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Bank Merger Policy and the New CRA Data

Anthony W. Cyrnak, of the Board's Division of Research and Statistics, prepared this article. Dennis W. Campbell provided research assistance.

One consequence of the current merger trend in the banking industry has been heightened interest in the analytical framework and data used by federal authorities to assess the competitive effects of bank mergers and bank holding company acquisitions (see box "Federal Antitrust Review of Bank Mergers"). Although the analytical methods used by the bank regulatory agencies and the Department of Justice are similar, some differences have emerged over time. Two issues related to these differences can now be examined using data collected for the first time as a result of 1995 changes in the regulations implementing the Community Reinvestment Act (CRA).

One of the issues is whether locally based commercial banks and savings institutions ("in-market" firms) face significant competition in small business lending from banks and savings institutions based outside local banking markets ("out-of-market" firms). This issue is important because, in the view of some banking industry observers, the presence and competitive influence of out-of-market firms in local banking markets warrant greater recognition by banking regulators and the Department of Justice. If the competitive role of out-of-market institutions were more fully recognized, they argue, more banking markets would be viewed as structurally competitive, and bank mergers within these markets would raise fewer antitrust concerns.[1] The new CRA data can shed some light on this issue by providing information about the number of, and lending activity of, out-of-market small business lenders in urban and rural banking markets.

The other issue is whether levels of concentration within U.S. banking markets differ significantly when measured by small business loan originations rather than by bank deposits. Legal precedent and economic theory have traditionally supported the use of total bank deposits as the basis on which to calculate market concentration. This practice has been reexamined in recent years, however, as industry observers have questioned whether competition in local banking markets might be better measured on the basis of some other variable, notably loans to small businesses.[2] Competition in small business lending, some have argued, is more local than is competition for deposits and better reflects the competitive realities of local banking markets.

1. To simplify discussion, the term *mergers* hereafter refers to both mergers of banks and acquisitions of banks by bank holding companies.

2. See, for example, "Are Deposits the Best Antitrust Measure?" *Bank Mergers & Acquisitions*, vol. 12 (December 1997), pp. 1–4.

Federal Antitrust Review of Bank Mergers

All proposed mergers of insured banks and proposed acquisitions by bank holding companies must be approved by a federal banking regulator. The review of the proposal is conducted by the regulatory agency that would be the primary regulator for the surviving banking institution. If the resulting institution would be a national bank, the Office of the Comptroller of the Currency reviews the proposal. If it would be a state-chartered bank that is not a member of the Federal Reserve System, the Federal Deposit Insurance Corporation reviews the proposal. And if the proposal involves an acquisition by a bank holding company or the resulting bank would be a state-chartered member of the Federal Reserve System, the Federal Reserve is the reviewer. The Department of Justice, which has general enforcement authority under federal antitrust laws, reviews proposed mergers and acquisitions approved by the banking regulators.

Proposals for banking consolidations are reviewed under two primary federal statutes, the Bank Merger Act of 1960 (as amended in 1966) and the Bank Holding Company Act of 1956 (as amended in 1970). The legal standards applied by the banking regulators under these statutes correspond to the standards set forth in the Sherman Antitrust Act of 1890 and the Clayton Act of 1914. Specifically, no bank merger or bank holding company acquisition may be approved if the effect of the merger or acquisition would be to create a monopoly (Sherman Act) or may substantially lessen competition or tend to create a monopoly in a particular market (Clayton Act). Importantly, the Clayton Act does not define the term "substantially." Court decisions, as well as the legislative history of this act, however, make it clear that the term must be examined in the context of each industry.

Concentration, the HHI, and the Department of Justice Merger Guidelines

Market concentration is an important factor in the competitive analyses of mergers and acquisitions conducted by federal bank regulatory agencies and the Department of Justice. Both theoretical models and empirical studies suggest that higher levels of market concentration are generally associated with less competition, higher prices, and greater profitability. These relationships are consistent with the "structure–conduct–performance" paradigm, which suggests that there is a causal relationship between the structure of a market (the number and size distribution of firms within a market and factors affecting the ability of new firms to enter that market), the behavior of firms within that market (competition, collusion, or other competitive strategies), and the performance of firms in that market (typically, profits, prices, or firm growth).

The Department of Justice has for many years published formal guidelines that identify structural changes resulting from mergers that are likely to cause the department to challenge a merger. Since 1982, the department has based its merger guidelines on the Herfindahl–Hirschman index of concentration (HHI). This measure, which is also used by the bank regulatory agencies, is calculated by squaring the market share of each firm competing in a defined geographic banking market and then summing the squares. The HHI can range from zero in a market having an infinite number of firms to 10,000 in a market having just one firm (with a 100 percent market share).[1]

The HHI is a static measure and, therefore, gauges market concentration at a single point in time. Algebraically, it can be depicted as

$$\mathrm{HHI} = \sum_{i=1}^{n} (MS_i)^2$$

where MS is the market share of the ith firm and n is the number of firms in the market.

The HHI is a particularly useful tool for bank merger analysis because it accounts for the presence of every competitor in a market and provides a measure of the structural effect of a merger of any firms in a market. In addition, the squaring of market shares gives greater weight to firms that have large market shares. This weighting of the largest competitors in a market is consistent with economic theories that predict weak competition in markets in which a few competitors hold a large combined market share.

A merger of two banking competitors will increase the HHI in their shared market. (Mathematically, the increase is equal to the product of the two firms' market shares times two.) The amount of the increase and the level to which the HHI would rise after the merger are key elements in the structural analysis of bank mergers. In the Department of Justice's guidelines, markets with an HHI of less than 1000 are considered "unconcentrated"; those with an HHI of 1000 to 1800 are "moderately concentrated"; and those with an HHI greater than 1800 are "highly concentrated."

The department's merger guidelines for nonbanking industries generally indicate that a merger that increases the HHI 50 points or less in a highly concentrated market is unlikely to have adverse competitive effects and ordinarily would not be challenged on antitrust grounds. The department's guidelines for the banking industry are more lenient, largely in recognition of the widespread presence of nonbanking providers of financial services. In particular, in 1985, the department stated that it would not ordinarily challenge a proposed bank merger unless the rise in the HHI would be more than 200 points in a highly concentrated market. This practice was subsequently adopted by the Federal Reserve System as part of its Rules Regarding Delegation of Authority, an administrative procedure that allows certain mergers to be approved directly by the Reserve Banks. (Proposed bank mergers that raise substantive issues must normally be acted upon by the Board of Governors following a formal review and voting process.)

Although these structural guidelines constitute a critical screening device for the Department of Justice and the banking regulators, the analysis of other economic factors is also an integral part of the assessment of the competitive effects of consolidation. These factors can include, for example, market economic conditions, trends in concentration, and the competitiveness of other banking and thrift institutions.

1. A more complete discussion of the HHI is presented in Stephen A. Rhoades, "The Herfindahl-Hirschman Index," *Federal Reserve Bulletin*, vol. 79 (March 1993), pp.188–89.

The measurement of market concentration plays a key role in the competitive analysis of proposed bank mergers (see box "Concentration, the HHI, and the Department of Justice Merger Guidelines"). Generally, banking regulators and the Department of Justice intensively review any proposed merger that would add significantly to and result in a high degree of market concentration. Importantly, concentration indexes can be calculated using various types of data depending on the type of product for which competition is being analyzed. The use of different data, moreover, is likely to result in different calculated levels of concentration. Thus, the choice of a product market and the type of data used to measure concentration could influence the regulatory outcome of a merger proposal.

The new CRA data make it possible to consider this second issue by examining the level of concentration within U.S. banking markets using a base other than bank deposits, namely small business loan originations. The results of this examination may suggest whether, on average, antitrust standards are likely to be more or less difficult to meet when concentration measures are based on small business loans rather than on deposits.

OVERVIEW OF BANKING ANTITRUST POLICY

Antitrust policy in the United States generally recognizes that competition results in lower prices and better service for consumers. Thus, a primary goal of banking antitrust policy is to prevent the creation of, or an increase in, market power such that a firm could impose above-competitive prices and earn excess profits at the expense of consumers.

Mergers in the banking industry are subject to the same antitrust standards as are mergers in other industries. This principle was made clear by the U.S. Supreme Court in its 1963 decision involving the proposed merger of two competing Philadelphia banking institutions.[3] In that case (*Philadelphia National Bank*) the Court made three findings that have become fundamental tenets of banking antitrust policy in the United States. First, antitrust laws apply to banking mergers, and the legal standards for judging mergers in the banking industry are the same as those embodied in the Sherman Antitrust Act of 1890 and the Clayton Act of 1914. Second, commercial banking is a distinct line of commerce in which banks provide a unique "cluster" of products and services not provided by any other type of financial institution.[4] Third, commercial banks compete in local markets, primarily because of their need to provide convenient service to their customers.

In reaching its decision, the Supreme Court validated the "structural" approach to analyzing the competitive effects of bank mergers. In this approach, the likely competitive effect of a proposed bank merger is presumed to be indicated by the merger's effect on such structural variables as market concentration, market shares, and the number of competitors in the banking market.[5] The structural approach requires that both a product market and a geographic market be defined in order to determine whether the merging banks provide substitutable products to essentially the same group of customers. If they do, it can be assumed that they operate within the same product and geographic markets and that their merger would lessen competition.

For such mergers, regulators must then determine whether the loss of competition may be substantial. Generally, the expected loss of competition is assumed to be serious if the market share of the surviving bank would increase significantly, to a high level, and if the merger would increase market concentration substantially, to a high level. In such a case, banking regulators would be unlikely to approve the merger unless significant mitigating factors were present. Even if such a merger were approved by a bank regulatory agency, it could be challenged by the Department of Justice. To minimize regulatory uncertainty and to provide a more consistent interpretation of merger-induced structural changes within banking markets, the Department of Justice has for many years published formal guidelines that indicate which mergers are likely to exceed its antitrust standards. To a large extent, the banking regulators have adopted these standards as part of their merger analyses.

A significant aspect of *Philadelphia National Bank* was that it established legal precedents for defining a single product market (the "cluster" of products and services) and for defining geographic banking markets as being local in extent. Since 1963, these definitions have been used widely and have been supported by both agency and court decisions.[6] However, the definitions have been controversial, particularly in recent years as the number of nonbank firms that provide bank-like financial products on a nationwide basis has increased. Some observers believe that the relevant product market in banking is no longer a single cluster of products and services provided only by commercial banks. Nor do they believe that geographic banking markets are local in extent. Rather, they argue, banks provide multiple and largely discrete financial products in broad geographic markets that in some instances are national in extent. Not surprisingly, some of these observers believe that a banking antitrust policy based on the cluster product market and local geographic markets is no longer relevant and does not reflect competitive realities. Above all, they argue, current policy may be unduly restrictive.

3. *United States* v. *Philadelphia National Bank*, 374 U.S. 321 (1963).

4. The Court noted that, among other products and services, demand deposits, trust administration, and various types of credit such as commercial lending are uniquely supplied by commercial banks and constitute key elements of the banking cluster.

5. Other approaches to merger analysis may emphasize the likely effects on the behavior of the merger participants and may examine business strategy, activity, and pricing as guides to assessing competition.

6. See, for example, *United States* v. *Marine Bancorporation*, 418 U.S. 602 (1974); and *United States* v. *Central State Bank*, 621 F. Supp. 1276, 1292 (W.D. Mich., 1985), Aff'd 817 F.2d, 22 (6th Cir., 1987).

DIFFERENCES IN MERGER ANALYSIS

Federal banking regulators and the Department of Justice commonly take the structural approach in assessing the competitive effects of proposed bank mergers, and their methods of analysis are generally similar. Some differences exist, however. One important example is that the Federal Reserve continues to define the product market as the "cluster" of products and services described in *Philadelphia National Bank*, whereas the Department of Justice typically disaggregates the product market into two or more customer classes—usually banking services for consumers and banking services for small businesses (mainly lending).

The separation of customer classes typically results in some differences in the way proposed mergers are analyzed. Among the aspects of merger analysis that may be affected are the definition of geographic markets, the competitive role accorded thrift institutions and nonbanking firms, and divestiture policy. Perhaps most important, the separation of customer classes affects the choice of data with which to calculate concentration, a key variable in bank merger analysis. In particular, whereas the Federal Reserve relies on commercial bank and thrift deposits as the measure of the cluster of products and services, the Justice Department may use business lending and services, or it may use commercial bank deposits only.

These differences in analytical methods stem largely from differing assumptions about bank behavior, consumer preferences, and the competitiveness of banking markets. The use of deposits as a proxy for a bank's ability to provide the cluster of products and services to customers embodies two key assumptions. One assumption is that the product mix of a bank is a matter of managerial prerogative, and that this mix, which includes business loans, can be changed easily. The other is that all banks within a geographic banking market influence the pricing of products, even if they do not offer an identical range of products and services.

The practice of disaggregating the product market rests largely on the assumption that retail banking services and business banking services (and possibly others) are distinct products that face different supply and demand conditions. For example, competition to provide the financial services used by small businesses (primarily small business lending) is often regarded as weaker and more locally limited than competition to provide the retail services used by households. Thus, mergers that affect competition within the business customer class may require closer antitrust scrutiny.

THE CRA DATA

The data on small business loans used in this analysis came primarily from depository institutions reporting under the Community Reinvestment Act—independent commercial banks and savings institutions (savings banks and savings and loan associations) with total assets of $250 million or more and institutions of any size if owned by a holding company with total assets of $1 billion or more.[7] The CRA data cover the 1996 originations of small business loans by 1,871 institutions—1,460 commercial banks and 411 savings institutions.[8] These institutions ("CRA reporters"), which constitute 16 percent of all U.S. commercial banks and savings institutions, reported having originated 2.4 million small business loans in 1996 totaling $145 billion. These loans accounted for about two-thirds of the total dollar volume of small business loans made by all depository institutions in the United States in that year.

Included among the CRA reporters are banks whose primary activity is credit card lending. Twelve credit card banks reported having originated credit card small business loans in 1996.[9] These institutions, though small in number, can have a large effect on analytical results, particularly in urban markets. Overall, they accounted for 30 percent of all small business loans reported under the CRA, though only 2.9 percent of the dollar volume of such loans.

