3(a)(3)).

sections 225.7 and 225.23(g) (12 C.F.R. 225.7 and 225.23(g)), 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 or to prevent evasion of the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and as such may be enforced in proceedings under applicable law.

The acquisition of the subsidiary banks of BayBanks shall not be consummated before the fifteenth calendar day after the effective date of this order, and the banking and nonbanking transactions shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Boston, acting pursuant to delegated authority.

By order of the Board of Governors, effective July 10, 1996.

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

JENNIFER J. JOHNSON
*Deputy Secretary of the Board*

## Appendix

*Description of Local Banking Markets in Which Bank of Boston and BayBanks Compete*

*Massachusetts*

| | |
|---|---|
| Amherst-Northampton | Amherst Ranally Metropolitan Area ("RMA") plus Northampton RMA plus the towns of Chesterfield, Cummington, Deerfield, Goshen, Plainfield, Shutesbury, Westhampton, and Whaley |
| Boston | Boston RMA plus the New Hampshire towns of Greenville, Lyndeboro, Mason, and New Ipswich |
| Cape Cod | Barnstable County |
| New Bedford | New Bedford RMA plus the town of Wareham |
| Springfield | Springfield RMA plus the towns of Blandford, Chester, Granville, Hardwick, Otis, Tolland, Ware, Warren, and Worthington |
| Taunton | Taunton RMA |
| Worcester | Worcester RMA plus the towns of Hubbardston, New Braintree, Oakham, and West Brookfield |

*Connecticut*

| | |
|---|---|
| Hartford | Hartford RMA plus the Windham County township of Ashford, the Hartford County township of Hartland, and the Tolland County township of Union |

*Rhode Island*

| | |
|---|---|
| Providence | Providence-Warwick RMA plus the towns of Charlestown and West Greenwich |

### *Orders Issued Under International Banking Act*

## CBG Compagnie Bancaire Geneve
## Geneva, Switzerland

*Order Approving Establishment of a Representative Office*

CBG Compagnie Bancaire Geneve ("Bank"), Geneva, Switzerland, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in Miami, Florida. The Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"), which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States. Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in Miami, Florida (*The Miami Herald*, January 4, 1996). The time for filing comments has expired, and all comments have been considered.

Bank, with total consolidated assets of approximately $288 million,[1] provides private banking and related commercial banking services from offices in Switzerland. Banque Cantonale de Geneve, Geneva, Switzerland ("Banque Cantonale"), owns 40 percent of the shares of Bank.[2] The remaining shares are controlled by two individuals who together own directly and indirectly 60 percent of the shares of Bank.[3]

1. Asset data are as of December 31, 1995.

2. The Canton of Geneva, the City of Geneva and 44 municipalities located in the Canton of Geneva own all of the registered shares of Banque Cantonale, representing more than 82 percent of the voting rights of Banque Cantonale. The remaining shares of Banque Cantonale, representing less than 18 percent of voting rights, are held in bearer form.

3. Mr. Rene de Picciotto owns directly 7.6 percent of the shares of Bank, and an additional 34.7 percent through Covest Holding, S.A., Luxembourg ("Covest"), a company wholly owned by Mr. de Picciotto. Mr. Philippe Setton holds directly 3.4 percent of the shares of Bank, and another 14.3 percent through Phos Holding S.A., Luxembourg ("Phos"), a company wholly owned by Mr. Setton.

Bank operates two branches and one nonbanking subsidiary in Switzerland and a representative office in London, England. Bank provides asset management and investment advisory services, primarily to customers who reside outside Switzerland, and also engages in foreign exchange operations and precious metals trading. Bank's primary purpose for establishing the proposed representative office is to provide enhanced service to its existing customers in South America and the Caribbean and to facilitate the expansion of its private banking business in those markets. The proposed representative office would perform representational and administrative functions related to Bank's private banking activities at the direction of Bank's head office in Geneva.

In acting on an application to establish a representative office, the IBA and Regulation K provide that the Board shall take into account whether the foreign bank engages directly in the business of banking outside of the United States and has furnished to the Board the information it needs to assess the application adequately. The Board also shall take into account whether the foreign bank and any foreign bank parent is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3105(d)(2); 12 C.F.R. 211.24). The Board may also take into account additional standards as set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)).

The Board previously has stated that the standards that apply to the establishment of a branch or agency need not in every case apply to the establishment of a representative office, because representative offices do not engage in a banking business and cannot take deposits or make loans.[4] In evaluating an application to establish a representative office under the IBA and Regulation K, the Board will take into account the standards that apply to the establishment of branches and agencies, subject generally to the following considerations. With respect to supervision by home country authorities, a foreign bank that proposes to establish a representative office should be subject to a significant degree of supervision by its home country supervisor.[5] A foreign bank's financial and managerial resources will be reviewed to determine whether its financial condition and performance demonstrate that it is capable of complying with applicable laws and has an operating record that would be consistent with the establishment of a representative office in the United States. Finally, all foreign banks, whether operating through branches, agencies or representative offices, will be required to provide adequate assurances of access to information on the operations of the bank and its affiliates necessary to determine compliance with U.S. laws.

In this case, the Board has considered the following information with respect to the issue of supervision by home country authorities. Bank is supervised and regulated by the Swiss Federal Banking Commission ("SFBC"). The SFBC is responsible for the prudential supervision and regulation of credit institutions. The Board previously has determined, in connection with an application involving another Swiss bank, Coutts & Co., AG ("Coutts"), that Coutts was subject to home country supervision on a consolidated basis.[6] Based on the information provided by Bank and the SFBC, the Board has determined that Bank is subject to substantially similar supervision by the SFBC. Consequently, based on all the facts of record, the Board has determined that factors relating to the supervision of Bank by its home country supervisor are consistent with approval of the proposed representative office.

The Board also has taken into account the additional standards set forth in section 7 of the IBA (*see* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). The SFBC has indicated that it has no objection to the establishment of the proposed representative office.

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

Finally, with respect to access to information about Bank's operations, the Board has reviewed the restrictions on disclosure under applicable law, and has communicated with relevant government authorities about access to information. Bank, Banque Cantonale, Covest and Phos have committed to make available to the Board such information on the operations of Bank and any affiliate of Bank that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act, as amended, and other applicable federal law. To the extent that the provision of such information may be prohibited by law, Bank, Banque Cantonale, Covest and Phos have committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure. In addition, subject to certain conditions, the SFBC may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of

Mr. de Picciotto and Mr. Setton are parties to an agreement among the shareholders of Bank.

4. *See* 58 *Federal Register* 6348, 6351 (1993).

5. *See Citizens National Bank*, 79 *Federal Reserve Bulletin* 805 (1993). *See also Promstroybank of Russia*, 82 *Federal Reserve Bulletin* 599 (1996) (addressing standards applicable to representative offices with limited activities).

6. *See Coutts & Co., AG*, 79 *Federal Reserve Bulletin* 636 (1993). *See also Union Bank of Switzerland*, 82 *Federal Reserve Bulletin* 370 (1996); *Swiss Bank Corporation*, 82 *Federal Reserve Bulletin* 690 (1996).

access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a representative office should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable Federal statutes, the Board may require termination of any of the Bank's direct or indirect activities in the United States. Approval of the application is also specifically conditioned on Bank's compliance with the commitments made in connection with the application and with the conditions in this order.[7] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 or 12 U.S.C. § 1847 against Bank, its offices, and its affiliates.

By order of the Board of Governors, effective July 29, 1996.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Lindsey, Phillips, Yellen, and Meyer.

JENNIFER J. JOHNSON
*Deputy Secretary of the Board*

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

*APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT*
*By the Secretary of the Board*

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

Section 3

| Applicant(s) | Bank(s) | Effective Date |
|---|---|---|
| CU Bancorp,<br>Encino, California | Home Interstate Bancorp,<br>Signal Hill, California<br>Home Bank,<br>Signal Hill, California | July 24, 1996 |
| First United Bancshares, Inc.,<br>El Dorado, Arkansas | Carlisle Bancshares, Inc.,<br>Little Rock, Arkansas<br>Citizens Bank and Trust Company,<br>Carolisle, Arkansas<br>First Bank of Arkansas,<br>Brinkley, Arkansas<br>Hazen First State Bank,<br>Hazen, Arkansas | July 1, 1996 |
| Old National Bancorp,<br>Evansville, Indiana | Workingmens Capital Holdings, Inc.,<br>Bloomington, Indiana<br>Workingmens Federal Savings Bank,<br>Bloomington, Indiana | July 12, 1996 |

*By Federal Reserve Banks*

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

Section 3

| Applicant(s) | Bank(s) | Reserve Bank | Effective Date |
|---|---|---|---|
| ABC Bancorp,<br>Moultrie, Georgia | Central Bankshares, Inc.,<br>Cordele, Georgia<br>Central Bank & Trust,<br>Cordele, Georgia | Atlanta | July 5, 1996 |
| ABC Bancorp,<br>Moultrie, Georgia | First National Financial Corporation,<br>Albany, Georgia<br>First National Bank of South Georgia,<br>Albany, Georgia | Atlanta | July 18, 1996 |
| Appalachian Bancshares, Inc.,<br>Ellijay, Georgia | Gilmer County Bank,<br>Ellijay, Georgia | Atlanta | July 24, 1996 |
| Arkansas Banking Company,<br>Jonesboro, Arkansas | Mercantile Bank of Batesville, N.A.,<br>Batesville, Arkansas | St. Louis | July 18, 1996 |
| Bancorp of Lucedale, Inc.,<br>Lucedale, Mississippi | Bank of Lucedale,<br>Lucedale, Mississippi | Atlanta | June 28, 1996 |
| Bradford Bancorp, Inc.,<br>Greenville, Illinois | The Bradford National Bank of<br>Greenville,<br>Greenville, Illinois | St. Louis | July 10, 1996 |
| Carroll County Bancorporation, Inc.,<br>Carroll, Iowa | Nevada Community Bancshares, Inc.,<br>Nevada, Iowa | Chicago | July 12, 1996 |
| Centura Banks, Inc.,<br>Rocky Mount, North Carolina | First Community Bank,<br>Gastonia, North Carolina | Richmond | July 19, 1996 |
| Dartmouth Capital Group, Inc.,<br>Encinitas, California<br>Dartmouth Capital Group, L.P.,<br>Encinitas, California | SC Acquisition Corp.,<br>Huntington Beach, California | San Francisco | July 22, 1996 |
| Duke Financial Group, Inc.,<br>St. Paul, Minnesota | Inland Empire National Bank,<br>Riiverside, California | Minneapolis | June 21, 1996 |
| Farmers State Bancshares, Inc.,<br>Mason City, Iowa | Farmers State Bank,<br>Northwood, Iowa | Chicago | July 25, 1996 |
| First Banking Company of<br>Southeast Georgia,<br>Statesboro, Georgia | FNB Bancshares, Inc.,<br>Springfield, Georgia | Atlanta | July 18, 1996 |
| First Fidelity Bancorp, Inc.,<br>Oklahoma City, Oklahoma | Comban Shares, Inc.,<br>Warr Acres, Oklahoma | Kansas City | July 24, 1996 |
| First Financial Corporation,<br>Terre Haute, Indiana | Crawford Bancorp, Inc.,<br>Robinson, Illinois | Chicago | June 25, 1996 |
| First La Grange Bancshares, Inc.,<br>La Grange, Texas | LGF Bancshares, Inc.,<br>Dover, Delaware<br>The First National Bank of La Grange,<br>La Grange, Texas | Dallas | June 21, 1996 |
| First National Banc, Inc.,<br>St. Marys, Georgia | First National Bank,<br>St. Marys, Georgia | Atlanta | July 18, 1996 |
| First Savings Bank of Washington<br>Bancorp, Inc.,<br>Walla Walla, Washington | Inland Empire Bank,<br>Hermiston, Oregon | San Francisco | June 28, 1996 |
| FNB Corporation,<br>Hermitage, Pennsylvania | Southwest Banks, Inc.,<br>Naples, Florida | Cleveland | July 12, 1996 |

Section 3—Continued

| Applicant(s) | Bank(s) | Reserve Bank | Effective Date |
|---|---|---|---|
| Frontier Financial Corporation, Everett, Washington | Washington Banking Corporation, Oak Harbor, Washington | San Francisco | July 9, 1996 |
| The M.B. and L.M. Hampton Family Partnership, Ltd., Mt. Pleasant, Texas | Morris County Bankshares, Inc., Naples, Texas<br>Morris County National Bank, Naples, Texas | Dallas | July 17, 1996 |
| Hills Bancorporation, Hills, Iowa | Hills Bank Kalona, Kalona, Iowa | Chicago | July 10, 1996 |
| HNB Corporation, Arkansas City, Kansas | Home National Bank, Scottsdale, Arizona | Kansas City | July 16, 1996 |
| HUBCO, Inc., Mahwah, New Jersey | Hometown Bancorporation, Inc., Darien, Connecticut<br>The Bank of Darien, Darien, Connecticut | New York | July 19, 1996 |
| Inter-Mountain Bancorp, Inc., Bozeman, Montana | First Security Bank of Belgrade, Belgrade, Montana | Minneapolis | July 9, 1996 |
| Landmark Financial Group, Inc., Belvidere, Illinois | Alpine Bancorporation, Inc., Rockford, Illinois<br>Alpine Bank of Illinois, Rockford, Illinois | Chicago | July 23, 1996 |
| LGF Bancshares, Inc., Dover, Delaware | The First National Bank of La Grange, La Grange, Texas | Dallas | June 21, 1996 |
| LNB Financial Corp., Dover, Delaware | The Liberty National Bank in Paris, Paris, Texas | Dallas | July 2, 1996 |
| Magnolia Midlands Bankshares, Inc., Eastman, Georgia | Bank of Eastman, Eastman, Georgia | Atlanta | June 25, 1996 |
| MainStreet BankGroup Incorporated, Martinsville, Virginia | The First National Bank of Clifton Forge, Clifton Forge, Virginia | Richmond | July 19, 1996 |
| Mercantile Bancorp, Inc., Hammond, Indiana | First Lansing Bancorp, Inc., Lansing, Illinois | Chicago | June 21, 1996 |
| Meriwether Bank Shares, Inc., Greenville, Georgia | The Greenville Banking Company, Greenville, Georgia | Atlanta | July 25, 1996 |
| Nevada Community Bancshares, Inc., Nevada, Iowa | Community Bank, Nevada, Iowa | | July 12, 1996 |
| Paris Bancshares, Inc., Paris, Texas | LNB Financial Corp., Dover, Delaware<br>The Liberty National Bank in Paris, Paris, Texas | Dallas | July 2, 1996 |
| Pembroke Bancshares, Inc., Kansas City, Missouri<br>Union Bancshares, Inc., Kansas City, Missouri | Missouri Valley Bancshares, Inc., Kansas City, Missouri | | July 16, 1996 |
| Peterka Family Partnership, Miller, South Dakota | M&H Financial Services, Inc., Miller, South Dakota | Minneapolis | July 23, 1996 |
| Platte Valley Banc, Inc., Scottsbluff, Nebraska | Platte Valley National Bank, Scottsbluff, Nebraska | Kansas City | July 8, 1996 |
| SC Acquisition Corp., Huntington Beach, California | Commerce Security Bank, Sacramento, California<br>SDN Bancorp, Inc., Encinitas, California | San Francisco | July 22, 1996 |

Section 3 - Continued

| Applicant(s) | Bank(s) | Reserve Bank | Effective Date |
| --- | --- | --- | --- |
| Texas Financial Bancorporation, Inc., Minneapolis, Minnesota | Community Bank of Arizona, Wickenburg, Arizona | Dallas | June 21, 1996 |
| Thera Holding Partners, Ltd., Houston, Texas | Citizens Bankers, Inc., Baytown, Texas<br>Citizens Banks of Delaware, Inc., Wilmington, Delaware<br>Baytown State Bank, Baytown, Texas<br>Citizens Bank & Trust Company, Baytown, Texas<br>Pasadena State Bank, Pasadena, Texas | Dallas | July 5, 1996 |
| TIB Financial Corp., Key Largo, Florida | TIB Bank of the Keys, Key Largo, Florida | Atlanta | June 24, 1996 |
| UnionBancorp, Inc., Streator, Illinois<br>Prairie Bancorp, Inc., Princeton, Illinois | Country Bancshares, Inc., Hull, Illinois | Chicago | June 28, 1996 |
| Union Bancorp, Inc., Bowling Green, Virginia | King George State Bank, Inc., King Georgia, Virginia | Richmond | July 25, 1996 |
| United Community Bankshares, Inc., Franklin, Virginia | The Bank of Franklin, Franklin, Virginia<br>The Bank of Sussex and Surry, Wakefield, Virginia | Richmond | July 10, 1996 |
| Vogel Bancshares, Inc., Orange City, Iowa | Ireton Bancorp, Ireton, Iowa<br>Security Savings Bank, Ireton, Iowa | Chicago | July 3, 1996 |

Section 4

| Applicant(s) | Nonbanking Activity/Company | Reserve Bank | Effective Date |
| --- | --- | --- | --- |
| BancFirst Ohio Corp., Zanesville, Ohio | County Savings Bank, Newark, Ohio | Cleveland | July 12, 1996 |
| Bankers Trust New York Corporation, New York, New York | Wolfensohn & Co., Inc., New York, New York<br>Fuji-Wolfensohn International, New York, New York<br>BT Securities Corporation, New York, New York | New York | July 19, 1996 |
| Canadian Imperial Bank of Commerce, Toronto, Ontario, Canada<br>Canadian Imperial Holdings Inc., New York, New York | CIBC Inc., New York, New York | New York | June 27, 1996 |
| Capital Corp of the West, Merced, California | Town and Country Finance and Thrift Company, Turlock, California | San Francisco | June 28, 1996 |

Section 4—Continued

| Applicant(s) | Nonbanking Activity/Company | Reserve Bank | Effective Date |
| --- | --- | --- | --- |
| FBOP Corporation, Oak Park, Illinois<br>Regency Savings Bank, F.S.B., Naperville, Illinois | *Torrance Bank, S.S.B.*, Torrance, California | Chicago | June 26, 1996 |
| FCFT, Inc., Princeton, West Virginia | South Oakwood Plaza Limited Partnership, III, Princeton, West Virginia | Richmond | July 16, 1996 |
| First Southern Bancshares, Inc., Lithonia, Georgia | American Financial Mortgage Corp., Decatur, Georgia<br>FSB Mortgage Services, Inc., Lithonia, Georgia | Atlanta | July 22, 1996 |
| Friendship Bancorp, Friendship, Indiana | Independent Bankers Life Insurance Company of Indiana, Phoenix, Arizona | Chicago | July 5, 1996 |
| Gulf West Banks, Inc., St. Petersburg, Florida | Liberty Leasing Corporation, Tampa, Florida | Atlanta | July 25, 1996 |
| Hinsbrook Bancshares, Inc., Willowbrook, Illinois<br>Hinsbrook Bank and Trust, Willowbrook, Illinois | Northrn Illinois Financial Services, LLC, Willowbrook, Illinois<br>Serve Corps Mortgage Services, LLC, Downers Grove, Illinois | Chicago | July 23, 1996 |
| J.P. Morgan & Co., Incorporated, New York, New York | J.P. Morgan Trust Company of Illinois, Chicago, Illinois | New York | July 1, 1996 |
| Libertyville Bancorp, Inc., Lake Forest, Illinois | To engage in making and servicing loans | Chicago | July 11, 1996 |
| Marshall & Ilsley Corporation, Milwaukee, Wisconsin | EastPoint Technology, Inc., Bedford, New Hampshire | Chicago | July 19, 1996 |
| Middle Georgia Bankshares, Inc., Unadilla, Georgia<br>Macon Bank & Trust, Macon, Georgia<br>Provesa, Inc., Macon, Georgia | ProImage, Inc., Macon, Georgia | Atlanta | July 12, 1996 |
| MidSouth Bancorp, Inc., Lafayette, Louisiana | Financial Services of the South, Inc., Lafayette, Louisiana | Atlanta | June 27, 1996 |
| Nationsbank Corporation Charlotte, North Carolina | Commerce Finance Company, Germantown, Tennessee | Richmond | June 24, 1996 |
| NationsBank Corporation, Charlotte, North Carolina<br>NationsCredit Consumer Corporation, Allentown, Pennsylvania<br>NB Holdings Corporation, Charlotte, North Carolina | TAC Bancshares, Inc., Miami, Florida<br>Chase Federal Bank, FSB, Miami, Florida | Richmond | June 27, 1996 |
| Newnan Holdings, Inc., Newnan, Georgia | Newnan Financial Services, Inc., Newnan, Georgia<br>Citizens Mortgage Group, Inc., Newnan, Georgia | Atlanta | June 28, 1996 |
| Norwest Corporation, Minneapolis, Minnesota | DUMAE Insurance Agency, Inc., Dell Rapids, South Dakota | Minneapolis | July 9, 1996 |

Section 4—Continued

| Applicant(s) | Nonbanking Activity/Company | Reserve Bank | Effective Date |
|---|---|---|---|
| Otto Bremer Foundation, St. Paul, Minnesota<br>Bremer Financial Corporation, St. Paul, Minnesota | To engage *de novo* in making, acquiring, and servicing loans and other extensions of credit; and leasing personal and real property | Minneapolis | July 5, 1996 |
| Palos Bancshares, Inc., Palos Heights, Illinois<br>Palos Bank and Trust Company, Palos Heights, Illinois | Northern Illinois Financial Services, LLC, Willowbrook, Illinois<br>Serve Corps Mortgage Services, LLC, Downers Grove, Illinois | Chicago | July 23, 1996 |
| Santa Barbara Bancorp, Santa Barbara, California | To engage *de novo* directly in community development activities | San Francisco | June 19, 1996 |
| Societe Generale, Paris, France | To engage *de novo* in making equity and debt investments in corporations or projects designed primarily to promote community welfare | New York | July 10, 1996 |
| Southeast Bancorp of Texas, Inc., Winnie, Texas | Bonnet Finance Corporation, Winnie, Texas | Dallas | July 12, 1996 |
| Southwest Financial Group of Iowa, Inc., Red Oak, Iowa | To engage *de novo* in making and servicing loans | Chicago | June 26, 1996 |
| Star Banc Corporation, Cincinnati, Ohio | DJJ Leasing Ltd., Cincinnati, Ohio | Cleveland | July 10, 1996 |
| Summit Financial Corporation, Greenville, South Carolina | Academy Finance, Inc., Lake City, South Carolina | Richmond | July 17, 1996 |
| Summit Financial Corporation, Greenville, South Carolina | Berkeley Loans, Inc., Moncks Corner, South Carolina | Richmond | June 20, 1996 |
| Synovus Financial Corp., Columbus, Georgia<br>TB&C Bancshares, Inc., Columbus, Georgia<br>B&C Bancshares, Inc., Columbus, Georgia | Canterbury Trust Company, Birmingham, Alabama | Atlanta | July 10, 1996 |
| UnionBancorp, Inc., Streator, Illinois | LaSalle County Collections, Inc., Ottawa, Illinois | Chicago | July 16, 1996 |
| WesBanco, Inc., Wheeling, West Virginia | WesBanco Mortgage Company, Wheeling, West Virginia<br>Universal Mortgage Company, Bridgeport, West Virginia | Cleveland | July 18, 1996 |
| West Coast Bancorp, Lake Oswego, Oregon | West Coast Trust Company, Inc., Salem, Oregon | San Francisco | July 10, 1996 |

Sections 3 and 4

| Applicant(s) | Nonbanking Activity/Company | Reserve Bank | Effective Date |
|---|---|---|---|
| Finlayson Bancshares, Inc., Finlayson, Minnesota | Wood Lake Bancorporation, Wood Lake, Minnesota | Minneapolis | July 12, 1996 |

### *APPLICATIONS APPROVED UNDER BANK MERGER ACT*
### *By the Secretary of the Board*

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

| Applicant(s) | Bank(s) | Effective Date |
|---|---|---|
| Home Bank, Signal Hill, California | California United Bank, N.A., Encino, California | July 24, 1996 |

### *APPLICATIONS APPROVED UNDER BANK MERGER ACT*
### *By Federal Reserve Banks*

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

| Applicant(s) | Bank(s) | Reserve Bank | Effective Date |
|---|---|---|---|
| Centura Bank, Rocky Mount, North Carolina | First Community Bank, Gastonia, North Carolina | Richmond | July 19, 1996 |
| DeMotte State Bank, DeMotte, Indiana | NBD Bank, N.A., Indianapolis, Indiana | Chicago | July 23, 1996 |
| F & M Bank-Hallmark, Springfield, Virginia | F & M Bank-Potomac, Herndon, Virginia<br>Fairfax Bank & Trust Company, Fairfax, Virginia | Richmond | July 10, 1996 |
| Silsbee State Bank, Silsbee, Texas | First Bank of Texas, Tomball, Texas | Dallas | July 11, 1996 |
| Tri-City Bank & Trust Company, Blountville, Tennessee | National Bank of Commerce, Memphis, Tennessee | Atlanta | July 18, 1996 |

### *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.*

*Long v. Board of Governors*, No. 96-9526 (10th Cir., filed July 31, 1996). Petition for review of Board order dated July 2, 1996, assessing a civil money penalty and cease and desist order for violations of the Bank Holding Company Act.

*Esformes v. Board of Governors*, No. 96-1916 (S.D. Fla., filed July 12, 1996). Complaint challenging Board denial of administrative request for confidential supervisory information. On July 12, 1996, plaintiffs moved for an expedited hearing on the complaint.

*Board of Governors v. Interamericas Investments, Ltd.*, No. 96-7108 (D.C. Cir., filed June 14, 1996). Appeal of district court ruling granting, in part, the Board's application to enforce an administrative investigatory subpoena for documents and testimony. Appellants filed a motion for a stay of the district court ruling on July 17, 1996; the Board's opposition was filed on July 23, 1996.

*Interamericas Investments, Ltd. v. Board of Governors*, No. 96-60326 (5th Cir., filed May 8, 1996). Petition for review of order imposing civil money penalties and cease and desist order in enforcement case. Petitioners' brief was filed on July 26, 1996.

*Kuntz v. Board of Governors*, No. 96-1137 (D.C. Cir., filed April 25, 1996). Petition for review of a Board order dated March 25, 1996, approving an application by CoreStates Financial Corp., Philadelphia, Pennsylvania to acquire Meridian Bancorp, Inc., Reading, Pennsylvania. The Board's motion to dismiss was filed on June 3, 1996.

*Kuntz v. Board of Governors*, No. 96-1079 (D.C. Cir., filed March 7, 1996). Petition for review of a Board order dated February 7, 1996, approving applications by The Fifth Third Bank, Cincinnati, Ohio, and he Firth Third Bank of Columbus, Columbus, Ohio, to acquire certain assets and assume certain liabilities of 25 branches of NBD Bank, Columbus, Ohio. Petitioner has moved to consolidate the case with *Kuntz v. Board of Governors*, No. 95-1495. On April 8, 1996, the Board filed a motion to dismiss the action.

*Henderson v. Board of Governors*, No. 96-1054 (D.C. Cir., filed February 16, 1996). Petition for review of a Board order dated January 17, 1996, approving the merger of First Citizens BancShares, Inc., Raleigh, North Carolina, with Allied Bank Capital, Inc., Sanford, North Carolina. Petitioners' motion for a stay was denied on March 7, 1996.

*Research Triangle Institute v. Board of Governors*, No. 1:96CV00102 (M.D.N.C., filed February 12, 1996). Contract dispute. On May 3, 1996, the Board filed a motion to dismiss the action.

*Inner City Press/Community on the Move v. Board of Governors*, No. 96-4008 (2nd Cir., filed January 19, 1996). Petition for review of a Board order dated January 5, 1996, approving the applications and notices by Chemical Banking Corporation to merge with The Chase Manhattan Corporation, both of New York, New York, and by Chemical Bank to merge with The Chase Manhattan Bank, N.A., both of New York, New York. Petitioners' motion for an emergency stay of the transaction was denied following oral argument on March 26, 1996. The case has been consolidated for oral argument and decision with *Lee v. Board of Governors*, No. 95-4134 (2d Cir.).

*Menick v. Greenspan*, No. 95-CV-01916 (D. D.C., filed October 10, 1995). Complaint alleging sex, age, and handicap discrimination in employment.

*Kuntz v. Board of Governors*, No. 95-1495 (D.C. Cir., filed September 21, 1995). Petition for review of Board order dated August 23, 1995, approving the applications of The Fifth Third Bank, Cincinnati, Ohio, to acquire certain assets and assume certain liabilities of 12 branches of PNC Bank, Ohio, N.A., Cincinnati, Ohio, and to establish certain branches. The Board's motion to dismiss was filed on October 26, 1995.

*Lee v. Board of Governors*, No. 95-4134 (2nd Cir., filed August 22, 1995). Petition for review of Board orders dated July 24, 1995, approving certain steps of a corporate reorganization of U.S. Trust Corporation, New York, New York, and the acquisition of U.S. Trust by Chase Manhattan Corporation, New York, New York. On September 12, 1995, the court denied petitioners' motion for an emergency stay of the Board's orders. The Board's brief was filed on April 16, 1996.

*Beckman v. Greenspan*, No. 95-35473 (9th Cir., filed May 4, 1995). Appeal of dismissal of action against Board and others seeking damages for alleged violations of constitutional and common law rights. The appellants' brief was filed on June 23, 1995; the Board's brief was filed on July 12, 1995.

*Money Station, Inc. v. Board of Governors*, No. 95-1182 (D.C. Cir., filed March 30, 1995). Petition for review of a Board order dated March 1, 1995, approving notices by Bank One Corporation, Columbus, Ohio; CoreStates Financial Corp., Philadelphia, Pennsylvania; PNC Bank Corp., Pittsburgh, Pennsylvania; and KeyCorp, Cleveland, Ohio, to acquire certain data processing assets of National City Corporation, Cleveland, Ohio, through a joint venture subsidiary. On April 23, 1996, the court vacated the Board's order. On July 31, 1996, the full court granted the Board's suggestion for rehearing *in banc*, and vacated the April 23 panel decision.

*In re Subpoena Duces Tecum*, Misc. No. 95-06 (D.D.C., filed January 6, 1995). Action to enforce subpoena seeking predecisional supervisory documents sought in connection with an action by Bank of New England Corporation's trustee in bankruptcy against the Federal Deposit Insurance Corporation. The Board filed its opposition on January 20, 1995. Oral argument on the motion was held July 14, 1995.

*Board of Governors v. Pharaon*, No. 91-CIV-6250 (S.D. New York, filed September 17, 1991). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On September 17, 1991, the court issued an order temporarily restraining the transfer or disposition of the individual's assets.

## FINAL ENFORCEMENT DECISIONS ISSUED BY THE BOARD OF GOVERNORS

In the Matter of

### Cedar Vale Bank Holding Company, Inc., Wellington, Kansas

Docket Nos.

91-027-B-HC
91-027-B-I1
91-027-CMP-I1

### Final Decision and Order

This is an administrative proceeding initiated by the Board of Governors of the Federal Reserve System (the "Board") on February 7, 1994, by the issuance of a Notice of Charges and of Hearing Pursuant to Section 8(b) of the Federal Deposit Insurance Act, as Amended ("FDI Act"), and Notice of Assessment of Civil Money Penalty Pursuant to Section 8(b) of the Bank Holding Company Act, as Amended (the "BHC Act") (the "Notice") against Cedar Vale Bank Holding Company, Inc., Wellington, Kansas ("Cedar Vale") and W.C. Long, Jr. ("Long"), Cedar Vale's chairman, president and sole shareholder.[1] The Notice alleged that Cedar Vale, at Long's direction, violated sections 3(a)(1) and 4 of the BHC Act, and Regulation Y (12 C.F.R. Part 225), by its unlawful acquisition of Sumner County Bancshares, Inc. ("Sumner County"), its subsidiary bank, the Bank of Commerce and Trust Company (the

1. The Notice of Assessment of Civil Money Penalty was also issued against James J. Long ("J. Long"), Cedar Vale's attorney and W.C. Long's son. On June 12, 1995, J. Long consented to the issuance of an Order of Assessment of Civil Money Penalty in settlement of the Board's proceeding against him.

"Bank"), and Tri-County Financial Corporation ("Tri-County"), an insurance agency. The Notice sought the entry of a cease and desist order prohibiting Long and Cedar Vale from further violations of law and requiring Cedar Vale and Long to correct Cedar Vale's violations by reversing the unauthorized acquisitions, and sought a $300,000 civil money penalty from Long.

Upon review of the administrative record, including all post-hearing submissions of the parties, the Board hereby makes its Final Decision, assessing a civil money penalty against Long in the amount of $717,941 and ordering that Long be prohibited from future violations of the BHC Act.

*Procedural History*

Following the issuance of the Notice, Board Enforcement Counsel ("Enforcement Counsel") and Respondents filed cross-motions for summary disposition. On February 21, 1994, Administrative Law Judge Walter J. Alprin (the "ALJ") issued a partial summary disposition order in favor of Enforcement Counsel finding that Cedar Vale violated section 3 of the BHC Act and Regulation Y by acquiring Sumner County and the Bank without Board approval and section 4 of the BHC Act and Regulation Y by retaining control of Tri-County without Board approval. The ALJ further found that Long caused Cedar Vale's violations of the BHC Act and Regulation Y. The ALJ recommended summary disposition on the cease and desist relief sought in the Notice, but found that there were issues of fact regarding the assessment of a civil money penalty that required adjudication at hearing.

Thereafter, a formal adjudicatory hearing to determine the appropriateness and amount of a penalty was held before the ALJ in Wichita, Kansas from June 12–15, 1995. After receiving the parties' post hearing briefs, the ALJ issued his Recommended Decision on November 21, 1995, including his proposed Findings of Fact and Conclusions of Law. The Recommended Decision incorporated the findings of the ALJ's summary disposition order that Cedar Vale violated the BHC Act and that Long caused such violations. Based on his finding that Long had received a benefit of at least $567,941 as a result of the violations, the ALJ recommended a civil money penalty in the amount of $717,941.

The ALJ also recommended that a cease and desist order be issued prohibiting Cedar Vale and Long from further violations of the BHC Act. The ALJ did not recommend a reversal of the unlawful transactions because none of the original entities remained.[2]

On January 31, 1996, Long filed Exceptions to the Recommended Decision pursuant to Section 263.39(a) of the Uniform Rules of Practice and Procedure, 12 C.F.R. 263.39(a). Long's Exceptions were directed only to the amount of the penalty and the finding of a violation with respect to the retention of control of Tri-County. In particular, Long argued that the ALJ erred in his penalty determination because he failed to apply the civil money penalty matrix used by the Board; incorrectly concluded that Long or Cedar Vale benefitted as a result of the violation and that Long acted in bad faith; and failed to consider the benefit to the Bank as a result of the merger. Long's exception to the finding that Cedar Vale illegally retained control of Tri-County was based on his contention that Board approval was not required because Tri-County was a dormant company.

*Statutory and Regulatory Authority*

Section 3(a) requires prior Board approval before a company can become a bank holding company. 12 U.S.C. § 1842(a). A "bank holding company" is any company that has control over any bank or over any company that is or becomes a bank holding company. 12 U.S.C. § 1841(a)(1). Section 11(a) of the Board's Regulation Y implements this statutory provision by requiring a prior application to the Board for the formation of a bank holding company. 12 C.F.R. 225.11(a). Section 4 of the BHC Act requires prior Board approval before a bank holding company may acquire or retain control of any company which is not a bank or which engages in nonbanking activities. 12 U.S.C. §§ 1841(a) and (c)(8). Section 21(a) of the Board's Regulation Y implements this section by providing that a bank holding company or a subsidiary may only engage in activities that are closely related to banking when it obtains prior Board approval for such activities. 12 C.F.R. 225.21(a). Any company that violates, and any individual who participates in a violation of, the BHC Act may be assessed a penalty of up to $25,000 per day for each day the violation continues. 12 U.S.C. § 1847(b)(1).

*Summary of Findings of Fact*

The Board adopts the ALJ's Recommended Decision and Recommended Findings of Fact and Conclusions of Law, except as specifically supplemented or modified herein.

At all relevant times to the Notice, Long was the president and chairman of Cedar Vale, Sumner County, the Bank and Tri-County, as well the sole shareholder of Cedar Vale, Sumner County and Tri-County. Prior to his ownership of Cedar Vale and Sumner County, Long had extensive experience in the banking industry dating back to 1955 that included running, owning and serving as a director for several other banks. Long also had prior experience with the Federal Reserve's application process, having filed other applications, including his 1976 application seeking approval for Sumner County to become a bank holding company and engage in permissible insurance activities, and his 1984 change-of-control notice in connection with his acquisition of Cedar Vale.

When Long acquired Cedar Vale in 1984, he financed the acquisition with bank financing (the "Debt") for which Cedar Vale was the principal obligor and Long and Sumner

2. In January 1995, Long merged Cedar Vale, Sumner County and Tri-County into the Bank.

County were guarantors. From 1985 to 1989, Long himself serviced the debt using personal funds, including dividends paid to him by Sumner County. In 1988, Cedar Vale's sole subsidiary bank, Cedar Vale State Bank, failed and was closed by the Kansas State Banking Department. This caused Cedar Vale to cease to be a bank holding company, since it no longer controlled a bank. Cedar Vale was left with Debt with a principal amount of approximately $904,000 and no source of income with which to service it. In 1989, Long was required to change his status from guarantor to co-maker of the Debt.

Due to its heavy losses prior to the failure of Cedar Vale State Bank, Cedar Vale had accumulated $1.3 million in net operating loss carry-forwards ("NOLs"). NOLs can be used to offset taxable income and thereby reduce corporate income tax liability. With no source of income, however, Cedar Vale was unable to use its NOLs.

Accordingly, Long sought a means of utilizing the NOLs and creating a source of repayment of the Debt by causing Cedar Vale to acquire an income-producing subsidiary. In January 1989, Long began a series of contacts with the Federal Reserve Bank of Kansas City (the "Reserve Bank") with regard to merging Cedar Vale and Sumner County. Long advised the Reserve Bank staff that such a merger would allow Sumner County to assume Cedar Vale's debt and also generate over $400,000 in tax savings.[3] Early on in these discussions, the Reserve Bank advised Long that it could not sanction a merger of Cedar Vale into Sumner County because Sumner County's assumption of Cedar Vale's debt would hamper Sumner County's ability to serve as a source of strength to the Bank. Several months later, in June 1989, Long filed an application (the "June Application") with the Reserve Bank for approval for Cedar Vale to acquire and then merge with Sumner County, with Cedar Vale as the surviving corporation. The Reserve Bank returned the application advising Long that it had several concerns which made approval of the application "highly unlikely."[4]

Thereafter, on or about August 29, 1989, Cedar Vale filed another application, this time under section 3(a)(1) of the BHC Act to become a bank holding company by acquiring 90.5 percent of the stock of the Bank. Cedar Vale also filed an application under section 4(c)(8) of the BHC Act for approval to engage in non-banking activities by acquiring all of the shares of Tri-County, which according to Cedar Vale's representations to the Board had been engaged in the business of selling insurance to customers of the Bank. In the application, Long falsely represented that he personally owned all of Tri-County's voting shares, when in fact he had previously transferred all of its shares to Cedar Vale in mid-1989.

The Reserve Bank advised Long that the chances for approval of his applications were poor because the staff had the same concerns as they did with his earlier application. Although the Reserve Bank advised him that he could withdraw the applications without prejudice to refiling if the Bank's condition improved, Long elected to have the applications processed as filed. In later providing notice to Long that the applications had been accepted, the Reserve Bank stated in a letter that the applications would be processed according to a 60-calendar day schedule and that "a decision regarding your application will be forthcoming on or before December 22, 1989, unless you are notified to the contrary." Reserve Bank staff continued to communicate with Long and his son regarding the applications.[5]

On December 28, 1989, having received no decision on his applications, Long held special meetings of the shareholders and directors of Sumner County and Cedar Vale at which resolutions approving the merger of Sumner County into Cedar Vale were unanimously ratified. The following day, Long received an undated letter from Board staff, postmarked December 26, 1989, informing him that the Board needed additional time to evaluate the financial and policy issues raised by the applications, and that the Board would act within the 91-day period set forth in Regulation Y. Upon receipt of the letter, J. Long telephoned Board staff and stated his view that the applications had been approved by operation of law by virtue of the Board's failure to act within the 60 day period set forth in the Reserve Bank's letter. Board staff explained that the 60-day period referenced in the Reserve Bank's letter was only an internal processing period and that an application is only granted by operation of law if the Board fails to act within 91 days of receipt of a complete application.[6] Board staff told J. Long that the proposed transactions should not be consummated because the Board had not acted on the applications. J. Long thereafter reported to his father that Board staff did not agree with their view that the transactions had been approved because the 60 day period had passed.

The day following Board's staff instructions not to consummate the transactions, Long announced at meetings of Sumner County's and Cedar Vale's boards of directors that he would be transferring his shares of Sumner County to

3. According to Long, he planned for Sumner County to pay Cedar Vale's debt with income derived from the Bank, as well as deduct Cedar Vale's NOLs from its income, thus reducing the merged entity's tax liability.

4. The Reserve Bank's letter dated June 26, 1989 explained that the proposed transaction was inconsistent with the Board's policy regarding the formation of small one bank holding companies because the debt which would be incurred as a result of the transaction had not been used to acquire the proposed subsidiary bank, the Bank. The Reserve Bank also stated that, in light of the Bank's financial condition, the Board would likely have concerns about the Bank's ability to service the Debt.

5. In one such conversation in November 1989, Respondent informed Board and Reserve Bank staff that the purpose of the applications was to enable Cedar Vale to utilize the NOLs and that he anticipated tax savings of approximately $435,000 as a result of the NOLs.

6. The 91-day rule is a statutory requirement which provides that if the Board fails to act within 91 days of the date when the Board has received the complete application under sections 3 or 4(c)(8) of the BHC Act, the application is deemed approved by operation of law. 12 U.S.C. §§ 1842(b)(1), 1843(c).

Cedar Vale.[7] He did so four days later, on January 3, 1990.[8] Long never notified the Board or Reserve Bank staff that he had consummated the transaction, although he continued to communicate with both staffs with respect to their requests for additional information needed in the Board's consideration of the applications. During this same period, J. Long wrote a letter to Board staff suggesting that the acquisitions had not yet occurred.[9] In response, Board staff again advised J. Long, by letter dated January 30, 1990, that "Cedar Vale should not take any action to consummate either of the transactions represented in Cedar Vale's applications until the Board has taken final action on Cedar Vale's applications and Cedar Vale has received notice of the Board's decision in these matters."[10]

On February 9, 1990, the Board issued an order denying Cedar Vale's applications. *The Cedar Vale Bank Holding Company*, 76 *Federal Reserve Bulletin* 257 (1990). The Board found, among other things, that Cedar Vale would not have sufficient financial resources or flexibility to service the outstanding debt without straining the resources of the combined organization and the Bank.[11] Although Long received the Board's order, he neither reversed the transfers nor informed the Board or Reserve Bank that the transfers had occurred. On February 15, 1990, Cedar Vale requested reconsideration of the Board's order but did not challenge the Board's finding that its action on the applications had been timely. Nor did Cedar Vale disclose it had already acquired Sumner County. The Board denied the request for reconsideration and no judicial review was sought.

The transaction went undetected until May 1990 when Reserve Bank examiners, during an inspection of Sumner County, discovered that Long had transferred the Sumner County shares to Cedar Vale on January 3, 1990. At an inspection the following year, examiners discovered that Long had transferred his ownership of Tri-County to Cedar Vale before the end of 1989, when the applications were still outstanding. Starting in June 1990, and on a number of occasions thereafter, the Reserve Bank and Board staff instructed Long that his actions violated the BHC Act and that if his transfers were not reversed he could face substantial penalties. Long took no action to reverse the transfers. On January 1, 1995, during the course of this proceeding, Long merged Cedar Vale into Tri-County, and then Tri-County and Sumner County into the Bank. Long took these actions without consulting the Board. As a result, as of January 1, 1995, Cedar Vale, Tri-County and Sumner County ceased to exist.

Between 1990 and 1994, as a result of the violations, Cedar Vale/Sumner County saved $567,941 in federal taxes as a result of being able to deduct Cedar Vale's NOLs from Sumner County's taxable income.[12] The violations also enabled Cedar Vale, rather than Long, to service the Debt by using estimated tax payments and dividends that it received from the Bank, thereby reducing Long's liability as a co-maker on the Debt.[13]

## *Violations of the BHC Act and Regulation Y*

The Board adopts the ALJ's finding that Cedar Vale violated section 3(a)(1) of the BHC Act, and Regulation Y thereunder by becoming a bank holding company without Board approval through its acquisition of all of the shares of Sumner County, a registered bank holding company, on January 3, 1990. Cedar Vale remained an illegal bank holding company until January 1, 1995. The Board also finds, as the ALJ did, that by transferring all of Sumner County's shares to Cedar Vale on January 3, 1990, Long participated in Cedar Vale's violations of section 3(a)(1) of the BHC Act and Regulation Y within the meaning of section 8(b)(1) of the BHC Act.

The ALJ also concluded that Cedar Vale violated section 4 of the BHC Act and Regulation Y by retaining control of Tri-County, without Board approval, after January 3, 1990, the day when Cedar Vale effectively became an illegal bank holding company. Long has objected to that finding based on his contention that Board approval was not required because Tri-County was a "dormant" company, not engaged in any activities, after January 3, 1990.

The Board finds that Long's objection is without merit because the record does not demonstrate that Tri-County was a dormant company. Just four months prior to the time Long claims Tri-County was dormant, Long had represented that Tri-County was actively engaged in the insur-

7. This transaction was essentially that described in the June Application which had been returned to Long by the Reserve Bank. The application before the Board involved the acquisition by Cedar Vale of the stock of the Bank, not of its parent, Sumner County. Thus, even if the application had been approved by operation of law, the transaction effected by Long would have been unapproved.

8. Long testified that he wanted to transfer the shares at the beginning of 1990 so that he could get a full year's tax benefits from the NOLs.

9. In his letter dated January 24, 1990, J. Long stated that because, in his view, the Board's 91-day period had expired, he would be *advising his clients to* "proceed with and consummate [the] acquisition."

10. The Board's letter further stated that "[c]onsummation of the proposed transactions without the prior approval of the Board and prior to the expiration of the statutory ninety-one day period would constitute a violation of the BHC Act and would subject Cedar Vale and its principals to possible penalties under the Act."

11. The Board considered and rejected Long's contention that the applications had been approved by operation of law, finding that in light of the Board's receipt of information necessary to its decision on the applications as late as January 19, 1990, the 91-day period had not expired. 76 *Federal Reserve Bulletin* at 258 n.9.

12. The ALJ found that between 1990 and 1994, Sumner County's stand-alone taxable income would have been $1,684,330. Its total tax liability on this income would have been $567,941. However, because the violations enabled the combined Cedar Vale/Sumner County entity to offset Sumner County's taxable income with Cedar Vale's NOLs, the combined entity paid no taxes between 1990 and 1994. Accordingly, the tax benefit accruing to the combined entity through 1994 totalled $567,941. In his Exceptions, Long does not take issue with these tax calculations.

13. From January 3, 1990 through December 31, 1994, Cedar Vale made payments totalling $956,205 on the Debt, consisting of $282,205 of interest and $674,000 of principal. The outstanding principal amount of the Debt was thereby reduced to $230,000.

ance business and would continue to sell insurance.[14] Tri-County also had income and some assets, as Long admitted at the hearing. Moreover, even if there had been an interruption in its active operations in January 1990, Tri-County could have resumed its insurance sales at the whim of Long, who was a licensed insurance agent.

Accordingly, the Board finds that Cedar Vale, through its retention of control of Tri-County without Board approval, violated section 4 of the BHC Act and Regulation Y. The Board also adopts the ALJ's finding that Long participated in Cedar Vale's violations of section 4 of the BHC Act and Regulation Y within the meaning of section 8(b)(1) of the BHC Act by failing to reverse the transfer of Tri-County's shares to Cedar Vale after Cedar Vale became a bank holding company on January 3, 1990.

### *Imposition of A Civil Money Penalty*

Finding that Long's violations subject him to the penalty provisions of the BHC Act, the Board now considers the appropriateness and amount of such penalty. Under applicable law, an individual who participates in a violation of the BHC Act may be assessed a civil money penalty of up to $25,000 per day for each day the violation continues. 12 U.S.C. § 1847(b)(1). The violations were outstanding for 1824 days between January 3, 1990 and January 1, 1995. Accordingly, the maximum penalty that may be assessed under the BHC Act is $45,600,000.

In determining the appropriate amount of a penalty, the applicable statutes require the Board to "take into account" the financial resources and good faith of the person charged, the gravity of the violation, the history of previous violations, and such other matters as justice may require. 12 U.S.C. §§ 1847(b)(2), 1818(i)(2)(G). The Board's regulations require that it also consider the "economic benefit derived by the person from the misconduct." 12 C.F.R. 263.62 (1995). In addition, the Board has adopted an Interagency Policy Regarding Assessment of Civil Money Penalties ("Policy Statement"), 1 F.R.R.S. § 3-1605 at 3.635-37 (1995), which provides additional guidance on the proper assessment of penalties.[15] The Policy Statement states that the agencies believe that in determining the amount of a civil money penalty,

> a significant consideration should be the financial or economic benefit the respondent obtained from the violation . . . . The removal of economic benefit will, however, usually be insufficient by itself to promote compliance with the statutory provisions. The penalty may, therefore, in appropriate circumstances reflect some additional amount beyond the economic benefit derived to provide a deterrent to future conduct. *Id.*

In his Exceptions, Long argues that the ALJ erred in his penalty assessment because he failed to apply a civil money penalty matrix included in an "SR Letter" issued by Board staff in 1991.[16] Long contends that the matrix must be used in determining the amount of civil money penalties. The Board finds no merit in this argument. First, contrary to Long's assertion, the SR Letter was not "promulgated by the Board" but was issued by Board staff to the staff of the Federal Reserve Banks for their use in evaluating proposed civil money penalty assessments. Consequently, it has no binding effect on the Board.[17] Moreover, the SR Letter states that the matrix does not include consideration of the amount of gain to the respondent, and that this factor "must be considered separately before setting the final penalty amount." SR 91-13 (FIS) at 4. Finally, the matrix and the suggested civil money penalty assessments it includes relate to so-called "tier 1" penalties under section 8(i)(2)(A) of the FDI Act, 12 U.S.C. § 1818(i)(2)(A). Tier 1 penalties are set at $5,000 per day, in contrast to the $25,000 per day penalties permitted for the violations of the BHC Act found in this case. Thus, even if the Board were required to consider the matrix, which it is not, the penalty amount recommended by the ALJ would be permissible under that matrix.[18]

The Board notes that the civil money penalty recommended by the ALJ exceeds that assessed in the Notice. It is undisputed that the Board has the authority to increase the penalty amount from that originally assessed. Section 8(i)(2)(F) of the FDI Act, applicable to this proceeding under section 8(b)(2) of the BHC Act, expressly permits the Board to "compromise, modify or remit any penalty" assessed. 12 U.S.C. § 1818(i)(2)(F). The Board's rules for assessments of civil money penalties also explicitly authorize the Board to "modify the amount of the penalty

14. Cedar Vale's application to acquire Tri-County, dated August 29, 1989, stated: "[Tri County] is now engaged and, upon [consummation] of the proposed acquisition, will continue to engage in, the insurance business (SIC Code 641) from the offices of the Bank of Commerce & Trust Co., in Wellington, Kansas. The types of insurance being and to be offered are credit life, accident and health and crop insurance written in connection with loans to bank customers."

15. The Policy Statement includes thirteen factors (the "Policy Statement Factors") to be used by the banking agencies in determining whether a violation is of sufficient gravity to warrant the initiation of civil money penalty assessment proceedings. Those factor are: evidence of willfulness or disregard of the law or the consequences to the institution; frequency of the violation and the length of time the violation has been outstanding; whether the violation continued after respondent became aware of it; failure to cooperate with the agency in effecting an early resolution of the problem; evidence of concealment of the violation or its voluntary disclosure; threat of or actual loss or harm to the institution; whether respondent received a financial or other gain or benefit; evidence of restitution; history of prior violations; previous criticisms by regulators for similar violations; presence or absence of a compliance program and its effectiveness; tendency to create an unsafe or unsound banking practice or a breach of a fiduciary duty; and the existence of agreements, commitments or orders intended to prevent the subject violations. 1 F.R.R.S. § 3-1605 at 3-637.

16. An "SR letter" is a supervisory memorandum issued by the staff of the Board's Division of Banking Supervision and Regulation to provide guidance to the supervisory staffs of the Federal Reserve Banks. The matrix included in SR Letter 91-13 (FIS), to which Long refers, identifies most of the statutory and Policy Statement factors and provides for a numerical weight to be given to each factor.

17. *See Rapp v. Office of Thrift Supervision*, 52 F.3d 1510 (10th Cir. 1995) (Office of Thrift Supervision is not bound by methodology of civil money penalty matrix).

18. Long concedes that even under his calculations the matrix yields a penalty—exclusive of his gain—in excess of $100,000.

specified in the notice of assessment" following a hearing. 12 C.F.R. 263.63. *See Lovgren v. Byrne*, 787 F.2d 857, 867 (3d Cir. 1986) (where agency decision-maker took into account the required statutory factors, no abuse of discretion in increasing penalty following hearing).

Such an increase may be particularly appropriate where evidence is available at the time of the hearing that was not available when the notice was issued. In this case, the facts leading to the ALJ's recommendation of an increase in the penalty principally involve the tax benefits derived from the illegal transaction. Those benefits for the years 1993 and 1994 were unknown at the time the Notice was issued in February 1994. Accordingly, the Board may appropriately increase the penalty from that originally assessed to take into account the full record with respect to the benefits derived from the transaction.

With respect to the statutory factors that the Board is required to consider, the record indicates that Long, whose net worth as of March 10, 1994 was $2,342,700, has considerable financial resources.[19] The Board views Long's conduct, in knowingly transferring the shares of Sumner County to Cedar Vale without Board approval, attempting to hide the transaction, and blatantly disregarding the regulators' instructions to unwind the transfer, to be egregious. Although there is no history of previous violations, the violations continued over five years, despite repeated notices to reverse the violative transactions.

Under both the statutory and Policy Statement factors, the Board is required to consider is whether respondent acted in good faith. Long objected to the ALJ's finding of bad faith, claiming that his actions were based on his good faith belief that the applications had been approved by operation of law.

After careful review of the record, the Board adopts the ALJ's finding that Long acted in bad faith. It is uncontroverted that before Long transferred Sumner County to Cedar Vale, he saw the Board's letter stating that more time would be needed to consider the applications. In addition, prior to the transfer Board staff had instructed Cedar Vale not to complete the transactions. Furthermore, Long testified that his motivation in transferring the shares in January 1990 was to get the tax benefits of the transaction for the full year.

The record is also replete with other instances of Long's bad faith. Most notable are Long's concealment of the transaction and his disregard of Board and Reserve Bank staff's instructions to correct the violations.[20] In short, the Board concludes that Long's willful and deceptive conduct, motivated by personal gain, overwhelmingly demonstrates that his actions were in bad faith.

The statute also requires the Board to consider "such other matters as justice may require." As noted above, the Board gives considerable weight in assessing penalties to the financial or economic benefit derived by the respondent from the illegal activity. The Policy Statement provides that a civil money penalty should require the respondent to disgorge the benefits from the violation, and in appropriate circumstances, the penalty may include an additional amount in order to provide a deterrent to future misconduct. 1 F.R.R.S. § 3–1605 at 3–637.

The ALJ found that Long, at a minimum, directly benefitted from the $567,941 that Cedar Vale saved in taxes as a result of his status as its sole shareholder. Long argues that the ALJ erred in such finding because Cedar Vale's "paper" tax savings did not result in any "actual monetary benefit" to Long.[21]

The Board finds that the record supports the ALJ's determination that Long benefitted in an amount of at least $567,941. As the ALJ found, Long's equity investment increased in value because of the $567,941 in tax savings and the resulting additional funds that accrued to the combined entity. Furthermore, as the sole shareholder, chairman and president of the bank holding company, Long had direct control of how those additional funds were spent.[22]

In addition to the benefits stemming from the $567,941 in tax savings, Long derived other benefits from the violation. Long benefitted from Cedar Vale's ability to service the $904,000 Debt, thus relieving Long, as co-maker, of this obligation.[23] Only as a result of the illegal transaction was Cedar Vale able to service the Debt through its receipt of the Bank's dividends and estimated tax payments, which were Cedar Vale's principal source of income between 1990 and 1994. During this time, the principal on the Debt,

19. Long claims in his brief accompanying his Exceptions that there was no analysis of the liquidity of his assets. The statute does not require the Board to consider only liquid assets in determining the size of a respondent's financial resources. Moreover, the record reflects that Long holds over $3 million in stocks and bonds.

20. The Board finds Long's claim that he failed to reverse the transactions because of the adverse consequences that would have resulted to be meritless. The only adverse consequences evident from the record are that Long would not have enjoyed the tax benefits that the Board's denial order withheld from him. In addition, Long's claim that he did not reverse the transactions because he was following advice of counsel is not supported by the record. The discussions with counsel that Long is relying on came after Long had consummated the transactions. Moreover, these discussions do not evidence that Long was advised to disregard the Board's order denying the applications or the Board's staff's instructions to reverse the transactions. Accordingly, the Board need not consider whether such a defense has merit, as the record in this case is insufficient.

21. Long also argues that Cedar Vale had no benefit from the tax savings because it could have achieved similar results by using the NOLs in some other way. Long failed to present any evidence suggesting a realistic alternative available to him to utilize the NOLs. Had such alternatives existed, it seems likely that Long would have availed himself of them to avoid engaging in the illegal transaction found here. Consequently, the Board rejects this argument.

22. Long could further control how Cedar Vale's funds were spent through his control of its board of directors, which consisted of him, his son and one other family member.

23. Long claims that Sumner County, as guarantor of the Debt, and not Long, would have been liable on the Debt had Cedar Vale not been able to make the Debt payments. Long's argument obliterates the distinction between the primary liability of a principal debtor and the secondary liability of a guarantor. Accordingly, the Board rejects this contention.

for which Long was liable, was reduced by $674,000.[24] Thus, had the violations not occurred, Long would have been responsible for making those payments, as he had done from 1985 through 1989.

Moreover, Cedar Vale's ability to pay the Debt using funds derived from the Bank resulted in additional tax savings to Long. In the absence of the illegal transaction, had Long been required to service the Debt, he would have had to have done so, at least in part, with after-tax income derived from Sumner County dividends.[25] Thus, in addition to the dollar amount needed to service the Debt, Long would have had to pay income tax on the dividend income from Sumner County. Instead, the illegal transaction allowed Long to satisfy Cedar Vale's Debt with funds from the Bank transferred tax free to Sumner County.[26] In sum, the Board finds that Long derived a benefit in an amount of at least $567,941.

In addition to the factor of personal gain, the other Policy Statement factors also weigh heavily in favor of assessment of a significant penalty. The violation was, as discussed above, intentional. It was outstanding for five years, during which time Long was not only aware of the violation but was repeatedly urged to correct it. Long's actions in the application process indicate concealment of the violation. Finally, the illegal transaction tended to create an unsafe or unsound practice. The Board's Order denying Cedar Vale's application noted that the Bank might not have the financial strength to service the Debt without undue strain on its resources. The Board's concern was borne out in the record, which indicates that examination reports for the Bank evidenced concern that the large dividends paid by the Bank to service the Debt adversely affected its capital.

In his Exceptions, Long argues that the Bank benefitted from his illegal transactions and that his penalty should be reduced as a result. The Board rejects this contention. In brief, Long asserts that because of the tax benefits associated with the availability of Cedar Vale's NOLs and the fact that Cedar Vale could service the Debt with before-tax earnings, the transaction "in fact reduced financial pressures on the Bank's holding company and reduced the amount of [Bank] funds necessary to service the Cedar Vale debt." Exceptions at 6. This argument ignores the fact that neither the Bank nor its parent, Sumner County, was liable on the Debt. The Debt was incurred to permit Long to acquire a separate bank, Cedar Vale State Bank. The Bank obtained no benefit from Long's acquisition of Cedar Vale, and was in no way responsible for servicing the Debt. Any financial pressures that might have been placed on the Bank to service the debt would have been inappropriate, and the removal of such inappropriate pressures can hardly be counted as a benefit.

The Board believes this is an appropriate case for substantial penalties to assure that the respondent does not benefit from his wrongdoing and is deterred from such action in the future. Long sought to combine Cedar Vale and Sumner County through his application to the Board in order to utilize Cedar Vale's NOLs and reduce his obligation on the Debt. The Board refused to permit the transaction, citing its concern about the effect of such a combination on the Bank. Long nonetheless proceeded with the transaction and reaped substantial benefits as a result. It is entirely fitting that he should be deprived of those benefits and that some additional penalty should be imposed to deter such action in the future.

Accordingly, the Board also affirms the additional $150,000 penalty that the ALJ recommended in order to deter others from engaging in similar conduct. As a general rule, the Board accords considerable weight to the recommendations of administrative law judges with respect to penalties.[27] This is appropriate here where the ALJ had the opportunity to assess Long's credibility and demeanor. Moreover, the Board finds that severity of Long's conduct supports the additional $150,000 penalty. Although Long argues that his conduct was "neither outrageous nor incomprehensible," the Board cannot agree. The Board views Long's conduct as demonstrating a total disregard for the regulatory process entrusted to the Board. Furthermore, the Board finds that $150,000 penalty is justified because Long had benefits in addition to the $567,941 in tax savings.

For these reasons, the Board affirms the ALJ's penalty determination and assesses a civil money penalty against Long in the amount of $717,941.

## Cease and Desist Order

The ALJ recommended that Long and Cedar Vale be prohibited from engaging in future violations of the BHC Act. However, the ALJ did not order that the violative transactions be reversed because Cedar Vale, Sumner County and Tri-County no longer exist as independent entities. The Board adopts the ALJ's recommendation with respect to Long. As Cedar Vale no longer exists, it cannot be subject to a cease and desist order.

### *Conclusion*

For the foregoing reasons, the Board orders that the attached Combined Order to Cease and Desist and of Assessment of Civil Money Penalty issue against Long.

24. The reduction in Cedar Vale's underlying debt would have had a corresponding effect of increasing the value of Long's equity investment in Cedar Vale.

25. The record reflects that the payments on the Debt made by Long between 1985 and 1989 were funded at least in part by Sumner County dividends.

26. Had Long been required to pay off the Debt and used only dividends from Sumner County, he would have incurred $292,857 in personal income taxes.

27. *See In the matter of Exco, Inc.*, 76 *Federal Reserve Bulletin* 679 (1990); *In the Matter of CBC, Inc.*, 79 *Federal Reserve Bulletin* 247 (1993); *In the Matter of Vic Sather & Associates, Inc.*, 79 *Federal Reserve Bulletin* 160 (1993).

By Order of the Board of Governors, this 2nd day of July, 1996.

Board of Governors of the
Federal Reserve System

WILLIAM W. WILES
*Secretary of the Board*

## Combined Order to Cease and Desist and of Assessment of Civil Money Penalty

WHEREAS, the Board of Governors of the Federal Reserve System (the "Board of Governors"), on February 7, 1994, issued a Notice of Charges and Hearing and of Assessment of Civil Money Penalties (the "Notice") against, *inter alia*, Cedar Vale Bank Holding Company, Inc., Wellington, Kansas ("Cedar Vale") and W. C. Long, Jr. ("Long"), an institution-affiliated party of Cedar Vale, as defined by sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. §§ 1813(u) and 1818(b)(3));

WHEREAS, the Notice alleged that Cedar Vale, with the direct participation of Long, violated sections 3(a)(1) and 4 of the Bank Holding Company Act of 1956, as amended (the "BHC Act") (12 U.S.C. §§ 1842(a)(1) and 1843) by failing to obtain prior approval of the Board of Governors before acquiring control of a bank, and thereby becoming a bank holding company, and by retaining control of a nonbank subsidiary;

WHEREAS, on January 1, 1995, Cedar Vale was merged into the Bank of Commerce and Trust Company, Wellington, Kansas;

WHEREAS, on June 12–15, 1995, a public administrative hearing was conducted in Wichita, Kansas, before an administrative law judge (the "ALJ") concerning the matters alleged in the Notice, and, thereafter, the ALJ certified to the Board of Governors the record of this proceeding, including his Recommended Decision dated November 21, 1995, proposed findings of fact and conclusions of law;

WHEREAS, upon consideration of the record in this proceeding, the Board of Governors is of the opinion, for the reasons set forth in the accompanying Final Decision in this matter, that this Combined Order to Cease and Desist and of Assessment of Civil Money Penalty (the "Order") should be issued against Long.

NOW, THEREFORE, IT IS HEREBY ORDERED, pursuant to section 8(b)(2) and (3) of the FDI Act (12 U.S.C. §§ 1818(b)(2) and (3)) and section 8(b) of the BHC Act (12 U.S.C. 1847(b)), that:

1. Long shall not, directly or indirectly, engage in any violation of the BHC Act.
2. Long is assessed and shall forfeit and pay a civil money penalty of $717,941.
3. No portion of the civil money penalty assessed by this Order shall be, directly or indirectly, paid, advanced, reimbursed or otherwise funded by the Bank of Commerce and Trust, Wellington, Kansas, or any successors or assigns.
4. The penalty assessed by this Order shall be remitted in full on or before the thirtieth day following the effective date of the Order. Payment of the penalty shall be made to the "Board of Governors of the Federal Reserve System," and shall be forwarded to William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, who shall make remittance of the same to the Treasury of the United States, as required by statute.
5. The provisions of this Order shall not bar, estop, or otherwise prevent the Board of Governors, or any other federal or state agency or department, from taking any other action affecting Long.
6. This Order, and each and every provision thereof, is and shall remain fully effective and enforceable until expressly stayed, modified, terminated or suspended in writing by the Board of Governors.
7. This Order shall become effective upon service.

By Order of the Board of Governors, this 2nd day of July, 1996.

Board of Governors of the
Federal Reserve System

WILLIAM W. WILES
*Secretary of the Board*

In the Matter of

## United Security Bancorporation
## Lincoln, Nebraska

Docket Nos.

94-031-B-HC
94-031-B-I1
94-031-B-I2

## Final Decision

This is an administrative enforcement proceeding instituted by the Board of Governors of the Federal Reserve System (the "Board") pursuant to section 8(b) of the Federal Deposit Insurance Act (the "FDI Act") against United Security Bancorporation, Lincoln, Nebraska, a registered bank holding company ("United"). and Harold S. Myers and David C. Myers, United's principal officers, directors and controlling shareholders (collectively, "the Myers"). On March 20, 1995, the Board issued a Notice of Charges and of Hearing alleging, *inter alia*, that respondents violated section 23A of the Federal Reserve Act, 12 U.S.C. § 371c, by selling low quality assets to Security National Bank of Superior, Superior, Nebraska ("Security" or "the Bank"), United's bank subsidiary. The Notice sought a cease and desist order against the respondents prohibiting further violations of section 23A.

In a Recommended Decision issued on February 15, 1996, Administrative Law Judge Arthur L. Shipe (the "ALJ") recommended that the Board grant, in part, a motion for summary disposition filed by the enforcement staff of the Board ("Enforcement Counsel"). The ALJ found that the respondents violated section 23A, but recommended that the Board limit a cease and desist order to United because the Office of the Comptroller of the Currency ("OCC") had already issued a similar order against Security.[1]

Respondents filed exceptions to the Recommended Decision arguing that the Board does not have authority under the FDI Act to issue a cease and desist order against respondents for violations of section 23A. Enforcement Counsel did not file exceptions to the ALJ's Recommended Decision.

Upon review of the administrative record, the Board hereby makes its Final Decision and adopts the ALJ's Recommended Decision, Recommended Findings of Fact, and Recommended Conclusions of Law as they relate to the section 23A violations, except as specifically supplemented or modified herein. The Board therefore determines that the attached Cease and Desist Order shall issue against the respondents prohibiting further violations of section 23A.

### *Statement of the Case*

#### A. Standards for Cease and Desist Orders

The FDI Act provides that the appropriate Federal banking agency may issue a cease and desist notice against a depository institution or institution-affiliated party within its jurisdiction if it has reasonable cause to believe that the institution or party has engaged in an unsafe or unsound practice, or has violated a law, rule, regulation, or certain conditions imposed in writing. 12 U.S.C. § 1818(b)(1). The FDI Act further provides that the Board is the appropriate Federal banking agency with respect to bank holding companies, 12 U.S.C. § 1813(q)(2), and that the notice and cease and desist provisions of subsection (b)(1) shall apply to any bank holding company in the same manner as they apply to a State member insured depository institution. 12 U.S.C. § 1818(b)(3).

After the Board issues a Notice under the FDI Act, the Board's Rules of Practice assign responsibility to an ALJ to hear the matter and make a recommended decision to the Board. 12 C.F.R. 263.5. The parties may file exceptions to the ALJ's recommended decision with the Board, and the Board makes final findings of fact, conclusions of law and determination whether to issue a cease and desist order. 12 C.F.R. 263.40.

#### B. Standards for Summary Disposition

The Rules of Practice specifically provide that where there is no genuine issue as to any material fact and a moving party is entitled to a decision in its favor as a matter of law, the ALJ shall recommend that the Board issue a final decision granting a party's motion for summary disposition. 12 C.F.R. 263.29. The ALJ's decision may be based on undisputed pleadings, admissions, affidavits, stipulations, documentary evidence, matters as to which official notice may be taken, and any other evidentiary materials properly submitted in connection with a motion for summary disposition.

Motions for summary disposition should be decided by essentially the same standards as motions for summary judgment under Rule 56(c) of the Federal Rules of Civil Procedure.[2] The nonmovant's evidence is to be accepted as true and all justifiable inferences are to be drawn in its favor. *Eastman Kodak Co. v. Image Technical Services, Inc.*, 504 U.S. 451 (1992). In general, summary disposition should be granted where the evidence is so one-sided that one can reasonably arrive at only one conclusion.[3]

### *Findings and Conclusions*

#### A. Findings

1. *Relevant Individuals and Business Entities.* United is a registered bank holding company which is owned and controlled by Harold S. Myers and David C. Myers. Its primary asset is the stock of Security, its sole bank subsidiary. Security is a small rural community bank that had assets of approximately $41.7 million as of December 31, 1994. At all times relevant to this case, United's only operations were through Security.

At all times relevant to this case, the Myers controlled United through their ownership of 96 percent of its stock and their power to vote all of its shares. Harold Myers served as United's president and director, and David Myers served as United's vice president, secretary and director. United had one other director and no other officers. The Myers also served as directors of Security.[4]

2. *United's Sale of Loans to Security.* On November 11, 1990, Security sold loans to United for $200,000. On March 18, 1991, United sold the loans back to the Bank for $163,000. At the time of the resale to the Bank, the loans

1. The ALJ also recommended that the Board grant summary disposition for Enforcement Counsel in connection with certain unsafe and unsound practices that were alleged in the Notice. The Board has remanded that portion of the case to the ALJ pursuant to a separate Order. Therefore, this Decision and the Cease and Desist Order issued pursuant to it constitute the Board's final determination and order only in connection with the issues relating to respondents' section 23A violations.

2. *Accord, In the Matter of David L. Paul*, OTS Order No. 93-104, n.27 (Dec. 15, 1993).

3. *E.g., Allstate Ins. Co. v. Brown*, 920 F.2d 664, 668 (10th Cir. 1990).

4. At all times relevant to this case, Harold Myers served as Chairman of Security.

were on a nonaccrual status and were, by definition, "low quality assets" under the terms of section 23A of the Federal Reserve Act. 12 U.S.C. § 371c. United repurchased these loans from the Bank on April 4, 1994.

## B. Conclusions

Respondents do not challenge the ALJ's conclusion that they violated section 23A when they resold loans to Security in 1991. The record establishes that the loans were on nonaccrual status and section 23A by its terms defines such an asset as a "low quality asset" that may not be transferred to a bank by a company controlling the bank. 12 U.S.C. § 371c(b)(10). Instead, respondents have excepted to the ALJ's conclusions that the Board has authority under section 8(b)(3) of the FDI Act to issue a cease and desist order against institution-affiliated parties of bank holding companies, and argue that because the Bank has agreed with the OCC not to violate section 23A in the future, the issue of a cease and desist order against the Myers and United is "moot." The Board rejects these arguments.

Section 8(b)(3) of the FDI Act, 12 U.S.C. § 1818(b)(3), provides, among other things, that the provisions of section 8(b)(1), authorizing cease and desist proceedings against depository institutions and their institution-affiliated parties, "shall apply to any bank holding company . . . in the same manner as they apply to a State member insured depository institution." Respondents argue that this provision only supports cease and desist actions against the bank holding company itself, and does not authorize such actions against institution-affiliated parties like the Myers.

It is not disputed that the term "institution-affiliated party" ("IAP") includes directors, officers, agents, and employees of bank holding companies. *See* 12 U.S.C. § 1813(u) (definition of IAP); *In the Matter of Interamericas Investments, Ltd.*, 82 *Federal Reserve Bulletin* 609 at n.1 (1996).[5] Accordingly, respondents' sole contention here is that section 8(b)(3) of the FDI Act, which applies a number of provisions of section 8 to "any bank holding company . . . in the same manner as they apply to a State member insured depository institution," does not extend the remedies of section 8 to IAPs of bank holding companies.

The Board finds that this reading is inconsistent with the purpose of the statute and would render some of its provisions a nullity. Congress enacted section 8(b)(3) in 1974 to make the Board's existing cease and desist authority with respect to State member banks equally applicable to bank holding companies and their nonbank subsidiaries. S. Rep. No. 902, 93rd Cong., 2d Sess. 10 (1974), *reprinted in*, 1974 U.S.C.C.A.N. 6128. Congress later amended section 8(b)(3) so that the suspension, removal, and prohibition provisions contained in sections 8(e), (f), and (g) were also made applicable to bank holding companies and their nonbank subsidiaries in the same manner that they previously applied to State member banks.[6] Because the provisions of sections 8(e), (f), and (g) deal exclusively with actions against persons affiliated with depository institutions, as opposed to the institutions themselves, the amendments making these sections applicable to bank holding companies would have been meaningless if they were not intended to permit actions against individuals affiliated with bank holding companies.

The Board has on a number of occasions issued enforcement orders against persons affiliated with bank holding companies under the authority of section 8(b)(3). *See, e.g., Interamericas, supra*, 82 *Federal Reserve Bulletin* at 620 (cease and desist order against bank holding company IAP); *In the Matter of Northwest Indiana Bancshares, Inc.* (orders dated September 7, 1990), *affirmed sub nom., Stanley v. Board of Governors*, 940 F.2d 267 (7th Cir. 1991) (civil money penalties against bank holding company IAPs based in part on section 8(i) of FDI Act); *In the Matter of EVCO, Inc.* (orders dated January 30, 1990), *affirmed sub nom., Burke v. Board of Governors*, 940 F.2d 1360 (10th Cir. 1991) (prohibition orders against bank holding company IAPs).

Accordingly, the Board declines to adopt the reading of section 8(b)(3) advanced by respondents, and holds that that section authorizes the Board to take the same enforcement measures identified in the section against IAPs of bank holding companies that it may take against IAPs of State member banks.

Finally, respondents argue that the Board is without authority to issue a cease and desist order based on the section 23A violations because Security has already agreed not to purchase assets from United pursuant to a written agreement with the OCC. Respondents contend that the OCC agreement effectively precludes further section 23A violations by the Myers and their corporate interests, and that Enforcement Counsel's request for an order directing United to cease and desist from the same conduct is now moot. The Board disagrees.

A review of the written agreement between Security and the OCC reveals that it does not provide complete protec-

5. *See also* 12 U.S.C. § 1847(e), which explicitly applies the IAP definition in 12 U.S.C. § 1813(u) to "an institution-affiliated party . . . with respect to a bank holding company." Respondents argued before the ALJ that the term "institution-affiliated party" in the FDI Act did not apply to persons affiliated solely with bank holding companies. That argument has been abandoned in respondents' exceptions, which urge only that section 8(b)(3) of the FDI Act does not authorize the Board to seek cease and desist orders "against institution affiliated parties like the Myers." Brief in Support of Respondents' Exceptions, at 7.

6. In 1978, Congress amended section 8(b)(3) to make the suspension and removal provisions of section 8(e) applicable to bank holding companies and their subsidiaries. Pub. L. 95-630, § 107(b). *See*, S. Rep. 95-323, 95th Cong., 1st Sess. (1977) at 19 ("The amendment further makes it clear that the Board of Governors has similar powers with respect to bank holding companies and their officers, directors, employees, and agents."). In 1989, Congress again amended section 8(b)(3) so that the provisions of section 8(g) relating to the suspension or removal of a person charged with a felony were made applicable to these entities. Pub. L. 101-73, § 902(a)(1)(A).

tion against further violations of section 23A by either United or the Myers. The written agreement prohibits the Bank from acquiring low-quality assets from the Myers or United. The written agreement does not, and cannot, govern the conduct of United, which is beyond the OCC's jurisdiction. Nor does it purport to govern the conduct of the Myers individually. The cease and desist order entered by the Board, by contrast, prevents United and the Myers from engaging in violations of section 23A with Security or any other institution.[7]

Therefore, the Board rejects respondents' argument that the OCC's action divested the Board of authority to take enforcement action. For similar reasons, the Board rejects the ALJ's suggestion that a cease and desist order solely against United would be appropriate.