The CRA loan data are geocoded, that is, reported by geographic location of the borrower (census tract or block number area), making it possible to aggre-

7. Some loan data came from other sources; see footnote 11.

For additional information on the new CRA data, see Raphael W. Bostic and Glenn B. Canner, "New Information on Lending to Small Businesses and Small Farms: The 1996 CRA Data," *Federal Reserve Bulletin*, vol. 84 (January 1998), pp. 1-21.

8. Small business loans are defined as commercial and industrial loans having an original amount of $1 million or less. This definition of a small business loan for CRA purposes is the same as that used for the Report of Condition and Income (Call Report), the quarterly report submitted by banks to their primary regulator and the FDIC, and for the Thrift Financial Report, the quarterly report submitted by savings and loan associations to the Office of Thrift Supervision. By focusing on loan amount, the term refers to a small loan made to a business of any size; such a loan may or may not be a loan to a small business. See box "When Is a Small Business Loan Not a Loan to a Small Business?"

9. The CRA regulations direct institutions that issue credit cards to the employees of small businesses to report all of the credit card lines opened on a particular day as a single business loan, with the "amount of the loan" equivalent to the sum of the available credit lines of those credit card accounts opened on that day.

When Is a Small Business Loan Not a Loan to a Small Business?

"Small business loans" are often not loans to small businesses but, rather, small loans to businesses that are quite large. This distinction can be important to policymakers seeking to preserve or create credit opportunities for small firms.

For this article, small business loans are defined as they are for reporting by lenders under the Community Reinvestment Act (CRA reporters)—commercial and industrial loans of $1 million or less extended to businesses of any size. However, because CRA reporters must indicate separately the number and dollar volume of small business loans made to firms having annual revenues of $1 million or less, the data can be used to determine the proportion of small business loans made to small businesses (when a small business is defined as one having annual revenues of $1 million or less).[1]

In urban markets, 54.4 percent of small business loans originated in 1996 by CRA reporters were made to "small" firms. In-market CRA reporters made 60 percent of their small business loans to small firms, compared with only 47 percent for out-of-market CRA lenders. Thus, it appears that out-of-market lenders make a greater proportion of their small business loans to "large" firms (those having annual revenues of more than $1 million). One possible explanation for this finding is that firms eventually outgrow their local banking institutions and need to go out of market to obtain financing, particularly when they are in small markets. For CRA reporters as a group, the proportion of small business loans extended to firms having annual revenues of $1 million or less increases as market population decreases. This inverse relationship probably reflects the relative scarcity of large businesses in smaller markets.

Similar results were found for rural markets; however, the proportion of small business loans made to small firms across rural markets of all sizes was somewhat higher. In rural markets, CRA reporters made 68 percent of their small business loans to firms having annual revenues of $1 million or less. As with urban markets, in-market reporters made a higher proportion of their small business loans to smaller firms (78 percent) than did out-of-market CRA reporters (45 percent). Also as with urban markets, the data generally show an inverse relationship between market population and the proportion of small business loans extended to small firms.

1. There is no commonly accepted criterion defining a "small business." The 1993 National Survey of Small Business Finances (sponsored by the Federal Reserve Board and the U.S. Small Business Administration), which defines small businesses as those having fewer than 500 employees, notes that about 84 percent of all small businesses have annual revenues of less than $1 million. For a discussion of that survey, see Rebel A Cole, John D. Wolken, and R. Louise Woodburn, "Bank and Nonbank Competition for Small Business Credit: Evidence from the 1987 and 1993 National Surveys of Small Business Finances," *Federal Reserve Bulletin*, vol. 82 (November 1996), pp. 983–95.

gate lending data for in-market and out-of-market CRA reporters by geographic market.[10]

SMALL BUSINESS LENDING ACTIVITY

The CRA data for urban and rural markets were analyzed separately because such markets generally have different economic characteristics, structures, and degrees of competition.

Urban Markets

Much of the merger activity in recent years has been in large metropolitan banking markets. Proponents of mergers often argue that out-of-market lenders are an important source of small business credit in these large markets but that their influence on competition is largely overlooked. To assess the competitive importance of out-of-market lenders in these markets, the data were aggregated across metropolitan statistical areas (MSAs)—the 313 urban population centers in the United States that are frequently used in economic research and merger analysis as approximations for urban geographic banking markets.

Presence of Small Business CRA Lenders

Every MSA has at least one in-market institution reporting small business lending (CRA reporter), and these reporters constitute a sizable proportion of the total number of institutions within these markets (table 1).[11] Perhaps more important, the average number of out-of-market reporters in MSAs of all sizes is quite large relative to the number of all in-market institutions. In fact, for all but the largest MSA size category, the number of out-of-market CRA reporters exceeds the number of in-market firms. This is a potentially important finding because it supports the claims of some merger advocates that, on average, a relatively large number of out-of-market banks and

10. In addition, CRA reporters must indicate the number and dollar volume of their small business loans by size class ($100,000 or less, $100,001–$250,000, or $250,001–$1 million) and the number and dollar volume of loans to firms having annual revenues of $1 million or less.

11. Data for institutions not reporting small business loans under the Community Reinvestment Act ("nonreporters") were taken from or derived from the Call Report, the Thrift Financial Report, and the Summary of Deposits report (which is submitted both by banks and by savings and loan associations to their primary regulator and the FDIC). Population data used to categorize both urban and rural markets by size were derived from 1994 regional economic accounts, Bureau of Economic Analysis, U.S. Department of Commerce.

1. Average number of selected types of lending institutions per urban market, by type of institution and size of market, 1996

Type of lending institution	Market population (thousands)					All urban markets
	More than 5,000	1,000–5,000	500–999	250–499	Less than 250	
All in-market institutions	203	60	28	19	13	27
In-market CRA reporters	58	18	11	9	6	10
Out-of-market CRA reporters	105	65	39	27	19	32
Excluding credit card banks	103	63	37	25	17	30
MEMO						
Ratio of in-market CRA reporters to all in-market institutions	.29	.30	.39	.47	.46	.37
Ratio of out-of-market CRA reporters to all in-market institutions	.52	1.08	1.39	1.42	1.46	1.19
Ratio of out-of-market CRA reporters to all institutions[1]	.34	.52	.58	.59	.59	.54
Number of markets	4	51	42	70	146	313

NOTE. Urban markets are metropolitan statistical areas as defined by the U.S. Department of Commerce. All markets have at least one in-market CRA reporter.

1. Denominator is all in-market institutions plus out-of-market CRA reporters.

savings institutions make small business loans in urban markets.

Of course, the mere presence of out-of-market small business lenders—even in large relative numbers—does not necessarily demonstrate that such firms are an important competitive force within urban markets. They may have a relatively small presence in terms of number or dollar volume of small business loans originated.

Number of Loans

Although in-market CRA reporters typically constitute less than half of all in-market firms (table 1, first memo item), these reporters, in each MSA size category, account for about two-thirds of the estimated number of small business loans made by all in-market firms (table 2).[12] The dominance of in-market CRA reporters is not particularly surprising: Because of the asset-size criteria for reporting under the CRA, reporters tend to be the larger firms within banking markets—and in many markets these institutions are the most active small business lenders.

A more important observation is that the average number of small business loans originated by out-of-market reporters is, for each MSA size category, considerably smaller than the average number of small business loans originated by in-market firms. This result is noteworthy because out-of-market lenders outnumber in-market lenders in all but one MSA size category (table 1). Thus, out-of-market CRA lenders account for a considerably smaller number of loans than might be suggested by their presence relative to in-market firms.

Interestingly, not only is the share of small business loans originated by out-of-market reporters considerably less than that originated by in-market firms (in terms of number made), but this market share decreases steadily as the population of the MSA decreases. The data show, therefore, that as urban markets decrease in population, so does the importance of out-of-market lenders, as measured by their share of the small business loans originated. As will be seen later, this relationship also exists for rural markets of different sizes.

The direct relationship between market population and the market share of out-of-market firms has several possible explanations. One is that out-of-market lenders simply view smaller markets as being potentially less profitable and, therefore, expend relatively less effort on developing a lending business in such markets. Another is that businesses in small markets have strong and long-standing ties to local lenders that are not easily competed away by out-of-market firms. A number of observers have noted that the credit conditions faced by a small business are likely to be influenced by the nature of the borrower–lender relationship. In particular, when credit relationships are of long standing, lenders are likely to have better information about borrowers, and this knowledge may result in more favorable terms on business loans. Thus, a small business borrower probably has an incentive (in addition to convenience) to develop and maintain a close relationship with a lender that is based in its banking market.[13]

12. Small business loan originations by each in-market nonreporter were estimated by (1) multiplying the ratio of its small business loans outstanding to its deposits by its local, in-market deposits and then (2) multiplying that product by 60 percent, the approximate ratio of small business loan originations to small business loans outstanding for all CRA reporters.

13. This issue was recently discussed in Katherine Samolyk, "Small Business Credit Markets: Why Do We Know So Little about Them?" *FDIC Banking Review*, vol. 10, no. 2 (1997), pp. 14–32.

2. Average number of small business loans originated per urban market, by type of lending institution and size of market, 1996

Type of lending institution	Market population (thousands)					All urban markets
	More than 5,000	1,000–5,000	500–999	250–499	Less than 250	
All in-market institutions[1]	44,291	14,409	5,601	3,338	1,775	5,239
In-market CRA reporters	29,443	9,646	4,106	2,340	1,140	3,554
Out-of-market CRA reporters	29,579	7,370	2,297	1,039	466	2,337
Excluding credit card banks	4,728	1,321	504	244	121	454
MEMO						
Ratio of loans by in-market CRA reporters to loans by all in-market institutions	.66	.67	.73	.70	.64	.68
Ratio of loans by out-of-market CRA reporters to loans by all in-market institutions	.67	.51	.41	.31	.26	.45
Ratio of loans by out-of-market CRA reporters to loans by all institutions[2]	.40	.34	.29	.24	.21	.31
Excluding credit card banks	.10	.08	.08	.07	.06	.08

NOTE. See general note to table 1.

1. Covers loans reported by CRA reporters and estimated loans by nonreporters.

2. Denominator is loans made by all in-market institutions plus loans made by out-of-market CRA reporters.

When the small business loan originations of credit card banks are deducted from the out-of-market totals, the number of loans made by out-of-market CRA lenders falls sharply (table 2). For example, in the largest MSAs, the average number of small business loans by out-of-market firms drops from 29,579 to only 4,728. All other MSA size categories exhibit similar proportional declines.

The effect of these declines, not surprisingly, is to substantially reduce the market shares held by out-of-market CRA reporters. For example, for the largest MSAs, the share of small business loans originated by out-of-market firms declines from 40 percent to just 10 percent when credit card banks are excluded. Similar sharp declines occur for all other MSA size categories. For all MSAs combined, the share declines from 31 percent to just 8 percent.

The competitive significance of credit card banks is not clear. The new CRA data do indicate that they account, on average, for a significant proportion of small business loans within urban markets. However, whether a credit card small business loan is the functional and competitive equivalent of other small business loans is arguable. Certainly, national surveys of small business lending have demonstrated that many small businesses regularly use credit cards as a source of credit. However, several factors suggest that credit card loans may differ from other small business loans. For example, the average credit card loan is considerably smaller, and the credit standards associated with credit card loans may not be as stringent as those for conventional small business loans.

Dollar Volume of Loans

The average dollar volume of small business loan originations within MSAs declines as MSA population decreases (table 3). This pattern reflects the lower absolute level of aggregate loan demand typically associated with smaller banking markets.

A large proportion of the dollar volume of small business lending by in-market firms is accounted for by in-market CRA reporters (first memo item). This finding is noteworthy because it suggests that the small business lending activity of all banks and savings associations based within urban markets can be approximated rather closely by using only data from CRA reporters. For example, for all MSAs combined, in-market CRA reporters accounted for 88 percent of the average dollar volume of all small business loans originated by in-market lenders (though they originated only 68 percent of the number of such loans across all MSAs).

Perhaps the most important observation from the data in table 3 is that out-of-market CRA reporters account, on average, for a relatively small proportion of the dollar volume of small business lending in urban markets (third memo item). This finding is somewhat surprising, given that out-of-market CRA reporters generally outnumber in-market firms in urban markets and account for a sizable proportion of small business loans in these markets by number.

Across all MSAs, the average volume of small business lending by all in-market firms in 1996 was $388.5 million, compared with only $32.8 million for out-of-market CRA reporters. Thus, out-of-market CRA reporters accounted, on average, for only 8 percent of the average dollar volume of small business loan originations across all MSAs (third memo item). This small market share in terms of dollar volume contrasts sharply with the share held by out-of-market CRA reporters in terms of number of loans (31 percent, table 2) and their relative presence in urban markets (54 percent of lenders are out-of-market CRA reporters, table 1). Similarly small dollar shares are found for each MSA size category.

3. Average dollar volume of small business loans originated per urban market, by type of lending institution and size of market, 1996

Millions of dollars

Type of lending institution	Market population (thousands)					All urban markets
	More than 5,000	1,000–5,000	500–999	250–499	Less than 250	
All in-market institutions[1]	3,973.8	1,119.5	415.7	224.2	105.6	388.5
In-market CRA reporters	3,424.2	985.1	378.0	201.4	90.6	342.4
Out-of-market CRA reporters	351.1	97.3	35.3	16.5	8.6	32.8
Excluding credit card banks	214.9	65.9	26.1	12.5	7.0	23.0
MEMO						
Ratio of volume by in-market CRA reporters to volume by all in-market institutions	.86	.88	.91	.90	.86	.88
Ratio of volume by out-of-market CRA reporters to volume by all in-market institutions	.09	.09	.08	.07	.08	.08
Ratio of volume by out-of-market CRA reporters to volume by all institutions[2]	.08	.08	.08	.07	.08	.08
Excluding credit card banks	.05	.06	.06	.05	.06	.06

NOTE. See general note to table 1.

1. Covers loans reported by CRA reporters and estimated loans by nonreporters.

2. Denominator is volume of loans made by all in-market institutions plus volume made by out-of-market CRA reporters.

The results for urban markets appear to provide important evidence regarding the competitive role of out-of-market firms in such markets. Specifically, the 1996 CRA data show that out-of-market lenders are, on average, both numerous and active small business lenders compared with in-market firms. However, these lenders account, on average, for only a small proportion (typically 7 percent or 8 percent) of the dollar volume of small business lending in MSAs of various sizes. Moreover, when credit card banks are excluded, the share of originations by out-of-market CRA reporters, in terms of dollar volume, is even less (typically 5 percent or 6 percent).