*Conclusion*

For the foregoing reasons, the Board orders that the attached Cease and Desist Order prohibiting further violations of section 23A shall issue against the respondents.

By Order of the Board of Governors, this 15th day of July, 1996.

Board of Governors of the
Federal Reserve System

WILLIAM W. WILES
*Secretary of the Board*

## Cease and Desist Order

WHEREAS, on March 20, 1995, the Board of Governors of the Federal Reserve System (the "Board of Governors"), issued a Notice of Charges and Hearing (the "Notice") against United Security Bancorporation ("United"), a registered bank holding company, which owns and controls the Security National Bank of Superior, Superior, Nebraska (the "Bank"), and Harold S. Myers ("H.S. Myers") and David C. Myers ("D.C. Myers"), United's principal officers, directors and controlling shareholders;

WHEREAS, the Notice alleged, *inter alia*, that United, H.S. Myers and D.C. Myers caused a violation of section 23A of the Federal Reserve Act (the "FR Act") (12 U.S.C. 371c) as a result of United's sale of low quality assets to the Bank;

WHEREAS, on February 15, 1996, pursuant to section 263.29 of the Uniform Rules of Practice and Procedure, upon consideration of Board Enforcement Counsel's motion for summary disposition, the Administrative Law Judge determined that Board Enforcement Counsel was entitled to summary disposition of the matters alleged in the Notice relating to the alleged violations of section 23A of the FR Act and submitted a recommended decision to that effect to the Board;

WHEREAS, the Board of Governors has determined, upon review of the record, that United and H.S. Myers and D.C. Myers, institution-affiliated parties as defined by sections 3(u) and 8(b)(3) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(3)), have engaged in, and will continue, unless restrained, to engage in certain violations of law;

IT IS HEREBY ORDERED, pursuant to section 8(b) of the Federal Deposit Insurance Act (the "FDI Act") (12 U.S.C. § 1818(b)) that United and its institution-affiliated parties and H.S. Myers and D.C. Myers cease and desist and take affirmative action as follows:

1. United shall take all actions necessary to ensure that all transactions entered into with the Bank, or with any bank subsidiary that it directly or indirectly controls, fully comply with the requirements of section 23A of the FR Act, and shall not, directly or indirectly, engage in any violations of section 23A of the FR Act.

2. H.S. Myers and D.C. Myers shall take all actions necessary to ensure that United does not violate section 23A of the FR Act, and shall not directly or indirectly engage in any violations of section 23A of the FR Act.

3. All communications regarding this Order shall be sent to:

(a) Mr. James H. Jonson
Vice President
Federal Reserve Bank of Kansas City
925 Grand Boulevard
Kansas City, Missouri 64198

(b) Mr. Harold S. Myers
President
United Security Bancorporation
635 South 14th, Suite 320
Lincoln, Nebraska 68508

(c) Mr. Harold S. Myers
United Security Bancorporation
635 South 14th, Suite 320
Lincoln, Nebraska 68508

(d) Mr. David C. Myers
United Security Bancorporation
635 South 14th, Suite 320
Lincoln, Nebraska 68508

4. The provisions of paragraph 1 this Order shall be binding upon United and each of its institution-affiliated parties in their capacities as such, and their successors and assigns; the provisions of paragraph 2 of this Order shall be binding upon H.S. Myers and D.C. Myers in their individual capacities.

5. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated or suspended by the Board of Governors.

6. The provisions of this Order shall not bar, stop or otherwise prevent the Board of Governors, or any federal or state agency or department, from taking any other action affecting H.S. Myers, D.C. Myers or United or any of United's current or former institution-affiliated parties or their successors or assigns.

7. In addition, the Order would be enforceable in United States district court pursuant to 12 U.S.C. § 1818(i)(1) while the OCC's written agreement would not.

By Order of the Board of Governors of the Federal Reserve System, effective this 15th day of July, 1996.

Board of Governors of the
Federal Reserve System

WILLIAM W. WILES
*Secretary of the Board*

### *FINAL ENFORCEMENT ORDERS ISSUED BY THE BOARD OF GOVERNORS*

#### Bangkok Metropolitan Bank, PCL. Bangkok, Thailand

The Federal Reserve Board announced on July 25, 1996, the issuance of an Order to terminate United States Banking Activities against the Bangkok Metropolitan Bank, PCL., Bangkok, Thailand. The Order was issued jointly with the New York State Banking Department and the California State Banking Department.

#### William B. Black, III Houston, Texas

The Federal Reserve Board announced on July 1, 1996, the issuance of an Order of Assessment of a Civil Money Penalty against William B. Black, III, the Chairman of the Board and President of The State Bank of Texas, Houston, Texas.

#### Mark E. Marteeny Somerset, Pennsylvania

The Federal Reserve Board announced on July 3, 1996, the issuance of an Order of Prohibition against Mark E. Marteeny, a former officer of Somerset Trust Company, Somerset, Pennsylvania.

#### Scott A. Noyes Colorado Springs, Colorado

The Federal Reserve Board announced on July 29, 1996, the issuance of a combined Order of Prohibition and Order of Assessment of a Civil Money Penalty against Scott A. Noyes, a former vice president and secretary/treasurer of Peoples Bancshares, Inc., Colorado Springs, Colorado.

### *TERMINATION OF ENFORCEMENT ACTIONS*

The Federal Reserve Board announced on July 1, 1996, the termination of the following enforcement actions:

#### Merchants Bancshares, Inc. Burlington, Vermont

Written Agreement dated February 18, 1994 – terminated June 3, 1996.

#### First Bancorp of Oklahoma, Inc. Tonkawa, Oklahoma

Written Agreement dated June 30, 1992 – terminated May 6, 1996.

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## *SYMBOLS AND ABBREVIATIONS*

| | |
|---|---|
| c | Corrected |
| e | Estimated |
| n.a. | Not available |
| n.e.c. | Not elsewhere classified |
| p | Preliminary |
| r | Revised (Notation appears on column heading when about half of the figures in that column are changed.) |
| * | Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions) |
| 0 | Calculated to be zero |
| . . . | Cell not applicable |
| ATS | Automatic transfer service |
| BIF | Bank insurance fund |
| CD | Certificate of deposit |
| CMO | Collateralized mortgage obligation |
| FFB | Federal Financing Bank |
| FHA | Federal Housing Administration |
| FHLBB | Federal Home Loan Bank Board |
| FHLMC | Federal Home Loan Mortgage Corporation |
| FmHA | Farmers Home Administration |
| FNMA | Federal National Mortgage Association |
| FSLIC | Federal Savings and Loan Insurance Corporation |
| G-7 | Group of Seven |
| G-10 | Group of Ten |
| GNMA | Government National Mortgage Association |
| GDP | Gross domestic product |
| HUD | Department of Housing and Urban Development |
| IMF | International Monetary Fund |
| IO | Interest only |
| IPCs | Individuals, partnerships, and corporations |
| IRA | Individual retirement account |
| MMDA | Money market deposit account |
| MSA | Metropolitan statistical area |
| NOW | Negotiable order of withdrawal |
| OCD | Other checkable deposit |
| OPEC | Organization of Petroleum Exporting Countries |
| OTS | Office of Thrift Supervision |
| PO | Principal only |
| REIT | Real estate investment trust |
| REMIC | Real estate mortgage investment conduit |
| RP | Repurchase agreement |
| RTC | Resolution Trust Corporation |
| SAIF | Savings Association Insurance Fund |
| SCO | Securitized credit obligation |
| SDR | Special drawing right |
| SIC | Standard Industrial Classification |
| VA | Department of Veterans Affairs |

## *GENERAL INFORMATION*

In many of the tables, components do not sum to totals because of rounding.

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

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

Percent annual rate of change, seasonally adjusted[1]

| Monetary or credit aggregate | 1995 | | 1996 | | 1996 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Q3 | Q4 | Q1 | Q2 | Feb. | Mar. | Apr. | May | June |
| *Reserves of depository institutions*[2] | | | | | | | | | |
| 1 Total | 1.5 | 6.9 | 7.9 | 6.4 | 16.4 | 19.2 | 11.7 | 20.8r | 2.5 |
| 2 Required | 2.5 | 7.7 | 8.5 | 5.7 | 2.7 | 13.2 | 11.6 | 15.4 | 9.2 |
| 3 Nonborrowed | 2.4 | 6.4 | 6.5 | 7.6 | 16.3 | 19.6 | 13.2 | 21.6r | 8.2 |
| 4 Monetary base[3] | 1.7 | 2.7 | 1.5 | 2.1 | 1.2r | 8.9r | .6r | 1.0 | 5.7 |
| *Concepts of money, liquid assets, and debt*[4] | | | | | | | | | |
| 5 M1 | 1.5 | 5.4 | 2.7 | .5 | 2.0 | 10.0 | 3.1 | 6.5r | .4 |
| 6 M2 | 6.9 | 4.4 | 5.9 | 4.1 | 5.4 | 11.7 | 2.0 | 1.6 | 5.6 |
| 7 M3 | 8.0 | 4.5 | 7.2 | 5.5 | 10.1r | 11.1r | 1.9r | 3.1r | 4.7 |
| 8 L | 9.4 | 5.9 | 5.1 | n.a. | 4.4 | 12.6r | 4.6r | .9 | n.a. |
| 9 Debt | 4.9r | 4.7r | 4.7r | n.a. | 6.6r | 6.0r | 4.6r | 3.7 | n.a. |
| *Nontransaction components* | | | | | | | | | |
| 10 In M2[5] | 10.9 | 8.3 | 9.7 | 6.2 | 8.6 | 12.4 | 4.2 | .6 | 8.2 |
| 11 In M3 only[6] | 12.1 | 6.3 | 12.6r | 10.6 | 28.6r | 9.0r | 1.5r | 21.4r | 1.4 |
| *Time and savings deposits* | | | | | | | | | |
| Commercial banks | | | | | | | | | |
| 12 Savings, including MMDAs | 9.0 | 13.1 | 22.6 | 12.7 | 16.5 | 25.2 | 8.8 | 4.2r | 12.3 |
| 13 Small time[7] | 11.0 | 4.8 | 2.5 | 2.7 | 1.2 | 4.5 | 3.5 | 2.3 | 1.0 |
| 14 Large time[8,9] | 13.0 | 19.4 | 8.9r | 17.4 | 20.1r | 27.4 | 7.8r | 19.9r | 16.6 |
| Thrift institutions | | | | | | | | | |
| 15 Savings, including MMDAs | 7.3 | 2.8 | .3 | 8.1 | 6.0 | 5.7 | 14.3 | 4.9 | 2.9 |
| 16 Small time[7] | 4.1 | 5.0 | 2.5r | 3.4 | .0r | 8.4r | 1.7 | 2.7 | 3.1 |
| 17 Large time[8] | 13.7 | 8.0 | 6.2 | 2.8 | 1.6 | 9.5 | 1.6 | 9.5 | 6.4 |
| *Money market mutual funds* | | | | | | | | | |
| 18 Retail | 36.9 | 16.5 | 14.7 | 11.5 | 15.6 | 32.6 | 2.7 | 3.2 | 21.2 |
| 19 Institution only | 27.6 | 10.3 | 27.9 | 8.7 | 69.2 | 21.6 | 13.0 | 10.3 | 29.4 |
| *Repurchase agreements and Eurodollars* | | | | | | | | | |
| 20 Repurchase agreements[10] | 5.0 | 14.6 | 1.3 | 5.4 | 11.7 | 13.5 | 7.8 | 80.0r | 67.0 |
| 21 Eurodollars[10] | 9.4 | 6.7 | 17.0r | 11.9 | 12.6r | 29.8r | 35.7r | 18.6r | 11.0 |
| *Debt components*[4] | | | | | | | | | |
| 22 Federal | 4.6 | 2.3 | 2.7 | n.a. | 7.6 | 11.2 | 3.6r | 1.8 | n.a. |
| 23 Nonfederal | 5.0r | 5.5r | 5.4r | n.a. | 6.3r | 4.1r | 4.9r | 4.4 | n.a. |

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

2. Figures incorporate adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.20.)

3. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

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

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

M2: M1 plus (1) savings (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than \$100,000), and (3) balances in retail *money market mutual funds (money funds with minimum initial investments of less than* \$50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of \$100,000 or more), (2) balances in institutional money funds (money funds with minimum initial investments of \$50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

5. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances, each seasonally adjusted separately.

6. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees, each seasonally adjusted separately.

7. Small time deposits—including retail RPs—are those issued in amounts of less than \$100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits.

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

9. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

10. Includes both overnight and term.

## 1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT[1]

Millions of dollars

| Factor | Average of daily figures | | | Average of daily figures for week ending on date indicated | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1996 | | | 1996 | | | | | | |
| | Apr. | May | June | May 15 | May 22 | May 29 | June 5 | June 12 | June 19 | June 26 |
| SUPPLYING RESERVE FUNDS | | | | | | | | | | |
| 1 Reserve Bank credit outstanding | 418,391 | 416,807 | 420,910 | 415,263 | 416,944 | 416,366[r] | 420,290 | 417,340 | 422,869 | 420,635 |
| U.S. government securities[2] | | | | | | | | | | |
| 2 Bought outright—System account | 378,891 | 380,178 | 382,000 | 379,272 | 380,634 | 380,439 | 380,367 | 380,762 | 382,857 | 382,495 |
| 3 Held under repurchase agreements | 1,566 | 1,983 | 4,456 | 727 | 2,315 | 2,176 | 5,772 | 2,402 | 5,418 | 3,086 |
| Federal agency obligations | | | | | | | | | | |
| 4 Bought outright | 2,492 | 2,412 | 2,401 | 2,444 | 2,411 | 2,439 | 2,428 | 2,414 | 2,388 | 2,388 |
| 5 Held under repurchase agreements | 180 | 503 | 524 | 2 | 876 | 686 | 1,118 | 511 | 256 | 747 |
| 6 Acceptances | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans to depository institutions | | | | | | | | | | |
| 7 Adjustment credit | 57 | 21 | 185 | 27 | 26 | 25 | 12 | 7 | 586 | 22 |
| 8 Seasonal credit | 33 | 106 | 190 | 92 | 113 | 133 | 112 | 152 | 193 | 227 |
| 9 Extended credit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 Float | 315 | 517 | 384 | 867 | 393 | 156[r] | 73 | 642 | 312 | 730 |
| 11 Other Federal Reserve assets | 31,857 | 31,054 | 30,769 | 31,832 | 30,143 | 30,313 | 30,378 | 30,151 | 30,861 | 30,941 |
| 12 Gold stock | 11,052 | 11,051 | 11,051 | 11,051 | 11,051 | 11,051 | 11,051 | 11,051 | 11,051 | 11,050 |
| 13 Special drawing rights certificate account | 10,168 | 10,168 | 10,168 | 10,168 | 10,168 | 10,168 | 10,168 | 10,168 | 10,168 | 10,168 |
| 14 Treasury currency outstanding | 24,330[r] | 24,408[r] | 24,469 | 24,400[r] | 24,414[r] | 24,428[r] | 24,442 | 24,456 | 24,470 | 24,484 |
| ABSORBING RESERVE FUNDS | | | | | | | | | | |
| 15 Currency in circulation | 418,294[r] | 420,013[r] | 423,432 | 419,451[r] | 419,729[r] | 422,170[r] | 423,021 | 423,295 | 423,204 | 423,290 |
| 16 Treasury cash holdings | 312 | 276 | 281 | 265 | 265 | 264 | 269 | 288 | 285 | 279 |
| Deposits, other than reserve balances, with Federal Reserve Banks | | | | | | | | | | |
| 17 Treasury | 7,318 | 5,714 | 6,162 | 5,673 | 5,127 | 5,175 | 4,276 | 5,697 | 6,022 | 7,184 |
| 18 Foreign | 187 | 196 | 177 | 185 | 224 | 196 | 171 | 179 | 173 | 171 |
| 19 Service-related balances and adjustments | 5,938 | 6,188 | 6,161 | 6,037 | 6,006 | 6,714 | 6,237 | 6,123 | 6,117 | 6,184 |
| 20 Other | 370 | 362 | 330 | 381 | 365 | 338 | 311 | 330 | 336 | 332 |
| 21 Other Federal Reserve liabilities and capital | 12,813 | 12,885 | 13,224 | 12,930 | 12,929 | 12,971 | 13,153 | 13,088 | 13,301 | 13,252 |
| 22 Reserve balances with Federal Reserve Banks[3] | 18,709 | 16,771 | 16,830 | 15,961 | 17,932 | 11,176[r] | 18,515 | 14,016 | 19,117 | 15,616 |
| | End-of-month figures | | | Wednesday figures | | | | | | |
| | Mar. | Apr. | May | May 15 | May 22 | May 29 | June 5 | June 12 | June 19 | June 26 |
| SUPPLYING RESERVE FUNDS | | | | | | | | | | |
| 1 Reserve Bank credit outstanding | 416,892 | 420,959[r] | 425,289 | 418,328 | 423,609 | 419,893[r] | 422,764 | 418,454 | 433,333 | 421,389 |
| U.S. government securities[2] | | | | | | | | | | |
| 2 Bought outright—System account | 381,806 | 381,346 | 383,914 | 380,134 | 380,661 | 381,789 | 379,748 | 382,860 | 382,761 | 382,522 |
| 3 Held under repurchase agreements | 0 | 5,704 | 7,086 | 5,089 | 7,903 | 3,365 | 7,412 | 2,160 | 12,711 | 1,226 |
| Federal agency obligations | | | | | | | | | | |
| 4 Bought outright | 2,444 | 2,428 | 2,388 | 2,444 | 2,444 | 2,428 | 2,428 | 2,388 | 2,388 | 2,388 |
| 5 Held under repurchase agreements | 0 | 1,350 | 0 | 15 | 1,867 | 850 | 1,428 | 95 | 195 | 0 |
| 6 Acceptances | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans to depository institutions | | | | | | | | | | |
| 7 Adjustment credit | 21 | 8 | 388 | 23 | 18 | 22 | 6 | 2 | 3,641 | 17 |
| 8 Seasonal credit | 71 | 148 | 248 | 103 | 124 | 139 | 137 | 170 | 207 | 241 |
| 9 Extended credit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 Float | 821 | 342[r] | 278 | 573 | 62 | 619[r] | 1,215 | 189 | 92 | 919 |
| 11 Other Federal Reserve assets | 31,728 | 30,318 | 31,143 | 29,948 | 30,529 | 30,652 | 30,391 | 30,590 | 31,334 | 31,076 |
| 12 Gold stock | 11,052 | 11,051 | 11,050 | 11,051 | 11,051 | 11,051 | 11,051 | 11,051 | 11,051 | 11,050 |
| 13 Special drawing rights certificate account | 10,168 | 10,168 | 10,168 | 10,168 | 10,168 | 10,168 | 10,168 | 10,168 | 10,168 | 10,168 |
| 14 Treasury currency outstanding | 24,372[r] | 24,442[r] | 24,498 | 24,400[r] | 24,414[r] | 24,428[r] | 24,442 | 24,456 | 24,470 | 24,484 |
| ABSORBING RESERVE FUNDS | | | | | | | | | | |
| 15 Currency in circulation | 417,716[r] | 422,397[r] | 424,767 | 420,447[r] | 421,086[r] | 423,794[r] | 423,832 | 424,231 | 423,817 | 424,817 |
| 16 Treasury cash holdings | 288 | 265 | 280 | 265 | 264 | 265 | 288 | 287 | 279 | 280 |
| Deposits, other than reserve balances, with Federal Reserve Banks | | | | | | | | | | |
| 17 Treasury | 11,042 | 3,757 | 7,701 | 4,079 | 4,906 | 5,381 | 5,588 | 5,562 | 6,142 | 7,290 |
| 18 Foreign | 166 | 160 | 183 | 229 | 175 | 180 | 164 | 166 | 167 | 163 |
| 19 Service-related balances and adjustments | 6,055 | 6,237 | 6,172 | 6,037 | 6,006 | 6,714 | 6,237 | 6,123 | 6,117 | 6,184 |
| 20 Other | 360 | 300 | 326 | 376 | 353 | 357 | 329 | 336 | 326 | 326 |
| 21 Other Federal Reserve liabilities and capital | 12,559 | 13,148 | 13,374 | 12,712 | 12,805 | 12,781 | 12,896 | 13,093 | 13,141 | 13,024 |
| 22 Reserve balances with Federal Reserve Banks[3] | 14,268 | 20,357[r] | 18,203 | 19,803 | 23,648 | 16,067[r] | 19,090 | 11,332 | 29,033 | 15,009 |

1. Amounts of cash held as reserves are shown in table 1.12, line 2.

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

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

## 1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

| Reserve classification | 1993 Dec. | 1994 Dec. | 1995 Dec. | 1995 Dec. | 1996 Jan. | 1996 Feb. | 1996 Mar. | 1996 Apr. | 1996 May | 1996 June |
|---|---|---|---|---|---|---|---|---|---|---|
| | Prorated monthly averages of biweekly averages | | | | | | | | | |
| 1 Reserve balances with Reserve Banks[2] | 29,374 | 24,658 | 20,440 | 20,440 | 17,763 | 16,792 | 18,426 | 19,181 | 16,753 | 16,593 |
| 2 Total vault cash[3] | 36,818 | 40,378 | 42,088[r] | 42,088[r] | 44,676[r] | 42,115[r] | 40,892[r] | 40,889[r] | 41,146 | 41,979 |
| 3 Applied vault cash[4] | 33,484 | 36,682 | 37,460 | 37,460 | 39,170 | 36,957 | 36,458 | 36,688 | 36,382 | 37,095 |
| 4 Surplus vault cash[5] | 3,334 | 3,696 | 4,628[r] | 4,628[r] | 5,506[r] | 5,158[r] | 4,435[r] | 4,201[r] | 4,764 | 4,883 |
| 5 Total reserves[6] | 62,858 | 61,340 | 57,900 | 57,900 | 56,934 | 53,749 | 54,884 | 55,869 | 53,135 | 53,688 |
| 6 Required reserves | 61,795 | 60,172 | 56,622 | 56,622 | 55,449 | 52,898 | 53,747 | 54,750 | 52,275 | 52,534 |
| 7 Excess reserve balances at Reserve Banks[7] | 1,063 | 1,168 | 1,278 | 1,278 | 1,485 | 851 | 1,137 | 1,120 | 860 | 1,155 |
| 8 Total borrowings at Reserve Banks[8] | 82 | 209 | 257 | 257 | 38 | 35 | 21 | 91 | 127 | 386 |
| 9 Seasonal borrowings | 31 | 100 | 40 | 40 | 7 | 7 | 10 | 34 | 105 | 192 |
| 10 Extended credit[9] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Biweekly averages of daily figures for two week periods ending on dates indicated | | | | | | | | | |
| | 1996 Feb. 28 | Mar. 13 | Mar. 27 | Apr. 10 | Apr. 24 | May 8 | May 22 | June 5[r] | June 19 | July 3 |
| 1 Reserve balances with Reserve Banks[2] | 17,938 | 18,192 | 18,492 | 18,954 | 20,331 | 16,876 | 16,946 | 16,341 | 16,565 | 16,743 |
| 2 Total vault cash[3] | 40,242[r] | 41,461[r] | 40,362[r] | 40,903[r] | 40,398[r] | 42,013[r] | 40,823[r] | 40,879 | 42,824 | 41,403 |
| 3 Applied vault cash[4] | 35,468 | 36,845 | 36,011 | 36,767 | 36,417 | 37,190 | 36,091 | 36,117 | 37,747 | 36,712 |
| 4 Surplus vault cash[5] | 4,774[r] | 4,616[r] | 4,352[r] | 4,136[r] | 3,981[r] | 4,823[r] | 4,732[r] | 4,762 | 5,078 | 4,692 |
| 5 Total reserves[6] | 53,406 | 55,037 | 54,502 | 55,721 | 56,748 | 54,065 | 53,037 | 52,458 | 54,311 | 53,455 |
| 6 Required reserves | 52,436 | 53,926 | 53,346 | 54,567 | 55,629 | 53,002 | 52,201 | 51,743 | 53,234 | 52,003 |
| 7 Excess reserve balances at Reserve Banks[7] | 970 | 1,111 | 1,156 | 1,154 | 1,119 | 1,063 | 836 | 715 | 1,078 | 1,451 |
| 8 Total borrowings at Reserve Banks[8] | 47 | 15 | 20 | 47 | 122 | 92 | 129 | 156 | 469 | 386 |
| 9 Seasonal borrowings | 8 | 8 | 12 | 16 | 30 | 71 | 103 | 138 | 173 | 241 |
| 10 Extended credit[9] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover. Data are not break adjusted or seasonally adjusted.
2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as of" adjustments.
3. Total "lagged" vault cash held by depository institutions subject to reserve requirements. Dates refer to the maintenance periods during which the vault cash may be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.
4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.
5. Total vault cash (line 2) less applied vault cash (line 3).
6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).
7. Total reserves (line 5) less required reserves (line 6).
8. Also includes adjustment credit.
9. Consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

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

Millions of dollars, averages of daily figures

| Source and maturity | 1996, week ending Monday Apr. 29 | May 6 | May 13 | May 20 | May 27 | June 3 | June 10 | June 17 | June 24 |
|---|---|---|---|---|---|---|---|---|---|
| *Federal funds purchased, repurchase agreements, and other selected borrowings* | | | | | | | | | |
| From commercial banks in the United States | | | | | | | | | |
| 1 For one day or under continuing contract | 81,920 | 90,634 | 90,281 | 87,271 | 83,461 | 85,577 | 82,179 | 80,092 | 73,503 |
| 2 For all other maturities | 17,657 | 17,658 | 18,091 | 17,719 | 18,158 | 18,873 | 17,876 | 18,253 | 18,306 |
| From other depository institutions, foreign banks and official institutions, and U.S. government agencies | | | | | | | | | |
| 3 For one day or under continuing contract | 19,054 | 19,876 | 26,513 | 22,613 | 21,793 | 21,158 | 19,602 | 17,394 | 24,776 |
| 4 For all other maturities | 19,418 | 21,270 | 21,738 | 21,868 | 23,296 | 22,206 | 21,054 | 21,183 | 21,932 |
| *Repurchase agreements on U.S. government and federal agency securities* | | | | | | | | | |
| Brokers and nonbank dealers in securities | | | | | | | | | |
| 5 For one day or under continuing contract | 16,707 | 19,390 | 20,268 | 24,202 | 21,354 | 22,706 | 20,440 | 19,331 | 19,183 |
| 6 For all other maturities | 40,179 | 41,910 | 44,427 | 38,923 | 40,445 | 39,758 | 39,534 | 38,917 | 38,173 |
| All other customers | | | | | | | | | |
| 7 For one day or under continuing contract | 35,314 | 36,149 | 37,594 | 38,331 | 39,166 | 39,439 | 38,153 | 37,560 | 35,588 |
| 8 For all other maturities | 13,962 | 13,732 | 14,125 | 14,259 | 14,130 | 13,652 | 13,611 | 14,195 | 14,362 |
| 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 | 68,317 | 74,721 | 68,708 | 65,613 | 65,153 | 68,871 | 68,559 | 70,490 | 66,112 |
| 10 To all other specified customers[2] | 26,548 | 29,922 | 26,396 | 26,432 | 25,647 | 27,136 | 25,847 | 27,762 | 24,775 |

1. Banks with assets of $4 billion or more as of Dec. 31, 1988.
Data in this table also appear in the Board's H.5 (507) weekly statistical release. For ordering address, see inside front cover.
2. Brokers and nonbank dealers in securities, other depository institutions, foreign banks and official institutions, and U.S. government agencies.

## 1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

| Federal Reserve Bank | Adjustment credit[1] | | | Seasonal credit[2] | | | Extended credit[3] | | |
|---|---|---|---|---|---|---|---|---|---|
| | On 8/2/96 | Effective date | Previous rate | On 8/2/96 | Effective date | Previous rate | On 8/2/96 | Effective date | Previous rate |
| Boston | 5.00 | 2/1/96 | 5.25 | 5.45 | 8/1/96 | 5.40 | 5.95 | 8/1/96 | 5.90 |
| New York | | 1/31/96 | | | | | | | |
| Philadelphia | | 1/31/96 | | | | | | | |
| Cleveland | | 1/31/96 | | | | | | | |
| Richmond | | 2/1/96 | | | | | | | |
| Atlanta | | 1/31/96 | | | | | | | |
| Chicago | | 2/1/96 | | | | | | | |
| St. Louis | | 2/5/96 | | | | | | | |
| Minneapolis | | 1/31/96 | | | | | | | |
| Kansas City | | 2/1/96 | | | | | | | |
| Dallas | | 1/31/96 | | | | | | | |
| San Francisco | 5.00 | 1/31/96 | 5.25 | 5.45 | 8/1/96 | 5.40 | 5.95 | 8/1/96 | 5.90 |

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

| Effective date | Range (or level)—All F.R. Banks | F.R. Bank of N.Y. |
|---|---|---|
| In effect Dec. 31, 1977 | 6 | 6 |
| 1978—Jan. 9 | 6-6.5 | 6.5 |
| 20 | 6.5 | 6.5 |
| May 11 | 6.5-7 | 7 |
| 12 | 7 | 7 |
| July 3 | 7-7.25 | 7.25 |
| 10 | 7.25 | 7.25 |
| Aug. 21 | 7.75 | 7.75 |
| Sept. 22 | 8 | 8 |
| Oct. 16 | 8-8.5 | 8.5 |
| 20 | 8.5 | 8.5 |
| Nov. 1 | 8.5-9.5 | 9.5 |
| 3 | 9.5 | 9.5 |
| 1979—July 20 | 10 | 10 |
| Aug. 17 | 10-10.5 | 10.5 |
| 20 | 10.5 | 10.5 |
| Sept. 19 | 10.5-11 | 11 |
| 21 | 11 | 11 |
| Oct. 8 | 11-12 | 12 |
| 10 | 12 | 12 |
| 1980—Feb. 15 | 12-13 | 13 |
| 19 | 13 | 13 |
| May 29 | 12-13 | 13 |
| 30 | 12 | 12 |
| June 13 | 11-12 | 11 |
| 16 | 11 | 11 |
| July 28 | 10-11 | 10 |
| 29 | 10 | 10 |
| Sept. 26 | 11 | 11 |
| Nov. 17 | 12 | 12 |
| Dec. 5 | 12-13 | 13 |
| 8 | 13 | 13 |
| 1981—May 5 | 13-14 | 14 |
| 8 | 14 | 14 |

| Effective date | Range (or level)—All F.R. Banks | F.R. Bank of N.Y. |
|---|---|---|
| 1981—Nov. 2 | 13-14 | 13 |
| 6 | 13 | 13 |
| Dec. 4 | 12 | 12 |
| 1982—July 20 | 11.5-12 | 11.5 |
| 23 | 11.5 | 11.5 |
| Aug. 2 | 11-11.5 | 11 |
| 3 | 11 | 11 |
| 16 | 10.5 | 10.5 |
| 27 | 10-10.5 | 10 |
| 30 | 10 | 10 |
| Oct. 12 | 9.5-10 | 9.5 |
| 13 | 9.5 | 9.5 |
| Nov. 22 | 9-9.5 | 9 |
| 26 | 9 | 9 |
| Dec. 14 | 8.5-9 | 9 |
| 15 | 8.5-9 | 8.5 |
| 17 | 8.5 | 8.5 |
| 1984—Apr. 9 | 8.5-9 | 9 |
| 13 | 9 | 9 |
| Nov. 21 | 8.5-9 | 8.5 |
| 26 | 8.5 | 8.5 |
| Dec. 24 | 8 | 8 |
| 1985—May 20 | 7.5-8 | 7.5 |
| 24 | 7.5 | 7.5 |
| 1986—Mar. 7 | 7-7.5 | 7 |
| 10 | 7 | 7 |
| Apr. 21 | 6.5-7 | 6.5 |
| 23 | 6.5 | 6.5 |
| July 11 | 6 | 6 |
| Aug. 21 | 5.5-6 | 5.5 |
| 22 | 5.5 | 5.5 |
| 1987—Sept. 4 | 5.5-6 | 6 |
| 11 | 6 | 6 |

| Effective date | Range (or level)—All F.R. Banks | F.R. Bank of N.Y. |
|---|---|---|
| 1988—Aug. 9 | 6-6.5 | 6.5 |
| 11 | 6.5 | 6.5 |
| 1989—Feb. 24 | 6.5-7 | 7 |
| 27 | 7 | 7 |
| 1990—Dec. 19 | 6.5 | 6.5 |
| 1991—Feb. 1 | 6-6.5 | 6 |
| 4 | 6 | 6 |
| Apr. 30 | 5.5-6 | 5.5 |
| May 2 | 5.5 | 5.5 |
| Sept. 13 | 5-5.5 | 5 |
| 17 | 5 | 5 |
| Nov. 6 | 4.5-5 | 4.5 |
| 7 | 4.5 | 4.5 |
| Dec. 20 | 3.5-4.5 | 3.5 |
| 24 | 3.5 | 3.5 |
| 1992—July 2 | 3-3.5 | 3 |
| 7 | 3 | 3 |
| 1994—May 17 | 3-3.5 | 3.5 |
| 18 | 3.5 | 3.5 |
| Aug. 16 | 3.5-4 | 4 |
| 18 | 4 | 4 |
| Nov. 15 | 4-4.75 | 4.75 |
| 17 | 4.75 | 4.75 |
| 1995—Feb. 1 | 4.75-5.25 | 5.25 |
| 9 | 5.25 | 5.25 |
| 1996—Jan. 31 | 5.00-5.25 | 5.00 |
| Feb. 5 | 5.00 | 5.00 |
| In effect Aug. 2, 1996 | 5.00 | 5.00 |

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

2. Available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intrayearly movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates charged by market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period; however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

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

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. A surcharge of 2 percent was reimposed on Nov. 17, 1980; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981, the formula for applying the surcharge was changed from a calendar quarter to a moving thirteen-week period. The surcharge was eliminated on Nov. 17, 1981.

## 1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

| Type of deposit | Requirement | |
|---|---|---|
| | Percentage of deposits | Effective date |
| *Net transaction accounts*[2] | | |
| 1 \$0 million–\$52.0 million[3] | 3 | 12/19/95 |
| 2 More than \$52.0 million[4] | 10 | 12/19/95 |
| 3 Nonpersonal time deposits[5] | 0 | 12/27/90 |
| 4 Eurocurrency liabilities[6] | 0 | 12/27/90 |

1. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmember institutions may maintain reserve balances with a Federal Reserve Bank indirectly, on a pass-through basis, with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* or the *Federal Reserve Bulletin*. Under the Monetary Control Act of 1980, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. Transaction accounts include all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, or telephone or preauthorized transfers for the purpose of making payments to third persons or others. However, money market deposit accounts (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 may be by check, draft, debit card, or similar order) are savings deposits, not transaction accounts.

3. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 of each year. Effective Dec. 19, 1995, the amount was decreased from \$54.0 million to \$52.0 million.

Under the Garn-St Germain Depository Institutions Act of 1982, the Board adjusts the amount of reservable liabilities subject to a zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is made in the event of a decrease. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement. Effective Dec. 19, 1995, the exemption was raised from \$4.2 million to \$4.3 million.

4. The reserve requirement was reduced from 12 percent to 10 percent on Apr. 2, 1992, for institutions that report weekly, and on Apr. 16, 1992, for institutions that report quarterly.

5. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to 1½ percent for the maintenance period that began Dec. 13, 1990, and to zero for the maintenance period that began Dec. 27, 1990. For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan. 17, 1991.

The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 5).

## 1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

| Type of transaction and maturity | 1993 | 1994 | 1995 | 1995 Nov. | 1995 Dec. | 1996 Jan. | 1996 Feb. | 1996 Mar. | 1996 Apr. | 1996 May |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. TREASURY SECURITIES | | | | | | | | | | |
| *Outright transactions (excluding matched transactions)* | | | | | | | | | | |
| Treasury bills | | | | | | | | | | |
| 1 Gross purchases | 17,717 | 17,484 | 10,932 | 4,271 | 0 | 0 | 0 | 0 | 88 | 0 |
| 2 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 Exchanges | 332,229 | 376,277 | 398,487 | 39,057 | 31,535 | 31,476 | 39,332 | 30,556 | 32,218 | 10,467 |
| 4 Redemptions | 0 | 0 | 900 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Others within one year | | | | | | | | | | |
| 5 Gross purchases | 1,223 | 1,238 | 390 | 0 | 390 | 0 | 0 | 0 | 35 | 0 |
| 6 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 Maturity shifts | 31,368 | 0 | 0 | 6,108 | 0 | 2,018 | 2,746 | 0 | 3,511 | 5,107 |
| 8 Exchanges | 36,582 | 21,444 | 0 | 4,937 | 0 | 3,287 | 7,575 | 0 | 4,824 | 5,148 |
| 9 Redemptions | 0 | 0 | 0 | 0 | 0 | 1,228 | 0 | 0 | 787 | 0 |
| One to five years | | | | | | | | | | |
| 10 Gross purchases | 10,350 | 9,168 | 4,966 | 0 | 2,317 | 0 | 0 | 0 | 1,899 | 0 |
| 11 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 Maturity shifts | 27,140 | 6,004 | 0 | 5,292 | 0 | 2,018 | 1,908 | 0 | 3,511 | 4,049 |
| 13 Exchanges | 0 | 17,801 | 0 | 3,237 | 0 | 3,287 | 5,175 | 0 | 4,824 | 3,748 |
| Five to ten years | | | | | | | | | | |
| 14 Gross purchases | 4,168 | 3,818 | 1,239 | 400 | 0 | 0 | 0 | 0 | 179 | 0 |
| 15 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 Maturity shifts | 0 | 3,145 | 0 | 815 | 0 | 0 | 818 | 0 | 0 | 1,058 |
| 17 Exchanges | 0 | 2,903 | 0 | 1,703 | 0 | 0 | 1,500 | 0 | 0 | 1,700 |
| More than ten years | | | | | | | | | | |
| 18 Gross purchases | 3,457 | 3,606 | 3,122 | 0 | 1,884 | 0 | 0 | 0 | 1,065 | 0 |
| 19 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 20 Maturity shifts | 0 | 918 | 0 | 0 | 0 | 0 | 20 | 0 | 0 | 0 |
| 21 Exchanges | 0 | 775 | 0 | 0 | 0 | 0 | 900 | 0 | 0 | 0 |
| All maturities | | | | | | | | | | |
| 22 Gross purchases | 36,915 | 35,314 | 20,639 | 4,671 | 4,591 | 0 | 0 | 0 | 3,566 | 0 |
| 23 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 24 Redemptions | 767 | 2,337 | 2,376 | 0 | 0 | 1,228 | 0 | 0 | 787 | 0 |
| *Matched transactions* | | | | | | | | | | |
| 25 Gross purchases | 1,475,941 | 1,700,836 | 2,197,736 | 226,340 | 227,858 | 260,425 | 274,290 | 251,623 | 253,182 | 259,135 |
| 26 Gross sales | 1,475,085 | 1,701,309 | 2,202,030 | 228,419 | 228,071 | 259,186 | 275,979 | 251,086 | 251,510 | 259,595 |
| *Repurchase agreements* | | | | | | | | | | |
| 27 Gross purchases | 475,447 | 309,276 | 331,694 | 44,569 | 31,325 | 16,040 | 6,230 | 31,602 | 48,869 | 30,688 |
| 28 Gross sales | 470,723 | 311,898 | 328,497 | 39,876 | 28,546 | 28,802 | 6,230 | 27,706 | 50,345 | 23,703 |
| 29 Net change in U.S. Treasury securities | 11,729 | 29,882 | 17,175 | 7,285 | 10,157 | 12,751 | 1,689 | 4,433 | 3,274 | 6,525 |
| 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 | 774 | 1,002 | 1,303 | 120 | 58 | 0 | 0 | 108 | 82 | 16 |
| *Repurchase agreements* | | | | | | | | | | |
| 33 Gross purchases | 35,063 | 52,696 | 36,851 | 3,763 | 2,888 | 9,793 | 765 | 5,640 | 2,372 | 5,222 |
| 34 Gross sales | 31,669 | 52,696 | 36,776 | 3,973 | 1,788 | 10,893 | 765 | 4,640 | 3,372 | 3,122 |
| 35 Net change in federal agency obligations | 380 | 1,002 | 1,228 | 350 | 1,012 | 1,100 | 0 | 892 | 1,082 | 2,084 |
| **36 Total net change in System Open Market Account** | **41,348** | **28,880** | **15,948** | **6,955** | **11,199** | **13,851** | **1,689** | **5,325** | **2,192** | **8,609** |

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

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

Millions of dollars

| Account | Wednesday | | | | | End of month | | |
|---|---|---|---|---|---|---|---|---|
| | 1996 | | | | | 1996 | | |
| | May 29 | June 5 | June 12 | June 19 | June 26 | Apr. 30 | May 31 | June 30 |
| | Consolidated condition statement | | | | | | | |
| ASSETS | | | | | | | | |
| 1 Gold certificate account | 11,051 | 11,051 | 11,051 | 11,051 | 11,050 | 11,052 | 11,051 | 11,050 |
| 2 Special drawing rights certificate account | 10,168 | 10,168 | 10,168 | 10,168 | 10,168 | 10,168 | 10,168 | 10,168 |
| 3 Coin | 538 | 529 | 538 | 542 | 536 | 574 | 552 | 552 |
| *Loans* | | | | | | | | |
| 4 To depository institutions | 161 | 142 | 172 | 3,851 | 258 | 93 | 155 | 636 |
| 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 | 2,428 | 2,428 | 2,388 | 2,388 | 2,388 | 2,444 | 2,428 | 2,388 |
| 8 Held under repurchase agreements | 850 | 1,428 | 95 | 195 | 0 | 0 | 1,350 | 0 |
| 9 **Total U.S. Treasury securities** | **385,154** | **387,160** | **385,020** | **395,472** | **386,748** | **381,806** | **387,050** | **391,000** |
| 10 Bought outright[2] | 381,789 | 379,748 | 382,860 | 382,761 | 382,522 | 381,806 | 381,346 | 383,914 |
| 11 Bills | 185,244 | 183,203 | 186,315 | 186,216 | 185,978 | 185,262 | 184,801 | 187,370 |
| 12 Notes | 150,102 | 150,102 | 150,102 | 150,102 | 150,102 | 150,102 | 150,102 | 150,102 |
| 13 Bonds | 46,443 | 46,443 | 46,443 | 46,443 | 46,443 | 46,443 | 46,443 | 46,443 |
| 14 Held under repurchase agreements | 3,365 | 7,412 | 2,160 | 12,711 | 4,226 | 0 | 5,704 | 7,086 |
| 15 **Total loans and securities** | **388,593** | **391,159** | **387,675** | **401,906** | **389,394** | **384,343** | **390,983** | **394,025** |
| 16 Items in process of collection | 8,200 | 7,708 | 6,098 | 6,384 | 6,162 | 8,452 | 4,007 | 4,152 |
| 17 Bank premises | 1,170 | 1,171 | 1,181 | 1,182 | 1,182 | 1,158 | 1,171 | 1,182 |
| *Other assets* | | | | | | | | |
| 18 Denominated in foreign currencies[3] | 19,737 | 19,567 | 19,574 | 19,583 | 19,591 | 19,705 | 19,561 | 19,554 |
| 19 All other[4] | 9,693 | 9,589 | 9,780 | 10,524 | 10,328 | 10,760 | 9,538 | 10,726 |
| 20 **Total assets** | **449,151** | **450,941** | **446,065** | **461,339** | **448,412** | **446,211** | **447,032** | **451,409** |
| LIABILITIES | | | | | | | | |
| 21 Federal Reserve notes | 400,169 | 400,208 | 400,599 | 400,168 | 401,149 | 394,236 | 398,773 | 401,101 |
| 22 **Total deposits** | **28,579** | **31,494** | **26,672** | **42,090** | **28,845** | **31,975** | **30,901** | **32,804** |
| 23 Depository institutions | 22,660 | 25,412 | 20,608 | 35,456 | 21,067 | 20,407 | 26,685 | 24,594 |
| 24 U.S. Treasury—General account | 5,381 | 5,588 | 5,562 | 6,142 | 7,290 | 11,042 | 3,757 | 7,701 |
| 25 Foreign—Official accounts | 180 | 164 | 166 | 167 | 163 | 166 | 160 | 183 |
| 26 Other | 357 | 329 | 336 | 326 | 326 | 360 | 300 | 326 |
| 27 Deferred credit items | 7,622 | 6,343 | 5,701 | 5,940 | 5,393 | 7,441 | 4,210 | 4,130 |
| 28 Other liabilities and accrued dividends[5] | 4,153 | 4,411 | 4,391 | 4,415 | 4,314 | 4,061 | 4,542 | 4,464 |
| 29 **Total liabilities** | **440,523** | **442,456** | **437,363** | **452,614** | **439,701** | **437,713** | **438,426** | **442,499** |
| CAPITAL ACCOUNTS | | | | | | | | |
| 30 Capital paid in | 4,100 | 4,155 | 4,139 | 4,147 | 4,138 | 4,023 | 4,154 | 4,138 |
| 31 Surplus | 3,966 | 3,966 | 3,966 | 3,966 | 3,966 | 3,957 | 3,960 | 3,966 |
| 32 Other capital accounts | 562 | 364 | 598 | 611 | 607 | 518 | 492 | 806 |
| 33 **Total liabilities and capital accounts** | **449,151** | **450,941** | **446,065** | **461,339** | **448,412** | **446,211** | **447,032** | **451,409** |
| MEMO | | | | | | | | |
| 34 Marketable U.S. Treasury securities held in custody for foreign and international accounts | 553,973 | 563,166 | 561,601 | 553,403 | 549,345 | 550,662 | 556,832 | 551,797 |
| | Federal Reserve note statement | | | | | | | |
| 35 Federal Reserve notes outstanding (issued to Banks) | 513,943 | 514,419 | 516,488 | 518,280 | 518,513 | 507,928 | 514,098 | 519,234 |
| 36 LESS: Held by Federal Reserve Banks | 113,774 | 114,211 | 115,889 | 118,112 | 117,364 | 113,691 | 115,325 | 118,133 |
| 37 Federal Reserve notes, net | 400,169 | 400,208 | 400,599 | 400,168 | 401,149 | 394,236 | 398,773 | 401,101 |
| *Collateral held against notes, net* | | | | | | | | |
| 38 Gold certificate account | 11,051 | 11,051 | 11,051 | 11,051 | 11,050 | 11,052 | 11,051 | 11,050 |
| 39 Special drawing rights certificate account | 10,168 | 10,168 | 10,168 | 10,168 | 10,168 | 10,168 | 10,168 | 10,168 |
| 40 Other eligible assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 41 U.S. Treasury and agency securities | 378,950 | 378,989 | 379,380 | 378,949 | 379,931 | 373,017 | 377,554 | 379,883 |
| 42 **Total collateral** | **400,169** | **400,208** | **400,599** | **400,168** | **401,149** | **394,236** | **398,773** | **401,101** |

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

## 1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

| Type of holding and maturity | Wednesday | | | | | End of month | | |
|---|---|---|---|---|---|---|---|---|
| | 1996 | | | | | 1996 | | |
| | May 29 | June 5 | June 12 | June 19 | June 26 | Apr. 30 | May 31 | June 30 |
| 1 **Total loans** | **161** | **143** | **172** | **3,851** | **258** | **92** | **156** | **249** |
| 2 Within fifteen days[1] | 148 | 31 | 37 | 3,833 | 245 | 59 | 75 | 231 |
| 3 Sixteen days to ninety days | 12 | 112 | 135 | 19 | 13 | 33 | 80 | 18 |
| 4 **Total U.S. Treasury securities** | **385,154** | **387,160** | **385,020** | **395,472** | **386,748** | **381,806** | **381,346** | **383,914** |
| 5 Within fifteen days[1] | 20,249 | 15,453 | 14,548 | 21,867 | 18,573 | 15,945 | 2,926 | 4,410 |
| 6 Sixteen days to ninety days | 92,031 | 93,546 | 89,860 | 93,144 | 92,629 | 91,361 | 98,950 | 99,558 |
| 7 Ninety one days to one year | 109,536 | 114,805 | 117,256 | 117,106 | 112,191 | 111,381 | 116,114 | 116,591 |
| 8 One year to five years | 91,676 | 91,694 | 91,694 | 91,694 | 91,694 | 91,995 | 91,694 | 91,694 |
| 9 Five years to ten years | 32,941 | 32,941 | 32,941 | 32,941 | 32,941 | 32,299 | 32,941 | 32,941 |
| 10 More than ten years | 38,721 | 38,721 | 38,721 | 38,721 | 38,721 | 38,721 | 38,721 | 38,721 |
| 11 **Total federal agency obligations** | **3,278** | **3,856** | **2,483** | **2,582** | **2,387** | **2,443** | **2,428** | **2,388** |
| 12 Within fifteen days[1] | 1,222 | 1,458 | 95 | 465 | 307 | 154 | 372 | 307 |
| 13 Sixteen days to ninety days | 473 | 770 | 800 | 530 | 493 | 685 | 473 | 495 |
| 14 Ninety-one days to one year | 575 | 610 | 612 | 612 | 612 | 577 | 575 | 610 |
| 15 One year to five years | 512 | 512 | 485 | 485 | 485 | 512 | 512 | 485 |
| 16 Five years to ten years | 472 | 472 | 467 | 467 | 467 | 492 | 472 | 467 |
| 17 More than ten years | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |

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

NOTE. Total acceptances data have been deleted from this table because data are no longer available.

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

Billions of dollars, averages of daily figures

| Item | 1992 Dec. | 1993 Dec. | 1994 Dec. | 1995 Dec. | 1995 Nov. | 1995 Dec. | 1996 Jan. | 1996 Feb. | 1996 Mar. | 1996 Apr. | 1996 May[r] | 1996 June |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Seasonally adjusted | | | | | | | |
| ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2] | | | | | | | | | | | | |
| 1 Total reserves[3] | 54.37 | 60.52 | 59.36 | 56.36 | 56.33 | 56.36 | 55.61 | 54.85 | 55.73 | 55.18 | 54.23 | 54.12 |
| 2 Nonborrowed reserves[4] | 54.24 | 60.44 | 59.16 | 56.11 | 56.13 | 56.11 | 55.57 | 54.81 | 55.71 | 55.09 | 54.10 | 53.73 |
| 3 Nonborrowed reserves plus extended credit[5] | 54.24 | 60.44 | 59.16 | 56.11 | 56.13 | 56.11 | 55.57 | 54.81 | 55.71 | 55.09 | 54.10 | 53.73 |
| 4 Required reserves | 53.21 | 59.46 | 58.20 | 55.09 | 55.39 | 55.09 | 54.12 | 54.00 | 54.59 | 54.06 | 53.37 | 52.96 |
| 5 Monetary base[6] | 351.24 | 386.88 | 418.72 | 435.01 | 433.21 | 435.01 | 435.18[r] | 433.67 | 436.87[r] | 436.64[r] | 437.00 | 439.07 |
| | | | | | Not seasonally adjusted | | | | | | | |
| 6 Total reserves[7] | 56.06 | 62.37 | 61.13 | 58.02 | 56.57 | 58.02 | 56.95 | 53.80 | 54.97 | 56.00 | 53.29 | 53.87 |
| 7 Nonborrowed reserves | 55.93 | 62.29 | 60.92 | 57.76 | 56.37 | 57.76 | 56.91 | 53.77 | 54.95 | 55.90 | 53.16 | 53.49 |
| 8 Nonborrowed reserves plus extended credit[5] | 55.93 | 62.29 | 60.92 | 57.76 | 56.37 | 57.76 | 56.91 | 53.77 | 54.95 | 55.90 | 53.16 | 53.49 |
| 9 Required reserves[8] | 54.90 | 61.31 | 59.96 | 56.74 | 55.63 | 56.74 | 55.47 | 52.95 | 53.84 | 54.88 | 52.43 | 52.72 |
| 10 Monetary base[9] | 354.55 | 390.59 | 422.51 | 439.03 | 433.22 | 439.03 | 436.01 | 430.29 | 434.86[r] | 437.12[r] | 436.13 | 439.87 |
| NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10] | | | | | | | | | | | | |
| 11 Total reserves[11] | 56.54 | 62.86 | 61.34 | 57.90 | 56.40 | 57.90 | 56.93 | 53.75 | 54.88 | 55.87 | 53.14 | 53.69 |
| 12 Nonborrowed reserves | 56.42 | 62.78 | 61.13 | 57.64 | 56.19 | 57.64 | 56.90 | 53.72 | 54.86 | 55.78 | 53.01 | 53.30 |
| 13 Nonborrowed reserves plus extended credit[5] | 56.42 | 62.78 | 61.13 | 57.64 | 56.19 | 57.64 | 56.90 | 53.72 | 54.86 | 55.78 | 53.01 | 53.30 |
| 14 Required reserves | 55.39 | 61.80 | 60.17 | 56.62 | 55.45 | 56.62 | 55.45 | 52.90 | 53.75 | 54.75 | 52.28 | 52.53 |
| 15 Monetary base[12] | 360.90 | 397.62 | 427.25 | 444.45 | 438.19 | 444.45 | 441.96 | 436.26 | 440.77[r] | 442.96[r] | 442.16 | 445.93 |
| 16 Excess reserves[13] | 1.16 | 1.06 | 1.17 | 1.28 | .94 | 1.28 | 1.49 | .85 | 1.14 | 1.12 | .86 | 1.16 |
| 17 Borrowings from the Federal Reserve | .12 | .08 | .21 | .26 | .20 | .26 | .04 | .04 | .02 | .09 | .13 | .39 |

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data starting in 1959 and estimates of the effect on required reserves of changes in reserve requirements are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.10.)

3. Seasonally adjusted, break-adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).

4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).

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

6. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).

8. To adjust required reserves for discontinuities that are due to regulatory changes in reserve requirements, a multiplicative procedure is used to estimate what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves include required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).

9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with regulatory changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since the introduction of contemporaneous reserve requirements in February 1984, currency and vault cash figures have been measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

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

Billions of dollars, averages of daily figures

| Item | 1992 Dec. | 1993 Dec. | 1994 Dec. | 1995 Dec. | 1996 Mar. | 1996 Apr. | 1996 May | 1996 June |
|---|---|---|---|---|---|---|---|---|
| | Seasonally adjusted | | | | | | | |
| *Measures*[2] | | | | | | | | |
| 1 M1 | 1,024.4 | 1,128.6 | 1,148.7 | 1,124.9 | 1,126.6 | 1,123.7 | 1,117.6r | 1,117.2 |
| 2 M2 | 3,438.7 | 3,494.1 | 3,509.4 | 3,662.6 | 3,729.9 | 3,736.2r | 3,731.2r | 3,748.7 |
| 3 M3 | 4,187.3 | 4,249.6 | 4,319.7 | 4,576.0 | 4,686.2r | 4,693.7r | 4,705.8r | 4,724.4 |
| 4 L | 5,075.8 | 5,164.5 | 5,303.7 | 5,685.5 | 5,785.2r | 5,807.3r | 5,803.1 | n.a. |
| 5 Debt | 11,880.5r | 12,517.4r | 13,159.3r | 13,894.8r | 14,080.9r | 14,134.3r | 14,178.2 | n.a. |
| *M1 components* | | | | | | | | |
| 6 Currency[3] | 292.9 | 322.4 | 354.9 | 373.2 | 375.2 | 376.0r | 377.1r | 379.4 |
| 7 Travelers checks[4] | 8.1 | 7.9 | 8.5 | 8.9 | 8.9 | 8.9 | 8.7 | 8.6 |
| 8 Demand deposits[5] | 339.1 | 384.3 | 382.4 | 389.8 | 407.1 | 406.3 | 409.6r | 413.6 |
| 9 Other checkable deposits[6] | 384.2 | 414.0 | 402.9 | 353.0 | 335.4 | 332.6 | 322.1 | 315.6 |
| *Nontransaction components* | | | | | | | | |
| 10 In M2[7] | 2,414.3 | 2,365.4 | 2,360.7 | 2,537.7 | 2,603.3 | 2,612.4 | 2,613.6 | 2,631.5 |
| 11 In M3 only[8] | 748.6 | 755.6 | 810.3 | 913.4 | 956.3r | 957.5r | 974.6r | 975.7 |
| *Commercial banks* | | | | | | | | |
| 12 Savings deposits, including MMDAs | 754.1 | 785.0 | 751.9 | 775.0 | 821.0 | 827.0 | 829.9r | 838.4 |
| 13 Small time deposits[9] | 509.3 | 470.4 | 505.4 | 578.5 | 578.1 | 576.4 | 575.3 | 575.8 |
| 14 Large time deposits[10, 11] | 286.6 | 272.3 | 298.7 | 342.4 | 354.2r | 356.5r | 362.4r | 367.4 |
| *Thrift institutions* | | | | | | | | |
| 15 Savings deposits, including MMDAs | 433.0 | 433.8 | 397.0 | 359.5 | 362.1 | 366.4 | 367.9 | 368.8 |
| 16 Small time deposits[9] | 361.9 | 317.6 | 318.2 | 359.6 | 354.5 | 354.0 | 353.2 | 352.3 |
| 17 Large time deposits[10] | 67.1 | 61.5 | 64.8 | 75.0 | 75.5 | 75.6 | 75.0 | 75.4 |
| *Money market mutual funds* | | | | | | | | |
| 18 Retail | 356.0 | 358.7 | 388.1 | 465.1 | 487.6 | 488.7 | 487.4 | 496.0 |
| 19 Institution-only | 199.8 | 197.9 | 183.7 | 227.2 | 248.3 | 245.6 | 243.5 | 249.4 |
| *Repurchase agreements and Eurodollars* | | | | | | | | |
| 20 Repurchase agreements[12] | 128.3 | 157.5 | 180.8 | 177.6 | 184.1 | 182.9 | 195.1r | 184.2 |
| 21 Eurodollars[12] | 66.9 | 66.3 | 82.3 | 91.2 | 94.2r | 97.0r | 98.5r | 99.4 |
| *Debt components* | | | | | | | | |
| 22 Federal debt | 3,068.6 | 3,328.3 | 3,497.6 | 3,644.6 | 3,696.0 | 3,707.0r | 3,712.6 | n.a. |
| 23 Nonfederal debt | 8,812.0r | 9,189.1r | 9,661.7r | 10,250.2r | 10,384.9r | 10,427.3r | 10,465.6 | n.a. |
| | Not seasonally adjusted | | | | | | | |
| *Measures*[2] | | | | | | | | |
| 24 M1 | 1,046.0 | 1,153.7 | 1,174.2 | 1,150.7 | 1,115.9 | 1,130.1r | 1,104.4r | 1,113.3 |
| 25 M2 | 3,455.1 | 3,514.1 | 3,529.8 | 3,682.3 | 3,722.7 | 3,749.1r | 3,716.6 | 3,747.0 |
| 26 M3 | 4,205.3 | 4,271.3 | 4,341.5 | 4,597.1 | 4,676.1r | 4,698.5r | 4,690.6r | 4,721.6 |
| 27 L | 5,103.1 | 5,194.2 | 5,333.2 | 5,715.0 | 5,786.0r | 5,812.9r | 5,783.9 | n.a. |
| 28 Debt | 11,881.5r | 12,509.6r | 13,150.2r | 13,878.0r | 14,032.7r | 14,061.0r | 14,070.0 | n.a. |
| *M1 components* | | | | | | | | |
| 29 Currency[3] | 295.0 | 324.8 | 357.5 | 376.1 | 374.3 | 375.8 | 377.5 | 380.5 |
| 30 Travelers checks[4] | 7.8 | 7.6 | 8.1 | 8.5 | 8.6 | 8.6 | 8.6 | 8.9 |
| 31 Demand deposits[5] | 354.4 | 401.8 | 400.1 | 407.9 | 397.5 | 406.1 | 399.5 | 409.8 |
| 32 Other checkable deposits[6] | 388.9 | 419.4 | 408.4 | 358.1 | 335.6r | 339.6r | 318.7 | 314.2 |
| *Nontransaction components* | | | | | | | | |
| 33 In M2[7] | 2,409.1 | 2,360.4 | 2,355.6 | 2,531.5 | 2,606.8 | 2,619.0 | 2,612.3 | 2,633.7 |
| 34 In M3 only[8] | 750.2 | 757.1 | 811.7 | 914.8 | 953.4r | 949.4r | 974.0r | 974.6 |
| *Commercial banks* | | | | | | | | |
| 35 Savings deposits, including MMDAs | 752.9 | 784.3 | 751.6 | 775.0 | 819.0 | 826.0 | 827.9r | 840.1 |
| 36 Small time deposits[9] | 507.8 | 468.2 | 502.5 | 574.5 | 579.3 | 578.3 | 577.4 | 577.9 |
| 37 Large time deposits[10, 11] | 286.2 | 272.1 | 298.5 | 342.3 | 352.6 | 353.8r | 364.7r | 368.1 |
| *Thrift institutions* | | | | | | | | |
| 38 Savings deposits, including MMDAs | 432.4 | 433.4 | 396.9 | 359.5 | 361.2 | 365.9 | 367.0 | 369.6 |
| 39 Small time deposits[9] | 360.9 | 316.1 | 316.4 | 357.1 | 355.2r | 355.2 | 354.5 | 353.5 |
| 40 Large time deposits[10] | 67.0 | 61.5 | 64.8 | 75.0 | 75.2 | 75.0 | 75.5 | 75.5 |
| *Money market mutual funds* | | | | | | | | |
| 41 Retail | 355.1 | 358.3 | 388.2 | 465.4 | 492.1 | 493.5 | 485.5 | 492.5 |
| 42 Institution-only | 201.1 | 199.4 | 185.5 | 229.4 | 248.7 | 242.8 | 241.1 | 244.5 |
| *Repurchase agreements and Eurodollars* | | | | | | | | |
| 43 Repurchase agreements[12] | 127.2 | 156.6 | 179.6 | 176.1 | 182.3 | 182.3 | 195.4r | 187.9 |
| 44 Eurodollars[12] | 68.7 | 67.6 | 83.4 | 91.9 | 94.6r | 95.6r | 97.3r | 98.6 |
| *Debt components* | | | | | | | | |
| 45 Federal debt | 3,069.8 | 3,329.5 | 3,499.0 | 3,645.9 | 3,698.1 | 3,699.5r | 3,692.1 | n.a. |
| 46 Nonfederal debt | 8,811.7r | 9,180.1r | 9,651.2r | 10,232.1r | 10,334.5r | 10,361.5r | 10,378.0 | n.a. |

Footnotes appear on following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data starting in 1959 are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

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

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

M2: M1 plus (1) savings deposits (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than $50,000). Excludes individual retirement accounts (IRAs) and Keogh *balances at depository institutions* and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of $100,000 or more) issued by all depository institutions, (2) balances in institutional money funds (money funds with minimum initial investments of $50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households *and nonprofit organizations, nonfinancial corporate and nonfarm* noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

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

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

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

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

7. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances.

8. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees.

9. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRAs and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.

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

11. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

12. Includes both overnight and term.

## 1.22 DEPOSIT INTEREST RATES AND AMOUNTS OUTSTANDING Commercial and BIF-insured saving banks[1]

| Item | 1993 Dec. | 1994[r] Dec. | 1995 Oct. | 1995 Nov. | 1995 Dec. | 1996 Jan. | 1996 Feb. | 1996 Mar. | 1996 Apr. | 1996 May | 1996 June |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Interest rates (annual effective yields)[2] | | | | | | | | | | |
| INSURED COMMERCIAL BANKS | | | | | | | | | | | |
| 1 Negotiable order of withdrawal accounts | 1.86 | 1.96 | 1.91 | 1.93 | 1.91 | 1.90 | 1.91 | 1.85 | 1.89 | 1.88 | 1.90 |
| 2 Savings deposits[3] | 2.46 | 2.92 | 3.11 | 3.13 | 3.10 | 3.01 | 2.98 | 2.91 | 2.91 | 2.89 | 2.85 |
| *Interest-bearing time deposits with balances of less than $100,000, by maturity* | | | | | | | | | | | |
| 3 7 to 91 days | 2.65 | 3.79 | 4.11 | 4.13 | 4.10 | 4.02 | 3.99 | 4.02 | 4.01 | 3.99 | 4.05 |
| 4 92 to 182 days | 2.91 | 4.44 | 4.75 | 4.74 | 4.68 | 4.57 | 4.45 | 4.49 | 4.51 | 4.51 | 4.55 |
| 5 183 days to 1 year | 3.13 | 5.12 | 5.15 | 5.11 | 5.02 | 4.91 | 4.79 | 4.83 | 4.86 | 4.89 | 4.94 |
| 6 More than 1 year to 2½ years | 3.55 | 5.74 | 5.31 | 5.27 | 5.17 | 5.03 | 4.89 | 4.94 | 5.03 | 5.11 | 5.18 |
| 7 More than 2½ years | 4.28 | 6.30 | 5.56 | 5.49 | 5.40 | 5.26 | 5.10 | 5.19 | 5.28 | 5.36 | 5.46 |
| BIF-INSURED SAVINGS BANKS[4] | | | | | | | | | | | |
| 8 Negotiable order of withdrawal accounts | 1.87 | 1.94 | 1.98 | 1.94 | 1.91 | 1.85 | 1.84 | 1.83 | 1.84 | 1.82 | 1.80 |
| 9 Savings deposits[3] | 2.63 | 2.87 | 2.96 | 2.99 | 2.98 | 2.95 | 2.92 | 2.86 | 2.85 | 2.84 | 2.85 |
| *Interest-bearing time deposits with balances of less than $100,000, by maturity* | | | | | | | | | | | |
| 10 7 to 91 days | 2.81 | 3.80 | 4.32 | 4.43 | 4.43 | 4.38 | 4.26 | 4.37 | 4.42 | 4.49 | 4.54 |
| 11 92 to 182 days | 3.02 | 4.89 | 5.05 | 5.02 | 4.95 | 4.86 | 4.77 | 4.76 | 4.77 | 4.83 | 4.91 |
| 12 183 days to 1 year | 3.31 | 5.52 | 5.31 | 5.28 | 5.18 | 5.06 | 4.91 | 4.89 | 4.91 | 4.96 | 5.02 |
| 13 More than 1 year to 2½ years | 3.67 | 6.09 | 5.51 | 5.47 | 5.33 | 5.22 | 5.10 | 5.15 | 5.23 | 5.25 | 5.35 |
| 14 More than 2½ years | 4.62 | 6.43 | 5.68 | 5.64 | 5.46 | 5.34 | 5.24 | 5.24 | 5.32 | 5.38 | 5.51 |
| | Amounts outstanding (millions of dollars) | | | | | | | | | | |
| INSURED COMMERCIAL BANKS | | | | | | | | | | | |
| 15 Negotiable order of withdrawal accounts | 305,237 | 304,896 | 258,175 | 257,098 | 248,417 | 245,749 | 242,930 | 218,604 | 228,736 | 208,881[r] | 202,948 |
| 16 Savings deposits[3] | 767,035 | 737,068 | 745,936 | 753,139 | 776,466 | 768,071 | 784,035 | 827,666 | 805,431 | 839,457[r] | 844,223 |
| 17 Personal | 598,276 | 580,438 | 585,896 | 588,995 | 615,113 | 612,321 | 623,110 | 661,919 | 640,003 | 670,124[r] | 673,452 |
| 18 Nonpersonal | 168,759 | 156,630 | 160,040 | 164,144 | 161,353 | 155,750 | 160,925 | 165,748 | 165,428 | 169,333[r] | 170,771 |
| *Interest-bearing time deposits with balances of less than $100,000, by maturity* | | | | | | | | | | | |
| 19 7 to 91 days | 29,362 | 32,265 | 29,906 | 31,093 | 32,170 | 33,783 | 35,719 | 35,377 | 34,076 | 33,414[r] | 30,636 |
| 20 92 to 182 days | 109,050 | 96,650 | 93,390 | 95,513 | 93,941 | 95,350 | 97,219 | 97,141 | 96,064 | 96,264[r] | 93,809 |
| 21 183 days to 1 year | 115,386 | 163,062 | 187,727 | 184,704 | 183,834 | 184,046 | 184,095 | 186,158 | 190,045 | 193,021[r] | 195,384 |
| 22 More than 1 year to 2½ years | 139,781 | 164,395 | 206,579 | 208,315 | 208,601 | 212,394 | 210,493 | 208,915 | 208,277 | 207,826[r] | 210,216 |
| 23 More than 2½ years | 180,461 | 192,712 | 199,471 | 199,389 | 199,002 | 199,254 | 198,922 | 198,980 | 197,797 | 196,542[r] | 199,405 |
| 24 IRA and Keogh plan deposits | 144,011 | 144,155 | 150,101 | 149,647 | 150,546[r] | 150,366 | 149,965 | 150,496 | 150,586 | 150,084[r] | 150,537 |
| BIF-INSURED SAVINGS BANKS[1] | | | | | | | | | | | |
| 25 Negotiable order of withdrawal accounts | 11,191 | 11,175 | 10,789 | 11,088 | 11,918 | 11,139 | 11,597 | 11,703 | 11,492 | 11,744 | 11,234 |
| 26 Savings deposits[3] | 80,376 | 70,082 | 67,732 | 68,345 | 68,643 | 66,702 | 67,614 | 67,276 | 66,808 | 67,715 | 66,886 |
| 27 Personal | 77,263 | 67,159 | 64,432 | 64,932 | 65,366 | 63,377 | 64,524 | 64,208 | 63,559 | 64,199 | 63,554 |
| 28 Nonpersonal | 3,113 | 2,923 | 3,300 | 3,413 | 3,277 | 3,325 | 3,090 | 3,068 | 3,249 | 3,516 | 3,331 |
| *Interest-bearing time deposits with balances of less than $100,000, by maturity* | | | | | | | | | | | |
| 29 7 to 91 days | 2,746 | 2,144 | 1,691 | 1,819 | 2,001 | 2,009 | 2,131 | 2,140 | 2,179 | 2,345 | 2,226 |
| 30 92 to 182 days | 12,974 | 11,361 | 10,790 | 11,394 | 12,140 | 12,334 | 13,247 | 13,477 | 13,911 | 13,934 | 13,702 |
| 31 183 days to 1 year | 17,469 | 18,391 | 24,006 | 24,833 | 25,686 | 26,304 | 26,863 | 26,534 | 27,265 | 28,079 | 27,907 |
| 32 More than 1 year to 2½ years | 16,589 | 17,787 | 26,678 | 27,149 | 27,482 | 26,582 | 26,945 | 25,934 | 25,684 | 25,422 | 25,492 |
| 33 More than 2½ years | 20,501 | 21,293 | 22,411 | 22,552 | 22,866 | 22,449 | 21,819 | 22,646 | 22,526 | 22,638 | 22,568 |
| 34 IRA and Keogh plan accounts | 19,791 | 19,013 | 21,042 | 21,231 | 21,321[r] | 20,827 | 20,845 | 20,615 | 20,553 | 20,543 | 20,709 |

1. BIF, Bank Insurance Fund. Data in this table also appear in the Board's H.6 (508) Special Supplementary Table monthly statistical release. For ordering address, see inside front cover. Estimates are based on data collected by the Federal Reserve System from a stratified random sample of about 425 commercial banks and 75 savings banks on the last day of each month. Data are not seasonally adjusted and include IRA and Keogh deposits and foreign currency-denominated deposits. Data exclude retail repurchase agreements and deposits held in U.S. branches and agencies of foreign banks.

2. As of October 31, 1994, interest rate data for NOW accounts and savings deposits reflect a series break caused by a change in the survey used to collect these data.

3. Includes personal and nonpersonal money market deposits.

4. Includes both mutual and federal savings banks.

## 1.23 BANK DEBITS AND DEPOSIT TURNOVER[1]

*Debits are in billions of dollars; turnover is ratio of debits to deposits; monthly data are at annual rates*

| Bank group, or type of deposit | 1993[2] | 1994[2] | 1995[2] | 1995 Nov. | 1995 Dec. | 1996 Jan. | 1996 Feb. | 1996 Mar. | 1996 Apr. |
|---|---|---|---|---|---|---|---|---|---|
| | Seasonally adjusted | | | | | | | | |
| DEBITS | | | | | | | | | |
| *Demand deposits*[3] | | | | | | | | | |
| 1 All insured banks | 334,784.1 | 369,029.1 | 397,649.3 | 409,460.9 | 397,538.3 | 430,421.2 | 447,869.0 | 422,696.7 | 463,745.4 |
| 2 Major New York City banks | 171,224.3 | 191,168.8 | 201,161.4 | 204,484.0 | 203,977.5 | 229,379.2 | 238,538.4 | 224,066.5 | 245,449.1 |
| 3 Other banks | 163,559.7 | 177,860.3 | 196,487.9 | 204,976.9 | 193,560.8 | 201,042.0 | 209,330.6 | 198,630.2 | 218,296.3 |
| 4 Other checkable deposits[4] | 3,481.5 | 3,798.6 | 4,207.4 | 4,891.5 | 4,595.5 | 4,975.7 | 5,034.6 | 5,023.9 | 5,355.8 |
| 5 Savings deposits (including MMDAs)[5] | 3,497.4 | 3,766.3 | 4,507.8 | 5,679.4 | 5,703.6 | 6,029.4 | 6,397.6 | 6,340.6 | 7,325.5 |
| DEPOSIT TURNOVER | | | | | | | | | |
| *Demand deposits*[3] | | | | | | | | | |
| 6 All insured banks | 785.9 | 817.1 | 874.1 | 905.5 | 852.7 | 916.8 | 950.6 | 881.0 | 970.1 |
| 7 Major New York City banks | 4,198.1 | 4,481.5 | 4,867.3 | 5,222.3 | 5,069.7 | 5,368.0 | 5,852.3 | 5,608.2 | 5,884.4 |
| 8 Other banks | 424.6 | 435.1 | 475.2 | 496.3 | 454.4 | 471.1 | 486.4 | 451.6 | 500.3 |
| 9 Other checkable deposits[4] | 11.9 | 12.6 | 15.4 | 19.1 | 18.6 | 20.8 | 21.6 | 22.1 | 23.6 |
| 10 Savings deposits (including MMDAs)[5] | 4.6 | 4.9 | 6.1 | 7.5 | 7.4 | 7.7 | 8.1 | 7.8 | 9.0 |
| | Not seasonally adjusted | | | | | | | | |
| DEBITS | | | | | | | | | |
| *Demand deposits*[3] | | | | | | | | | |
| 11 All insured banks | 334,899.2 | 369,121.8 | 397,657.8 | 398,219.1 | 411,802.7 | 429,213.3 | 414,819.1 | 442,977.6 | 457,392.9 |
| 12 Major New York City banks | 171,283.5 | 191,226.0 | 201,182.6 | 202,744.5 | 210,780.0 | 227,293.7 | 222,007.5 | 236,954.2 | 238,335.3 |
| 13 Other banks | 163,615.7 | 177,895.7 | 196,475.3 | 195,474.6 | 201,022.7 | 201,919.6 | 192,811.6 | 206,023.4 | 219,057.6 |
| 14 Other checkable deposits[4] | 3,481.7 | 3,795.6 | 4,202.6 | 4,566.6 | 4,784.8 | 5,402.5 | 4,638.5 | 5,072.5 | 5,659.7 |
| 15 Savings deposits (including MMDAs)[5] | 3,498.3 | 3,764.1 | 4,500.8 | 5,388.7 | 6,013.9 | 6,302.9 | 5,790.7 | 6,503.7 | 7,657.1 |
| DEPOSIT TURNOVER | | | | | | | | | |
| *Demand deposits*[3] | | | | | | | | | |
| 16 All insured banks | 786.1 | 818.2 | 874.6 | 860.5 | 847.5 | 895.4 | 900.9 | 947.0 | 956.6 |
| 17 Major New York City banks | 4,197.9 | 4,490.3 | 4,873.4 | 5,046.6 | 4,900.9 | 5,109.7 | 5,427.5 | 6,060.5 | 5,774.9 |
| 18 Other banks | 424.8 | 435.3 | 475.4 | 462.5 | 453.9 | 464.3 | 459.6 | 480.6 | 501.4 |
| 19 Other checkable deposits[4] | 11.9 | 12.6 | 15.3 | 17.8 | 19.6 | 22.1 | 19.9 | 22.2 | 24.4 |
| 20 Savings deposits (including MMDAs)[5] | 4.6 | 4.9 | 6.1 | 7.1 | 7.8 | 8.1 | 7.3 | 8.0 | 9.4 |

1. Historical tables containing revised data for earlier periods can be obtained from the Publications Section, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Data in this table also appear in the Board's G.6 (406) monthly statistical release. For ordering 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. As of January 1994, other checkable deposits (OCDs), previously defined as automatic transfer to demand deposits (ATSs) and negotiable order of withdrawal (NOW) accounts, were expanded to include telephone and preauthorized transfer accounts. This change redefined OCDs for debits data to be consistent with OCDs for deposits data.