Rural Markets

Proposals for bank mergers in rural markets often raise particularly serious antitrust issues. Typically, rural markets are more highly concentrated than urban markets and have relatively few competitors. Many rural markets are not attractive for new entry because of their small population and modest economic prospects. Thus, any adverse competitive effects resulting from a bank merger are likely to persist. As in urban markets, however, parties to proposed bank mergers frequently argue that competition in rural markets is understated because the regulatory agencies and the Department of Justice in their analyses do not take into account the competitive influence of out-of-market banks and savings institutions.

The data considered here provide some evidence relevant to this argument. In general, they are consistent with the data for urban markets in that out-of-market CRA reporters, on average, outnumber in-market firms. In rural markets, however, out-of-market CRA reporters account for a smaller proportion of small business loan originations by number of loans, and a somewhat higher proportion by dollar volume of loans. The higher proportion of dollar lending suggests that out-of-market lenders are a relatively more important source of competition for small business lending in rural markets than in urban markets.

Presence of Small Business CRA Lenders

The majority of rural markets (non-MSA counties that have at least one banking or savings institution) are quite small and have a population of less than 25,000 (table 4). A large proportion of these markets (68 percent) have at least one in-market CRA reporter.

Rural markets, on average, have six in-market banking and savings institutions, and two of the six are CRA reporters. Not surprisingly, the number of both in-market institutions and in-market CRA reporters declines with market population.

The average number of out-of-market CRA reporters in rural markets (as in urban markets) is larger than the average number of in-market institutions; for example, for all rural markets, the average ratio of out-of-market CRA reporters to all in-market firms is 1.67. Moreover, the ratio of out-of-market reporters to in-market firms is inversely related to market size. This relationship, which also characterizes urban markets, indicates that out-of-market competitors have a relatively greater presence in smaller markets than in larger markets.

4. Average number of selected types of lending institutions per rural market, by type of institution and size of market, 1996

Type of lending institution	Market population (thousands)				All rural markets
	More than 100	50–100	25–49	Less than 25	
In-market institutions	12	9	7	4	6
In-market CRA reporters	6	4	3	2	2
Out-of-market CRA reporters	18	14	12	8	10
Excluding credit card banks	16	12	10	7	8
MEMO					
Ratio of in-market CRA reporters to all in-market institutions	.50	.44	.43	.50	.33
Ratio of out-of-market CRA reporters to all in-market institutions	1.50	1.56	1.71	2.00	1.67
Ratio of out-of-market CRA reporters to all institutions [1]	.60	.61	.63	.67	.63
Number of markets	26	199	485	1,561	2,271
Number of markets with an in-market CRA reporter	26	195	450	881	1,552

NOTE. Rural markets are non-MSA counties that have at least one banking or savings institution. Data are for rural markets that have at least one CRA reporter.

1. Denominator is all in-market institutions plus out-of-market CRA reporters.

Number of Loans

The relative number of small business loans made by in-market and out-of-market lenders is a potentially important gauge for determining the level of competition in a banking market. For rural markets, as for urban markets, the number of small business loans originated in 1996 diminished with market population (table 5). This pattern most likely reflects the lower loan demand associated with smaller markets and fewer business borrowers of all sizes.

The proportion of in-market loans originated by in-market CRA lenders declines as market population decreases (first memo item). For example, the proportion of in-market loans made by in-market CRA lenders is 0.65 for the largest rural markets, compared with 0.44 for the smallest rural markets. For all rural markets, the ratio is 0.51, somewhat smaller than the 0.68 ratio for urban markets (table 2).

The share of small business loans made by out-of-market CRA reporters generally declines as market population decreases (table 5, third memo item). This finding is somewhat surprising, given that the number of such firms relative to the total number of in-market institutions increases as market population decreases (table 4, second memo item). This relationship, which also exists for urban markets, may reflect a preference by small firms in small, more concentrated markets to borrow from local institutions.

Dollar Volume of Loans

As in urban markets, in-market CRA reporters account for most of the dollar volume of small business lending by in-market institutions in rural markets, averaging 74 percent across all rural markets (table 6). However, the relative volume of lending by

5. Average number of small business loans originated per rural market, by type of lending institution and size of market, 1996

Type of lending institution	Market population (thousands)				All rural markets
	More than 100	50–100	25–49	Less than 25	
All in-market institutions [1]	961	870	507	213	398
In-market CRA reporters	625	514	236	94	201
Out-of-market CRA reporters	366	185	92	40	80
Excluding credit card banks	106	64	44	22	36
MEMO					
Ratio of loans by in-market CRA reporters to loans by all in-market institutions	.65	.59	.47	.44	.51
Ratio of loans by out-of-market CRA reporters to loans by all in-market institutions	.38	.21	.18	.19	.20
Ratio of loans by out-of-market CRA reporters to loans by all institutions [2]	.28	.18	.15	.16	.17
Excluding credit card banks	.10	.07	.08	.09	.08

NOTE. See general note to table 4.

1. Covers loans reported by CRA reporters and estimated loans by nonreporters.

2. Denominator is loans made by all in-market institutions plus loans made by out-of-market CRA reporters.

6. Average dollar volume of small business loans originated per rural market, by type of lending institution and size of market, 1996

Millions of dollars

Type of lending institution	Market population (thousands)				All rural markets
	More than 100	50–100	25–49	Less than 25	
All in-market institutions[1]	53.8	43.7	18.5	6.3	15.6
In-market CRA reporters	46.8	35.5	13.0	4.0	11.5
Out-of-market CRA reporters	7.7	4.9	3.1	1.5	2.5
Excluding credit card banks	6.3	4.3	2.9	1.4	2.3
MEMO					
Ratio of volume by in-market CRA reporters to volume by all in-market institutions	.87	.81	.70	.63	.74
Ratio of volume by out-of-market CRA reporters to volume by all in-market institutions	.14	.11	.17	.24	.16
Ratio of volume by out-of-market CRA reporters to volume by all institutions[2]	.13	.10	.14	.19	.14
Excluding credit card banks	.10	.09	.14	.18	.13

NOTE. See general note to table 4.

1. Covers loans reported by CRA reporters and estimated loans by nonreporters.

2. Denominator is volume of loans made by all in-market institutions plus volume made by out-of-market CRA reporters.

out-of-market CRA reporters is somewhat larger in rural markets than in urban markets. Out-of-market CRA reporters account, overall, for 14 percent of the average dollar volume of small business lending in rural markets (third memo item), compared with 8 percent in urban markets (table 3). In the smallest rural markets, out-of-market CRA reporters account for an average of 19 percent of the volume of small business loans.

Importance of Out-of-Market CRA Lenders

An overall judgment as to whether out-of-market CRA lenders are an important competitive force within local banking markets (that is, are able to affect prices and services) is difficult to make and is a matter for additional research. The data indicate that in both urban and rural markets, the average number of out-of-market CRA reporters, relative to the average number of in-market institutions, is not trivial. In urban markets, out-of-market CRA lenders constitute 54 percent of all institutions that extend small business loans, in rural markets, 63 percent. Out-of-market CRA lenders also account for a sizable proportion of small business loans, by number, in local banking markets—an average of 31 percent in urban markets and 17 percent in rural markets—though these percentages fall sharply when credit card banks are excluded.

Out-of-market reporters seem to be less significant when small business lending is measured by dollar volume. In urban markets, they account for only 8 percent of small business loan volume, including loans by credit card banks; in rural markets, they appear to be more important, accounting, on average, for about 14 percent of small business lending volume.

Small Business Loan Concentration

Indexes of concentration, as noted earlier, are a key component of the competitive analyses of bank mergers conducted by the bank regulatory agencies and the Department of Justice (see box on concentration and the Herfindahl–Hirschman index). The new CRA data enable the construction of concentration indexes based on small business loan originations and the comparison of these indexes with more traditional indexes based on bank deposits. An analysis of these concentration measures provides evidence that is relevant to the competitive analysis of bank mergers.

Urban Markets

HHIs for urban markets were calculated in four ways. Two of the measures were based on deposits, and two were based on small business loan originations. One of the deposits-based HHIs was calculated using the deposits of commercial banking institutions only—the measure often used by the Department of Justice to approximate concentration in small business loan markets. The other deposits-based measure, "standard deposits," was calculated using commercial bank deposits plus 50 percent of thrift institution (savings association) deposits—the measure typically used by the Federal Reserve. A portion of thrift institution deposits are included in the latter measure because these institutions generally provide competition for a portion of the "cluster" of banking products, namely banking services for households; in many cases they provide little or no competition for small business services.

One of the loan-based HHIs was calculated using the dollar volume of loans originated by only in-market institutions, including CRA reporters and nonreporters. The other was calculated using the dollar volume of loans originated by in-market institutions plus out-of-market CRA reporters. A comparison of the two indexes provides a measure of the average effect of out-of-market lenders on small business loan concentration.

In all but one instance, concentration rises as urban market population declines (table 7). This is a common finding and reflects the tendency of smaller markets to have fewer banking firms, each holding a relatively large individual market share. And, as discussed in the box on concentration and the HHI, the mathematical properties of the HHI are such that large individual market shares have the effect of rapidly increasing the level of the HHI.

The inclusion of thrift deposits causes the average HHI to decline substantially from the level of the banks-only HHI. For example, for all urban markets, the average banks-only HHI is 1991 and the average standard-deposits HHI is 1639.

The disparity between the average banks-only and standard-deposits HHIs across all urban markets calls attention to the analytical differences between the Department of Justice and the Federal Reserve System. The Department of Justice has often used the banks-only HHI as a proxy for small business loan competition but has only occasionally included thrift institutions in its HHI calculations. The Federal Reserve, in contrast, typically includes 50 percent of thrift deposits in its calculations of concentration. Thus, for any bank merger proposal, these two antitrust authorities can have different initial perceptions of market concentration.

The data also show that the loan-based HHIs are smaller than the deposits-based HHIs for the largest urban markets but increase rapidly as population decreases and exceed the deposits-based HHIs for the smaller urban markets. Significantly, the inclusion of originations by out-of-market CRA reporters has a pronounced effect in lowering the level of loan concentration for urban markets. For all urban markets, for instance, the average loan-based HHI falls from 2130 to 1816 when out-of-market lenders are included. This finding further supports the notion that out-of-market lenders may influence concentration and competition in urban banking markets. Their importance in reducing loan concentration, moreover, appears to increase as market population decreases. Comparable declines occur for all but the largest size category of urban markets.

Rural Markets

Because very high HHI values are typical for markets with fewer than four competitors, the HHIs for rural markets were calculated in two ways—for markets with one or more institutions and for those with four or more institutions (table 8). The findings are similar to those for urban markets: Higher levels of the HHI, both deposits-based and loan-based, are associated with progressively smaller markets; the effect of including out-of-market CRA lenders in the loan-based HHIs is pronounced; and as the population of the market decreases, the deconcentrating effect of out-of-market lenders appears to increase.

Effects of Data Choice on Measures of Market Concentration

In general, the proportion of urban markets that are highly concentrated (HHI above 1800) or very highly

7. Average HHI in urban markets, by basis for calculation and size of market, 1996

Basis for calculating HHI	Market population (thousands)					All urban markets
	More than 5,000	1,000–5,000	500–999	250–499	Less than 250	
Dollar volume of deposits						
Banks-only total deposits	1505	1812	1885	1829	2170	1991
Standard deposits[1]	1009	1360	1528	1560	1815	1639
Dollar volume of loans						
Small business loan originations by all in-market institutions[2]	678	1364	1707	2006	2617	2130
Small business loan originations by all institutions[3]	576	1160	1443	1743	2220	1816

1. Commercial bank deposits plus 50 percent of thrift institution deposits.
2. Covers loans reported by CRA reporters and estimated loans by nonreporters.
3. Covers loans made by all in-market institutions and by out-of-market CRA reporters.

8. Average HHI in rural markets, by basis for calculation, number of institutions in market, and size of market, 1996

Basis for calculating HHI and number of institutions in market	Market population (thousands)				All rural markets
	More than 100	50–100	25–49	Less than 25	
Dollar volume of deposits					
Banks-only total deposits					
One or more institutions	2681	2556	2888	4784	4145
Four or more institutions	2660	2530	2810	3172	2955
Standard deposits					
One or more institutions	1968	2146	2532	4526	3844
Four or more institutions	1964	2113	2452	2867	2611
Dollar volume of loans					
Small business loan originations by all in-market institutions					
One or more institutions	2580	3269	4425	6768	5812
Four or more institutions	2580	3245	4306	5563	4756
Small business loan originations by all institutions					
One or more institutions	2059	2581	3109	4453	3955
Four or more institutions	2059	2575	3023	3734	3305

NOTE. See notes to table 7.

concentrated (HHI above 2200) can vary considerably depending on the choice of data used in the HHI calculation (table 9). In rural markets, however, the choice of data matters much less because the vast majority of rural markets are highly concentrated regardless of which of the four HHI measures is considered.

In both urban and rural markets, the standard-deposits HHI generates the largest proportion of unconcentrated or moderately concentrated markets (HHI of 1800 or less). For example, 64 percent of urban markets are so rated when HHIs are calculated using bank deposits plus 50 percent of thrift deposits, compared with only 46 percent when only bank deposits are used.

Urban markets are most concentrated when calculations are based on the small business lending of in-market lenders. For example, 60 percent of all urban markets are highly or very highly concentrated when HHIs are based on the dollar volume of small business loans originated by in-market institutions. The proportion falls to 43 percent when small business loans originated by out-of-market CRA reporters are included. The same general relationship exists for rural markets, but the vast majority of these markets are very highly concentrated regardless of the way the HHI is measured.

Conclusions and Limitations

Overall, the new CRA data provide support for the view that out-of-market lenders may be an important source of small business lending in many markets. The data indicate that out-of-market lenders are relatively numerous throughout both urban and rural banking markets, and in most markets they outnumber in-market institutions. Also, in many markets, out-of-market lenders appear to account for a sizable proportion of small business loans, by number, although their share of such loans declines steadily with market population. Notably, if the loans of credit card banks are excluded, the average market share of loans provided by out-of-market lenders declines to half or less, suggesting that credit card loans account for a large proportion of the lending activity of out-of-market reporters.