5. Money market deposit accounts.

## 1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]

Billions of dollars

| Account | Monthly averages 1995 June | 1995 Dec. | 1996 Jan.[r] | 1996 Feb.[r] | 1996 Mar.[r] | 1996 Apr.[r] | 1996 May[r] | 1996 June | Wednesday figures 1996 June 5 | 1996 June 12 | 1996 June 19 | 1996 June 26 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ALL COMMERCIAL BANKING INSTITUTIONS | Seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 1 Bank credit | 3,515.1 | 3,606.1[r] | 3,631.8 | 3,642.0 | 3,632.5 | 3,647.8 | 3,651.9 | 3,656.8 | 3,643.8 | 3,666.0 | 3,651.2 | 3,661.0 |
| 2 Securities in bank credit | 987.8 | 991.5[r] | 991.0 | 996.6 | 980.3 | 978.1 | 984.8 | 976.6 | 978.5 | 982.9 | 971.4 | 976.2 |
| 3 U.S. government securities | 709.9 | 710.9[r] | 703.0 | 715.9 | 705.1 | 704.5 | 713.2 | 706.8 | 706.4 | 708.7 | 703.6 | 708.1 |
| 4 Other securities | 277.9 | 280.6[r] | 288.0 | 280.6 | 275.1 | 273.7 | 271.5 | 269.8 | 272.1 | 274.2 | 267.8 | 268.1 |
| 5 Loans and leases in bank credit[2] | 2,527.3 | 2,614.6[r] | 2,640.8 | 2,645.5 | 2,652.2 | 2,669.7 | 2,667.2 | 2,680.2 | 2,665.3 | 2,683.1 | 2,679.9 | 2,684.8 |
| 6 Commercial and industrial | 692.1 | 716.6 | 722.6 | 725.5 | 723.2 | 729.1 | 731.3 | 734.0 | 730.7 | 733.8 | 733.6 | 736.8 |
| 7 Real estate | 1,052.9 | 1,079.3 | 1,086.4 | 1,089.4 | 1,094.0 | 1,095.2 | 1,096.6 | 1,099.5 | 1,096.4 | 1,100.1 | 1,100.2 | 1,099.9 |
| 8 Revolving home equity | 77.8 | 79.1 | 79.7 | 79.9 | 79.9 | 80.0 | 79.7 | 79.2 | 78.9 | 78.9 | 79.1 | 79.8 |
| 9 Other | 975.2 | 1,000.2 | 1,006.7 | 1,009.6 | 1,014.1 | 1,015.2 | 1,016.9 | 1,020.3 | 1,017.5 | 1,021.2 | 1,021.1 | 1,020.1 |
| 10 Consumer | 478.6 | 495.7 | 499.5 | 499.2 | 502.1 | 504.6 | 502.2 | 507.7 | 506.6 | 508.3 | 507.0 | 507.8 |
| 11 Security[3] | 88.0 | 83.8[r] | 85.0 | 85.8 | 85.0 | 86.1 | 82.7 | 82.2 | 80.9 | 86.1 | 81.6 | 79.7 |
| 12 Other | 215.7 | 239.1[r] | 247.3 | 245.5 | 247.8 | 254.7 | 254.3 | 256.7 | 250.7 | 254.9 | 257.4 | 260.5 |
| 13 Interbank loans[4] | 188.0 | 196.8 | 204.0 | 194.2 | 205.7 | 212.9 | 212.4 | 209.5 | 215.8 | 207.5 | 208.6 | 210.3 |
| 14 Cash assets[5] | 211.2 | 223.7 | 233.1 | 219.1 | 215.6 | 221.7 | 218.5 | 215.8 | 210.8 | 214.2 | 222.0 | 219.2 |
| 15 Other assets[6] | 223.7 | 239.6 | 237.0 | 242.6 | 241.6 | 244.1 | 243.3 | 253.4 | 261.4 | 253.2 | 250.1 | 248.5 |
| **16 Total assets[7]** | **4,081.2** | **4,209.7[r]** | **4,249.1** | **4,241.4** | **4,238.8** | **4,269.7** | **4,269.4** | **4,278.5** | **4,275.0** | **4,284.1** | **4,275.5** | **4,282.0** |
| *Liabilities* | | | | | | | | | | | | |
| 17 Deposits | 2,587.0 | 2,659.2 | 2,687.2 | 2,681.0 | 2,701.3 | 2,717.8 | 2,715.9 | 2,720.1 | 2,719.7 | 2,721.3 | 2,711.8 | 2,727.9 |
| 18 Transaction | 782.2 | 773.9 | 783.3 | 766.6 | 768.3 | 772.0 | 758.1 | 752.2 | 751.8 | 753.7 | 751.3 | 766.8 |
| 19 Nontransaction | 1,804.8 | 1,885.3 | 1,903.9 | 1,914.4 | 1,933.0 | 1,945.8 | 1,957.8 | 1,967.9 | 1,967.9 | 1,967.6 | 1,960.5 | 1,961.0 |
| 20 Large time | 397.7 | 421.3 | 421.7 | 425.8 | 428.3 | 432.5 | 439.1 | 444.4 | 443.0 | 444.0 | 443.6 | 443.1 |
| 21 Other | 1,407.2 | 1,464.0 | 1,482.1 | 1,488.6 | 1,504.8 | 1,513.3 | 1,518.7 | 1,523.5 | 1,524.9 | 1,523.6 | 1,516.8 | 1,517.9 |
| 22 Borrowings | 675.1 | 690.5 | 704.4 | 690.1 | 686.2 | 708.0 | 707.0 | 697.5 | 685.0 | 692.9 | 708.8 | 708.2 |
| 23 From banks in the U.S. | 187.0 | 198.4 | 207.3 | 194.2 | 206.6 | 209.3 | 208.5 | 203.8 | 211.1 | 203.5 | 199.8 | 204.8 |
| 24 From nonbanks in the U.S. | 488.1 | 492.2 | 497.1 | 495.9 | 479.7 | 498.7 | 498.5 | 493.7 | 473.9 | 489.4 | 509.0 | 503.4 |
| 25 Net due to related foreign offices | 244.9 | 262.6 | 270.1 | 276.5 | 261.3 | 254.4 | 255.8 | 255.0 | 248.2 | 254.2 | 260.0 | 253.6 |
| 26 Other liabilities[8] | 222.8 | 239.5[r] | 231.9 | 235.2 | 226.3 | 234.1 | 222.3 | 228.9 | 238.6 | 231.3 | 228.0 | 222.4 |
| **27 Total liabilities** | **3,729.9** | **3,851.8[r]** | **3,893.7** | **3,882.7** | **3,875.3** | **3,914.2** | **3,901.0** | **3,901.4** | **3,891.5** | **3,899.7** | **3,908.7** | **3,912.0** |
| 28 Residual (assets less liabilities)[9] | 351.3 | 357.9[r] | 355.4 | 358.6 | 363.5 | 355.4 | 368.4 | 377.0 | 383.4 | 384.4 | 366.8 | 369.9 |
| | Not seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 29 Bank credit | 3,514.0 | 3,613.8[r] | 3,622.5 | 3,633.7 | 3,626.9 | 3,649.0 | 3,648.8 | 3,653.6 | 3,646.7 | 3,660.4 | 3,651.5 | 3,649.3 |
| 30 Securities in bank credit | 990.5 | 981.7[r] | 978.7 | 991.6 | 984.8 | 983.5 | 989.2 | 977.8 | 985.3 | 984.1 | 973.6 | 974.6 |
| 31 U.S. government securities | 710.7 | 706.3[r] | 697.7 | 711.3 | 709.5 | 710.6 | 714.1 | 706.9 | 709.2 | 708.9 | 704.9 | 706.8 |
| 32 Other securities | 279.8 | 275.4[r] | 281.0 | 280.3 | 275.3 | 272.9 | 275.1 | 270.8 | 276.1 | 275.2 | 268.7 | 267.8 |
| 33 Loans and leases in bank credit[2] | 2,523.5 | 2,632.1[r] | 2,643.9 | 2,642.1 | 2,642.0 | 2,665.5 | 2,659.6 | 2,675.8 | 2,661.5 | 2,676.4 | 2,677.9 | 2,674.7 |
| 34 Commercial and industrial | 691.8 | 714.8[r] | 719.6 | 723.7 | 727.1 | 735.0 | 736.8 | 737.0 | 734.7 | 734.5 | 737.4 | 738.6 |
| 35 Real estate | 1,051.7 | 1,084.1[r] | 1,086.1 | 1,086.3 | 1,088.4 | 1,091.4 | 1,093.5 | 1,098.1 | 1,094.1 | 1,099.0 | 1,098.1 | 1,098.5 |
| 36 Revolving home equity | 77.7 | 79.2 | 79.5 | 79.4 | 79.1 | 79.5 | 79.6 | 79.2 | 78.7 | 78.8 | 79.0 | 79.9 |
| 37 Other | 974.0 | 1,004.9 | 1,006.6 | 1,006.9 | 1,009.3 | 1,011.9 | 1,014.0 | 1,019.0 | 1,015.4 | 1,020.2 | 1,019.1 | 1,018.7 |
| 38 Consumer | 475.1 | 501.5 | 504.1 | 499.8 | 497.9 | 501.8 | 500.5 | 504.0 | 503.3 | 504.1 | 503.1 | 504.7 |
| 39 Security[3] | 86.0 | 87.7[r] | 86.9 | 88.8 | 84.9 | 86.9 | 78.5 | 80.1 | 77.4 | 85.0 | 82.4 | 75.3 |
| 40 Other | 215.8 | 241.0 | 247.1 | 243.6 | 233.6 | 250.5 | 250.3 | 256.6 | 252.0 | 253.8 | 256.8 | 257.6 |
| 41 Interbank loans[4] | 184.5 | 209.2 | 213.0 | 196.1 | 203.6 | 209.9 | 205.7 | 205.7 | 215.6 | 207.2 | 200.7 | 198.0 |
| 42 Cash assets[5] | 209.5 | 238.4 | 240.6 | 219.9 | 208.4 | 216.2 | 215.9 | 213.8 | 214.1 | 207.0 | 222.4 | 204.8 |
| 43 Other assets[6] | 223.1 | 239.3 | 237.7 | 242.0 | 240.1 | 241.6 | 244.2 | 252.9 | 262.4 | 251.4 | 247.7 | 246.2 |
| **44 Total assets[7]** | **4,074.2** | **4,244.0[r]** | **4,257.3** | **4,235.1** | **4,222.2** | **4,260.1** | **4,257.8** | **4,268.9** | **4,281.9** | **4,269.0** | **4,265.3** | **4,241.4** |
| *Liabilities* | | | | | | | | | | | | |
| 45 Deposits | 2,583.9 | 2,690.4 | 2,694.0 | 2,672.0 | 2,687.6 | 2,714.6 | 2,705.5 | 2,716.9 | 2,737.3 | 2,724.4 | 2,702.9 | 2,685.0 |
| 46 Transaction | 775.9 | 809.1[r] | 795.1 | 759.4 | 753.5 | 770.9 | 745.7 | 745.7 | 757.7 | 746.5 | 740.3 | 729.8 |
| 47 Nontransaction | 1,808.0 | 1,881.2 | 1,898.9 | 1,912.6 | 1,934.1 | 1,943.7 | 1,959.8 | 1,971.2 | 1,979.5 | 1,977.9 | 1,962.6 | 1,955.2 |
| 48 Large time | 397.7 | 420.3 | 418.8 | 426.4 | 429.8 | 432.4 | 444.5 | 444.3 | 447.1 | 446.9 | 443.6 | 440.4 |
| 49 Other | 1,410.3 | 1,461.0 | 1,480.1 | 1,486.2 | 1,504.3 | 1,511.3 | 1,515.3 | 1,527.0 | 1,532.5 | 1,530.9 | 1,519.0 | 1,514.9 |
| 50 Borrowings | 685.3 | 695.2 | 691.3 | 684.1 | 677.9 | 693.6 | 704.2 | 707.0 | 700.2 | 698.0 | 719.8 | 712.6 |
| 51 From banks in the U.S. | 188.4 | 211.4 | 214.3 | 195.9 | 201.7 | 208.0 | 205.6 | 205.4 | 215.6 | 207.1 | 200.7 | 198.7 |
| 52 From nonbanks in the U.S. | 496.9 | 483.8 | 477.0 | 488.2 | 476.2 | 485.5 | 498.7 | 501.7 | 484.6 | 490.8 | 519.2 | 513.9 |
| 53 Net due to related foreign offices | 238.3 | 263.8 | 277.2 | 278.2 | 262.1 | 254.7 | 258.3 | 247.5 | 237.4 | 245.6 | 248.6 | 254.2 |
| 54 Other liabilities[8] | 223.3 | 234.6[r] | 233.7 | 235.7 | 227.8 | 230.4 | 224.9 | 229.7 | 241.0 | 232.8 | 226.5 | 223.8 |
| **55 Total liabilities** | **3,730.9** | **3,883.9[r]** | **3,896.2** | **3,870.0** | **3,855.5** | **3,893.3** | **3,893.0** | **3,901.0** | **3,915.8** | **3,900.8** | **3,897.9** | **3,875.6** |
| 56 Residual (assets less liabilities)[9] | 343.3 | 360.1[r] | 361.0 | 365.2 | 366.8 | 366.9 | 364.9 | 367.8 | 366.1 | 368.2 | 367.4 | 365.8 |

Footnotes appear on following page

## 1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1] —Continued

Billions of dollars

| Account | Monthly averages | | | | | | | | Wednesday figures | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1995 | 1995 | 1996 | | | | | | 1996 | | | |
| | June | Dec. | Jan.[r] | Feb.[r] | Mar.[r] | Apr.[r] | May[r] | June | June 5 | June 12 | June 19 | June 26 |
| DOMESTICALLY CHARTERED COMMERCIAL BANKS | Seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 57 Bank credit | 3,099.2 | 3,176.5[r] | 3,197.0 | 3,195.2 | 3,195.8 | 3,207.0 | 3,209.1 | 3,206.5 | 3,200.1 | 3,207.8 | 3,204.0 | 3,210.3 |
| 58 Securities in bank credit | 857.0 | 855.0 | 854.6 | 853.3 | 843.6 | 841.5 | 845.3 | 835.8 | 836.8 | 837.4 | 832.5 | 837.2 |
| 59 U.S. government securities | 645.9 | 644.0[r] | 640.2 | 643.5 | 635.5 | 634.6 | 637.1 | 629.3 | 629.5 | 630.0 | 626.7 | 631.0 |
| 60 Other securities | 211.0 | 211.0[r] | 214.4 | 209.8 | 208.1 | 206.9 | 208.3 | 206.5 | 207.3 | 207.4 | 205.9 | 206.3 |
| 61 Loans and leases in bank credit[2] | 2,242.2 | 2,321.5[r] | 2,342.4 | 2,341.9 | 2,352.2 | 2,365.5 | 2,363.7 | 2,370.7 | 2,363.3 | 2,370.4 | 2,371.4 | 2,373.1 |
| 62 Commercial and industrial | 518.8 | 535.3[r] | 540.2 | 540.6 | 540.8 | 545.4 | 547.5 | 547.7 | 546.3 | 546.7 | 547.7 | 549.0 |
| 63 Real estate | 1,014.7 | 1,013.0 | 1,051.1 | 1,055.1 | 1,060.7 | 1,062.0 | 1,063.5 | 1,066.7 | 1,063.9 | 1,067.4 | 1,067.6 | 1,066.8 |
| 64 Revolving home equity | 77.8 | 79.1 | 79.6 | 79.8 | 79.8 | 80.0 | 79.7 | 79.2 | 78.9 | 78.9 | 79.1 | 79.8 |
| 65 Other | 936.9 | 963.9 | 971.5 | 975.3 | 980.9 | 982.0 | 983.9 | 987.5 | 985.0 | 988.5 | 988.6 | 987.0 |
| 66 Consumer | 478.6 | 495.7 | 499.5 | 499.2 | 502.1 | 504.6 | 502.2 | 507.7 | 506.6 | 508.3 | 507.0 | 507.8 |
| 67 Security[3] | 54.4 | 56.2 | 55.6 | 52.3 | 51.4 | 53.1 | 50.8 | 46.9 | 47.5 | 47.4 | 47.3 | 45.5 |
| 68 Other | 175.7 | 191.2 | 196.0 | 194.7 | 197.1 | 200.4 | 199.6 | 201.6 | 199.0 | 200.6 | 201.8 | 204.0 |
| 69 Interbank loans[4] | 165.5 | 173.7 | 182.2 | 173.5 | 184.9 | 191.9 | 191.0 | 187.1 | 190.9 | 185.4 | 180.9 | 192.6 |
| 70 Cash assets[5] | 184.6 | 193.6 | 202.0 | 189.8 | 188.3 | 195.5 | 192.4 | 190.6 | 184.9 | 189.2 | 196.4 | 194.4 |
| 71 Other assets[6] | 169.8 | 184.4 | 182.6 | 186.0 | 186.6 | 189.2 | 187.9 | 201.2 | 205.6 | 198.1 | 199.7 | 198.9 |
| 72 **Total assets**[7] | **3,562.3** | **3,671.8**[r] | **3,707.0** | **3,687.9** | **3,699.0** | **3,726.7** | **3,723.7** | **3,728.5** | **3,724.7** | **3,723.7** | **3,724.2** | **3,739.3** |
| *Liabilities* | | | | | | | | | | | | |
| 73 Deposits | 2,424.9 | 2,491.8[r] | 2,523.3 | 2,516.2 | 2,533.4 | 2,548.2 | 2,543.3 | 2,548.0 | 2,546.2 | 2,547.6 | 2,540.7 | 2,558.6 |
| 74 Transaction | 772.8 | 763.4 | 772.6 | 755.9 | 758.5 | 761.4 | 747.1 | 741.3 | 740.7 | 742.8 | 739.9 | 756.3 |
| 75 Nontransaction | 1,652.1 | 1,728.4 | 1,750.7 | 1,760.3 | 1,774.9 | 1,786.8 | 1,796.1 | 1,806.7 | 1,805.5 | 1,804.8 | 1,800.7 | 1,802.3 |
| 76 Large time | 247.4 | 270.1 | 272.1 | 273.9 | 272.5 | 274.8 | 278.5 | 282.1 | 280.2 | 280.8 | 282.0 | 282.5 |
| 77 Other | 1,404.6 | 1,458.3 | 1,478.7 | 1,486.4 | 1,502.4 | 1,511.9 | 1,517.6 | 1,524.5 | 1,525.3 | 1,524.0 | 1,518.8 | 1,519.8 |
| 78 Borrowings | 562.6 | 577.5 | 590.1 | 572.4 | 574.4 | 588.6 | 582.1 | 577.5 | 565.7 | 568.9 | 588.0 | 589.0 |
| 79 From banks in the U.S. | 168.5 | 179.9 | 185.9 | 174.7 | 186.1 | 186.1 | 185.1 | 183.5 | 187.7 | 183.2 | 180.0 | 184.3 |
| 80 From nonbanks in the U.S. | 394.1 | 397.6 | 404.3 | 397.7 | 388.4 | 402.4 | 397.0 | 393.9 | 378.0 | 385.7 | 408.0 | 404.7 |
| 81 Net due to related foreign offices | 90.8 | 91.0 | 93.0 | 90.5 | 81.2 | 84.6 | 88.0 | 79.7 | 72.9 | 79.7 | 80.7 | 81.5 |
| 82 Other liabilities[8] | 142.6 | 155.3 | 153.5 | 155.7 | 149.7 | 157.6 | 149.2 | 157.8 | 164.1 | 156.1 | 159.5 | 154.6 |
| 83 **Total liabilities** | **3,221.0** | **3,315.7** | **3,360.0** | **3,334.7** | **3,338.7** | **3,378.9** | **3,362.5** | **3,362.9** | **3,348.8** | **3,352.3** | **3,368.9** | **3,383.7** |
| 84 Residual (assets less liabilities)[9] | 341.3 | 356.1[r] | 346.9 | 353.2 | 360.3 | 347.8 | 361.2 | 365.5 | 375.8 | 371.4 | 355.2 | 355.6 |
| | Not seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 85 Bank credit | 3,100.9 | 3,182.5[r] | 3,185.3 | 3,187.1 | 3,188.7 | 3,209.8 | 3,209.4 | 3,206.7 | 3,205.7 | 3,208.7 | 3,206.2 | 3,203.0 |
| 86 Securities in bank credit | 861.0 | 848.5 | 843.6 | 849.4 | 847.0 | 846.8 | 848.6 | 839.1 | 843.7 | 842.0 | 837.2 | 838.1 |
| 87 U.S. government securities | 647.6 | 640.2 | 633.0 | 639.4 | 638.7 | 640.3 | 638.7 | 630.5 | 633.3 | 631.8 | 628.7 | 630.6 |
| 88 Other securities | 213.5 | 208.3[r] | 210.5 | 210.0 | 208.3 | 206.4 | 209.9 | 208.6 | 210.3 | 210.1 | 208.5 | 207.5 |
| 89 Loans and leases in bank credit[2] | 2,239.9 | 2,334.0[r] | 2,341.7 | 2,337.7 | 2,341.8 | 2,363.1 | 2,360.8 | 2,367.6 | 2,362.0 | 2,366.7 | 2,369.0 | 2,364.9 |
| 90 Commercial and industrial | 521.1 | 533.3[r] | 537.1 | 539.8 | 543.9 | 551.3 | 553.0 | 550.1 | 550.1 | 548.1 | 550.9 | 550.1 |
| 91 Real estate | 1,013.5 | 1,047.8[r] | 1,051.0 | 1,051.8 | 1,055.0 | 1,058.6 | 1,060.6 | 1,065.4 | 1,061.6 | 1,066.3 | 1,065.4 | 1,065.6 |
| 92 Revolving home equity | 77.7 | 79.2 | 79.5 | 79.4 | 79.1 | 79.4 | 79.5 | 79.2 | 78.7 | 78.8 | 79.0 | 79.8 |
| 93 Other | 935.8 | 968.6 | 971.5 | 972.5 | 975.9 | 979.1 | 981.1 | 986.2 | 983.0 | 987.5 | 986.4 | 985.7 |
| 94 Consumer | 475.1 | 501.5 | 504.1 | 499.8 | 497.9 | 501.8 | 500.5 | 504.0 | 503.3 | 504.1 | 503.1 | 504.7 |
| 95 Security[3] | 54.7 | 56.9 | 54.0 | 53.3 | 51.4 | 54.0 | 49.7 | 47.1 | 47.5 | 49.1 | 48.8 | 43.4 |
| 96 Other | 175.4 | 194.5 | 195.6 | 193.0 | 193.5 | 197.3 | 197.0 | 201.0 | 199.5 | 199.0 | 200.7 | 201.2 |
| 97 Interbank loans[4] | 163.2 | 184.7 | 189.9 | 177.2 | 183.5 | 189.7 | 184.2 | 185.0 | 193.5 | 187.1 | 177.9 | 178.9 |
| 98 Cash assets[5] | 182.1 | 208.5 | 209.8 | 191.7 | 181.4 | 190.6 | 190.1 | 187.8 | 187.9 | 181.1 | 196.0 | 179.0 |
| 99 Other assets[6] | 169.5 | 183.7 | 183.5 | 184.9 | 185.9 | 188.4 | 188.1 | 200.9 | 206.1 | 195.9 | 197.6 | 197.3 |
| 100 **Total assets**[7] | **3,558.8** | **3,702.7**[r] | **3,712.0** | **3,684.3** | **3,682.9** | **3,722.0** | **3,715.2** | **3,723.4** | **3,736.2** | **3,715.8** | **3,720.7** | **3,701.4** |
| *Liabilities* | | | | | | | | | | | | |
| 101 Deposits | 2,419.4 | 2,522.1 | 2,529.2 | 2,507.5 | 2,519.3 | 2,547.4 | 2,531.5 | 2,542.6 | 2,560.6 | 2,547.4 | 2,529.4 | 2,513.1 |
| 102 Transaction | 766.8 | 798.3 | 784.2 | 748.8 | 743.8 | 760.9 | 735.4 | 735.1 | 747.2 | 736.3 | 729.5 | 719.2 |
| 103 Nontransaction | 1,652.6 | 1,723.8 | 1,744.9 | 1,758.7 | 1,775.4 | 1,786.5 | 1,796.1 | 1,807.5 | 1,813.4 | 1,811.1 | 1,799.9 | 1,794.0 |
| 104 Large time | 247.3 | 265.8 | 269.4 | 275.3 | 273.0 | 276.2 | 281.8 | 282.0 | 282.7 | 282.6 | 281.9 | 280.0 |
| 105 Other | 1,405.3 | 1,458.1 | 1,475.5 | 1,483.4 | 1,502.5 | 1,510.3 | 1,514.3 | 1,525.5 | 1,530.7 | 1,528.5 | 1,518.0 | 1,514.0 |
| 106 Borrowings | 569.1 | 584.0 | 580.8 | 571.2 | 566.7 | 573.2 | 581.1 | 582.8 | 577.3 | 570.1 | 594.1 | 591.0 |
| 107 From banks in the U.S. | 168.6 | 191.8 | 192.8 | 177.2 | 181.1 | 185.8 | 183.8 | 183.5 | 190.7 | 184.5 | 179.7 | 178.1 |
| 108 From nonbanks in the U.S. | 400.5 | 392.2 | 388.0 | 394.0 | 385.6 | 387.5 | 397.2 | 399.3 | 386.6 | 385.7 | 414.4 | 412.9 |
| 109 Net due to related foreign offices | 89.6 | 89.3 | 92.9 | 92.3 | 84.5 | 85.0 | 93.2 | 78.5 | 73.0 | 79.5 | 77.2 | 82.8 |
| 110 Other liabilities[8] | 142.7 | 153.3 | 154.2 | 154.1 | 151.5 | 155.6 | 150.6 | 158.2 | 165.2 | 156.6 | 158.6 | 154.9 |
| 111 **Total liabilities** | **3,220.8** | **3,348.8** | **3,357.1** | **3,325.1** | **3,322.0** | **3,361.2** | **3,356.4** | **3,362.0** | **3,376.1** | **3,353.6** | **3,359.4** | **3,341.8** |
| 112 Residual (assets less liabilities)[9] | 337.9 | 353.9[r] | 355.0 | 359.2 | 360.9 | 360.8 | 358.9 | 361.4 | 360.0 | 362.2 | 361.3 | 359.6 |

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic); other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks, New York State investment companies, and Edge Act and agreement corporations (foreign-related institutions). Excludes international banking facilities. Data are Wednesday values, or pro rata averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.

2. Excludes federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

3. Consists of reserve repurchase agreements with broker dealers and loans to purchase and carry securities.

4. Consists of federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

5. Includes vault cash, cash items in process of collection, demand balances due from depository institutions in the United States, balances due from Federal Reserve Banks, and other cash assets.

6. Excludes the due-from position with related foreign offices, which is included in lines 25, 53, 81, and 109.

7. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.

8. Excludes the due-to position with related foreign offices, which is included in lines 25, 53, 81, and 109.

9. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis.

## 1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS

Millions of dollars, Wednesday figures

| Account | 1996 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | May 1[r] | May 8 | May 15 | May 22 | May 29 | June 5 | June 12 | June 19 | June 26 |
| ASSETS | | | | | | | | | |
| 1 Cash and balances due from depository institutions | 117,983 | 118,580[r] | 119,739[r] | 111,089[r] | 122,997[r] | 114,726 | 110,322 | 125,851 | 110,485 |
| 2 *U.S. Treasury and government securities* | 281,227 | 283,773 | 284,139 | 280,103 | 279,703 | 277,713 | 273,645 | 271,603 | 272,833 |
| 3 Trading account | 18,987 | 21,981 | 23,863 | 22,017 | 22,965 | 21,150 | 18,954 | 18,345 | 17,982 |
| 4 Investment account | 262,240 | 261,792 | 260,276 | 258,086 | 256,737 | 256,563 | 254,691 | 253,258 | 254,851 |
| 5 Mortgage-backed securities[1] | 116,013 | 115,626 | 116,568[r] | 116,008[r] | 115,611[r] | 115,964 | 115,590 | 114,558 | 115,923 |
| All others, by maturity | | | | | | | | | |
| 6 One year or less | 35,918 | 35,602 | 33,388[r] | 32,719[r] | 33,333[r] | 33,750 | 34,018 | 33,613 | 33,645 |
| 7 One year through five years | 62,094 | 62,703 | 62,704[r] | 61,837[r] | 60,857[r] | 59,892 | 57,885 | 57,577 | 59,462 |
| 8 More than five years | 48,215 | 47,860 | 47,616[r] | 47,523[r] | 46,937[r] | 46,956 | 47,198 | 47,510 | 45,821 |
| 9 Other securities | 124,004 | 123,818[r] | 124,623[r] | 122,294 | 123,354 | 124,631 | 124,182 | 123,464 | 122,014 |
| 10 Trading account | 2,014 | 1,830 | 2,481 | 1,123 | 1,237 | 1,657 | 1,794 | 2,360 | 2,242 |
| 11 Investment account | 63,379 | 63,387 | 63,557 | 63,397 | 63,411 | 63,475 | 63,743 | 64,111 | 63,689 |
| 12 State and local government, by maturity | 18,941 | 18,800 | 18,789 | 18,815 | 18,829 | 18,441 | 18,543 | 18,775 | 18,845 |
| 13 One year or less | 4,083 | 4,037 | 4,016 | 4,032 | 4,019 | 3,909 | 3,915 | 3,995 | 4,012 |
| 14 More than one year | 14,857 | 14,762 | 14,773 | 14,784 | 14,811 | 14,535 | 14,627 | 14,779 | 14,833 |
| 15 Other bonds, corporate stocks, and securities | 44,438 | 44,588 | 44,768 | 44,581 | 44,582 | 45,030 | 45,200 | 45,336 | 44,844 |
| 16 Other trading account assets | 58,611 | 58,600[r] | 58,586[r] | 57,775 | 58,706 | 59,499 | 58,645 | 56,992 | 56,084 |
| 17 Federal funds sold[2] | 126,298 | 121,656 | 119,912 | 112,698 | 106,695 | 112,854 | 115,303 | 110,919 | 111,917 |
| 18 To commercial banks in the United States | 87,625 | 83,777 | 87,610 | 78,385 | 74,940 | 81,728 | 82,091 | 79,256 | 83,254 |
| 19 To nonbank brokers and dealers in securities | 34,526 | 33,468 | 26,860 | 28,966 | 26,801 | 26,224 | 28,326 | 26,292 | 22,608 |
| 20 To others[3] | 4,146 | 4,412 | 5,443 | 5,348 | 4,953 | 4,902 | 4,885 | 5,371 | 6,055 |
| 21 Other loans and leases, gross | 1,302,972 | 1,297,559 | 1,295,818[r] | 1,293,796[r] | 1,296,133[r] | 1,298,990 | 1,298,139 | 1,305,751 | 1,306,656 |
| 22 Commercial and industrial | 363,164 | 360,605[r] | 360,776[r] | 359,043[r] | 356,856[r] | 355,609 | 353,369 | 357,817 | 357,599 |
| 23 Bankers acceptances and commercial paper | 1,499 | 1,489 | 1,432 | 1,373 | 1,418 | 1,369 | 1,401 | 1,390 | 1,324 |
| 24 All other | 361,665 | 359,117[r] | 359,343[r] | 357,670[r] | 355,438[r] | 354,240 | 351,968 | 356,427 | 356,274 |
| 25 U.S. addressees | 358,868 | 356,309[r] | 356,521[r] | 354,857[r] | 352,663[r] | 351,613 | 349,359 | 353,791 | 353,669 |
| 26 Non U.S. addressees | 2,797 | 2,807[r] | 2,822 | 2,812 | 2,775 | 2,597 | 2,609 | 2,637 | 2,605 |
| 27 Real estate loans | 506,452 | 506,655[r] | 505,461[r] | 503,656[r] | 504,150[r] | 506,019 | 507,727 | 508,668 | 508,198 |
| 28 Revolving, home equity | 48,816 | 48,095 | 48,097[r] | 47,990[r] | 48,041[r] | 48,092 | 48,135 | 48,594 | 48,854 |
| 29 All other | 457,636 | 458,560[r] | 457,363[r] | 455,665[r] | 456,109[r] | 457,927 | 459,592 | 460,074 | 459,343 |
| 30 To individuals for personal expenditures | 250,435 | 250,763 | 249,910[r] | 250,274[r] | 251,668[r] | 253,104 | 254,143 | 253,398 | 255,344 |
| 31 To depository and financial institutions | 74,328 | 74,701[r] | 73,416[r] | 72,467[r] | 75,176[r] | 75,897 | 75,821 | 75,057 | 75,479 |
| 32 Commercial banks in the United States | 42,512 | 42,332 | 42,673 | 41,619 | 43,517 | 44,109 | 43,194 | 43,189 | 43,596 |
| 33 Banks in foreign countries | 4,099 | 3,813 | 2,877 | 3,532 | 3,780 | 3,174 | 3,456 | 3,339 | 3,254 |
| 34 Nonbank depository and other financial institutions | 27,717 | 28,556[r] | 27,866[r] | 27,316[r] | 27,879[r] | 28,614 | 29,171 | 28,529 | 28,629 |
| 35 *For purchasing and carrying securities* | 15,885 | 14,031 | 14,604[r] | 16,701[r] | 15,105[r] | 15,356 | 15,196 | 17,183 | 15,602 |
| 36 To finance agricultural production | 6,694 | 6,762 | 6,814 | 6,902 | 6,913 | 6,833 | 6,893 | 7,065 | 7,243 |
| 37 To states and political subdivisions | 10,189 | 10,260 | 10,359 | 10,507 | 10,461 | 10,384 | 10,163 | 10,392 | 10,520 |
| 38 To foreign governments and official institutions | 1,124 | 1,080 | 1,117 | 1,096 | 1,086 | 1,095 | 1,106 | 1,207 | 1,066 |
| 39 All other loans | 28,794 | 26,235[r] | 26,748[r] | 26,443[r] | 27,838[r] | 27,321 | 25,707 | 26,479 | 26,723 |
| 40 Lease financing receivables | 45,907 | 46,467 | 46,614 | 46,707 | 46,880 | 47,373 | 48,013 | 48,486 | 48,883 |
| 41 LESS: Unearned income | 1,805 | 1,869 | 1,877 | 1,880 | 1,865 | 1,935 | 1,987 | 2,002 | 2,003 |
| 42 Loan and lease reserve[3] | 33,111 | 33,228 | 33,181 | 33,087 | 33,033 | 33,291 | 33,244 | 33,284 | 33,153 |
| 43 *Other loans and leases, net* | 1,268,056 | 1,262,462 | 1,260,760[r] | 1,258,829[r] | 1,261,235[r] | 1,263,764 | 1,262,908 | 1,270,465 | 1,271,500 |
| 44 All other assets | 145,869 | 147,118[r] | 149,016[r] | 140,917[r] | 143,508[r] | 169,655 | 155,524 | 158,979 | 157,831 |
| 45 **Total assets** | **2,063,437** | **2,057,405[r]** | **2,058,189[r]** | **2,025,931[r]** | **2,037,492[r]** | **2,063,343** | **2,041,883** | **2,061,280** | **2,046,580** |

Footnotes appear on the following page.

## 1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS—Continued

Millions of dollars, Wednesday figures

| Account | 1996 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | May 1[r] | May 8 | May 15 | May 22 | May 29 | June 5 | June 12 | June 19 | June 26 |
| LIABILITIES | | | | | | | | | |
| 46 Deposits | 1,232,707 | 1,215,603[r] | 1,236,838[r] | 1,202,154[r] | 1,221,199[r] | 1,238,748 | 1,230,539 | 1,230,209 | 1,221,262 |
| 47 Demand deposits | 322,792 | 301,004[r] | 322,941[r] | 294,012[r] | 315,480[r] | 317,013 | 311,611 | 311,034 | 305,247 |
| 48 Individuals, partnerships, and corporations | 274,470 | 258,108[r] | 275,635[r] | 252,286[r] | 267,745[r] | 271,951 | 267,381 | 262,712 | 260,886 |
| 49 Other holders | 48,322 | 42,896 | 47,306 | 41,726[r] | 47,735[r] | 45,061 | 44,230 | 48,323 | 44,361 |
| 50 States and political subdivisions | 9,846 | 8,264 | 8,914 | 8,303 | 8,535 | 8,238 | 7,790 | 9,318 | 9,059 |
| 51 U.S. government | 3,107 | 1,731 | 3,075 | 1,740[r] | 1,471[r] | 2,147 | 2,432 | 1,319 | 2,095 |
| 52 Depository institutions in the United States | 21,821 | 20,457 | 22,383 | 19,637 | 24,101 | 22,222 | 20,565 | 21,596 | 19,480 |
| 53 Banks in foreign countries | 5,042 | 5,293 | 5,443 | 5,004 | 5,546 | 5,172 | 5,933 | 5,464 | 5,892 |
| 54 Foreign governments and official institutions | 663 | 594 | 691 | 590 | 776 | 564 | 588 | 569 | 555 |
| 55 Certified and officers' checks | 7,844 | 6,557 | 6,800 | 6,452 | 7,306 | 6,718 | 6,922 | 7,057 | 7,279 |
| 56 Transaction balances other than demand deposits[4] | 80,873 | 80,250 | 76,766 | 71,137 | 72,032 | 73,194 | 72,100 | 73,684 | 72,220 |
| 57 Nontransaction balances | 829,042 | 834,349 | 837,131 | 836,705 | 833,687 | 848,541 | 846,828 | 845,491 | 843,795 |
| 58 Individuals, partnerships, and corporations | 799,967 | 804,613 | 807,569 | 806,910 | 804,219 | 818,924 | 817,297 | 816,880 | 815,778 |
| 59 Other holders | 29,075 | 29,736 | 29,562 | 29,795 | 29,468 | 29,618 | 29,531 | 28,611 | 28,017 |
| 60 States and political subdivisions | 22,815 | 23,440[r] | 23,261 | 23,478 | 23,225 | 23,619 | 23,587 | 22,663 | 21,938 |
| 61 U.S. government | 4,014 | 4,019 | 4,042 | 4,040 | 4,040 | 4,030 | 4,014 | 4,009 | 4,050 |
| 62 *Depository institutions in the United States* | 1,941 | 1,966 | 1,948 | 1,958 | 1,884 | 1,669 | 1,631 | 1,633 | 1,724 |
| 63 Foreign governments, official institutions, and banks | 306 | 310 | 311 | 318 | 319 | 300 | 299 | 305 | 306 |
| 64 Liabilities for borrowed money[5] | 411,596 | 421,002 | 406,865 | 405,249[r] | 406,708[r] | 408,777 | 400,126 | 419,678 | 413,207 |
| 65 Borrowings from Federal Reserve Banks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,522 | 0 |
| 66 Treasury tax and loan notes | 24,225 | 14,238 | 3,648 | 2,782 | 3,355 | 580 | 2,710 | 24,581 | 22,963 |
| 67 Other liabilities for borrowed money[6] | 387,371 | 406,764 | 403,217 | 402,467[r] | 403,353[r] | 408,197 | 397,416 | 391,575 | 390,244 |
| 68 Other liabilities (including subordinated notes and debentures) | 221,157 | 225,601[r] | 219,273[r] | 222,648[r] | 213,367[r] | 218,946 | 213,405 | 213,780 | 214,996 |
| **69 Total liabilities** | **1,868,461** | **1,862,206[r]** | **1,862,976[r]** | **1,830,051[r]** | **1,841,274[r]** | **1,866,471** | **1,844,069** | **1,863,667** | **1,849,464** |
| 70 Residual (total assets less total liabilities)[7] | 194,977 | 195,199 | 195,213[r] | 195,880[r] | 196,218[r] | 196,872 | 197,814 | 197,613 | 197,115 |
| MEMO | | | | | | | | | |
| 71 Total loans and leases, gross, adjusted, plus securities[8] | 1,704,364 | 1,700,696[r] | 1,694,209[r] | 1,688,888[r] | 1,687,427[r] | 1,688,351 | 1,685,983 | 1,689,292 | 1,686,570 |
| 72 Time deposits in amounts of $100,000 or more | 121,493 | 123,988 | 125,319 | 125,591 | 124,714 | 126,160 | 126,540 | 126,910 | 126,032 |
| 73 Loans sold outright to affiliates[9] | 1,080 | 1,056 | 1,048 | 1,039 | 1,032 | 1,020 | 1,014 | 1,000 | 989 |
| 74 Commercial and industrial | 268 | 268 | 268 | 268 | 268 | 264 | 264 | 264 | 263 |
| 75 Other | 812 | 789 | 780 | 771 | 765 | 755 | 750 | 736 | 725 |
| 76 Foreign branch credit extended to U.S. residents[10] | 27,527 | 27,113 | 28,057 | 27,880 | 28,262 | 28,415 | 28,332 | 29,051 | 28,633 |
| 77 Net owed to related institutions abroad | 91,145 | 93,087 | 83,508 | 97,840 | 87,464 | 68,820 | 74,965 | 72,643 | 78,224 |

1. Includes certificates of participation, issued or guaranteed by agencies of the U.S. government, in pools of residential mortgages.
2. Includes securities purchased under agreements to resell.
3. Includes allocated transfer risk reserve.
4. Includes negotiable order of withdrawal (NOWs) and automatic transfer service (ATS) accounts, and telephone and preauthorized transfers of savings deposits.
5. Includes borrowings only from other than directly related institutions.
6. Includes federal funds purchased and securities sold under agreements to repurchase.
7. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis.
8. Excludes loans to and federal funds transactions with commercial banks in the United States.
9. *Affiliates include a bank's own foreign branches, nonconsolidated nonbank affiliates of* the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.
10. Credit extended by foreign branches of domestically chartered weekly reporting banks to nonbank U.S. residents. Consists mainly of commercial and industrial loans, but includes an unknown amount of credit extended to other than nonfinancial businesses.

## 1.28 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS
Assets and Liabilities

Millions of dollars, Wednesday figures

| Account | 1996 May 1 | May 8 | May 15 | May 22 | May 29 | June 5 | June 12 | June 19 | June 26 |
|---|---|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | | | |
| 1 Cash and balances due from depository institutions | 15,133 | 15,613 | 15,215 | 15,727 | 15,991 | 15,933 | 15,613 | 15,991 | 15,533 |
| 2 U.S. Treasury and government agency securities | 47,839 | 49,834 | 48,825 | 49,549 | 49,983 | 49,899 | 50,113 | 50,018 | 49,962 |
| 3 Other securities | 43,659[r] | 42,162[r] | 43,153[r] | 43,239[r] | 43,942[r] | 43,525 | 42,793 | 40,317 | 40,278 |
| 4 Federal funds sold[1] | 29,135[r] | 27,443[r] | 21,673[r] | 25,940[r] | 28,270[r] | 26,267 | 30,215 | 29,399 | 27,389 |
| 5 To commercial banks in the United States | 7,079 | 6,889 | 5,720 | 7,242 | 10,570 | 7,320 | 6,078 | 7,787 | 6,285 |
| 6 To others[2] | 22,356[r] | 20,554[r] | 15,954[r] | 18,697[r] | 17,700[r] | 18,947 | 24,138 | 21,612 | 21,104 |
| 7 Other loans and leases, gross | 185,595 | 183,506 | 185,905 | 187,250 | 187,162 | 186,845 | 188,513 | 190,727 | 190,777 |
| 8 Commercial and industrial | 119,407 | 118,350 | 119,599 | 119,906 | 119,734 | 120,260 | 120,539 | 121,100 | 121,958 |
| 9 Bankers acceptances and commercial paper | 4,735 | 4,792 | 4,787 | 4,756 | 4,912 | 4,942 | 5,066 | 4,887 | 4,969 |
| 10 All other | 114,671 | 113,558 | 114,812 | 115,150 | 114,823 | 115,318 | 115,473 | 116,214 | 116,989 |
| 11 U.S. addressees | 108,344 | 107,269 | 108,613 | 108,953 | 108,625 | 109,080 | 109,233 | 109,935 | 109,927 |
| 12 Non-U.S. addressees | 6,327 | 6,288 | 6,199 | 6,197 | 6,197 | 6,239 | 6,241 | 6,279 | 7,061 |
| 13 Loans secured by real estate | 20,322 | 20,374 | 20,389 | 20,612 | 20,533 | 20,195 | 20,201 | 20,294 | 20,438 |
| 14 Loans to depository and financial institutions | 33,015[r] | 33,129[r] | 33,789[r] | 33,874[r] | 34,332[r] | 33,676 | 35,306 | 35,978 | 36,011 |
| 15 Commercial banks in the United States | 2,138 | 2,171 | 2,466 | 2,627 | 2,895 | 3,100 | 3,253 | 3,007 | 2,735 |
| 16 Banks in foreign countries | 3,271 | 3,089 | 3,328 | 3,008 | 3,021 | 3,062 | 3,075 | 3,075 | 3,129 |
| 17 Nonbank financial institutions | 27,605[r] | 27,868[r] | 27,995[r] | 28,239[r] | 28,417[r] | 27,514 | 28,978 | 29,896 | 30,181 |
| 18 For purchasing and carrying securities | 5,818[r] | 4,667[r] | 4,758[r] | 5,475[r] | 5,186[r] | 5,387 | 5,143 | 5,742 | 4,991 |
| 19 To foreign governments and official institutions | 575 | 585 | 584 | 601 | 596 | 587 | 599 | 791 | 783 |
| 20 All other | 4,162 | 4,423 | 4,687 | 4,685 | 4,681 | 4,656 | 4,666 | 4,712 | 4,531 |
| 21 Other assets (claims on nonrelated parties) | 38,649 | 39,085 | 40,867 | 39,636 | 39,469 | 39,801 | 38,917 | 34,646 | 33,640 |
| **22 Total assets[3]** | **395,636** | **393,997** | **394,132** | **397,039** | **401,131** | **397,261** | **398,942** | **391,895** | **388,800** |
| LIABILITIES | | | | | | | | | |
| 23 Deposits or credit balances owed to other than directly related institutions | 108,436 | 108,354 | 109,334 | 111,375 | 112,528 | 111,088 | 110,595 | 108,608 | 108,311 |
| 24 Demand deposits[4] | 4,202 | 4,253 | 4,203 | 4,101 | 4,355 | 4,325 | 4,145 | 4,462 | 4,380 |
| 25 Individuals, partnerships, and corporations | 3,481 | 3,422 | 3,550 | 3,510 | 3,573 | 3,617 | 3,487 | 3,563 | 3,684 |
| 26 Other | 721 | 831 | 652 | 591 | 783 | 708 | 658 | 899 | 696 |
| 27 Nontransaction accounts | 104,234 | 104,100 | 105,131 | 107,274 | 108,172 | 106,763 | 106,450 | 104,146 | 103,931 |
| 28 Individuals, partnerships, and corporations | 75,123 | 74,808 | 77,091 | 79,368 | 79,222 | 78,147 | 77,787 | 75,870 | 76,005 |
| 29 Other | 29,110 | 29,293 | 28,040 | 27,903 | 28,951 | 28,616 | 28,663 | 28,276 | 27,927 |
| 30 Borrowings from other than directly related institutions | 88,351 | 85,024 | 83,075 | 82,707 | 79,485 | 81,729 | 86,177 | 84,714 | 81,610 |
| 31 Federal funds purchased[5] | 55,066 | 50,405 | 49,206 | 46,632 | 45,657 | 49,330 | 52,350 | 50,509 | 49,987 |
| 32 From commercial banks in the United States | 16,175 | 10,602 | 13,804 | 8,888 | 8,760 | 11,993 | 11,234 | 11,002 | 10,202 |
| 33 From others | 38,890 | 39,804 | 35,402 | 37,744 | 36,897 | 37,337 | 41,116 | 39,507 | 39,786 |
| 34 Other liabilities for borrowed money | 33,285 | 34,619 | 33,869 | 36,075 | 33,828 | 32,399 | 33,827 | 34,206 | 31,623 |
| 35 To commercial banks in the United States | 4,068 | 4,221 | 4,201 | 4,472 | 4,100 | 3,812 | 3,970 | 4,024 | 4,241 |
| 36 To others | 29,218 | 30,398 | 29,667 | 31,604 | 29,728 | 28,587 | 29,856 | 30,181 | 27,382 |
| 37 Other liabilities to nonrelated parties | 60,558 | 60,368 | 62,440 | 60,571 | 61,855 | 61,982 | 61,878 | 55,315 | 56,293 |
| **38 Total liabilities[6]** | **395,636** | **393,997** | **394,132** | **397,039** | **401,131** | **397,261** | **398,942** | **391,895** | **388,800** |
| MEMO | | | | | | | | | |
| 39 Total loans (gross) and securities, adjusted[7] | 297,312 | 293,884 | 291,471 | 296,109 | 295,893 | 296,117 | 302,634 | 299,696 | 299,386 |
| 40 Net owed to related institutions abroad | 102,966 | 103,897 | 100,790 | 106,688 | 110,949 | 107,485 | 107,845 | 112,493 | 111,364 |

1. Includes securities purchased under agreements to resell.
2. Includes transactions with nonbank brokers and dealers in securities.
3. For U.S. branches and agencies of foreign banks having a net "due from" position, includes net due from related institutions abroad.
4. Includes other transaction deposits.
5. Includes securities sold under agreements to repurchase.
6. For U.S. branches and agencies of foreign banks having a net "due to" position, includes net owed to related institutions abroad.
7. Excludes loans to and federal funds transactions with commercial banks in the United States.

## 1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

| Item | Year ending December | | | | | 1995 | 1996 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1991 | 1992 | 1993 | 1994 | 1995 | Dec. | Jan. | Feb. | Mar. | Apr. | May |
| | Commercial paper (seasonally adjusted unless noted otherwise) | | | | | | | | | | |
| 1 **All issuers** | **528,832** | **545,619** | **555,075** | **595,382** | **674,904[r]** | **674,904[r]** | **685,791[r]** | **687,669** | **695,201** | **710,749** | **719,116** |
| Financial companies[1] | | | | | | | | | | | |
| 2 Dealer placed paper[2], total | 212,999 | 226,456 | 218,947 | 223,038 | 275,815[r] | 275,815[r] | 288,368 | 293,313 | 292,533 | 303,567 | 302,709 |
| 3 Directly placed paper[3], total | 182,463 | 171,605 | 180,389 | 207,701 | 210,829[r] | 210,829[r] | 208,159[r] | 208,046 | 208,880 | 211,833 | 221,463 |
| 4 Nonfinancial companies[4] | 133,370 | 147,558 | 155,739 | 164,643 | 188,260 | 188,260 | 189,264 | 186,310 | 193,788 | 195,349 | 194,944 |
| | Bankers dollar acceptances (not seasonally adjusted)[5] | | | | | | | | | | |
| 5 **Total** | **43,770** | **38,194** | **32,348** | **29,835** | **29,242** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| *By holder* | | | | | | | | | | | |
| 6 Accepting banks | 11,017 | 10,555 | 12,421 | 11,783 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 7 Own bills | 9,347 | 9,097 | 10,707 | 10,462 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 8 Bills bought from other banks | 1,670 | 1,458 | 1,714 | 1,321 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Federal Reserve Banks[6] | | | | | | | | | | | |
| 9 Foreign correspondents | 1,739 | 1,276 | 725 | 410 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 10 Others | 31,014 | 26,364 | 19,202 | 17,642 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| *By basis* | | | | | | | | | | | |
| 11 Imports into United States | 12,843 | 12,209 | 10,217 | 10,062 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 12 Exports from United States | 10,351 | 8,096 | 7,293 | 6,355 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 13 All other | 20,577 | 17,890 | 14,838 | 13,417 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing, factoring, finance leasing, and other business lending, insurance underwriting; and other investment activities.
2. Includes all financial-company paper sold by dealers in the open market.
3. As reported by financial companies that place their paper directly with investors.
4. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
5. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January. Beginning January 1995, data for Bankers dollar acceptances will be reported annually in September.
6. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

## 1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

| Date of change | Rate | Period | Average rate | Period | Average rate | Period | Average rate |
|---|---|---|---|---|---|---|---|
| 1993 Jan. 1 | 6.00 | 1993 | 6.00 | 1994 Jan | 6.00 | 1995 Jan | 8.50 |
| | | 1994 | 7.15 | Feb | 6.00 | Feb | 9.00 |
| 1994 Mar. 24 | 6.25 | 1995 | 8.83 | Mar. | 6.06 | Mar | 9.00 |
| Apr. 19 | 6.75 | | | Apr | 6.45 | Apr. | 9.00 |
| May 17 | 7.25 | 1993 Jan | 6.00 | May | 6.99 | May | 9.00 |
| Aug. 16 | 7.75 | Feb | 6.00 | June | 7.25 | June | 9.00 |
| Nov 15 | 8.50 | Mar. | 6.00 | July | 7.25 | July | 8.80 |
| | | Apr. | 6.00 | Aug | 7.51 | Aug. | 8.75 |
| 1995 Feb 1 | 9.00 | May | 6.00 | Sept | 7.75 | Sept | 8.75 |
| July 7 | 8.75 | June | 6.00 | Oct. | 7.75 | Oct. | 8.75 |
| Dec. 20 | 8.50 | July | 6.00 | Nov. | 8.15 | Nov | 8.75 |
| | | Aug. | 6.00 | Dec | 8.50 | Dec. | 8.65 |
| 1996 Feb 1 | 8.25 | Sept. | 6.00 | | | | |
| | | Oct | 6.00 | | | 1996 Jan. | 8.50 |
| | | Nov. | 6.00 | | | Feb. | 8.25 |
| | | Dec. | 6.00 | | | Mar | 8.25 |
| | | | | | | Apr. | 8.25 |
| | | | | | | May | 8.25 |
| | | | | | | June | 8.25 |
| | | | | | | July | 8.25 |

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most recent Call Report. Data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

## 1.35 INTEREST RATES Money and Capital Markets

Percent per year; figures are averages of business day data unless otherwise noted

| Item | 1993 | 1994 | 1995 | 1996 | | | | 1996, week ending | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Mar. | Apr. | May | June | May 31 | June 7 | June 14 | June 21 | June 28 |
| MONEY MARKET INSTRUMENTS | | | | | | | | | | | | |
| 1 Federal funds[1,2,3] | 3.02 | 4.21 | 5.83 | 5.31 | 5.22 | 5.24 | 5.27 | 5.19 | 5.33 | 5.24 | 5.45 | 5.21 |
| 2 Discount window borrowing[2,4] | 3.00 | 3.60 | 5.21 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| *Commercial paper*[3,5,6] | | | | | | | | | | | | |
| 3 1-month | 3.17 | 4.43 | 5.93 | 5.39 | 5.40 | 5.38 | 5.45 | 5.38 | 5.42 | 5.43 | 5.46 | 5.50 |
| 4 3-month | 3.22 | 4.66 | 5.93 | 5.31 | 5.39 | 5.39 | 5.49 | 5.38 | 5.44 | 5.50 | 5.50 | 5.51 |
| 5 6-month | 3.30 | 4.93 | 5.93 | 5.26 | 5.38 | 5.42 | 5.57 | 5.41 | 5.49 | 5.60 | 5.60 | 5.61 |
| *Finance paper, directly placed*[3,5,7] | | | | | | | | | | | | |
| 6 1-month | 3.12 | 4.33 | 5.81 | 5.29 | 5.31 | 5.29 | 5.35 | 5.27 | 5.32 | 5.34 | 5.36 | 5.38 |
| 7 3-month | 3.16 | 4.53 | 5.78 | 5.18 | 5.28 | 5.29 | 5.37 | 5.28 | 5.32 | 5.38 | 5.39 | 5.10 |
| 8 6-month | 3.15 | 4.56 | 5.68 | 5.04 | 5.20 | 5.23 | 5.35 | 5.24 | 5.29 | 5.38 | 5.37 | 5.38 |
| *Bankers acceptances*[3,5,8] | | | | | | | | | | | | |
| 9 3-month | 3.13 | 4.56 | 5.81 | 5.21 | 5.28 | 5.29 | 5.38 | 5.30 | 5.34 | 5.40 | 5.39 | 5.40 |
| 10 6-month | 3.21 | 4.83 | 5.80 | 5.17 | 5.28 | 5.31 | 5.47 | 5.33 | 5.42 | 5.49 | 5.48 | 5.49 |
| *Certificates of deposit, secondary market*[3,9] | | | | | | | | | | | | |
| 11 1-month | 3.11 | 4.38 | 5.87 | 5.31 | 5.34 | 5.32 | 5.37 | 5.31 | 5.35 | 5.36 | 5.36 | 5.39 |
| 12 3-month | 3.17 | 4.63 | 5.92 | 5.29 | 5.36 | 5.36 | 5.46 | 5.36 | 5.42 | 5.48 | 5.47 | 5.49 |
| 13 6-month | 3.28 | 4.96 | 5.98 | 5.30 | 5.42 | 5.47 | 5.64 | 5.47 | 5.59 | 5.67 | 5.65 | 5.66 |
| 14 Eurodollar deposits, 3-month[3,10] | 3.18 | 4.63 | 5.93 | 5.28 | 5.36 | 5.36 | 5.46 | 5.35 | 5.43 | 5.48 | 5.45 | 5.48 |
| *U.S. Treasury bills* | | | | | | | | | | | | |
| Secondary market[3,5] | | | | | | | | | | | | |
| 15 3-month | 3.00 | 4.25 | 5.49 | 4.96 | 4.95 | 5.02 | 5.09 | 5.04 | 5.09 | 5.11 | 5.09 | 5.09 |
| 16 6-month | 3.12 | 4.64 | 5.56 | 4.96 | 5.06 | 5.12 | 5.25 | 5.14 | 5.22 | 5.30 | 5.25 | 5.22 |
| 17 1-year | 3.29 | 5.02 | 5.60 | 5.06 | 5.23 | 5.33 | 5.48 | 5.39 | 5.46 | 5.52 | 5.48 | 5.47 |
| Auction average[3,5,11] | | | | | | | | | | | | |
| 18 3-month | 3.02 | 4.29 | 5.51 | 4.96 | 4.99 | 5.02 | 5.11 | 5.03 | 5.09 | 5.16 | 5.08 | 5.10 |
| 19 6-month | 3.14 | 4.66 | 5.59 | 4.96 | 5.08 | 5.12 | 5.26 | 5.14 | 5.21 | 5.34 | 5.27 | 5.23 |
| 20 1-year | 3.33 | 5.02 | 5.69 | 4.98 | 5.17 | 5.31 | 5.56 | 5.32 | n.a. | n.a. | n.a. | 5.56 |
| U.S. TREASURY NOTES AND BONDS | | | | | | | | | | | | |
| *Constant maturities*[12] | | | | | | | | | | | | |
| 21 1-year | 3.43 | 5.32 | 5.94 | 5.34 | 5.54 | 5.64 | 5.81 | 5.70 | 5.78 | 5.86 | 5.82 | 5.79 |
| 22 2-year | 4.05 | 5.94 | 6.15 | 5.66 | 5.96 | 6.10 | 6.30 | 6.17 | 6.26 | 6.36 | 6.32 | 6.25 |
| 23 3-year | 4.44 | 6.27 | 6.25 | 5.79 | 6.11 | 6.27 | 6.49 | 6.34 | 6.44 | 6.56 | 6.50 | 6.41 |
| 24 5-year | 5.14 | 6.69 | 6.38 | 5.97 | 6.30 | 6.48 | 6.69 | 6.55 | 6.63 | 6.77 | 6.73 | 6.63 |
| 25 7-year | 5.54 | 6.91 | 6.50 | 6.19 | 6.48 | 6.66 | 6.83 | 6.69 | 6.77 | 6.93 | 6.87 | 6.76 |
| 26 10-year | 5.87 | 7.09 | 6.57 | 6.27 | 6.51 | 6.74 | 6.93 | 6.77 | 6.85 | 6.99 | 6.95 | 6.86 |
| 27 20-year | 6.29 | 7.49 | 6.95 | 6.74 | 6.98 | 7.11 | 7.22 | 7.09 | 7.16 | 7.30 | 7.25 | 7.16 |
| 28 30-year | 6.59 | 7.37 | 6.88 | 6.60 | 6.79 | 6.93 | 7.06 | 6.93 | 6.99 | 7.13 | 7.10 | 7.02 |
| *Composite* | | | | | | | | | | | | |
| 29 More than 10 years (long term) | 6.45 | 7.41 | 6.93 | 6.72 | 6.94 | 7.08 | 7.20 | 7.07 | 7.14 | 7.28 | 7.23 | 7.13 |
| STATE AND LOCAL NOTES AND BONDS | | | | | | | | | | | | |
| *Moody's series*[13] | | | | | | | | | | | | |
| 30 Aaa | 5.38 | 5.77 | 5.80 | 5.33 | 5.62 | 5.75 | 5.67 | 5.70 | 5.15 | 5.89 | 5.72 | 5.90 |
| 31 Baa | 5.83 | 6.17 | 6.10 | 5.72 | 5.94 | 5.97 | 5.98 | 6.01 | 5.75 | 6.18 | 6.02 | 5.96 |
| 32 *Bond Buyer* series[14] | 5.60 | 6.18 | 5.95 | 5.79 | 5.94 | 5.98 | 6.02 | 5.94 | 5.94 | 6.12 | 6.06 | 5.97 |
| CORPORATE BONDS | | | | | | | | | | | | |
| 33 Seasoned issues, all industries[15] | 7.54 | 8.26 | 7.83 | 7.65 | 7.80 | 7.91 | 8.00 | 7.89 | 7.95 | 8.07 | 8.03 | 7.96 |
| *Rating group* | | | | | | | | | | | | |
| 34 Aaa | 7.22 | 7.97 | 7.59 | 7.35 | 7.50 | 7.62 | 7.71 | 7.61 | 7.67 | 7.78 | 7.74 | 7.66 |
| 35 Aa | 7.40 | 8.15 | 7.72 | 7.52 | 7.68 | 7.77 | 7.87 | 7.75 | 7.81 | 7.93 | 7.90 | 7.83 |
| 36 A | 7.58 | 8.28 | 7.83 | 7.68 | 7.83 | 7.94 | 8.02 | 7.92 | 7.98 | 8.09 | 8.04 | 7.97 |
| 37 Baa | 7.93 | 8.63 | 8.20 | 8.03 | 8.19 | 8.30 | 8.40 | 8.27 | 8.34 | 8.47 | 8.44 | 8.36 |
| 38 A-rated, recently offered utility bonds[16] | 7.46 | 8.29 | 7.86 | 7.75 | 7.90 | 8.02 | 8.13 | 8.08 | 8.12 | 8.20 | 8.20 | 7.97 |
| MEMO | | | | | | | | | | | | |
| *Dividend price ratio*[17] | | | | | | | | | | | | |
| 39 Common stocks | 2.78 | 2.82 | 2.56 | 2.22 | 2.24 | 2.21 | 2.21 | 2.22 | 2.17 | 2.22 | 2.22 | 2.22 |

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year for bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.
7. An average of offering rates on paper directly placed by finance companies.
8. Representative closing yields for acceptances of the highest-rated money center banks.
9. An average of dealer offering rates on nationally traded certificates of deposit.
10. Bid rates for Eurodollar deposits at approximately 11:00 a.m. London time. Data are for indication purposes only.
11. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
13. General obligation bonds based on Thursday figures; Moody's Investors Service.
14. State and local government general obligation bonds maturing in twenty years are used in compiling this index. The twenty-bond index has a rating roughly equivalent to Moody's A1 rating. Based on Thursday figures.
15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
16. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
17. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

NOTE. *Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.*

## 1.36 STOCK MARKET Selected Statistics

| Indicator | 1993 | 1994 | 1995 | 1995 | | | 1996 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Oct. | Nov. | Dec | Jan. | Feb. | Mar. | Apr. | May | June |
| | Prices and trading volume (averages of daily figures) | | | | | | | | | | | |
| *Common stock prices (indexes)* | | | | | | | | | | | | |
| 1 New York Stock Exchange (Dec. 31, 1965 = 50) | 249.71 | 254.16 | 291.18 | 311.78 | 317.58 | 327.90 | 329.22 | 346.46 | 346.73 | 347.50 | 354.84 | 358.32 |
| 2 Industrial | 300.10 | 315.32 | 367.40 | 389.63 | 398.66 | 412.11 | 413.05 | 435.92 | 439.55 | 441.99 | 452.63 | 458.30 |
| 3 Transportation | 242.68 | 247.17 | 270.14 | 291.16 | 300.06 | 303.53 | 300.43 | 315.29 | 324.77 | 326.42 | 334.66 | 331.57 |
| 4 Utility | 114.55 | 104.96 | 114.61 | 123.59 | 119.49 | 123.95 | 127.09 | 135.51 | 122.83 | 122.44 | 124.86 | 123.60 |
| 5 Finance | 216.55 | 209.75 | 238.48 | 265.12 | 266.12 | 273.36 | 274.96 | 290.97 | 290.44 | 287.92 | 290.43 | 294.42 |
| 6 Standard & Poor's Corporation (1941–43 = 10)[1] | 451.63 | 460.42 | 541.72 | 582.92 | 595.53 | 614.57 | 614.42 | 649.54 | 647.07 | 647.17 | 661.23 | 668.50 |
| 7 American Stock Exchange (Aug. 31, 1973 = 50)[2] | 438.77 | 449.49 | 498.13 | 530.26 | 529.93 | 538.01 | 540.48 | 562.34 | 565.69 | 580.60 | 600.93 | 591.99 |
| *Volume of trading (thousands of shares)* | | | | | | | | | | | | |
| 8 New York Stock Exchange | 263,374 | 290,652 | 345,729 | 365,108 | 360,199 | 384,310 | 416,048 | 434,607 | 426,198 | 419,941 | 404,184 | 392,413 |
| 9 American Stock Exchange | 18,188 | 17,951 | 20,354 | 17,672 | 16,724 | 21,085 | 21,069 | 27,107 | 22,988 | 24,886 | 28,127 | 23,903 |
| | Customer financing (millions of dollars, end-of-period balances) | | | | | | | | | | | |
| **10 Margin credit at broker–dealers[3]** | **60,310** | **61,160** | **76,680** | **75,005** | **77,875** | **76,680** | **73,530** | **77,090** | **78,308** | **81,170** | **86,100** | **87,160** |
| *Free credit balances at brokers[4]* | | | | | | | | | | | | |
| 11 Margin accounts[5] | 12,360 | 14,095 | 16,250 | 14,753 | 15,590 | 16,250 | 14,950 | 15,840 | 15,770 | 15,780 | 16,890 | 16,600 |
| 12 Cash accounts | 27,715 | 28,870 | 34,340 | 29,908 | 30,340 | 34,340 | 32,465 | 34,700 | 33,113 | 33,100 | 33,760 | 32,930 |
| | Margin requirements (percent of market value and effective date)[6] | | | | | | | | | | | |
| | Mar. 11, 1968 | | June 8, 1968 | | May 6, 1970 | | Dec. 6, 1971 | | Nov. 24, 1972 | | Jan. 3, 1974 | |
| 13 Margin stocks | 70 | | 80 | | 65 | | 55 | | 65 | | 50 | |
| 14 Convertible bonds | 50 | | 60 | | 50 | | 50 | | 50 | | 50 | |
| 15 Short sales | 70 | | 80 | | 65 | | 55 | | 65 | | 50 | |

1. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.

2. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.

3. Since July 1983, under the revised Regulation T, margin credit at broker–dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.

4. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.

5. Series initiated in June 1984.

6. Margin requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities 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.

Effective June 8, 1988, margins were set to be the price of the option plus 20 percent of the market value of the stock underlying the option (or 15 percent in the case of stock-index options).

## 1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

| Type of account or operation | Fiscal year | | | Calendar year | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | 1996 | | | | | |
| | 1993 | 1994 | 1995 | Jan. | Feb. | Mar. | Apr. | May | June |
| *U.S. budget*[1] | | | | | | | | | |
| 1 Receipts, total | 1,153,535 | 1,257,737 | 1,355,213 | 142,922 | 89,349 | 89,011 | 203,386 | 90,044 | 151,919 |
| 2 On-budget | 841,601 | 922,711 | 1,004,134 | 110,615 | 60,912 | 56,677 | 160,774 | 60,106 | 116,718 |
| 3 Off-budget | 311,934 | 335,026 | 351,079 | 32,307 | 28,437 | 32,334 | 42,612 | 29,938 | 35,201 |
| 4 Outlays, total | 1,408,675 | 1,460,841 | 1,519,133 | 123,647 | 133,644 | 136,286 | 130,993 | 143,342 | 117,818 |
| 5 On-budget | 1,142,088 | 1,181,469 | 1,230,469 | 98,057 | 105,711 | 108,365 | 105,131 | 114,486 | 104,161 |
| 6 Off-budget | 266,587 | 279,372 | 288,664 | 25,591 | 27,933 | 27,921 | 25,862 | 28,856 | 13,657 |
| 7 Surplus or deficit ( ), total | 255,140 | 203,104 | 163,920 | 19,274 | 44,295 | 47,275 | 72,393 | 53,298 | 34,101 |
| 8 On-budget | 300,487 | -258,758 | 226,335 | 12,558 | 44,799 | 51,688 | 55,643 | 54,380 | 12,557 |
| 9 Off-budget | 45,347 | 55,654 | 62,415 | 6,716 | 504 | 4,413 | 16,750 | 1,082 | 21,544 |
| *Source of financing (total)* | | | | | | | | | |
| 10 Borrowing from the public | 248,619 | 185,344 | 171,288 | 4,747 | 47,022 | 39,189 | 35,466 | 20,633 | 8,619 |
| 11 Operating cash (decrease, or increase ( )) | 6,283 | 16,564 | 2,007 | 16,959 | 6,297 | 9,283 | 26,449 | 43,809 | 33,519 |
| 12 Other[2] | 238 | 1,196 | 5,361 | 2,432 | 9,024 | 197 | 10,478 | 11,144 | 8,037 |
| MEMO | | | | | | | | | |
| 13 Treasury operating balance (level, end of period) | 52,506 | 35,942 | 37,949 | 37,454 | 31,157 | 21,874 | 48,323 | 4,514 | 38,033 |
| 14 Federal Reserve Banks | 17,289 | 6,848 | 8,620 | 8,210 | 5,632 | 7,021 | 11,042 | 3,757 | 7,701 |
| 15 Tax and loan accounts | 35,217 | 29,094 | 29,329 | 29,243 | 25,525 | 14,853 | 37,281 | 757 | 30,332 |

1. Since 1990, off-budget items have been the social security trust funds (federal old-age survivors insurance and federal disability insurance) and the U.S. Postal Service.

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

SOURCE. Monthly totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government*.

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

Millions of dollars

| Source or type | Fiscal year | | Calendar year | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1994 | 1995 | 1994 | 1995 | | 1996 | 1996 | | |
| | | | H2 | H1 | H2 | H1 | Apr. | May | June |
| RECEIPTS | | | | | | | | | |
| 1 **All sources** | **1,257,737** | **1,355,213** | **625,556** | **710,542** | **656,402** | **766,631** | **203,386** | **90,044** | **151,919** |
| 2 Individual income taxes, net | 543,055 | 590,244 | 273,315 | 307,498 | 292,393 | 347,285 | 107,513 | 29,914 | 60,816 |
| 3 Withheld | 459,699 | 499,927 | 240,063 | 251,398 | 256,916 | 264,177 | 38,930 | 45,399 | 35,941 |
| 4 Nonwithheld | 160,433 | 175,855 | 42,029 | 132,001 | 43,100 | 162,782 | 89,392 | 6,352 | 26,926 |
| 5 Refunds | 77,077 | 85,538 | 8,787 | 75,959 | 10,058 | 79,735 | 20,822 | 21,850 | 2,061 |
| Corporation income taxes | | | | | | | | | |
| 6 Gross receipts | 154,205 | 174,422 | 78,393 | 92,132 | 88,302 | 96,480 | 26,912 | 3,647 | 37,950 |
| 7 Refunds | 13,820 | 17,418 | 7,747 | 10,399 | 7,518 | 9,704 | 1,975 | 1,077 | 992 |
| 8 Social insurance taxes and contributions, net | 461,475 | 484,473 | 220,140 | 261,837 | 224,269 | 277,767 | 60,588 | 48,676 | 45,583 |
| 9 Employment taxes and contributions[2] | 428,810 | 451,045 | 206,615 | 241,557 | 211,323 | 257,446 | 56,615 | 38,104 | 44,888 |
| 10 Unemployment insurance | 28,004 | 28,878 | 11,177 | 18,001 | 10,702 | 18,068 | 3,628 | 10,155 | 400 |
| 11 Other net receipts[3] | 4,661 | 4,550 | 2,349 | 2,279 | 2,247 | 2,254 | 346 | 417 | 295 |
| 12 Excise taxes | 55,225 | 57,484 | 30,178 | 27,452 | 30,014 | 25,682 | 4,577 | 4,113 | 4,310 |
| 13 Customs deposits | 20,099 | 19,301 | 11,041 | 8,848 | 9,849 | 8,731 | 1,388 | 1,427 | 1,450 |
| 14 Estate and gift taxes | 15,225 | 14,763 | 7,067 | 7,425 | 7,718 | 8,775 | 2,704 | 1,415 | 1,141 |
| 15 Miscellaneous receipts[4] | 22,274 | 31,944 | 13,169 | 15,750 | 11,374 | 11,620 | 1,680 | 1,929 | 1,663 |
| OUTLAYS | | | | | | | | | |
| 16 **All types** | **1,460,841** | **1,519,133** | **752,150** | **760,824** | **752,511** | **785,730** | **130,993** | **143,342** | **117,818** |
| 17 National defense | 281,642 | 272,066 | 141,885 | 135,648[r] | 132,954 | 133,516 | 22,725 | 26,609 | 19,769 |
| 18 International affairs | 17,083 | 16,434 | 11,889 | 4,797 | 6,994 | 8,074 | 988 | 1,165 | 837 |
| 19 General science, space, and technology | 16,227 | 16,724 | 7,604 | 8,611 | 8,810 | 8,897 | 1,534 | 1,584 | 1,536 |
| 20 Energy | 5,219 | 4,936 | 2,923 | 2,358[r] | 2,203 | 1,355 | 17 | 216 | 822 |
| 21 Natural resources and environment | 21,064 | 22,105 | 11,911 | 10,273[r] | 12,633 | 10,238 | 1,660 | 1,757 | 1,543 |
| 22 Agriculture | 15,046 | 9,773 | 7,623 | 4,039[r] | 3,062 | 71 | 249 | 175 | 124 |
| 23 Commerce and housing credit | 5,118 | 14,441 | -4,270 | 13,937 | 4,412 | -7,334 | 1,741 | 256 | -1,368 |
| 24 Transportation | 38,066 | 39,350 | 21,835 | 18,193[r] | 19,931 | 18,291 | 2,864 | 3,324 | 3,185 |
| 25 Community and regional development | 10,454 | 10,641 | 6,283 | 5,073[r] | 6,085 | 5,160 | 1,026 | 826 | 896 |
| 26 Education, training, employment, and social services | 46,307 | 54,263 | 27,450 | 25,893[r] | 24,894 | 26,137 | 4,014 | 3,961 | 3,903 |
| 27 Health | 107,122 | 115,418 | 54,147 | 59,057[r] | 57,078 | 59,957 | 10,458 | 11,201 | 9,762 |
| 28 Social security and Medicare | 464,312 | 495,701 | 236,817 | 251,975 | 251,387 | 264,649 | 44,216 | 46,727 | 44,731 |
| 29 Income security | 214,031 | 220,449 | 101,806 | 117,190[r] | 104,078 | 121,032 | 21,417 | 21,407 | 11,332 |
| 30 Veterans benefits and services | 37,642 | 37,938 | 19,761 | 19,269[r] | 18,684 | 18,164 | 2,974 | 5,254 | 1,570 |
| 31 Administration of justice | 15,256 | 16,223 | 7,753 | 8,051[r] | 8,117 | 9,021 | 1,585 | 1,683 | 1,327 |
| 32 General government | 11,303 | 13,835 | 7,355 | 5,796[r] | 7,621 | 4,641 | -25 | 180 | 1,755 |
| 33 Net interest[5] | 202,957 | 232,173 | 109,434 | 116,169 | 119,350 | 120,579 | 20,463 | 20,359 | 18,977 |
| 34 Undistributed offsetting receipts[6] | 37,772 | 44,455 | -20,066 | -17,631[r] | -26,994 | 16,716 | -2,932 | 2,991 | -2,636 |

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

SOURCE. Fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1997*; monthly and half-year totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*.