9. Percentage distribution of urban and rural markets by degree of concentration, 1996

Basis for calculating HHI	Unconcentrated (HHI 0–999)		Moderately concentrated (HHI 1000–1800)		Highly concentrated (HHI 1801–2200)		Very highly concentrated (HHI above 2200)	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
Dollar volume of deposits								
Banks-only total deposits	4.2	.2	42.2	6.6	23.3	8.7	30.4	84.6
Standard deposits	10.2	.3	54.0	11.0	20.8	11.2	15.0	77.5
Dollar volume of loans								
Small business loan originations by all in-market institutions	4.8	8.5	35.1	.7	21.1	2.2	39.0	88.6
Small business loan originations by all institutions	13.4	*	43.5	5.9	14.4	9.7	28.8	84.3

NOTE. Distributions may not sum to 100 because of rounding. See notes to table 7.

* Less than 0.05 percent.

The lending activity of out-of-market CRA reporters seems least significant when the dollar volume of loans extended by such firms is considered. In urban markets, these firms account, on average, for about 8 percent of the dollar volume of small business lending (6 percent if credit card banks are excluded). In rural markets, their share is higher (14 percent across all rural markets), suggesting that out-of-market small business lenders may have a greater influence on competition in rural markets than in urban markets.

The competitive role played by out-of-market lenders (as gauged by their presence, number of loans, and dollar lending volume) is, however, quite variable across individual markets. Thus, the competitive impact of proposed mergers must be assessed on a market-by-market basis. An important complement to the analysis reported here would be research to determine whether out-of-market lenders influence loan rates and whether they extend credit to a broad base of business borrowers within local markets.

Indexes of concentration based on the new CRA data suggest that concentration for small business loans is generally higher than concentration for deposits, particularly in rural markets. However, HHI levels can vary widely depending on the data underlying the index. On average, concentration is lowest when HHIs are calculated using "standard deposits"—commercial bank deposits plus 50 percent of thrift deposits—and highest when calculated using the small business loan originations of only in-market lenders.

Finally, it should be noted that the 1996 CRA data used in this study are the first of this sort to be collected, and that data for later years could yield different results. Also, in this study the small business lending activity of nonreporting in-market institutions, although believed to be only a small proportion of overall lending activity in most markets, had to be estimated. The findings also do not account for the lending activity of out-of-market firms that are not CRA reporters. Although nonreporters are smaller institutions and are less likely to make loans in markets in which they do not have offices, the inclusion of loans by these firms would probably have a further moderating effect on loan-based HHIs. These limitations notwithstanding, the new CRA data provide a potentially valuable source of new information that is likely to be helpful in the competitive analysis of bank mergers. □

Treasury and Federal Reserve Foreign Exchange Operations

This quarterly report describes U.S. Treasury and System foreign exchange operations for the period from April through June 1998. It was presented by Peter R. Fisher, Executive Vice President, Federal Reserve Bank of New York, and Manager, System Open Market Account. Daniel Osborne was primarily responsible for preparation of the report.

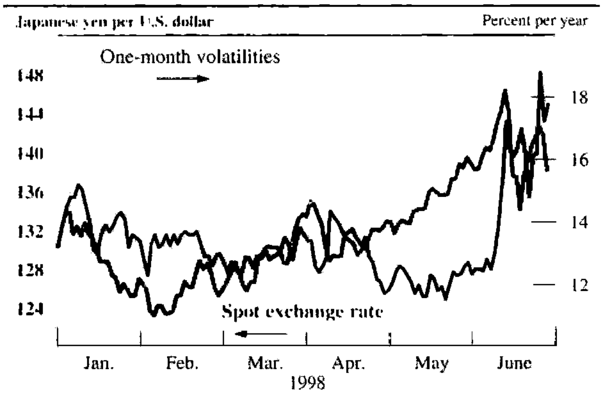
Throughout the second quarter of 1998, the Japanese yen weakened consistently, depreciating 4.1 percent against the U.S. dollar and 6.2 percent against the German mark. Continued pessimism about the outlook for the Japanese economy pressured the yen to eight-year lows against the dollar. This pessimism contrasted with the relatively positive outlooks for the United States and Europe, with the dollar benefiting from continued low inflation and a strong domestic economy while the mark benefited from optimism toward the European Monetary Union (EMU). During the first two weeks of June, the yen's decline accelerated, putting downward pressure on other regional currencies as market participants increasingly doubted that effective reforms of the Japanese banking system and stimulus of the economy would be forthcoming.

On June 17 the U.S. monetary authorities intervened in the foreign exchange markets, selling a total of $833 million against the Japanese yen. The operation, which was divided evenly between the U.S. Treasury Department's Exchange Stabilization Fund and the Federal Reserve System, was conducted in cooperation with the Japanese monetary authorities.

Support for U.S. Assets from Signs of Moderation in the Domestic Economy and Expectations of Steady Monetary Policy

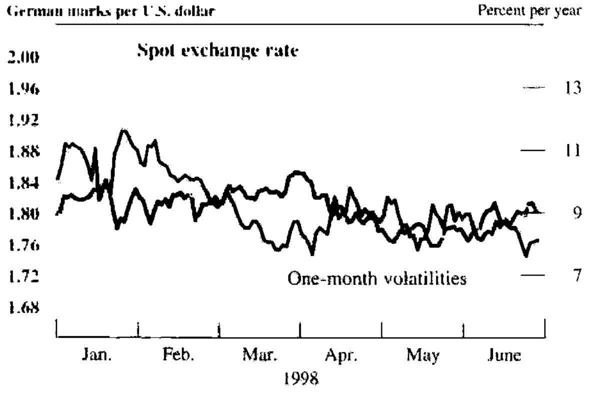
U.S. economic data during the second quarter continued to show strong economic activity and low inflation, although increasing signs of slower growth appeared as the period progressed. This environment supported expectations of a steady near-term interest rate policy, although at times this sentiment fluctuated. In April U.S. treasuries traded in a volatile manner, with the benchmark thirty-year bond yield rising above 6.00 percent after the April 27 publication of a press release reporting that at its March meeting, the Federal Open Market Committee (FOMC) had shifted toward a tightening bias. The benchmark bond yield subsequently traded back below 6.00 percent after the April 30 release of the employment cost index, which was interpreted as suggesting lower-than-expected labor cost growth for the first quarter.

1. Spot exchange rate of the dollar against the Japanese yen and option implied volatility, 1998:H1



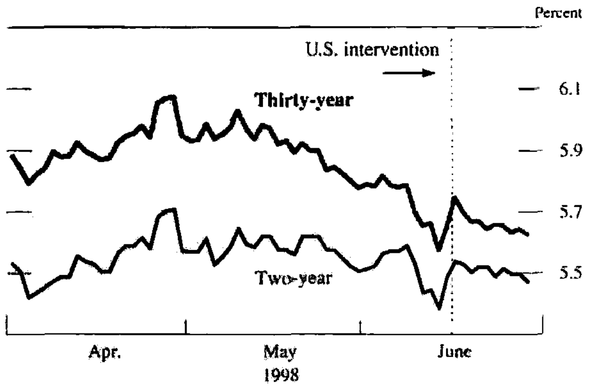
SOURCE. Federal Reserve Bank of New York; Reuters.

2. Spot exchange rate of the dollar against the German mark and option-implied volatility, 1998:H1



SOURCE. Federal Reserve Bank of New York; Reuters.

3. U.S. Treasury yields, 1998:Q2



SOURCE. Bloomberg L.P.

This outlook of low inflation and moderating growth appeared to be supported by Federal Reserve Chairman Alan Greenspan's June 10 testimony on the state of the economy to the Joint Economic Committee of the Congress. In his testimony, the Chairman stated, "the current economic performance, with its combination of strong growth and low inflation, is as impressive as any I have witnessed in my half-century of daily observation of the American economy." Further reflecting on inflation, the Chairman stated that although "consumer price inflation has moved up in the second quarter . . . the rate of rise remains quite moderate overall."

Chairman Greenspan's testimony reinforced perceptions of a favorable U.S. economic outlook amidst volatility in the financial markets of emerging countries and amidst the resultant decline in risk appetite. Strong demand for treasuries pushed the nominal benchmark thirty-year Treasury yield to record lows, while two-year through ten-year Treasury yields declined below the 5.50 percent federal funds target rate.

Weakening of the Yen in Response to a Deteriorating Economic Outlook in Asia

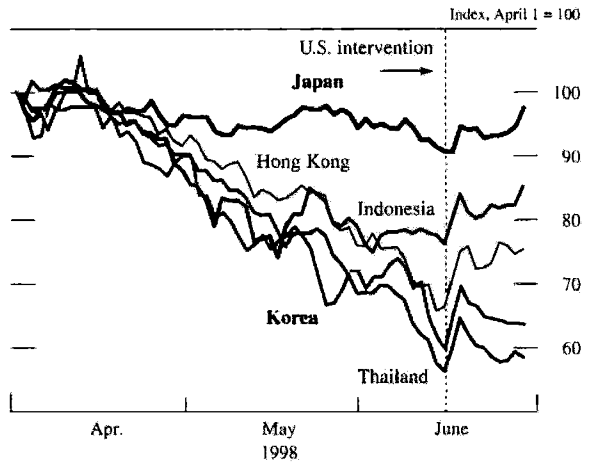
Throughout the quarter, the yen was pressured by anticipation of renewed capital flows out of Japan after the March 31 conclusion of the Japanese fiscal year, the beginning of Japan's liberalization of its foreign exchange laws, and continued weakness in the Japanese economy and financial system. Anticipation of falling demand for yen assets from Japanese investors overshadowed concerns about potential foreign exchange intervention and possible reaction to Japan's growing current account surplus. The April 2 release of the weaker-than-expected Tankan survey of business sentiment and Moody's revision of Japan's sovereign debt outlook from stable to negative on April 3 contributed to perceptions of a worsening Japanese economy. Within the first three trading sessions in April, the Nikkei stock index declined 6.1 percent, to 15,518, and the yen depreciated from ¥133.18 to levels above ¥135. The yen subsequently regained all of its losses, appreciating to ¥131.22 on April 8, after comments by Japanese politicians indicating forthcoming economic stimulus measures.

On April 9 the Japanese government announced details of its fiscal stimulus package, including ¥4 trillion in temporary tax cuts. The yen declined to ¥133.64 as market participants concluded that the planned stimulus measures would not adequately revive the Japanese economy. Later, during the early New York session, the yen rose against the dollar on the basis of reports that the Japanese monetary authorities had intervened in the market—buying yen and selling dollars. Japanese Finance Minister Matsunaga confirmed the intervention, announcing that Japan had taken "decisive action" in the foreign exchange market. U.S. Treasury Secretary Robert Rubin stated, "We welcome Prime Minister Hashimoto's announcement of steps to stimulate the Japanese economy," and noted that "what is crucial is that Japan move quickly to put in place a strong program." He also said that "we share the concern expressed by the Japanese Prime Minister about recent weakness in the yen, and in that context we welcome the action undertaken by the Japanese authorities in the exchange market to support the value of the yen." On April 10 the yen appreciated to ¥127.38 amid reports that the Japanese monetary authorities were intervening heavily in Asian foreign exchange markets.

Despite the yen's gains, sentiment toward the yen continued to remain negative, with twelve-month risk reversals continuing to be skewed toward yen puts, reflecting a higher cost of protection against a sharp depreciation of the yen against the dollar. Subsequently, the Group of Seven (G-7) finance ministers and central bank governors met on April 15 and issued a statement emphasizing the importance of avoiding excessive yen depreciation and encouraging steps to stimulate Japanese domestic demand and reduce external imbalances.

Meanwhile, pressure on other Asian currency and capital markets re-emerged, as social unrest in Indonesia and potential military tensions in the Indian subcontinent led to a diminishing investor appetite for risk. In Indonesia, the Jakarta JCI stock index fell 17.6 percent during the quarter, and the rupiah declined to record lows above IDR 16,500 per dollar.

4. Asian equity markets, 1998:Q2

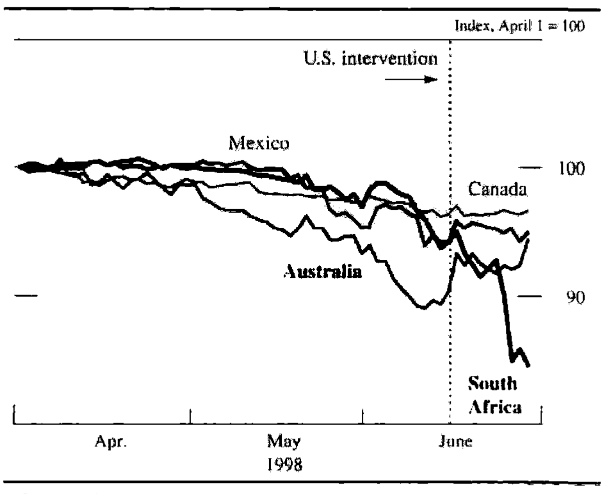


SOURCE. Bloomberg L.P.

With the KOSPI stock index declining 38.1 percent during the quarter, Korean markets weakened on continued signs of economic contraction and heightened labor unrest. In Hong Kong, warnings of the possibility of recession from Hong Kong officials and data indicating that first-quarter GDP had contracted 2 percent led to a 25.8 percent decline in the Hang Seng stock index during the second quarter. Hong Kong one-month interbank rates climbed as high as 20.5 percent, and implied yields on three-month forward contracts for Hong Kong dollars rose to quarter highs near 15 percent in mid-June.

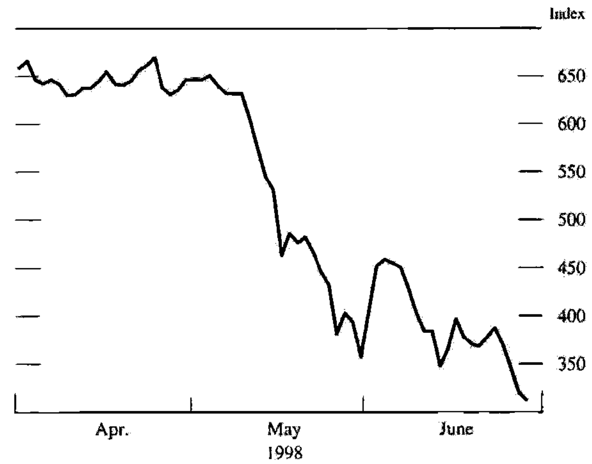
Declines in Asian markets and evidence of economic contraction in several Asian countries helped focus investor attention on the weaknesses in other markets. The Russian Moscow Times stock index declined 53.5 percent during the quarter and yields

5. Selected currency values against the U.S. dollar, 1998:Q2



SOURCE. Bloomberg L.P.

6. Moscow Times stock index, 1998:Q2

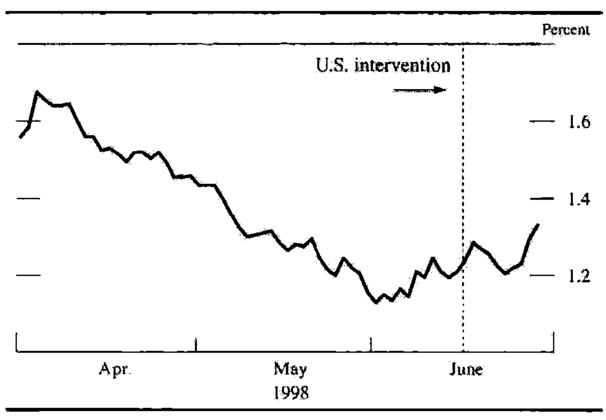


SOURCE. Bloomberg L.P.

on Russian debt instruments rose higher than 80 percent on the basis of concerns about the government's inability to correct its fiscal imbalance and show progress on structural reforms, and concerns about the effect of declines in commodity prices, particularly oil, on Russian exports. Commodity price declines also pressured the currencies of Canada, Mexico, Australia, and South Africa, with a number of these currencies reaching new record lows. The Canadian dollar depreciated nearly 3.5 percent during the quarter and reached CAD 1.4735 per U.S. dollar on June 15, because of concerns about the effect on the Canadian economy of diminishing exports to Asia and higher nominal U.S. interest rates.

In Japan, economic data releases continued to reinforce negative market sentiment. Japan's unemployment rate reached 4.1 percent in April, its highest level since World War II. The yen depreciated beyond the ¥136 level after the Birmingham Group of Eight

7. Japanese benchmark bond yield, 1998:Q2



SOURCE. Bloomberg L.P.

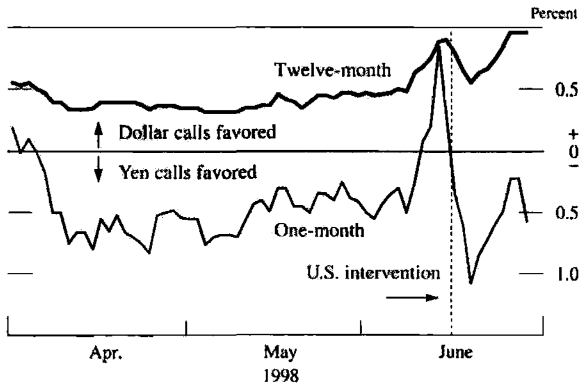
summit meeting in mid-May. This meeting and the G-7 finance ministers' meeting of the prior week were viewed by many market participants as evidence that the G-7 had moved toward a tolerance of yen depreciation that had not been present at the April 15, G-7 meeting of finance ministers and central bank governors. In late May, the yen declined to a seven-year low of ¥139.25, and the Japanese benchmark bond yield established record lows. Subsequent commentary from numerous Asian and European monetary officials stating concern over the weak yen's effect on global stability underscored market pessimism. Further yen declines stalled ahead of the June 10, G-7 meeting of deputy finance ministers, but resumed upon news that the meeting did not discuss ways to address the yen's decline.

The yen's depreciation accelerated after early June. Concern about a rapid move beyond the ¥140 level became a focal point for further declines in other markets, starting in Asia and extending through other markets. Market nervousness about the risks of a further round of currency depreciation in Asia increased after certain Chinese officials voiced dissatisfaction with the effect of yen depreciation on Chinese trade and economic conditions. Also, market participants initially viewed Secretary Rubin's June 11 remarks in a congressional hearing on economic conditions in Japan as stressing the negative effects of Japanese economic fundamentals and downplaying prospects for coordinated intervention in the foreign exchange market. The yen rapidly declined to an eight-year low of ¥146.67 on June 15, and one-month implied volatility on dollar–yen options reached multiyear highs. Comments from senior Japanese officials that the dollar–yen exchange rate did not reflect economic fundamentals and repeated warnings of "decisive action" from Japanese authorities did little to stem the yen's slide.

Purchases of Yen in the Market by U.S. Monetary Authorities

The June 16 Tokyo trading session was notably volatile, with the yen initially declining to a new low of ¥146.78, then abruptly retracing its decline as a Japanese wire service indicated that U.S. officials were considering a trip to Tokyo to discuss Japan's economic situation. As market participants reacted to the possibility that measures to address yen weakness were under consideration, the yen continued to strengthen during the June 17 Tokyo trading session, gaining more than one yen from Tuesday's New York close of ¥143.30.

8. Dollar–yen one-month and twelve-month risk reversals, 1998:Q2



Source. J.P. Morgan.

During the June 17 morning session in New York, the foreign exchange desk intervened on behalf of the U.S. monetary authorities—selling dollars and buying yen. The operation began at 7:55 a.m., with the dollar trading at ¥142.21, and the desk operated intermittently until about 9:20 a.m. As the operation began, Japanese Prime Minister Hashimoto issued a statement in which he pledged to "make every effort to restore [the Japanese] banking system to health [and] to achieve domestic demand-led growth. . . ." Japanese Finance Minister Matsunaga further elaborated on the Prime Minister's statement, promising to (1) dispose of banks' bad assets more aggressively, (2) accelerate the restructuring of financial institutions, (3) improve the transparency of Japanese banks, and (4) enhance bank supervision standards.

Later, Treasury Secretary Rubin issued the following statement:

> This morning, the Prime Minister of Japan outlined his Government's plans to restore the health of the Japanese financial system and to strengthen domestic demand. We look forward to implementation of a comprehensive action program that will create the conditions that are essential for a healthy and prosperous economy. Japan has the financial resources and the capacity to deal with the challenges it faces. Asia and the international community as a whole have a large stake in Japan's success.
>
> In the context of Japan's plans to strengthen its economy, the U.S. monetary authorities operated in the exchange market this morning in cooperation with the monetary authorities of Japan. We are prepared to continue to cooperate in exchange markets, as appropriate.

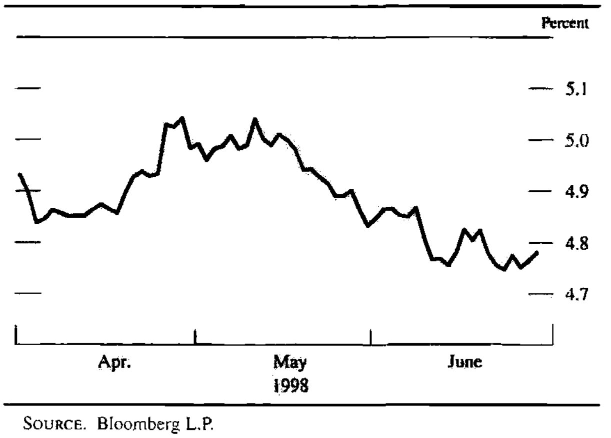
Over the course of the morning, the U.S. monetary authorities sold $833 million against the yen. The amount was evenly split between the U.S. Treasury Department's Exchange Stabilization Fund and the Federal Reserve System. The intervention was coordinated with the operations of the Japanese monetary authorities. The yen continued to appreciate throughout the remainder of the New York session, climbing more than five yen to intraday highs near ¥136 before closing at ¥136.51.

After the intervention, the yen initially extended its gains, largely on market expectations of further economic and financial policy developments in Japan in the near term. However, in market participants' view, such expectations diminished when the June 20 meeting of the Deputies of the Manila Framework Group and the G-7 Deputies in Tokyo concluded with no new public commitments from Japanese officials. The dollar ended the quarter at ¥138.88.

Strengthening of the Mark against Both the Dollar and the Yen Resulting from Confidence in the EMU and Signs of Growth in Core Europe

The mark strengthened against both the dollar and the yen during the second quarter. Against the dollar, the mark traded within a DM 1.76–1.86 range through most of the period, climbing more than 10 pfennigs from early quarter lows but partially retracing these gains toward the latter half of the quarter. The mark's initial appreciation resulted from a removal of residual uncertainty regarding the EMU after formal selection of eleven first-round members at the May 1–3 European Union summit. Confidence in the single currency was not significantly diminished by the protracted debate over the selection of Wim Duisenburg as the European Central Bank's first president, nor by the debate over the length of his term, which some viewed as potentially compromising the central bank's future credibility. European asset markets benefited from the positive EMU outlook as well as from shifts of portfolio preferences from riskier asset markets. Equities in Germany and France continued to rise, with the German DAX and the French CAC-40 stock indexes up 14.6 percent and 8.5 percent for the quarter and 38.3 and 40.2 percent for the year respectively. European credit markets rallied, with the yield on the German ten-year benchmark bond reaching record lows.

9. German benchmark bond yield, 1998:Q2



Source. Bloomberg L.P.

In early May, expectations for tighter monetary policy in Germany contributed to further mark strength. After the selection of the founding members of the EMU, Bundesbank officials alluded to taking EMU considerations into account more when conducting monetary policy. These comments heightened expectations for a German rate increase, as market participants speculated that the Bundesbank might seek to quell inflationary pressures in certain EMU member countries.

Toward the latter half of the quarter, the mark gave back nearly half of its gains against the dollar as expectations for tighter monetary policy in Germany diminished given the benign inflation environment in core European countries, renewed weakness in emerging markets, and concerns over developments in Russia. Reflecting these developments, the implied yield on the December 1998 Euromark contract declined 22 basis points from peak levels in mid-April. The dollar ended the quarter at DM 1.8080, after having declined 2.2 percent.

Treasury and Federal Reserve Foreign Exchange Reserves

At the end of the quarter, the current values of the German mark and Japanese yen reserve holdings totaled $17.3 billion for the Federal Reserve System and $13.9 billion for the Exchange Stabilization Fund. The U.S. monetary authorities invest all of their foreign currency balances in a variety of instruments that yield market-related rates of return and that have a high degree of liquidity and credit quality. A significant portion of these balances is invested in German and Japanese government securities held directly or under repurchase agreement. As of June 30, outright holdings of government securities by U.S. monetary authorities totaled $7.1 billion.

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 agreement by the U.S. monetary authorities totaled $11.3 billion at the end of the quarter. Foreign currency reserves are also invested in deposits at the Bank for International Settlements and in facilities at other official institutions. □

1. Foreign exchange holdings of U.S. monetary authorities based on current exchange rates, 1998:Q2
Millions of dollars

Item	Balance, Mar. 31, 1998	Quarterly changes in balances by source					Balance, June 30, 1998
		Net purchases and sales[1]	Impact of sales[2]	Investment income	Currency valuation adjustments[3]	Interest accrual (net) and other	
FEDERAL RESERVE							
Deutsche marks	11,265.9	.0	.0	94.8	291.3	.0	11,652.0
Japanese yen	5,361.4	416.7	.0	4.3	−192.6	.0	5,589.8
Interest receivables[4]	73.0	...	..	...	..	7.5	80.5
Other cash flow from investments[5]	10.7	...	...	...	...	−.2	10.5
Total	**16,711.0**	**416.7**	..	**99.1**	**98.7**	**7.3**	**17,332.8**
U.S. TREASURY EXCHANGE STABILIZATION FUND							
Deutsche marks	5,703.1	.0	.0	47.6	−147.5	.0	5,898.2
Japanese yen	7,860.4	416.7	.0	5.9	−282.9	.0	8,000.1
Interest receivables[4]	36.7	...	...	...	...	5.3	42.0
Other cash flow from investments[5]	18.2	...	..	..	...	−.3	17.9
Total	**13,618.4**	**416.7**	.	**53.5**	**−135.4**	**5.0**	**13,958.2**

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. Interest receivables for the ESF are revalued at month-end exchange rates. Interest receivables for the Federal Reserve System are carried at average cost of acquisition and are not marked to market until interest is paid.
5. Cash flow differences from payment and collection of funds between quarters.

2. Net profits or losses (−) on U.S. Treasury and Federal Reserve foreign exchange operations, based on historical cost-of-acquisition exchange rates, 1998:Q2
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, 1998		
Deutsche marks	−251.4	−536.1
Japanese yen	174.5	263.1
Total	**−76.9**	**−273.0**
Realized profits and losses from foreign currency sales, Mar. 31, 1998–June 30, 1998		
Deutsche marks	.0	.0
Japanese yen	.0	.0
Total	**.0**	**.0**
Valuation profits and losses on outstanding assets and liabilities, June 30, 1998		
Deutsche marks	39.9	−388.6
Japanese yen	−18.2	−20.2
Total	**21.7**	**−408.8**

3. Currency arrangements, June 30, 1998
Millions of dollars

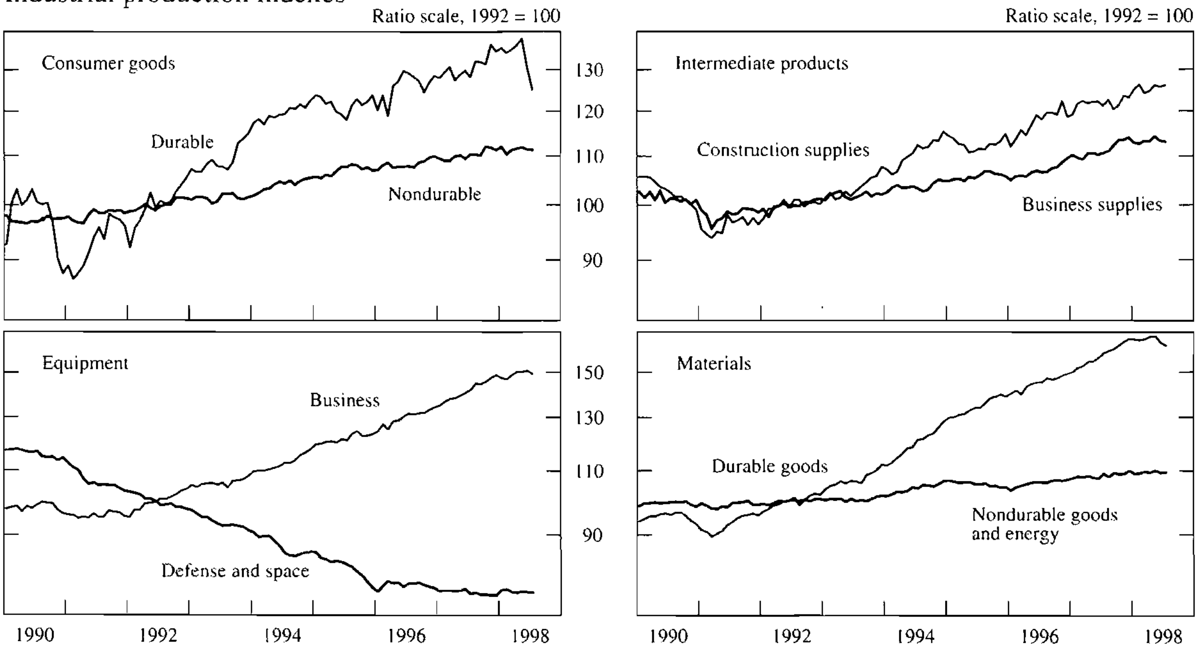
Institution	Amount of facility	Outstanding, June 30, 1998
	Federal Reserve Reciprocal Currency Arrangements	
Austrian National Bank	250	0
National Bank of Belgium	1,000	
Bank of Canada	2,000	
National Bank of Denmark	250	
Bank of England	3,000	
Bank of France	2,000	
Deutsche Bundesbank	6,000	
Bank of Italy	3,000	
Bank of Japan	5,000	
Bank of Mexico	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	3,000	0