## 1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

| Item | 1994 | | | 1995 | | | | 1996 | |
|---|---|---|---|---|---|---|---|---|---|
| | June 30 | Sept. 30 | Dec. 31 | Mar. 31 | June 30 | Sept. 30 | Dec. 31 | Mar. 31 | June 30 |
| 1 **Federal debt outstanding** | **4,673** | **4,721** | **4,827** | **4,891** | **4,978** | **5,001** | **5,017** | **5,153** | **5,197** |
| 2 Public debt securities | 4,646 | 4,693 | 4,800 | 4,864 | 4,951 | 4,974 | 4,989 | 5,118 | 5,161 |
| 3 Held by public | 3,443 | 3,480 | 3,543 | 3,610 | 3,635 | 3,653 | 3,684 | 3,764 | n.a. |
| 4 Held by agencies | 1,203 | 1,213 | 1,257 | 1,255 | 1,317 | 1,321 | 1,305 | 1,354 | n.a. |
| 5 Agency securities | 28 | 29 | 27 | 27 | 27 | 27 | 28 | 36 | 36 |
| 6 Held by public | 27 | 29 | 27 | 26 | 27 | 27 | 28 | 28 | n.a. |
| 7 Held by agencies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8 | n.a. |
| 8 **Debt subject to statutory limit** | **4,559** | **4,605** | **4,711** | **4,775** | **4,861** | **4,885** | **4,900** | **5,030** | **5,073** |
| 9 Public debt securities | 4,559 | 4,605 | 4,711 | 4,774 | 4,861 | 4,885 | 4,900 | 5,030 | 5,073 |
| 10 Other debt[1] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| MEMO | | | | | | | | | |
| 11 Statutory debt limit | 4,900 | 4,900 | 4,900 | 4,900 | 4,900 | 4,900 | 4,900 | 5,500 | 5,500 |

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

SOURCE. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin*.

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

Billions of dollars, end of period

| Type and holder | 1992 | 1993 | 1994 | 1995 | 1995 | | 1996 | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Q3 | Q4 | Q1 | Q2 |
| 1 **Total gross public debt** | **4,177.0** | **4,535.7** | **4,800.2** | **4,988.7** | **4,974.0** | **4,988.7** | **5,117.8** | **5,161.1** |
| *By type* | | | | | | | | |
| 2 Interest-bearing | 4,173.9 | 4,532.3 | 4,769.2 | 4,964.4 | 4,950.6 | 4,964.4 | 5,083.0 | 5,126.8 |
| 3 Marketable | 2,754.1 | 2,989.5 | 3,126.0 | 3,307.2 | 3,260.5 | 3,307.2 | 3,375.1 | 3,348.4 |
| 4 Bills | 657.7 | 714.6 | 733.8 | 760.7 | 742.5 | 760.7 | 811.9 | 773.6 |
| 5 Notes | 1,608.9 | 1,764.0 | 1,867.0 | 2,010.3 | 1,980.3 | 2,010.3 | 2,014.1 | 2,025.8 |
| 6 Bonds | 472.5 | 495.9 | 510.3 | 521.2 | 522.6 | 521.2 | 534.1 | 534.1 |
| 7 Nonmarketable[1] | 1,419.8 | 1,542.9 | 1,643.1 | 1,657.2 | 1,690.2 | 1,657.2 | 1,707.9 | 1,778.3 |
| 8 State and local government series | 153.5 | 149.5 | 132.6 | 104.5 | 113.4 | 104.5 | 96.5 | 97.8 |
| 9 Foreign issues[2] | 37.4 | 43.5 | 42.5 | 40.8 | 41.0 | 40.8 | 40.4 | 37.8 |
| 10 Government | 37.4 | 43.5 | 42.5 | 40.8 | 41.0 | 40.8 | 40.4 | 37.8 |
| 11 Public | .0 | 0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 12 Savings bonds and notes | 155.0 | 169.4 | 177.8 | 181.9 | 181.2 | 181.9 | 183.0 | 183.8 |
| 13 Government account series[3] | 1,043.5 | 1,150.0 | 1,259.8 | 1,299.6 | 1,324.3 | 1,299.6 | 1,357.7 | 1,428.5 |
| 14 Non-interest-bearing | 3.1 | 3.4 | 31.0 | 24.3 | 23.3 | 24.3 | 34.8 | 34.3 |
| *By holder*[4] | | | | | | | | |
| 15 U.S. Treasury and other federal agencies and trust funds | 1,047.8 | 1,153.5 | 1,257.1 | 1,304.5 | 1,320.8 | 1,304.5 | 1,353.8 | n.a. |
| 16 Federal Reserve Banks | 302.5 | 334.2 | 374.1 | 391.0 | 374.1 | 391.0 | 381.0 | n.a. |
| 17 Private investors | 2,839.9 | 3,047.4 | 3,168.0 | 3,294.9 | 3,279.5 | 3,294.9 | 3,382.8 | n.a. |
| 18 Commercial banks | 294.4 | 322.2 | 290.1 | 280.1[r] | 289.0 | 280.1[r] | 281.0 | n.a. |
| 19 Money market funds | 79.7 | 80.8 | 67.6 | 71.3 | 64.2 | 71.3 | 87.3 | n.a. |
| 20 Insurance companies | 197.5 | 234.5 | 240.1 | 252.6[r] | 249.8[r] | 252.6[r] | 254.5 | n.a. |
| 21 Other companies | 192.5 | 213.0 | 226.5 | 228.8[r] | 224.1 | 228.8[r] | 229.0 | n.a. |
| 22 State and local treasuries[5,6] | 563.3[r] | 605.9[r] | 483.4[r] | 343.8[r] | 384.9[r] | 343.8[r] | 343.0 | n.a. |
| Individuals | | | | | | | | |
| 23 Savings bonds | 157.3 | 171.9 | 180.5 | 185.0 | 183.5 | 185.0 | 185.8 | n.a. |
| 24 Other securities | 131.9 | 137.9 | 150.7 | 162.7 | 162.4 | 162.7 | 161.4 | n.a. |
| 25 Foreign and international[7] | 549.7 | 623.0 | 688.6 | 861.8 | 848.1 | 861.8 | 930.1 | n.a. |
| 26 Other miscellaneous investors[6,8] | 673.5[r] | 658.3[r] | 840.5[r] | 908.8[r] | 873.5[r] | 908.8[r] | 910.7 | 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 series denominated in dollars, and series denominated in foreign currency held by foreigners.
3. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Includes state and local pension funds.
6. In March 1996, in a redefinition of series, fully defeased debt backed by nonmarketable federal securities was removed from "Other miscellaneous investors" and added to "State and local treasuries." The data shown here have been revised accordingly.
7. Consists of investments of foreign balances and international accounts in the United States.
8. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally sponsored agencies.

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

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

Millions of dollars, daily averages

| Item | 1996 Mar | 1996 Apr | 1996 May | 1996, week ending May 1 | May 8 | May 15 | May 22 | May 29 | June 5 | June 12 | June 19 | June 26 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| OUTRIGHT TRANSACTIONS[2] | | | | | | | | | | | | |
| *By type of security* | | | | | | | | | | | | |
| 1 U.S. Treasury bills | 56,391 | 55,901 | 47,278 | 54,108 | 46,741 | 46,521 | 40,748 | 50,427 | 57,129 | 53,849 | 55,294 | 47,770 |
| Coupon securities, by maturity | | | | | | | | | | | | |
| 2 Five years or less | 107,071 | 97,216[r] | 94,636 | 86,613 | 108,826 | 94,074 | 83,123 | 92,097 | 98,440 | 108,694 | 96,599 | 92,456 |
| 3 More than five years | 49,903 | 31,971[r] | 49,383 | 43,591 | 60,332 | 52,906 | 46,403 | 38,724 | 44,864 | 48,800 | 42,796 | 36,010 |
| 4 Federal agency | 27,395 | 28,936 | 29,131 | 35,186 | 28,211 | 30,051 | 28,324 | 28,629 | 29,123 | 30,317 | 35,178 | 35,464 |
| 5 Mortgage backed | 12,087 | 31,788 | 35,929 | 28,855 | 53,716 | 42,084 | 23,317 | 23,526 | 35,943 | 56,857 | 31,260 | 21,376 |
| *By type of counterparty* | | | | | | | | | | | | |
| With interdealer broker | | | | | | | | | | | | |
| 6 U.S. Treasury | 124,458 | 112,758 | 111,032 | 107,725 | 126,461 | 113,545 | 98,482 | 104,682 | 111,907 | 126,241 | 113,458 | 101,372 |
| 7 Federal agency | 671 | 795 | 661 | 907 | 616 | 824 | 710 | 474 | 496 | 752 | 828 | 707 |
| 8 Mortgage backed | 16,622[r] | 11,979[r] | 13,422[r] | 9,199[r] | 18,940[r] | 14,839 | 8,941 | 10,361 | 15,522 | 19,210 | 11,399 | 8,498 |
| With other | | | | | | | | | | | | |
| 9 U.S. Treasury | 88,907 | 82,330[r] | 80,265 | 76,586 | 89,438 | 79,956 | 71,792 | 76,566 | 88,526 | 85,103 | 81,230 | 74,864 |
| 10 Federal agency | 26,725 | 28,141 | 28,470 | 34,279 | 27,595 | 29,227 | 27,615 | 28,155 | 28,626 | 29,565 | 34,350 | 34,757 |
| 11 Mortgage backed | 25,465[r] | 22,808[r] | 22,507[r] | 19,655[r] | 34,777[r] | 27,245 | 14,376 | 13,165 | 20,421 | 37,647 | 19,861 | 12,878 |
| FUTURES TRANSACTIONS[3] | | | | | | | | | | | | |
| *By type of deliverable security* | | | | | | | | | | | | |
| 12 U.S. Treasury bills | 487 | 369 | 410 | 131 | 426 | 859 | 96 | 256 | 481 | 779 | 866 | 121 |
| Coupon securities, by maturity | | | | | | | | | | | | |
| 13 Five years or less | 2,055 | 1,203 | 1,550 | 876 | 1,645 | 1,532 | 1,327 | 1,598 | 2,158 | 2,064 | 1,946 | 1,026 |
| 14 More than five years | 14,824 | 11,717 | 12,854 | 10,736 | 17,060 | 12,218 | 10,771 | 10,765 | 14,370 | 15,346 | 13,997 | 8,484 |
| 15 Federal agency | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 Mortgage backed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| OPTIONS TRANSACTIONS[4] | | | | | | | | | | | | |
| *By type of underlying security* | | | | | | | | | | | | |
| 17 U.S. Treasury bills | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Coupon securities, by maturity | | | | | | | | | | | | |
| 18 Five years or less | 2,775 | 1,582 | 2,294 | 1,526 | 1,328 | 3,217 | 2,640 | 2,126 | 2,255 | 4,289 | 2,502 | 2,329 |
| 19 More than five years | 3,073 | 3,773 | 1,057 | 3,391 | 4,099 | 3,982 | 4,878 | 2,987 | 4,562 | 5,585 | 4,753 | 3,252 |
| 20 Federal agency | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 21 Mortgage backed | 1,125 | 1,110 | 1,046 | 868 | 1,565 | 1,417 | 625 | 541 | 971 | 1,288 | 467 | 510 |

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Monthly averages are based on the number of trading days in the month. Transactions are assumed evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Outright transactions include immediate and forward transactions. Immediate delivery refers to purchases or sales of securities (other than mortgage-backed federal agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

3. Futures transactions are standardized agreements arranged on an exchange. All futures transactions are included regardless of time to delivery.

4. Options transactions are purchases or sales of put and call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

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

Millions of dollars

| Item | 1996 | | | 1996, week ending | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Mar. | Apr. | May | May 1 | May 8 | May 15 | May 22 | May 29 | June 5 | June 12 | June 19 |
| | Positions[2] | | | | | | | | | | |
| NET OUTRIGHT POSITIONS[3] | | | | | | | | | | | |
| *By type of security* | | | | | | | | | | | |
| 1 U.S. Treasury bills | 20,889 | 17,119 | 15,447 | 11,554 | 12,031 | 16,296 | 14,951 | 15,433 | 28,159 | 22,380 | 8,845 |
| Coupon securities, by maturity | | | | | | | | | | | |
| 2 Five years or less | 6,296 | 7,771 | 2,210 | 6,523 | 6,242 | 1,796 | 462 | 1,551 | 961 | 3,012 | 10,342 |
| 3 More than five years | 24,377 | 27,702 | 23,291 | 26,268 | 25,003 | 23,338 | 22,041 | 22,635 | 22,315 | 21,501 | 21,006 |
| 4 Federal agency | 25,754 | 26,566 | 23,921 | 31,139 | 28,135 | 23,321 | 24,464 | 19,096 | 22,655 | 24,935 | 22,365 |
| 5 Mortgage-backed | 36,887 | 32,583 | 34,206 | 32,543 | 30,376 | 35,251 | 35,657 | 35,190 | 36,270 | 35,104 | 35,001 |
| NET FUTURES POSITIONS[4] | | | | | | | | | | | |
| *By type of deliverable security* | | | | | | | | | | | |
| 6 U.S. Treasury bills | 2,842 | 3,560 | 4,625 | 4,547 | 4,610 | 4,898 | 4,563 | 4,765 | 3,484 | 2,941 | 1,157 |
| Coupon securities, by maturity | | | | | | | | | | | |
| 7 Five years or less | 623 | 1,073 | 632 | 788 | 1,062 | 1,267 | 401 | 45 | 7 | 466 | 1,617 |
| 8 More than five years | 4,361 | 4,285 | 3,598 | 5,351 | 2,783 | 2,466 | 4,541 | 3,975 | 4,910 | 5,945 | 5,821 |
| 9 Federal agency | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 Mortgage-backed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NET OPTIONS POSITIONS | | | | | | | | | | | |
| *By type of deliverable security* | | | | | | | | | | | |
| 11 U.S. Treasury bills | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Coupon securities, by maturity | | | | | | | | | | | |
| 12 Five years or less | 1,381 | 1,542 | 139 | 1,023 | 691 | 676 | 307 | 1,287 | 1,868 | 2,276 | 3,099 |
| 13 More than five years | 177 | 1,081 | 703 | 429 | 1,491 | 1,366 | 688 | 797 | 735 | 235 | 70 |
| 14 Federal agency | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 15 Mortgage-backed | 4,949 | 1,435 | 3,902 | 4,808 | 4,570 | 3,688 | 3,603 | 3,741 | 3,465 | 3,479 | 2,941 |
| | Financing[5] | | | | | | | | | | |
| *Reverse repurchase agreements* | | | | | | | | | | | |
| 16 Overnight and continuing | 258,213 | 256,694 | 251,988 | 252,381 | 245,232 | 271,735 | 252,858 | 242,766 | 235,548 | 238,277 | 248,074 |
| 17 Term | 435,402 | 467,590 | 453,182 | 478,354 | 499,560 | 416,344 | 448,774 | 451,521 | 428,448 | 470,543 | 471,190 |
| *Securities borrowed* | | | | | | | | | | | |
| 18 Overnight and continuing | 172,317 | 166,490 | 173,105 | 166,473 | 168,222 | 175,434 | 178,128 | 168,867 | 182,616 | 181,178 | 182,894 |
| 19 Term | 66,212 | 67,330 | 63,987 | 69,357 | 69,339 | 62,296 | 62,976 | 62,021 | 58,906 | 61,003 | 60,316 |
| *Securities received as pledge* | | | | | | | | | | | |
| 20 Overnight and continuing | 4,477 | 3,275 | 2,488 | 2,241 | 2,063 | 2,487 | 2,446 | 2,414 | 4,501 | 4,446 | 5,423 |
| 21 Term | 65 | 53 | 52 | 27 | 39 | 29 | 41 | 102 | 47 | 91 | 112 |
| *Repurchase agreements* | | | | | | | | | | | |
| 22 Overnight and continuing | 557,094 | 577,949 | 559,390 | 567,907 | 560,778 | 577,866 | 564,022 | 534,374 | 556,952 | 561,144 | 545,801 |
| 23 Term | 393,406 | 399,259 | 392,946 | 413,066 | 426,042 | 357,241 | 392,652 | 401,719 | 362,346 | 403,262 | 415,376 |
| *Securities loaned* | | | | | | | | | | | |
| 24 Overnight and continuing | 5,202 | 4,728 | 4,804 | 4,812 | 4,803 | 4,579 | 4,769 | 4,841 | 5,577 | 5,711 | 5,890 |
| 25 Term | 2,362 | 2,611 | 3,094 | 3,242 | 3,223 | 3,086 | n.a. | 2,952 | n.a. | n.a. | n.a. |
| *Securities pledged* | | | | | | | | | | | |
| 26 Overnight and continuing | 40,936 | 37,160 | 41,591 | 36,547 | 36,965 | 41,397 | 43,031 | 44,627 | 45,317 | 45,388 | 47,466 |
| 27 Term | 8,343 | 8,518 | 6,797 | 8,465 | 8,025 | 6,738 | 6,163 | 6,249 | 6,016 | 6,063 | 6,060 |
| *Collateralized loans* | | | | | | | | | | | |
| 28 Overnight and continuing | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 29 Term | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 30 Total | 12,176 | 14,045[r] | 12,091 | 10,602[r] | 13,316 | 12,567 | 12,697 | 9,708 | 13,097 | 13,550 | 12,200 |
| MEMO: Matched book[6] | | | | | | | | | | | |
| *Securities in* | | | | | | | | | | | |
| 31 Overnight and continuing | 239,030 | 244,480 | 244,668 | 245,137 | 236,730 | 259,949 | 250,282 | 233,953 | 236,593 | 236,204 | 250,199 |
| 32 Term | 433,861 | 464,018 | 441,772 | 480,346 | 488,139 | 407,901 | 437,150 | 436,335 | 413,953 | 459,074 | 453,905 |
| *Securities out* | | | | | | | | | | | |
| 33 Overnight and continuing | 328,321 | 348,557 | 334,416 | 344,315 | 341,079 | 345,621 | 334,007 | 314,633 | 337,593 | 356,820 | 350,654 |
| 34 Term | 338,096 | 349,263 | 337,119 | 365,614 | 372,213 | 303,369 | 332,831 | 343,905 | 309,423 | 345,288 | 360,676 |

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of business Wednesday data. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net outright positions include immediate and forward positions. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions for mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.

Forward positions reflect agreements made in the over the counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage backed agency securities are included when the time to delivery is more than thirty business days.

4. Futures positions reflect standardized agreements arranged on an exchange. All futures positions are included regardless of time to delivery.

5. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day. Financing data are reported in terms of actual funds paid or received, including accrued interest.

6. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or different types of collateralization.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

## 1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

| Agency | 1992 | 1993 | 1994 | 1995 | 1995 Dec. | 1996 Jan. | 1996 Feb | 1996 Mar. | 1996 Apr. |
|---|---|---|---|---|---|---|---|---|---|
| 1 **Federal and federally sponsored agencies** | **483,970** | **570,711** | **738,928** | **844,611** | **844,611** | **836,820** | **840,384** | **846,807** | |
| 2 Federal agencies | 41,829 | 45,193 | 39,186 | 37,347 | 37,347 | 37,273 | 31,986 | 31,284 | |
| 3 Defense Department[1] | 7 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | |
| 4 Export-Import Bank[2,3] | 7,208 | 5,315 | 3,455 | 2,050 | 2,050 | 2,050 | 2,050 | 2,015 | |
| 5 Federal Housing Administration[4] | 374 | 255 | 116 | 97 | 97 | 31 | 35 | 52 | n.a. |
| 6 Government National Mortgage Association certificates of participation[5] | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | |
| 7 Postal Service[6] | 10,660 | 9,732 | 8,073 | 5,765 | 5,765 | 5,765 | 300 | 300 | |
| 8 Tennessee Valley Authority | 23,580 | 29,885 | 27,536 | 29,429 | 29,429 | 29,421 | 29,595 | 28,911 | |
| 9 United States Railway Association[6] | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | |
| 10 Federally sponsored agencies[7] | 442,141 | 523,452 | 699,742 | 807,264 | 807,264 | 799,547 | 808,398 | 815,523 | |
| 11 Federal Home Loan Banks | 114,733 | 139,512 | 205,817 | 243,194 | 243,194 | 234,664 | 233,404 | 239,253 | 242,437 |
| 12 Federal Home Loan Mortgage Corporation | 29,631 | 49,993 | 93,279 | 119,961 | 119,961 | 120,868 | 123,777 | 124,278 | 136,185 |
| 13 Federal National Mortgage Association | 166,300 | 201,112 | 257,230 | 299,174 | 299,174 | 297,657 | 304,159 | 306,815 | 306,361 |
| 14 Farm Credit Banks[8] | 51,910 | 53,123 | 53,175 | 57,379 | 57,379 | 58,659 | 57,536 | 59,428 | 60,815 |
| 15 Student Loan Marketing Association[9] | 39,650 | 39,784 | 50,335 | 47,529 | 47,529 | 47,673 | 49,495 | 45,723 | n.a. |
| 16 Financing Corporation[10] | 8,170 | 8,170 | 8,170 | 8,170 | 8,170 | 8,170 | 8,170 | 8,170 | 8,170 |
| 17 Farm Credit Financial Assistance Corporation[11] | 1,261 | 1,261 | 1,261 | 1,261 | 1,261 | 1,261 | 1,261 | 1,261 | 1,261 |
| 18 Resolution Funding Corporation[12] | 29,996 | 29,996 | 29,996 | 29,996 | 29,996 | 29,996 | 29,996 | 29,996 | 29,996 |
| MEMO | | | | | | | | | |
| 19 **Federal Financing Bank debt[13]** | **154,994** | **128,187** | **103,817** | **78,681** | **78,681** | **78,512** | **68,037** | **66,725** | |
| *Lending to federal and federally sponsored agencies* | | | | | | | | | |
| 20 Export-Import Bank[3] | 7,202 | 5,309 | 3,449 | 2,044 | 2,044 | 2,044 | 2,044 | 2,009 | |
| 21 Postal Service[6] | 10,440 | 9,732 | 8,073 | 5,765 | 5,765 | 5,765 | 300 | 300 | |
| 22 Student Loan Marketing Association | 4,790 | 4,760 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | |
| 23 Tennessee Valley Authority | 6,975 | 6,325 | 3,200 | 3,200 | 3,200 | 3,200 | n.a. | n.a. | n.a. |
| 24 United States Railway Association[6] | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | |
| *Other lending[14]* | | | | | | | | | |
| 25 Farmers Home Administration | 42,979 | 38,619 | 33,719 | 21,015 | 21,015 | 21,015 | 21,015 | 21,015 | |
| 26 Rural Electrification Administration | 18,172 | 17,578 | 17,392 | 17,144 | 17,144 | 17,026 | 17,040 | 17,049 | |
| 27 Other | 64,436 | 45,864 | 37,984 | 29,513 | 29,513 | 29,462 | 27,638 | 26,352 | |

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. On-budget since Sept. 30, 1976.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Includes Federal Agricultural Mortgage Corporation; therefore details do not sum to total. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, which is shown on line 17.
9. Before late 1982, the association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.
12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.
13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table to avoid double counting.
14. Includes FFB purchases of agency assets and guaranteed loans; the latter are loans guaranteed by numerous agencies, with the amounts guaranteed by any one agency generally being small. The Farmers Home Administration entry consists exclusively of agency assets, whereas the Rural Electrification Administration entry consists of both agency assets and guaranteed loans.

## 1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

| Type of issue or issuer, or use | 1993 | 1994 | 1995 | 1995 Nov. | 1995 Dec. | 1996 Jan. | 1996 Feb. | 1996 Mar. | 1996 Apr. | 1996 May | 1996 June |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 **All issues, new and refunding**[1] | **279,945** | **153,950** | **143,101** | **16,839** | **16,978** | **11,545** | **11,598** | **15,244** | **13,199** | **14,991** | **16,533** |
| *By type of issue* | | | | | | | | | | | |
| 2 General obligation | 90,599 | 54,404 | 55,737 | 6,194 | 5,489 | 6,074 | 2,063 | 4,846 | 5,083 | 5,476 | 6,493 |
| 3 Revenue | 189,346 | 99,546 | 86,555 | 10,645 | 11,489 | 5,471 | 9,535 | 10,398 | 8,116 | 9,515 | 10,040 |
| *By type of issuer* | | | | | | | | | | | |
| 4 State | 27,999 | 19,186 | 14,215 | 1,491 | 951 | 1,630 | 695 | 904 | 926 | 2,807 | 1,047 |
| 5 Special district or statutory authority[2] | 178,714 | 95,896 | 91,419 | 10,736 | 11,678 | 7,052 | 7,820 | 10,141 | 9,571 | 9,824 | 9,899 |
| 6 Municipality, county, or township | 73,232 | 38,868 | 36,658 | 4,612 | 4,349 | 2,863 | 3,083 | 4,199 | 2,702 | 2,360 | 5,587 |
| 7 **Issues for new capital** | **91,434** | **105,972** | **94,412** | **11,415** | **11,070** | **6,517** | **6,383** | **10,621** | **9,487** | **9,594** | **13,864** |
| *By use of proceeds* | | | | | | | | | | | |
| 8 Education | 16,831 | 21,267 | 24,926 | 3,377 | 2,968 | 2,065 | 2,226 | 1,847 | 2,142 | 2,442 | 3,453 |
| 9 Transportation | 9,167 | 10,836 | 11,887 | 1,469 | 1,178 | 573 | 359 | 1,417 | 682 | 778 | 1,390 |
| 10 Utilities and conservation | 12,014 | 10,192 | 9,618 | 554 | 1,664 | 439 | 582 | 892 | 592 | 1,368 | 974 |
| 11 Social welfare | 13,837 | 20,289 | 18,612 | 2,177 | 1,614 | 935 | 904 | 2,715 | 1,669 | 1,764 | 3,152 |
| 12 Industrial aid | 6,862 | 8,161 | 6,566 | 650 | 1,325 | 322 | 110 | 785 | 751 | 302 | 414 |
| 13 Other purposes | 32,723 | 35,227 | 26,518 | 3,188 | 2,321 | 2,183 | 2,202 | 2,965 | 3,651 | 2,940 | 4,481 |

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

SOURCE. Securities Data Company beginning January 1993; *Investment Dealer's Digest* before then.

## 1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

| Type of issue, offering, or issuer | 1993 | 1994 | 1995 | 1995 Oct. | 1995 Nov. | 1995 Dec. | 1996 Jan. | 1996 Feb. | 1996 Mar. | 1996 Apr. | 1996 May |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 **All issues**[1] | **769,088** | **583,240** | n.a. | **52,112** | **55,349** | **40,149** | **47,499**[r] | **60,784**[r] | **54,980**[r] | **45,000**[r] | **59,890** |
| 2 **Bonds**[2] | **646,634** | **498,039** | n.a. | **43,452** | **47,568** | **34,619** | **42,743**[r] | **51,624**[r] | **47,587**[r] | **32,500** | **46,300** |
| *By type of offering* | | | | | | | | | | | |
| 3 Public, domestic | 487,029 | 365,222 | 408,806 | 36,692 | 43,336 | 32,219 | 33,982[r] | 44,969[r] | 40,763[r] | 27,000 | 39,300 |
| 4 Private placement, domestic[3] | 121,226 | 76,065 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 5 Sold abroad | 38,379 | 56,755 | 76,910 | 6,760 | 4,232 | 2,399 | 8,761 | 6,656 | 6,824[r] | 5,500 | 7,000 |
| *By industry group* | | | | | | | | | | | |
| 6 Manufacturing | 88,160 | 43,423 | 42,950 | 3,397 | 4,017 | 3,205 | 3,809 | 2,472 | 3,335[r] | 2,210 | 5,646 |
| 7 Commercial and miscellaneous | 58,559 | 40,735 | 37,139 | 3,532 | 4,178 | 3,099 | 2,151 | 2,601 | 3,852 | 3,064 | 4,810 |
| 8 Transportation | 10,816 | 6,867 | 5,727 | 187 | 225 | 1,240 | 664 | 584 | 137[r] | 120 | 565 |
| 9 Public utility | 56,330 | 13,322 | 11,974 | 1,241 | 485 | 685 | 1,821 | 955 | 678 | 465[r] | 611 |
| 10 Communication | 31,950 | 13,340 | 18,158 | 2,389 | 3,333 | 648 | 748 | 2,691 | 2,073[r] | 535 | 1,187 |
| 11 Real estate and financial | 400,820 | 380,352 | 369,769 | 32,706 | 35,330 | 25,742 | 33,550[r] | 42,323[r] | 37,512[r] | 26,106[r] | 33,481 |
| 12 **Stocks**[2] | **122,454** | **85,155** | n.a. | **8,660** | **7,781** | **5,530** | **4,756** | **9,160** | **7,393** | **12,500**[r] | **13,590** |
| *By type of offering* | | | | | | | | | | | |
| 13 Public preferred | 18,897 | 12,570 | 10,964 | 836 | 2,210 | 890 | 2,167 | 3,258 | 967 | 2,000 | 1,660 |
| 14 Common | 82,657 | 47,828 | 57,809 | 7,824 | 5,571 | 4,640 | 2,589 | 5,902 | 6,426 | 10,500[r] | 11,930 |
| 15 Private placement[3] | 20,900 | 24,800 | | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| *By industry group* | | | | | | | | | | | |
| 16 Manufacturing | 22,271 | 17,798 | | 1,815 | 2,209 | 681 | 295 | 1,543 | 2,036 | 3,968[r] | 2,777 |
| 17 Commercial and miscellaneous | 25,761 | 15,713 | n.a. | 4,628 | 3,274 | 2,632 | 2,521 | 2,659 | 3,577 | 4,122[r] | 5,349 |
| 18 Transportation | 2,237 | 2,203 | | 39 | 97 | 156 | 38 | 141 | 232 | 37 | 322 |
| 19 Public utility | 7,050 | 2,214 | | 60 | 36 | 322 | 115 | 809 | 319 | 149 | 147 |
| 20 Communication | 3,439 | 494 | | 0 | 0 | 0 | 200 | 122 | 100 | 144 | 1,205 |
| 21 Real estate and financial | 61,004 | 46,733 | | 2,118 | 2,166 | 1,739 | 1,588 | 3,719 | 1,130 | 4,079[r] | 3,789 |

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data cover only public offerings.
3. Monthly data are not available.

SOURCE. Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System.

## 1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

| Item | 1994 | 1995 | 1995 | | | 1996 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Oct. | Nov. | Dec. | Jan. | Feb | Mar. | Apr.[r] | May |
| 1 **Sales of own shares**[2] | **841,286** | **871,415** | **72,730** | **70,499** | **94,719** | **112,332** | **90,370** | **93,856** | **101,310** | **96,501** |
| 2 Redemptions of own shares | 699,823 | 699,497 | 56,174 | 52,727 | 67,945 | 75,354 | 60,398 | 65,748 | 81,005 | 69,419 |
| 3 Net sales[3] | 141,463 | 171,918 | 16,556 | 17,772 | 26,774 | 36,978 | 29,972 | 28,108 | 20,305 | 27,082 |
| 4 **Assets**[4] | **1,550,490** | **2,067,337** | **1,963,496** | **2,032,958** | **2,067,337** | **2,143,185** | **2,181,711** | **2,212,517** | **2,293,491** | **2,356,307** |
| 5 Cash[5] | 121,296 | 142,572 | 133,653 | 141,489 | 142,572 | 150,772 | 144,520 | 142,697 | 148,777 | 145,554 |
| 6 Other | 1,429,195 | 1,924,765 | 1,829,843 | 1,891,470 | 1,924,765 | 1,992,414 | 2,037,191 | 2,069,820 | 2,144,713 | 2,201,752 |

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 net income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes sales and redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.
4. Market value at end of period, less current liabilities.
5. Includes all U.S. Treasury securities and other short-term debt securities.

SOURCE. Investment Company Institute. Data based on reports of membership, which comprises substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect underwritings of newly formed companies after their initial offering of securities.

## 1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

| Account | 1993 | 1994 | 1995 | 1994 | | | 1995 | | | | 1996 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
| 1 Profits with inventory valuation and capital consumption adjustment | 464.5 | 526.5 | 588.6 | 531.5 | 549.8 | 568.9 | 559.6 | 561.1 | 614.9 | 618.6 | 652.0 |
| 2 Profits before taxes | 464.3 | 528.2 | 600.8 | 523.2 | 547.5 | 570.4 | 594.1 | 588.4 | 609.6 | 611.0 | 649.0 |
| 3 Profits-tax liability | 163.8 | 195.3 | 218.7 | 192.8 | 203.4 | 213.5 | 217.3 | 214.2 | 224.5 | 218.7 | 233.4 |
| 4 Profits after taxes | 300.5 | 332.9 | 382.1 | 330.4 | 344.1 | 356.8 | 376.8 | 374.1 | 385.1 | 392.3 | 415.6 |
| 5 Dividends | 197.3 | 211.0 | 227.4 | 208.8 | 212.5 | 218.5 | 221.7 | 224.6 | 228.5 | 234.7 | 239.9 |
| 6 Undistributed profits | 103.3 | 121.9 | 154.7 | 121.7 | 131.6 | 138.3 | 155.1 | 149.6 | 156.6 | 157.6 | 175.7 |
| 7 Inventory valuation | 6.6 | 13.3 | 28.1 | 9.8 | 16.5 | 22.8 | -51.9 | 42.3 | 9.3 | 8.8 | 17.4 |
| 8 Capital consumption adjustment | 6.7 | 11.6 | 15.9 | 18.1 | 18.8 | 21.3 | 17.4 | 15.0 | 14.6 | 16.5 | 20.4 |

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

## 1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

| Account | 1993 | 1994 | 1995 | 1994 Q3 | 1994 Q4 | 1995 Q1 | 1995 Q2 | 1995 Q3 | 1995 Q4 | 1996 Q1 |
|---|---|---|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | | | | |
| 1 Accounts receivable, gross[2] | 482.8 | 551.0 | 614.6 | 524.1 | 551.0 | 568.5 | 586.9 | 594.7 | 614.6 | 623.3 |
| 2 Consumer | 116.5 | 134.8 | 152.0 | 130.3 | 134.8 | 135.8 | 141.7 | 146.2 | 152.0 | 153.2 |
| 3 Business | 294.6 | 337.6 | 375.9 | 317.2 | 337.6 | 351.9 | 361.8 | 362.4 | 375.9 | 381.0 |
| 4 Real estate | 71.7 | 78.5 | 86.6 | 76.6 | 78.5 | 80.8 | 83.4 | 86.1 | 86.6 | 89.1 |
| 5 LESS: Reserves for unearned income | 50.7 | 55.0 | 63.2 | 51.1 | 55.0 | 58.9 | 62.1 | 61.2 | 63.2 | 61.8 |
| 6 Reserves for losses | 11.2 | 12.4 | 14.1 | 12.1 | 12.4 | 12.9 | 13.7 | 13.8 | 14.1 | 14.2 |
| 7 Accounts receivable, net | 420.9 | 483.5 | 537.3 | 460.9 | 483.5 | 496.7 | 511.1 | 519.7 | 537.3 | 547.3 |
| 8 All other | 170.9 | 183.4 | 210.7 | 177.2 | 183.4 | 194.6 | 198.1 | 198.1 | 210.7 | 211.6 |
| 9 **Total assets** | **591.8** | **666.9** | **748.0** | **638.1** | **666.9** | **691.4** | **709.2** | **717.8** | **748.0** | **758.9** |
| LIABILITIES AND CAPITAL | | | | | | | | | | |
| 10 Bank loans | 25.3 | 21.2 | 23.1 | 21.6 | 21.2 | 21.0 | 21.5 | 21.8 | 23.1 | 23.5 |
| 11 Commercial paper | 159.2 | 184.6 | 184.5 | 171.0 | 184.6 | 181.3 | 181.3 | 178.0 | 184.5 | 184.8 |
| *Debt* | | | | | | | | | | |
| 12 Owed to parent | 42.7 | 51.0 | 62.3 | 50.0 | 51.0 | 52.5 | 57.5 | 59.0 | 62.3 | 62.3 |
| 13 Not elsewhere classified | 206.0 | 235.0 | 284.7 | 228.2 | 235.0 | 254.4 | 264.4 | 272.1 | 284.7 | 291.4 |
| 14 All other liabilities | 87.1 | 99.5 | 106.2 | 95.0 | 99.5 | 102.5 | 102.1 | 102.4 | 106.2 | 105.7 |
| 15 Capital, surplus, and undivided profits | 71.4 | 75.7 | 87.2 | 72.3 | 75.7 | 79.7 | 82.5 | 84.4 | 87.2 | 91.1 |
| 16 **Total liabilities and capital** | 591.8 | 666.9 | 748.0 | 638.1 | 666.9 | 691.4 | 709.2 | 717.8 | 748.0 | 758.9 |

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are amounts carried on the balance sheets of finance companies; securitized pools are not shown, as they are not on the books.

2. Before deduction for unearned income and losses.

## 1.52 DOMESTIC FINANCE COMPANIES Consumer, Real Estate, and Business Credit[1]

Millions of dollars, amounts outstanding, end of period

| Type of credit | 1993 | 1994 | 1995 | 1995 Dec. | 1996 Jan. | 1996 Feb. | 1996 Mar. | 1996 Apr. | 1996 May |
|---|---|---|---|---|---|---|---|---|---|
| | Seasonally adjusted | | | | | | | | |
| 1 **Total** | **546,103** | **615,618** | **691,616** | **691,616** | **696,099** | **700,977** | **703,398r** | **708,343r** | **710,367** |
| 2 Consumer | 160,227 | 176,085 | 198,861 | 198,861 | 200,162 | 202,548 | 203,280 | 205,184 | 207,027 |
| 3 Real estate[2] | 72,043 | 78,910 | 87,077 | 87,077 | 88,084 | 88,188 | 89,502 | 89,943 | 90,180 |
| 4 Business | 313,833 | 360,624 | 405,678 | 405,678 | 407,853 | 410,241 | 410,616r | 413,216r | 413,160 |
| | Not seasonally adjusted | | | | | | | | |
| 5 **Total** | **550,751** | **620,975** | **697,340** | **697,340** | **697,312** | **701,576** | **705,650r** | **710,762r** | **712,429** |
| 6 Consumer | 162,770 | 178,999 | 202,101 | 202,101 | 201,774 | 202,108 | 202,337 | 203,532 | 205,678 |
| 7 Motor vehicles | 56,057 | 61,609 | 70,061 | 70,061 | 71,420 | 73,312 | 72,129 | 73,810 | 74,327 |
| 8 Other consumer[3] | 60,396 | 73,221 | 81,988 | 81,988 | 81,186 | 81,214 | 79,779 | 79,489 | 80,435 |
| 9 Securitized motor vehicles[4] | 36,024 | 31,897 | 33,633 | 33,633 | 32,128 | 30,364 | 31,093 | 30,476 | 31,435 |
| 10 Securitized other consumer[4] | 10,293 | 12,272 | 16,419 | 16,419 | 17,040 | 17,218 | 19,336 | 19,757 | 19,481 |
| 11 Real estate[2] | 71,727 | 78,479 | 86,606 | 86,606 | 88,495 | 88,520 | 89,056 | 89,975 | 90,182 |
| 12 Business | 316,254 | 363,497 | 408,633 | 408,633 | 407,043 | 410,948 | 414,257r | 417,255r | 416,569 |
| 13 Motor vehicles | 95,173 | 118,197 | 133,277 | 133,277 | 132,062 | 132,153 | 134,098r | 134,500r | 134,196 |
| 14 Retail[5] | 18,091 | 21,514 | 25,304 | 25,304 | 25,906 | 26,591 | 27,140r | 27,954r | 27,151 |
| 15 Wholesale[6] | 31,148 | 35,037 | 36,427 | 36,427 | 34,198 | 33,386 | 33,910 | 32,155 | 31,360 |
| 16 Leasing | 45,934 | 61,646 | 71,546 | 71,546 | 71,958 | 72,176 | 73,048 | 74,391 | 75,685 |
| 17 Equipment | 145,452 | 157,953 | 177,297 | 177,297 | 175,984 | 176,461 | 177,285 | 178,507 | 178,151 |
| 18 Retail | 35,513 | 39,680 | 48,843 | 48,843 | 48,737 | 48,660 | 48,696 | 47,913 | 46,941 |
| 19 Wholesale[6] | 8,001 | 9,678 | 10,266 | 10,266 | 9,260 | 8,914 | 9,213 | 9,663 | 10,386 |
| 20 Leasing | 101,938 | 108,595 | 118,188 | 118,188 | 117,987 | 118,887 | 119,376 | 120,931 | 120,824 |
| 21 Other business[7] | 53,997 | 61,495 | 65,363 | 65,363 | 66,643 | 68,070 | 69,497 | 69,193 | 68,112 |
| 22 Securitized business assets[4] | 21,632 | 25,852 | 32,696 | 32,696 | 32,354 | 34,264 | 33,377 | 35,055 | 36,110 |
| 23 Retail | 2,869 | 4,494 | 4,723 | 4,723 | 4,467 | 4,252 | 4,067 | 4,367 | 4,790 |
| 24 Wholesale | 10,584 | 14,826 | 21,327 | 21,327 | 21,130 | 23,460 | 22,622 | 24,327 | 25,028 |
| 25 Leasing | 8,179 | 6,532 | 6,646 | 6,646 | 6,757 | 6,552 | 6,688 | 6,361 | 6,292 |

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are before deductions for unearned income and losses. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

2. Includes all loans secured by liens on any type of real estate, for example, first and junior mortgages and home equity loans.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, general merchandise, and recreation vehicles.

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

5. Passenger car fleets and commercial land vehicles for which licenses are required.

6. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

7. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

## 1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

| Item | 1993 | 1994 | 1995 | 1995 | 1996 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Dec. | Jan. | Feb. | Mar. | Apr. | May | June |
| | Terms and yields in primary and secondary markets | | | | | | | | | |
| PRIMARY MARKETS | | | | | | | | | | |
| *Terms*[1] | | | | | | | | | | |
| 1 Purchase price (thousands of dollars) | 163.1 | 170.4 | 175.8 | 181.7 | 179.2 | 181.7 | 184.5 | 175.2 | 179.5 | 180.1 |
| 2 Amount of loan (thousands of dollars) | 123.0 | 130.8 | 134.5 | 140.9 | 135.8 | 143.2 | 141.5 | 133.2 | 137.6 | 139.4 |
| 3 Loan-to-price ratio (percent) | 78.0 | 78.8 | 78.6 | 79.1 | 77.3 | 80.3 | 77.8 | 78.4 | 79.3 | 78.7 |
| 4 Maturity (years) | 26.1 | 27.5 | 27.7 | 27.6 | 27.7 | 27.8 | 26.4 | 27.1 | 27.2 | 25.8 |
| 5 Fees and charges (percent of loan amount)[2] | 1.30 | 1.29 | 1.21 | 1.21 | 1.07 | 1.24 | 1.30 | 1.17 | 1.16 | 1.31 |
| *Yield (percent per year)* | | | | | | | | | | |
| 6 Contract rate[1] | 7.03 | 7.26 | 7.65 | 7.20 | 7.15 | 7.00 | 7.25 | 7.57 | 7.61 | 7.75 |
| 7 Effective rate[1,3] | 7.24 | 7.47 | 7.85 | 7.40 | 7.32 | 7.20 | 7.49 | 7.76 | 7.80 | 8.05 |
| 8 Contract rate (HUD series)[4] | 7.37 | 8.58 | 8.05 | 7.30 | 7.23 | 7.56 | 7.97 | 8.22 | 8.34 | 8.37 |
| SECONDARY MARKETS | | | | | | | | | | |
| *Yield (percent per year)* | | | | | | | | | | |
| 9 FHA mortgages (Section 203)[5] | 7.46 | 8.68 | 8.18 | 7.52 | 7.11 | 7.57 | 8.09 | 8.52 | 8.57 | 8.55 |
| 10 GNMA securities[6] | 6.65 | 7.96 | 7.57 | 6.82 | 6.71 | 6.85 | 7.40 | 7.63 | 7.81 | 7.91 |
| | Activity in secondary markets | | | | | | | | | |
| FEDERAL NATIONAL MORTGAGE ASSOCIATION | | | | | | | | | | |
| *Mortgage holdings (end of period)* | | | | | | | | | | |
| 11 Total | 190,861 | 222,057 | 253,511 | 253,511 | 255,619 | 257,970 | 262,014 | 263,809 | 267,330 | 270,042 |
| 12 FHA/VA insured | 23,857 | 27,558 | 28,762 | 28,762 | 28,622 | 28,502 | 28,744 | 29,132 | 30,442 | 30,936 |
| 13 Conventional | 167,004 | 194,499 | 224,749 | 224,749 | 226,997 | 229,468 | 233,270 | 234,677 | 236,888 | 239,106 |
| 14 Mortgage transactions purchased (during period) | 92,037 | 62,389 | 56,598 | 6,243 | 4,810 | 5,371 | 7,681 | 5,339 | 6,720 | 5,421 |
| *Mortgage commitments (during period)* | | | | | | | | | | |
| 15 Issued[7] | 92,537 | 54,038 | 56,092 | 4,765 | 5,750 | 7,013 | 6,293 | 5,599 | 5,228 | 5,280 |
| 16 To sell[8] | 5,097 | 1,820 | 360 | 0 | 3 | 0 | 29 | 0 | 13 | 0 |
| FEDERAL HOME LOAN MORTGAGE CORPORATION | | | | | | | | | | |
| *Mortgage holdings (end of period)*[8] | | | | | | | | | | |
| 17 Total | 55,012 | 72,693 | 107,424 | 107,424 | 111,143 | 114,793 | 117,420 | 119,520 | 121,058 | 123,806 |
| 18 FHA/VA insured | 321 | 276 | 267 | 267 | 226 | 223 | 220 | 216 | 212 | 212 |
| 19 Conventional | 54,691 | 72,416 | 107,157 | 107,157 | 110,917 | 114,570 | 117,200 | 119,304 | 120,846 | 123,594 |
| *Mortgage transactions (during period)* | | | | | | | | | | |
| 20 Purchases | 229,242 | 124,697 | 98,470 | 13,108 | 13,357 | 10,891 | 11,984 | 12,740 | 12,385 | 10,266 |
| 21 Sales | 208,723 | 117,110 | 85,877 | 11,712 | 11,624 | 9,733 | 11,384 | 11,958 | 11,904 | 9,969 |
| 22 Mortgage commitments contracted (during period)[9] | 274,599 | 136,067 | 118,659 | 14,609 | 12,765 | 10,378 | 14,520 | 13,009 | 11,075 | 11,164 |

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.
4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.
5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.
6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.
7. Does not include standby commitments issued, but includes standby commitments converted.
8. Includes participation loans as well as whole loans.
9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.

## 1.54 MORTGAGE DEBT OUTSTANDING[1]

*Millions of dollars, end of period*

| Type of holder and property | 1992 | 1993 | 1994 | 1995 | | | | 1996 |
|---|---|---|---|---|---|---|---|---|
| | | | | Q1 | Q2 | Q3 | Q4 | Q1[p] |
| 1 **All holders** | **4,092,984** | **4,268,420** | **4,473,100** | **4,515,854** | **4,584,566** | **4,663,864** | **4,715,884** | **4,773,998** |
| *By type of property* | | | | | | | | |
| 2 One- to four-family residences | 3,037,408 | 3,227,134 | 3,430,023 | 3,465,065 | 3,524,378 | 3,593,966 | 3,634,698 | 3,682,610 |
| 3 Multifamily residences | 274,234 | 270,796 | 275,303 | 276,398 | 280,390 | 284,238 | 288,090 | 292,448 |
| 4 Nonfarm, nonresidential | 700,604 | 689,296 | 684,803 | 690,988 | 695,947 | 701,241 | 708,467 | 713,751 |
| 5 Farm | 80,738 | 81,194 | 82,971 | 83,403 | 83,850 | 84,420 | 84,629 | 85,189 |
| *By type of holder* | | | | | | | | |
| 6 Major financial institutions | 1,769,187 | 1,767,835 | 1,815,810 | 1,841,815 | 1,868,175 | 1,895,285 | 1,890,539 | 1,895,878 |
| 7 Commercial banks[2] | 894,513 | 940,444 | 1,004,280 | 1,024,854 | 1,053,048 | 1,072,780 | 1,080,373 | 1,087,174 |
| 8 One- to four-family | 507,780 | 556,538 | 611,697 | 625,378 | 648,705 | 662,126 | 663,588 | 666,306 |
| 9 Multifamily | 38,024 | 38,635 | 38,916 | 39,746 | 40,593 | 43,003 | 43,846 | 45,201 |
| 10 Nonfarm, nonresidential | 328,826 | 324,409 | 331,100 | 336,795 | 340,176 | 343,826 | 349,109 | 351,736 |
| 11 Farm | 19,882 | 20,862 | 22,567 | 22,936 | 23,575 | 23,824 | 23,829 | 23,931 |
| 12 Savings institutions[3] | 627,972 | 598,330 | 596,199 | 601,777 | 599,745 | 601,614 | 596,789 | 595,903 |
| 13 One- to four-family | 489,622 | 469,959 | 477,499 | 483,625 | 482,005 | 489,150 | 482,765 | 484,020 |
| 14 Multifamily | 69,791 | 67,362 | 64,400 | 63,778 | 64,404 | 63,569 | 61,926 | 60,494 |
| 15 Nonfarm, nonresidential | 68,235 | 60,704 | 54,011 | 54,085 | 53,054 | 51,604 | 51,809 | 51,089 |
| 16 Farm | 324 | 305 | 289 | 288 | 282 | 291 | 288 | 299 |
| 17 Life insurance companies | 246,702 | 229,061 | 215,332 | 215,184 | 215,382 | 217,892 | 213,377 | 212,801 |
| 18 One- to four-family | 11,441 | 9,458 | 7,910 | 7,892 | 7,911 | 8,006 | 7,833 | 7,815 |
| 19 Multifamily | 27,770 | 25,814 | 24,306 | 24,250 | 24,310 | 24,601 | 24,070 | 24,013 |
| 20 Nonfarm, nonresidential | 198,269 | 184,305 | 173,539 | 173,142 | 173,565 | 175,643 | 171,855 | 171,445 |
| 21 Farm | 9,222 | 9,484 | 9,577 | 9,900 | 9,596 | 9,643 | 9,619 | 9,528 |
| 22 Federal and related agencies | 286,263 | 327,014 | 319,401 | 317,753 | 315,722 | 319,923 | 320,828 | 322,131 |
| 23 Government National Mortgage Association | 30 | 22 | 6 | 15 | 7 | 2 | 2 | 2 |
| 24 One- to four-family | 30 | 15 | 6 | 15 | 7 | 2 | 2 | 2 |
| 25 Multifamily | 0 | 7 | 0 | 0 | 0 | 0 | 0 | 0 |
| 26 Farmers Home Administration[4] | 41,695 | 41,386 | 41,781 | 41,857 | 41,917 | 41,858 | 41,791 | 41,594 |
| 27 One- to four-family | 16,912 | 15,303 | 13,826 | 13,507 | 13,217 | 12,914 | 12,643 | 12,327 |
| 28 Multifamily | 10,575 | 10,940 | 11,319 | 11,418 | 11,512 | 11,557 | 11,617 | 11,636 |
| 29 Nonfarm, nonresidential | 5,158 | 5,406 | 5,670 | 5,807 | 5,949 | 6,096 | 6,248 | 6,365 |
| 30 Farm | 9,050 | 9,739 | 10,966 | 11,124 | 11,239 | 11,291 | 11,282 | 11,266 |
| 31 Federal Housing and Veterans' Administrations | 12,581 | 12,215 | 10,964 | 10,890 | 10,098 | 9,535 | 9,809 | 8,439 |
| 32 One- to four-family | 5,153 | 5,364 | 4,753 | 4,715 | 4,838 | 4,918 | 5,180 | 4,228 |
| 33 Multifamily | 7,428 | 6,851 | 6,211 | 6,175 | 5,260 | 4,617 | 4,629 | 4,211 |
| 34 Resolution Trust Corporation | 32,045 | 17,284 | 10,428 | 9,342 | 6,456 | 4,889 | 3,863 | 0 |
| 35 One- to four-family | 12,960 | 7,203 | 5,200 | 4,755 | 2,870 | 2,299 | 691 | 0 |
| 36 Multifamily | 9,621 | 5,327 | 2,859 | 2,494 | 1,940 | 1,420 | 647 | 0 |
| 37 Nonfarm, nonresidential | 9,464 | 4,754 | 2,369 | 2,092 | 1,645 | 1,170 | 525 | 0 |
| 38 Farm | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 39 Federal Deposit Insurance Corporation | 0 | 14,112 | 7,821 | 6,730 | 6,039 | 5,015 | 4,303 | 5,553 |
| 40 One- to four-family | 0 | 2,367 | 1,049 | 840 | 731 | 618 | 492 | 1,848 |
| 41 Multifamily | 0 | 1,426 | 1,595 | 1,310 | 1,135 | 722 | 428 | 560 |
| 42 Nonfarm, nonresidential | 0 | 10,319 | 5,177 | 4,580 | 4,173 | 3,674 | 3,383 | 3,145 |
| 43 Farm | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 44 Federal National Mortgage Association | 137,584 | 166,642 | 178,059 | 177,615 | 178,462 | 182,229 | 183,782 | 183,531 |
| 45 One- to four-family | 124,016 | 151,310 | 162,160 | 161,780 | 162,674 | 166,393 | 168,122 | 167,895 |
| 46 Multifamily | 13,568 | 15,332 | 15,899 | 15,835 | 15,788 | 15,836 | 15,660 | 15,636 |
| 47 Federal Land Banks | 28,664 | 28,460 | 28,555 | 28,065 | 28,005 | 28,151 | 28,428 | 28,891 |
| 48 One- to four-family | 1,687 | 1,675 | 1,671 | 1,651 | 1,648 | 1,656 | 1,673 | 1,700 |
| 49 Farm | 26,977 | 26,785 | 26,885 | 26,414 | 26,357 | 26,495 | 26,755 | 27,191 |
| 50 *Federal Home Loan Mortgage Corporation* | 33,665 | 46,892 | 41,786 | 43,239 | 44,738 | 48,243 | 50,849 | 54,120 |
| 51 One- to four-family | 31,032 | 44,345 | 38,956 | 40,105 | 41,477 | 44,809 | 46,997 | 50,058 |
| 52 Multifamily | 2,633 | 2,547 | 2,830 | 3,134 | 3,261 | 3,434 | 3,852 | 4,062 |
| 53 Mortgage pools or trusts[5] | 1,434,264 | 1,564,571 | 1,718,297 | 1,731,468 | 1,759,091 | 1,795,041 | 1,853,613 | 1,895,309 |
| 54 Government National Mortgage Association | 419,516 | 414,066 | 450,934 | 454,401 | 457,101 | 463,654 | 472,298 | 475,823 |
| 55 One- to four-family | 410,675 | 404,864 | 441,198 | 444,632 | 446,855 | 453,114 | 461,453 | 464,644 |
| 56 Multifamily | 8,841 | 9,202 | 9,736 | 9,769 | 10,246 | 10,540 | 10,845 | 11,179 |
| 57 *Federal Home Loan Mortgage Corporation* | 407,514 | 447,147 | 490,851 | 492,194 | 498,216 | 503,370 | 515,051 | 524,326 |
| 58 One- to four-family | 401,525 | 442,612 | 487,725 | 489,114 | 495,182 | 500,417 | 512,238 | 521,721 |
| 59 Multifamily | 5,989 | 4,535 | 3,126 | 3,080 | 3,034 | 2,953 | 2,813 | 2,605 |
| 60 Federal National Mortgage Association | 444,979 | 495,525 | 530,343 | 533,262 | 543,669 | 559,585 | 582,959 | 599,546 |
| 61 One- to four-family | 435,979 | 486,804 | 520,763 | 523,903 | 533,091 | 548,400 | 569,724 | 585,527 |
| 62 Multifamily | 9,000 | 8,721 | 9,580 | 9,359 | 10,578 | 11,185 | 13,235 | 14,019 |
| 63 Farmers Home Administration[4] | 38 | 28 | 19 | 14 | 13 | 12 | 11 | 10 |
| 64 One- to four-family | 8 | 5 | 3 | 2 | 2 | 2 | 2 | 1 |
| 65 *Multifamily* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 66 Nonfarm, nonresidential | 17 | 13 | 9 | 7 | 6 | 5 | 5 | 5 |
| 67 Farm | 13 | 10 | 7 | 5 | 5 | 5 | 4 | 4 |
| 68 Private mortgage conduits | 162,217 | 207,806 | 246,150 | 251,597 | 260,093 | 268,420 | 283,294 | 295,604 |
| 69 One- to four-family | 140,718 | 173,635 | 194,451 | 198,040 | 202,718 | 207,679 | 214,635 | 220,022 |
| 70 Multifamily | 6,305 | 8,701 | 14,925 | 15,743 | 17,281 | 18,903 | 21,279 | 24,477 |
| 71 Nonfarm, nonresidential | 15,194 | 25,469 | 36,774 | 37,814 | 40,094 | 41,838 | 47,380 | 51,104 |
| 72 Farm | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 73 Individuals and others[6] | 603,270 | 609,000 | 619,592 | 624,819 | 641,578 | 653,615 | 650,904 | 660,680 |
| 74 One- to four-family | 447,871 | 455,676 | 461,157 | 465,111 | 480,447 | 491,463 | 486,660 | 494,495 |
| 75 Multifamily | 64,688 | 65,397 | 69,601 | 70,305 | 71,050 | 71,897 | 73,243 | 74,354 |
| 76 Nonfarm, nonresidential | 75,441 | 73,917 | 76,153 | 76,667 | 77,284 | 77,384 | 78,152 | 78,861 |
| 77 Farm | 15,270 | 14,009 | 12,681 | 12,736 | 12,796 | 12,872 | 12,850 | 12,970 |

1. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCE. Based on data from various institutional and government sources. *Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve.* Line 69 from Inside Mortgage Securities.

## 1.55 CONSUMER INSTALLMENT CREDIT[1]

Millions of dollars, amounts outstanding, end of period

| Holder and type of credit | 1993 | 1994 | 1995 | 1995 | 1996 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Dec | Jan. | Feb | Mar. | Apr | May |
| | Seasonally adjusted | | | | | | | | |
| 1 **Total** | **844,118** | **966,457** | **1,103,164** | **1,103,164** | **1,113,509** | **1,124,253** | **1,133,642** | **1,140,181** | **1,145,061** |
| 2 Automobile | 279,786 | 317,182 | 351,052 | 351,052 | 352,461 | 354,810 | 356,310 | 359,507 | 360,539 |
| 3 Revolving | 287,011 | 339,337 | 413,894 | 413,894 | 419,030 | 425,778 | 431,196 | 438,460 | 444,389 |
| 4 Other[2] | 277,321 | 309,939 | 338,218 | 338,218 | 342,018 | 343,666 | 346,136 | 342,214 | 340,133 |
| | Not seasonally adjusted | | | | | | | | |
| 5 **Total** | **863,924** | **990,247** | **1,131,747** | **1,131,747** | **1,123,813** | **1,121,348** | **1,123,315** | **1,129,433** | **1,135,310** |
| *By major holder* | | | | | | | | | |
| 6 Commercial banks | 399,683 | 462,923 | 507,414 | 507,414 | 502,400 | 500,140 | 499,762 | 504,652 | 503,951 |
| 7 Finance companies | 116,453 | 134,830 | 152,624 | 152,624 | 152,606 | 154,365 | 151,749 | 153,299 | 154,762 |
| 8 Credit unions | 101,634 | 119,594 | 131,939 | 131,939 | 131,257 | 130,839 | 130,837 | 131,873 | 133,354 |
| 9 Savings institutions | 37,855 | 38,468 | 40,106 | 40,106 | 40,000 | 40,000 | 40,000 | 39,999 | 40,000 |
| 10 Nonfinancial business[3] | 77,229 | 86,621 | 85,061 | 85,061 | 80,733 | 78,138 | 76,681 | 73,765 | 74,680 |
| 11 Pools of securitized assets[4] | 131,070 | 147,811 | 214,603 | 214,603 | 216,817 | 217,866 | 224,286 | 225,845 | 228,563 |
| *By major type of credit*[5] | | | | | | | | | |
| 12 Automobile | 281,538 | 319,715 | 354,260 | 354,260 | 351,969 | 352,583 | 352,634 | 355,073 | 357,868 |
| 13 Commercial banks | 122,000 | 141,895 | 149,094 | 149,094 | 148,186 | 147,703 | 148,455 | 150,455 | 151,038 |
| 14 Finance companies | 56,057 | 61,609 | 70,626 | 70,626 | 71,420 | 73,312 | 72,129 | 73,810 | 74,327 |
| 15 Pools of securitized assets[4] | 39,561 | 36,376 | 44,616 | 44,616 | 42,569 | 41,755 | 42,868 | 40,596 | 41,021 |
| 16 Revolving | 302,201 | 357,307 | 435,674 | 435,674 | 426,024 | 424,657 | 425,823 | 431,733 | 438,507 |
| 17 Commercial banks | 149,920 | 182,021 | 210,298 | 210,298 | 200,080 | 198,886 | 196,836 | 201,858 | 205,011 |
| 18 Nonfinancial business[3] | 50,125 | 56,790 | 53,525 | 53,525 | 50,520 | 48,613 | 47,416 | 44,526 | 45,182 |
| 19 Pools of securitized assets[4] | 80,242 | 96,130 | 147,934 | 147,934 | 151,640 | 153,390 | 157,690 | 161,185 | 163,774 |
| 20 Other | 280,185 | 313,225 | 341,813 | 341,813 | 345,820 | 344,108 | 344,858 | 342,627 | 338,935 |
| 21 Commercial banks | 127,763 | 139,007 | 148,022 | 148,022 | 154,134 | 153,551 | 154,471 | 152,339 | 147,902 |
| 22 Finance companies | 60,396 | 73,221 | 81,998 | 81,998 | 81,186 | 81,053 | 79,620 | 79,489 | 80,435 |
| 23 Nonfinancial business[3] | 27,104 | 29,831 | 31,536 | 31,536 | 30,213 | 29,525 | 29,265 | 29,239 | 29,498 |
| 24 Pools of securitized assets[4] | 11,267 | 15,305 | 22,053 | 22,053 | 22,608 | 22,721 | 23,728 | 24,064 | 23,768 |

1. The Board's series on amounts of credit covers 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. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Comprises mobile home loans and all other installment loans that are not included in automobile or revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.

3. Includes retailers and gasoline companies.

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

5. Totals include estimates for certain holders for which only consumer credit totals are available.

## 1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent per year except as noted

| Item | 1993 | 1994 | 1995 | 1995 | | 1996 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Nov | Dec. | Jan. | Feb | Mar. | Apr. | May |
| INTEREST RATES | | | | | | | | | | |
| *Commercial banks*[2] | | | | | | | | | | |
| 1 48-month new car | 8.09 | 8.12 | 9.57 | 9.36 | n.a. | n.a. | 9.12 | n.a. | n.a. | 8.93 |
| 2 24-month personal | 13.47 | 13.19 | 13.94 | 13.80 | n.a. | n.a. | 13.63 | n.a. | n.a. | 13.52 |
| Credit card plan | | | | | | | | | | |
| 3 All accounts | n.a. | 15.69 | 16.02 | 15.81 | n.a. | n.a. | 15.82 | n.a. | n.a. | 15.44 |
| 4 Accounts assessed interest | n.a. | 15.77 | 15.79 | 15.71 | n.a. | n.a. | 15.41 | n.a. | n.a. | 15.41 |
| *Auto finance companies* | | | | | | | | | | |
| 5 New car | 9.48 | 9.79 | 11.19 | 10.84 | 10.52 | 9.74 | 9.86 | 9.77 | 9.64 | 9.37 |
| 6 Used car | 12.79 | 13.49 | 14.48 | 13.98 | 13.83 | 13.27 | 13.28 | 13.19 | 13.26 | 13.49 |
| OTHER TERMS[3] | | | | | | | | | | |
| *Maturity (months)* | | | | | | | | | | |
| 7 New car | 54.5 | 51.0 | 54.1 | 54.5 | 53.6 | 51.8 | 52.3 | 51.8 | 51.5 | 50.8 |
| 8 Used car | 48.8 | 50.2 | 52.2 | 52.2 | 51.8 | 52.2 | 52.1 | 52.0 | 51.8 | 51.7 |
| *Loan-to-value ratio* | | | | | | | | | | |
| 9 New car | 91 | 92 | 92 | 92 | 92 | 92 | 91 | 91 | 91 | 91 |
| 10 Used car | 98 | 99 | 99 | 99 | 99 | 99 | 98 | 98 | 99 | 99 |
| *Amount financed (dollars)* | | | | | | | | | | |
| 11 New car | 14,332 | 15,375 | 16,210 | 16,583 | 17,034 | 16,698 | 16,627 | 16,520 | 16,605 | 16,686 |
| 12 Used car | 9,875 | 10,709 | 11,590 | 12,012 | 12,152 | 12,059 | 11,990 | 11,934 | 12,024 | 12,233 |

1. The Board's series on amounts of credit covers 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. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Data are available for only the second month of each quarter.

3. At auto finance companies.

## 1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars, quarterly data at seasonally adjusted annual rates

| Transaction category or sector | 1991 | 1992 | 1993 | 1994 | 1995 | 1994 Q3 | 1994 Q4 | 1995 Q1 | 1995 Q2 | 1995 Q3 | 1995 Q4 | 1996 Q1 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Nonfinancial sectors | | | | | | | | | | | |
| 1 **Total net borrowing by domestic nonfinancial sectors** | **481.7** | **543.0** | **628.5** | **618.9** | **732.9** | **587.6** | **634.8** | **880.4** | **888.3** | **584.8** | **578.2** | **863.5** |
| *By sector and instrument* | | | | | | | | | | | | |
| 2 U.S. government | 278.2 | 304.0 | 256.1 | 155.9 | 144.4 | 135.6 | 150.1 | 266.8 | 202.8 | 65.8 | 42.4 | 288.7 |
| 3 Treasury securities | 292.0 | 303.8 | 248.3 | 155.7 | 142.9 | 132.8 | 155.7 | 268.0 | 201.2 | 65.4 | 37.2 | 291.0 |
| 4 Budget agency issues and mortgages | 13.8 | .2 | 7.8 | .2 | 1.5 | 2.9 | 5.7 | 1.2 | 1.6 | .4 | 5.1 | 2.3 |
| 5 Private | 203.5 | 239.0 | 372.3 | 463.1 | 588.5 | 452.0 | 484.7 | 613.6 | 685.6 | 519.1 | 535.9 | 574.8 |
| *By instrument* | | | | | | | | | | | | |
| 6 Municipal securities | 87.8 | 30.5 | 74.8 | 29.3 | 41.3 | 58.4 | 53.8 | 45.8 | 4.3 | 107.4 | 7.6 | 6.4 |
| 7 Corporate bonds | 78.8 | 67.6 | 75.2 | 23.3 | 73.3 | 15.4 | 6.2 | 53.0 | 98.4 | 59.8 | 82.0 | 58.9 |
| 8 Mortgages | 158.4 | 130.9 | 157.2 | 194.3 | 237.5 | 205.5 | 210.6 | 222.5 | 239.6 | 290.5 | 197.4 | 285.4 |
| 9 Home mortgages | 173.6 | 187.6 | 187.9 | 202.4 | 204.7 | 210.3 | 216.8 | 196.8 | 207.2 | 256.8 | 157.8 | 250.1 |
| 10 Multifamily residential | 5.5 | -10.4 | 6.0 | 1.3 | 11.0 | 5.6 | 4.2 | 2.7 | 14.2 | 13.7 | 13.6 | 15.6 |
| 11 Commercial | 10.0 | 47.8 | 25.0 | 11.1 | 20.1 | 12.7 | 3.4 | 21.2 | 16.3 | 17.7 | 25.2 | 17.4 |
| 12 Farm | .4 | 1.4 | .5 | 1.8 | 1.7 | 2.2 | 1.4 | 1.7 | 1.8 | 2.3 | .8 | 2.2 |
| 13 Consumer credit | 13.7 | 5.0 | 61.5 | 124.9 | 142.9 | 133.8 | 141.8 | 138.3 | 156.9 | 158.5 | 118.2 | 121.7 |
| 14 Bank loans n.e.c. | 40.9 | 13.7 | 3.8 | 73.1 | 103.0 | 92.1 | 76.7 | 152.5 | 96.8 | 76.8 | 86.0 | 52.8 |
| 15 Commercial paper | 18.4 | 8.6 | 10.0 | 21.4 | 18.1 | 28.5 | 30.7 | 12.3 | 39.1 | 13.9 | 7.2 | 37.9 |
| 16 Other loans and advances | 48.5 | 10.1 | 10.2 | 55.4 | 54.9 | 35.1 | 72.4 | 80.8 | 59.1 | 27.1 | 52.7 | 24.5 |
| *By borrowing sector* | | | | | | | | | | | | |
| 17 Household | 183.8 | 198.4 | 249.1 | 362.2 | 383.5 | 385.3 | 392.4 | 358.6 | 393.0 | 448.1 | 334.5 | 387.7 |
| 18 Nonfinancial business | 61.9 | 19.5 | 61.0 | 144.3 | 250.6 | 132.1 | 160.8 | 300.1 | 303.6 | 181.5 | 217.4 | 190.7 |
| 19 Farm | 2.1 | 1.3 | 2.0 | 2.8 | 2.0 | 2.4 | 2.0 | .9 | 3.6 | 4.3 | .8 | .9 |
| 20 Nonfarm noncorporate | 11.0 | 16.0 | 7.0 | 12.1 | 35.9 | 8.8 | 16.5 | 51.3 | 34.4 | 29.8 | 28.2 | 29.3 |
| 21 Corporate | 53.0 | 34.1 | 52.0 | 129.3 | 212.7 | 120.9 | 146.3 | 247.9 | 265.6 | 147.4 | 190.0 | 160.5 |
| 22 State and local government | 81.6 | 21.1 | 62.3 | 43.4 | 45.7 | 65.4 | 68.5 | 45.1 | 11.1 | 110.6 | 16.0 | 3.7 |
| 23 *Foreign net borrowing in United States* | 14.8 | 22.6 | 68.8 | 20.3 | 67.7 | 19.6 | 33.5 | 61.4 | 40.4 | 94.1 | 75.1 | 36.9 |
| 24 Bonds | 15.0 | 15.7 | 81.3 | 7.1 | 46.5 | 20.8 | 27.7 | 13.5 | 49.9 | 52.1 | 70.6 | 45.4 |
| 25 Bank loans n.e.c. | 3.1 | 2.3 | .7 | 1.4 | 8.5 | 4.7 | .5 | 8.1 | 5.6 | 8.2 | 1.9 | 8.7 |
| 26 Commercial paper | 6.4 | 5.2 | 9.0 | 27.3 | 13.6 | 8.1 | 5.9 | 37.9 | 11.1 | 30.9 | 3.4 | 13.8 |
| 27 Other loans and advances | 9.8 | .6 | 4.2 | 1.6 | .8 | 2.2 | .4 | 1.9 | 4.0 | 2.9 | 1.1 | 3.3 |
| 28 **Total domestic plus foreign** | **496.5** | **565.6** | **697.3** | **598.6** | **800.7** | **607.2** | **668.3** | **941.8** | **928.8** | **678.9** | **653.3** | **900.4** |
| | Financial sectors | | | | | | | | | | | |
| 29 ***Total net borrowing by financial sectors*** | **155.6** | **240.0** | **291.1** | **467.9** | **444.9** | **428.7** | **536.8** | **273.1** | **436.1** | **490.0** | **580.4** | **313.6** |
| *By instrument* | | | | | | | | | | | | |
| 30 U.S. government related | 145.7 | 155.8 | 164.2 | 288.6 | 205.1 | 250.3 | 321.2 | 89.4 | 192.1 | 221.4 | 317.5 | 147.2 |
| 31 Government sponsored enterprise securities | 9.2 | 40.3 | 80.6 | 176.9 | 106.9 | 152.1 | 249.0 | 62.9 | 127.2 | 101.5 | 136.1 | 37.4 |
| 32 Mortgage pool securities | 136.6 | 115.6 | 83.6 | 116.5 | 98.2 | 98.3 | 72.2 | 26.4 | 64.9 | 119.9 | 181.4 | 109.8 |
| 33 *Loans from U.S. government* | .0 | .0 | .0 | 4.8 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 34 Private | 9.8 | 84.2 | 126.9 | 179.2 | 239.8 | 178.3 | 215.6 | 183.7 | 244.0 | 268.6 | 262.9 | 166.4 |
| 35 Corporate bonds | 69.9 | 82.7 | 120.1 | 117.5 | 185.5 | 103.9 | 84.9 | 167.5 | 182.3 | 208.1 | 184.0 | 136.2 |
| 36 Mortgages | .5 | .6 | 3.6 | 9.8 | 5.3 | 12.0 | 4.9 | 5.2 | 5.2 | 5.2 | 5.6 | 5.5 |
| 37 Bank loans n.e.c. | 8.8 | 2.2 | 13.0 | 12.3 | 3.0 | 11.7 | 1.9 | 3.0 | 21.2 | 7.1 | 13.3 | 7.6 |
| 38 Open market paper | 32.0 | .7 | 6.2 | 41.6 | 42.6 | 41.3 | 85.9 | 38.5 | 34.0 | 43.3 | 54.7 | 22.6 |
| 39 Other loans and advances | 37.3 | .6 | 22.4 | 22.6 | 3.4 | 32.8 | 38.1 | 24.5 | 1.3 | 4.9 | 32.0 | 5.5 |
| *By borrowing sector* | | | | | | | | | | | | |
| 40 Government-sponsored enterprises | 9.1 | 40.2 | 80.6 | 172.1 | 106.9 | 152.1 | 249.0 | 62.9 | 127.2 | 101.5 | 136.1 | 37.4 |
| 41 Federally related mortgage pools | 136.6 | 115.6 | 83.6 | 116.5 | 98.2 | 98.3 | 72.2 | 26.4 | 64.9 | 119.9 | 181.4 | 109.8 |
| 42 Private financial sectors | 9.8 | 84.2 | 126.9 | 179.2 | 239.8 | 178.3 | 215.6 | 183.7 | 244.0 | 268.6 | 262.9 | 166.4 |
| 43 Commercial banks | 10.7 | 7.7 | 4.6 | 9.9 | 8.1 | 23.9 | 4.1 | 6.3 | 18.2 | 8.8 | .9 | 4.8 |
| 44 Bank holding companies | 2.5 | 2.3 | 8.8 | 10.3 | 14.4 | 11.5 | 16.0 | 16.3 | 20.8 | 28.2 | 7.8 | 25.8 |
| 45 Funding corporations | 6.5 | 13.2 | 2.9 | 24.2 | 32.0 | 47.3 | 11.1 | 61.5 | 21.7 | 52.1 | 7.3 | 26.6 |
| 46 Savings institutions | 44.7 | 7.0 | 11.3 | 12.8 | 2.6 | 14.8 | 36.1 | 18.9 | 7.2 | 5.1 | 31.5 | 10.9 |
| 47 Credit unions | .0 | .0 | .2 | .2 | .1 | .5 | .2 | .3 | .1 | .1 | .0 | .1 |
| 48 Life insurance companies | .0 | .0 | .2 | .3 | .1 | .0 | 1.3 | .0 | .1 | .1 | .4 | 2.5 |
| 49 Finance companies | 17.7 | 1.6 | .2 | 50.2 | 51.6 | 16.3 | 57.3 | 83.1 | 57.2 | 6.5 | 59.6 | 50.0 |
| 50 Mortgage companies | 2.4 | 8.0 | .0 | 11.5 | 2.1 | 7.0 | 1.1 | 7.4 | 14.8 | 4.0 | 20.0 | .7 |
| 51 Real estate investment trusts (REITs) | 1.2 | .3 | 3.1 | 13.7 | 5.4 | 18.8 | 6.3 | 5.2 | 5.2 | 5.2 | 6.0 | 5.9 |
| 52 Brokers and dealers | 3.7 | 2.7 | 12.0 | .5 | 5.0 | 7.6 | 19.3 | 29.5 | .1 | 2.1 | 7.7 | 31.8 |
| 53 Issuers of asset backed securities (ABSs) | 54.0 | 58.5 | 83.3 | 68.5 | 133.0 | 59.8 | 62.8 | 67.6 | 113.2 | 156.5 | 194.5 | 132.2 |

## 1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

| Transaction category or sector | 1991 | 1992 | 1993 | 1994 | 1995 | 1994 | | 1995 | | | | 1996 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
| | All sectors | | | | | | | | | | | |
| 54 **Total net borrowing, all sectors** | **652.1** | **805.6** | **988.4** | **1,066.5** | **1,245.6** | **1,035.9** | **1,205.2** | **1,214.8** | **1,364.9** | **1,169.0** | **1,233.7** | **1,214.0** |
| 55 U.S. government securities | 424.0 | 459.8 | 420.3 | 449.3 | 349.5 | 386.0 | 471.3 | 356.2 | 394.9 | 287.2 | 359.9 | 435.9 |
| 56 Municipal securities | 87.8 | 30.5 | 74.8 | 29.3 | -41.3 | -58.4 | 53.8 | -45.8 | -4.3 | 107.4 | -7.6 | -6.4 |
| 57 Corporate and foreign bonds | 163.6 | 166.0 | 276.6 | 147.9 | 305.3 | 140.1 | 118.8 | 234.0 | 330.6 | 320.0 | 336.7 | 240.5 |
| 58 Mortgages | 158.9 | 131.5 | 160.8 | 204.1 | 242.8 | 217.5 | 215.5 | 227.7 | 244.8 | 295.7 | 202.9 | 290.9 |
| 59 Consumer credit | 13.7 | 5.0 | 61.5 | 124.9 | 142.9 | 133.8 | 141.8 | 138.3 | 156.9 | 158.5 | 118.2 | 121.7 |
| 60 Bank loans n.e.c. | 29.1 | 9.3 | 8.5 | 62.2 | 114.5 | 85.1 | 78.1 | 157.6 | 123.7 | 92.1 | 84.5 | 69.0 |
| 61 Open market paper | 44.0 | 13.1 | -5.1 | 35.7 | 74.3 | 61.7 | 122.5 | 88.8 | 61.9 | 88.1 | 58.5 | 46.6 |
| 62 Other loans and advances | 95.6 | 8.9 | 8.0 | 71.7 | 57.5 | 70.2 | 111.0 | 58.1 | 56.5 | 34.9 | 80.6 | 15.7 |
| | Funds raised through mutual funds and corporate equities | | | | | | | | | | | |
| 63 **Total net share issues** | **209.4** | **294.9** | **442.1** | **150.8** | **159.3** | **113.2** | **−81.1** | **40.0** | **156.7** | **196.1** | **244.3** | **273.4** |
| 64 *Mutual funds* | 147.2 | 209.1 | 323.7 | 128.9 | 173.9 | 129.7 | 12.6 | 78.5 | 173.3 | 195.3 | 248.6 | 290.9 |
| 65 Corporate equities | 62.2 | 85.8 | 118.4 | 21.9 | 14.7 | 16.4 | 68.5 | -38.5 | 16.6 | .7 | -4.3 | -17.6 |
| 66 Nonfinancial corporations | 18.3 | 27.0 | 21.3 | 44.9 | 74.2 | 50.0 | −118.0 | -60.0 | -71.3 | -92.8 | 72.8 | -118.0 |
| 67 Financial corporations | 13.3 | 28.1 | 36.6 | 24.1 | 12.3 | 10.5 | 16.3 | 8.7 | 17.7 | 9.7 | 13.3 | 11.5 |
| 68 Foreign shares purchased by U.S. residents | 30.7 | 30.7 | 60.5 | 42.7 | 47.2 | 23.1 | 33.2 | 12.8 | 37.0 | 83.9 | 55.3 | 89.0 |

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.5. For ordering address, see inside front cover.