Industrial Production and Capacity Utilization for July 1998

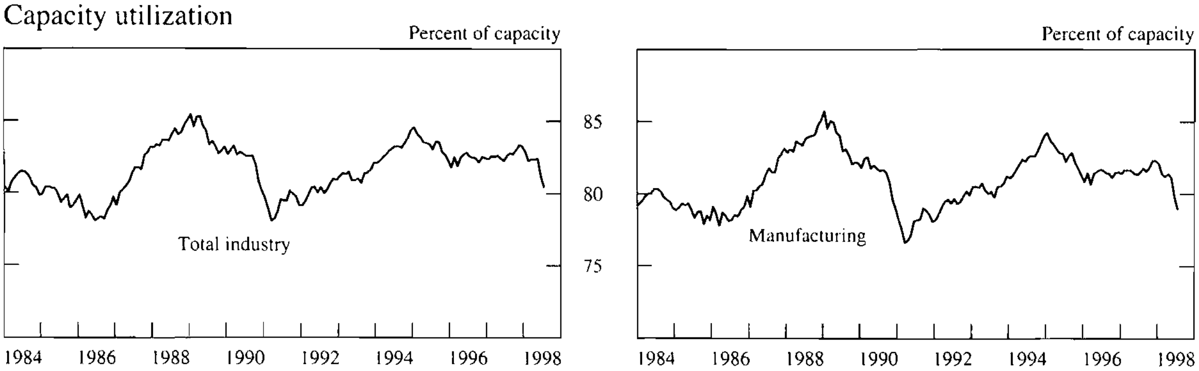
Released for publication August 14

Industrial production declined 0.6 percent in July after a drop of 1.1 percent in June; the June decline was larger than previously estimated. Some of the downward revision for June was the result of more complete information on production losses associated with strikes at key General Motors parts plants, which began in early June and were settled in late July. Motor vehicle assemblies dropped from a seasonally adjusted annual rate of 12.4 million units in May to 8.3 million units in July; output of motor vehicle parts also contracted sharply. Excluding motor vehicles and parts, industrial production edged up in July after having declined 0.4 percent in June; included in this special aggregate are industries, such as primary and fabricated metals and tires, that supply the automobile industry and were affected

Industrial production indexes



Capacity utilization



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

Industrial production and capacity utilization, July 1998

Category	Industrial production, index, 1992=100								
	1998				Percentage change				
					1998[1]				July 1997 to July 1998
	Apr.[r]	May[r]	June[r]	July[p]	Apr.[r]	May[r]	June[r]	July[p]	
Total	**128.4**	**128.9**	**127.5**	**126.8**	**.3**	**.4**	**−1.1**	**−.6**	**1.8**
Previous estimate	128.5	128.9	128.1	. . .	.4	.3	−.6	. . .	. . .
Major market groups									
Products, total[2]	121.8	122.3	121.3	120.4	.4	.5	−.9	−.7	2.0
Consumer goods	116.5	117.0	115.3	114.3	.4	.5	−1.5	−.9	.3
Business equipment	150.2	150.3	150.8	149.4	1.0	.0	.3	−.9	5.6
Construction supplies	124.7	126.1	125.7	126.1	.4	1.1	−.3	.3	4.0
Materials	139.1	139.6	137.6	137.0	.3	.4	−1.4	−.4	1.5
Major industry groups									
Manufacturing	131.6	131.7	130.2	129.3	.6	.1	−1.2	−.7	1.8
Durable	149.7	150.2	147.9	146.2	.7	.4	−1.5	−1.2	2.7
Nondurable	113.2	113.0	112.1	111.9	.5	−.2	−.7	−.2	.9
Mining	107.4	107.7	105.7	106.1	−.5	.2	−1.9	.4	−.4
Utilities	111.8	116.8	117.5	117.4	−2.2	4.5	.6	.0	3.2

Category	Capacity utilization, percent								MEMO Capacity, percentage change, July 1997 to July 1998
	Average, 1967–97	Low, 1982	High, 1988–89	1997	1998				
				July	Apr.[r]	May[r]	June[r]	July[p]	
Total	**82.1**	**71.1**	**85.4**	**82.6**	**82.4**	**82.4**	**81.2**	**80.5**	**4.5**
Previous estimate	. . .	. .	. . .	. . .	82.4	82.4	81.6	. . .	. . .
Manufacturing	81.1	69.0	85.7	81.5	81.4	81.1	79.9	79.0	5.1
Advanced processing	80.5	70.4	84.2	79.6	79.6	79.5	78.0	76.9	6.0
Primary processing	82.4	66.2	88.9	86.0	85.4	85.0	84.1	83.6	3.2
Mining	87.5	80.3	88.0	90.3	90.6	90.8	89.0	89.3	.7
Utilities	87.3	75.9	92.6	89.9	87.6	91.4	91.9	91.8	1.1

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

by the shutdowns. At 126.8 percent of its 1992 average, industrial production in July was 1.8 percent higher than it had been in July 1997; excluding the output of motor vehicles and parts, the twelve-month increase was 3.0 percent. From May to July, capacity utilization in manufacturing, mining, and electric and gas utilities dropped 1.9 percentage points, to 80.5 percent.

MARKET GROUPS

The output of consumer goods, which declined 0.9 percent in July, reflected the drop in motor vehicles. In other categories of consumer goods, the production of appliances and air conditioners rebounded from a dip, and the output of home electronics continued to advance. The production of consumer nondurables eased slightly further after a loss in June. Within this group, the output of non-energy products, which includes foods, clothing, chemical products, and paper products, has been weak, on balance, over the past few months.

The production of business equipment fell 0.9 percent, largely because of the drop in business vehicles. The output of industrial equipment declined after a large gain in June. Led by gains in computers and farm machinery, the production of information processing and other equipment advanced again.

The output of construction supplies rose 0.3 percent and was 4 percent above the level reached last July. The production of materials, which had declined 1.4 percent in June, eased another 0.4 percent. The weakening was most evident in durable goods materials used to make motor vehicles; the output of consumer durable parts fell another 5½ percent after having declined nearly 10 percent in June. In addition, basic metals fell for a third month. The output index for nondurable materials eased for a third month, with widespread weakness in textile, paper, and chemical materials. Energy materials rebounded 1.0 percent from a decline of the same size in June.

INDUSTRY GROUPS

Manufacturing output fell 0.7 percent in July, having declined 1.2 percent in June; the production of motor vehicles and parts fell about 15 percent in each month, and the output of primary and fabricated metals weakened as well. The output of most other durable goods industries, such as computers, aircraft, instruments, and lumber, advanced in July. The production of nondurables eased for a third month; it has fallen about 1 percent since April, with declines in the output of paper and products, foods, apparel, and leather and products. In July, mining recouped a bit of its June drop while the output at utilities was flat.

The factory operating rate fell 0.9 percentage point, to 79.0 percent, and was more than 2 percentage points below the level in May. Much of this drop-off reflects the effects of the strike-induced plunge in the output of motor vehicles and related parts and materials. However, the operating rates in miscellaneous manufactures, paper and products, and some other nondurable industries have also moved lower in recent months, as has the rate for oil and gas well drilling. Utilization rates remained relatively high for petroleum refining and electric utilities. □

Statements to the Congress

Statement by Laurence H. Meyer, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions and Consumer Credit of the Committee on Banking and Financial Services, U.S. House of Representatives, July 16, 1998

The Board of Governors appreciates this opportunity to comment on the discussion draft regulatory relief bill. The Board welcomes this legislation and supports its purpose of revising outdated banking statutes that are imposing costs without providing commensurate benefits to the safety and soundness of depository institutions, enhancing consumer protection, or expanding credit availability. As the members of this subcommittee are aware, unnecessary regulatory burdens hinder the ability of banking organizations to compete effectively in the broader financial services marketplace and, ultimately, adversely affect the availability and prices of banking services and credit products to consumers.

In my testimony today, I would like to highlight those provisions of this legislation that the Board supports and believes are particularly significant in reducing burden and promoting efficient regulation. For example, the Board strongly endorses the measures in this bill that would immediately allow banks to pay interest on demand deposits and the Federal Reserve System to pay interest on the required and excess reserve balances held by depository institutions at the Federal Reserve Banks. The Board also strongly supports the protections embodied in title V of this bill, the Bank Examination Report Privilege Act, which promote effective bank supervision by enhancing the cooperative exchange of information between supervised financial institutions and their regulators. (Attached to this statement is an appendix containing an expanded discussion of the provisions governing interest on reserves and interest on demand deposits.)[1]

Although there is much in the draft bill that the Board favors, there are a few provisions with which the Board has concerns. I would like to point out some of these provisions, but I do not wish these objections to detract from the central message of my testimony—that the nation's banking system needs reform of the type embodied in this legislation.

PAST EFFORTS TO ALLEVIATE BURDEN

By way of background, it is important to note that the legislation being considered by the subcommittee today builds on the accomplishments of two prior reform measures that many members of this subcommittee worked hard to enact. The Community Development and Regulatory Improvement Act of 1994 (1994 Act) and the Economic Growth and Paperwork Reduction Act of 1996 (1996 Act) were useful measures that achieved meaningful reductions in regulatory burden.

In the 1994 Act, the Congress alleviated the paperwork burden for banking organizations seeking to gain federal approval to form new holding companies and to engage in certain nonbanking transactions, enhanced the efficiency of the regulatory process by eliminating unnecessary applications and filing requirements, and streamlined the examination and audit procedures of the federal banking agencies. Two years later, the Congress passed the 1996 Act, which permitted well-capitalized and well-managed institutions to commence previously approved nonbanking activities without filing an application. In the 1996 Act, the Congress also passed important reforms to consumer protection statutes that alleviated the burdens imposed by these statutory provisions on financial institutions without undercutting the goals of the consumer protection laws.

The Board supported these prior reform efforts, which—coupled with the Board's independent initiatives to make our regulations simpler, less burdensome, and more transparent—have had a bottom-line, practical effect: Fewer applications need to be filed with the Board, and banking organizations have saved substantial regulatory, legal, compliance, and other costs. In short, these statutory and regulatory changes have enhanced the competitiveness of banking organizations and have benefited the customers of these financial institutions. Nonetheless, as the authors of this bill have recognized, more can and should be done.

1. The attachments to this statement are available from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551, and on the Board's site on the World Wide Web (http://www.federalreserve.gov).

THE PROVISIONS OF THIS BILL

The draft bill contains important additional reform provisions that would further eliminate obsolete and unnecessary regulations. The Board applauds many of the measures contained in this bill, which we believe would eliminate restrictions that no longer serve a useful purpose and would thereby enhance the ability of U.S. banking institutions to operate efficiently and effectively in increasingly competitive financial markets.

Interest on Demand Deposits and Reserve Balances

The Board strongly endorses section 101 of the draft bill, which would permit the Federal Reserve to pay interest on required and excess reserve balances that depository institutions maintain at Federal Reserve Banks. Because required reserve balances do not currently earn interest, banks and other depository institutions employ costly procedures to reduce such balances to a minimum. The costs of designing and maintaining the systems that facilitate these reserve avoidance techniques represent a significant waste of resources for the economy. In addition, because some small banks do not have the volume of deposits needed to justify these costs, the current system of reserve avoidance techniques tends to place smaller institutions at a competitive disadvantage.

The reserve avoidance measures utilized by depository institutions currently also could complicate the implementation of monetary policy. Declines in required reserve balances through avoidance schemes could lead to increased volatility in the federal funds rate. The draft bill's authorization of interest payments on excess reserves would be a useful addition to the tools that the Federal Reserve possesses to deal with such contingencies.

If increased volatility in the federal funds rate did become a persistent feature of the money market, it would affect other overnight interest rates, raising funding risks for large banks, securities dealers, and other money market participants. Suppliers of funds to the overnight markets, including many small banks and thrift institutions, also would face greater uncertainty about the returns they would earn. Accordingly, allowing the Board to pay interest on required reserve balances would not only eliminate economic inefficiencies but also alleviate risks that could affect monetary policy and the smooth functioning of the money markets.

The Board also strongly supports section 102 of the bill, which would permit payment of interest on demand deposits held by businesses. The current prohibition of interest on the demand accounts of businesses is an anachronism that no longer serves any public policy purpose. This prohibition was enacted in the 1930s, at a time when the Congress was concerned that large money center banks might bid deposits away from country banks to make loans to stock market speculators. Regardless of whether this rationale for the prohibition was ever valid, it is certainly not applicable today: Funds flow freely around the country and among banks of all sizes. The absence of interest on demand deposits is no bar to the movement of money from depositories with surpluses—whatever their size or location—to the markets where funds can be profitably employed.

Moreover, although the prohibition has no current policy purpose, it imposes a significant burden both on banks and on those holding demand deposits, especially small banks and small businesses. Smaller banks complain that they are unable to compete for the deposits of businesses precisely because of their inability to offer interest on demand deposit accounts. Small banks, unlike their larger counterparts, lack the systems to offer compensating balance schemes and sweep accounts that allow these banks to offer businesses credit for, or interest on, excess demand balances. Small businesses, which often earn no interest on their demand deposits because they do not have account balances large enough to justify the fees charged for sweep programs, stand to gain the most from eliminating the prohibition of interest on demand deposits.

For these reasons, the Board strongly supports the immediate repeal of the prohibition of interest on demand deposits, as accomplished in section 102 the bill. Section 102 also presents an alternative that would ultimately allow payment of interest on demand deposits and, during a transition period, would authorize a fully reservable, twenty-four-transaction money market deposit account (MMDA). Although some transition period in the implementation of direct payments on demand deposits would not be objectionable, a relatively short period would be appropriate, rather than the six-year delay proposed in the alternative. The twenty-four-transaction MMDA under the alternative would be fully reservable and therefore would not contribute to further declines in required reserve balances and the complications that might entail for the implementation of monetary policy. With a relatively short transition period, the alternative would be acceptable to the Board in preference to the status quo.

The draft bill's alternative language also includes a provision granting the Federal Reserve increased flexibility in setting reserve requirements. At present, we have no intention of either increasing or decreasing reserve requirement ratios within the limits that we are already allowed by law. However, it is impossible to know in advance the contingencies that the Federal Reserve may have to address, and the added flexibility in setting reserve requirement ratios might be a useful tool at some time in the future.

Bank Examination Report Privilege

The Board endorses title V of the bill, the Bank Examination Report Privilege Act (BERPA). BERPA would take three steps to promote effective supervision of banking organizations by helping to preserve candor in communications between such institutions and their examiners. First, BERPA would clarify that a supervised institution may voluntarily disclose information that is protected by the institution's own privileges, such as the attorney–client privilege, to a federal banking agency without waiving those privileges as to third parties. Some courts have ruled that disclosure of information to examiners waives an institution's privileges in private civil litigation, and, as a result, some institutions have attempted to withhold information from their supervisors. By ensuring that privileges are not waived when data are given to examiners, BERPA would overcome the present reluctance of many institutions to disclose information for fear of losing common-law privileges.

Second, BERPA would establish uniform procedures that govern how a third party may seek to obtain confidential supervisory information from a banking agency. BERPA would require third parties to request such information directly from the federal banking agencies, under regulations and procedures adopted by the agencies. Third parties may turn to the courts only after having exhausted their administrative remedies. Finally, BERPA would define what constitutes confidential supervisory information and would strengthen the protection afforded to such information.

By protecting disclosures by depository institutions to their examiners and by safeguarding supervisory information, BERPA would prevent unwarranted disclosures that would have a chilling effect on the examinations process. Taken together, these measures would enhance the ability of the federal banking agencies to assess and to protect the safety and soundness of depository institutions.

Elimination of Duplicative Approval Requirements

Section 310 of the draft bill would provide an opportunity to eliminate needlessly duplicative filing and approval requirements for bank holding companies seeking to acquire a depository institution and merge it with an existing subsidiary. Currently, a bank holding company must obtain two sets of identical approvals before engaging in such a transaction. The bank holding company first must file an application and obtain prior approval under the Bank Holding Company Act to acquire the depository institution, and then the holding company must file another application and obtain a second approval under the Bank Merger Act to merge the acquired institution, which is by now already a subsidiary of the holding company, with one of its other subsidiaries.

The dual approval requirement is needlessly redundant. Under the Bank Holding Company Act, the Board is required to consider the financial, managerial, and competitive effects of the entire merger transaction, including any part of the transaction that involves the purchase of nonbanking assets. By contrast, under the Bank Merger Act, the appropriate federal banking agency reviews only that portion of the transaction that concerns the surviving bank. Accordingly, the Bank Merger Act review is subsumed in the larger Bank Holding Company Act review process. In addition, the statutory factors that the appropriate federal banking agencies are required to consider under the Bank Holding Company and the Bank Merger Acts are identical, and, frequently, the agencies undertake the two statutory reviews simultaneously. For these reasons, the Bank Merger Act review rarely, if ever, raises any issues that have not been fully vetted in the Bank Holding Company Act applications process.

Section 310 would provide the option for eliminating the duplicative review process by permitting bank holding companies that have already obtained approval to acquire an institution under the Bank Holding Company Act, then to merge that institution with an existing subsidiary without obtaining a second approval under the Bank Merger Act. To ensure that any special issues that may be raised by a specific bank merger may be reviewed by the relevant bank supervisor, section 310 would, nevertheless, require that the federal banking agency responsible for supervising the bank resulting from the merger receive advance notice of the proposed merger. Importantly, section 310 also would allow that agency to require a full application under the Bank Merger Act if that agency determines that special concerns or circumstances warrant such review of a transaction.

Other Burden Reduction Provisions

There are other parts of this draft bill, as well, that would relieve regulatory burden without giving rise to safety and soundness, supervisory, consumer protection, or other policy concerns. For example, section 312 would eliminate the outdated and largely redundant requirement in section 11(m) of the Federal Reserve Act, which currently sets a rigid ceiling on the percentage of bank capital and surplus that may be represented by loans collateralized by securities. Current supervisory policy, as well as national and state bank lending limits, addresses concerns regarding concentrations of credit more comprehensively than section 11(m) but does so without the unnecessary constraining effects of this section of the Federal Reserve Act.

Section 313 would eliminate section 3(f) of the Bank Holding Company Act, which applies certain restrictions that govern the nonbanking activities of bank holding companies to the activities conducted directly by savings banks under state law. Since the enactment of section 3(f), the courts have found that the insurance and other nonbanking prohibitions of the Bank Holding Company Act do *not* apply to the direct activities of banks. Eliminating section 3(f) would put savings banks that are subsidiaries of bank holding companies on equal competitive footing with their state bank counterparts, allowing savings banks and their subsidiaries to engage in those activities that are permissible for state banks under state law.

In another area, the alternative consumer credit disclosure mechanisms permitted by sections 401 and 402 will be less burdensome to creditors and just as helpful to consumers as the disclosure requirements embodied in current law. The Congress has already eliminated the requirement that creditors disclose a historical table for closed-end variable rate loans. Taking similar action with respect to open-end variable rate home-secured loans, and permitting creditors to make alternative disclosures to meet their obligations with regard to credit advertising under the Truth in Lending Act, would reduce regulatory burdens without sacrificing consumer protections.

Areas of Concern

Although the Board supports most of the provisions in the draft bill, there are a few sections of the legislation that cause us concern as they are drafted. These provisions, as currently drafted, may give certain entities unfair competitive advantages, may result in changes to the law that the subcommittee did not intend, may harm the safety and soundness of depository institutions, or are unnecessary.

Nonbank Banks

Two provisions of the draft bill would eliminate limitations that have been applied to nonbank banks. Section 221 would allow nonbank banks to offer business credit cards, even when these business loans are funded by insured demand deposits. Section 222 would liberalize the divestiture requirements that apply when companies violate the nonbank bank operating limitations. Eliminating these restrictions on nonbank banks, at first glance, may have intuitive appeal. However, there are important reasons why the Board is concerned about these provisions.

Nonbank banks—which, despite their popular name, are federally insured, national or state-chartered banks—came into existence by exploiting a loophole in the law. By means of this loophole, industrial, commercial, and other companies were able to acquire insured banks and to mix banking and commerce in a manner that was then, and remains today, statutorily prohibited for banking organizations. In 1987, in the Competitive Equality Banking Act (CEBA), the Congress closed the nonbank-bank loophole. At that time, the Congress chose not to require the fifty-seven companies operating nonbank banks to divest these institutions. Instead, the Congress permitted the companies owning these banks to retain their ownership so long as they complied with a carefully crafted set of limitations on the activities of nonbank banks and their parents. In a unique statutory explanation of legislative purpose, the Congress stated in CEBA that these limitations were necessary to prevent the owners of nonbank banks from competing unfairly with bank holding companies and independent banks.

Fewer than twenty-five nonbank banks currently claim the grandfather rights accorded in CEBA. The Board is concerned that removal of the limitations and restrictions that apply to nonbank banks would enhance advantages that this relative handful of organizations already possess over other owners of banks and would give rise to the potential adverse effects about which the Congress has in the past expressed concern. In addition, removal of limitations would permit the increased combination of banking and commerce for a select group of commercial companies, a mixture that the House recently considered and decided not to permit in the context of a broader effort to modernize our financial laws.

Financing Corporation Payments

The Board also has some concerns about section 103 of the draft bill, which authorizes the use of "excess net income" of a deposit insurance fund to pay interest on Financing Corporation (FICO) bonds and to reduce FICO interest assessments of the fund's members. The proposal would divert resources from the "deposit insurance purposes" of the funds to other, non-insurance purposes—a diversion that would create a troubling precedent that could be difficult to resist in the future.

More fundamentally, it is not clear if the provision would ensure that the deposit insurance funds have an adequate level of reserves. There is no "correct" level of reserves and no level that can be deemed "excess." There are always unforeseen problems—most recently, Asian instabilities and potential "year 2000" problems. Nor can we simply assume the indefinite continuation of the current economic expansion. As a result, the Board believes that it would be more prudent not to divert "excess" reserves but, instead, to allow bank insurance fund reserves to grow to provide greater protection against future unforeseen problems in the banking system.

Extensions of Credit to Executive Officers

Section 311 of the draft bill would allow a member bank to extend credit to the bank's executive officers (1) in the form of a home equity credit line of up to $100,000, so long as the credit line is secured by the officer's primary residence, and (2) in an unlimited amount, so long as the loan is overcollateralized by readily marketable assets. The Board believes the provision regarding the home equity line should be clarified to indicate that the amount of the credit line may not exceed the value of the real estate held as collateral. In addition, the Board believes that the provision allowing unlimited extensions of credit secured by readily marketable assets goes too far: Loans to executive officers and to other insiders should be carefully circumscribed and subject to quantitative limits. The Board and the Federal Deposit Insurance Corporation, which we understand recommended these provisions, are working together to suggest a clarification of this section of the bill and to address these issues.

Call Report Simplification

Finally, the subcommittee specifically requested comment on section 302 of the draft bill, which restates section 307 of the Riegle Community Development and Regulatory Improvement Act (Riegle Act). The Board and the other banking agencies, working through the Federal Financial Institutions Examination Council, have made substantial progress in implementing the mandate of section 307 of the Riegle Act.

Thus far, the federal banking agencies have eliminated approximately 80 Call Report data items; placed revised Call Report instructions and forms on the Internet; adopted Generally Accepted Accounting Principles as the reporting basis for all Call Reports; produced a draft core report; condensed four sets of Call Report instructions into one; provided an index for Call Report instructions; implemented an electronic filing requirement for all institutions submitting Call Reports; placed much of the Call Report data on the Internet; and reported to the Congress on recommendations to enhance efficiency for filers and users. The agencies are currently surveying depository institutions to identify additional Call Report items that could be eliminated, while retaining items that are essential for safety and soundness and other public policy purposes. The significant progress that has been made by the agencies to date and the agencies' ongoing efforts suggest that this section of the draft bill is not necessary.

CLOSING THOUGHTS

The Board applauds the efforts of the subcommittee to continue to eliminate unnecessary government-imposed burdens. The subcommittee has fashioned legislation that, in the main, builds upon past successes in regulatory reform and relieves regulatory burdens on banking organizations. In some areas, however, the draft bill may not achieve meaningful reform but instead would lead to competitive inequities or raise safety and soundness and other concerns.

The Board has long endorsed regulatory relief and financial modernization strategies that ensure regulatory equity for all participants in the financial services industry, that minimize the chances that federal safety net subsidies will be expanded into new activities and beyond the confines of insured depository institutions, that guarantee adequate federal supervision of financial organizations, and that ensure the continued safety and soundness of financial organizations. The Board would be pleased to work with the subcommittee and its able staff to reach these goals in this and future legislative efforts.

Statement by Edward M. Gramlich, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions and Regulatory Relief and the Subcommittee on Housing Opportunity and Community Development of the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, July 17, 1998

(Governor Gramlich presented identical testimony before the Subcommittee on Financial Institutions and Consumer Credit and the Subcommittee on Housing and Community Opportunity of the Committee on Banking and Financial Services, U.S. House of Representatives, July 22, 1998.)

Despite a number of congressional actions designed to give mortgage borrowers greater information and protection, today's mortgage lending process can still be characterized as confusing, costly, and far less than optimal. Hence the Federal Reserve Board and the Department of Housing and Urban Development (HUD) were eager to respond to the Congress's request to make recommendations for improvement. At the outset, I should say we have enjoyed our cooperative working relationship with HUD.

We have spent two years considering possible reforms in the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA), two related but distinct statutes. We have concluded that meaningful TILA–RESPA reform can be achieved only through new legislation. Recommendations for such legislation are contained in the joint report we are delivering to the Congress.

The report identifies four key policy questions. After giving some background, my testimony today covers those four questions.

THE TRUTH IN LENDING ACT

TILA is intended to promote the informed use of consumer credit, primarily through disclosure, though with some substantive restrictions. It requires creditors to highlight the cost of credit as a dollar amount (the finance charge) and as an annual percentage rate (the APR). TILA requires additional disclosures for a loan secured by a consumer's home and permits consumers to rescind certain transactions that involve their principal dwelling. The Board's Regulation Z implements the act, and an official staff commentary interprets the regulation.

The disclosure rules that creditors must follow vary depending on the type of credit being offered. For example, there are separate rules for closed-end (installment) loans such as automobile or home mortgage loans, and for open-end (revolving) credit plans such as credit cards or home-equity lines of credit. Additional rules govern reverse mortgages and mortgages on which borrowers pay rates and fees above a certain amount.

THE REAL ESTATE SETTLEMENT PROCEDURES ACT

RESPA seeks to protect consumers from unnecessarily high real estate settlement costs, by providing them with information about the costs required to close a mortgage transaction and by prohibiting certain business practices. The two key RESPA cost disclosures are the good faith estimate of settlement costs and the settlement statement. The good faith estimate provides consumers with an itemized estimate of the costs they are expected to pay at closing. The settlement statement records the actual costs paid, such as fees for survey, appraisal, credit report, title examination and insurance, loan points, mortgage broker's fees, and amounts to be held in reserve accounts. RESPA also imposes other disclosure requirements in the mortgage-servicing process, including initial and annual escrow account statements and notice of the transfer of loan servicing. RESPA is implemented by HUD's Regulation X.