## 1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

Billions of dollars except as noted; quarterly data at seasonally adjusted annual rates

| Transaction category or sector | 1991 | 1992 | 1993 | 1994 | 1995 | 1994 Q3 | 1994 Q4 | 1995 Q1 | 1995 Q2 | 1995 Q3 | 1995 Q4 | 1996 Q1 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NET LENDING IN CREDIT MARKETS[2] | | | | | | | | | | | | |
| 1 **Total net lending in credit markets** | **652.1** | **805.6** | **988.4** | **1,066.5** | **1,245.6** | **1,035.9** | **1,205.2** | **1,214.8** | **1,364.9** | **1,169.0** | **1,233.7** | **1,214.0** |
| 2 Private domestic nonfinancial sectors | 105.2 | 87.9 | 65.6 | 258.9 | -84.8 | 213.4 | 227.8 | 35.3 | 142.3 | -54.9 | 177.3 | 133.6 |
| 3 Households | 29.0 | 81.7 | 52.2 | 304.7 | 51.5 | 292.3 | 343.4 | 170.8 | -77.2 | 203.2 | 90.7 | -103.6 |
| 4 Nonfarm noncorporate business | 5.3 | -.1 | .6 | .7 | 1.0 | .7 | .9 | .5 | 1.1 | 1.1 | 1.2 | 1.2 |
| 5 Nonfinancial corporate business | 30.7 | 27.8 | 9.1 | 48.1 | 3.5 | 37.3 | 53.2 | 41.1 | 39.5 | 50.2 | 37.6 | 52.7 |
| 6 State and local governments | 50.8 | -21.5 | 3.7 | -94.6 | -133.7 | -117.0 | -169.7 | 94.9 | 105.7 | 209.0 | 125.3 | -83.9 |
| 7 U.S. government | 10.5 | 11.9 | -18.4 | -24.2 | 21.3 | -11.3 | 24.4 | -13.2 | 24.3 | 23.9 | 23.9 | 24.6 |
| 8 Rest of the world | 13.3 | 98.2 | 128.3 | 134.4 | 271.7 | 137.5 | 210.9 | 241.2 | 326.1 | 358.0 | 161.7 | 327.6 |
| 9 Financial sectors | 523.1 | 631.5 | 812.8 | 697.4 | 1,080.0 | 696.3 | 790.8 | 951.6 | 1,205.3 | 889.8 | 1,273.1 | 1,044.5 |
| 10 Government sponsored enterprises | 15.1 | 68.8 | 90.2 | 119.1 | 94.7 | 121.9 | 171.4 | 28.2 | 97.5 | 61.5 | 191.7 | 42.3 |
| 11 Federally related mortgage pools | 136.6 | 115.6 | 83.6 | 116.5 | 98.2 | 98.3 | 72.2 | 26.4 | 64.9 | 119.9 | 181.4 | 109.8 |
| 12 Monetary authority | 31.1 | 27.9 | 36.2 | 31.5 | 12.7 | 29.7 | 30.0 | 16.3 | 20.8 | 11.1 | 24.7 | 14.3 |
| 13 Commercial banking | 80.8 | 95.3 | 142.2 | 163.4 | 266.3 | 183.4 | 174.5 | 343.1 | 315.6 | 248.9 | 157.7 | 130.7 |
| 14 U.S. chartered banks | 35.7 | 69.5 | 149.6 | 148.1 | 186.6 | 155.6 | 174.2 | 183.4 | 222.4 | 227.5 | 112.9 | 85.9 |
| 15 Foreign banking offices in United States | 48.5 | 16.5 | -9.8 | 11.2 | 75.4 | 22.9 | 5.6 | 158.8 | 83.9 | 24.1 | 35.0 | 51.1 |
| 16 Bank holding companies | -1.5 | 5.6 | .0 | .9 | .3 | 2.7 | 2.4 | 1.5 | 5.3 | 9.6 | 4.6 | -5.3 |
| 17 Banks in U.S. affiliated areas | 1.9 | 3.7 | 2.4 | 3.3 | 4.7 | 2.2 | 8.3 | 2.4 | 4.0 | 7.0 | 5.2 | -.9 |
| 18 Funding corporations | 8.2 | 17.7 | 19.4 | 27.4 | 6.2 | 43.4 | 4.2 | 39.8 | 3.5 | 5.5 | 17.0 | 154.9 |
| 19 Thrift institutions | 146.1 | -61.3 | 1.7 | 34.9 | 8.7 | 53.8 | 32.4 | 28.2 | 9.7 | 43.6 | 46.8 | 2.1 |
| 20 Life insurance companies | 86.5 | 78.5 | 100.9 | 66.3 | 98.7 | 89.5 | 79.4 | 132.4 | 131.2 | 77.0 | 54.3 | 122.1 |
| 21 Other insurance companies | 30.0 | 6.7 | 27.7 | 24.9 | 21.4 | 25.3 | 30.4 | 19.2 | 21.7 | 21.8 | 22.8 | 22.2 |
| 22 Private pension funds | 35.4 | 41.1 | 45.9 | 47.0 | 61.3 | 42.5 | 74.7 | 58.9 | 57.2 | 50.5 | 78.5 | 77.8 |
| 23 State and local government retirement funds | 41.1 | 23.0 | 19.8 | 29.0 | 21.4 | 11.1 | 36.6 | 62.4 | 3.2 | 6.8 | 13.2 | 87.3 |
| 24 Finance companies | 9.2 | 7.5 | -9.0 | 68.2 | 63.6 | 63.8 | 81.7 | 92.5 | 65.7 | 43.7 | 52.7 | 56.7 |
| 25 Mortgage companies | 11.2 | .1 | .0 | -22.9 | -3.4 | -14.0 | 2.1 | 14.4 | 29.9 | 7.3 | 36.4 | 1.7 |
| 26 Mutual funds | 80.1 | 126.2 | 159.5 | -7.1 | 52.5 | -29.3 | 70.4 | 15.1 | 21.5 | 52.0 | 151.5 | 62.9 |
| 27 Closed-end funds | 12.8 | 18.2 | 11.0 | -5.5 | 5.8 | 13.6 | -10.0 | 3.5 | 6.4 | 8.4 | 5.0 | 1.2 |
| 28 Money market mutual funds | 32.7 | 4.7 | 20.4 | 30.0 | 86.5 | 57.7 | 53.9 | 53.1 | 135.2 | 33.2 | 124.6 | 170.1 |
| 29 Real estate investment trusts (REITs) | -.7 | 1.1 | .6 | 4.7 | 1.8 | 5.5 | .2 | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 |
| 30 Brokers and dealers | 17.5 | -1.3 | 14.8 | 44.2 | 90.1 | -21.9 | -8.0 | 30.5 | 146.2 | -1.8 | 185.6 | 101.1 |
| 31 Asset-backed securities issuers (ABSs) | 50.0 | 53.7 | 80.8 | 61.9 | 112.3 | 50.6 | 42.6 | 55.5 | 100.9 | 144.6 | 148.0 | 112.2 |
| 32 Bank personal trusts | 10.0 | 8.0 | 9.5 | 7.1 | -18.8 | 7.7 | 1.4 | 10.8 | -20.6 | 23.7 | 20.2 | 18.1 |
| RELATION OF LIABILITIES TO FINANCIAL ASSETS | | | | | | | | | | | | |
| 33 **Net flows through credit markets** | **652.1** | **805.6** | **988.4** | **1,066.5** | **1,245.6** | **1,035.9** | **1,205.2** | **1,214.8** | **1,364.9** | **1,169.0** | **1,233.7** | **1,214.0** |
| *Other financial sources* | | | | | | | | | | | | |
| 34 Official foreign exchange | -5.9 | 1.6 | .8 | -5.8 | 8.8 | .2 | -8.6 | 17.8 | 10.3 | 9.0 | 1.9 | 2.1 |
| 35 Special drawing rights certificates | .0 | 2.0 | .0 | .0 | 2.2 | .0 | .0 | .0 | .0 | 8.6 | .0 | .0 |
| 36 Treasury currency | .0 | .2 | .4 | .7 | .6 | .8 | .7 | .7 | .7 | .8 | .0 | .0 |
| 37 Life insurance reserves | 25.7 | 27.3 | 35.2 | 34.0 | 49.9 | 67.7 | 21.6 | 54.0 | 49.9 | 29.9 | 66.0 | 56.0 |
| 38 Pension fund reserves | 198.2 | 238.6 | 247.3 | 248.0 | 258.5 | 238.0 | 293.4 | 302.5 | 310.7 | 223.0 | 197.7 | 301.5 |
| 39 Interbank claims | -3.4 | 49.4 | 50.5 | 89.7 | 10.1 | 4.1 | 99.9 | -13.6 | 25.2 | -43.2 | 71.8 | 80.9 |
| 40 Checkable deposits and currency | 86.3 | 113.5 | 117.3 | -9.7 | -12.5 | -66.0 | -40.5 | 42.8 | 133.5 | -151.5 | 75.0 | 51.7 |
| 41 Small time and savings deposits | 1.5 | -57.2 | 70.3 | -40.0 | 96.5 | 51.8 | -46.9 | 18.1 | 112.0 | 142.2 | 113.6 | 174.7 |
| 42 Large time deposits | -58.5 | -73.2 | -23.5 | 19.6 | 65.6 | 84.0 | 36.5 | 116.8 | 69.2 | 76.3 | .3 | 52.0 |
| 43 Money market fund shares | 41.6 | 4.5 | 20.2 | 43.3 | 142.3 | 56.4 | 86.5 | 59.9 | 233.5 | 121.2 | 154.8 | 225.6 |
| 44 Security repurchase agreements | -16.5 | 43.1 | 71.2 | 78.3 | 110.7 | 86.0 | 51.9 | 161.8 | 130.7 | 85.1 | 65.2 | 31.6 |
| 45 Foreign deposits | -26.5 | -3.5 | 18.5 | 45.8 | 5.8 | 28.1 | 97.9 | 39.2 | 90.6 | 63.8 | 42.8 | 32.0 |
| 46 Mutual fund shares | 147.2 | 209.1 | 323.7 | 128.9 | 173.9 | 129.7 | 12.6 | 78.5 | 173.3 | 195.3 | 248.6 | 290.9 |
| 47 Corporate equities | 62.2 | 85.8 | 118.4 | 21.9 | -14.7 | 16.4 | -68.5 | -38.5 | -16.6 | .7 | -4.3 | 17.6 |
| 48 Security credit | 51.4 | 4.6 | 61.4 | .1 | 26.7 | -59.3 | 37.1 | -10.7 | 30.8 | 35.4 | 51.3 | 80.3 |
| 49 Trade payables | 31.0 | 46.6 | 54.4 | 111.0 | 106.0 | 97.2 | 149.4 | 113.6 | 30.5 | 183.2 | 96.8 | 129.7 |
| 50 Taxes payable | -7.4 | 9.7 | 5.2 | 3.2 | 1.3 | 10.2 | 4.2 | 15.3 | 4.3 | 4.0 | -9.8 | 9.5 |
| 51 Noncorporate proprietors' equity | .5 | 16.7 | 3.4 | 22.6 | 38.7 | 46.0 | 23.1 | 26.9 | 33.5 | 48.6 | 45.7 | 53.1 |
| 52 Investment in bank personal trusts | 16.1 | -7.1 | 1.6 | 18.8 | -47.7 | 23.6 | 11.9 | -44.3 | -45.6 | -63.9 | -37.1 | -47.3 |
| 53 Miscellaneous | 278.2 | 280.5 | 364.6 | 236.8 | 461.9 | 264.8 | 303.4 | 327.2 | 505.1 | 347.6 | 667.6 | 466.0 |
| 54 ***Total financial sources*** | **1,473.9** | **1,790.4** | **2,351.7** | **2,113.5** | **2,730.1** | **1,979.2** | **2,245.7** | **2,482.9** | **3,237.8** | **2,357.5** | **2,842.3** | **2,893.5** |
| *Floats not included in assets (−)* | | | | | | | | | | | | |
| 55 U.S. government checkable deposits | -13.1 | .7 | -1.5 | -4.8 | -6.0 | 7.4 | 24.4 | 13.2 | 16.3 | 3.5 | 24.3 | 17.8 |
| 56 Other checkable deposits | 4.5 | 1.6 | -1.3 | -2.8 | -3.8 | -3.3 | 2.3 | -3.7 | 3.9 | -3.5 | 4.2 | 3.9 |
| 57 Trade credit | 36.1 | 11.3 | -6.6 | -7.8 | -14.8 | 12.6 | -44.0 | 79.5 | 12.7 | -44.1 | 107.3 | 71.6 |
| *Liabilities not identified as assets (−)* | | | | | | | | | | | | |
| 58 Treasury currency | .6 | .2 | -.2 | .2 | .5 | .2 | .2 | .2 | .4 | .3 | 1.0 | .9 |
| 59 Interbank claims | 26.2 | 4.9 | 4.2 | -2.7 | -3.1 | 10.1 | -1.7 | .8 | 8.2 | 7.6 | 29.1 | 12.4 |
| 60 Security repurchase agreements | 9.5 | 3.6 | 34.3 | 31.5 | 11.0 | -53.5 | 86.7 | 64.4 | -47.3 | 39.6 | -12.7 | 76.7 |
| 61 Foreign deposits | -24.0 | 2.8 | -7.0 | 36.9 | -1.5 | 39.5 | 55.7 | 45.6 | 81.6 | 93.6 | 39.5 | 41.5 |
| 62 Taxes payable | -2.2 | 11.9 | 11.1 | 8.6 | 8.7 | 10.8 | -.9 | 8.9 | 31.6 | 10.8 | 1.4 | -24.0 |
| 63 Miscellaneous | 9.7 | .1 | -126.1 | 138.7 | 29.8 | 44.3 | 107.3 | 230.6 | -36.9 | 4.8 | 153.1 | 123.3 |
| 64 **Total identified to sectors as assets** | **1,446.8** | **1,769.3** | **2,444.9** | **2,193.7** | **2,769.8** | **2,000.1** | **2,284.2** | **2,522.7** | **3,208.3** | **2,442.4** | **2,905.9** | **2,958.8** |

1. Data in this table also appear in the Board's *Z.1 (780) quarterly statistical release*, tables F.6 and F.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

## 1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

| Transaction category or sector | 1992 | 1993 | 1994 | 1995 | 1994 Q3 | 1994 Q4 | 1995 Q1 | 1995 Q2 | 1995 Q3 | 1995 Q4 | 1996 Q1 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Nonfinancial sectors | | | | | |
| 1 **Total credit market debt owed by domestic nonfinancial sectors** | **11,894.5** | **12,537.8** | **13,163.0** | **13,895.9** | **12,965.8** | **13,163.0** | **13,339.3** | **13,548.4** | **13,707.8** | **13,895.9** | **14,072.1** |
| *By sector and instrument* | | | | | | | | | | | |
| 2 U.S. government | 3,080.3 | 3,336.5 | 3,492.3 | 3,636.7 | 3,432.3 | 3,492.3 | 3,557.9 | 3,583.5 | 3,603.4 | 3,636.7 | 3,717.2 |
| 3 Treasury securities | 3,061.6 | 3,309.9 | 3,465.6 | 3,608.5 | 3,404.1 | 3,465.6 | 3,531.5 | 3,556.7 | 3,576.5 | 3,608.5 | 3,689.6 |
| 4 Budget agency issues and mortgages | 18.8 | 26.6 | 26.7 | 28.2 | 28.2 | 26.7 | 26.4 | 26.8 | 26.9 | 28.2 | 27.6 |
| 5 Private | 8,814.2 | 9,201.3 | 9,670.7 | 10,259.2 | 9,533.6 | 9,670.7 | 9,781.4 | 9,964.9 | 10,104.4 | 10,259.2 | 10,354.9 |
| *By instrument* | | | | | | | | | | | |
| 6 Municipal securities | 1,302.8 | 1,377.5 | 1,348.2 | 1,307.0 | 1,362.6 | 1,348.2 | 1,335.4 | 1,331.7 | 1,309.9 | 1,307.0 | 1,304.1 |
| 7 Corporate bonds | 1,154.5 | 1,229.7 | 1,253.0 | 1,326.3 | 1,251.5 | 1,253.0 | 1,266.3 | 1,290.9 | 1,305.8 | 1,326.3 | 1,341.0 |
| 8 Mortgages | 4,088.7 | 4,260.0 | 4,454.4 | 4,691.8 | 4,400.5 | 4,454.4 | 4,495.8 | 4,563.2 | 4,641.2 | 4,691.8 | 4,748.6 |
| 9 Home mortgages | 3,037.4 | 3,227.6 | 3,430.0 | 3,634.7 | 3,374.6 | 3,430.0 | 3,465.1 | 3,524.4 | 3,594.0 | 3,634.7 | 3,682.6 |
| 10 Multifamily residential | 272.5 | 267.8 | 269.1 | 280.2 | 270.2 | 269.1 | 269.8 | 273.3 | 276.8 | 280.2 | 284.1 |
| 11 Commercial | 698.1 | 683.4 | 672.3 | 692.4 | 673.1 | 672.3 | 677.6 | 681.6 | 686.1 | 692.4 | 696.7 |
| 12 Farm | 80.7 | 81.2 | 83.0 | 84.6 | 82.6 | 83.0 | 83.4 | 83.9 | 84.4 | 84.6 | 85.2 |
| 13 Consumer credit | 802.4 | 863.9 | 988.8 | 1,131.7 | 933.9 | 988.8 | 989.3 | 1,029.7 | 1,077.5 | 1,131.7 | 1,123.3 |
| 14 Bank loans n.e.c. | 672.2 | 676.0 | 749.0 | 852.0 | 724.9 | 749.0 | 782.8 | 810.6 | 825.6 | 852.0 | 861.9 |
| 15 Commercial paper | 107.1 | 117.8 | 139.2 | 157.4 | 138.7 | 139.2 | 149.8 | 162.9 | 163.3 | 157.4 | 173.2 |
| 16 Other loans and advances | 686.5 | 676.3 | 738.0 | 792.9 | 721.6 | 738.0 | 762.0 | 775.8 | 781.2 | 792.9 | 802.7 |
| *By borrowing sector* | | | | | | | | | | | |
| 17 Household | 4,021.4 | 4,272.9 | 4,634.7 | 5,018.3 | 4,515.1 | 4,634.7 | 4,676.5 | 4,784.1 | 4,908.0 | 5,018.3 | 5,063.2 |
| 18 Nonfinancial business | 3,696.8 | 3,770.3 | 3,921.1 | 4,171.8 | 3,885.6 | 3,921.1 | 4,002.7 | 4,084.0 | 4,122.3 | 4,171.8 | 4,224.8 |
| 19 Farm | 136.3 | 138.3 | 141.2 | 143.2 | 143.1 | 141.2 | 138.9 | 142.8 | 144.9 | 143.2 | 140.9 |
| 20 Nonfarm noncorporate | 1,122.9 | 1,129.9 | 1,142.0 | 1,178.0 | 1,137.4 | 1,142.0 | 1,154.5 | 1,163.3 | 1,170.4 | 1,178.0 | 1,185.0 |
| 21 Corporate | 2,437.6 | 2,502.0 | 2,638.0 | 2,850.7 | 2,605.0 | 2,638.0 | 2,709.2 | 2,777.8 | 2,807.0 | 2,850.7 | 2,898.9 |
| 22 State and local government | 1,095.9 | 1,158.2 | 1,114.8 | 1,069.1 | 1,132.8 | 1,114.8 | 1,102.2 | 1,096.8 | 1,074.1 | 1,069.1 | 1,066.9 |
| 23 **Foreign credit market debt held in United States** | **313.1** | **381.9** | **361.6** | **429.4** | **352.4** | **361.6** | **376.8** | **387.6** | **409.9** | **429.4** | **438.5** |
| 24 Bonds | 146.2 | 227.4 | 234.6 | 281.1 | 227.6 | 234.6 | 237.9 | 250.4 | 263.4 | 281.1 | 292.4 |
| 25 Bank loans n.e.c. | 23.9 | 24.6 | 26.1 | 34.6 | 26.3 | 26.1 | 28.2 | 29.6 | 31.6 | 34.6 | 36.8 |
| 26 Commercial paper | 77.7 | 68.7 | 41.4 | 55.0 | 39.9 | 41.4 | 50.9 | 48.1 | 55.8 | 55.0 | 51.5 |
| 27 Other loans and advances | 65.3 | 61.1 | 59.6 | 58.7 | 58.6 | 59.6 | 59.8 | 59.5 | 59.0 | 58.7 | 57.8 |
| 28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign** | **12,207.6** | **12,919.7** | **13,524.6** | **14,325.3** | **13,318.3** | **13,524.6** | **13,716.1** | **13,935.9** | **14,117.7** | **14,325.3** | **14,510.7** |
| | | | | | | Financial sectors | | | | | |
| 29 **Total credit market debt owed by financial sectors** | **3,025.0** | **3,321.5** | **3,794.6** | **4,242.1** | **3,656.2** | **3,794.6** | **3,861.4** | **3,971.8** | **4,093.9** | **4,242.1** | **4,317.1** |
| *By instrument* | | | | | | | | | | | |
| 30 U.S. government-related | 1,720.0 | 1,884.1 | 2,172.7 | 2,377.8 | 2,093.3 | 2,172.7 | 2,196.2 | 2,247.1 | 2,300.1 | 2,377.8 | 2,416.6 |
| 31 Government-sponsored enterprises securities | 443.1 | 523.7 | 700.6 | 807.5 | 638.3 | 700.6 | 716.3 | 748.1 | 773.5 | 807.5 | 816.9 |
| 32 Mortgage pool securities | 1,272.0 | 1,355.6 | 1,472.1 | 1,570.3 | 1,454.9 | 1,472.1 | 1,479.9 | 1,499.0 | 1,526.6 | 1,570.3 | 1,599.7 |
| 33 Loans from U.S. government | 4.8 | 4.8 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 34 Private | 1,305.1 | 1,437.4 | 1,621.9 | 1,864.3 | 1,563.0 | 1,621.9 | 1,665.2 | 1,724.7 | 1,793.8 | 1,864.3 | 1,900.6 |
| 35 Corporate bonds | 738.4 | 858.5 | 973.5 | 1,158.9 | 949.5 | 973.5 | 1,012.3 | 1,056.4 | 1,110.2 | 1,158.9 | 1,189.6 |
| 36 Mortgages | 5.4 | 8.9 | 18.7 | 24.0 | 17.5 | 18.7 | 20.0 | 21.3 | 22.6 | 24.0 | 25.4 |
| 37 Bank loans n.e.c. | 80.5 | 67.6 | 55.3 | 58.3 | 53.4 | 55.3 | 53.4 | 58.4 | 60.3 | 58.3 | 59.1 |
| 38 Open market paper | 394.3 | 393.5 | 442.8 | 488.1 | 420.5 | 442.8 | 454.1 | 462.8 | 473.6 | 488.1 | 492.8 |
| 39 Other loans and advances | 86.6 | 108.9 | 131.6 | 135.0 | 122.0 | 131.6 | 125.4 | 125.7 | 127.0 | 135.0 | 133.6 |
| *By borrowing sector* | | | | | | | | | | | |
| 40 Government-sponsored enterprises | 447.9 | 528.5 | 700.6 | 807.5 | 638.3 | 700.6 | 716.3 | 748.1 | 773.5 | 807.5 | 816.9 |
| 41 Federally related mortgage pools | 1,272.0 | 1,355.6 | 1,472.1 | 1,570.3 | 1,454.9 | 1,472.1 | 1,479.9 | 1,499.0 | 1,526.6 | 1,570.3 | 1,599.7 |
| 42 Private financial sectors | 1,305.1 | 1,437.4 | 1,621.9 | 1,864.3 | 1,563.0 | 1,621.9 | 1,665.2 | 1,724.7 | 1,793.8 | 1,864.3 | 1,900.6 |
| 43 Commercial banks | 80.0 | 84.6 | 94.5 | 102.6 | 92.6 | 94.5 | 95.0 | 99.9 | 102.0 | 102.6 | 100.5 |
| 44 Bank holding companies | 114.6 | 123.4 | 133.6 | 148.0 | 129.6 | 133.6 | 137.7 | 142.9 | 150.0 | 148.0 | 141.6 |
| 45 Funding corporations | 161.6 | 169.9 | 199.3 | 233.9 | 200.6 | 199.3 | 221.0 | 229.9 | 240.0 | 233.9 | 244.6 |
| 46 Savings institutions | 88.4 | 99.6 | 112.4 | 115.0 | 103.4 | 112.4 | 107.7 | 105.9 | 107.2 | 115.0 | 117.8 |
| 47 Credit unions | .0 | .2 | .5 | .4 | .4 | .5 | .4 | .3 | .4 | .4 | .4 |
| 48 Life insurance companies | .0 | .2 | .6 | .5 | .3 | .6 | .6 | .6 | .6 | .5 | 1.1 |
| 49 Finance companies | 390.4 | 390.5 | 440.7 | 492.3 | 420.9 | 440.7 | 456.7 | 467.2 | 471.9 | 492.3 | 499.8 |
| 50 Mortgage companies | 30.2 | 30.2 | 18.7 | 16.6 | 18.5 | 18.7 | 16.9 | 20.6 | 21.6 | 16.6 | 16.8 |
| 51 Real estate investment trusts (REITs) | 13.9 | 17.4 | 31.1 | 36.5 | 29.5 | 31.1 | 32.4 | 33.7 | 35.0 | 36.5 | 38.0 |
| 52 Brokers and dealers | 21.7 | 33.7 | 34.3 | 29.3 | 29.4 | 34.3 | 26.9 | 26.8 | 27.4 | 29.3 | 21.4 |
| 53 Issuers of asset-backed securities (ABSs) | 404.3 | 487.6 | 556.1 | 689.1 | 537.7 | 556.1 | 570.0 | 596.8 | 637.8 | 689.1 | 718.8 |
| | | | | | | All sectors | | | | | |
| 54 **Total credit market debt, domestic and foreign** | **15,232.6** | **16,241.2** | **17,319.2** | **18,567.4** | **16,974.5** | **17,319.2** | **17,577.5** | **17,907.8** | **18,211.5** | **18,567.4** | **18,827.8** |
| 55 U.S. government securities | 4,795.5 | 5,215.8 | 5,665.0 | 6,014.6 | 5,525.6 | 5,665.0 | 5,754.1 | 5,830.6 | 5,903.5 | 6,014.6 | 6,133.8 |
| 56 Municipal securities | 1,302.8 | 1,377.5 | 1,348.2 | 1,307.0 | 1,362.6 | 1,348.2 | 1,335.4 | 1,331.7 | 1,309.9 | 1,307.0 | 1,304.1 |
| 57 Corporate and foreign bonds | 2,039.0 | 2,315.6 | 2,461.0 | 2,766.3 | 2,428.6 | 2,461.0 | 2,516.5 | 2,597.7 | 2,679.5 | 2,766.3 | 2,823.1 |
| 58 Mortgages | 4,094.1 | 4,269.0 | 4,473.1 | 4,715.9 | 4,418.0 | 4,473.1 | 4,515.9 | 4,584.6 | 4,663.9 | 4,715.9 | 4,774.0 |
| 59 Consumer credit | 802.4 | 863.9 | 988.8 | 1,131.7 | 933.9 | 988.8 | 989.3 | 1,029.7 | 1,077.5 | 1,131.7 | 1,123.3 |
| 60 Bank loans n.e.c. | 776.6 | 768.2 | 830.4 | 944.9 | 804.5 | 830.4 | 864.4 | 898.6 | 917.4 | 944.9 | 957.8 |
| 61 Open market paper | 579.0 | 580.0 | 623.5 | 700.4 | 599.2 | 623.5 | 654.7 | 673.8 | 692.7 | 700.4 | 717.6 |
| 62 Other loans and advances | 843.1 | 851.1 | 929.1 | 986.6 | 902.2 | 929.1 | 947.2 | 961.0 | 967.1 | 986.6 | 994.2 |

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

## 1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

| Transaction category or sector | 1992 | 1993 | 1994 | 1995 | 1994 Q3 | 1994 Q4 | 1995 Q1 | 1995 Q2 | 1995 Q3 | 1995 Q4 | 1996 Q1 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CREDIT MARKET DEBT OUTSTANDING[2] | | | | | | | | | | | |
| 1 **Total credit market assets** | **15,232.6** | **16,241.2** | **17,319.2** | **18,567.4** | **16,974.5** | **17,319.2** | **17,577.5** | **17,907.8** | **18,211.5** | **18,567.4** | **18,827.8** |
| 2 Private domestic nonfinancial sectors | 2,671.6 | 2,730.1 | 3,019.3 | 2,930.4 | 2,900.6 | 3,019.3 | 2,984.8 | 2,935.1 | 2,942.2 | 2,930.4 | 2,858.6 |
| 3 Households | 1,618.5 | 1,658.9 | 1,993.9 | 2,041.3 | 1,857.7 | 1,993.9 | 2,013.6 | 1,974.3 | 2,048.3 | 2,041.3 | 2,001.8 |
| 4 Nonfarm noncorporate business | 38.1 | 38.8 | 39.5 | 40.4 | 39.3 | 39.5 | 39.6 | 39.9 | 40.2 | 40.4 | 40.7 |
| 5 Nonfinancial corporate business | 257.8 | 271.5 | 319.7 | 316.1 | 295.3 | 319.7 | 291.0 | 302.8 | 290.4 | 316.1 | 306.6 |
| 6 State and local governments | 757.2 | 760.8 | 666.3 | 532.5 | 708.3 | 666.3 | 640.6 | 618.1 | 563.4 | 532.5 | 509.4 |
| 7 U.S. government | 235.0 | 230.7 | 206.5 | 185.2 | 212.6 | 206.5 | 203.2 | 197.1 | 191.2 | 185.2 | 179.0 |
| 8 Rest of the world | 1,022.8 | 1,146.6 | 1,255.7 | 1,527.5 | 1,240.7 | 1,255.7 | 1,324.4 | 1,402.6 | 1,493.1 | 1,527.5 | 1,617.8 |
| 9 Financial sectors | 11,303.2 | 12,133.8 | 12,837.7 | 13,924.3 | 12,620.6 | 12,837.7 | 13,065.2 | 13,372.9 | 13,585.1 | 13,924.3 | 14,172.5 |
| 10 Government-sponsored enterprises | 457.8 | 548.0 | 667.1 | 761.8 | 624.3 | 667.1 | 673.5 | 698.6 | 714.0 | 761.8 | 771.7 |
| 11 Federally related mortgage pools | 1,272.0 | 1,355.6 | 1,472.1 | 1,570.3 | 1,454.9 | 1,472.1 | 1,479.9 | 1,499.0 | 1,526.6 | 1,570.3 | 1,599.7 |
| 12 Monetary authority | 300.4 | 336.7 | 368.2 | 380.8 | 356.8 | 368.2 | 367.1 | 375.7 | 370.6 | 380.8 | 379.6 |
| 13 Commercial banking | 2,948.6 | 3,090.8 | 3,254.3 | 3,520.6 | 3,203.9 | 3,254.3 | 3,327.8 | 3,409.8 | 3,474.2 | 3,520.6 | 3,541.4 |
| 14 U.S. chartered banks | 2,571.9 | 2,721.5 | 2,869.6 | 3,056.1 | 2,822.3 | 2,869.6 | 2,906.5 | 2,963.7 | 3,023.7 | 3,056.1 | 3,068.8 |
| 15 Foreign banking offices in United States | 335.8 | 326.0 | 337.1 | 412.6 | 335.5 | 337.1 | 373.6 | 396.0 | 401.1 | 412.6 | 422.3 |
| 16 Bank holding companies | 17.5 | 17.5 | 18.4 | 18.0 | 19.0 | 18.4 | 18.0 | 19.3 | 16.9 | 18.0 | 16.7 |
| 17 Banks in U.S. affiliated areas | 23.4 | 25.8 | 29.2 | 33.8 | 27.1 | 29.2 | 29.8 | 30.8 | 32.5 | 33.8 | 33.6 |
| 18 Funding corporations | 162.5 | 149.2 | 129.5 | 138.3 | 130.2 | 129.5 | 140.8 | 137.4 | 143.1 | 138.3 | 174.9 |
| 19 *Thrift institutions* | 1,134.5 | 1,132.7 | 1,167.6 | 1,176.3 | 1,160.4 | 1,167.6 | 1,173.4 | 1,177.4 | 1,188.9 | 1,176.3 | 1,174.6 |
| 20 Life insurance companies | 1,309.1 | 1,420.6 | 1,487.0 | 1,585.7 | 1,470.7 | 1,487.0 | 1,523.1 | 1,557.1 | 1,575.5 | 1,585.7 | 1,619.2 |
| 21 Other insurance companies | 389.4 | 422.7 | 446.4 | 471.9 | 439.1 | 446.4 | 451.8 | 458.5 | 464.4 | 471.9 | 478.1 |
| 22 *Private pension funds* | 571.7 | 617.6 | 664.6 | 725.9 | 645.9 | 664.6 | 679.3 | 693.6 | 706.2 | 725.9 | 745.3 |
| 23 State and local government retirement funds | 417.5 | 437.3 | 466.3 | 487.7 | 454.3 | 466.3 | 480.7 | 482.1 | 481.8 | 487.7 | 508.2 |
| 24 Finance companies | 496.4 | 482.8 | 551.0 | 614.6 | 524.1 | 551.0 | 568.5 | 586.9 | 594.7 | 614.6 | 623.3 |
| 25 Mortgage companies | 60.5 | 60.4 | 37.5 | 34.1 | 37.0 | 37.5 | 33.9 | 41.4 | 43.2 | 34.1 | 34.5 |
| 26 Mutual funds | 566.4 | 725.9 | 718.8 | 771.3 | 741.8 | 718.8 | 719.3 | 724.8 | 739.2 | 771.3 | 791.7 |
| 27 Closed-end funds | 67.7 | 78.6 | 73.1 | 78.9 | 75.6 | 73.1 | 74.0 | 75.6 | 77.7 | 78.9 | 78.6 |
| 28 Money market mutual funds | 408.6 | 429.0 | 459.0 | 545.5 | 437.9 | 459.0 | 480.6 | 508.0 | 505.7 | 545.5 | 595.6 |
| 29 Real estate investment trusts (REITs) | 8.1 | 8.6 | 13.3 | 15.1 | 13.3 | 13.3 | 13.8 | 14.2 | 14.7 | 15.1 | 15.6 |
| 30 Brokers and dealers | 122.7 | 137.5 | 93.3 | 183.4 | 95.3 | 93.3 | 101.0 | 137.5 | 137.0 | 183.4 | 158.2 |
| 31 Asset-backed securities issuers (ABSs) | 378.0 | 458.8 | 520.7 | 632.9 | 507.3 | 520.7 | 531.5 | 555.2 | 593.2 | 632.9 | 657.6 |
| 32 Bank personal trusts | 231.5 | 240.9 | 248.0 | 229.2 | 247.7 | 248.0 | 245.3 | 240.2 | 234.2 | 229.2 | 224.7 |
| RELATION OF LIABILITIES TO FINANCIAL ASSETS | | | | | | | | | | | |
| 33 **Total credit market debt** | **15,232.6** | **16,241.2** | **17,319.2** | **18,567.4** | **16,974.5** | **17,319.2** | **17,577.5** | **17,907.8** | **18,211.5** | **18,567.4** | **18,827.8** |
| *Other liabilities* | | | | | | | | | | | |
| 34 Official foreign exchange | 51.8 | 53.4 | 53.2 | 63.7 | 55.5 | 53.2 | 64.1 | 67.1 | 65.1 | 63.7 | 62.1 |
| 35 Special drawing rights certificates | 8.0 | 8.0 | 8.0 | 10.2 | 8.0 | 8.0 | 8.0 | 8.0 | 10.2 | 10.2 | 10.2 |
| 36 Treasury currency | 16.5 | 17.0 | 17.6 | 18.2 | 17.5 | 17.6 | 17.8 | 18.0 | 18.2 | 18.2 | 18.2 |
| 37 Life insurance reserves | 433.0 | 468.2 | 502.2 | 552.1 | 496.8 | 502.2 | 515.7 | 528.1 | 535.6 | 552.1 | 566.1 |
| 38 Pension fund reserves | 4,055.1 | 4,471.6 | 4,693.9 | 5,499.6 | 4,677.0 | 4,693.9 | 4,895.7 | 5,095.4 | 5,318.1 | 5,499.6 | 5,745.6 |
| 39 Interbank claims | 138.5 | 189.3 | 280.0 | 290.7 | 250.1 | 280.0 | 273.0 | 265.9 | 267.4 | 290.7 | 266.2 |
| 40 Deposits at financial institutions | 5,050.2 | 5,154.9 | 5,296.0 | 5,704.4 | 5,212.4 | 5,296.0 | 5,389.5 | 5,572.4 | 5,615.3 | 5,704.4 | 5,799.1 |
| 41 Checkable deposits and currency | 1,134.4 | 1,251.7 | 1,242.0 | ,229.5 | 1,205.0 | 1,242.0 | 1,193.9 | 1,246.3 | 1,200.4 | 1,229.5 | 1,183.8 |
| 42 Small time and savings deposits | 2,293.5 | 2,223.2 | 2,183.3 | 2,279.7 | 2,199.1 | 2,183.3 | 2,200.1 | 2,222.4 | 2,255.6 | 2,279.7 | 2,336.4 |
| 43 Large time deposits | 415.2 | 391.7 | 411.2 | 476.9 | 402.6 | 411.2 | 441.1 | 456.2 | 477.4 | 476.9 | 490.6 |
| 44 Money market fund shares | 539.5 | 559.6 | 602.9 | 745.3 | 578.7 | 602.9 | 634.0 | 678.5 | 702.7 | 745.3 | 816.9 |
| 45 Security repurchase agreements | 399.9 | 471.1 | 549.4 | 660.1 | 548.1 | 549.4 | 603.4 | 629.3 | 655.6 | 660.1 | 666.5 |
| 46 Foreign deposits | 267.7 | 257.6 | 307.1 | 312.9 | 278.9 | 307.1 | 316.9 | 339.6 | 323.6 | 312.9 | 304.9 |
| 47 Mutual fund shares | 992.5 | 1,375.4 | 1,477.3 | 1,852.8 | 1,515.8 | 1,477.3 | 1,553.3 | 1,661.0 | 1,782.0 | 1,852.8 | 2,004.8 |
| 48 Security credit | 217.7 | 279.0 | 279.0 | 305.6 | 263.9 | 279.0 | 269.5 | 277.9 | 286.2 | 305.6 | 318.3 |
| 49 Trade payables | 995.1 | 1,049.4 | 1,160.5 | 1,266.5 | 1,099.8 | 1,160.5 | 1,159.8 | 1,174.2 | 1,217.3 | 1,266.5 | 1,269.7 |
| 50 Taxes payable | 79.7 | 84.9 | 88.0 | 89.3 | 87.1 | 88.0 | 94.3 | 89.2 | 91.9 | 89.3 | 94.2 |
| 51 Investment in bank personal trusts | 660.6 | 691.3 | 699.4 | 767.4 | 701.1 | 699.4 | 719.7 | 739.7 | 758.6 | 767.4 | 781.6 |
| 52 Miscellaneous | 4,785.2 | 5,165.2 | 5,397.3 | 5,769.9 | 5,373.0 | 5,397.3 | 5,459.7 | 5,537.2 | 5,626.9 | 5,769.9 | 5,836.4 |
| 53 **Total liabilities** | **32,716.4** | **35,248.7** | **37,271.6** | **40,757.9** | **36,732.4** | **37,271.6** | **37,997.6** | **38,941.9** | **39,804.3** | **40,757.9** | **41,600.4** |
| *Financial assets not included in liabilities (+)* | | | | | | | | | | | |
| 54 Gold and special drawing rights | 19.6 | 20.1 | 21.1 | 22.1 | 21.0 | 21.1 | 22.7 | 22.9 | 22.1 | 22.1 | 22.1 |
| 55 Corporate equities | 5,462.9 | 6,278.5 | 6,293.4 | 8,345.4 | 6,228.7 | 6,293.4 | 6,835.8 | 7,393.0 | 8,013.8 | 8,345.4 | 8,820.5 |
| 56 Household equity in noncorporate business | 2,458.3 | 2,476.3 | 2,564.6 | 2,657.7 | 2,550.9 | 2,564.6 | 2,576.7 | 2,607.0 | 2,619.3 | 2,657.7 | 2,669.9 |
| *Floats not included in assets (–)* | | | | | | | | | | | |
| 57 U.S. government checkable deposits | 6.8 | 5.6 | 3.4 | 3.1 | 1.2 | 3.4 | 4.2 | 2.0 | .6 | 3.1 | .0 |
| 58 Other checkable deposits | 42.0 | 40.7 | 38.0 | 34.2 | 30.6 | 38.0 | 33.3 | 35.7 | 27.3 | 34.2 | 29.6 |
| 59 Trade credit | 251.1 | 251.4 | -260.1 | 274.9 | -323.2 | 260.1 | 297.1 | 315.8 | 331.3 | 274.9 | -356.1 |
| *Liabilities not identified as assets (–)* | | | | | | | | | | | |
| 60 Treasury currency | 4.9 | 5.1 | -5.4 | -5.8 | 5.3 | 5.4 | 5.4 | -5.5 | 5.6 | 5.8 | 6.0 |
| 61 Interbank claims | -9.3 | 4.7 | -6.5 | 9.0 | 3.4 | 6.5 | -2.7 | 2.9 | .1 | 9.0 | 2.5 |
| 62 Security repurchase agreements | 43.0 | 77.3 | 108.8 | 119.8 | 100.7 | 108.8 | 132.9 | 114.5 | 136.4 | 119.8 | 108.7 |
| 63 Foreign deposits | 217.6 | 218.4 | 258.7 | 257.2 | 241.3 | 258.7 | 270.1 | 290.5 | 267.1 | 257.2 | 246.8 |
| 64 Taxes payable | 25.2 | 26.8 | 25.0 | 33.7 | 22.8 | 25.0 | 10.0 | 25.6 | 28.7 | 33.7 | 13.5 |
| 65 Miscellaneous | -514.5 | -667.2 | -830.5 | 859.2 | -688.2 | 830.5 | 892.2 | 878.5 | 884.9 | 859.2 | 896.0 |
| 66 **Total identified to sectors as assets** | **41,102.3** | **44,583.2** | **46,819.3** | **52,483.9** | **46,156.5** | **46,819.3** | **48,179.7** | **49,699.2** | **51,221.1** | **52,483.9** | **53,975.0** |

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.6 and L.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

## 2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1987=100, except as noted

| Measure | 1993 | 1994 | 1995 | 1995 | | | 1996 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Apr.[r] | May[r] | June |
| 1 **Industrial production**[1] | **111.5** | **118.1** | **121.9** | **122.2** | **122.6** | **122.8** | **122.5** | **124.2** | **123.6** | **124.5** | **125.1** | **125.7** |
| *Market groupings* | | | | | | | | | | | | |
| 2 Products, total | 110.0 | 115.6 | 118.3 | 118.3 | 118.8 | 119.2 | 118.6 | 120.7 | 120.0 | 120.7 | 121.1 | 121.5 |
| 3 Final, total | 112.7 | 118.3 | 121.4 | 121.3 | 121.9 | 122.1 | 121.9 | 124.5 | 123.4[r] | 124.8 | 125.1 | 125.5 |
| 4 Consumer goods | 109.5 | 113.7 | 115.1 | 114.9 | 115.9 | 115.7 | 114.6 | 116.6 | 115.3 | 115.8 | 116.1 | 116.2 |
| 5 Equipment | 117.5 | 125.3 | 131.4 | 131.5 | 131.4 | 132.3 | 133.7 | 137.3 | 136.5[r] | 139.2 | 139.6 | 140.6 |
| 6 Intermediate | 101.8 | 107.3 | 109.0 | 109.2 | 109.3 | 110.1 | 108.5 | 109.3 | 109.6[r] | 108.6 | 109.1 | 109.5 |
| 7 Materials | 113.8 | 122.0 | 127.4 | 128.1 | 128.4 | 128.4 | 128.5 | 129.4 | 129.1[r] | 130.2 | 131.2 | 132.3 |
| *Industry groupings* | | | | | | | | | | | | |
| 8 Manufacturing | 112.3 | 119.7 | 123.9 | 124.4 | 124.5 | 124.8 | 124.5 | 126.2 | 125.2 | 126.5 | 126.9 | 127.6 |
| 9 Capacity utilization, manufacturing (percent)[2] | 80.6 | 83.3 | 83.0 | 82.2 | 82.0 | 81.9 | 81.4 | 82.3 | 81.3 | 81.8 | 81.8 | 82.0 |
| 10 Construction contracts[3] | 105.1[r] | 114.2 | 118.3[r] | 120.0 | 122.0[r] | 117.0[r] | 119.0 | 113.0 | 125.0[r] | 126.0 | 122.0 | 118.0 |
| 11 Nonagricultural employment, total[4] | 108.6 | 112.0 | 115.0 | 115.5 | 115.6 | 115.9 | 115.8 | 116.3 | 116.5 | 116.7 | 117.0 | 117.2 |
| 12 Goods-producing, total | 94.6[r] | 96.9[r] | 98.1[r] | 97.9 | 97.8 | 97.9 | 97.7 | 98.3 | 98.1 | 98.1 | 98.3 | 98.4 |
| 13 Manufacturing, total | 95.1[r] | 96.4[r] | 97.2[r] | 96.7 | 96.6 | 96.7 | 96.4 | 96.5 | 96.2 | 96.2 | 96.3 | 96.3 |
| 14 Manufacturing, production workers | 95.3 | 97.5[r] | 98.7[r] | 98.1 | 98.0 | 98.1 | 97.7 | 97.8 | 97.4 | 97.5 | 97.5 | 97.5 |
| 15 Service-producing | 113.1[r] | 116.8[r] | 120.3[r] | 121.1 | 121.3 | 121.6 | 121.6 | 122.1 | 122.3 | 122.6 | 123.0 | 123.3 |
| 16 Personal income, total | 141.3 | 148.3 | 157.4 | 159.6 | 160.1 | 161.1 | 161.2 | 162.4[r] | 163.0[r] | 163.8 | 164.5 | n.a. |
| 17 Wages and salary disbursements | 136.0 | 142.6 | 150.5 | 153.0 | 152.9 | 153.7 | 153.5[r] | 155.2[r] | 155.9[r] | 156.7 | 157.6 | n.a. |
| 18 Manufacturing | 119.3 | 125.0 | 129.3 | 129.5 | 129.5 | 129.8 | 128.6[r] | 130.0[r] | 129.3[r] | 131.6 | 132.0 | n.a. |
| 19 Disposable personal income[5] | 142.4 | 149.2 | 157.8 | 160.0 | 160.6 | 161.7 | 161.6[r] | 162.6[r] | 163.1[r] | 162.3 | 164.4 | n.a. |
| 20 Retail sales[5] | 134.7 | 144.8 | 152.2 | 153.0 | 154.3 | 155.3 | 155.3 | 158.6 | 159.3 | 159.1 | 160.4 | 160.0 |
| *Prices*[6] | | | | | | | | | | | | |
| 21 Consumer (1982–84=100) | 144.5 | 148.2 | 152.4 | 153.7 | 153.6 | 153.5 | 154.4 | 154.9 | 155.7 | 156.3 | 156.6 | 156.7 |
| 22 Producer finished goods (1982=100) | 124.7 | 125.5 | 127.9 | 128.7 | 128.7 | 129.1 | 129.4 | 129.4 | 130.2 | 130.8 | 131.0 | 131.6 |

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1995. See "A Revision to Industrial Production and Capacity Utilization, 1991–95," *Federal Reserve Bulletin*, vol. 82 (January 1996), pp. 16–25. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.

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

4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.

5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.

6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

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

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590–605.

## 2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

| Category | 1993[r] | 1994[r] | 1995[r] | 1995 | | 1996 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Nov. | Dec. | Jan. | Feb. | Mar. | Apr.[r] | May[r] | June |
| HOUSEHOLD SURVEY DATA[1] | | | | | | | | | | | |
| 1 Civilian labor force[2] | 129,200 | 131,056 | 132,304 | 132,471 | 132,352 | 132,903 | 133,018 | 133,655 | 133,361 | 133,910 | 133,669 |
| *Employment* | | | | | | | | | | | |
| 2 Nonagricultural industries[3] | 117,144 | 119,651 | 121,460 | 121,739 | 121,656 | 121,698 | 122,143 | 122,664 | 122,726 | 122,971 | 123,228 |
| 3 Agriculture | 3,115 | 3,409 | 3,440 | 3,323 | 3,325 | 3,529 | 3,519 | 3,487 | 3,368 | 3,491 | 3,382 |
| *Unemployment* | | | | | | | | | | | |
| 4 Number | 8,940 | 7,996 | 7,404 | 7,409 | 7,371 | 7,677 | 7,355 | 7,504 | 7,266 | 7,448 | 7,060 |
| 5 Rate (percent of civilian labor force) | 6.9 | 6.1 | 5.6 | 5.6 | 5.6 | 5.8 | 5.5 | 5.6 | 5.4 | 5.6 | 5.3 |
| ESTABLISHMENT SURVEY DATA | | | | | | | | | | | |
| 6 **Nonagricultural payroll employment**[4] | **110,730** | **114,172** | **117,203** | **117,899** | **118,136** | **118,070** | **118,579** | **118,737** | **118,928** | **119,293** | **119,532** |
| 7 Manufacturing | 18,075 | 18,321 | 18,468 | 18,353 | 18,367 | 18,309 | 18,332 | 18,282 | 18,283 | 18,299 | 18,292 |
| 8 Mining | 610 | 601 | 580 | 569 | 570 | 569 | 573 | 574 | 573 | 576 | 576 |
| 9 Contract construction | 4,668 | 4,986 | 5,158 | 5,211 | 5,223 | 5,234 | 5,349 | 5,340 | 5,353 | 5,383 | 5,406 |
| 10 Transportation and public utilities | 5,829 | 5,993 | 6,165 | 6,233 | 6,249 | 6,254 | 6,270 | 6,289 | 6,294 | 6,315 | 6,331 |
| 11 Trade | 25,755 | 26,670 | 27,585 | 27,778 | 27,832 | 27,780 | 27,869 | 27,891 | 27,972 | 28,037 | 28,124 |
| 12 Finance | 6,757 | 6,896 | 6,830 | 6,871 | 6,887 | 6,894 | 6,919 | 6,932 | 6,942 | 6,963 | 6,974 |
| 13 Service | 30,197 | 31,579 | 33,107 | 33,546 | 33,661 | 33,694 | 33,902 | 34,035 | 34,114 | 34,270 | 34,369 |
| 14 Government | 18,841 | 19,128 | 19,310 | 19,338 | 19,347 | 19,336 | 19,365 | 19,394 | 19,397 | 19,450 | 19,460 |

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.

2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.

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

4. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE. Based on data from U.S. Department of Labor, *Employment and Earnings*.

## 2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

| Series | Output (1987 = 100) 1995 Q3 | 1995 Q4 | 1996 Q1[r] | 1996 Q2 | Capacity (percent of 1987 output) 1995 Q3 | 1995 Q4 | 1996 Q1 | 1996 Q2 | Capacity utilization rate (percent)[2] 1995 Q3 | 1995 Q4 | 1996 Q1[r] | 1996 Q2 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 **Total industry** | **122.3** | **122.5** | **123.4** | **125.1** | **146.3** | **147.7** | **149.1** | **150.6** | **83.6** | **82.9** | **82.8** | **83.1** |
| 2 Manufacturing | 124.1 | 124.6 | 125.3 | 127.0 | 150.2 | 151.9 | 153.5 | 155.1 | 82.6 | 82.0 | 81.6 | 81.9 |
| 3 Primary processing[3] | 117.1 | 117.1 | 116.7 | 117.8 | 135.2 | 136.1 | 136.9 | 137.8 | 86.6 | 86.1 | 85.2 | 85.6 |
| 4 Advanced processing[4] | 127.5 | 128.1 | 129.4 | 131.3 | 157.5 | 159.5 | 161.5 | 163.5 | 80.9 | 80.3 | 80.1 | 80.3 |
| 5 Durable goods | 133.0 | 134.2 | 136.0 | 139.3 | 161.7 | 164.2 | 166.7 | 169.4 | 82.3 | 81.7 | 81.6 | 82.2 |
| 6 Lumber and products | 104.6 | 105.8 | 104.6 | 108.7 | 119.8 | 120.9 | 121.7 | 122.4 | 87.3 | 87.5 | 85.9 | 88.8 |
| 7 Primary metals | 118.2 | 118.8 | 118.9 | 118.9 | 128.8 | 129.5 | 130.3 | 131.4 | 91.8 | 91.8 | 91.2 | 90.5 |
| 8 Iron and steel | 121.3 | 121.3 | 122.6 | 122.2 | 132.9 | 133.5 | 134.4 | 135.7 | 91.3 | 90.9 | 91.2 | 90.0 |
| 9 Nonferrous | 113.9 | 115.3 | 113.8 | 114.4 | 123.3 | 124.0 | 124.8 | 125.5 | 92.4 | 93.0 | 91.2 | 91.1 |
| 10 Industrial machinery and equipment | 178.9 | 186.8 | 195.3 | 201.3 | 206.1 | 212.0 | 218.1 | 224.5 | 86.8 | 88.1 | 89.5 | 89.7 |
| 11 Electrical machinery | 178.4 | 182.9 | 186.3 | 189.1 | 206.3 | 213.9 | 221.8 | 229.9 | 86.5 | 85.5 | 84.0 | 82.3 |
| 12 Motor vehicles and parts | 140.7 | 140.5 | 132.6 | 144.7 | 176.8 | 179.2 | 181.3 | 182.9 | 79.6 | 78.4 | 73.2 | 79.1 |
| 13 Aerospace and miscellaneous transportation equipment | 86.9 | 79.0 | 84.0 | 86.2 | 130.1 | 129.3 | 128.6 | 128.1 | 66.8 | 61.1 | 65.3 | 67.3 |
| 14 Nondurable goods | 114.3 | 113.9 | 113.5 | 113.5 | 137.7 | 138.4 | 139.0 | 139.6 | 83.0 | 82.3 | 81.7 | 81.3 |
| 15 Textile mill products | 110.9 | 109.4 | 106.4 | 108.5 | 131.6 | 132.8 | 133.7 | 134.2 | 84.3 | 82.4 | 79.6 | 80.8 |
| 16 Paper and products | 119.5 | 118.1 | 114.6 | 118.6 | 132.8 | 133.9 | 134.9 | 135.8 | 90.0 | 88.2 | 85.0 | 87.3 |
| 17 Chemicals and products | 124.6 | 126.4 | 126.9 | 126.0 | 155.6 | 156.5 | 157.5 | 158.5 | 80.1 | 80.7 | 80.6 | 79.5 |
| 18 Plastics materials | 118.3 | 123.1 | 126.9 | ... | 135.4 | 137.1 | 138.6 | ... | 87.3 | 89.7 | 91.6 | ... |
| 19 Petroleum products | 109.2 | 107.7 | 109.7 | 109.7 | 116.4 | 116.6 | 116.8 | 117.1 | 93.8 | 92.4 | 93.9 | 93.7 |
| 20 Mining | 100.2 | 98.2 | 98.7 | 101.3 | 111.9 | 111.9 | 111.9 | 111.8 | 89.5 | 87.8 | 88.2 | 90.6 |
| 21 Utilities | 124.7 | 124.1 | 126.7 | 127.6 | 135.2 | 135.6 | 136.0 | 136.5 | 92.3 | 91.5 | 93.2 | 93.5 |
| 22 Electric | 125.0 | 123.7 | 126.4 | 128.2 | 132.5 | 133.0 | 133.4 | 133.9 | 94.3 | 93.1 | 94.8 | 95.7 |

| Series | 1973 High | 1975 Low | Previous cycle[5] High | Previous cycle[5] Low | Latest cycle[6] High | Latest cycle[6] Low | 1995 June | 1996 Jan. | 1996 Feb. | 1996 Mar.[r] | 1996 Apr.[r] | 1996 May | 1996 June[p] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capacity utilization rate (percent)[2] | | | | | | | | | | | | |
| 1 **Total industry** | **89.2** | **72.6** | **87.3** | **71.8** | **84.9** | **78.0** | **83.5** | **82.4** | **83.3** | **82.6** | **82.9** | **83.1** | **83.2** |
| 2 *Manufacturing* | 88.9 | 70.8 | 87.3 | 70.0 | 85.2 | 76.6 | 82.7 | 81.4 | 82.3 | 81.3 | 81.8 | 81.8 | 82.0 |
| 3 Primary processing[3] | 92.2 | 68.9 | 89.7 | 66.8 | 89.0 | 77.9 | 87.0 | 85.4 | 84.9 | 85.3 | 85.3 | 85.6 | 85.7 |
| 4 Advanced processing[4] | 87.5 | 72.0 | 86.3 | 71.4 | 83.5 | 76.1 | 80.8 | 79.7 | 81.1 | 79.6 | 80.4 | 80.2 | 80.4 |
| 5 Durable goods | 88.8 | 68.5 | 86.9 | 65.0 | 84.0 | 73.7 | 82.1 | 81.3 | 82.5 | 80.9 | 82.1 | 82.1 | 82.4 |
| 6 Lumber and products | 90.1 | 62.2 | 87.6 | 60.9 | 93.3 | 76.1 | 86.5 | 84.8 | 84.8 | 88.2 | 89.2 | 88.3 | 88.8 |
| 7 Primary metals | 100.6 | 66.2 | 102.4 | 46.8 | 92.8 | 74.2 | 91.5 | 93.5 | 89.8 | 90.3 | 90.7 | 90.2 | 90.7 |
| 8 *Iron and steel* | 105.8 | 66.6 | 110.4 | 38.3 | 95.7 | 72.0 | 89.9 | 95.6 | 88.9 | 89.1 | 90.4 | 89.3 | 90.4 |
| 9 Nonferrous | 92.9 | 61.3 | 90.5 | 62.2 | 88.7 | 75.2 | 93.6 | 90.7 | 91.0 | 91.8 | 91.0 | 91.3 | 91.1 |
| 10 Industrial machinery and equipment | 96.4 | 74.5 | 92.1 | 64.9 | 84.0 | 71.8 | 86.2 | 88.8 | 89.9 | 89.9 | 89.6 | 89.6 | 89.9 |
| 11 *Electrical machinery* | 87.8 | 63.8 | 89.4 | 71.1 | 84.9 | 77.0 | 85.9 | 83.2 | 85.1 | 83.7 | 82.6 | 82.0 | 82.2 |
| 12 Motor vehicles and parts | 93.4 | 51.1 | 93.0 | 44.5 | 85.1 | 56.6 | 79.7 | 75.0 | 77.9 | 66.7 | 79.1 | 78.8 | 79.5 |
| 13 Aerospace and miscellaneous transportation equipment | 77.0 | 66.6 | 81.1 | 66.9 | 88.4 | 78.8 | 67.5 | 63.8 | 65.5 | 66.7 | 67.0 | 67.3 | 67.6 |
| 14 Nondurable goods | 87.9 | 71.8 | 87.0 | 76.9 | 86.7 | 80.3 | 83.3 | 81.4 | 81.9 | 81.6 | 81.4 | 81.4 | 81.3 |
| 15 Textile mill products | 92.0 | 60.4 | 91.7 | 73.8 | 92.1 | 78.8 | 84.4 | 78.0 | 79.4 | 81.4 | 80.7 | 80.6 | 81.2 |
| 16 Paper and products | 96.9 | 69.0 | 94.2 | 82.0 | 94.8 | 86.7 | 90.8 | 85.3 | 84.1 | 85.4 | 87.7 | 87.6 | 86.7 |
| 17 Chemicals and products | 87.9 | 69.9 | 85.1 | 70.1 | 85.9 | 79.0 | 80.3 | 80.8 | 80.7 | 80.1 | 79.5 | 79.4 | 79.6 |
| 18 Plastics materials | 102.0 | 50.6 | 90.9 | 63.4 | 97.0 | 74.8 | 90.2 | 90.8 | 91.3 | 92.6 | 93.4 | ... | ... |
| 19 Petroleum products | 96.7 | 81.1 | 89.5 | 68.2 | 88.5 | 84.6 | 93.4 | 93.3 | 94.3 | 94.0 | 93.7 | 93.7 | 93.6 |
| 20 *Mining* | 94.4 | 88.4 | 96.6 | 80.6 | 86.5 | 86.1 | 90.2 | 86.8 | 87.6 | 90.3 | 89.9 | 90.3 | 91.7 |
| 21 Utilities | 95.6 | 82.5 | 88.3 | 76.2 | 92.6 | 83.1 | 89.7 | 92.4 | 93.1 | 94.0 | 92.4 | 94.6 | 93.3 |
| 22 Electric | 99.0 | 82.7 | 88.3 | 78.7 | 94.8 | 86.7 | 91.6 | 94.2 | 94.9 | 95.2 | 94.0 | 97.2 | 95.9 |

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1995. See "A Revision to Industrial Production and Capacity Utilization, 1991 95," *Federal Reserve Bulletin*, vol. 82 (January 1996), pp 16 25. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp 187 204

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber, paper, industrial chemicals; synthetic materials; fertilizer materials; petroleum products; rubber and plastics; stone, clay, and glass; primary metals; and fabricated metals

4. Advanced processing includes foods, tobacco; apparel; furniture and fixtures; printing and publishing, chemical products such as drugs and toiletries; agricultural chemicals; leather and products; machinery; transportation equipment; instruments; and miscellaneous manufactures.

5. Monthly highs, 1978 80; monthly lows, 1982

6. Monthly highs, 1988 89; monthly lows, 1990 91.

## 2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

| Group | 1992 proportion | 1995 avg. | 1995 June | 1995 July | 1995 Aug. | 1995 Sept. | 1995 Oct. | 1995 Nov. | 1995 Dec. | 1996 Jan. | 1996 Feb. | 1996 Mar.[r] | 1996 Apr.[r] | 1996 May | 1996 June[p] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Index (1987 = 100) | | | | | | | | | | | | |
| MAJOR MARKETS | | | | | | | | | | | | | | | |
| 1 **Total index** | **100.0** | **121.9** | **121.4** | **121.5** | **122.7** | **122.8** | **122.2** | **122.6** | **122.8** | **122.5** | **124.2** | **123.6** | **124.5** | **125.1** | **125.7** |
| 2 Products | 60.6 | 118.3 | 117.9 | 118.0 | 119.2 | 119.4 | 118.3 | 118.8 | 119.2 | 118.6 | 120.7 | 120.0 | 120.7 | 121.1 | 121.5 |
| 3 Final products | 46.3 | 121.4 | 121.1 | 121.2 | 122.4 | 122.6 | 121.3 | 121.9 | 122.1 | 121.9 | 124.5 | 123.4 | 124.8 | 125.1 | 125.5 |
| 4 Consumer goods, total | 28.6 | 115.1 | 114.8 | 114.6 | 115.9 | 116.0 | 114.9 | 115.9 | 115.7 | 114.6 | 116.6 | 115.3 | 115.8 | 116.1 | 116.2 |
| 5 Durable consumer goods | 5.6 | 124.2 | 122.3 | 121.4 | 124.0 | 125.8 | 123.4 | 124.9 | 126.3 | 120.3 | 125.1 | 119.3 | 125.4 | 125.6 | 127.7 |
| 6 Automotive products | 2.5 | 130.7 | 129.1 | 125.3 | 130.7 | 132.9 | 128.5 | 130.5 | 132.8 | 125.9 | 133.1 | 120.3 | 133.6 | 134.2 | 136.1 |
| 7 Autos and trucks | 1.6 | 131.1 | 129.5 | 123.9 | 132.0 | 133.1 | 128.6 | 129.8 | 132.1 | 124.1 | 133.5 | 111.1 | 135.9 | 135.4 | 138.2 |
| 8 Autos, consumer | .9 | 103.1 | 99.2 | 101.0 | 100.6 | 102.6 | 100.2 | 100.2 | 99.5 | 92.8 | 99.7 | 77.0 | 104.1 | 106.2 | 109.2 |
| 9 Trucks, consumer | .7 | 181.7 | 183.6 | 163.9 | 188.2 | 187.7 | 179.1 | 182.8 | 190.6 | 180.4 | 194.4 | 173.1 | 192.7 | 187.3 | 189.5 |
| 10 Auto parts and allied goods | .9 | 127.8 | 126.8 | 126.6 | 126.6 | 130.8 | 126.7 | 130.2 | 132.7 | 128.1 | 130.7 | 137.2 | 127.5 | 130.0 | 130.2 |
| 11 Other | 3.0 | 118.6 | 116.3 | 118.1 | 118.1 | 119.6 | 118.9 | 119.9 | 120.5 | 115.5 | 118.1 | 118.5 | 118.2 | 118.2 | 120.3 |
| 12 Appliances, televisions, and air conditioners | .7 | 135.5 | 131.4 | 132.2 | 135.8 | 139.4 | 140.1 | 145.3 | 141.9 | 132.2 | 137.5 | 138.3 | 138.8 | 135.1 | 143.6 |
| 13 Carpeting and furniture | .8 | 105.8 | 101.8 | 107.9 | 104.4 | 106.9 | 105.6 | 104.1 | 107.1 | 101.1 | 103.4 | 105.7 | 104.6 | 105.4 | 105.4 |
| 14 Miscellaneous home goods | 1.5 | 118.2 | 118.0 | 117.4 | 118.0 | 117.8 | 116.9 | 117.6 | 118.3 | 116.2 | 117.7 | 116.9 | 116.6 | 117.9 | 118.4 |
| 15 Nondurable consumer goods | 23.0 | 112.9 | 113.1 | 113.0 | 113.9 | 113.7 | 112.9 | 113.8 | 113.2 | 113.3 | 114.5 | 114.4 | 113.6 | 113.8 | 113.4 |
| 16 Foods and tobacco | 10.3 | 111.3 | 113.1 | 112.8 | 111.8 | 111.6 | 111.1 | 110.9 | 110.6 | 110.6 | 112.0 | 112.3 | 112.0 | 111.4 | 111.1 |
| 17 Clothing | 2.4 | 94.8 | 94.6 | 93.6 | 93.9 | 93.4 | 92.9 | 91.5 | 89.7 | 88.2 | 90.3 | 88.9 | 88.8 | 89.2 | 89.3 |
| 18 Chemical products | 4.5 | 131.3 | 128.6 | 128.6 | 132.6 | 134.0 | 135.7 | 135.0 | 136.5 | 138.1 | 138.1 | 136.7 | 134.0 | 134.1 | 134.5 |
| 19 Paper products | 2.9 | 106.6 | 106.3 | 107.6 | 106.7 | 107.3 | 106.6 | 108.4 | 106.3 | 104.9 | 106.0 | 105.8 | 106.1 | 107.1 | 106.2 |
| 20 Energy | 2.9 | 116.5 | 115.8 | 116.1 | 122.3 | 119.0 | 113.1 | 121.1 | 119.5 | 121.0 | 122.6 | 123.9 | 121.7 | 124.8 | 122.4 |
| 21 Fuels | .9 | 108.8 | 108.8 | 108.2 | 108.4 | 111.4 | 107.3 | 108.2 | 108.6 | 108.6 | 111.8 | 112.2 | 111.5 | 112.4 | 110.9 |
| 22 Residential utilities | 2.1 | 119.6 | 118.7 | 119.4 | 128.2 | 122.2 | 115.4 | 126.6 | 124.1 | 126.1 | 127.2 | 128.8 | 126.0 | 130.0 | 127.2 |
| 23 Equipment | 17.7 | 131.4 | 131.2 | 131.6 | 132.9 | 133.1 | 131.5 | 131.4 | 132.3 | 133.7 | 137.3 | 136.5 | 139.2 | 139.6 | 140.6 |
| 24 Business equipment | 13.7 | 155.7 | 155.1 | 155.7 | 157.5 | 158.2 | 156.5 | 156.9 | 158.4 | 160.5 | 164.8 | 162.7 | 166.4 | 166.5 | 168.3 |
| 25 Information processing and related | 5.7 | 198.1 | 196.0 | 197.2 | 201.0 | 203.0 | 206.5 | 208.1 | 209.4 | 213.3 | 220.5 | 221.6 | 225.0 | 226.4 | 230.3 |
| 26 Computer and office equipment | 1.4 | 373.5 | 363.2 | 371.7 | 379.6 | 390.0 | 402.9 | 417.8 | 431.7 | 442.9 | 463.3 | 476.0 | 491.9 | 503.5 | 513.6 |
| 27 Industrial | 4.0 | 127.5 | 126.2 | 127.1 | 129.1 | 128.7 | 128.6 | 129.1 | 129.5 | 129.6 | 131.3 | 130.3 | 130.1 | 130.1 | 130.1 |
| 28 Transit | 2.6 | 136.3 | 140.3 | 139.8 | 138.0 | 137.9 | 122.3 | 119.6 | 124.5 | 128.1 | 133.2 | 121.2 | 136.1 | 135.3 | 136.6 |
| 29 Autos and trucks | 1.2 | 140.1 | 139.5 | 139.9 | 141.3 | 143.3 | 135.7 | 134.2 | 135.3 | 129.1 | 136.0 | 113.6 | 140.0 | 138.2 | 138.4 |
| 30 Other | 1.4 | 123.2 | 122.6 | 122.6 | 122.2 | 123.3 | 120.9 | 121.4 | 121.7 | 122.1 | 123.5 | 122.5 | 122.1 | 120.5 | 120.7 |
| 31 Defense and space equipment | 3.3 | 65.9 | 66.8 | 66.5 | 66.1 | 65.2 | 64.4 | 62.9 | 62.0 | 61.6 | 63.1 | 64.2 | 64.0 | 64.4 | 63.9 |
| 32 Oil and gas well drilling | .6 | 87.1 | 86.8 | 88.4 | 89.5 | 88.3 | 83.5 | 83.1 | 83.8 | 85.1 | 89.7 | 96.3 | 100.6 | 104.3 | 102.3 |
| 33 Manufactured homes | .2 | 152.7 | 149.6 | 148.6 | 155.9 | 158.0 | 158.9 | 161.8 | 164.4 | 158.1 | 157.8 | 168.2 | 170.7 | 170.4 | |
| 34 Intermediate products, total | 14.3 | 109.0 | 108.2 | 108.5 | 109.4 | 109.5 | 109.2 | 109.3 | 110.1 | 108.5 | 109.3 | 109.6 | 108.6 | 109.1 | 109.5 |
| 35 Construction supplies | 5.3 | 108.2 | 107.2 | 107.3 | 107.0 | 108.4 | 108.3 | 108.7 | 110.5 | 107.2 | 109.3 | 111.5 | 109.5 | 110.6 | 111.5 |
| 36 Business supplies | 9.0 | 109.6 | 109.1 | 109.5 | 111.0 | 110.3 | 109.9 | 109.9 | 110.0 | 109.6 | 109.5 | 108.6 | 108.2 | 108.4 | 108.4 |
| 37 Materials | 39.4 | 127.4 | 126.8 | 126.8 | 128.1 | 128.1 | 128.1 | 128.4 | 128.4 | 128.5 | 129.4 | 129.1 | 130.2 | 131.2 | 132.3 |
| 38 Durable goods materials | 20.8 | 141.5 | 139.7 | 140.2 | 142.3 | 144.1 | 143.9 | 145.3 | 144.8 | 145.8 | 147.3 | 145.5 | 147.5 | 148.6 | 150.1 |
| 39 Durable consumer parts | 4.0 | 138.5 | 135.8 | 133.9 | 138.4 | 139.8 | 138.6 | 140.1 | 139.3 | 140.6 | 141.1 | 132.5 | 142.3 | 142.5 | 144.0 |
| 40 Equipment parts | 7.5 | 163.0 | 161.7 | 164.4 | 167.1 | 169.1 | 169.4 | 171.0 | 170.8 | 171.7 | 176.3 | 176.8 | 177.5 | 179.3 | 181.9 |
| 41 Other | 9.2 | 126.2 | 124.5 | 124.4 | 124.9 | 126.8 | 126.5 | 127.9 | 127.2 | 128.2 | 127.8 | 127.4 | 126.8 | 127.8 | 128.5 |
| 42 Basic metal materials | 3.1 | 125.7 | 123.5 | 124.9 | 123.1 | 127.0 | 124.3 | 128.1 | 126.6 | 125.7 | 123.7 | 124.4 | 123.8 | 124.1 | 125.3 |
| 43 Nondurable goods materials | 8.9 | 119.8 | 120.4 | 118.9 | 118.8 | 117.8 | 118.7 | 116.6 | 117.4 | 115.7 | 116.1 | 116.3 | 118.3 | 118.3 | 118.5 |
| 44 Textile materials | 1.1 | 109.2 | 109.0 | 102.6 | 109.2 | 106.2 | 107.3 | 104.8 | 103.3 | 100.3 | 101.8 | 103.0 | 104.9 | 105.5 | 106.2 |
| 45 Paper materials | 1.8 | 120.5 | 121.0 | 123.9 | 120.4 | 117.0 | 121.4 | 114.3 | 115.2 | 113.4 | 113.4 | 113.7 | 118.9 | 118.2 | 116.3 |
| 46 Chemical materials | 3.9 | 124.4 | 125.2 | 124.4 | 123.1 | 123.3 | 122.9 | 122.7 | 121.9 | 121.8 | 121.3 | 121.6 | 122.4 | 122.6 | 123.2 |
| 47 Other | 2.1 | 116.5 | 117.4 | 113.8 | 114.6 | 115.1 | 114.6 | 114.1 | 118.9 | 115.2 | 117.1 | 116.4 | 117.8 | 117.6 | 118.6 |
| 48 Energy materials | 9.7 | 106.6 | 107.2 | 107.5 | 108.5 | 105.8 | 105.5 | 105.7 | 106.0 | 105.9 | 106.1 | 108.2 | 106.8 | 108.6 | 109.3 |
| 49 Primary energy | 6.3 | 101.9 | 103.0 | 102.3 | 101.4 | 101.2 | 101.7 | 100.8 | 101.0 | 100.6 | 101.3 | 103.9 | 103.1 | 104.6 | 105.8 |
| 50 Converted fuel materials | 3.3 | 116.0 | 115.5 | 118.1 | 122.8 | 115.0 | 113.1 | 115.4 | 116.2 | 116.6 | 115.5 | 116.7 | 114.2 | 116.5 | 116.2 |
| SPECIAL AGGREGATES | | | | | | | | | | | | | | | |
| 51 Total excluding autos and trucks | 97.2 | 121.5 | 121.1 | 121.2 | 122.3 | 122.4 | 121.9 | 122.3 | 122.5 | 122.4 | 123.8 | 123.9 | 124.1 | 124.7 | 125.3 |
| 52 Total excluding motor vehicles and parts | 95.2 | 120.9 | 120.5 | 120.7 | 121.7 | 121.8 | 121.3 | 121.7 | 121.9 | 121.9 | 123.3 | 123.7 | 123.5 | 124.1 | 124.7 |
| 53 Total excluding computer and office equipment | 98.2 | 118.2 | 117.8 | 117.8 | 118.9 | 118.9 | 118.1 | 118.4 | 118.5 | 118.0 | 119.5 | 118.7 | 119.5 | 120.0 | 120.5 |
| 54 Consumer goods excluding autos and trucks | 27.0 | 114.0 | 113.9 | 114.0 | 114.8 | 114.9 | 114.0 | 115.0 | 114.7 | 114.0 | 115.5 | 115.6 | 114.5 | 114.9 | 114.7 |
| 55 Consumer goods excluding energy | 25.7 | 114.9 | 114.7 | 114.5 | 115.1 | 115.7 | 115.1 | 115.3 | 115.3 | 113.9 | 115.9 | 114.3 | 115.2 | 115.1 | 115.5 |
| 56 Business equipment excluding autos and trucks | 12.5 | 157.0 | 156.5 | 157.2 | 158.9 | 159.5 | 158.4 | 159.0 | 160.5 | 163.5 | 167.5 | 167.5 | 168.9 | 169.2 | 171.1 |
| 57 Business equipment excluding computer and office equipment | 12.2 | 133.0 | 133.2 | 133.2 | 134.4 | 134.3 | 131.6 | 130.8 | 131.3 | 132.6 | 135.5 | 132.3 | 134.9 | 134.2 | 135.2 |
| 58 Materials excluding energy | 29.7 | 134.9 | 133.8 | 133.7 | 135.1 | 136.1 | 136.2 | 136.6 | 136.4 | 136.6 | 137.8 | 136.6 | 138.6 | 139.3 | 140.5 |

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

| Group | SIC code[2] | 1992 proportion | 1995 avg. | 1995 June | July | Aug. | Sept. | Oct. | Nov. | Dec. | 1996 Jan. | Feb. | Mar.[r] | Apr.[r] | May | June[p] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Index (1987 = 100) | | | | | | | | | | | | |
| MAJOR INDUSTRIES | | | | | | | | | | | | | | | | |
| 59 **Total index** | | **100.0** | ***121.9*** | **121.4** | **121.5** | **122.7** | **122.8** | **122.2** | **122.6** | **122.8** | **122.5** | **124.2** | **123.6** | **124.5** | **125.1** | **125.7** |
| 60 Manufacturing | | 85.4 | 123.9 | 123.3 | 123.3 | 124.2 | 124.9 | 124.4 | 124.5 | 124.8 | 124.5 | 126.2 | 125.2 | 126.5 | 126.9 | 127.6 |
| 61 Primary processing | ... | 26.6 | 117.6 | 117.1 | 116.9 | 116.6 | 117.8 | 117.0 | 117.1 | 117.3 | 116.7 | 116.3 | 117.1 | 117.3 | 117.9 | 118.3 |
| 62 Advanced processing | | 58.9 | 126.8 | 126.3 | 126.3 | 127.8 | 128.2 | 127.9 | 128.0 | 128.4 | 128.2 | 131.0 | 129.0 | 130.9 | 131.1 | 132.0 |
| 63 Durable goods | | 45.0 | 132.5 | 131.5 | 131.5 | 133.2 | 134.4 | 133.5 | 134.3 | 134.8 | 134.9 | 137.5 | 135.6 | 138.4 | 139.0 | 140.4 |
| 64 Lumber and products | 24 | 2.0 | 104.5 | 103.0 | 103.7 | 103.7 | 106.2 | 105.7 | 104.8 | 106.9 | 103.1 | 103.3 | 107.5 | 108.9 | 108.1 | 108.9 |
| 65 Furniture and fixtures | 25 | 1.4 | 111.6 | 111.3 | 111.1 | 110.9 | 112.0 | 110.9 | 109.8 | 109.3 | 109.3 | 110.5 | 107.7 | 109.0 | 111.4 | 110.8 |
| 66 Stone, clay, and glass products | 32 | 2.1 | 104.1 | 103.8 | 103.2 | 103.0 | 103.8 | 104.5 | 104.9 | 104.3 | 105.5 | 104.1 | 102.9 | 103.1 | 104.0 | 104.8 |
| 67 Primary metals | 33 | 3.1 | 119.2 | 117.5 | 118.3 | 115.4 | 121.0 | 115.7 | 120.8 | 120.0 | 121.5 | 117.1 | 118.0 | 118.8 | 118.5 | 119.5 |
| 68 Iron and steel | 331,2 | 1.7 | 122.4 | 119.2 | 119.3 | 117.7 | 127.0 | 115.1 | 126.1 | 122.7 | 128.1 | 119.5 | 120.2 | 122.3 | 121.2 | 123.1 |
| 69 Raw steel | 331PT | .1 | 114.7 | 112.9 | 111.5 | 114.2 | 118.6 | 111.3 | 116.4 | 118.0 | 113.9 | 112.5 | 114.9 | 112.9 | 113.2 | ... |
| 70 Nonferrous | 333–6,9 | 1.4 | 114.8 | 114.9 | 116.5 | 111.9 | 113.2 | 115.8 | 113.8 | 116.2 | 113.0 | 113.6 | 114.8 | 114.0 | 114.6 | 114.6 |
| 71 Fabricated metal products | 34 | 5.0 | 113.9 | 113.7 | 112.4 | 114.3 | 115.1 | 114.0 | 114.5 | 115.0 | 115.6 | 117.0 | 116.1 | 115.6 | 116.3 | 117.0 |
| 72 Industrial machinery and equipment | 35 | 8.0 | 177.8 | 174.4 | 176.0 | 179.5 | 181.3 | 183.8 | 186.5 | 190.1 | 191.9 | 196.1 | 197.8 | 199.1 | 201.1 | 203.7 |
| 73 *Computer and office equipment* | 357 | 1.8 | 373.5 | 363.2 | 371.7 | 379.6 | 390.0 | 402.9 | 417.8 | 431.7 | 442.9 | 463.3 | 476.0 | 491.9 | 503.5 | 513.6 |
| 74 Electrical machinery | 36 | 7.2 | 174.9 | 173.0 | 175.7 | 178.7 | 180.8 | 182.4 | 183.6 | 182.8 | 182.4 | 188.7 | 187.9 | 187.6 | 188.5 | 191.3 |
| 75 Transportation equipment | 37 | 9.5 | 113.3 | 113.4 | 111.6 | 114.1 | 114.1 | 109.3 | 108.6 | 109.7 | 108.3 | 112.1 | 103.1 | 114.6 | 114.6 | 115.6 |
| 76 Motor vehicles and parts | 371 | 4.8 | 141.9 | 139.7 | 136.7 | 142.1 | 143.3 | 139.7 | 140.7 | 141.2 | 135.5 | 141.1 | 121.3 | 144.3 | 144.1 | 145.8 |
| 77 Autos and light trucks | 371PT | 2.5 | 131.3 | 129.2 | 124.3 | 131.6 | 132.8 | 128.4 | 129.6 | 131.5 | 123.5 | 132.8 | 109.9 | 135.5 | 135.3 | 138.2 |
| 78 Aerospace and miscellaneous transportation equipment | 372–6,9 | 4.7 | 85.8 | 88.1 | 87.6 | 87.2 | 85.9 | 80.0 | 77.7 | 79.4 | 82.2 | 84.2 | 85.7 | 85.9 | 86.2 | 86.5 |
| 79 Instruments | 38 | 5.4 | 110.7 | 110.9 | 110.2 | 111.4 | 111.3 | 111.4 | 111.5 | 109.7 | 111.0 | 113.4 | 112.9 | 112.8 | 113.0 | 113.7 |
| 80 Miscellaneous | 39 | 1.3 | 122.7 | 123.1 | 121.4 | 122.4 | 122.9 | 122.2 | 123.3 | 123.5 | 122.1 | 124.0 | 124.0 | 122.6 | 122.9 | 124.1 |
| 81 Nondurable goods | ... | 40.5 | 114.3 | 114.3 | 114.3 | 114.3 | 114.4 | 114.3 | 113.7 | 113.8 | 113.1 | 113.8 | 113.6 | 113.4 | 113.6 | 113.6 |
| 82 Foods | 20 | 9.4 | 115.3 | 116.1 | 115.3 | 115.5 | 115.5 | 115.4 | 114.8 | 114.8 | 114.8 | 116.0 | 115.6 | 115.4 | 115.1 | 114.6 |
| 83 Tobacco products | 21 | 1.6 | 90.2 | 96.4 | 99.1 | 91.3 | 90.2 | 88.2 | 88.9 | 88.4 | 87.1 | 90.9 | 92.6 | 94.2 | 91.1 | 92.0 |
| 84 Textile mill products | 22 | 1.8 | 112.6 | 110.1 | 109.9 | 112.4 | 110.5 | 111.1 | 108.9 | 108.3 | 104.1 | 106.2 | 109.0 | 108.1 | 108.2 | 109.2 |
| 85 Apparel products | 23 | 2.2 | 95.7 | 95.5 | 94.8 | 94.5 | 94.5 | 93.3 | 92.4 | 91.5 | 89.2 | 90.9 | 89.7 | 90.1 | 90.6 | 90.9 |
| 86 Paper and products | 26 | 3.6 | 119.8 | 119.9 | 121.3 | 118.6 | 118.5 | 119.7 | 116.2 | 118.2 | 114.9 | 113.5 | 115.5 | 118.8 | 119.1 | 118.0 |
| 87 Printing and publishing | 27 | 6.8 | 99.4 | 98.6 | 99.0 | 100.5 | 99.8 | 98.9 | 99.3 | 98.8 | 97.9 | 98.7 | 96.7 | 96.2 | 96.5 | 96.5 |
| 88 Chemicals and products | 28 | 9.9 | 125.0 | 124.4 | 124.0 | 124.4 | 125.3 | 126.7 | 126.0 | 126.5 | 127.1 | 127.1 | 126.5 | 125.8 | 125.8 | 126.4 |
| 89 Petroleum products | 29 | 1.4 | 108.3 | 108.6 | 109.0 | 108.5 | 110.0 | 106.9 | 107.4 | 108.9 | 108.9 | 110.2 | 109.9 | 109.6 | 109.7 | 109.7 |
| 90 Rubber and plastic products | 30 | 3.5 | 139.4 | 137.8 | 137.7 | 138.7 | 139.8 | 139.7 | 140.3 | 139.3 | 139.0 | 139.7 | 140.5 | 137.6 | 141.0 | 141.3 |
| 91 Leather and products | 31 | .3 | 81.3 | 81.2 | 78.7 | 80.8 | 80.5 | 79.7 | 78.2 | 76.8 | 75.6 | 77.1 | 76.7 | 76.2 | 75.7 | 76.5 |
| 92 Mining | | 6.9 | 99.9 | 101.0 | 100.7 | 100.0 | 100.0 | 98.2 | 98.3 | 98.1 | 97.1 | 98.0 | 101.1 | 100.5 | 101.0 | 102.5 |
| 93 Metal | 10 | .5 | 169.3 | 166.8 | 172.2 | 172.1 | 170.8 | 178.3 | 175.9 | 172.8 | 159.5 | 157.1 | 166.1 | 163.0 | 165.4 | 167.5 |
| 94 Coal | 12 | 1.0 | 112.9 | 112.2 | 117.0 | 109.7 | 116.2 | 112.3 | 109.5 | 108.5 | 103.3 | 108.0 | 114.8 | 109.5 | 111.9 | 113.2 |
| 95 Oil and gas extraction | 13 | 4.8 | 91.9 | 93.6 | 91.9 | 92.4 | 91.2 | 89.2 | 90.1 | 90.1 | 90.8 | 90.2 | 92.6 | 93.3 | 93.6 | 95.0 |
| 96 Stone and earth minerals | 14 | .6 | 112.3 | 111.9 | 113.5 | 111.6 | 113.1 | 112.4 | 110.9 | 112.4 | 108.9 | 117.2 | 117.4 | 115.5 | 113.2 | 115.9 |
| 97 Utilities | | 7.7 | 122.0 | 121.0 | 122.7 | 128.8 | 122.7 | 121.6 | 125.4 | 125.1 | 125.6 | 126.6 | 128.0 | 126.0 | 129.2 | 127.6 |
| 98 Electric | 491,493PT | 6.1 | 122.1 | 121.2 | 122.2 | 130.0 | 122.7 | 123.7 | 123.6 | 123.9 | 125.5 | 126.6 | 127.1 | 125.7 | 130.2 | 128.7 |
| 99 Gas | 492,493PT | 1.6 | 121.7 | 120.6 | 124.5 | 124.3 | 122.4 | 113.6 | 132.5 | 129.9 | 125.6 | 126.3 | 131.5 | 126.9 | 125.0 | 123.2 |
| SPECIAL AGGREGATES | | | | | | | | | | | | | | | | |
| 100 Manufacturing excluding motor vehicles and parts | | 80.6 | 122.8 | 122.3 | 122.5 | 123.1 | 123.8 | 123.4 | 123.6 | 123.9 | 123.9 | 125.4 | 125.4 | 125.4 | 125.9 | 126.6 |
| 101 Manufacturing excluding office and computing machines | | 83.7 | 119.5 | 119.1 | 118.9 | 119.8 | 120.3 | 119.6 | 119.6 | 119.7 | 119.3 | 120.7 | 119.5 | 120.6 | 120.9 | 121.5 |
| | | Gross value (billions of 1992 dollars, annual rates) | | | | | | | | | | | | | | |
| MAJOR MARKETS | | | | | | | | | | | | | | | | |
| 102 **Products, total** | | **2,002.9** | **2,245.6** | **2,239.1** | **2,238.8** | **2,257.8** | **2,268.1** | **2,240.3** | **2,255.8** | **2,265.7** | **2,248.9** | **2,293.1** | **2,269.5** | **2,300.2** | **2,304.5** | **2,310.7** |
| 103 Final | | 1,552.2 | 1,748.7 | 1,745.6 | 1,743.2 | 1,760.5 | 1,768.2 | 1,741.9 | 1,756.8 | 1,761.9 | 1,753.0 | 1,794.2 | 1,766.8 | 1,801.2 | 1,804.6 | 1,808.7 |
| 104 Consumer goods | | 1,033.4 | 1,130.5 | 1,128.4 | 1,124.0 | 1,135.7 | 1,141.1 | 1,125.1 | 1,139.3 | 1,139.0 | 1,124.7 | 1,148.4 | 1,129.5 | 1,144.2 | 1,145.7 | 1,145.7 |
| 105 Equipment | | 518.8 | 618.3 | 617.1 | 619.2 | 624.8 | 627.1 | 616.7 | 617.5 | 622.9 | 628.4 | 645.8 | 637.3 | 656.9 | 658.9 | 663.0 |
| 106 Intermediate | ... | 450.7 | 496.9 | 493.5 | 495.6 | 497.3 | 499.9 | 498.4 | 499.0 | 503.8 | 495.9 | 498.8 | 502.7 | 499.0 | 499.8 | 502.0 |

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1995. See "A Revision to Industrial Production and Capacity Utilization, 1991–95," *Federal Reserve Bulletin*, vol. 82 (January 1996), pp. 16–25. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76, (April 1990), pp. 187–204.
2. Standard industrial classification.

## 2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

| Item | 1993 | 1994 | 1995 | 1995 | | | | | 1996[r] | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Aug. | Sept. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Apr. | May |
| | Private residential real estate activity (thousands of units except as noted) | | | | | | | | | | | | |
| NEW UNITS | | | | | | | | | | | | | |
| 1 Permits authorized | 1,199 | 1,372 | 1,332 | 1,379 | 1,427 | 1,393 | 1,450 | 1,487 | 1,378 | 1,417 | 1,423 | 1,459 | 1,452 |
| 2 One-family | 987 | 1,068 | 997 | 1,046 | 1,079 | 1,050 | 1,073 | 1,123 | 1,056 | 1,087 | 1,097 | 1,115 | 1,098 |
| 3 Two-family or more | 213 | 303 | 335 | 333 | 348 | 343 | 377 | 364 | 322 | 330 | 326 | 344 | 354 |
| 4 Started | 1,288 | 1,457 | 1,354 | 1,401 | 1,401 | 1,351 | 1,458 | 1,425 | 1,453 | 1,514 | 1,439 | 1,511 | 1,461 |
| 5 One-family | 1,126 | 1,198 | 1,076 | 1,135 | 1,130 | 1,109 | 1,129 | 1,150 | 1,146 | 1,183 | 1,163 | 1,209 | 1,141 |
| 6 Two-family or more | 162 | 259 | 278 | 266 | 271 | 242 | 329 | 275 | 307 | 331 | 276 | 302 | 320 |
| 7 Under construction at end of period[1] | 680 | 762 | 776 | 772 | 783 | 781 | 790 | 800 | 803 | 800 | 816 | 828 | 836 |
| 8 One-family | 543 | 558 | 547 | 547 | 555 | 560 | 562 | 569 | 569 | 565 | 581 | 592 | 598 |
| 9 Two-family or more | 137 | 204 | 229 | 225 | 228 | 221 | 228 | 231 | 234 | 235 | 235 | 236 | 238 |
| 10 Completed | 1,193 | 1,347 | 1,313 | 1,247 | 1,267 | 1,320 | 1,360 | 1,225 | 1,403 | 1,328 | 1,391 | 1,345 | 1,366 |
| 11 One-family | 1,040 | 1,160 | 1,066 | 1,019 | 1,009 | 1,039 | 1,081 | 1,003 | 1,113 | 1,052 | 1,112 | 1,067 | 1,087 |
| 12 Two-family or more | 153 | 187 | 247 | 228 | 258 | 281 | 279 | 222 | 290 | 276 | 279 | 278 | 279 |
| 13 Mobile homes shipped | 254 | 304 | 340 | 344 | 352 | 354 | 355 | 352 | 352 | 341 | 364 | 378 | 369 |
| *Merchant builder activity in one-family units* | | | | | | | | | | | | | |
| 14 Number sold | 666 | 670 | 665 | 707 | 684 | 673 | 679 | 683 | 743 | 784 | 727 | 770 | 828 |
| 15 Number for sale at end of period[1] | 293 | 337 | 372 | 349 | 350 | 360 | 368 | 372 | 370 | 355 | 366 | 366 | 360 |
| *Price of units sold (thousands of dollars)*[2] | | | | | | | | | | | | | |
| 16 Median | 126.1 | 130.4 | 133.4 | 134.9 | 130.0 | 135.2 | 137.0 | 138.6 | 131.9 | 139.4 | 136.8 | 139.9 | 135.0 |
| 17 Average | 147.6 | 153.7 | 157.6 | 162.0 | 155.6 | 156.2 | 160.7 | 165.6 | 155.3 | 163.7 | 161.2 | 168.7 | 162.3 |
| EXISTING UNITS (one-family) | | | | | | | | | | | | | |
| 18 Number sold | 3,800 | 3,946 | 3,801 | 4,050 | 4,090 | 4,070 | 4,000 | 3,870 | 3,720 | 3,940 | 4,200 | 4,200 | 4,280 |
| *Price of units sold (thousands of dollars)*[2] | | | | | | | | | | | | | |
| 19 Median | 106.5 | 109.6 | 112.2 | 117.6 | 114.8 | 113.2 | 114.3 | 113.9 | 114.8 | 114.0 | 115.7 | 116.5 | 117.6 |
| 20 Average | 133.1 | 136.4 | 138.4 | 144.5 | 140.2 | 138.7 | 139.5 | 138.7 | 141.2 | 138.7 | 140.1 | 141.9 | 144.4 |
| | Value of new construction (millions of dollars)[3] | | | | | | | | | | | | |
| CONSTRUCTION | | | | | | | | | | | | | |
| 21 **Total put in place** | **482,737[r]** | **527,063[r]** | **547,079[r]** | **542,324[r]** | **550,467[r]** | **549,952[r]** | **549,745[r]** | **555,701[r]** | **558,952** | **544,577** | **556,983** | **568,334** | **563,352** |
| 22 Private | 362,587[r] | 400,007[r] | 410,197[r] | 405,911[r] | 411,326[r] | 410,550[r] | 411,015[r] | 417,191[r] | 418,896 | 411,248 | 419,726 | 427,707 | 420,192 |
| 23 Residential | 210,455 | 238,873[r] | 236,598[r] | 234,464[r] | 237,663[r] | 237,952[r] | 239,938[r] | 243,104[r] | 242,474 | 238,558 | 245,881 | 251,920 | 248,904 |
| 24 Nonresidential | 152,132[r] | 161,134[r] | 173,599[r] | 171,447[r] | 173,663[r] | 172,598[r] | 171,077[r] | 174,087[r] | 176,422 | 172,690 | 173,845 | 175,787 | 171,288 |
| 25 Industrial buildings | 26,482[r] | 28,947[r] | 32,301[r] | 31,809[r] | 32,427[r] | 31,422[r] | 32,032[r] | 31,996[r] | 32,495 | 30,792 | 30,593 | 30,285 | 28,805 |
| 26 Commercial buildings | 53,375[r] | 59,728[r] | 67,528[r] | 67,911[r] | 67,660[r] | 67,259[r] | 65,555[r] | 66,447[r] | 66,475 | 66,461 | 65,503 | 67,424 | 65,524 |
| 27 Other buildings | 26,219[r] | 26,961[r] | 26,923[r] | 26,475[r] | 27,340[r] | 27,899[r] | 27,418[r] | 28,197[r] | 28,103 | 27,470 | 27,884 | 27,339 | 27,561 |
| 28 Public utilities and other | 46,056[r] | 45,498[r] | 46,847[r] | 45,252[r] | 46,236[r] | 46,018[r] | 46,072[r] | 47,447[r] | 49,349 | 47,967 | 49,865 | 50,739 | 49,398 |
| 29 Public | 120,151[r] | 127,056[r] | 136,884[r] | 136,413[r] | 139,140[r] | 139,402[r] | 138,729[r] | 138,510[r] | 140,056 | 133,329 | 137,257 | 140,627 | 143,160 |
| 30 Military | 2,454 | 2,319 | 3,005[r] | 3,131[r] | 3,218[r] | 2,295[r] | 3,217[r] | 3,211[r] | 3,554 | 3,982 | 3,126 | 3,182 | 3,017 |
| 31 Highway | 34,342[r] | 37,673[r] | 38,161[r] | 38,809[r] | 38,209[r] | 40,125[r] | 38,344[r] | 40,402[r] | 39,444 | 40,956 | 39,527 | 39,866 | 38,875 |
| 32 Conservation and development | 5,908[r] | 6,370[r] | 6,389[r] | 7,003[r] | 6,212[r] | 5,222[r] | 5,888[r] | 6,014[r] | 5,352 | 5,455 | 5,811 | 5,173 | 4,755 |
| 33 Other | 77,447[r] | 80,694[r] | 89,329[r] | 87,470[r] | 91,501[r] | 91,760[r] | 91,280[r] | 88,883[r] | 91,706 | 82,936 | 88,793 | 92,406 | 96,513 |

1. Not at annual rates.
2. Not seasonally adjusted.
3. Recent data on value of new construction may not be strictly comparable with data for previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes, see *Construction Reports* (C 30 76 5), issued by the Census Bureau in July 1976.

SOURCE. Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 19,000 jurisdictions beginning in 1994.

## 2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

| Item | Change from 12 months earlier | | Change from 3 months earlier (annual rate) | | | | Change from 1 month earlier | | | | | Index level, June 1996[1] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1995 June | 1996 June | 1995 | | 1996 | | 1996 | | | | | |
| | | | Sept. | Dec. | Mar. | June | Feb. | Mar. | Apr. | May | June | |
| CONSUMER PRICES[2] (1982–84=100) | | | | | | | | | | | | |
| 1 **All items** | **3.0** | **2.8** | **1.6** | **2.4** | **4.0** | **3.1** | **.2** | **.4** | **.4** | **.3** | **.1** | **156.7** |
| 2 Food | 3.1 | 3.2 | 2.7 | 1.9 | 3.2 | 4.6 | .1 | .6 | .3 | .1 | .7 | 152.6 |
| 3 Energy items | 3.4 | 3.5 | -10.5 | 1.9 | 15.8 | 8.4 | .4 | 1.4 | 3.2 | 1.1 | 2.2 | 113.1 |
| 4 All items less food and energy | 3.0 | 2.7 | 2.8 | 2.2 | 3.5 | 2.2 | .2 | .3 | .1 | .2 | .2 | 165.2 |
| 5 Commodities | 1.2 | 1.5 | 2.0 | 1.7 | 2.6 | -.3 | -.1 | .4 | -.1 | .0 | .0 | 141.0 |
| 6 Services | 3.8 | 3.2 | 3.0 | 2.5 | 3.4 | 3.9 | .3 | .2 | .3 | .3 | .3 | 179.0 |
| PRODUCER PRICES (1982=100) | | | | | | | | | | | | |
| 7 Finished goods | 2.1 | 2.7 | 1.6 | 4.4 | 2.5 | 1.9 | .1 | .5 | .4 | -.1 | .2 | 131.6 |
| 8 Consumer foods | 1.2 | 4.6 | 8.8 | 4.4 | .3 | 5.3 | .2 | .7[r] | -.3 | .0 | 1.6 | 133.3 |
| 9 Consumer energy | 4.0 | 4.1 | -10.2 | 10.8 | 17.8 | .0 | .9[r] | 2.6[r] | 2.8 | -.6 | 2.1 | 84.7 |
| 10 Other consumer goods | 2.0 | 2.0 | 2.3 | 3.4 | .3 | 2.0 | .1 | .1 | .0 | .1 | .3 | 144.5 |
| 11 Capital equipment | 1.6 | 1.2 | 1.8 | 2.9 | -.3 | .0 | .0[r] | .0[r] | .2 | .1 | .1 | 138.0 |
| *Intermediate materials* | | | | | | | | | | | | |
| 12 Excluding foods and feeds | 7.0 | -.6 | .6 | -.6 | -1.0 | .0 | .5[r] | .2[r] | .3 | .2 | .6 | 125.9 |
| 13 Excluding energy | 7.4 | -1.2 | 1.5 | -2.9 | -3.2 | -.3 | .4[r] | -.1[r] | -.2 | .2 | .1 | 134.1 |
| *Crude materials* | | | | | | | | | | | | |
| 14 Foods | 5.3 | 26.1 | 34.8 | 20.8 | -3.8 | 57.5 | .7[r] | .2[r] | 4.0 | 6.3 | 1.4 | 128.7 |
| 15 Energy | 4.9 | 8.3 | -21.0 | 33.9 | 38.1 | -6.0 | 5.9[r] | 5.0[r] | 10.9 | -3.8 | 7.7 | 77.4 |
| 16 Other | 18.5 | -13.8 | 17.6 | -18.4 | -10.2 | -8.3 | -.2[r] | -2.2[r] | -.5 | -.3 | -1.4 | 155.7 |

1. Not seasonally adjusted.
2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE. U.S. Department of Labor, Bureau of Labor Statistics.

## 2.16 GROSS DOMESTIC PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

| Account | 1993 | 1994 | 1995 | 1995 Q1 | 1995 Q2 | 1995 Q3 | 1995 Q4 | 1996 Q1 |
|---|---|---|---|---|---|---|---|---|
| GROSS DOMESTIC PRODUCT | | | | | | | | |
| 1 **Total** | **6,550.2** | **6,931.4** | **7,245.8** | **7,147.8** | **7,196.5** | **7,298.5** | **7,340.4** | **7,417.8** |
| *By source* | | | | | | | | |
| 2 Personal consumption expenditures | 4,454.1 | 4,698.7 | 4,924.3 | 4,836.3 | 4,908.7 | 4,960.0 | 4,992.3 | 5,062.7 |
| 3 Durable goods | 530.7 | 580.9 | 606.4 | 593.0 | 604.0 | 615.8 | 612.8 | 625.2 |
| 4 Nondurable goods | 1,368.9 | 1,429.7 | 1,486.1 | 1,471.6 | 1,486.9 | 1,491.4 | 1,494.8 | 1,522.6 |
| 5 Services | 2,554.6 | 2,688.1 | 2,831.8 | 2,771.7 | 2,817.9 | 2,852.8 | 2,884.7 | 2,914.9 |
| 6 Gross private domestic investment | 871.1 | 1,014.4 | 1,065.3 | 1,072.0 | 1,050.3 | 1,074.8 | 1,064.0 | 1,068.9 |
| 7 Fixed investment | 850.5 | 954.9 | 1,028.2 | 1,013.9 | 1,016.3 | 1,036.6 | 1,046.2 | 1,070.7 |
| 8 Nonresidential | 598.8 | 667.2 | 738.5 | 723.6 | 734.4 | 746.3 | 749.7 | 769.0 |
| 9 Structures | 171.8 | 180.2 | 199.7 | 194.5 | 197.6 | 202.5 | 204.0 | 208.4 |
| 10 Producers' durable equipment | 427.0 | 487.0 | 538.8 | 529.0 | 536.8 | 543.8 | 545.7 | 560.6 |
| 11 Residential structures | 251.7 | 287.7 | 289.8 | 290.4 | 281.9 | 290.3 | 296.5 | 301.7 |
| 12 Change in business inventories | 20.6 | 59.5 | 37.0 | 58.1 | 34.0 | 38.2 | 17.8 | 1.7 |
| 13 Nonfarm | 26.8 | 48.0 | 39.6 | 60.8 | 36.1 | 41.5 | 19.9 | 2.7 |
| 14 Net exports of goods and services | 64.9 | −96.4 | 102.3 | 106.6 | -122.4 | 100.8 | 79.3 | 97.5 |
| 15 Exports | 660.0 | 722.0 | 804.5 | 778.6 | 796.9 | 812.5 | 829.9 | 832.2 |
| 16 Imports | 724.9 | 818.4 | 906.7 | 885.1 | 919.3 | 913.3 | 909.2 | 929.7 |
| 17 Government consumption expenditures and gross investment | 1,289.9 | 1,314.7 | 1,358.5 | 1,346.0 | 1,359.9 | 1,364.5 | 1,363.5 | 1,383.7 |
| 18 Federal | 522.1 | 516.3 | 516.7 | 519.9 | 522.6 | 516.7 | 507.8 | 518.6 |
| 19 State and local | 767.8 | 798.4 | 841.7 | 826.1 | 837.3 | 847.7 | 855.7 | 865.1 |
| *By major type of product* | | | | | | | | |
| 20 Final sales, total | 6,529.7 | 6,871.8 | 7,208.8 | 7,089.7 | 7,162.5 | 7,260.3 | 7,322.6 | 7,419.6 |
| 21 Goods | 2,400.9 | 2,534.2 | 2,660.3 | 2,617.3 | 2,642.3 | 2,684.5 | 2,697.1 | 2,749.1 |
| 22 Durable | 1,013.8 | 1,085.9 | 1,144.9 | 1,118.6 | 1,134.0 | 1,162.5 | 1,164.5 | 1,191.4 |
| 23 Nondurable | 1,387.2 | 1,448.3 | 1,515.4 | 1,498.7 | 1,508.3 | 1,522.1 | 1,532.6 | 1,557.7 |
| 24 Services | 3,581.7 | 3,742.4 | 3,920.9 | 3,852.6 | 3,904.5 | 3,943.2 | 3,983.1 | 4,019.1 |
| 25 Structures | 547.0 | 595.3 | 627.6 | 619.8 | 615.7 | 632.6 | 642.3 | 651.4 |
| 26 Change in business inventories | 20.6 | 59.5 | 37.0 | 58.1 | 34.0 | 38.2 | 17.8 | 1.7 |
| 27 Durable goods | 15.7 | 31.9 | 34.9 | 54.4 | 28.5 | 29.2 | 27.3 | 12.3 |
| 28 Nondurable goods | 4.9 | 27.7 | 2.2 | 3.7 | 5.4 | 9.1 | 9.4 | -14.0 |
| MEMO | | | | | | | | |
| 29 **Total GDP in chained 1992 dollars** | **6,383.8** | **6,604.2** | **6,739.0** | **6,701.6** | **6,709.4** | **6,768.3** | **6,776.5** | **6,812.7** |
| NATIONAL INCOME | | | | | | | | |
| 30 **Total** | **5,194.4** | **5,495.1** | **5,799.2** | **5,697.7** | **5,738.9** | **5,849.2** | **5,911.1** | **6,001.4** |
| 31 Compensation of employees | 3,809.4 | 4,008.3 | 4,209.1 | 4,141.6 | 4,178.9 | 4,235.9 | 4,280.2 | 4,325.7 |
| 32 Wages and salaries | 3,095.2 | 3,255.9 | 3,419.7 | 3,363.0 | 3,393.3 | 3,442.3 | 3,480.1 | 3,521.6 |
| 33 Government and government enterprises | 584.2 | 602.5 | 621.7 | 616.3 | 619.6 | 624.1 | 626.9 | 634.0 |
| 34 Other | 2,511.0 | 2,653.4 | 2,797.9 | 2,746.6 | 2,773.6 | 2,818.2 | 2,853.2 | 2,887.6 |
| 35 Supplement to wages and salaries | 714.2 | 752.4 | 789.5 | 778.6 | 785.6 | 793.7 | 800.1 | 804.1 |
| 36 Employer contributions for social insurance | 333.3 | 350.2 | 365.5 | 360.8 | 363.6 | 367.8 | 369.8 | 375.0 |
| 37 Other labor income | 380.9 | 402.2 | 424.0 | 417.7 | 422.0 | 425.9 | 430.2 | 429.1 |
| 38 Proprietors' income[1] | 420.0 | 450.9 | 478.3 | 472.0 | 474.7 | 479.6 | 486.7 | 499.5 |
| 39 Business and professional[1] | 388.1 | 415.9 | 449.3 | 443.5 | 447.1 | 451.5 | 454.9 | 461.1 |
| 40 Farm[1] | 32.0 | 35.0 | 29.0 | 28.5 | 27.6 | 28.1 | 31.8 | 38.4 |
| 41 Rental income of persons[2] | 102.5 | 116.6 | 122.2 | 120.6 | 121.6 | 120.9 | 125.8 | 126.9 |
| 42 Corporate profits[1] | 464.5 | 526.5 | 588.6 | 559.6 | 561.1 | 614.9 | 618.6 | 652.0 |
| 43 Profits before tax[3] | 464.3 | 528.2 | 600.8 | 594.1 | 588.4 | 609.6 | 611.0 | 649.0 |
| 44 Inventory valuation adjustment | -6.6 | 13.3 | -28.1 | 51.9 | −42.3 | 9.3 | -8.8 | 17.4 |
| 45 Capital consumption adjustment | 6.7 | 11.6 | 15.9 | 17.4 | 15.0 | 14.6 | 16.5 | 20.4 |
| 46 Net interest | 398.1 | 392.8 | 401.0 | 403.9 | 402.6 | 397.8 | 399.7 | 397.3 |

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*

## 2.17 PERSONAL INCOME AND SAVING

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

| Account | 1993 | 1994 | 1995 | 1995 Q1 | 1995 Q2 | 1995 Q3 | 1995 Q4 | 1996 Q1 |
|---|---|---|---|---|---|---|---|---|
| PERSONAL INCOME AND SAVING | | | | | | | | |
| 1 **Total personal income** | **5,479.2** | **5,750.2** | **6,101.7** | **5,995.5** | **6,061.9** | **6,135.6** | **6,213.9** | **6,288.4** |
| 2 Wage and salary disbursements | 3,090.6 | 3,241.1 | 3,419.7 | 3,361.6 | 3,393.3 | 3,442.3 | 3,481.5 | 3,520.2 |
| 3 Commodity-producing industries | 781.3 | 825.0 | 858.7 | 856.2 | 855.0 | 859.9 | 863.5 | 866.2 |
| 4 *Manufacturing* | 593.1 | 621.3 | 642.8 | 643.4 | 640.5 | 642.9 | 644.5 | 643.0 |
| 5 Distributive industries | 698.4 | 739.3 | 787.9 | 768.8 | 778.6 | 795.4 | 808.9 | 821.6 |
| 6 Service industries | 1,026.6 | 1,074.3 | 1,151.3 | 1,120.2 | 1,140.0 | 1,162.8 | 1,182.2 | 1,198.4 |
| 7 Government and government enterprises | 584.2 | 602.5 | 621.7 | 616.3 | 619.6 | 624.1 | 626.9 | 634.0 |
| 8 Other labor income | 380.9 | 402.2 | 424.0 | 417.7 | 422.0 | 425.9 | 430.2 | 429.1 |
| 9 Proprietors' income[1] | 420.0 | 450.9 | 478.3 | 472.0 | 474.7 | 479.6 | 486.7 | 499.5 |
| 10 Business and professional[1] | 388.1 | 415.9 | 449.3 | 443.5 | 447.1 | 451.5 | 454.9 | 461.1 |
| 11 *Farm*[1] | 32.0 | 35.0 | 29.0 | 28.5 | 27.6 | 28.1 | 31.8 | 38.4 |
| 12 Rental income of persons[2] | 102.5 | 116.6 | 122.2 | 120.6 | 121.6 | 120.9 | 125.8 | 126.9 |
| 13 Dividends | 186.8 | 199.6 | 214.8 | 209.5 | 212.2 | 215.8 | 221.7 | 226.6 |
| 14 Personal interest income | 647.3 | 661.6 | 714.6 | 701.9 | 713.9 | 717.5 | 725.2 | 724.2 |
| 15 Transfer payments | 910.7 | 956.3 | 1,022.6 | 1,002.4 | 1,016.8 | 1,029.9 | 1,041.4 | 1,063.0 |
| 16 Old age survivors, disability, and health insurance benefits | 444.4 | 472.9 | 507.4 | 497.6 | 505.1 | 510.7 | 516.1 | 529.9 |
| 17 LESS: Personal contributions for social insurance | 259.6 | 278.1 | 294.5 | 290.2 | 292.7 | 296.2 | 298.8 | 301.0 |
| 18 EQUALS: Personal income | 5,479.2 | 5,750.2 | 6,101.7 | 5,995.5 | 6,061.9 | 6,135.6 | 6,213.9 | 6,288.4 |
| 19 LESS: Personal tax and nontax payments | 689.9 | 731.4 | 794.3 | 770.0 | 801.5 | 798.4 | 807.2 | 824.9 |
| 20 EQUALS: Disposable personal income | 4,789.3 | 5,018.8 | 5,307.4 | 5,225.5 | 5,260.4 | 5,337.2 | 5,406.7 | 5,463.5 |
| 21 LESS: Personal outlays | 4,572.9 | 4,826.5 | 5,066.7 | 4,972.2 | 5,049.0 | 5,104.6 | 5,140.9 | 5,214.7 |
| 22 EQUALS: Personal saving | 216.4 | 192.4 | 240.8 | 253.3 | 211.4 | 232.6 | 265.8 | 248.8 |
| MEMO | | | | | | | | |
| *Per capita (chained 1992 dollars)* | | | | | | | | |
| 23 Gross domestic product | 24,724.1 | 25,332.7 | 25,613.7 | 25,559.1 | 25,540.2 | 25,695.9 | 25,668.7 | 25,747.1 |
| 24 Personal consumption expenditures | 16,807.4 | 17,150.5 | 17,402.2 | 17,280.4 | 17,391.6 | 17,465.4 | 17,477.5 | 17,592.7 |
| 25 Disposable personal income | 18,075.0 | 18,320.0 | 18,757.0 | 18,672.0 | 18,634.0 | 18,794.0 | 18,926.0 | 18,988.0 |
| 26 Saving rate (percent) | 4.5 | 3.8 | 4.5 | 4.8 | 4.0 | 4.4 | 4.9 | 4.6 |
| GROSS SAVING | | | | | | | | |
| 27 **Gross saving** | **938.4** | **1,055.9** | **1,141.6** | **1,110.5** | **1,092.3** | **1,155.7** | **1,207.9** | **1,207.5** |
| 28 Gross private saving | 964.5 | 1,006.0 | 1,062.5 | 1,039.9 | 1,007.3 | 1,076.1 | 1,126.6 | 1,123.6 |
| 29 Personal saving | 216.4 | 192.4 | 240.8 | 253.3 | 211.4 | 232.6 | 265.8 | 248.8 |
| 30 Undistributed corporate profits[1] | 103.4 | 120.2 | 142.5 | 120.6 | 122.3 | 162.0 | 165.2 | 178.7 |
| 31 Corporate inventory valuation adjustment | 6.6 | 13.3 | 28.1 | 51.9 | 42.3 | 9.3 | 8.8 | 17.4 |
| *Capital consumption allowances* | | | | | | | | |
| 32 Corporate | 417.0 | 441.0 | 454.0 | 444.4 | 451.3 | 456.9 | 463.6 | 465.6 |
| 33 Noncorporate | 223.1 | 237.7 | 225.2 | 220.2 | 222.4 | 224.7 | 233.4 | 229.1 |
| 34 Gross government saving | 26.1 | 49.9 | 79.1 | 70.5 | 85.0 | 79.6 | 81.3 | 83.9 |
| 35 Federal | 186.5 | 119.3 | 88.8 | 99.9 | 86.3 | 87.7 | 81.1 | 82.2 |
| 36 Consumption of fixed capital | 68.2 | 70.6 | 73.8 | 73.5 | 74.2 | 73.8 | 73.8 | 73.2 |
| 37 Current surplus or deficit ( ), national accounts | 254.7 | 189.9 | 162.6 | 173.3 | 160.5 | 161.6 | 154.9 | 155.5 |
| 38 State and local | 160.5 | 169.2 | 167.9 | 170.4 | 171.3 | 167.3 | 162.4 | 166.1 |
| 39 Consumption of fixed capital | 65.6 | 69.4 | 72.9 | 71.4 | 72.3 | 73.4 | 74.3 | 75.1 |
| 40 Current surplus or deficit ( ), national accounts | 94.9 | 99.7 | 95.0 | 99.0 | 99.0 | 93.9 | 88.1 | 91.0 |
| 41 **Gross investment** | **993.5** | **1,087.2** | **1,146.1** | **1,146.7** | **1,113.9** | **1,150.7** | **1,173.0** | **1,168.0** |
| 42 Gross private domestic investment | 871.1 | 1,014.4 | 1,065.3 | 1,072.0 | 1,050.3 | 1,074.8 | 1,064.0 | 1,068.9 |
| 43 Gross government investment | 210.6 | 212.3 | 221.9 | 219.1 | 223.7 | 224.7 | 220.1 | 228.8 |
| 44 Net foreign investment | 88.2 | -139.6 | 141.1 | 144.4 | 160.1 | -148.9 | 111.0 | 129.8 |
| 45 **Statistical discrepancy** | **55.1** | **31.3** | **4.5** | **36.2** | **21.6** | **−5.0** | **−34.9** | **−39.5** |

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*

## 3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted except as noted[1]

| Item credits or debits | 1993 | 1994 | 1995 | 1995 | | | | 1996 |
|---|---|---|---|---|---|---|---|---|
| | | | | Q1 | Q2 | Q3 | Q4 | Q1[p] |
| 1 Balance on current account | −99,936 | −148,405 | −148,154 | −39,054 | −40,976 | −37,688 | −30,435 | −35,588 |
| 2 Merchandise trade balance[2] | −132,609 | −166,121 | −173,424 | −44,923 | −47,927 | −42,548 | −38,026 | −42,738 |
| 3 Merchandise exports | 456,832 | 502,463 | 575,940 | 138,551 | 142,983 | 144,984 | 149,422 | 150,019 |
| 4 Merchandise imports | −589,441 | −668,584 | −749,364 | −183,474 | −190,910 | −187,532 | −187,448 | −192,757 |
| 5 Military transactions, net | 881 | 1,963 | 3,585 | 628 | 859 | 1,120 | 978 | 628 |
| 6 Other service transactions, net | 59,690 | 59,779 | 64,775 | 14,780 | 15,244 | 17,093 | 17,657 | 17,758 |
| 7 Investment income, net | 9,742 | −4,159 | −8,016 | −900 | −862 | −4,361 | −1,890 | −395 |
| 8 U.S. government grants | −16,823 | −15,816 | −10,959 | −2,846 | −2,381 | −2,933 | −2,799 | 4,340 |
| 9 U.S. government pensions and other transfers | −4,081 | −4,544 | −3,420 | −758 | −967 | −964 | −731 | −1,026 |
| 10 Private remittances and other transfers | −16,736 | −19,506 | −20,696 | −5,035 | −4,942 | −5,095 | −5,624 | −5,475 |
| 11 Change in U.S. government assets other than official reserve assets, net (increase, −) | −342 | −341 | −280 | −154 | −179 | 252 | −199 | 52 |
| 12 Change in U.S. official reserve assets (increase, −) | −1,379 | 5,346 | −9,742 | −5,318 | −2,722 | −1,893 | 191 | 17 |
| 13 Gold | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14 Special drawing rights (SDRs) | −537 | −441 | −808 | −867 | −156 | 362 | −147 | −199 |
| 15 Reserve position in International Monetary Fund | 44 | 494 | −2,466 | −526 | −786 | −991 | −163 | −849 |
| 16 Foreign currencies | 797 | 5,293 | −6,468 | −3,925 | −1,780 | −1,264 | 501 | 1,065 |
| 17 Change in U.S. private assets abroad (increase, −) | −192,889 | −155,700 | −297,834 | −56,275 | −105,398 | −37,954 | −98,206 | −55,801 |
| 18 Bank-reported claims[3] | 29,947 | −8,161 | −69,146 | −29,114 | −41,236 | 8,476 | −7,272 | 4,510 |
| 19 Nonbank-reported claims | 1,581 | −32,804 | −34,219 | −4,537 | −22,904 | 7,500 | −14,278 | ... |
| 20 U.S. purchases of foreign securities, net | −146,253 | −60,270 | −98,960 | −7,571 | −23,011 | −35,839 | −32,539 | −33,492 |
| 21 U.S. direct investments abroad, net | −78,164 | −54,465 | −95,509 | −15,053 | −18,247 | −18,091 | −44,117 | −26,819 |
| 22 Change in foreign official assets in United States (increase, +) | 72,153 | 40,253 | 109,757 | 21,822 | 37,380 | 39,186 | 11,369 | 51,582 |
| 23 U.S. Treasury securities | 48,952 | 30,745 | 68,813 | 10,132 | 25,208 | 20,489 | 12,984 | 55,600 |
| 24 Other U.S. government obligations | 4,062 | 6,077 | 3,734 | 1,126 | 1,326 | 518 | 764 | 52 |
| 25 Other U.S. government liabilities[4] | 1,713 | 2,344 | 1,082 | −331 | 235 | −71 | 1,249 | −195 |
| 26 Other U.S. liabilities reported by U.S. banks[3] | 14,841 | 3,560 | 32,862 | 10,630 | 7,662 | 18,478 | −3,908 | −3,664 |
| 27 Other foreign official assets[5] | 2,585 | −2,473 | 3,266 | 265 | 2,949 | −228 | 280 | −211 |
| 28 Change in foreign private assets in United States (increase, +) | 178,843 | 245,123 | 314,705 | 69,173 | 78,041 | 79,630 | 87,860 | 47,234 |
| 29 U.S. bank-reported liabilities[3] | 20,859 | 111,842 | 25,283 | 3,860 | 10,200 | −21,542 | 32,765 | −29,449 |
| 30 U.S. nonbank-reported liabilities | 10,489 | −7,710 | 34,578 | 9,076 | 7,285 | 6,945 | 11,272 | ... |
| 31 Foreign private purchases of U.S. Treasury securities, net | 24,381 | 34,225 | 99,340 | 29,969 | 30,368 | 37,269 | 1,734 | 11,734 |
| 32 Foreign purchases of other U.S. securities, net | 80,092 | 57,006 | 95,268 | 15,480 | 20,496 | 31,971 | 27,321 | 35,437 |
| 33 Foreign direct investments in United States, net | 43,022 | 49,760 | 60,236 | 10,788 | 9,692 | 24,987 | 14,768 | 29,512 |
| 34 Allocation of special drawing rights | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 35 Discrepancy | 43,550 | 13,724 | 31,548 | 9,806 | 33,854 | −41,533 | 29,420 | −7,496 |
| 36 Due to seasonal adjustment | ... | ... | ... | 6,519 | −266 | −7,407 | 1,153 | 6,365 |
| 37 Before seasonal adjustment | 43,550 | 13,724 | 31,548 | 3,287 | 34,120 | −34,126 | 28,267 | −13,861 |
| MEMO | | | | | | | | |
| *Changes in official assets* | | | | | | | | |
| 38 U.S. official reserve assets (increase, −) | 1,379 | 5,346 | −9,742 | −5,318 | −2,722 | −1,893 | 191 | 17 |
| 39 Foreign official assets in United States, excluding line 25 (increase, +) | 70,440 | 37,909 | 108,675 | 22,153 | 37,145 | 39,257 | 10,120 | 51,777 |
| 40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22) | −3,717 | −1,529 | 3,959 | −412 | −341 | 6,147 | −1,435 | −1,417 |

1. Seasonal factors are not calculated for lines 12–16, 18–20, 22–34, and 38–40.
2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.
3. Reporting banks include all types of depository institutions as well as some brokers and dealers.
4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*.

## 3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

| Item | 1993 | 1994 | 1995 | 1995 | | 1996 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Nov. | Dec. | Jan | Feb | Mar. | Apr. | May[p] |
| 1 Goods and services, balance | 72,037 | 104,381 | 105,064 | 6,098 | 6,399 | 9,686 | 6,654 | 8,012 | 9,606 | 10,877 |
| 2 Merchandise | 132,607 | 166,123 | 173,424 | 12,324 | 12,601 | 15,505 | 12,784 | 14,450 | 15,585 | 16,860 |
| 3 Services | 60,570 | 61,742 | 68,360 | 6,226 | 6,202 | 5,819 | 6,130 | 6,438 | 5,979 | 5,983 |
| 4 Goods and services, exports | 642,953 | 698,301 | 786,529 | 67,997 | 68,088 | 66,493 | 69,163 | 69,277 | 68,990 | 69,762 |
| 5 Merchandise | 456,834 | 502,462 | 575,939 | 49,777 | 50,120 | 48,645 | 50,883 | 50,490 | 50,740 | 51,292 |
| 6 Services | 186,119 | 195,839 | 210,590 | 18,220 | 17,968 | 17,848 | 18,280 | 18,787 | 18,250 | 18,470 |
| 7 Goods and services, imports | 714,990 | 802,682 | 891,593 | 74,095 | 74,487 | 76,179 | 75,817 | 77,289 | 78,596 | 80,639 |
| 8 Merchandise | 589,441 | 668,585 | 749,363 | 62,101 | 62,721 | 64,150 | 63,667 | 64,940 | 66,325 | 68,152 |
| 9 Services | 125,549 | 134,097 | 142,230 | 11,994 | 11,766 | 12,029 | 12,150 | 12,349 | 12,271 | 12,487 |

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. *FT900*, U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

## 3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

| Asset | 1992 | 1993 | 1994 | 1995 | | 1996 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Nov. | Dec. | Jan. | Feb. | Mar. | Apr | May | June[p] |
| 1 **Total** | ***71,323*** | ***73,442*** | ***74,335*** | ***85,755*** | ***85,832*** | ***82,717*** | ***84,270*** | ***84,212*** | ***83,710*** | ***83,468*** | ***83,455*** |
| 2 Gold stock, including Exchange Stabilization Fund[1] | 11,056 | 11,053 | 11,051 | 11,050 | 11,050 | 11,052 | 11,053 | 11,053 | 11,052 | 11,051 | 11,050 |
| 3 Special drawing rights[2,3] | 8,503 | 9,039 | 10,039 | 11,034 | 11,037 | 10,778 | 11,106 | 11,049 | 10,963 | 11,037 | 11,046 |
| 4 Reserve position in International Monetary Fund[2] | 11,759 | 11,818 | 12,030 | 14,572 | 14,649 | 14,312 | 14,813 | 15,249 | 15,117 | 15,227 | 15,282 |
| 5 Foreign currencies[4] | 40,005 | 41,532 | 41,215 | 49,099 | 49,096 | 46,575 | 47,298 | 46,861 | 46,578 | 46,153 | 46,077 |

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce.

2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.

3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970 $867 million; 1971 $717 million; 1972 $710 million; 1979 $1,139 million; 1980 $1,152 million; 1981 $1,093 million; plus net transactions in SDRs.

4. Valued at current market exchange rates

## 3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

| Asset | 1992 | 1993 | 1994 | 1995 | | 1996 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Nov. | Dec | Jan. | Feb. | Mar. | Apr. | May | June[p] |
| 1 **Deposits** | ***205*** | ***386*** | ***250*** | ***194*** | ***386*** | ***165*** | ***209*** | ***191*** | ***166*** | ***160*** | ***182*** |
| *Held in custody* | | | | | | | | | | | |
| 2 U.S. Treasury securities[2] | 314,481 | 379,394 | 441,866 | 522,950 | 522,170 | 532,776 | 559,741 | 573,435 | 573,924 | 578,608 | 572,839 |
| 3 Earmarked gold[3] | 13,118 | 12,327 | 12,033 | 11,702 | 11,702 | 11,702 | 11,689 | 11,590 | 11,445 | 11,339 | 11,296 |

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.

2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.

3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

## 3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

| Item | 1993 | 1994 | 1995 Nov.[r] | 1995 Dec.[r] | 1996 Jan.[r] | 1996 Feb.[r] | 1996 Mar.[r] | 1996 Apr. | 1996 May[p] |
|---|---|---|---|---|---|---|---|---|---|
| 1 **Total**[1] | **482,915** | **520,934** | **632,860** | **630,775** | **644,570** | **670,229** | **682,952** | **687,277** | **689,773** |
| *By type* | | | | | | | | | |
| 2 Liabilities reported by banks in the United States[2] | 69,721 | 73,386 | 109,636 | 107,258 | 103,919 | 103,242 | 103,994 | 111,079 | 104,993 |
| 3 U.S. Treasury bills and certificates[3] | 151,100 | 139,571 | 171,366 | 168,534 | 173,949 | 191,188 | 198,382 | 186,638 | 188,321 |
| U.S. Treasury bonds and notes | | | | | | | | | |
| 4 Marketable | 212,237 | 254,059 | 291,033 | 293,684 | 306,299 | 314,980 | 319,728 | 327,981 | 334,463 |
| 5 Nonmarketable[4] | 5,652 | 6,109 | 6,449 | 6,491 | 6,120 | 6,159 | 6,199 | 6,236 | 5,898 |
| 6 U.S. securities other than U.S. Treasury securities[5] | 44,205 | 47,809 | 54,366 | 54,808 | 54,283 | 54,660 | 54,649 | 55,343 | 56,098 |
| *By area* | | | | | | | | | |
| 7 Europe[1] | 207,034 | 215,374 | 228,180 | 222,314 | 223,569 | 231,389 | 242,589 | 241,161 | 244,294 |
| 8 Canada | 15,285 | 17,235 | 19,535 | 19,473 | 19,078 | 18,850 | 20,846 | 20,878 | 21,670 |
| 9 Latin America and Caribbean | 55,898 | 41,492 | 62,474 | 66,720 | 70,281 | 70,497 | 73,039 | 71,135 | 67,799 |
| 10 Asia | 197,702 | 236,824 | 311,638 | 310,966 | 320,512 | 338,999 | 335,006 | 341,360 | 343,418 |
| 11 Africa | 4,052 | 4,180 | 6,086 | 6,296 | 6,924 | 6,574 | 6,584 | 7,388 | 7,173 |
| 12 Other countries | 2,942 | 5,827 | 4,945 | 5,003 | 4,204 | 3,918 | 4,886 | 5,353 | 5,417 |

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes current value of zero-coupon Treasury bond issues to foreign governments as follows: Mexico, beginning March 1988, 20-year maturity issue and beginning March 1990, 30-year maturity issue; Venezuela, beginning December 1990, 30-year maturity issue; Argentina, beginning April 1993, 30-year maturity issue.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

## 3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

| Item | 1992 | 1993 | 1994 | 1995 June | 1995 Sept. | 1995 Dec. | 1996 Mar. |
|---|---|---|---|---|---|---|---|
| 1 Banks' liabilities | 72,796 | 78,259 | 89,284 | 106,621 | 102,147 | 112,556 | 109,620 |
| 2 Banks' claims | 62,799 | 62,017 | 60,689 | 77,042[r] | 69,481[r] | 74,830[r] | 69,522[r] |
| 3 Deposits | 24,240 | 20,993 | 19,661 | 28,909 | 25,712 | 22,688 | 22,220 |
| 4 Other claims | 38,559 | 41,024 | 41,028 | 48,133[r] | 43,769[r] | 52,142[r] | 47,302[r] |
| 5 Claims of banks' domestic customers[2] | 3,132 | 12,854 | 10,878 | 10,243 | 6,624 | 6,145 | 6,064 |

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

## 3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

| Item | 1993 | 1994 | 1995 | 1995 | | 1996 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Nov. | Dec. | Jan | Feb. | Mar. | Apr. | May[p] |
| BY HOLDER AND TYPE OF LIABILITY | | | | | | | | | | |
| 1 **Total, all foreigners** | **926,672** | **1,014,808** | **1,095,568[r]** | **1,104,705** | **1,095,568[r]** | **1,098,719[r]** | **1,101,991[r]** | **1,100,530[r]** | **1,100,720** | **1,096,433** |
| 2 Banks' own liabilities | 626,919 | 718,440 | 749,448[r] | 755,089 | 749,448[r] | 747,540[r] | 733,001[r] | 729,909[r] | 735,880 | 723,994 |
| 3 Demand deposits | 21,569 | 23,386 | 24,460 | 23,114 | 24,460 | 22,182 | 23,507 | 23,371[r] | 23,958 | 23,337 |
| 4 Time deposits[2] | 175,106 | 186,512 | 192,700[r] | 193,719[r] | 192,700[r] | 198,513 | 192,195[r] | 193,653[r] | 192,179 | 181,579 |
| 5 Other[3] | 111,971 | 112,984 | 139,780[r] | 154,280[r] | 139,780[r] | 141,963 | 149,009[r] | 138,311[r] | 146,539 | 145,332 |
| 6 Own foreign offices[4] | 318,273 | 395,558 | 392,508[r] | 383,976 | 392,508[r] | 384,882 | 368,290[r] | 374,574[r] | 373,204 | 373,746 |
| 7 Banks' custodial liabilities[5] | 299,753 | 296,368 | 346,120 | 349,616 | 346,120 | 351,179 | 368,990 | 370,621 | 364,840 | 372,439 |
| 8 U.S. Treasury bills and certificates[6] | 176,739 | 162,908 | 197,341 | 201,845 | 197,341 | 203,478 | 223,395 | 228,705 | 217,106 | 220,802 |
| 9 Other negotiable and readily transferable instruments[7] | 36,289 | 42,532 | 52,246 | 49,969 | 52,246 | 46,973 | 43,404 | 40,483 | 44,823 | 49,618 |
| 10 Other | 86,725 | 90,928 | 96,533 | 97,802 | 96,533 | 100,728 | 102,191 | 101,433 | 102,911 | 102,019 |
| 11 Nonmonetary international and regional organizations[8] | 10,936 | 8,606 | 11,039 | 9,794 | 11,039 | 10,622 | 11,109[r] | 9,476 | 11,216 | 11,914 |
| 12 Banks' own liabilities | 5,639 | 8,176 | 10,347 | 8,339 | 10,347 | 9,628 | 10,314[r] | 8,558 | 10,390 | 11,127 |
| 13 Demand deposits | 15 | 29 | 21 | 33 | 21 | 30 | 43 | 16 | 28 | 34 |
| 14 Time deposits[2] | 2,780 | 3,298 | 4,656 | 3,631 | 4,656 | 4,385 | 3,479 | 3,527 | 3,979 | 3,482 |
| 15 Other[3] | 2,844 | 4,849 | 5,670 | 4,675 | 5,670 | 5,213 | 6,792[r] | 5,015 | 6,383 | 7,611 |
| 16 Banks' custodial liabilities[5] | 5,297 | 430 | 692 | 1,455 | 692 | 994 | 795 | 918 | 826 | 787 |
| 17 U.S. Treasury bills and certificates[6] | 4,275 | 281 | 350 | 962 | 350 | 764 | 555 | 564 | 426 | 376 |
| 18 Other negotiable and readily transferable instruments[7] | 1,022 | 149 | 341 | 493 | 341 | 230 | 230 | 298 | 400 | 390 |
| 19 Other | 0 | 0 | 1 | 0 | 1 | 0 | 10 | 56 | 0 | 21 |
| 20 Official institutions[9] | 220,821 | 212,957 | 275,792[r] | 281,012 | 275,792[r] | 277,868 | 294,430 | 302,376[r] | 297,717 | 293,314 |
| 21 Banks' own liabilities | 64,144 | 59,935 | 83,311[r] | 85,681 | 83,311[r] | 85,040 | 84,077 | 88,537[r] | 91,664 | 81,961 |
| 22 Demand deposits | 1,600 | 1,564 | 2,098 | 1,690 | 2,098 | 1,522 | 1,655 | 1,423 | 1,679 | 1,504 |
| 23 Time deposits[2] | 21,653 | 23,511 | 30,716[r] | 30,597[r] | 30,716[r] | 28,069 | 29,904[r] | 32,404[r] | 36,487 | 32,656 |
| 24 Other[3] | 40,891 | 34,860 | 50,497[r] | 53,394[r] | 50,497[r] | 55,449 | 52,518[r] | 54,710[r] | 53,498 | 47,801 |
| 25 Banks' custodial liabilities[5] | 156,677 | 153,022 | 192,481 | 195,331 | 192,481 | 192,828 | 210,353 | 213,839 | 206,053 | 211,353 |
| 26 U.S. Treasury bills and certificates[6] | 151,100 | 139,571 | 168,534 | 171,366 | 168,534 | 173,949 | 191,188 | 198,382 | 186,638 | 188,321 |
| 27 Other negotiable and readily transferable instruments[7] | 5,482 | 13,245 | 23,603 | 23,610 | 23,603 | 18,532 | 18,138 | 14,970 | 19,065 | 22,661 |
| 28 Other | 95 | 206 | 344 | 355 | 344 | 347 | 1,027 | 487 | 350 | 371 |
| 29 Banks[10] | 592,171 | 678,367 | 687,458[r] | 687,285 | 687,458[r] | 687,259[r] | 670,806[r] | 666,843[r] | 665,596 | 662,308 |
| 30 Banks' own liabilities | 478,755 | 563,466 | 563,883[r] | 561,985 | 563,883[r] | 559,030[r] | 541,500[r] | 539,761[r] | 537,533 | 533,016 |
| 31 Unaffiliated foreign banks | 160,482 | 167,908 | 171,375[r] | 178,009 | 171,375[r] | 174,148 | 173,210 | 165,187[r] | 164,329 | 158,270 |
| 32 Demand deposits | 9,718 | 10,633 | 11,756 | 11,232 | 11,756 | 10,247 | 10,948 | 10,971[r] | 11,453 | 10,660 |
| 33 Time deposits[2] | 105,262 | 111,171 | 103,554[r] | 105,266[r] | 103,554[r] | 110,515 | 104,309 | 101,117 | 96,540 | 89,543 |
| 34 Other[3] | 45,502 | 46,104 | 56,065[r] | 61,511[r] | 56,065[r] | 53,386 | 57,953 | 53,099[r] | 56,336 | 58,067 |
| 35 Own foreign offices[4] | 318,273 | 395,558 | 392,508[r] | 383,976 | 392,508[r] | 384,882[r] | 368,290[r] | 374,574[r] | 373,204 | 374,746 |
| 36 Banks' custodial liabilities[5] | 113,416 | 114,901 | 123,575 | 125,300 | 123,575 | 128,229 | 129,306 | 127,082 | 128,063 | 129,292 |
| 37 U.S. Treasury bills and certificates[6] | 10,712 | 11,251 | 15,869 | 16,687 | 15,869 | 15,992 | 17,947 | 15,967 | 16,801 | 17,596 |
| 38 Other negotiable and readily transferable instruments[7] | 17,020 | 14,505 | 13,035 | 13,070 | 13,035 | 13,590 | 12,094 | 11,864 | 10,814 | 11,738 |
| 39 Other | 85,684 | 89,145 | 94,671 | 95,543 | 94,671 | 98,647 | 99,265 | 99,251 | 100,448 | 99,958 |
| 40 Other foreigners | 102,744 | 114,878 | 121,279[r] | 126,614 | 121,279[r] | 122,970 | 125,646 | 121,835[r] | 126,191 | 128,897 |
| 41 Banks' own liabilities | 78,381 | 86,863 | 91,907[r] | 99,084 | 91,907[r] | 93,842 | 97,110 | 93,053[r] | 96,293 | 97,890 |
| 42 Demand deposits | 10,236 | 11,160 | 10,585 | 10,159 | 10,585 | 10,383 | 10,861 | 10,961[r] | 10,798 | 11,139 |
| 43 Time deposits[2] | 45,411 | 48,532 | 53,774[r] | 54,225 | 53,774[r] | 55,544 | 54,503 | 56,605[r] | 55,173 | 55,898 |
| 44 Other[3] | 22,734 | 27,171 | 27,548[r] | 34,700 | 27,548[r] | 27,915 | 31,746 | 25,487 | 30,322 | 30,853 |
| 45 Banks' custodial liabilities[5] | 24,363 | 28,015 | 29,372 | 27,530 | 29,372 | 29,128 | 28,536 | 28,782 | 29,898 | 31,007 |
| 46 U.S. Treasury bills and certificates[6] | 10,652 | 11,805 | 12,588 | 12,830 | 12,588 | 12,773 | 13,705 | 13,792 | 13,241 | 14,509 |
| 47 Other negotiable and readily transferable instruments[7] | 12,765 | 14,633 | 15,267 | 12,796 | 15,267 | 14,621 | 12,942 | 13,351 | 14,544 | 14,829 |
| 48 Other | 946 | 1,577 | 1,517 | 1,904 | 1,517 | 1,734 | 1,889 | 1,639 | 2,113 | 1,669 |
| MEMO | | | | | | | | | | |
| 49 Negotiable time certificates of deposit in custody for foreigners | 17,567 | 17,895 | 9,099 | 9,837 | 9,099 | 10,479 | 10,544 | 10,005 | 8,306 | 9,284 |

1. Reporting banks include all types of depository institutions as well as some brokers and dealers. Excludes bonds and notes of maturities longer than one year.

2. *Excludes negotiable time certificates of deposit, which are included in* "Other negotiable and readily transferable instruments."

3. Includes borrowing under repurchase agreements.

4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.

5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks for foreign customers.

6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.

7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.

8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.

9. Foreign central banks, foreign central governments, and the Bank for International Settlements.

10. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued

| Item | 1993 | 1994 | 1995 | 1995 | | 1996 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Nov. | Dec | Jan. | Feb. | Mar. | Apr. | May^p |
| AREA | | | | | | | | | | |
| 50 **Total, all foreigners** | **926,672** | **1,014,808** | **1,095,568r** | **1,104,705** | **1,095,568r** | **1,098,719r** | **1,101,991r** | **1,100,530r** | **1,100,720r** | **1,096,433** |
| 51 **Foreign countries** | **915,736** | **1,006,202** | **1,084,529r** | **1,094,911** | **1,084,529r** | **1,088,097r** | **1,090,882r** | **1,091,054r** | **1,089,504r** | **1,084,519** |
| 52 Europe | 377,911 | 390,710 | 362,786 | 384,013 | 362,786 | 368,325 | 374,048 | 370,581r | 375,575r | 367,874 |
| 53 Austria | 1,917 | 3,588 | 3,537 | 4,755 | 3,537 | 3,437 | 2,996 | 2,848 | 3,477 | 3,624 |
| 54 Belgium and Luxembourg | 28,670 | 21,877 | 24,842 | 28,357 | 24,842 | 24,881 | 27,182 | 25,584 | 27,572 | 25,955 |
| 55 Denmark | 4,517 | 2,884 | 2,921 | 3,418 | 2,921 | 2,979 | 3,861 | 2,876 | 2,787 | 2,645 |
| 56 Finland | 1,872 | 1,436 | 2,831 | 2,315 | 2,831 | 2,421 | 2,409 | 1,768 | 2,203 | 2,188 |
| 57 France | 40,316 | 44,361 | 39,204 | 40,415 | 39,204 | 39,697 | 41,099 | 41,332r | 41,354r | 39,690 |
| 58 Germany | 26,685 | 27,109 | 24,035 | 26,798 | 24,035 | 25,988 | 24,695 | 25,229 | 24,854 | 23,950 |
| 59 Greece | 1,519 | 1,393 | 2,011 | 2,265 | 2,011 | 1,998 | 2,063 | 1,966 | 1,714 | 1,665 |
| 60 Italy | 11,759 | 10,885 | 10,875 | 10,759 | 10,875 | 9,616 | 12,468 | 11,475 | 10,178 | 11,045 |
| 61 Netherlands | 16,096 | 16,033 | 13,724 | 15,317 | 13,724 | 11,350 | 12,173 | 12,839 | 12,397 | 12,578 |
| 62 Norway | 2,966 | 2,338 | 1,394 | 1,287 | 1,394 | 1,067 | 1,246 | 1,034 | 915 | 828 |
| 63 Portugal | 3,366 | 2,846 | 2,761 | 2,718 | 2,761 | 3,055 | 2,931 | 2,843 | 2,529 | 1,858 |
| 64 Russia | 2,511 | 2,726 | 7,950 | 8,979 | 7,950 | 7,858 | 9,180 | 9,321 | 8,798 | 7,260 |
| 65 Spain | 20,496 | 14,675 | 10,012 | 10,809 | 10,012 | 11,838 | 11,589 | 18,976 | 19,548 | 19,010 |
| 66 Sweden | 2,738 | 3,094 | 3,245 | 3,720 | 3,245 | 2,555 | 2,813 | 2,256 | 3,943 | 2,410 |
| 67 Switzerland | 41,560 | 40,515 | 43,627 | 41,178 | 43,627 | 40,806 | 42,010 | 39,083 | 36,805 | 37,099 |
| 68 Turkey | 3,227 | 3,341 | 4,124 | 4,010 | 4,124 | 4,350 | 4,559 | 4,103 | 4,453 | 4,669 |
| 69 United Kingdom | 133,993 | 163,795 | 139,127 | 148,384 | 139,127 | 152,654 | 146,985 | 144,136r | 146,612r | 146,385 |
| 70 Yugoslavia[11] | 372 | 245 | 177 | 171 | 177 | 163 | 163 | 143 | 145 | 146 |
| 71 Other Europe and other former U.S.S.R.[12] | 33,331 | 27,769 | 26,389 | 28,358 | 26,389 | 21,612 | 23,626 | 22,769 | 25,291 | 24,869 |
| 72 Canada | 20,235 | 24,768 | 26,373 | 27,450 | 26,373 | 33,012r | 32,031r | 31,500r | 31,285r | 33,178 |
| 73 Latin America and Caribbean | 362,238 | 423,830 | 440,216 | 436,580 | 440,216 | 435,703 | 422,029 | 433,703r | 431,051r | 433,385 |
| 74 Argentina | 14,477 | 17,203 | 12,236 | 13,031 | 12,236 | 13,524 | 11,764 | 11,985 | 14,117 | 11,650 |
| 75 Bahamas | 73,820 | 104,002 | 94,991 | 87,719 | 94,991 | 96,850 | 91,203 | 88,091 | 85,887r | 86,671 |
| 76 Bermuda | 8,117 | 8,424 | 4,897 | 6,561 | 4,897 | 4,633 | 4,702 | 5,035 | 4,262 | 4,998 |
| 77 Brazil | 5,301 | 9,145 | 23,797 | 27,364 | 23,797 | 22,715 | 21,761 | 21,489 | 20,222r | 20,105 |
| 78 British West Indies | 193,699 | 229,599 | 239,083 | 240,353 | 239,083 | 233,383 | 227,438 | 240,605r | 239,129r | 243,088 |
| 79 Chile | 3,183 | 3,127 | 2,825 | 2,696 | 2,825 | 2,978 | 2,772 | 2,815 | 2,882r | 2,867 |
| 80 Colombia | 3,171 | 4,615 | 3,666 | 3,443 | 3,666 | 3,505r | 3,682r | 3,637r | 3,790r | 3,430 |
| 81 Cuba | 33 | 13 | 8 | 8 | 8 | 7 | 7 | 7 | 13r | 8 |
| 82 Ecuador | 880 | 875 | 1,315 | 1,307 | 1,315 | 1,236 | 1,201 | 1,274 | 1,265 | 1,284 |
| 83 Guatemala | 1,207 | 1,121 | 1,275 | 1,210 | 1,275 | 1,058 | 1,075 | 1,060 | 1,085 | 1,073 |
| 84 Jamaica | 410 | 529 | 481 | 447 | 481 | 500 | 495 | 503 | 516 | 550 |
| 85 Mexico | 28,019 | 12,227 | 24,555 | 20,993 | 24,555 | 23,643 | 23,899 | 24,577r | 23,330 | 23,214 |
| 86 Netherlands Antilles | 4,686 | 5,217 | 4,672 | 5,644 | 4,672 | 4,448 | 4,461 | 4,402 | 5,272 | 4,722 |
| 87 Panama | 3,582 | 4,551 | 4,265 | 4,287 | 4,265 | 4,030 | 4,166 | 4,026 | 3,887r | 3,846 |
| 88 Peru | 929 | 900 | 974 | 916 | 974 | 1,025 | 1,092 | 962 | 1,081 | 1,064 |
| 89 Uruguay | 1,611 | 1,597 | 1,835 | 1,912 | 1,835 | 1,799 | 1,726 | 1,908 | 1,748 | 1,757 |
| 90 Venezuela | 12,786 | 13,985 | 11,810 | 11,622 | 11,810 | 12,662 | 12,611 | 13,255 | 14,244 | 14,672 |
| 91 Other | 6,327 | 6,700 | 7,531 | 7,067 | 7,531 | 7,707r | 7,974r | 8,072r | 8,321r | 8,386 |
| 92 Asia | 144,527 | 154,334 | 240,740r | 232,222 | 240,740r | 238,175 | 249,447 | 241,958r | 237,705r | 235,906 |
| China | | | | | | | | | | |
| 93 People's Republic of China | 4,011 | 10,066 | 33,750 | 29,875 | 33,750 | 35,733 | 32,200 | 24,430 | 25,861 | 24,857 |
| 94 Republic of China (Taiwan) | 10,627 | 9,844 | 11,714 | 11,365 | 11,714 | 12,311 | 12,955 | 15,513 | 14,953 | 14,598 |
| 95 Hong Kong | 17,132 | 17,104 | 20,303r | 20,287 | 20,303r | 20,307 | 22,286 | 20,187 | 18,379r | 18,605 |
| 96 India | 1,114 | 2,338 | 3,373 | 3,272 | 3,373 | 3,263 | 3,527 | 3,990 | 3,752 | 3,938 |
| 97 Indonesia | 1,986 | 1,587 | 2,708 | 2,485 | 2,708 | 2,011 | 2,349 | 2,169 | 2,627 | 2,374 |
| 98 Israel | 4,435 | 5,157 | 4,073 | 4,090 | 4,073 | 4,348 | 5,780 | 5,344 | 5,450 | 5,123 |
| 99 Japan | 61,466 | 62,981 | 109,193 | 105,546 | 109,193 | 106,728 | 113,361 | 117,325r | 111,635r | 111,498 |
| 100 Korea (South) | 4,913 | 5,124 | 5,749r | 5,593 | 5,749r | 5,092 | 5,607 | 5,875 | 5,860 | 5,664 |
| 101 Philippines | 2,035 | 2,714 | 3,089 | 2,880 | 3,089 | 2,394 | 2,366 | 2,336 | 2,467r | 2,897 |
| 102 Thailand | 6,137 | 6,466 | 12,279 | 12,144 | 12,279 | 13,121 | 13,389 | 12,158 | 12,905 | 13,387 |
| 103 Middle Eastern oil-exporting countries[13] | 15,822 | 15,482 | 15,582 | 16,238 | 15,582 | 14,417 | 13,491 | 13,741 | 14,895 | 14,234 |
| 104 Other | 14,849 | 15,471 | 18,927r | 18,447 | 18,927r | 18,450 | 22,136 | 18,890r | 18,921 | 18,731 |
| 105 Africa | 6,633 | 6,524 | 7,641 | 7,793 | 7,641 | 7,679 | 7,818 | 7,089 | 7,832 | 7,404 |
| 106 Egypt | 2,208 | 1,879 | 2,136 | 1,907 | 2,136 | 1,848 | 2,375 | 2,057 | 2,002 | 1,873 |
| 107 Morocco | 99 | 97 | 104 | 60 | 104 | 99 | 52 | 65 | 114 | 113 |
| 108 South Africa | 451 | 433 | 739 | 1,206 | 739 | 1,217 | 665 | 413 | 1,001 | 745 |
| 109 Zaire | 12 | 9 | 10 | 9 | 10 | 11 | 8 | 9 | 8 | 16 |
| 110 Oil-exporting countries[14] | 1,303 | 1,343 | 1,797 | 1,826 | 1,797 | 1,774 | 1,968 | 1,706 | 1,904 | 1,887 |
| 111 Other | 2,560 | 2,763 | 2,855 | 2,785 | 2,855 | 2,730 | 2,750 | 2,839 | 2,803 | 2,770 |
| 112 Other | 4,192 | 6,036 | 6,773 | 6,853 | 6,773 | 5,203 | 5,509 | 6,223 | 6,056 | 6,772 |
| 113 Australia | 3,308 | 5,142 | 5,644 | 5,758 | 5,644 | 4,326 | 4,503 | 5,239 | 4,896 | 5,757 |
| 114 Other | 884 | 894 | 1,129 | 1,095 | 1,129 | 877 | 1,006 | 984 | 1,160 | 1,015 |
| 115 Nonmonetary international and regional organizations | 10,936 | 8,606 | 11,039 | 9,794 | 11,039 | 10,622 | 11,109r | 9,476 | 11,216 | 11,914 |
| 116 International[15] | 6,851 | 7,537 | 9,300 | 8,470 | 9,300 | 9,639 | 10,075r | 7,938 | 9,932 | 10,547 |
| 117 Latin American regional[16] | 3,218 | 613 | 893 | 371 | 893 | 349 | 292 | 758 | 422 | 594 |
| 118 Other regional[17] | 867 | 456 | 846 | 953 | 846 | 634 | 742 | 780 | 862 | 773 |

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R (except Russia), and Bosnia, Croatia, and Slovenia.
13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
14. Comprises Algeria, Gabon, Libya, and Nigeria.
15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.
16. Principally the Inter-American Development Bank.
17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

## 3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

| Area or country | 1993 | 1994 | 1995 | 1995 | | 1996 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Nov. | Dec. | Jan. | Feb. | Mar.[r] | Apr. | May[p] |
| 1 **Total, all foreigners** | **488,497** | **483,242** | **525,836[r]** | **533,891** | **525,836[r]** | **527,317[r]** | **520,790[r]** | **529,485** | **524,889** | **516,734** |
| 2 **Foreign countries** | **486,092** | **478,651** | **523,905[r]** | **532,470** | **523,905[r]** | **525,015[r]** | **518,011[r]** | **525,671** | **522,173** | **513,240** |
| 3 Europe | 123,741 | 123,380 | 130,315[r] | 131,660 | 130,315[r] | 133,923 | 138,574 | 137,465 | 134,379 | 133,087 |
| 4 Austria | 412 | 692 | 565 | 639 | 565 | 683 | 773 | 792 | 1,083 | 1,072 |
| 5 Belgium and Luxembourg | 6,532 | 6,738 | 7,599 | 10,691 | 7,599 | 8,365 | 8,519 | 5,778 | 8,678 | 8,711 |
| 6 Denmark | 382 | 1,129 | 403 | 602 | 403 | 541 | 599 | 398 | 293 | 232 |
| 7 Finland | 594 | 512 | 1,055 | 1,097 | 1,055 | 1,397 | 1,313 | 1,782 | 1,305 | 1,282 |
| 8 France | 11,822 | 12,146 | 14,798[r] | 15,259 | 14,798[r] | 12,253 | 13,161 | 13,740 | 11,404 | 11,591 |
| 9 Germany | 7,724 | 7,608 | 8,864 | 8,431 | 8,864 | 8,072 | 8,774 | 9,260 | 8,647 | 8,003 |
| 10 Greece | 691 | 604 | 449 | 378 | 449 | 555 | 603 | 507 | 622 | 554 |
| 11 Italy | 8,834 | 6,043 | 5,364 | 5,390 | 5,364 | 5,010 | 4,838 | 5,855 | 5,696 | 6,166 |
| 12 Netherlands | 3,063 | 2,959 | 5,051 | 4,909 | 5,051 | 4,305 | 4,722 | 5,565 | 6,276 | 5,548 |
| 13 Norway | 396 | 504 | 665 | 1,376 | 665 | 1,098 | 1,408 | 1,016 | 793 | 933 |
| 14 Portugal | 834 | 938 | 888 | 862 | 888 | 853 | 743 | 773 | 889 | 813 |
| 15 Russia | 2,310 | 973 | 660 | 949 | 660 | 678 | 775 | 868 | 741 | 482 |
| 16 Spain | 3,717 | 3,530 | 2,166 | 3,191 | 2,166 | 3,811 | 4,041 | 5,420 | 5,092 | 3,158 |
| 17 Sweden | 4,254 | 4,098 | 2,060 | 2,362 | 2,060 | 2,315 | 2,151 | 2,056 | 3,514 | 2,506 |
| 18 Switzerland | 6,605 | 5,746 | 7,074 | 5,925 | 7,074 | 4,613 | 4,016 | 4,841 | 6,370 | 8,713 |
| 19 Turkey | 1,301 | 878 | 785 | 926 | 785 | 732 | 707 | 810 | 973 | 867 |
| 20 United Kingdom | 62,013 | 66,846 | 67,388 | 66,911 | 67,388 | 75,147 | 78,040 | 73,191 | 68,571 | 69,136 |
| 21 Yugoslavia[2] | 473 | 265 | 147 | 237 | 147 | 481 | 118 | 120 | 208 | 204 |
| 22 Other Europe and other former U.S.S.R.[3] | 1,784 | 1,171 | 4,334 | 1,525 | 4,334 | 3,014 | 3,273 | 4,693 | 3,224 | 3,116 |
| 23 Canada | 18,617 | 18,490 | 16,095 | 17,000 | 16,095 | 20,068[r] | 18,421[r] | 17,540 | 21,661 | 20,485 |
| 24 Latin America and Caribbean | 225,238 | 223,523 | 256,910[r] | 266,635 | 256,910[r] | 257,146 | 248,483[r] | 252,727 | 245,186 | 237,512 |
| 25 Argentina | 4,474 | 5,844 | 6,439 | 6,090 | 6,439 | 6,185 | 6,057 | 6,216 | 6,187 | 6,034 |
| 26 Bahamas | 63,353 | 66,410 | 58,770[r] | 60,030 | 58,770[r] | 60,284 | 63,240[r] | 65,628 | 54,251 | 55,475 |
| 27 Bermuda | 8,901 | 8,481 | 5,717[r] | 8,096 | 5,717[r] | 5,011 | 4,742 | 4,829 | 5,031 | 2,993 |
| 28 Brazil | 11,848 | 9,583 | 13,297 | 12,984[r] | 13,297 | 13,252 | 13,915 | 13,813 | 14,175 | 14,190 |
| 29 British West Indies | 99,319 | 95,741 | 123,914 | 129,468[r] | 123,914 | 122,759 | 108,833 | 113,239 | 118,599 | 110,924 |
| 30 Chile | 3,643 | 3,820 | 5,024 | 4,775 | 5,024 | 4,996 | 4,593 | 4,559 | 4,605 | 4,363 |
| 31 Colombia | 3,181 | 4,004 | 4,550 | 4,516 | 4,550 | 4,622 | 4,492 | 4,547 | 4,518 | 4,523 |
| 32 Cuba | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 33 Ecuador | 681 | 682 | 825 | 847 | 825 | 841 | 842 | 977 | 959 | 942 |
| 34 Guatemala | 288 | 366 | 457 | 424 | 457 | 439 | 461 | 465 | 473 | 460 |
| 35 Jamaica | 195 | 258 | 323 | 285 | 323 | 299 | 362 | 332 | 335 | 345 |
| 36 Mexico | 15,879 | 17,749 | 18,028 | 16,829[r] | 18,028 | 17,114 | 17,167 | 16,953 | 17,071 | 16,857 |
| 37 Netherlands Antilles | 2,683 | 1,396 | 9,229 | 12,048 | 9,229 | 11,043 | 12,973 | 10,902 | 8,728 | 8,674 |
| 38 Panama | 2,894 | 2,198 | 3,018 | 3,049 | 3,018 | 2,845 | 2,820 | 2,612 | 2,503 | 2,397 |
| 39 Peru | 657 | 997 | 1,829 | 1,577 | 1,829 | 1,762 | 1,928 | 1,936 | 2,042 | 2,348 |
| 40 Uruguay | 969 | 503 | 466 | 434 | 466 | 422 | 463 | 623 | 579 | 602 |
| 41 Venezuela | 2,910 | 1,831 | 1,661 | 1,695 | 1,661 | 1,575 | 1,572 | 1,559 | 1,376 | 1,279 |
| 42 Other | 3,363 | 3,660 | 3,363 | 3,488 | 3,363 | 3,697 | 4,023 | 3,537 | 3,754 | 5,106 |
| 43 Asia | 111,775 | 107,079 | 115,391[r] | 111,438 | 115,391[r] | 108,989 | 107,056[r] | 111,390 | 114,841 | 115,954 |
| China | | | | | | | | | | |
| 44 People's Republic of China | 2,271 | 836 | 1,023 | 1,069 | 1,023 | 1,014 | 1,351 | 2,439 | 3,405 | 2,857 |
| 45 Republic of China (Taiwan) | 2,625 | 1,448 | 1,713 | 1,484 | 1,713 | 1,407 | 1,404 | 1,729 | 1,626 | 1,514 |
| 46 Hong Kong | 10,828 | 9,161 | 12,895 | 10,713 | 12,895 | 13,254 | 13,867 | 15,545 | 15,329 | 14,738 |
| 47 India | 589 | 994 | 1,846 | 1,823 | 1,846 | 1,864 | 1,859 | 1,869 | 1,787 | 1,786 |
| 48 Indonesia | 1,527 | 1,470 | 1,678 | 1,578 | 1,678 | 1,458 | 1,478 | 1,604 | 1,526 | 1,539 |
| 49 Israel | 826 | 688 | 739 | 728 | 739 | 668 | 683 | 665 | 642 | 615 |
| 50 Japan | 60,032 | 59,151 | 61,308 | 60,522 | 61,308 | 55,897 | 55,077 | 52,776 | 54,657 | 54,685 |
| 51 Korea (South) | 7,539 | 10,286 | 14,119[r] | 14,115 | 14,119[r] | 14,501 | 15,523[r] | 17,362 | 17,061 | 17,854 |
| 52 Philippines | 1,410 | 662 | 1,350 | 789 | 1,350 | 814 | 779 | 1,202 | 779 | 836 |
| 53 Thailand | 2,170 | 2,902 | 2,599[r] | 2,538 | 2,599[r] | 2,397 | 3,256 | 3,060 | 2,970 | 3,015 |
| 54 Middle Eastern oil-exporting countries[4] | 15,115 | 13,748 | 9,639 | 9,604 | 9,639 | 8,053 | 6,410 | 7,145 | 7,252 | 8,976 |
| 55 Other | 6,843 | 5,733 | 6,482 | 6,475 | 6,482 | 7,662 | 5,369 | 5,994 | 7,807 | 7,539 |
| 56 Africa | 3,861 | 3,050 | 2,727 | 2,732 | 2,727 | 2,798 | 2,879 | 2,884 | 2,743 | 2,691 |
| 57 Egypt | 196 | 225 | 210 | 268 | 210 | 208 | 237 | 247 | 225 | 217 |
| 58 Morocco | 481 | 429 | 514 | 433 | 514 | 514 | 561 | 585 | 594 | 628 |
| 59 South Africa | 633 | 671 | 465 | 462 | 465 | 483 | 520 | 567 | 493 | 458 |
| 60 Zaire | 4 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 11 |
| 61 Oil-exporting countries[5] | 1,129 | 856 | 552 | 578 | 552 | 589 | 526 | 516 | 501 | 478 |
| 62 Other | 1,418 | 867 | 985 | 990 | 985 | 1,003 | 1,034 | 968 | 929 | 899 |
| 63 Other | 2,860 | 3,129 | 2,467 | 3,005 | 2,467 | 2,091 | 2,598 | 3,665 | 3,363 | 3,511 |
| 64 Australia | 2,037 | 2,186 | 1,622 | 1,969 | 1,622 | 1,822 | 2,243 | 2,645 | 2,620 | 2,333 |
| 65 Other | 823 | 943 | 845 | 1,036 | 845 | 269 | 355 | 1,020 | 743 | 1,178 |
| 66 Nonmonetary international and regional organizations[6] | 2,405 | 4,591 | 1,931 | 1,421 | 1,931 | 2,302 | 2,779 | 3,814 | 2,716 | 3,494 |

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Europe."

## 3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

| Type of claim | 1993 | 1994 | 1995 | 1995 | | 1996 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Nov. | Dec.[r] | Jan.[r] | Feb.[r] | Mar.[r] | Apr. | May[p] |
| 1 **Total** | **575,818** | **599,521** | **648,603**[r] | ... | **648,603** | ... | ... | **655,376** | ... | ... |
| 2 Banks' claims | 488,497 | 483,242 | 525,836[r] | 533,891 | 525,836 | 527,317 | 520,790 | 529,485 | 524,889 | 516,734 |
| 3 Foreign public borrowers | 29,228 | 23,416 | 22,522 | 19,368 | 22,522 | 23,148 | 24,383 | 27,759 | 25,205 | 21,753 |
| 4 Own foreign offices[2] | 285,510 | 283,183 | 303,397[r] | 308,660[r] | 303,397 | 305,118 | 295,217 | 297,601 | 298,235 | 300,405 |
| 5 Unaffiliated foreign banks | 100,865 | 109,228 | 98,702[r] | 99,556[r] | 98,702 | 97,240 | 98,139 | 101,654 | 99,368 | 96,553 |
| 6 Deposits | 49,892 | 59,250 | 37,343 | 42,905 | 37,343 | 35,520 | 37,565 | 41,609 | 37,411 | 35,318 |
| 7 Other | 50,973 | 49,978 | 61,359[r] | 56,651[r] | 61,359 | 61,720 | 60,574 | 60,045 | 61,957 | 61,235 |
| 8 All other foreigners | 72,894 | 67,415 | 101,215[r] | 106,307[r] | 101,215 | 101,811 | 103,051 | 102,471 | 102,081 | 98,023 |
| 9 Claims of banks' domestic customers[3] | 87,321 | 116,279 | 122,767 | ... | 122,767 | ... | ... | 125,891 | ... | ... |
| 10 Deposits | 41,734 | 64,829 | 58,519 | ... | 58,519 | ... | ... | 68,800 | ... | ... |
| 11 Negotiable and readily transferable instruments[4] | 31,186 | 36,008 | 44,161 | ... | 44,161 | ... | ... | 39,274 | ... | ... |
| 12 Outstanding collections and other claims | 14,401 | 15,442 | 20,087 | ... | 20,087 | ... | ... | 17,817 | ... | ... |
| MEMO | | | | | | | | | | |
| 13 Customer liability on acceptances | 7,920 | 8,427 | 8,410 | ... | 8,410 | ... | ... | 9,026 | ... | ... |
| 14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5] | 29,150 | 32,796 | 30,717 | 31,355 | 30,717 | 27,830 | 32,777 | 33,113 | 32,309 | n.a. |

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.

Reporting banks include all types of depository institution as well as some brokers and dealers.

2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and from foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.

3. Assets held by reporting banks in the accounts of their domestic customers.

4. Principally negotiable time certificates of deposit, bankers acceptances, and commercial paper.

5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad.

## 3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

| Maturity, by borrower and area[2] | 1992 | 1993 | 1994 | 1995 | | | 1996 |
|---|---|---|---|---|---|---|---|
| | | | | June | Sept. | Dec. | Mar. |
| 1 **Total** | **195,119** | **202,566** | **200,042** | **220,289** | **216,966** | **222,338** | **231,746** |
| *By borrower* | | | | | | | |
| 2 Maturity of one year or less | 163,325 | 172,662 | 168,331 | 186,312 | 178,666 | 176,172[r] | 191,958 |
| 3 Foreign public borrowers | 17,813 | 17,828 | 15,435 | 15,822 | 14,192 | 15,015 | 19,569 |
| 4 All other foreigners | 145,512 | 154,834 | 152,896 | 170,490 | 164,474 | 161,157[r] | 172,389 |
| 5 Maturity of more than one year | 31,794 | 29,904 | 31,711 | 33,977 | 38,300 | 46,166[r] | 39,788 |
| 6 Foreign public borrowers | 13,266 | 10,874 | 7,838 | 7,892 | 8,220 | 7,506 | 8,110 |
| 7 All other foreigners | 18,528 | 19,030 | 23,873 | 26,085 | 30,080 | 38,660[r] | 31,678 |
| *By area* | | | | | | | |
| Maturity of one year or less | | | | | | | |
| 8 Europe | 53,300 | 57,413 | 55,742 | 60,323 | 52,045 | 53,897 | 56,656 |
| 9 Canada | 6,091 | 7,727 | 6,690 | 7,838 | 7,135 | 6,089 | 4,973 |
| 10 Latin America and Caribbean | 50,376 | 60,490 | 58,877 | 68,630 | 71,319 | 72,393[r] | 84,297 |
| 11 Asia | 45,709 | 41,418 | 39,851 | 43,945 | 42,536 | 40,133 | 40,332 |
| 12 Africa | 1,784 | 1,820 | 1,376 | 1,447 | 1,261 | 1,271[r] | 1,302 |
| 13 All other[3] | 6,065 | 3,794 | 5,795 | 4,129 | 4,370 | 2,389 | 4,398 |
| Maturity of more than one year | | | | | | | |
| 14 Europe | 5,367 | 5,310 | 4,203 | 4,240 | 4,594 | 4,885 | 6,827 |
| 15 Canada | 3,287 | 2,581 | 3,505 | 3,685 | 3,571 | 2,731 | 2,563 |
| 16 Latin America and Caribbean | 15,312 | 14,025 | 15,717 | 17,557 | 20,224 | 27,811[r] | 19,532 |
| 17 Asia | 5,038 | 5,606 | 5,318 | 6,058 | 7,373 | 8,023 | 8,461 |
| 18 Africa | 2,380 | 1,935 | 1,583 | 1,389 | 1,389 | 1,430[r] | 1,474 |
| 19 All other[3] | 410 | 447 | 1,385 | 1,048 | 1,149 | 1,286 | 931 |

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.

2. Maturity is time remaining until maturity.

3. Includes nonmonetary international and regional organizations.

## 3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks[1]

Billions of dollars, end of period

| Area or country | 1992 | 1993 | 1994 | | | | 1995 | | | | 1996 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Mar. | June | Sept. | Dec. | Mar. | June | Sept. | Dec. | Mar.[p] |
| 1 **Total** | **344.7** | **407.7** | **475.7** | **484.8** | **485.7** | **495.6** | **540.9** | **525.0** | **526.3** | **549.2**[r] | **568.8** |
| 2 G-10 countries and Switzerland | 131.3 | 161.8 | 177.8 | 172.4 | 182.2 | 189.9 | 210.1 | 201.6 | 196.6 | 203.7 | 201.3 |
| 3 Belgium and Luxembourg | [illegible] | 7.4 | 7.9 | 8.6 | 9.6 | 7.0 | 10.2 | 9.1 | 10.7 | 13.5 | 10.5 |
| 4 France | 15.3 | 12.0 | 16.6 | 18.6 | 20.7 | 19.1 | 19.8 | 19.3 | 17.4 | 19.2 | 17.9 |
| 5 Germany | 9.1 | 12.6 | 29.7 | 31.7 | 21.0 | 24.7 | 31.2 | 29.8 | 27.2 | 26.8 | 31.5 |
| 6 Italy | 6.5 | 7.7 | 15.6 | 14.0 | 11.6 | 11.8 | 10.6 | 10.7 | 12.6 | 11.5 | 13.1 |
| 7 Netherlands | [illegible] | 4.7 | 3.8 | 3.4 | 3.4 | 3.6 | 3.5 | 4.3 | 4.1 | 3.4 | 3.0 |
| 8 Sweden | 2.3 | 2.7 | 2.9 | 3.0 | 2.6 | 2.7 | 3.4 | 3.0 | 2.7 | 2.7 | 3.2 |
| 9 Switzerland | 4.8 | 5.9 | 4.5 | 5.4 | 5.5 | 5.1 | 5.7 | 6.2 | 6.3 | 6.3 | 5.2 |
| 10 United Kingdom | 59.7 | 84.3 | 69.4 | 64.0 | 78.1 | 85.2 | 89.4 | 85.9 | 79.8 | 82.1 | 84.8 |
| 11 Canada | 6.3 | 6.9 | 7.8 | 9.9 | 10.2 | 10.0 | 10.5 | 11.1 | 11.9 | 9.1 | 9.2 |
| 12 Japan | 18.8 | 17.6 | 19.6 | 20.7 | 16.5 | 20.7 | 25.9 | 22.1 | 24.0 | 28.5 | 22.9 |
| 13 Other industrialized countries | 24.0 | 25.6 | 42.0 | 42.5 | 42.5 | 45.0 | 43.9 | 43.1 | 50.0 | 50.0 | 60.7 |
| 14 Austria | 1.2 | .4 | 1.0 | 1.0 | 1.0 | 1.4 | .9 | .7 | 1.2 | .9 | 1.2 |
| 15 Denmark | .9 | 1.0 | 1.0 | 1.1 | .9 | 1.3 | 1.7 | 1.1 | 1.8 | 2.6 | 3.1 |
| 16 Finland | .7 | .4 | 1.0 | .8 | .8 | .9 | 1.1 | .5 | .7 | .8 | .7 |
| 17 Greece | 3.0 | 3.2 | 3.7 | 4.6 | 4.2 | 4.4 | 4.8 | 4.9 | 5.0 | 5.6 | 5.5 |
| 18 Norway | 1.2 | 1.7 | 1.6 | 1.6 | 1.6 | 2.0 | 2.4 | 1.8 | 2.3 | 3.2 | 2.1 |
| 19 Portugal | .4 | .8 | 1.2 | 1.1 | 1.0 | 1.2 | 1.0 | 1.2 | 1.9 | 1.3 | 1.6 |
| 20 Spain | 8.9 | 9.9 | 13.2 | 12.6 | 14.0 | 13.6 | 14.1 | 13.3 | 13.3 | 11.6 | 17.5 |
| 21 Turkey | 1.3 | 2.1 | 2.4 | 2.1 | 1.8 | 1.6 | 1.4 | 1.4 | 1.9 | 1.8 | 1.9 |
| 22 Other Western Europe | 1.7 | 2.6 | 3.1 | 2.8 | 1.0 | 2.7 | 2.5 | 2.6 | 3.0 | 1.7 | 3.8 |
| 23 South Africa | 1.7 | 1.1 | 1.2 | 1.2 | 1.2 | 1.0 | 1.5 | 1.4 | 1.3 | 1.2 | 1.7 |
| 24 Australia | 2.9 | 2.3 | 12.7 | 13.7 | 15.0 | 15.4 | 12.6 | 14.3 | 17.4 | 16.4 | 21.7 |
| 25 OPEC[2] | 15.8 | 17.4 | 22.9 | 21.6 | 21.6 | 23.8 | 19.5 | 20.2 | 22.4 | 22.1 | 21.1 |
| 26 Ecuador | .6 | .5 | .6 | .5 | .4 | .5 | .5 | .7 | .7 | .7 | .8 |
| 27 Venezuela | 5.2 | 5.1 | 4.6 | 4.4 | 3.9 | 3.7 | 3.5 | 3.5 | 3.0 | 2.7 | 2.9 |
| 28 Indonesia | 2.7 | 3.3 | 3.4 | 3.2 | 3.3 | 3.8 | 4.0 | 4.1 | 1.4 | 1.8 | 1.7 |
| 29 Middle East countries | 6.2 | 7.4 | 13.2 | 12.4 | 13.0 | 15.0 | 10.7 | 11.4 | 13.6 | 13.3 | 12.3 |
| 30 African countries | 1.1 | 1.2 | 1.1 | 1.1 | 1.1 | .8 | .7 | .5 | .6 | .6 | .5 |
| 31 *Non-OPEC developing countries* | 72.6 | 83.1 | 94.5 | 91.7 | 94.1 | 95.9 | 98.1 | 103.6 | 104.0 | 112.5 | 116.2 |
| *Latin America* | | | | | | | | | | | |
| 32 Argentina | 6.6 | 7.7 | 8.7 | 9.8 | 10.5 | 11.2 | 11.4 | 12.3 | 10.9 | 12.9 | 12.7 |
| 33 Brazil | 10.8 | 12.0 | 12.7 | 12.0 | 9.3 | 8.4 | 9.2 | 9.9 | 13.6 | 13.7 | 17.2 |
| 34 Chile | 4.4 | 4.7 | 5.1 | 5.1 | 5.5 | 6.1 | 6.4 | 7.1 | 6.4 | 6.8 | 6.1 |
| 35 Colombia | 1.8 | 2.1 | 2.1 | 2.4 | 2.4 | 2.6 | 2.6 | 2.6 | 2.9 | 2.9 | 2.9 |
| 36 Mexico | 16.0 | 17.8 | 19.0 | 18.6 | 19.8 | 18.4 | 17.8 | 17.6 | 16.3 | 17.3 | 16.1 |
| 37 Peru | .5 | .4 | .6 | .6 | .6 | .5 | .6 | .8 | .7 | .8 | .9 |
| 38 Other | 2.6 | 3.1 | 2.9 | 2.7 | 2.8 | 2.7 | 2.4 | 2.6 | 2.6 | 2.8 | 3.1 |
| *Asia* | | | | | | | | | | | |
| China | | | | | | | | | | | |
| 39 People's Republic of China | .7 | 2.0 | .8 | .8 | 1.0 | 1.4 | 1.1 | 1.4 | 1.7 | 1.8 | 3.3 |
| 40 Republic of China (Taiwan) | 5.2 | 7.3 | 7.6 | 7.1 | 6.9 | 9.2 | 8.5 | 9.0 | 9.0 | 9.4 | 9.7 |
| 41 India | 3.2 | 3.2 | 3.4 | 3.7 | 3.9 | 4.2 | 3.8 | 4.0 | 4.4 | 4.4 | 4.7 |
| 42 Israel | .4 | .5 | .4 | .4 | .4 | .4 | .6 | .7 | .5 | .5 | .5 |
| 43 Korea (South) | 6.6 | 6.7 | 14.1 | 14.3 | 14.4 | 16.2 | 16.9 | 18.7 | 18.0 | 19.1 | 19.4 |
| 44 Malaysia | 3.1 | 4.4 | 5.2 | 5.2 | 3.9 | 3.1 | 3.9 | 4.1 | 3.3 | 4.4 | 4.7 |
| 45 Philippines | 3.6 | 3.1 | 3.4 | 3.2 | 2.9 | 3.3 | 3.0 | 3.6 | 3.3 | 4.1 | 3.9 |
| 46 Thailand | 2.2 | 3.1 | 3.0 | 3.3 | 3.5 | 2.1 | 3.3 | 3.8 | 3.9 | 4.9 | 5.2 |
| 47 Other Asia | 3.1 | 3.1 | 3.1 | 3.2 | 3.4 | 4.7 | 4.9 | 3.5 | 3.7 | 4.5 | 4.3 |
| *Africa* | | | | | | | | | | | |
| 48 Egypt | .2 | .4 | .3 | .4 | .3 | .3 | .4 | .4 | .4 | .4 | .2 |
| 49 Morocco | .6 | .7 | .8 | .7 | .7 | .6 | .6 | .9 | .8 | .7 | .7 |
| 50 Zaire | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 51 Other Africa[3] | 1.0 | .8 | 1.1 | 1.0 | .9 | .8 | .7 | .6 | .7 | .9 | .7 |
| 52 Eastern Europe | 3.1 | 3.2 | 3.8 | 3.2 | 3.0 | 2.7 | 2.3 | 1.8 | 3.4 | 4.2 | 6.2 |
| 53 Russia[4] | 1.9 | 1.6 | 1.6 | 1.3 | 1.1 | .8 | .7 | .4 | .6 | 1.0 | 1.4 |
| 54 Yugoslavia[5] | .6 | .6 | .5 | .5 | .5 | .5 | .4 | .3 | .4 | .3 | .3 |
| 55 Other | .6 | .9 | 1.6 | 1.4 | 1.5 | 1.4 | 1.2 | 1.0 | 2.3 | 2.8 | 4.5 |
| 56 Offshore banking centers | 58.1 | 73.0 | 78.5 | 80.5 | 77.1 | 71.3 | 81.3 | 82.1 | 85.9 | 99.0[r] | 100.2 |
| 57 Bahamas | 6.9 | 10.9 | 13.7 | 13.3 | 13.8 | 10.3 | 12.5 | 8.4 | 12.6 | 11.0[r] | 13.4 |
| 58 Bermuda | 6.2 | 8.9 | 8.8 | 6.5 | 6.0 | 8.4 | 8.6 | 8.3 | 6.1 | 6.3 | 5.3 |
| 59 Cayman Islands and other British West Indies | 21.5 | 18.0 | 17.8 | 23.8 | 21.5 | 19.9 | 19.4 | 23.7 | 23.4 | 32.1 | 28.5 |
| 60 Netherlands Antilles | 1.1 | 2.6 | 3.1 | 2.5 | 1.7 | 1.3 | .9 | 2.1 | 5.5 | 9.9 | 10.7 |
| 61 Panama[6] | 1.9 | 2.4 | 2.0 | 2.0 | 1.8 | 1.3 | 1.1 | 1.3 | 1.2 | 1.1 | 1.1 |
| 62 Lebanon | .1 | .1 | .1 | .1 | .1 | .1 | .1 | .1 | .1 | .1 | .1 |
| 63 Hong Kong | 13.9 | 18.7 | 19.7 | 21.8 | 20.3 | 19.9 | 22.4 | 23.1 | 23.7 | 25.1 | 25.6 |
| 64 Singapore | 6.5 | 11.2 | 13.0 | 10.6 | 11.8 | 10.4 | 19.1 | 14.8 | 13.3 | 13.1 | 15.4 |
| 65 Other[7] | .0 | .1 | .0 | .0 | .0 | .1 | .0 | .0 | .1 | .1 | .1 |
| 66 Miscellaneous and unallocated[8] | 39.7 | 43.4 | 55.9 | 69.6 | 65.7 | 66.6 | 82.2 | 72.3 | 63.9 | 57.4 | 62.5 |

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

*These data are on a gross claims basis and do not necessarily reflect the ultimate country risk or exposure of U.S. banks. More complete data on the country risk exposure of U.S. banks are available in the quarterly Country Exposure Lending Survey published by the Federal Financial Institutions Examination Council.*

2. Organization of Petroleum Exporting Countries, shown individually, other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates), and Bahrain and Oman (not formally members of OPEC).
3. Excludes Liberia. Beginning March 1994 includes Namibia.
4. As of December 1992, excludes other republics of the former Soviet Union.
5. As of December 1992, excludes Croatia, Bosnia and Hercegovina, and Slovenia.
6. Includes Canal Zone.
7. *Foreign branch claims only.*
8. Includes New Zealand, Liberia, and international and regional organizations.

## 3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

| Type of liability, and area or country | 1992 | 1993 | 1994 | 1994 | 1995 | | | | 1996 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Dec. | Mar. | June | Sept. | Dec. | Mar.[p] |
| 1 **Total** | **45,511** | **50,597** | **54,309** | **54,309** | **50,187** | **49,973** | **47,673** | **46,448**[r] | **49,608** |
| 2 Payable in dollars | 37,456 | 38,728 | 38,298 | 38,298 | 35,903 | 34,281 | 33,908 | 33,903[r] | 36,314 |
| 3 Payable in foreign currencies | 8,055 | 11,869 | 16,011 | 16,011 | 14,284 | 15,692 | 13,765 | 12,545 | 13,294 |
| *By type* | | | | | | | | | |
| 4 Financial liabilities | 23,841 | 29,226 | 32,954 | 32,954 | 29,775 | 29,282 | 26,237 | 24,241[r] | 26,225 |
| 5 Payable in dollars | 16,960 | 18,545 | 18,818 | 18,818 | 16,704 | 15,028 | 13,872 | 12,903[r] | 13,826 |
| 6 Payable in foreign currencies | 6,881 | 10,681 | 14,136 | 14,136 | 13,071 | 14,254 | 12,365 | 11,338 | 12,399 |
| 7 Commercial liabilities | 21,670 | 21,371 | 21,355 | 21,355 | 20,412 | 20,691 | 21,436 | 22,207 | 23,383 |
| 8 Trade payables | 9,566 | 8,802 | 10,005 | 10,005 | 9,844 | 10,527 | 10,061 | 11,013 | 10,815 |
| 9 Advance receipts and other liabilities | 12,104 | 12,569 | 11,350 | 11,350 | 10,568 | 10,164 | 11,375 | 11,194 | 12,568 |
| 10 Payable in dollars | 20,496 | 20,183 | 19,480 | 19,480 | 19,199 | 19,253 | 20,036 | 21,000 | 22,488 |
| 11 Payable in foreign currencies | 1,174 | 1,188 | 1,875 | 1,875 | 1,213 | 1,438 | 1,400 | 1,207 | 895 |
| *By area or country* | | | | | | | | | |
| Financial liabilities | | | | | | | | | |
| 12 Europe | 13,387 | 18,810 | 21,703 | 21,703 | 17,541 | 18,223 | 16,401 | 15,622 | 16,605 |
| 13 Belgium and Luxembourg | 414 | 175 | 495 | 495 | 612 | 778 | 347 | 369 | 483 |
| 14 France | 1,623 | 2,539 | 1,727 | 1,727 | 2,046 | 1,101 | 1,365 | 999 | 1,679 |
| 15 Germany | 889 | 975 | 1,961 | 1,961 | 1,755 | 1,589 | 1,670 | 1,974 | 2,161 |
| 16 Netherlands | 606 | 534 | 552 | 552 | 633 | 530 | 474 | 466 | 479 |
| 17 Switzerland | 569 | 634 | 688 | 688 | 883 | 1,056 | 948 | 895 | 957 |
| 18 United Kingdom | 8,610 | 13,332 | 15,543 | 15,543 | 10,764 | 12,138 | 10,518 | 10,138 | 10,241 |
| 19 Canada | 514 | 859 | 629 | 629 | 1,817 | 893 | 797 | 632 | 1,166 |
| 20 Latin America and Caribbean | 4,053 | 3,359 | 2,034 | 2,034 | 2,065 | 1,950 | 1,904 | 1,783[r] | 1,876 |
| 21 Bahamas | 379 | 1,148 | 101 | 101 | 135 | 81 | 79 | 59[r] | 78 |
| 22 Bermuda | 114 | 0 | 80 | 80 | 149 | 138 | 144 | 147[r] | 126 |
| 23 Brazil | 19 | 18 | 207 | 207 | 58 | 58 | 111 | 57 | 57 |
| 24 British West Indies | 2,850 | 1,533 | 998 | 998 | 1,068 | 1,030 | 930 | 866[r] | 946 |
| 25 Mexico | 12 | 17 | 0 | 0 | 10 | 3 | 3 | 12 | 16 |
| 26 Venezuela | 6 | 5 | 5 | 5 | 5 | 4 | 3 | 2 | 2 |
| 27 Asia | 5,818 | 5,956 | 8,403 | 8,403 | 8,156 | 8,023 | 6,947 | 5,988 | 6,390 |
| 28 Japan | 4,750 | 4,887 | 7,314 | 7,314 | 7,182 | 7,141 | 6,308 | 5,436 | 5,980 |
| 29 Middle Eastern oil-exporting countries[1] | 19 | 23 | 35 | 35 | 27 | 25 | 25 | 27 | 26 |
| 30 Africa | 6 | 133 | 135 | 135 | 156 | 151 | 149 | 150 | 131 |
| 31 Oil-exporting countries[2] | 0 | 123 | 123 | 123 | 122 | 122 | 122 | 122 | 122 |
| 32 All other[3] | 33 | 109 | 50 | 50 | 40 | 42 | 39 | 66 | 57 |
| Commercial liabilities | | | | | | | | | |
| 33 Europe | 7,398 | 6,827 | 6,773 | 6,773 | 6,642 | 6,776 | 7,263 | 7,700 | 8,444 |
| 34 Belgium and Luxembourg | 298 | 239 | 241 | 241 | 271 | 311 | 349 | 331 | 370 |
| 35 France | 700 | 655 | 728 | 728 | 612 | 504 | 528 | 481 | 648 |
| 36 Germany | 729 | 684 | 604 | 604 | 482 | 556 | 660 | 767 | 870 |
| 37 Netherlands | 535 | 688 | 722 | 722 | 536 | 448 | 566 | 500 | 659 |
| 38 Switzerland | 350 | 375 | 327 | 327 | 327 | 432 | 255 | 413 | 432 |
| 39 United Kingdom | 2,505 | 2,039 | 2,444 | 2,444 | 2,848 | 2,902 | 3,351 | 3,568 | 3,525 |
| 40 Canada | 1,002 | 879 | 1,037 | 1,037 | 1,235 | 1,146 | 1,219 | 1,040 | 960 |
| 41 Latin America and Caribbean | 1,533 | 1,658 | 1,857 | 1,857 | 1,368 | 1,836 | 1,607 | 1,740 | 2,114 |
| 42 Bahamas | 3 | 21 | 19 | 19 | 8 | 3 | 1 | 1 | 28 |
| 43 Bermuda | 307 | 350 | 345 | 345 | 260 | 397 | 219 | 205 | 570 |
| 44 Brazil | 209 | 214 | 161 | 161 | 96 | 107 | 143 | 98 | 129 |
| 45 British West Indies | 33 | 27 | 23 | 23 | 29 | 12 | 5 | 56 | 10 |
| 46 Mexico | 457 | 481 | 574 | 574 | 356 | 420 | 357 | 416 | 470 |
| 47 Venezuela | 142 | 123 | 276 | 276 | 273 | 204 | 175 | 221 | 243 |
| 48 Asia | 10,594 | 10,980 | 10,741 | 10,741 | 10,151 | 9,978 | 10,275 | 10,421 | 10,496 |
| 49 Japan | 3,612 | 4,314 | 4,555 | 4,555 | 4,110 | 3,531 | 3,475 | 3,315 | 3,726 |
| 50 Middle Eastern oil-exporting countries[1] | 1,889 | 1,534 | 1,576 | 1,576 | 1,787 | 1,790 | 1,647 | 1,912 | 1,747 |
| 51 Africa | 568 | 453 | 428 | 428 | 463 | 481 | 589 | 619 | 708 |
| 52 Oil-exporting countries[2] | 309 | 167 | 256 | 256 | 248 | 252 | 241 | 254 | 254 |
| 53 Other[3] | 575 | 574 | 519 | 519 | 553 | 474 | 483 | 687 | 661 |

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Comprises Algeria, Gabon, Libya, and Nigeria.
3. Includes nonmonetary international and regional organizations.

## 3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

| Type of claim, and area or country | 1992 | 1993 | 1994 | 1994 | 1995 | | | | 1996 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Dec. | Mar. | June | Sept. | Dec. | Mar.[p] |
| 1 **Total** | **45,073** | **49,159** | **57,888** | **57,888** | **52,218** | **58,051** | **53,424** | **52,509[r]** | **55,398** |
| 2 Payable in dollars | 42,281 | 45,161 | 53,805 | 53,805 | 48,425 | 54,138 | 49,696 | 48,711[r] | 50,999 |
| 3 Payable in foreign currencies | 2,792 | 3,998 | 4,083 | 4,083 | 3,793 | 3,913 | 3,728 | 3,798[r] | 4,399 |
| *By type* | | | | | | | | | |
| 4 Financial claims | 26,509 | 27,771 | 33,897 | 33,897 | 29,606 | 34,574 | 29,891 | 27,398 | 30,810 |
| 5 Deposits | 17,695 | 15,717 | 18,507 | 18,507 | 17,115 | 22,046 | 17,974 | 15,133 | 17,595 |
| 6 Payable in dollars | 16,872 | 15,182 | 18,026 | 18,026 | 16,458 | 21,351 | 17,393 | 14,654 | 17,044 |
| 7 Payable in foreign currencies | 823 | 535 | 481 | 481 | 657 | 695 | 581 | 479 | 551 |
| 8 Other financial claims | 8,814 | 12,054 | 15,390 | 15,390 | 12,491 | 12,528 | 11,917 | 12,265 | 13,215 |
| 9 Payable in dollars | 7,890 | 10,862 | 14,306 | 14,306 | 11,275 | 11,370 | 10,689 | 10,976 | 11,328 |
| 10 Payable in foreign currencies | 924 | 1,192 | 1,084 | 1,084 | 1,216 | 1,158 | 1,228 | 1,289 | 1,887 |
| 11 Commercial claims | 18,564 | 21,388 | 23,991 | 23,991 | 22,612 | 23,477 | 23,533 | 25,111[r] | 24,588 |
| 12 Trade receivables | 16,007 | 18,425 | 21,158 | 21,158 | 20,415 | 21,326 | 21,409 | 22,998[r] | 22,077 |
| 13 Advance payments and other claims | 2,557 | 2,963 | 2,833 | 2,833 | 2,197 | 2,151 | 2,124 | 2,113[r] | 2,511 |
| 14 Payable in dollars | 17,519 | 19,117 | 21,473 | 21,473 | 20,692 | 21,417 | 21,614 | 23,081[r] | 22,627 |
| 15 Payable in foreign currencies | 1,045 | 2,271 | 2,518 | 2,518 | 1,920 | 2,060 | 1,919 | 2,030[r] | 1,961 |
| *By area or country* | | | | | | | | | |
| Financial claims | | | | | | | | | |
| 16 Europe | 9,331 | 7,299 | 7,936 | 7,936 | 7,630 | 7,927 | 7,840 | 7,609 | 8,929 |
| 17 Belgium and Luxembourg | 8 | 134 | 86 | 86 | 146 | 155 | 160 | 193 | 159 |
| 18 France | 764 | 826 | 800 | 800 | 808 | 730 | 753 | 803 | 1,015 |
| 19 Germany | 326 | 526 | 540 | 540 | 527 | 356 | 301 | 436 | 320 |
| 20 Netherlands | 515 | 502 | 429 | 429 | 606 | 601 | 522 | 517 | 486 |
| 21 Switzerland | 490 | 530 | 523 | 523 | 490 | 514 | 530 | 498 | 470 |
| 22 United Kingdom | 6,252 | 3,585 | 4,649 | 4,649 | 4,040 | 4,790 | 4,924 | 4,303 | 5,568 |
| 23 Canada | 1,833 | 2,032 | 3,581 | 3,581 | 3,848 | 3,705 | 3,526 | 2,851 | 5,269 |
| 24 Latin America and Caribbean | 13,893 | 16,224 | 19,536 | 19,536 | 16,109 | 21,159 | 15,345 | 14,500 | 13,865 |
| 25 Bahamas | 778 | 1,336 | 2,424 | 2,424 | 940 | 2,355 | 1,552 | 1,965 | 1,588 |
| 26 Bermuda | 40 | 125 | 27 | 27 | 37 | 85 | 35 | 81 | 77 |
| 27 Brazil | 686 | 654 | 520 | 520 | 528 | 502 | 851 | 830 | 1,943 |
| 28 British West Indies | 11,747 | 12,699 | 15,228 | 15,228 | 13,531 | 17,013 | 11,816 | 10,393 | 9,164 |
| 29 Mexico | 445 | 872 | 723 | 723 | 583 | 635 | 487 | 554 | 461 |
| 30 Venezuela | 29 | 161 | 35 | 35 | 27 | 27 | 50 | 32 | 40 |
| 31 Asia | 864 | 1,657 | 1,871 | 1,871 | 1,504 | 1,235 | 2,160 | 1,579 | 1,890 |
| 32 Japan | 668 | 892 | 953 | 953 | 621 | 471 | 1,404 | 871 | 1,171 |
| 33 Middle Eastern oil-exporting countries[1] | 3 | 3 | 141 | 141 | 4 | 3 | 4 | 3 | 13 |
| 34 Africa | 83 | 99 | 373 | 373 | 141 | 138 | 188 | 276 | 277 |
| 35 Oil-exporting countries[2] | 9 | 1 | 0 | 0 | 9 | 9 | 6 | 5 | 5 |
| 36 All other[3] | 505 | 460 | 600 | 600 | 374 | 410 | 832 | 583 | 580 |
| Commercial claims | | | | | | | | | |
| 37 Europe | 8,451 | 9,105 | 9,540 | 9,540 | 8,947 | 9,200 | 8,862 | 9,824[r] | 9,757 |
| 38 Belgium and Luxembourg | 189 | 184 | 213 | 213 | 199 | 218 | 224 | 231 | 247 |
| 39 France | 1,537 | 1,947 | 1,881 | 1,881 | 1,790 | 1,669 | 1,706 | 1,830 | 1,803 |
| 40 Germany | 933 | 1,018 | 1,027 | 1,027 | 977 | 1,023 | 997 | 1,070 | 1,407 |
| 41 Netherlands | 552 | 423 | 311 | 311 | 324 | 341 | 338 | 452 | 442 |
| 42 Switzerland | 362 | 432 | 557 | 557 | 556 | 612 | 438 | 520 | 575 |
| 43 United Kingdom | 2,094 | 2,377 | 2,556 | 2,556 | 2,388 | 2,469 | 2,479 | 2,656[r] | 2,607 |
| 44 Canada | 1,286 | 1,781 | 1,988 | 1,988 | 2,010 | 2,003 | 1,971 | 1,951[r] | 2,044 |
| 45 Latin America and Caribbean | 3,043 | 3,274 | 4,117 | 4,117 | 4,140 | 4,370 | 4,359 | 4,364[r] | 4,147 |
| 46 Bahamas | 28 | 11 | 9 | 9 | 17 | 21 | 26 | 30 | 30 |
| 47 Bermuda | 255 | 182 | 234 | 234 | 208 | 210 | 245 | 272 | 273 |
| 48 Brazil | 357 | 460 | 612 | 612 | 695 | 777 | 745 | 898[r] | 808 |
| 49 British West Indies | 40 | 71 | 83 | 83 | 55 | 83 | 66 | 79 | 106 |
| 50 Mexico | 924 | 990 | 1,243 | 1,243 | 1,106 | 1,109 | 1,026 | 993[r] | 868 |
| 51 Venezuela | 345 | 293 | 348 | 348 | 295 | 319 | 325 | 285 | 308 |
| 52 Asia | 4,866 | 6,014 | 6,982 | 6,982 | 6,200 | 6,516 | 6,826 | 7,312[r] | 7,078 |
| 53 Japan | 1,903 | 2,275 | 2,655 | 2,655 | 1,911 | 2,011 | 1,998 | 1,870[r] | 2,009 |
| 54 Middle Eastern oil-exporting countries[1] | 693 | 704 | 708 | 708 | 689 | 707 | 775 | 974 | 1,024 |
| 55 Africa | 554 | 493 | 454 | 454 | 468 | 478 | 544 | 654 | 667 |
| 56 Oil-exporting countries[2] | 78 | 72 | 67 | 67 | 71 | 60 | 74 | 87 | 107 |
| 57 Other[3] | 364 | 721 | 910 | 910 | 847 | 910 | 971 | 1,006[r] | 895 |

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States)

2. Comprises Algeria, Gabon, Libya, and Nigeria

3. Includes nonmonetary international and regional organizations

## 3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

| Transaction, and area or country | 1994 | 1995[r] | 1996 Jan.–May | 1995 Nov. | 1995 Dec.[r] | 1996 Jan.[r] | 1996 Feb.[r] | 1996 Mar.[r] | 1996 Apr. | 1996 May[p] |
|---|---|---|---|---|---|---|---|---|---|---|
| | U.S. corporate securities | | | | | | | | | |
| STOCKS | | | | | | | | | | |
| 1 Foreign purchases | 350,593 | 462,950 | 259,987 | 42,003[r] | 46,479 | 43,574 | 52,260 | 55,281 | 53,047 | 55,825 |
| 2 Foreign sales | 348,716 | 451,710 | 250,747 | 39,071 | 44,372 | 41,948 | 51,083 | 54,450 | 48,774 | 54,492 |
| **3 Net purchases, or sales (−)** | **1,877** | **11,240** | **9,240** | **2,932[r]** | **2,107** | **1,626** | **1,177** | **831** | **4,273** | **1,333** |
| **4 Foreign countries** | **1,867** | **11,445** | **9,263** | **2,943[r]** | **2,109** | **1,623** | **1,306** | **877** | **4,129** | **1,328** |
| 5 Europe | 6,714 | 4,912 | 3,340 | 1,020[r] | 1,028 | 1,954 | 1,072 | 1,377 | 1,429 | 348 |
| 6 France | 201 | 1,099 | 17 | 58 | 382 | 164 | 161 | 661 | 336 | 311 |
| 7 Germany | 2,310 | 1,837 | 425 | 131 | 11 | 239 | 37 | 86 | 174 | 37 |
| 8 Netherlands | 2,251 | 3,507 | 1,070 | 230 | 373 | 660 | 20 | 208 | 237 | 55 |
| 9 Switzerland | 30 | 2,283 | 1,299 | 227 | 191 | 639 | 441 | 566 | 618 | 83 |
| 10 United Kingdom | 840 | 8,066 | 34 | 609[r] | 1,277 | 165 | 223 | 241 | 345 | 318 |
| 11 Canada | 1,160 | 1,517 | 724 | 405 | 175 | 645 | 518 | 90 | 52 | 401 |
| 12 Latin America and Caribbean | 2,111 | 5,814 | 3,906 | 1,361 | 219 | 487 | 2,694 | 318 | 808 | 1,209 |
| 13 Middle East[1] | 1,142 | 337 | 1,069 | 63 | 148 | 507 | 285 | 33 | 6 | 238 |
| 14 Other Asia | 3,234 | 2,503 | 2,388 | 342 | 883 | 40 | 336 | 291 | 1,852 | 1,203 |
| 15 Japan | 1,162 | 2,725 | 691 | 406 | 1,231 | 94 | 131 | 749 | 1,446 | 31 |
| 16 Africa | 29 | 2 | 63 | −26 | 1 | 6 | 62 | 44 | 31 | 6 |
| 17 Other countries | 271 | 68 | 37 | 96 | 7 | 52 | 151 | 276 | 37 | 103 |
| **18 Nonmonetary international and regional organizations** | **10** | **−205** | **−23** | **−11** | **−2** | **3** | **−129** | **−46** | **144** | **5** |
| BONDS[2] | | | | | | | | | | |
| 19 Foreign purchases | 289,586 | 293,533 | 157,617 | 31,642 | 22,020 | 26,598 | 32,759 | 39,808 | 24,107 | 34,345 |
| 20 Foreign sales | 229,665 | 206,951 | 108,783 | 20,741 | 21,117 | 17,726 | 23,608 | 25,113 | 18,693 | 23,643 |
| **21 Net purchases, or sales (−)** | **59,921** | **86,582** | **48,834** | **10,901** | **903** | **8,872** | **9,151** | **14,695** | **5,414** | **10,702** |
| **22 Foreign countries** | **59,036** | **87,036** | **48,747** | **10,948** | **875** | **8,830** | **9,230** | **14,607** | **5,383** | **10,697** |
| 23 Europe | 37,065 | 70,318 | 32,202 | 9,759 | 1,631 | 5,631 | 8,968 | 6,476 | 3,947 | 7,180 |
| 24 France | 212 | 1,143 | 2,721 | 101 | 137 | 839 | 314 | 670 | 785 | 113 |
| 25 Germany | 657 | 5,938 | 3,799 | 894 | 236 | 26 | 1,859 | 467 | 721 | 778 |
| 26 Netherlands | 3,322 | 1,463 | 777 | 219 | 101 | 163 | 365 | 66 | −52 | 367 |
| 27 Switzerland | 1,055 | 494 | 76 | 101 | 381 | 56 | 86 | 38 | 144 | 288 |
| 28 United Kingdom | 31,642 | 57,591 | 21,419 | 6,999 | 1,247 | 3,854 | 6,280 | 4,745 | 2,264 | 4,276 |
| 29 Canada | 2,958 | 2,569 | 1,749 | 20 | 181 | 104 | 235 | 149 | 359 | 902 |
| 30 Latin America and Caribbean | 5,642 | 6,141 | 9,778 | 1,426 | −848 | 2,096 | 713 | 7,140 | 33 | 1,222 |
| 31 Middle East[1] | 771 | 1,869 | 264 | 188 | 187 | 194 | 334 | 13 | 122 | 129 |
| 32 Other Asia | 12,153 | 5,659 | 5,639 | 705 | 293 | 1,272 | 1,161 | 831 | 1,085 | 1,290 |
| 33 Japan | 5,486 | 2,250 | 1,578 | 899 | 904 | 338 | 336 | 245 | 126 | 533 |
| 34 Africa | 7 | 234 | 137 | 240 | 86 | 16 | 40 | 37 | 49 | 107 |
| 35 Other countries | 654 | 246 | 494 | 20 | 69 | 63 | 47 | 39 | 212 | 133 |
| **36 Nonmonetary international and regional organizations** | **885** | **−454** | **87** | **−47** | **28** | **42** | **−79** | **88** | **31** | **5** |
| | Foreign securities | | | | | | | | | |
| 37 Stocks, net purchases, or sales (−) | 48,071 | 50,291 | 32,239 | 1,718[r] | 6,602 | 6,434 | 5,704 | 10,345 | 6,706 | 3,050 |
| 38 Foreign purchases | 386,106 | 345,540 | 187,773 | 30,317[r] | 32,369 | 33,481 | 37,464 | 36,115 | 37,764 | 42,949 |
| 39 Foreign sales | 434,177 | 395,831 | 220,012 | 32,035[r] | 38,971 | 39,915 | 43,168 | 46,460 | 44,470 | 45,999 |
| 40 Bonds, net purchases, or sales (−) | 9,224 | 48,545 | 12,477 | 6,519[r] | 4,050 | 4,584 | 1,404 | 6,038 | 153 | 298 |
| 41 Foreign purchases | 848,368 | 889,471 | 436,517 | 78,647[r] | 80,328 | 84,638 | 95,201 | 93,345 | 81,256 | 82,077 |
| 42 Foreign sales | 857,592 | 938,016 | 448,994 | 85,166[r] | 84,378 | 89,222 | 96,605 | 99,383 | 81,409 | 82,375 |
| **43 Net purchases, or sales (−), of stocks and bonds** | **−57,295** | **−98,836** | **−44,716** | **−8,237[r]** | **−10,652** | **−11,018** | **−7,108** | **−16,383** | **−6,859** | **−3,348** |
| **44 Foreign countries** | **−57,815** | **−98,031** | **−44,460** | **−8,159[r]** | **−10,711** | **−11,049** | **−6,983** | **−16,387** | **−6,802** | **−3,239** |
| 45 Europe | 3,516 | 48,125 | 11,441 | 4,699[r] | 5,926 | 4,068 | 2,552 | 4,508 | 1,949 | 1,636 |
| 46 Canada | 7,475 | 7,952 | 4,230 | 494 | 14 | 2,668 | 58 | 1,865 | 614 | 253 |
| 47 Latin America and Caribbean | 18,334 | 7,634 | 6,839 | 377[r] | 802 | 3 | 1,031 | 2,582 | 1,190 | −2,033 |
| 48 Asia | 24,275 | 34,056 | 19,354 | 1,992[r] | 4,391 | 4,685 | 2,557 | 5,756 | 4,094 | 2,262 |
| 49 Japan | 17,427 | 25,072 | 10,111 | 1,389[r] | 3,687 | 3,427 | 1,592 | 3,224 | 950 | 918 |
| 50 Africa | 467 | 327 | 740 | 19 | 44 | 96 | 161 | 436 | 14 | 33 |
| 51 Other countries | 3,748 | 63 | 1,856 | 616[r] | 466 | 471 | 624 | 1,240 | 169 | 294 |
| **52 Nonmonetary international and regional organizations** | **520** | **−805** | **−256** | **−78** | **59** | **31** | **−125** | **4** | **−57** | **−109** |

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

## 3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions[1]

Millions of dollars, net purchases, or sales ( ) during period

| Area or country | 1994 | 1995 | 1996 Jan.–May | 1995 Nov | 1995 Dec | 1996 Jan | 1996 Feb | 1996 Mar | 1996 Apr | 1996 May[p] |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 **Total estimated** | **78,801** | **133,991** | **66,243** | **15,307** | **-9,454** | **14,018[r]** | **15,451** | **7,025[r]** | **15,742** | **14,007** |
| 2 Foreign countries | 78,637 | 133,552 | 67,206 | 14,936 | 9,016 | 13,713[r] | 16,192 | 6,414[r] | 17,117 | 13,770 |
| 3 Europe | 38,542 | 50,000 | 36,165 | 821 | 1,120 | 7,291[r] | 8,462 | 4,083[r] | 8,712 | 7,617 |
| 4 Belgium and Luxembourg | 1,098 | 591 | 363 | 81 | 171 | 149 | 120 | 81 | 399 | 146 |
| 5 Germany | 5,709 | 6,136 | 7,680 | 52 | 452 | 1,385 | 1,829 | 958 | 1,833 | 1,675 |
| 6 Netherlands | 1,254 | 1,891 | 3,330 | 833 | 381 | 807 | 354 | 1,597 | 2,137 | 757 |
| 7 Sweden | 794 | 358 | 1,758 | 30 | 285 | 45 | 803 | 372 | 286 | 342 |
| 8 Switzerland | 481 | 472 | 2,235 | 568 | 664 | 76 | 84 | 65 | 1,329 | 681 |
| 9 United Kingdom | 23,365 | 34,778 | 14,510 | 1,309 | 4,377 | 1,177[r] | 1,614 | 2,270[r] | 6,070 | 3,319 |
| 10 Other Europe and former U.S.S.R. | 5,841 | 6,718 | 12,949 | 856 | 3,202 | 3,742 | 3,868 | 1,934 | 932 | 2,473 |
| 11 Canada | 3,491 | 252 | 4,862 | 43 | 208 | 1,867 | 1,863 | 35 | 1,766 | 669 |
| 12 Latin America and Caribbean | 10,383 | 48,609 | 9,799 | 13,496 | 3,762 | 2,648 | 2,931 | 4,985 | 1,984 | 1,219 |
| 13 Venezuela | 319 | 2 | 314 | 232 | 61 | 142 | 93 | 44 | 1 | 39 |
| 14 Other Latin America and Caribbean | 20,493 | 25,152 | 5,939 | 3,723 | 4,710 | 8,922 | 1,896 | 2,696 | 3,856 | 2,247 |
| 15 Netherlands Antilles | 10,429 | 23,459 | 15,424 | 9,541 | 1,009 | 11,428 | 942 | 2,245 | 3,876 | 3,067 |
| 16 Asia | 47,317 | 32,319 | 35,017 | 107 | 11,843 | 6,920 | 8,616 | 6,911 | 1,478 | 8,062 |
| 17 Japan | 29,793 | 16,863 | 15,074 | 1,316 | 5,695 | 2,619 | 3,069 | 2,443 | 2,382 | 4,561 |
| 18 Africa | 240 | 1,464 | 928 | 458 | 252 | 515 | 100 | 311 | 250 | 48 |
| 19 Other | 570 | 908 | 33 | 311 | 275 | 232 | 282 | 29 | 73 | 27 |
| 20 Nonmonetary international and regional organizations | 164 | 439 | 963 | 371 | 438 | 305 | 741 | 611 | 1,375 | 237 |
| 21 International | 526 | 9 | 125 | 368 | 347 | 210 | 308 | 647 | 414 | 10 |
| 22 Latin American regional | 154 | 261 | 1,286 | 43 | 115 | 45 | 254 | 12 | 1,008 | 9 |
| MEMO | | | | | | | | | | |
| 23 Foreign countries | 78,637 | 133,552 | 67,206 | 14,936 | 9,016 | 13,713[r] | 16,192 | 6,314[r] | 17,117 | 13,770 |
| 24 Official institutions | 41,822 | 39,625 | 40,779 | 915 | 2,651 | 12,615 | 8,681 | 4,748 | 8,253 | 6,482 |
| 25 Other foreign | 36,815 | 93,927 | 26,427 | 15,851 | 11,667 | 1,098[r] | 7,511 | 1,666[r] | 8,864 | 7,288 |
| *Oil-exporting countries* | | | | | | | | | | |
| 26 Middle East[2] | 38 | 3,075 | 3,615 | 826 | 1,085 | 658 | 122 | 1,127 | 863 | 2,161 |
| 27 Africa[3] | 0 | 2 | 2 | 0 | 0 | 0 | 1 | 0 | 0 | 1 |

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

## 3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year, averages of daily figures

| Country | Rate on July 31, 1996 Percent | Rate on July 31, 1996 Month effective | Country | Rate on July 31, 1996 Percent | Rate on July 31, 1996 Month effective |
|---|---|---|---|---|---|
| Austria | 2.5 | Apr. 1996 | Germany | 2.5 | Apr. 1996 |
| Belgium | 2.5 | Apr. 1995 | Italy | 8.75 | July 1995 |
| Canada | 4.75 | July 1996 | Japan | .5 | Sept. 1995 |
| Denmark | 3.25 | Apr. 1996 | Netherlands | 2.5 | Apr. 1996 |
| France[2] | 3.55 | July 1996 | Switzerland | 1.5 | Dec. 1995 |

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. *Since February 1981, the rate has been that at which the Bank of France discounts* Treasury bills for seven to ten days.

## 3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

| Type or country | 1993 | 1994 | 1995 | 1996 Jan | 1996 Feb | 1996 Mar. | 1996 Apr | 1996 May | 1996 June | 1996 July |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 Eurodollars | 3.18 | 4.63 | 5.93 | 5.40 | 5.14 | 5.28 | 5.36 | 5.36 | 5.46 | 5.49 |
| 2 United Kingdom | 5.88 | 5.45 | 6.63 | 6.31 | 6.13 | 6.02 | 5.97 | 6.03 | 5.80 | 5.69 |
| 3 Canada | 5.14 | 5.57 | 7.14 | 5.58 | 5.22 | 5.23 | 5.03 | 4.82 | 4.87 | 4.76 |
| 4 Germany | 7.17 | 5.25 | 4.43 | 3.51 | 3.26 | 3.25 | 3.22 | 3.19 | 3.29 | 3.29 |
| 5 Switzerland | 4.79 | 4.03 | 2.94 | 1.65 | 1.61 | 1.68 | 1.68 | 1.99 | 2.53 | 2.52 |
| 6 Netherlands | 6.73 | 5.09 | 4.30 | 3.20 | 3.00 | 3.09 | 2.83 | 2.61 | 2.81 | 2.99 |
| 7 France | 8.30 | 5.72 | 6.43 | 4.56 | 4.29 | 4.14 | 3.87 | 3.78 | 3.85[r] | 3.73 |
| 8 Italy | 10.09 | 8.45 | 10.43 | 10.05 | 9.90 | 9.82 | 9.60 | 8.88 | 8.73 | 8.72 |
| 9 Belgium | 8.10 | 5.65 | 4.73 | 3.47 | 3.23 | 3.25 | 3.23 | 3.19 | 3.23 | 3.29 |
| 10 Japan | 2.96 | 2.24 | 1.20 | .55 | .61 | .60 | .61 | .62 | .57 | .67 |

1. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills; and Japan, CD rate.

## 3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar except as noted

| Country/currency unit | 1993 | 1994 | 1995 | 1996 Feb. | 1996 Mar. | 1996 Apr. | 1996 May | 1996 June | 1996 July |
|---|---|---|---|---|---|---|---|---|---|
| 1 Australia/dollar[2] | 67.993 | 73.161 | 74.073 | 75.557 | 77.136 | 78.566 | 79.700 | 79.122 | 78.974 |
| 2 Austria/schilling | 11.639 | 11.409 | 10.076 | 10.321 | 10.391 | 10.580 | 10.782 | 10.755 | 10.576 |
| 3 Belgium/franc | 34.581 | 33.426 | 29.472 | 30.115 | 30.371 | 30.902 | 31.502 | 31.433 | 30.947 |
| 4 Canada/dollar | 1.2902 | 1.3664 | 1.3725 | 1.3752 | 1.3656 | 1.3592 | 1.3693 | 1.3658 | 1.3697 |
| 5 China, P.R./yuan | 5.7795 | 8.6404 | 8.3700 | 8.3338 | 8.3495 | 8.3583 | 8.3479 | 8.3424 | 8.3409 |
| 6 Denmark/krone | 6.4863 | 6.3561 | 5.5999 | 5.6749 | 5.7074 | 5.8050[r] | 5.9160 | 5.8941 | 5.8014 |
| 7 Finland/markka | 5.7251 | 5.2340 | 4.3763 | 4.5532 | 4.6066 | 4.7288 | 4.7541 | 4.6710 | 4.5812 |
| 8 France/franc | 5.6669 | 5.5459 | 4.9864 | 5.0440 | 5.0583 | 5.1049 | 5.1855 | 5.1787 | 5.0881 |
| 9 Germany/deutsche mark | 1.6545 | 1.6216 | 1.4321 | 1.4669 | 1.4776 | 1.5048 | 1.5324 | 1.5282 | 1.5025 |
| 10 Greece/drachma | 229.64 | 242.50 | 231.68 | 242.21 | 241.54 | 242.00 | 243.27 | 241.75 | 237.65 |
| 11 Hong Kong/dollar | 7.7357 | 7.7290 | 7.7357 | 7.7323 | 7.7325 | 7.7345 | 7.7363 | 7.7404 | 7.7379 |
| 12 India/rupee | 31.291 | 31.394 | 32.418 | 36.595 | 34.485 | 34.320 | 35.025 | 35.100 | 35.667 |
| 13 Ireland/pound[2] | 146.47 | 149.69 | 160.35 | 158.10 | 157.21 | 156.51 | 156.29 | 158.31 | 160.31 |
| 14 Italy/lira | 1,573.41 | 1,611.49 | 1,629.45 | 1,570.00 | 1,562.43 | 1,565.60 | 1,556.71 | 1,542.30 | 1,526.82 |
| 15 Japan/yen | 111.08 | 102.18 | 93.96 | 105.79 | 105.94 | 107.20 | 106.34 | 108.96 | 109.19 |
| 16 Malaysia/ringgit | 2.5738 | 2.6237 | 2.5073 | 2.5487 | 2.5417 | 2.5113 | 2.4936 | 2.4967 | 2.4915 |
| 17 Netherlands/guilder | 1.8585 | 1.8190 | 1.6044 | 1.6424 | 1.6540 | 1.6805 | 1.7135 | 1.7120 | 1.6862 |
| 18 New Zealand/dollar[2] | 54.127 | 59.358 | 65.625 | 67.495 | 68.079 | 68.242 | 68.571 | 67.650 | 69.001 |
| 19 Norway/krone | 7.1009 | 7.0553 | 6.3355 | 6.4103 | 6.4277 | 6.4901 | 6.5748 | 6.5376 | 6.4465 |
| 20 Portugal/escudo | 161.08 | 165.93 | 149.88 | 152.49 | 152.93 | 154.51 | 157.54 | 157.40 | 154.56 |
| 21 Singapore/dollar | 1.6158 | 1.5275 | 1.4171 | 1.4115 | 1.4095 | 1.4082 | 1.4074 | 1.4090 | 1.4160 |
| 22 South Africa/rand | 3.2729 | 3.5526 | 3.6284[r] | 3.7420 | 3.9293 | 4.2130 | 4.3679 | 4.3519 | 4.3963 |
| 23 South Korea/won | 805.75 | 806.93 | 772.69[r] | 780.12 | 781.31 | 780.42 | 780.86 | 798.45 | 813.03 |
| 24 Spain/peseta | 127.48 | 133.88 | 124.64 | 123.65 | 124.39 | 125.49 | 127.97 | 128.87 | 126.96 |
| 25 Sri Lanka/rupee | 48.211 | 49.170 | 51.047 | 53.716 | 53.748 | 54.163 | 54.868 | 55.529 | 55.293 |
| 26 Sweden/krona | 7.7956 | 7.7161 | 7.1406 | 6.8775 | 6.7318 | 6.7141 | 6.7984 | 6.6807 | 6.6394 |
| 27 Switzerland/franc | 1.4781 | 1.3667 | 1.1812 | 1.1967 | 1.1959 | 1.2180 | 1.2539 | 1.2579 | 1.2320 |
| 28 Taiwan/dollar | 26.416 | 26.465 | 26.495 | 27.485 | 27.400 | 27.188 | 27.352 | 27.674 | 27.573 |
| 29 Thailand/baht | 25.333 | 25.161 | 24.921 | 25.250 | 25.251 | 25.290 | 25.289 | 25.354 | 25.355 |
| 30 United Kingdom/pound[2] | 150.16 | 153.19 | 157.85 | 153.60 | 152.71 | 151.60 | 151.52 | 154.16 | 155.30 |
| MEMO | | | | | | | | | |
| 31 United States/dollar[3] | 93.18 | 91.32 | 84.25 | 86.41 | 86.57 | 87.46 | 88.28 | 88.16 | 87.25 |

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.

2. Value in U.S. cents.

3. Index of weighted-average exchange value of U.S. dollar against the currencies of ten industrial countries. The weight for each of the ten countries is the 1972–76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).

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## 4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 1996[1]

Millions of dollars except as noted

| Item | All states[2] Total including IBFs[3] | All states[2] IBFs only[3] | New York Total including IBFs | New York IBFs only | California Total including IBFs | California IBFs only | Illinois Total including IBFs | Illinois IBFs only |
|---|---|---|---|---|---|---|---|---|
| 1 **Total assets**[4] | **759,735** | **289,394** | **583,365** | **236,590** | **71,880** | **29,215** | **60,322** | **14,505** |
| 2 Claims on nonrelated parties | 675,492 | 145,316 | 516,839 | 119,807 | 66,936 | 12,738 | 55,529 | 6,774 |
| 3 Cash and balances due from depository institutions | 115,640 | 85,737 | 102,963 | 74,694 | 5,305 | 4,720 | 5,472 | 5,043 |
| 4 Cash items in process of collection and unposted debits | 2,543 | 0 | 2,452 | 0 | 11 | 0 | 53 | 0 |
| 5 Currency and coin (U.S. and foreign) | 22 | n.a. | 15 | n.a. | 1 | n.a. | 1 | n.a. |
| 6 Balances with depository institutions in United States | 66,078 | 44,771 | 58,960 | 38,842 | 2,987 | 2,462 | 3,438 | 3,100 |
| 7 U.S. branches and agencies of other foreign banks (including IBFs) | 61,730 | 43,592 | 55,233 | 37,740 | 2,700 | 2,462 | 3,296 | 3,033 |
| 8 Other depository institutions in United States (including IBFs) | 4,349 | 1,179 | 3,727 | 1,102 | 287 | 0 | 142 | 67 |
| 9 Balances with banks in foreign countries and with foreign central banks | 46,666 | 40,967 | 41,355 | 35,852 | 2,268 | 2,258 | 1,967 | 1,943 |
| 10 Foreign branches of U.S. banks | 2,094 | 1,174 | 1,859 | 962 | 1 | 0 | 201 | 201 |
| 11 Other banks in foreign countries and foreign central banks | 44,572 | 39,793 | 39,496 | 34,890 | 2,267 | 2,258 | 1,766 | 1,742 |
| 12 Balances with Federal Reserve Banks | 330 | n.a. | 181 | n.a. | 38 | n.a. | 14 | n.a. |
| 13 **Total securities and loans** | **419,467** | **47,150** | **288,767** | **33,955** | **56,924** | **7,452** | **41,152** | **1,445** |
| 14 Total securities, book value | 97,210 | 9,554 | 89,261 | 8,438 | 4,075 | 644 | 3,299 | 452 |
| 15 U.S. Treasury | 29,197 | n.a. | 28,053 | n.a. | 605 | n.a. | 420 | n.a. |
| 16 Obligations of U.S. government agencies and corporations | 26,354 | n.a. | 25,780 | n.a. | 392 | n.a. | 61 | n.a. |
| 17 Other bonds, notes, debentures, and corporate stock (including state and local securities) | 41,658 | 9,554 | 35,427 | 8,438 | 3,078 | 644 | 2,818 | 452 |
| 18 Securities of foreign governmental units | 13,405 | 4,338 | 12,061 | 3,846 | 690 | 261 | 571 | 211 |
| 19 All Other | 28,254 | 5,216 | 23,366 | 4,592 | 2,388 | 384 | 2,247 | 240 |
| 20 Federal funds sold and securities purchased under agreements to resell | 46,236 | 8,870 | 43,112 | 8,384 | 564 | 124 | 1,701 | 20 |
| 21 U.S. branches and agencies of other foreign banks | 9,982 | 4,236 | 8,999 | 4,038 | 402 | 124 | 252 | 0 |
| 22 Commercial banks in United States | 7,825 | 81 | 7,309 | 71 | 79 | 0 | 174 | 0 |
| 23 Other | 28,430 | 4,553 | 26,804 | 4,275 | 83 | 0 | 1,276 | 20 |
| 24 Total loans, gross | 322,398 | 37,606 | 199,589 | 25,523 | 52,895 | 6,810 | 37,857 | 994 |
| 25 LESS: Unearned income on loans | 141 | 9 | 83 | 5 | 47 | 2 | 4 | 0 |
| 26 EQUALS: Loans, net | 322,257 | 37,597 | 199,506 | 25,517 | 52,848 | 6,808 | 37,853 | 994 |
| *Total loans, gross, by category* | | | | | | | | |
| 27 Real estate loans | 32,495 | 204 | 19,107 | 50 | 9,387 | 152 | 2,041 | 0 |
| 28 Loans to depository institutions | 34,585 | 21,945 | 21,768 | 13,356 | 6,817 | 5,055 | 977 | 535 |
| 29 Commercial banks in United States (including IBFs) | 13,406 | 7,394 | 7,801 | 3,929 | 4,713 | 3,159 | 516 | 255 |
| 30 U.S. branches and agencies of other foreign banks | 12,102 | 7,126 | 6,890 | 3,720 | 4,571 | 3,119 | 340 | 241 |
| 31 Other commercial banks in United States | 1,304 | 268 | 912 | 209 | 142 | 40 | 176 | 14 |
| 32 Other depository institutions in United States (including IBFs) | 74 | 0 | 74 | 0 | 0 | 0 | 0 | 0 |
| 33 Banks in foreign countries | 21,105 | 14,551 | 13,893 | 9,427 | 2,104 | 1,896 | 461 | 280 |
| 34 Foreign branches of U.S. banks | 463 | 347 | 373 | 339 | 0 | 0 | 0 | 0 |
| 35 Other banks in foreign countries | 20,642 | 14,204 | 13,520 | 9,088 | 2,104 | 1,896 | 461 | 280 |
| 36 Loans to other financial institutions | 34,449 | 804 | 27,433 | 531 | 2,415 | 88 | 3,837 | 94 |
| 37 Commercial and industrial loans | 199,177 | 12,540 | 112,649 | 9,593 | 33,379 | 1,467 | 29,376 | 357 |
| 38 U.S. addressees (domicile) | 172,087 | 80 | 93,301 | 46 | 30,336 | 29 | 28,110 | 1 |
| 39 Non-U.S. addressees (domicile) | 27,090 | 12,460 | 19,348 | 9,546 | 3,043 | 1,438 | 1,266 | 356 |
| 40 Acceptances of other banks | 518 | 39 | 250 | 37 | 112 | 0 | 102 | 0 |
| 41 U.S. banks | 72 | 0 | 47 | 0 | 15 | 0 | 0 | 0 |
| 42 Foreign banks | 446 | 39 | 202 | 37 | 97 | 0 | 101 | 0 |
| 43 Loans to foreign governments and official institutions (including foreign central banks) | 3,250 | 1,785 | 2,755 | 1,678 | 164 | 48 | 84 | 8 |
| 44 Loans for purchasing or carrying securities (secured and unsecured) | 10,010 | 142 | 9,833 | 142 | 86 | 0 | 43 | 0 |
| 45 All other loans | 6,090 | 120 | 4,001 | 109 | 507 | 0 | 1,394 | 0 |
| 46 Lease financing receivables (net of unearned income) | 1,824 | 28 | 1,794 | 28 | 27 | 0 | 3 | 0 |
| 47 U.S. addressees (domicile) | 1,272 | 0 | 1,242 | 0 | 27 | 0 | 3 | 0 |
| 48 Non-U.S. addressees (domicile) | 552 | 28 | 552 | 28 | 0 | 0 | 0 | 0 |
| 49 Trading assets | 50,443 | 290 | 44,963 | 262 | 629 | 21 | 4,851 | 8 |
| 50 All other assets | 43,705 | 3,267 | 37,035 | 2,512 | 3,514 | 422 | 2,352 | 258 |
| 51 Customers' liabilities on acceptances outstanding | 9,339 | n.a. | 6,636 | n.a. | 1,926 | n.a. | 469 | n.a. |
| 52 U.S. addressees (domicile) | 6,814 | n.a. | 4,551 | n.a. | 1,760 | n.a. | 334 | n.a. |
| 53 Non U.S. addressees (domicile) | 2,525 | n.a. | 2,085 | n.a. | 166 | n.a. | 135 | n.a. |
| 54 Other assets including other claims on nonrelated parties | 34,366 | 3,267 | 30,399 | 2,512 | 1,588 | 422 | 1,884 | 258 |
| 55 Net due from related depository institutions[5] | 84,243 | 144,079 | 66,525 | 116,783 | 4,944 | 16,477 | 4,793 | 7,731 |
| 56 Net due from head office and other related depository institutions[5] | 84,243 | n.a. | 66,525 | n.a. | 4,944 | n.a. | 4,793 | n.a. |
| 57 Net due from establishing entity, head offices, and other related depository institutions[5] | n.a. | 144,079 | n.a. | 116,783 | n.a. | 16,477 | n.a. | 7,731 |
| 58 **Total liabilities**[4] | **759,735** | **289,394** | **583,365** | **236,590** | **71,880** | **29,215** | **60,322** | **14,505** |
| 59 Liabilities to nonrelated parties | 619,156 | 271,325 | 518,575 | 222,329 | 46,489 | 27,864 | 34,720 | 13,246 |

## 4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 1996[1] — Continued

Millions of dollars except as noted

| Item | All states[2]: Total excluding IBFs[3] | All states[2]: IBFs only[3] | New York: Total excluding IBFs | New York: IBFs only | California: Total excluding IBFs | California: IBFs only | Illinois: Total excluding IBFs | Illinois: IBFs only |
|---|---|---|---|---|---|---|---|---|
| 60 Total deposits and credit balances | 168,711 | 204,044 | 144,088 | 185,231 | 5,790 | 5,838 | 9,421 | 6,550 |
| 61 Individuals, partnerships, and corporations | 113,077 | 15,226 | 94,628 | 10,407 | 4,891 | 677 | 6,055 | 59 |
| 62 U.S. addressees (domicile) | 98,718 | 130 | 86,380 | 130 | 3,250 | 0 | 5,312 | 0 |
| 63 Non-U.S. addressees (domicile) | 14,359 | 15,096 | 8,248 | 10,277 | 1,641 | 677 | 743 | 59 |
| 64 Commercial banks in United States (including IBFs) | 31,091 | 44,766 | 26,491 | 42,073 | 483 | 1,431 | 2,822 | 1,113 |
| 65 U.S. branches and agencies of other foreign banks | 17,836 | 41,555 | 15,272 | 39,211 | 127 | 1,222 | 1,574 | 990 |
| 66 Other commercial banks in United States | 13,254 | 3,211 | 11,219 | 2,861 | 356 | 209 | 1,248 | 123 |
| 67 Banks in foreign countries | 9,182 | 114,929 | 8,704 | 106,692 | 192 | 2,825 | 39 | 3,962 |
| 68 Foreign branches of U.S. banks | 2,527 | 5,338 | 2,526 | 4,137 | 0 | 297 | 0 | 859 |
| 69 Other banks in foreign countries | 6,655 | 109,591 | 6,178 | 102,555 | 192 | 2,528 | 39 | 3,103 |
| 70 Foreign governments and official institutions (including foreign central banks) | 5,126 | 29,080 | 4,742 | 26,037 | 202 | 885 | 18 | 1,415 |
| 71 All other deposits and credit balances | 9,963 | 44 | 9,294 | 23 | 3 | 20 | 480 | 1 |
| 72 Certified and official checks | 272 | | 229 | | 19 | | 8 | |
| 73 Transaction accounts and credit balances (excluding IBFs) | 8,280 | | 6,622 | | 367 | | 338 | |
| 74 *Individuals, partnerships, and corporations* | 6,513 | | 5,138 | | 303 | | 311 | |
| 75 U.S. addressees (domicile) | 4,618 | | 3,982 | | 227 | | 307 | |
| 76 Non-U.S. addressees (domicile) | 1,895 | | 1,156 | | 76 | | 5 | |
| 77 Commercial banks in United States (including IBFs) | 90 | | 86 | | 2 | | 0 | |
| 78 U.S. branches and agencies of other foreign banks | 8 | | 7 | | 0 | | 0 | |
| 79 Other commercial banks in United States | 82 | | 79 | | 1 | | 0 | |
| 80 Banks in foreign countries | 770 | | 604 | | 35 | | 16 | |
| 81 Foreign branches of U.S. banks | 12 | | 11 | | 0 | | 0 | |
| 82 Other banks in foreign countries | 758 | | 593 | | 35 | | 16 | |
| 83 *Foreign governments and official institutions* (including foreign central banks) | 386 | | 324 | | 5 | | 2 | |
| 84 All other deposits and credit balances | 249 | | 240 | | 3 | | 0 | |
| 85 Certified and official checks | 272 | | 229 | | 19 | | 8 | |
| 86 Demand deposits (included in transaction accounts and credit balances) | 7,634 | | 6,250 | | 312 | | 325 | |
| 87 Individuals, partnerships, and corporations | 6,094 | | 4,973 | | 251 | | 298 | |
| 88 U.S. addressees (domicile) | 4,441 | | 3,877 | | 189 | | 294 | |
| 89 Non-U.S. addressees (domicile) | 1,653 | | 1,096 | | 62 | | 4 | |
| 90 Commercial banks in United States (including IBFs) | 80 | | 77 | | 1 | | 0 | |
| 91 U.S. branches and agencies of other foreign banks | 8 | n.a. | 7 | n.a. | 0 | n.a. | 0 | n.a. |
| 92 Other commercial banks in United States | 72 | | 70 | | 0 | | 0 | |
| 93 Banks in foreign countries | 750 | | 586 | | 35 | | 16 | |
| 94 Foreign branches of U.S. banks | 12 | | 11 | | 0 | | 0 | |
| 95 Other banks in foreign countries | 738 | | 575 | | 35 | | 16 | |
| 96 Foreign governments and official institutions (including foreign central banks) | 366 | | 319 | | 5 | | 2 | |
| 97 All other deposits and credit balances | 72 | | 66 | | 2 | | 0 | |
| 98 Certified and official checks | 272 | | 229 | | 19 | | 8 | |
| 99 Nontransaction accounts (including MMDAs, excluding IBFs) | 160,431 | | 137,466 | | 5,422 | | 9,083 | |
| 100 Individuals, partnerships, and corporations | 106,564 | | 89,490 | | 4,588 | | 5,744 | |
| 101 U.S. addressees (domicile) | 94,100 | | 82,398 | | 3,023 | | 5,006 | |
| 102 Non-U.S. addressees (domicile) | 12,464 | | 7,092 | | 1,565 | | 738 | |
| 103 Commercial banks in United States (including IBFs) | 31,001 | | 26,405 | | 482 | | 2,822 | |
| 104 U.S. branches and agencies of other foreign banks | 17,828 | | 15,265 | | 127 | | 1,574 | |
| 105 Other commercial banks in United States | 13,172 | | 11,140 | | 355 | | 1,248 | |
| 106 Banks in foreign countries | 8,412 | | 8,099 | | 156 | | 23 | |
| 107 Foreign branches of U.S. banks | 2,515 | | 2,515 | | 0 | | 0 | |
| 108 Other banks in foreign countries | 5,897 | | 5,584 | | 156 | | 23 | |
| 109 Foreign governments and official institutions (including foreign central banks) | 4,740 | | 4,418 | | 197 | | 15 | |
| 110 All other deposits and credit balances | 9,714 | | 9,054 | | 0 | | 479 | |
| 111 *IBF deposit liabilities* | | 204,044 | | 185,231 | | 5,838 | | 6,550 |
| 112 Individuals, partnerships, and corporations | | 15,226 | | 10,407 | | 677 | | 59 |
| 113 U.S. addressees (domicile) | | 130 | | 130 | | 0 | | 0 |
| 114 Non-U.S. addressees (domicile) | | 15,096 | | 10,277 | | 677 | | 59 |
| 115 Commercial banks in United States (including IBFs) | | 44,766 | | 42,073 | | 1,431 | | 1,113 |
| 116 U.S. branches and agencies of other foreign banks | | 41,555 | | 39,211 | | 1,222 | | 990 |
| 117 *Other commercial banks in United States* | n.a. | 3,211 | n.a. | 2,861 | n.a. | 209 | n.a. | 123 |
| 118 Banks in foreign countries | | 114,929 | | 106,692 | | 2,825 | | 3,962 |
| 119 Foreign branches of U.S. banks | | 5,338 | | 4,137 | | 297 | | 859 |
| 120 Other banks in foreign countries | | 109,591 | | 102,555 | | 2,528 | | 3,103 |
| 121 Foreign governments and official institutions (including foreign central banks) | | 29,080 | | 26,037 | | 885 | | 1,415 |
| 122 All other deposits and credit balances | | 44 | | 23 | | 20 | | 1 |

Footnotes appear at end of table

## 4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 1996[1] —Continued

Millions of dollars except as noted

| Item | All states[2] | | New York | | California | | Illinois | |
|---|---|---|---|---|---|---|---|---|
| | Total including IBFs[3] | IBFs only[3] | Total including IBFs | IBFs only | Total including IBFs | IBFs only | Total including IBFs | IBFs only |
| 123 Federal funds purchased and securities sold under agreements to repurchase | 72,301 | 14,486 | 61,605 | 11,844 | 5,859 | 1,519 | 4,406 | 1,014 |
| 124 U.S. branches and agencies of other foreign banks | 10,363 | 3,015 | 7,805 | 1,990 | 1,854 | 790 | 687 | 257 |
| 125 Other commercial banks in United States | 9,086 | 89 | 5,409 | 37 | 2,832 | 15 | 627 | 35 |
| 126 Other | 52,852 | 11,352 | 48,391 | 9,816 | 1,172 | 714 | 3,092 | 722 |
| 127 Other borrowed money | 93,377 | 48,745 | 55,297 | 21,867 | 25,577 | 20,113 | 10,069 | 5,476 |
| 128 Owed to nonrelated commercial banks in United States (including IBFs) | 26,963 | 13,206 | 12,707 | 4,491 | 10,979 | 7,142 | 1,968 | 1,110 |
| 129 Owed to U.S. offices of nonrelated U.S. banks | 7,873 | 1,161 | 4,723 | 323 | 2,208 | 725 | 419 | 72 |
| 130 Owed to U.S. branches and agencies of nonrelated foreign banks | 19,090 | 12,044 | 7,985 | 4,168 | 8,771 | 6,418 | 1,549 | 1,038 |
| 131 Owed to nonrelated banks in foreign countries | 35,773 | 32,678 | 18,252 | 15,579 | 12,390 | 12,284 | 4,204 | 3,988 |
| 132 Owed to foreign branches of nonrelated U.S. banks | 1,644 | 1,345 | 507 | 448 | 680 | 665 | 428 | 232 |
| 133 Owed to foreign offices of nonrelated foreign banks | 34,129 | 31,333 | 17,744 | 15,131 | 11,710 | 11,619 | 3,777 | 3,756 |
| 134 Owed to others | 30,641 | 2,862 | 24,338 | 1,797 | 2,207 | 687 | 3,896 | 378 |
| 135 All other liabilities | 80,723 | 4,050 | 72,353 | 3,387 | 3,426 | 394 | 4,275 | 206 |
| 136 Branch or agency liability on acceptances executed and outstanding | 9,626 | n.a. | 6,879 | n.a. | 1,927 | n.a. | 472 | n.a. |
| 137 Trading liabilities | 40,429 | 111 | 37,542 | 83 | 530 | 21 | 2,335 | 6 |
| 138 Other liabilities to nonrelated parties | 30,668 | 3,939 | 27,932 | 3,304 | 969 | 373 | 1,468 | 200 |
| 139 Net due to related depository institutions[5] | 140,579 | 18,069 | 64,790 | 14,261 | 25,392 | 1,351 | 25,601 | 1,259 |
| 140 Net owed to head office and other related depository institutions[5] | 140,579 | n.a. | 64,790 | n.a. | 25,392 | n.a. | 25,601 | n.a. |
| 141 Net owed to establishing entity, head office, and other related depository institutions[5] | n.a. | 18,069 | n.a. | 14,261 | n.a. | 1,351 | n.a. | 1,259 |
| MEMO | | | | | | | | |
| 142 Non-interest-bearing balances with commercial banks in United States | 1,037 | 0 | 849 | 0 | 80 | 0 | 49 | 0 |
| 143 Holding of commercial paper included in total loans | 1,462 | | 1,253 | | 15 | | 174 | |
| 144 Holding of own acceptances included in commercial and industrial loans | 5,266 | | 3,719 | | 1,359 | | 72 | |
| 145 Commercial and industrial loans with remaining maturity of one year or less | 115,858 | | 61,602 | | 20,394 | | 18,040 | |
| 146 Predetermined interest rates | 65,688 | n.a. | 36,110 | n.a. | 11,367 | n.a. | 12,586 | n.a. |
| 147 Floating interest rates | 50,170 | | 28,492 | | 9,026 | | 5,454 | |
| 148 Commercial and industrial loans with remaining maturity of more than one year | 82,638 | | 47,670 | | 12,866 | | 11,324 | |
| 149 Predetermined interest rates | 20,319 | | 11,889 | | 2,795 | | 3,912 | |
| 150 Floating interest rates | 62,319 | | 35,782 | | 10,071 | | 7,413 | |

## 4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 1996[1] – Continued

Millions of dollars except as noted

| Item | All states[2] | | New York | | California | | Illinois | |
|---|---|---|---|---|---|---|---|---|
| | Total excluding IBFs[3] | IBFs only[3] | Total excluding IBFs | IBFs only | Total excluding IBFs | IBFs only | Total excluding IBFs | IBFs only |
| 151 Components of total nontransaction accounts, *included in total deposits and credit balances of* nontransaction accounts, including IBFs | 164,025 | ↑ | 141,967 | ↑ | 5,575 | ↑ | 9,043 | ↑ |
| 152 Time CDs in denominations of $100,000 or more | 123,150 | | 105,410 | | 3,740 | | 7,408 | |
| 153 Other time deposits in denominations of $100,000 or more | 33,013 | n.a. | 29,562 | n.a. | 1,283 | n.a. | 1,411 | n.a. |
| 154 Time CDs in denominations of $100,000 or more with remaining maturity of more than 12 months | 7,863 | ↓ | 6,995 | ↓ | 552 | ↓ | 225 | ↓ |
| | **All states[2]** | | **New York** | | **California** | | **Illinois** | |
| | Total including IBFs | IBFs only | Total including IBFs | IBFs only | Total including IBFs | IBFs only | Total including IBFs | IBFs only |
| 155 Immediately available funds with a maturity greater than one day included in other borrowed money | 53,779 | n.a. | 26,734 | n.a. | 20,155 | n.a. | 5,424 | n.a. |
| 156 Number of reports filed[6] | 511 | n.a. | 250 | n.a. | 114 | n.a. | 45 | n.a. |

1. Data are aggregates of categories reported on the quarterly form FFIEC 002, "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks." The form was first used for reporting data as of June 30, 1980, and was revised as of December 31, 1985. From November 1972 through May 1980, U.S. branches and agencies of foreign banks had filed a monthly FR 886a report. Aggregate data from that report were available through the Federal Reserve monthly statistical release G.11, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items.

2. Includes the District of Columbia.

3. Effective December 1981, the Federal Reserve Board amended Regulations D and Q to permit banking offices located in the United States to operate international banking facilities (IBFs). Since December 31, 1985, data for IBFs have been reported in a separate column. These data are either included in or excluded from the total columns as indicated in the headings. The notation "n.a." indicates that no IBF data have been reported for that item, either because the item is not an eligible IBF asset or liability or because that level of detail is not reported for IBFs. From December 1981 through September 1985, IBF data were included in all applicable items reported.

4. Total assets and total liabilities include *net* balances, if any, due from or owed to related banking institutions in the United States and in foreign countries (see note 5). On the former monthly branch and agency report, available through the G.11 monthly statistical release, *gross* balances were included in total assets and total liabilities. Therefore, total asset and total liability figures in this table are not comparable to those in the G.11 tables.

5. Related depository institutions includes the foreign head office and other U.S. and foreign branches and agencies of a bank, a bank's parent holding company, and majority-owned banking subsidiaries of the bank and of its parent holding company (including subsidiaries owned both directly and indirectly).

6. In some cases two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

## 4.34 RESIDENTIAL LENDING ACTIVITY OF FINANCIAL INSTITUTIONS COVERED BY HMDA, 1982–95

Number

| Item | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990[1] | 1991 | 1992 | 1993 | 1994 | 1995 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Loans or applications (millions)[2] | 1.71 | 1.86 | 1.98 | 2.83 | 3.42 | 3.39 | 3.13 | 6.59 | 7.89 | 12.01 | 15.38 | 12.19 | 11.23 |
| 2 Reporting institutions | 8,050 | 8,491 | 8,072 | 8,898 | 9,431 | 9,319 | 9,203 | 9,332 | 9,358 | 9,073 | 9,650 | 9,858 | 9,539 |
| 3 Disclosure reports | 10,970 | 11,799 | 12,567 | 12,329 | 13,033 | 13,919 | 14,154 | 24,041 | 25,934 | 28,782 | 35,976 | 38,750 | 36,611 |

1. Before 1990, includes only home purchase, home refinancing, and home improvement loans originated by covered institutions; beginning in 1990 (first year under revised reporting system), includes such loans originated and purchased, applications approved but not accepted by the applicant, applications denied or withdrawn, and applications closed because information was incomplete.

2. Revised from preliminary data published in Glenn B. Canner and Dolores S. Smith, "Home Mortgage Disclosure Act: Expanded Data on Residential Lending," *Federal Reserve Bulletin*, vol. 77 (November 1991), p. 861, to reflect corrections and the reporting of additional data.

SOURCE. FFIEC, Home Mortgage Disclosure Act.

## 4.35 APPLICATIONS FOR HOME LOANS REPORTED UNDER HMDA
### By Type of Dwelling, Purpose of Loan, and Loan Program, 1995

Thousands

| Loan program | One- to four-family dwellings | | | | Multifamily dwellings[1] | All |
|---|---|---|---|---|---|---|
| | Home purchase | Home refinancing | Home improvement | All | | |
| 1 FHA | 699.7 | 93.7 | 168.8 | 962.2 | * | 962.5 |
| 2 VA | 272.5 | 50.5 | 3.0 | 326.0 | * | 326.0 |
| 3 FmHA | 14.8 | .5 | * | 15.4 | * | 15.4 |
| 4 Conventional | 4497.3 | 2548.1 | 1577.4 | 8622.8 | 28.5 | 8651.3 |
| 5 **Total** | **5484.3** | **2692.8** | **1749.3** | **9926.4** | **28.7** | **9955.2** |

* Fewer than 500.

1. Multifamily dwellings are those for five or more families.

SOURCE. FFIEC, Home Mortgage Disclosure Act.

## 4.36 HOME LOANS ORIGINATED BY LENDERS REPORTING UNDER HMDA
### By Type of Dwelling, Purpose of Loan, and Type of Lender, 1995

Percent

| Type of lender | One- to four-family dwellings | | | | | | | | Multifamily dwellings[1] | All |
|---|---|---|---|---|---|---|---|---|---|---|
| | Home purchase | | | | | Home refinancing | Home improvement | All | | |
| | FHA insured | VA guaranteed | FmHA-insured | Conventional | All | | | | | |
| 1 Commercial bank | 8.7 | 9.6 | 17.1 | 25.2 | 21.7 | 30.5 | 68.9 | 31.7 | 51.4 | 31.8 |
| 2 Savings association | 9.7 | 9.4 | 13.5 | 22.0 | 19.3 | 17.2 | 7.5 | 16.8 | 42.3 | 16.9 |
| 3 Credit union | .2 | 1.7 | .2 | 1.8 | 1.5 | 4.1 | 11.8 | 3.9 | .5 | 3.9 |
| 4 Mortgage company[2] | 81.5 | 79.2 | 69.2 | 51.1 | 57.5 | 48.1 | 11.8 | 47.6 | 5.8 | 47.4 |
| 5 **Total** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** |
| MEMO *Distribution of loans* | | | | | | | | | | |
| 6 Number | 538,697 | 210,379 | 10,548 | 2,736,125 | 3,495,749 | 1,638,858 | 997,395 | 6,132,002 | 19,234 | 6,151,236 |
| 7 Percent | 8.8 | 3.4 | .2 | 44.5 | 56.8 | 26.6 | 16.2 | 99.7 | .3 | 100.0 |

* Less than 0.05 percent.

1. Multifamily dwellings are those for five or more families.

2. Comprises all covered mortgage companies, including those affiliated with a commercial bank, savings association, or credit union.

SOURCE. FFIEC, Home Mortgage Disclosure Act.

## 4.37 APPLICATIONS FOR LOANS FOR ONE- TO FOUR FAMILY HOMES REPORTED UNDER HMDA
By Purpose of Loan and Characteristics of Applicant and Census Tract, 1995

| Characteristic | Home purchase: Government backed[1]: Number | Home purchase: Government backed[1]: Percent | Home purchase: Government backed[1]: MEMO Percentage of characteristic's home purchase loans | Home purchase: Conventional: Number | Home purchase: Conventional: Percent | Home purchase: Conventional: MEMO Percentage of characteristic's home purchase loans | Home refinancing: Number | Home refinancing: Percent | Home improvement: Number | Home improvement: Percent |
|---|---|---|---|---|---|---|---|---|---|---|
| APPLICANT | | | | | | | | | | |
| *Racial/ethnic identity* | | | | | | | | | | |
| 1 American Indian or Alaskan Native | 4,051 | .4 | 12.9 | 27,351 | .6 | 87.1 | 10,578 | .5 | 9,617 | .7 |
| 2 Asian or Pacific Islander | 15,172 | 1.6 | 11.1 | 121,089 | 2.8 | 88.9 | 65,964 | 3.0 | 20,414 | 1.4 |
| 3 Black | 146,717 | 15.4 | 31.0 | 325,849 | 7.5 | 69.0 | 189,379 | 8.6 | 171,075 | 12.1 |
| 4 Hispanic | 106,687 | 11.2 | 29.3 | 257,826 | 6.0 | 70.7 | 128,399 | 5.8 | 115,237 | 8.2 |
| 5 White | 643,050 | 67.4 | 15.7 | 3,462,366 | 80.0 | 84.3 | 1,740,552 | 78.9 | 1,054,827 | 74.7 |
| 6 Other | 5,933 | .6 | 12.6 | 41,107 | .9 | 87.4 | 27,321 | 1.2 | 14,633 | 1.0 |
| 7 All | 32,652 | 3.4 | 25.7 | 94,386 | 2.2 | 74.3 | 44,033 | 2.0 | 25,527 | 1.8 |
| 8 **Total** | **954,262** | **100.0** | **18.1** | **4,329,974** | **100.0** | **81.9** | **2,206,226** | **100.0** | **1,411,330** | **100.0** |
| *Income (percentage of MSA median)*[2] | | | | | | | | | | |
| 9 Less than 80 | 314,092 | 39.1 | 26.1 | 890,953 | 29.3 | 73.9 | 541,331 | 27.8 | 482,376 | 35.7 |
| 10 80–99 | 172,951 | 21.5 | 29.1 | 420,408 | 13.8 | 70.9 | 272,217 | 14.0 | 196,614 | 14.6 |
| 11 100–119 | 126,099 | 15.7 | 25.2 | 374,235 | 12.3 | 74.8 | 251,248 | 12.9 | 174,783 | 12.9 |
| 12 120 or more | 189,610 | 23.6 | 12.3 | 1,357,489 | 44.6 | 87.7 | 885,912 | 45.4 | 496,706 | 36.8 |
| 13 **Total** | **802,752** | **100.0** | **20.9** | **3,043,085** | **100.0** | **79.1** | **1,950,708** | **100.0** | **1,350,479** | **100.0** |
| CENSUS TRACT | | | | | | | | | | |
| *Racial/ethnic composition (minorities as percentage of population)* | | | | | | | | | | |
| 14 Less than 10 | 295,903 | 37.1 | 15.9 | 1,562,872 | 52.1 | 84.1 | 975,894 | 47.4 | 617,723 | 46.9 |
| 15 10–19 | 186,689 | 23.4 | 22.5 | 641,595 | 21.4 | 77.5 | 396,944 | 19.3 | 233,098 | 17.7 |
| 16 20–49 | 206,070 | 25.8 | 28.4 | 518,268 | 17.3 | 71.6 | 366,150 | 17.8 | 228,549 | 17.3 |
| 17 50–79 | 64,117 | 8.0 | 27.5 | 168,716 | 5.6 | 72.5 | 155,564 | 7.6 | 103,062 | 7.8 |
| 18 80–100 | 44,770 | 5.6 | 29.3 | 108,084 | 3.6 | 70.7 | 163,603 | 7.9 | 135,092 | 10.3 |
| 19 **Total** | **797,549** | **100.0** | **21.0** | **2,999,535** | **100.0** | **79.0** | **2,058,155** | **100.0** | **1,317,525** | **100.0** |
| *Income*[3] | | | | | | | | | | |
| 20 Low or moderate | 144,546 | 17.9 | 26.1 | 409,030 | 13.6 | 73.9 | 358,685 | 17.4 | 296,817 | 22.1 |
| 21 Middle | 463,961 | 57.5 | 23.6 | 1,500,430 | 50.0 | 76.4 | 1,033,298 | 50.0 | 694,042 | 51.8 |
| 22 Upper | 197,731 | 24.5 | 15.3 | 1,092,905 | 36.4 | 84.7 | 674,890 | 32.7 | 349,440 | 26.1 |
| 23 **Total** | **806,238** | **100.0** | **21.2** | **3,002,365** | **100.0** | **78.8** | **2,066,873** | **100.0** | **1,340,299** | **100.0** |
| *Location*[4] | | | | | | | | | | |
| 24 Central city | 379,043 | 46.3 | 24.2 | 1,186,518 | 38.6 | 75.8 | 833,506 | 39.5 | 606,417 | 44.2 |
| 25 Non-central city | 439,447 | 53.7 | 18.9 | 1,886,593 | 61.4 | 81.1 | 1,276,772 | 60.5 | 765,234 | 55.8 |
| 26 **Total** | **818,490** | **100.0** | **21.0** | **3,073,111** | **100.0** | **79.0** | **2,110,278** | **100.0** | **1,371,651** | **100.0** |

NOTE. Lenders reported 9,926,444 applications for home loans in 1995. Not all characteristics were reported for all applications, thus the number of applications being distributed by characteristic varies by characteristic.

1. Loans backed by the Federal Housing Administration, the Department of Veterans Affairs, or the Farmers Home Administration.

2. MSA median is median family income of the metropolitan statistical area (MSA) in which the property related to the loan is located.

3. Census tracts are categorized by the median family income for the tract relative to the median family income for the MSA in which the tract is located. Categories are defined as follows: *Low or moderate* income, median family income for census tract less than 80 percent of median family income for MSA; *Middle income*, median family income at least 80 percent and less than 120 percent of MSA median; *Upper income*, median family income 120 percent and greater of MSA median.

4. For census tracts located in MSAs.

SOURCE. FFIEC, Home Mortgage Disclosure Act.

## 4.38 APPLICATIONS FOR LOANS FOR ONE- TO FOUR-FAMILY HOMES REPORTED UNDER HMDA
By Purpose of Loan, with Denial Rate, and by Characteristic of Applicant, 1995

| Applicant characteristic[1] | Home purchase | | | | Home refinancing | | Home improvement | |
|---|---|---|---|---|---|---|---|---|
| | Government backed[2] | | Conventional | | | | | |
| | Distribution | Denial rate | Distribution | Denial rate | Distribution | Denial rate | Distribution | Denial rate |
| *American Indian or Alaskan Native* | | | | | | | | |
| 1 One male | 32.30 | 12.40 | 27.20 | 42.10 | 27.50 | 21.10 | 28.90 | 35.30 |
| 2 Two males | 1.60 | 15.40 | 1.70 | 35.30 | 1.50 | 17.20 | 1.40 | 28.70 |
| 3 One female | 25.90 | 14.40 | 27.60 | 43.30 | 22.70 | 22.00 | 27.60 | 36.50 |
| 4 Two females | 2.90 | 9.40 | 2.40 | 43.10 | 1.80 | 15.90 | 1.20 | 29.80 |
| 5 One male and one female | 37.20 | 13.50 | 41.20 | 39.80 | 46.50 | 17.40 | 41.00 | 27.90 |
| 6 **Total**[3] | **100.00** | **13.30** | **100.00** | **41.40** | **100.00** | **19.70** | **100.00** | **32.60** |
| *Asian or Pacific Islander* | | | | | | | | |
| 7 One male | 20.70 | 9.70 | 18.60 | 15.20 | 15.80 | 21.00 | 22.50 | 36.80 |
| 8 Two males | 3.70 | 10.10 | 3.00 | 14.90 | 1.90 | 19.30 | 1.40 | 33.50 |
| 9 One female | 13.10 | 9.00 | 13.60 | 15.20 | 13.70 | 21.90 | 16.10 | 34.10 |
| 10 Two females | 2.30 | 8.90 | 1.90 | 14.80 | 1.70 | 18.10 | 1.10 | 33.30 |
| 11 One male and one female | 60.20 | 8.00 | 62.90 | 10.50 | 67.00 | 18.40 | 59.00 | 24.90 |
| 12 **Total**[3] | **100.00** | **8.70** | **100.00** | **12.50** | **100.00** | **19.30** | **100.00** | **29.40** |
| *Black* | | | | | | | | |
| 13 One male | 26.80 | 14.90 | 25.00 | 40.80 | 23.40 | 25.80 | 26.60 | 40.10 |
| 14 Two males | 1.00 | 14.00 | 1.00 | 40.80 | .70 | 25.00 | .50 | 42.10 |
| 15 One female | 30.60 | 14.20 | 34.60 | 42.20 | 30.70 | 25.80 | 36.80 | 40.70 |
| 16 Two females | 2.80 | 16.60 | 2.90 | 45.80 | 2.00 | 26.80 | 1.80 | 44.20 |
| 17 One male and one female | 38.90 | 16.20 | 36.50 | 38.10 | 43.20 | 23.70 | 34.30 | 35.50 |
| 18 **Total**[3] | **100.00** | **15.30** | **100.00** | **40.50** | **100.00** | **24.90** | **100.00** | **38.80** |
| *Hispanic* | | | | | | | | |
| 19 One male | 21.00 | 9.70 | 24.70 | 34.00 | 19.20 | 23.80 | 28.90 | 43.60 |
| 20 Two males | 6.80 | 6.60 | 3.80 | 28.10 | 1.70 | 28.00 | 1.30 | 42.00 |
| 21 One female | 11.00 | 10.20 | 15.00 | 31.00 | 16.30 | 22.80 | 21.30 | 45.20 |
| 22 Two females | 2.20 | 9.10 | 2.00 | 31.40 | 1.50 | 26.80 | 1.10 | 44.40 |
| 23 One male and one female | 59.10 | 9.70 | 54.40 | 26.90 | 61.30 | 23.70 | 47.40 | 35.40 |
| 24 **Total**[3] | **100.00** | **9.50** | **100.00** | **29.50** | **100.00** | **23.70** | **100.00** | **40.10** |
| *White* | | | | | | | | |
| 25 One male | 23.10 | 8.90 | 20.80 | 25.70 | 18.10 | 16.60 | 21.20 | 24.30 |
| 26 Two males | 1.40 | 9.00 | 1.50 | 21.00 | 1.20 | 13.40 | .60 | 24.20 |
| 27 One female | 15.00 | 7.80 | 16.00 | 24.40 | 14.00 | 15.10 | 17.20 | 24.10 |
| 28 Two females | 1.10 | 9.60 | 1.20 | 27.90 | .80 | 15.40 | .80 | 27.90 |
| 29 One male and one female | 59.40 | 8.50 | 60.50 | 17.60 | 65.90 | 12.00 | 60.10 | 17.90 |
| 30 **Total**[3] | **100.00** | **8.50** | **100.00** | **20.60** | **100.00** | **13.30** | **100.00** | **20.40** |
| *All* | | | | | | | | |
| 31 One male | 23.50 | 10.10 | 21.30 | 27.60 | 18.60 | 18.20 | 22.60 | 28.90 |
| 32 Two males | 2.00 | 8.50 | 1.60 | 22.70 | 1.20 | 15.60 | .70 | 28.90 |
| 33 One female | 17.00 | 9.90 | 17.40 | 27.50 | 15.60 | 17.60 | 20.00 | 30.10 |
| 34 Two females | 1.50 | 11.60 | 1.40 | 30.70 | 1.00 | 18.60 | 1.00 | 33.40 |
| 35 One male and one female | 56.00 | 9.50 | 58.20 | 19.00 | 63.50 | 13.60 | 55.70 | 20.70 |
| 36 **Total**[3] | **100.00** | **9.80** | **100.00** | **22.60** | **100.00** | **15.20** | **100.00** | **24.60** |

1. Applicants are categorized by race of first applicant listed on Loan Application Register, except for joint white and minority applications, *which are not shown in this table*.

2. Loans backed by the Federal Housing Administration, the Department of Veterans Affairs, or the Farmers Home Administration.

3. Includes all applicants from racial or ethnic group regardless of whether gender was reported.

SOURCE. FFIEC, Home Mortgage Disclosure Act.

## 4.39 APPLICATIONS FOR HOME LOANS REPORTED UNDER HMDA By Loan Program and Size of Dwelling, 1995

Percent

| Type of loan program | One- to four-family dwellings: Home purchase — Approved and accepted | Approved but not accepted | Denied | Withdrawn | File closed | Total | One- to four-family dwellings: Home refinancing — Approved and accepted | Approved but not accepted | Denied | Withdrawn | File closed | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 FHA | 77.0 | 1.5 | 9.8 | 10.2 | 1.6 | 100 | 68.6 | 4.1 | 8.2 | 14.0 | 5.2 | 100 |
| 2 VA | 77.2 | 1.3 | 10.0 | 10.2 | 1.4 | 100 | 76.9 | 3.0 | 6.0 | 11.1 | 3.0 | 100 |
| 3 FmHA | 71.2 | 1.7 | 15.1 | 10.5 | 1.5 | 100 | 51.3 | .4 | 39.4 | 8.4 | .6 | 100 |
| 4 Conventional | 60.8 | 8.0 | 22.6 | 7.2 | 1.3 | 100 | 60.3 | 6.1 | 19.9 | 11.7 | 2.1 | 100 |
| 5 All | 63.7 | 6.8 | 20.3 | 7.7 | 1.3 | 100 | 60.9 | 5.9 | 19.2 | 11.8 | 2.2 | 100 |
| | **One- to four-family dwellings: Home improvement — Approved and accepted** | **Approved but not accepted** | **Denied** | **Withdrawn** | **File closed** | **Total** | ***Multifamily dwellings*[1] — Approved and accepted** | **Approved but not accepted** | **Denied** | **Withdrawn** | **File closed** | **Total** |
| 1 FHA | 33.1 | 13.4 | 41.6 | 10.8 | 1.0 | 100 | 79.4 | .9 | 12.0 | 7.3 | .4 | 100 |
| 2 VA | 32.3 | 8.9 | 12.2 | 16.4 | .2 | 100 | 74.1 | * | 14.8 | 11.1 | * | 100 |
| 3 FmHA | 64.0 | 2.2 | 22.5 | 7.9 | 3.4 | 100 | 91.7 | * | * | 8.3 | * | 100 |
| 4 Conventional | 59.6 | 7.7 | 27.3 | 4.7 | .7 | 100 | 66.8 | 3.8 | 17.4 | 10.2 | 1.8 | 100 |
| 5 All | 57.0 | 8.2 | 28.7 | 5.3 | .7 | 100 | 67.0 | 3.7 | 17.4 | 10.1 | 1.8 | 100 |

NOTE. Loans *approved and accepted* were approved by the lender and accepted by the applicant. Loans *approved but not accepted* were approved by the lender but not accepted by the applicant. Applications *denied* were denied by the lender, and applications *withdrawn* were withdrawn by the applicant. When an application was left incomplete by the applicant, the lender reported *file closed* and took no further action.

* Less than 0.05 percent.

1. Multifamily dwellings are those for five or more families.

SOURCE. FFIEC, Home Mortgage Disclosure Act.

## 4.40 APPLICATIONS FOR ONE- TO FOUR-FAMILY HOME LOANS REPORTED UNDER HMDA

By Disposition of Loan and Characteristics of Applicant and Census Tract, 1995

### A. Home Purchase Loans

Percent

| Characteristic | Government-backed[1] | | | | | Conventional | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Approved | Denied | Withdrawn | File closed | Total | Approved | Denied | Withdrawn | File closed | Total |
| APPLICANT | | | | | | | | | | |
| *Racial or ethnic identity* | | | | | | | | | | |
| 1 American Indian or Alaskan Native | 71.9 | 13.3 | 12.7 | 2.1 | 100 | 50.7 | 41.4 | 6.8 | 1.1 | 100 |
| 2 Asian or Pacific Islander | 79.4 | 8.7 | 10.6 | 1.4 | 100 | 75.9 | 12.5 | 9.7 | 1.9 | 100 |
| 3 Black | 71.1 | 15.3 | 11.4 | 2.2 | 100 | 51.1 | 40.5 | 6.7 | 1.7 | 100 |
| 4 Hispanic | 77.6 | 9.5 | 11.2 | 1.6 | 100 | 60.2 | 29.5 | 8.3 | 2.0 | 100 |
| 5 White | 81.1 | 8.5 | 9.1 | 1.3 | 100 | 71.8 | 20.6 | 6.5 | 1.1 | 100 |
| 6 Other[2] | 76.7 | 10.7 | 10.8 | 1.9 | 100 | 59.4 | 29.6 | 8.9 | 2.0 | 100 |
| 7 Joint[3] | 79.1 | 10.1 | 9.6 | 1.2 | 100 | 68.5 | 22.4 | 7.7 | 1.3 | 100 |
| *Income ratio (percentage of MSA median)*[4] | | | | | | | | | | |
| 8 Less than 80 | 79.1 | 10.9 | 8.8 | 1.3 | 100 | 63.1 | 29.9 | 5.9 | 1.1 | 100 |
| 9 American Indian or Alaskan Native | 72.4 | 14.1 | 11.1 | 2.4 | 100 | 52.6 | 40.8 | 5.5 | 1.1 | 100 |
| 10 Asian or Pacific Islander | 79.0 | 9.6 | 10.2 | 1.2 | 100 | 73.6 | 16.5 | 8.2 | 1.7 | 100 |
| 11 Black | 72.1 | 15.6 | 10.4 | 1.9 | 100 | 54.2 | 37.3 | 6.6 | 1.8 | 100 |
| 12 Hispanic | 79.1 | 10.0 | 9.4 | 1.5 | 100 | 59.1 | 32.4 | 6.8 | 1.8 | 100 |
| 13 White | 82.0 | 9.2 | 7.9 | 1.0 | 100 | 65.5 | 28.4 | 5.2 | .9 | 100 |
| 14 Other[2] | 76.2 | 12.0 | 10.2 | 1.6 | 100 | 54.3 | 37.4 | 6.9 | 1.4 | 100 |
| 15 Joint[3] | 77.8 | 12.3 | 8.9 | 1.0 | 100 | 57.4 | 35.6 | 6.0 | 1.0 | 100 |
| 16 80-99 | 83.6 | 7.6 | 7.8 | 1.0 | 100 | 74.0 | 18.0 | 6.8 | 1.2 | 100 |
| 17 American Indian or Alaskan Native | 78.0 | 10.2 | 10.5 | 1.4 | 100 | 64.8 | 26.4 | 7.7 | 1.1 | 100 |
| 18 Asian or Pacific Islander | 82.9 | 7.4 | 8.8 | 1.0 | 100 | 78.2 | 11.2 | 9.0 | 1.6 | 100 |
| 19 Black | 77.2 | 11.8 | 9.4 | 1.6 | 100 | 61.8 | 27.9 | 8.4 | 1.9 | 100 |
| 20 Hispanic | 84.6 | 8.2 | 9.1 | 1.1 | 100 | 65.7 | 24.6 | 7.9 | 1.8 | 100 |
| 21 White | 85.8 | 6.3 | 7.1 | .8 | 100 | 76.5 | 16.4 | 6.1 | 1.0 | 100 |
| 22 Other[2] | 80.8 | 9.3 | 8.9 | 1.0 | 100 | 67.3 | 22.7 | 8.3 | 1.6 | 100 |
| 23 Joint[3] | 83.2 | 8.4 | 7.6 | .8 | 100 | 68.0 | 24.1 | 6.7 | 1.1 | 100 |
| 24 100-119 | 84.7 | 6.8 | 7.6 | .9 | 100 | 77.7 | 13.9 | 7.2 | 1.2 | 100 |
| 25 American Indian or Alaskan Native | 77.5 | 9.4 | 11.8 | 1.3 | 100 | 69.2 | 19.6 | 9.6 | 1.6 | 100 |
| 26 Asian or Pacific Islander | 84.0 | 6.0 | 8.7 | 1.2 | 100 | 78.7 | 10.4 | 9.2 | 1.6 | 100 |
| 27 Black | 78.0 | 11.3 | 9.3 | 1.4 | 100 | 64.8 | 23.9 | 9.0 | 2.2 | 100 |
| 28 Hispanic | 82.0 | 7.4 | 9.5 | 1.1 | 100 | 67.2 | 22.4 | 8.5 | 1.9 | 100 |
| 29 White | 86.8 | 5.7 | 6.8 | .7 | 100 | 80.3 | 12.3 | 6.4 | 1.0 | 100 |
| 30 Other[2] | 79.4 | 9.1 | 9.8 | 1.7 | 100 | 69.8 | 19.2 | 9.1 | 2.0 | 100 |
| 31 Joint[3] | 84.5 | 7.1 | 7.8 | .7 | 100 | 74.2 | 17.5 | 7.1 | 1.2 | 100 |
| 32 120 or more | 84.1 | 6.4 | 8.2 | .9 | 100 | 82.2 | 8.7 | 7.9 | 1.2 | 100 |
| 33 American Indian or Alaskan Native | 80.5 | 7.6 | 10.3 | 1.6 | 100 | 74.7 | 13.4 | 10.4 | 1.5 | 100 |
| 34 Asian or Pacific Islander | 83.6 | 6.7 | 8.8 | .9 | 100 | 79.0 | 9.5 | 9.8 | 1.7 | 100 |
| 35 Black | 79.1 | 10.5 | 8.9 | 1.5 | 100 | 70.7 | 17.5 | 9.6 | 2.1 | 100 |
| 36 Hispanic | 80.7 | 7.0 | 11.1 | 1.2 | 100 | 72.2 | 15.6 | 10.1 | 2.2 | 100 |
| 37 White | 86.5 | 5.4 | 7.3 | .8 | 100 | 84.2 | 7.6 | 7.3 | 1.0 | 100 |
| 38 Other[2] | 81.9 | 7.1 | 9.5 | 1.5 | 100 | 73.7 | 13.6 | 10.5 | 2.2 | 100 |
| 39 Joint[3] | 84.0 | 7.2 | 8.0 | .8 | 100 | 79.9 | 10.7 | 8.3 | 1.2 | 100 |
| CENSUS TRACT | | | | | | | | | | |
| *Racial or ethnic composition (minorities as percentage of population)* | | | | | | | | | | |
| 40 Less than 10 | 84.1 | 7.4 | 7.3 | .9 | 100 | 79.2 | 13.2 | 6.6 | .9 | 100 |
| 41 10-19 | 82.7 | 8.0 | 8.3 | 1.0 | 100 | 71.7 | 16.1 | 7.9 | 1.2 | 100 |
| 42 20-49 | 80.1 | 9.3 | 9.4 | 1.2 | 100 | 69.6 | 20.8 | 8.2 | 1.5 | 100 |
| 43 50-79 | 76.8 | 11.1 | 10.6 | 1.6 | 100 | 65.2 | 24.0 | 8.9 | 1.9 | 100 |
| 44 80-100 | 74.5 | 11.6 | 11.8 | 2.1 | 100 | 59.5 | 28.1 | 9.9 | 2.5 | 100 |
| *Income*[4] | | | | | | | | | | |
| 45 Low or moderate | 77.6 | 10.9 | 10.0 | 1.6 | 100 | 64.4 | 26.3 | 7.7 | 1.6 | 100 |
| 46 Middle | 82.4 | 8.3 | 8.2 | 1.0 | 100 | 73.9 | 18.0 | 6.9 | 1.1 | 100 |
| 47 Upper | 83.0 | 7.4 | 8.7 | .9 | 100 | 80.8 | 10.1 | 8.0 | 1.1 | 100 |
| *Location*[5] | | | | | | | | | | |
| 48 Central city | 80.5 | 9.5 | 8.8 | 1.2 | 100 | 73.4 | 17.6 | 7.6 | 1.3 | 100 |
| 49 Non-central city | 82.7 | 7.8 | 8.5 | 1.0 | 100 | 75.9 | 15.7 | 7.2 | 1.1 | 100 |

## 4.40 APPLICATIONS FOR ONE- TO FOUR-FAMILY HOME LOANS REPORTED UNDER HMDA
By Disposition of Loan and Characteristics of Applicant and Census Tract, 1995—Continued

B. Home Refinancing and Home Improvement Loans

Percent

| Characteristic | Home refinancing: Approved | Denied | Withdrawn | File closed | Total | Home improvement: Approved | Denied | Withdrawn | File closed | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| APPLICANT | | | | | | | | | | |
| *Racial or ethnic identity* | | | | | | | | | | |
| 1 American Indian or Alaskan Native | 62.4 | 19.7 | 15.0 | 2.9 | 100 | 62.0 | 32.6 | 4.7 | .7 | 100 |
| 2 Asian or Pacific Islander | 66.2 | 19.3 | 12.0 | 2.5 | 100 | 62.7 | 29.4 | 6.0 | 1.9 | 100 |
| 3 Black | 58.9 | 24.9 | 13.1 | 3.0 | 100 | 56.4 | 38.8 | 4.2 | .6 | 100 |
| 4 Hispanic | 60.5 | 23.7 | 13.0 | 2.9 | 100 | 51.9 | 40.1 | 7.1 | .9 | 100 |
| 5 White | 75.9 | 13.3 | 8.8 | 1.9 | 100 | 75.2 | 20.4 | 3.8 | .5 | 100 |
| 6 Other | 55.1 | 25.3 | 16.6 | 3.0 | 100 | 54.0 | 33.7 | 11.4 | .9 | 100 |
| 7 Joint[2] | 70.8 | 17.7 | 9.4 | 2.1 | 100 | 71.2 | 23.6 | 4.4 | .7 | 100 |
| *Income ratio (percentage of MSA median)*[3] | | | | | | | | | | |
| 8 Less than 80 | 59.3 | 26.5 | 12.2 | 2.0 | 100 | 55.6 | 38.7 | 5.0 | .7 | 100 |
| 9 American Indian or Alaskan Native | 59.4 | 23.6 | 14.4 | 2.6 | 100 | 55.7 | 39.1 | 4.5 | .8 | 100 |
| 10 Asian or Pacific Islander | 60.1 | 24.1 | 13.0 | 2.8 | 100 | 51.4 | 41.4 | 5.4 | 1.8 | 100 |
| 11 Black | 56.2 | 28.3 | 12.8 | 2.7 | 100 | 50.7 | 44.6 | 4.1 | .6 | 100 |
| 12 Hispanic | 56.1 | 28.9 | 12.3 | 2.7 | 100 | 48.3 | 46.5 | 4.2 | .9 | 100 |
| 13 White | 71.1 | 18.0 | 9.1 | 1.8 | 100 | 67.3 | 28.3 | 3.9 | .5 | 100 |
| 14 Other | 47.4 | 32.7 | 17.0 | 2.9 | 100 | 48.2 | 41.6 | 9.1 | 1.0 | 100 |
| 15 Joint[2] | 62.5 | 25.7 | 9.8 | 2.0 | 100 | 55.9 | 38.8 | 4.7 | .6 | 100 |
| 16 80–99 | 67.1 | 20.0 | 10.9 | 2.0 | 100 | 64.8 | 29.6 | 4.9 | .7 | 100 |
| 17 American Indian or Alaskan Native | 61.3 | 19.8 | 14.3 | 4.7 | 100 | 68.6 | 25.7 | 5.2 | .5 | 100 |
| 18 Asian or Pacific Islander | 67.3 | 19.4 | 11.2 | 2.1 | 100 | 60.7 | 30.9 | 6.7 | 1.7 | 100 |
| 19 Black | 59.8 | 24.6 | 12.7 | 2.9 | 100 | 58.0 | 37.4 | 4.0 | .6 | 100 |
| 20 Hispanic | 59.5 | 25.9 | 11.7 | 2.9 | 100 | 54.5 | 39.9 | 4.6 | 1.0 | 100 |
| 21 White | 76.7 | 13.3 | 8.2 | 1.7 | 100 | 74.7 | 21.2 | 3.6 | .5 | 100 |
| 22 Other | 57.9 | 24.1 | 14.4 | 3.6 | 100 | 54.5 | 33.9 | 10.9 | .6 | 100 |
| 23 Joint[2] | 69.8 | 18.8 | 9.0 | 2.4 | 100 | 65.9 | 28.9 | 4.5 | .8 | 100 |
| 24 100–119 | 69.7 | 18.0 | 10.4 | 1.8 | 100 | 68.4 | 25.9 | 5.0 | .7 | 100 |
| 25 American Indian or Alaskan Native | 65.2 | 18.4 | 14.1 | 2.2 | 100 | 70.1 | 23.6 | 5.5 | .8 | 100 |
| 26 Asian or Pacific Islander | 68.9 | 18.4 | 10.6 | 2.1 | 100 | 63.4 | 28.1 | 6.6 | 1.8 | 100 |
| 27 Black | 61.3 | 23.8 | 12.3 | 2.6 | 100 | 60.5 | 35.0 | 4.0 | .4 | 100 |
| 28 Hispanic | 59.9 | 25.3 | 12.0 | 2.8 | 100 | 55.9 | 38.5 | 4.7 | .9 | 100 |
| 29 White | 78.4 | 12.1 | 7.9 | 1.6 | 100 | 77.7 | 18.2 | 3.6 | .5 | 100 |
| 30 Other | 59.7 | 23.8 | 13.2 | 3.4 | 100 | 52.1 | 33.7 | 13.6 | .5 | 100 |
| 31 Joint[2] | 70.8 | 18.7 | 8.7 | 1.7 | 100 | 72.0 | 23.6 | 3.9 | .5 | 100 |
| 32 120 or more | 73.7 | 14.7 | 9.7 | 1.9 | 100 | 74.3 | 19.9 | 4.8 | .9 | 100 |
| 33 American Indian or Alaskan Native | 66.3 | 15.6 | 15.2 | 2.8 | 100 | 73.9 | 19.9 | 5.4 | .8 | 100 |
| 34 Asian or Pacific Islander | 69.1 | 17.4 | 10.9 | 2.5 | 100 | 69.6 | 22.5 | 5.8 | 2.1 | 100 |
| 35 Black | 62.4 | 22.9 | 11.9 | 2.8 | 100 | 65.8 | 29.5 | 4.1 | .6 | 100 |
| 36 Hispanic | 66.1 | 19.4 | 11.9 | 2.6 | 100 | 62.7 | 33.1 | 3.3 | .9 | 100 |
| 37 White | 79.6 | 10.8 | 7.9 | 1.7 | 100 | 82.3 | 13.6 | 3.5 | .7 | 100 |
| 38 Other | 62.1 | 21.8 | 13.0 | 3.1 | 100 | 60.4 | 26.1 | 12.0 | 1.4 | 100 |
| 39 Joint[2] | 73.3 | 16.0 | 8.8 | 1.9 | 100 | 77.1 | 18.0 | 4.2 | .8 | 100 |
| CENSUS TRACT | | | | | | | | | | |
| *Racial or ethnic composition (minorities as percentage of population)* | | | | | | | | | | |
| 40 Less than 10 | 73.7 | 14.8 | 9.7 | 1.8 | 100 | 74.1 | 20.7 | 4.6 | .5 | 100 |
| 41 10–19 | 67.4 | 18.7 | 11.5 | 2.4 | 100 | 66.4 | 27.3 | 5.3 | 1.0 | 100 |
| 42 20–49 | 61.6 | 22.6 | 13.2 | 2.6 | 100 | 59.4 | 33.9 | 5.6 | 1.1 | 100 |
| 43 50–79 | 55.5 | 27.0 | 14.8 | 2.7 | 100 | 52.4 | 40.9 | 5.6 | 1.1 | 100 |
| 44 80–100 | 51.1 | 30.3 | 15.8 | 2.8 | 100 | 48.2 | 45.1 | 5.8 | 1.0 | 100 |
| *Income*[4] | | | | | | | | | | |
| 45 Low or moderate | 56.2 | 26.9 | 14.5 | 2.5 | 100 | 54.2 | 39.9 | 5.1 | .8 | 100 |
| 46 Middle | 68.1 | 18.6 | 11.1 | 2.2 | 100 | 67.1 | 27.3 | 4.9 | .7 | 100 |
| 47 Upper | 71.8 | 15.5 | 10.6 | 2.1 | 100 | 71.9 | 21.8 | 5.2 | 1.0 | 100 |
| *Location*[5] | | | | | | | | | | |
| 48 Central city | 63.8 | 21.2 | 12.7 | 2.4 | 100 | 62.1 | 32.1 | 5.0 | .8 | 100 |
| 49 Non-central city | 69.7 | 17.5 | 10.7 | 2.1 | 100 | 68.4 | 25.8 | 5.0 | .7 | 100 |

NOTE. Applicant income ratio is applicant income as a percentage of *MSA median*. MSA median is median family income of the metropolitan statistical area (MSA) in which the property related to the loan is located.

1. Loans backed by the Federal Housing Administration, the Department of Veterans Affairs, or the Farmers Home Administration.

2. White and minority.

3. MSA median is median family income of the metropolitan statistical area (MSA) in which the property related to the loan is located.

4. *Census tracts are categorized by the median family income for the tract relative to the median family income for the MSA in which the tract is located.* Categories are defined as follows: *Low or moderate* income, median family income for census tract less than 80 percent of median family income for MSA; *Middle income*, median family income at least 80 percent and less than 120 percent of MSA median; *Upper income*, median family income 120 percent and greater of MSA median.

5. For census tracts located in MSAs.

SOURCE. FFIEC, Home Mortgage Disclosure Act.

## 4.41 HOME LOANS SOLD By Purchaser and Characteristics of Borrower and Census Tract, 1995

| Characteristic | Fannie Mae | | Ginnie Mae | | Freddie Mac | | FmHA | | Commercial bank | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| 1 All | 974,528 | 100.0 | 630,742 | 100.0 | 589,130 | 100.0 | 4,832 | 100.0 | 109,889 | 100.0 |
| BORROWER | | | | | | | | | | |
| *Racial or ethnic identity* | | | | | | | | | | |
| 2 American Indian or Alaskan Native | 3,300 | .4 | 1,984 | .4 | 1,566 | .3 | 13 | .3 | 384 | .4 |
| 3 Asian or Pacific Islander | 33,327 | 3.8 | 7,648 | 1.6 | 16,320 | 3.1 | 116 | 2.7 | 1,996 | 2.0 |
| 4 Black | 39,457 | 4.6 | 64,647 | 13.7 | 18,289 | 3.5 | 299 | 7.0 | 9,931 | 10.1 |
| 5 Hispanic | 48,216 | 5.6 | 50,380 | 10.6 | 20,412 | 3.9 | 516 | 12.0 | 7,427 | 7.5 |
| 6 White | 716,818 | 82.7 | 329,672 | 69.7 | 458,543 | 86.7 | 3,224 | 75.3 | 75,839 | 77.0 |
| 7 Other | 6,444 | .7 | 2,961 | .6 | 3,370 | .6 | 30 | .7 | 710 | .7 |
| 8 Joint | 19,379 | 2.2 | 15,860 | 3.4 | 10,639 | 2.0 | 85 | 2.0 | 2,151 | 2.2 |
| 9 **Total** | **866,941** | **100.0** | **473,152** | **100.0** | **529,139** | **100.0** | **4,283** | **100.0** | **98,438** | **100.0** |
| *Income ratio (percentage of MSA median)* | | | | | | | | | | |
| 10 Less than 80 | 153,849 | 20.9 | 135,399 | 35.4 | 80,395 | 19.3 | 1,197 | 43.4 | 23,040 | 25.4 |
| 11 80–99 | 112,007 | 15.2 | 83,691 | 21.9 | 60,698 | 14.6 | 711 | 25.8 | 14,534 | 16.0 |
| 12 100–119 | 110,791 | 15.1 | 65,105 | 17.0 | 63,857 | 15.3 | 352 | 12.8 | 12,920 | 14.2 |
| 13 120 or more | 359,305 | 48.8 | 98,646 | 25.8 | 212,033 | 50.8 | 499 | 18.1 | 40,296 | 44.4 |
| 14 **Total** | **735,952** | **100.0** | **382,841** | **100.0** | **416,983** | **100.0** | **2,759** | **100.0** | **90,790** | **100.0** |
| CENSUS TRACT | | | | | | | | | | |
| *Racial or ethnic composition (minorities as percentage of population)* | | | | | | | | | | |
| 15 Less than 10 | 427,204 | 53.7 | 200,880 | 37.6 | 271,474 | 60.3 | 1,779 | 47.2 | 46,625 | 49.6 |
| 16 10–19 | 168,129 | 21.1 | 127,528 | 23.9 | 90,454 | 20.1 | 983 | 26.1 | 19,570 | 20.8 |
| 17 20–49 | 130,785 | 16.4 | 136,795 | 25.6 | 62,239 | 13.8 | 702 | 18.6 | 17,851 | 19.0 |
| 18 50–79 | 42,855 | 5.4 | 41,075 | 7.7 | 16,789 | 3.7 | 175 | 4.6 | 5,291 | 5.6 |
| 19 80–100 | 26,561 | 3.3 | 27,526 | 5.2 | 9,162 | 2.0 | 134 | 3.6 | 4,681 | 5.0 |
| 20 **Total** | **795,534** | **100.0** | **533,804** | **100.0** | **450,118** | **100.0** | **3,773** | **100.0** | **94,018** | **100.0** |
| *Income* | | | | | | | | | | |
| 21 Low or moderate | 80,537 | 10.1 | 88,904 | 16.4 | 38,772 | 8.6 | 638 | 16.9 | 12,459 | 13.1 |
| 22 Middle | 397,045 | 49.9 | 315,846 | 58.4 | 228,226 | 50.7 | 2,223 | 58.9 | 47,562 | 50.0 |
| 23 Upper | 317,978 | 40.0 | 135,715 | 25.1 | 183,183 | 40.7 | 916 | 24.3 | 35,158 | 36.9 |
| 24 **Total** | **795,560** | **100.0** | **540,465** | **100.0** | **450,181** | **100.0** | **3,777** | **100.0** | **95,179** | **100.0** |
| *Location* | | | | | | | | | | |
| 25 Central city | 299,737 | 37.6 | 242,436 | 44.8 | 158,869 | 35.3 | 979 | 25.9 | 37,672 | 39.5 |
| 26 Non-central city | 496,568 | 62.4 | 298,320 | 55.2 | 291,712 | 64.7 | 2,799 | 74.1 | 57,636 | 60.5 |
| 27 **Total** | **796,305** | **100.0** | **540,756** | **100.0** | **450,581** | **100.0** | **3,778** | **100.0** | **95,308** | **100.0** |

## 4.41 HOME LOANS SOLD By Purchaser and Characteristics of Borrower and Census Tract, 1995—Continued

| Characteristic | Savings bank or savings and loan association | | Life insurance company | | Affiliate | | Other | |
|---|---|---|---|---|---|---|---|---|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| 1 All | 44,587 | 100.0 | 6,433 | 100.0 | 389,980 | 100.0 | 1,036,012 | 100.0 |
| BORROWER | | | | | | | | |
| *Racial or ethnic identity* | | | | | | | | |
| 2 American Indian or Alaskan Native | 86 | .2 | 18 | .3 | 1,741 | .5 | 4,193 | .4 |
| 3 Asian or Pacific Islander | 766 | 1.9 | 123 | 2.0 | 7,530 | 2.2 | 24,089 | 2.6 |
| 4 Black | 2,782 | 7.0 | 726 | 11.7 | 26,491 | 7.7 | 94,321 | 10.0 |
| 5 Hispanic | 1,568 | 3.9 | 406 | 6.6 | 18,268 | 5.3 | 70,252 | 7.4 |
| 6 White | 33,549 | 84.4 | 4,757 | 76.8 | 279,339 | 81.1 | 716,203 | 75.8 |
| 7 Other | 233 | .6 | 34 | .5 | 3,356 | 1.0 | 10,302 | 1.1 |
| 8 Joint | 753 | 1.9 | 128 | 2.1 | 7,628 | 2.2 | 25,228 | 2.7 |
| 9 **Total** | **39,737** | **100.0** | **6,192** | **100.0** | **344,353** | **100.0** | **944,588** | **100.0** |
| *Income ratio (percentage of MSA median)* | | | | | | | | |
| 10 Less than 80 | 8,377 | 23.0 | 1,605 | 28.3 | 71,678 | 27.6 | 236,104 | 30.4 |
| 11 80–99 | 5,361 | 14.7 | 968 | 17.1 | 34,586 | 13.3 | 127,709 | 16.5 |
| 12 100–119 | 5,036 | 13.8 | 843 | 14.9 | 29,687 | 11.4 | 104,946 | 13.5 |
| 13 120 or more | 17,606 | 48.4 | 2,246 | 39.7 | 123,716 | 47.6 | 307,577 | 39.6 |
| 14 **Total** | **36,380** | **100.0** | **5,662** | **100.0** | **259,667** | **100.0** | **776,336** | **100.0** |
| CENSUS TRACT | | | | | | | | |
| *Racial or ethnic composition (minorities as percentage of population)* | | | | | | | | |
| 15 Less than 10 | 24,295 | 63.8 | 3,069 | 52.7 | 156,068 | 53.9 | 362,771 | 43.4 |
| 16 10–19 | 6,498 | 17.1 | 1,214 | 20.9 | 65,387 | 22.6 | 188,767 | 22.6 |
| 17 20–49 | 4,562 | 12.0 | 928 | 15.9 | 47,479 | 16.4 | 176,808 | 21.2 |
| 18 50–79 | 1,448 | 3.8 | 359 | 6.2 | 12,651 | 4.4 | 57,415 | 6.9 |
| 19 80–100 | 1,253 | 3.3 | 252 | 4.3 | 8,038 | 2.8 | 49,423 | 5.9 |
| 20 **Total** | **38,056** | **100.0** | **5,822** | **100.0** | **289,623** | **100.0** | **835,184** | **100.0** |
| *Income* | | | | | | | | |
| 21 Low or moderate | 4,573 | 12.0 | 783 | 13.5 | 36,422 | 12.4 | 132,639 | 15.8 |
| 22 Middle | 18,334 | 48.0 | 3,076 | 52.9 | 137,963 | 47.0 | 436,930 | 52.1 |
| 23 Upper | 15,302 | 40.0 | 1,956 | 33.6 | 119,015 | 40.6 | 269,138 | 32.1 |
| 24 **Total** | **38,209** | **100.0** | **5,815** | **100.0** | **293,400** | **100.0** | **838,707** | **100.0** |
| *Location* | | | | | | | | |
| 25 Central city | 12,941 | 33.8 | 2,181 | 37.5 | 115,675 | 39.4 | 345,319 | 41.1 |
| 26 Non–central city | 25,314 | 66.2 | 3,641 | 62.5 | 177,954 | 60.6 | 494,282 | 58.9 |
| 27 **Total** | **38,255** | **100.0** | **5,822** | **100.0** | **293,629** | **100.0** | **839,601** | **100.0** |

NOTE. Includes securitized loans. See also notes to table 4.40.
Fannie Mae—Federal National Mortgage Association
Ginnie Mae—Government National Mortgage Association
Freddie Mac—Federal Home Loan Mortgage Corporation
FmHA—Farmers Home Administration
Affiliate—Affiliate of institution reporting the loan
SOURCE. FFIEC, Home Mortgage Disclosure Act

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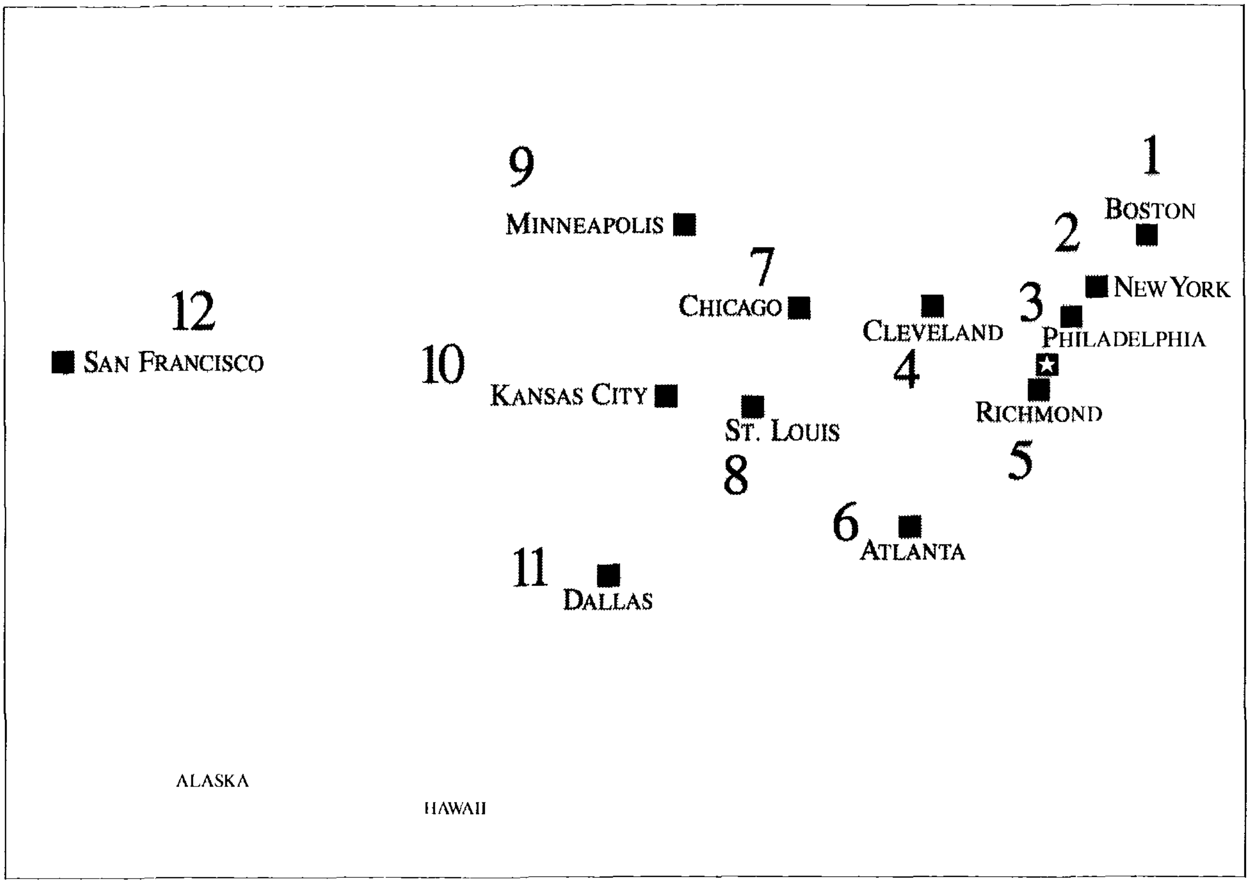



LEGEND

*Both pages*

- ■ Federal Reserve Bank city
- ◘ Board of Governors of the Federal Reserve System, Washington, D.C.

*Facing page*

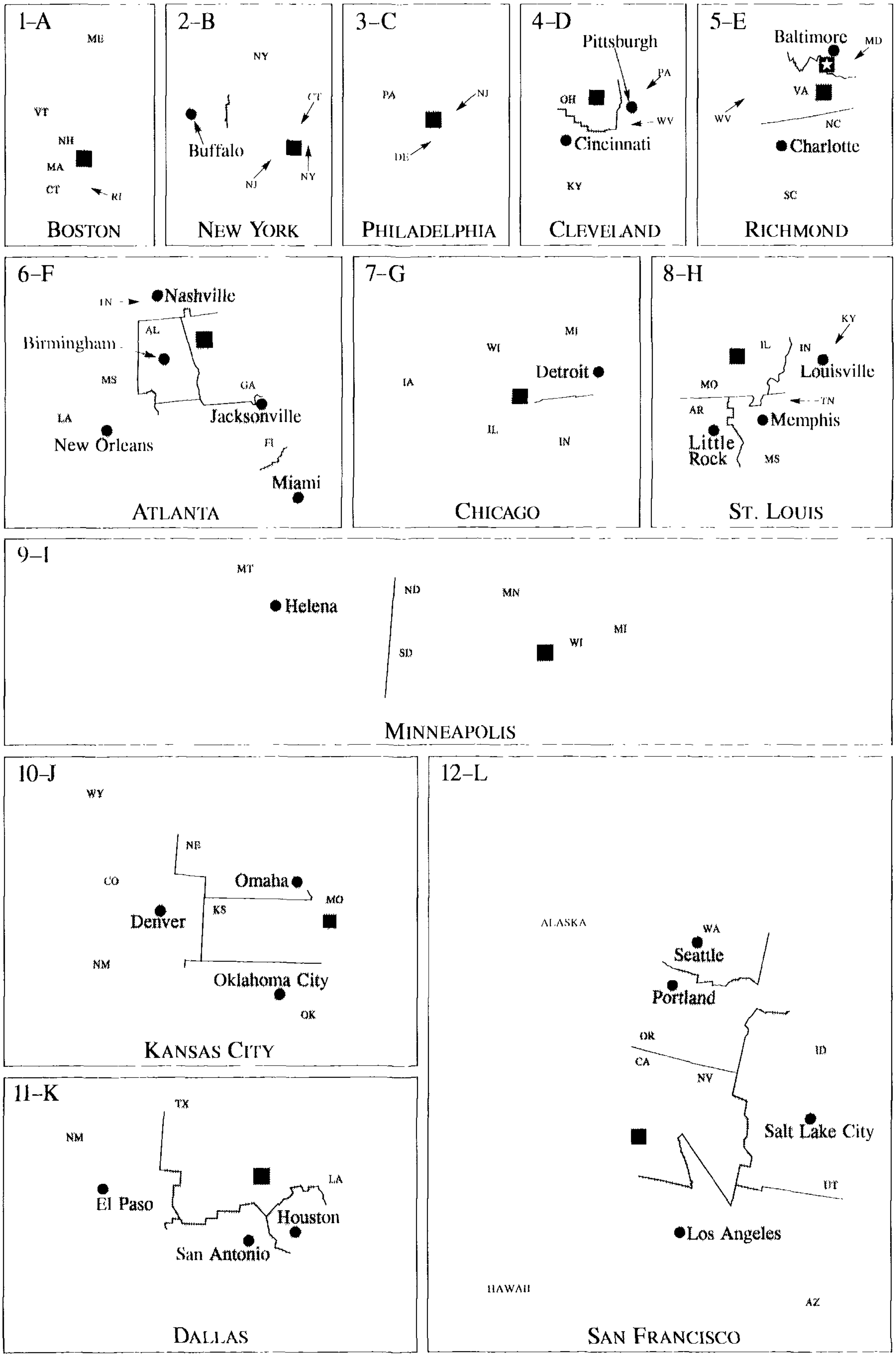
- • Federal Reserve Branch city
- — Branch boundary

NOTE

The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System most recently in December 1991.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6–F
IN
Nashville
AL
Birmingham
MS
GA
LA
Jacksonville
New Orleans
FL
Miami
ATLANTA
7–G
MI
WI
Detroit
IA
IL
IN
CHICAGO
8–H
KY
IL
IN
Louisville
MO
TN
AR
Memphis
Little Rock
MS
ST. LOUIS
9–I
MT
Helena
ND
MN
MI
SD
WI
MINNEAPOLIS
10–J
WY
NE
CO
Omaha
MO
Denver
KS
NM
Oklahoma City
OK
KANSAS CITY
11–K
TX
NM
LA
El Paso
Houston
San Antonio
DALLAS
12–L
ALASKA
WA
Seattle
Portland
OR
CA
NV
ID
Salt Lake City
UT
Los Angeles
HAWAII
AZ
SAN FRANCISCO

# Federal Reserve Banks, Branches, and Offices

| FEDERAL RESERVE BANK branch, or *facility* | Zip | Chairman / Deputy Chairman | President / First Vice President | Vice President in charge of branch |
|---|---|---|---|---|
| BOSTON* | 02106 | Jerome H. Grossman | Cathy E. Minehan | |
| | | William C. Brainard | Paul M. Connolly | |
| NEW YORK* | 10045 | John C. Whitehead | William J. McDonough | |
| | | Thomas W. Jones | Ernest T. Patrikis | |
| Buffalo | 14240 | Joseph J. Castiglia | | Carl W. Turnipseed[1] |
| PHILADELPHIA | 19105 | Donald J. Kennedy | Edward G. Boehne | |
| | | Joan Carter | William H. Stone, Jr. | |
| CLEVELAND* | 44101 | A. William Reynolds | Jerry L. Jordan | |
| | | G. Watts Humphrey, Jr. | Sandra Pianalto | |
| Cincinnati | 45201 | John N. Taylor, Jr. | | Charles A. Cerino[1] |
| Pittsburgh | 15230 | John T. Ryan III | | Harold J. Swart[1] |
| RICHMOND* | 23219 | Claudine B. Malone | J. Alfred Broaddus, Jr. | |
| | | Robert L. Strickland | Walter A. Varvel | |
| Baltimore | 21203 | Michael R. Watson | | William J. Tignanelli[1] |
| Charlotte | 28230 | James O. Roberson | | Dan M. Bechter[1] |
| Culpeper | 22701 | | | Julius Malinowski, Jr.[2] |
| ATLANTA | 30303 | Hugh M. Brown | Jack Guynn | |
| | | Daniel E. Sweat, Jr. | Patrick K. Barron | James M. Mckee[1] |
| Birmingham | 35283 | Donald E. Boomershine | | Fred R. Herr[1] |
| Jacksonville | 32231 | Joan D. Ruffier | | James D. Hawkins[1] |
| Miami | 33152 | R. Kirk Landon | | James T. Curry III |
| Nashville | 37203 | Paula Lovell | | Melvyn K. Purcell |
| New Orleans | 70161 | Lucimarian Roberts | | Robert J. Musso |
| CHICAGO* | 60690 | Robert M. Healey | Michael H. Moskow | |
| | | Lester H. McKeever, Jr. | William C. Conrad | |
| Detroit | 48231 | Florine Mark | | David R. Allardice[1] |
| ST. LOUIS | 63166 | John F. McDonnell | Thomas C. Melzer | |
| | | Susan S. Elliott | W. LeGrande Rives | |
| Little Rock | 72203 | Janet M. Jones | | Robert A. Hopkins |
| Louisville | 40232 | John A. Williams | | Thomas A. Boone |
| Memphis | 38101 | John V. Myers | | John P. Baumgartner |
| MINNEAPOLIS | 55480 | Jean D. Kinsey | Gary H. Stern | |
| | | David A. Koch | Colleen K. Strand | |
| Helena | 59601 | Lane W. Basso | | John D. Johnson |
| KANSAS CITY | 64198 | Herman Cain | Thomas M. Hoenig | |
| | | A. Drue Jennings | Richard K. Rasdall | |
| Denver | 80217 | Peter I. Wold | | Carl M. Gambs[1] |
| Oklahoma City | 73125 | Barry L. Eller | | Kelly J. Dubbert |
| Omaha | 68102 | LeRoy W. Thom | | Harold L. Shewmaker |
| DALLAS | 75201 | Cece Smith | Robert D. McTeer, Jr. | |
| | | Roger R. Hemminghaus | Helen E. Holcomb | |
| El Paso | 79999 | Patricia Z. Holland-Branch | | Sammie C. Clay |
| Houston | 77252 | Issac H Kempner III | | Robert Smith, III[1] |
| San Antonio | 78295 | Carol L. Thompson | | James L. Stull[1] |
| SAN FRANCISCO | 94120 | Judith M. Runstad | Robert T. Parry | |
| | | James A. Vohs | John F. Moore | |
| Los Angeles | 90051 | Anita E. Landecker | | Mark Mullinix[1] |
| Portland | 97208 | Ross R. Runkel | | Raymond H. Laurence[1] |
| Salt Lake City | 84125 | Gerald R. Sherratt | | Andrea P. Wolcott |
| Seattle | 98124 | George F. Russell, Jr. | | Gordon Werkema[3] |

*Additional offices of these Banks are located at Lewiston, Maine 04240; Windsor Locks, Connecticut 06096; East Rutherford, New Jersey 07016; Jericho, New York 11753; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; Milwaukee, Wisconsin 53202; and Peoria, Illinois 61607.

1. Senior Vice President.
2. Assistant Vice President.
3. Executive Vice President