RESPA prohibits kickbacks, referral fees, and unearned fees because these practices were found to unnecessarily increase the cost of settlement services to consumers. RESPA also limits the amounts creditors can collect for escrow accounts, prohibits sellers's requiring a purchaser–borrower to obtain title insurance from a particular title company, and provides rights for consumers when loan servicing is transferred.

THE AGENCIES' ACTIONS REGARDING REFORM

The Board and HUD have worked steadily since 1996 to respond to the congressional mandate to reform and simplify TILA and RESPA disclosures. Initially the agencies considered whether congressional goals could be achieved by changing administrative rules, but ultimately we decided that significant harmonizing of TILA and RESPA could come about only through legislation.

In April 1997, the Board published a notice seeking comments on possible statutory changes. Generally, creditors supported reform to TILA and RESPA to improve clarity and certainty for compliance. Consumer advocates supported changes that would result in more user friendly disclosures provided early enough to allow shopping among creditors, and that were more accurate to avoid unexpected charges at the loan closing.

The Board and HUD have also hosted public meetings. In July 1997, the agencies jointly sponsored a forum to give interested parties an opportunity to present their views on the issues of simplifying and reforming TILA and RESPA. Some speakers discussed extensive reforms to the entire disclosure scheme for real-estate-secured lending, while others cautioned the Board and HUD against mere tinkering with the current law.

The forum followed hearings that the Board had held in June 1997, in Los Angeles, Atlanta, and Washington, D.C., on home-equity lending and the so-called high cost loans covered by the Home Ownership and Equity Protection Act of 1994 (HOEPA). Although the focus of the hearings was HOEPA, there was also discussion of TILA's finance charge and the APR. The agencies also have met extensively with representatives of consumer groups and the industries involved in the mortgage-lending process, including member organizations of the Mortgage Reform Working Group, a private-sector group formed in 1997 to deliberate on possible reforms to TILA and RESPA.

The Board also commissioned consumer surveys and focus groups. The studies provided insight into information consumers use to shop for credit and on consumers' understanding of the APR and other cost disclosures. And at several of its meetings in recent years, the Board's Consumer Advisory Council has considered efforts to reform and simplify TILA and RESPA.

Four Major Policy Questions Discussed in Report on TILA–RESPA Reform

The issues involved in mortgage loan reform are highly complex. To facilitate the Congress's study of the central issues of reform, our report focuses on four broad policy questions concerning closed-end home-secured loans: the effectiveness of the finance charge and the APR (a TILA question), the reliability of settlement cost disclosures (a RESPA question), the timing of disclosures (both), and substantive protections to target abusive lending practices (both).

1. Should the finance charge and APR disclosures be eliminated, or should they be modified and retained?

The Board and HUD recommend that the APR and finance charge concepts be retained, and that the definition of the finance charge (which affects the APR) be expanded to include all costs the consumer is required to pay in order to close the loan. The agencies also recommend that the interest rate on the note and a more informative explanation of the APR be added as disclosures so that consumers can better understand the distinction between the two rates.

Most of the attention given to TILA reform has focused on two issues: Should the APR be retained as a measure of the overall cost of credit, and should the definition of a finance charge be revised to include more (or fewer) costs. The same cost items are included in both concepts, but the finance charge is expressed as the full dollar cost of borrowing over all years, while the APR is that dollar cost expressed as an annualized percentage rate, comparable to an interest rate.

In principle, TILA defines the finance charge very broadly, as any charge payable directly or indirectly by the consumer and imposed directly or indirectly by the creditor as an incident to or a condition of the extension of credit. Under this definition, the finance charge should include interest, points, and transaction fees.

But in practice the finance charge and the corresponding APR have never disclosed the full cost of credit. Because of legislated exceptions, TILA does not include a number of charges in the finance charge, most notably many closing costs associated with real-estate-secured loans, such as fees for appraisals and title insurance.

While some favor dropping the APR altogether, the Board believes in improving it. It is familiar to consumers, even though they may not fully understand it. It is simple and potentially comparable to the straight mortgage rate. It is easier for consumers to evaluate competing products with a single figure than by using a number of different costs such as interest, points, and closing costs. If more costs were included in the finance charge and reflected in the APR, the APR would become an even better measuring rod. Also, including the interest rate on the TILA disclosure with the APR could help consumers better understand the difference between the two (currently the interest rate is not disclosed). A chart showing the treatment of various items under TILA and our proposed standard is given in attachment A.[1]

The key to improving the usefulness of the APR is in revising the definition of the finance charge.

1. The attachments to this statement are available from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551, and on the Board's site on the World Wide Web (http://www.federalreserve.gov).

TILA's current "some fees in, some fees out" approach produces a finance charge and APR that for consumers is incomplete as a measure of the cost of credit and for creditors is unnecessarily complicated. Indeed, the Congress recognized the need for possible changes and asked the Board to study the feasibility of a more inclusive finance charge.

The Board and the HUD believe that the finance charge should be defined as *the costs the consumer is required to pay to get credit*. Under this approach, many fees now excluded from the finance charge would be included. But this test would still exclude costs that are paid in comparable cash transactions (such as property taxes) and costs for optional services (such as credit life insurance). We believe that such a required-to-pay definition would provide both consumers and creditors with the most consistent basis for comparison shopping.

2. Should creditors be required to provide firmer quotes for closing costs disclosed under RESPA?

The Board and HUD recommend that creditors be required to give consumers more reliable closing cost information to promote shopping and competition. Creditors should be given a choice between guaranteeing settlement costs and providing a good faith estimate that is accurate within a specified tolerance. HUD testimony discusses additional HUD recommendations.

RESPA requires creditors to list all costs they anticipate the consumer will have to pay to close a loan. A good faith estimate is provided at or soon after application, and a settlement statement containing the actual costs is provided at closing.

The Board and HUD believe that an essential element of mortgage reform is to create incentives for creditors to provide firmer cost disclosures to consumers. The agencies are concerned, for example, that some costs in the good faith estimate are significantly lower than those actually charged at closing and that other costs are left off the good faith estimate altogether. To the extent that discrepancies exist, the good faith estimate is unreliable as a shopping tool. Requiring firmer figures for RESPA's early closing cost disclosures would also improve the finance charge and APR disclosures under TILA because many of the costs that go into those disclosures would be more accurate.

The Board and HUD have considered a number of ways for ensuring that closing costs are estimated more accurately. We agree that it would be appropriate to provide an incentive to creditors, such as giving an exemption for creditors and service providers to RESPA's section 8, which prohibits certain fees and may be thought to prevent volume-based discounts. The agencies recommend a dual disclosure system in which creditors could choose between guaranteeing the closing costs, hence entitling the creditor to an exemption under section 8, and providing estimated closing costs that are accurate within a prescribed tolerance. This system would provide an incentive to creditors and others to guarantee costs without forcing them to guarantee. We believe the dual approach also offers an opportunity for the market to test whether guaranteed cost arrangements offer economical and efficient means for consumers to obtain mortgage loans.

3. Should the timing rules for providing cost disclosures to consumers be changed—and should creditors be required to provide disclosures before imposing substantial fees?

The Board and HUD recommend that consumers be given cost disclosures for home-secured loans as early as possible in the shopping process. The Board recommends that disclosures be provided not later than three days after application. HUD recommends even earlier disclosure, along with a limitation on application fees.

The Board and HUD also recommend that three days prior to closing, creditors should be required to redisclose significant changes in the APR or other material disclosures and provide an accurate copy of the settlement statement. For nonpurchase home-secured transactions in which the right of rescission currently applies, the Board recommends that consumers also receive a notice of a pre-closing right to a refund at that time, to replace the existing rescission period in most instances.

Currently in home-secured transactions, consumers receive RESPA or TILA disclosures at several different times. Generic information, such as consumer education booklets, are provided at or before application. Certain loan-specific disclosures are given at or several days after application, others are given at or several days before the time of closing. (The chart in attachment B identifies the timing requirements under the two statutes.)

The Congress has asked the Board and HUD to simplify and improve the timing of the disclosures under the two laws. The disclosure process would be simplified for creditors if the timing requirements for providing disclosures could be made more consistent. It would be further improved if the disclosures were given when they could be of most help to consumers. Another consideration is the extent to which shopping may be impeded by the payment of fees before consumers receive cost disclosures about their mortgage loan.

The Board and HUD agree that consumers should be given cost disclosures as early as possible in the shopping process. The agencies differ somewhat in their approaches on this issue, but in either case consumers would get better information sooner than at present.

The Board recommends that the initial cost disclosures be provided no later than three days after application. HUD recommends even earlier disclosure. The Board and HUD believe that rapid advances in technology (such as automated underwriting) will permit creditors to disclose firm costs at earlier stages of the loan origination process, and the Board believes that the marketplace may lead creditors to the standard contemplated by HUD. However, the Board believes that while some creditors can provide closing costs at first contact with consumers, others cannot. Even fewer creditors can fully underwrite the loan to determine the interest rate and points within a few days. The Board believes its more flexible approach strikes the appropriate balance of encouraging greater certainty in cost figures at an early stage without mandating a standard that is currently impossible for many creditors.

The Board recognizes that the ability to comparison shop will be curtailed for many consumers if they must pay more than a nominal amount to obtain disclosures, regardless of when the disclosures are provided. But unlike HUD, the Board does not support a limitation on fees, which could constrict the supply of credit. The Board believes that creditors will keep fees reasonable as they realize savings from the increased use of technology and as competition in mortgage lending increases.

With regard to subsequent disclosures, the Board and the HUD both recommend that three days before closing creditors be required to redisclose significant changes in the APR or other material disclosures and to provide an accurate copy of the settlement statement. Consumers would receive final cost disclosures three days before closing (rather than at closing, the current practice), which will allow them to study the disclosures in an unpressured environment. Redisclosure at closing would be required if there were material changes from the disclosures provided three days before closing.

TILA now provides that, in certain transactions secured by a consumer's principal home, the consumer has three business days after becoming obligated on the debt to rescind the transaction. This right of rescission was created to allow consumers time to reexamine their credit contracts and cost disclosures and to reconsider whether they want to place their home at risk by offering it as security for the credit.

For transactions subject to this right of rescission, the Board also recommends that the disclosures given three days before closing also include a notice of the right not to complete the transaction and receive a refund. As an incentive to provide accurate disclosures in these transactions, the Board recommends that creditors be allowed to fund the loan at closing (assuming the consumer chooses to complete the transaction), when such a notice has been provided and when there are no material changes in the disclosures. If the consumer chooses not to complete the loan transaction, the creditor would be required to refund all fees, as is currently the case. If at closing there are material changes, closing can still occur but consumers would still have the three-day right to rescind, which they would be free to waive.

4. Should additional substantive consumer protections be added to the statutes?

The Board and HUD recommend that substantive protections be adopted that will target abusive lending practices without unduly interfering with the flow of credit or narrowing consumers' options in legitimate transactions. The agencies recommend restrictions against balloon payments and the advance collection of lump-sum premiums for credit insurance for loans covered by HOEPA. The Board and HUD also recommend requiring certain minimum standards for notice procedures creditors must follow in all home foreclosures. HUD testimony discusses additional HUD recommendations.

TILA was amended by HOEPA to address abusive practices. HOEPA applies to home-secured loans with rates or fees above a specified amount. The rate test for a HOEPA-covered loan is met if the APR at the time of closing exceeds by more than 10 percentage points the yield on Treasury securities of comparable maturity. The dollar test is met if the total points and fees exceed 8 percent of the loan amount or a certain dollar figure, whichever is greater. (The dollar figure is adjusted annually; for 1998 it is $435.) Home-purchase loans, reverse mortgages, and open-end lines of credit are exempt.

While HOEPA was an important step in curtailing abusive practices, unfortunately they persist. The report discusses various ways to deal with abusive lending practices. For example, the report discusses the problem of loan "flipping," in which loans are refinanced repeatedly and consumers' equity is stripped by excessive fees added to the loan amount. These loans are made to appear attractive by monthly payments that are kept low, but they are often accompanied by a large balloon payment that the consumer must then refinance.

The report discusses possible ways to control flipping, including additional limitations on balloon payments and the ability to finance closing costs for loans subject to the HOEPA. The report also discusses a number of approaches to avoid unwarranted foreclosures on consumers' homes, including counseling and uniform notice requirements that inform consumers about the foreclosure process and what steps must be taken—and by when—to forestall foreclosure. While it is difficult to control abusive lending practices, the Board and HUD believe that protections against these practices should be a part of any legislation enacted to simplify and reform TILA and RESPA. The Board and HUD further believe that any new rules should be part of a multifaceted approach that also includes counseling, education, and voluntary industry action.

The Board believes that certain protections, narrowly drawn, clearly address some abusive practices. These fit the criteria of being narrowly tailored rules that will not unduly restrict credit and limit choice.

The Board and HUD join in two recommendations to protect consumers who obtain HOEPA-covered loans; one addresses balloon payments, and the other addresses single-premium credit insurance.

Currently, balloon payments are prohibited for HOEPA-covered loans with maturities of less than five years. This prohibition is an important first step to curb the flipping that occurred before HOEPA was enacted. While most creditors believe low monthly payments and a balloon payment can be a useful tool in some cases and should be permitted, the current less-than-five-year rule can still be criticized because it allows creditors to flip mortgages with balloon loans that mature in five years. For HOEPA loans, consumers may be just as unlikely to repay or refinance the loan at better rates after five years than they are after two or three years. Hence the Board believes that HOEPA balloon notes should be further restricted either by lengthening the prohibition period, applying stronger prohibitions to a subset of HOEPA loans, or prohibiting HOEPA balloon notes altogether.

The Board and HUD also recommend limiting creditors' ability to collect up front certain credit insurance premiums on HOEPA-covered loans. Currently, TILA has some limitations regarding the sale of credit insurance (for life, disability, and unemployment). It permits creditors to exclude the cost of premiums for optional insurance from the disclosed finance charge and APR if it is truly optional and if the premium amount is disclosed.

Consumer advocates express concern about high-pressure sales tactics used on consumers to purchase high-priced credit insurance. The insurance is sometimes sold with a single premium collected up front. If for some reason the mortgage loan is closed prematurely, it is often difficult for consumers to get back the unused portion of their premium.

Regulation of insurance, including the allowable premium rates, has historically been a matter for state law. The Board and HUD believe, however, that some abusive practices could be eliminated by prohibiting the advance collection of premiums on HOEPA-covered loans, so that consumers would pay for insurance periodically—and only for the time the loan is actually outstanding. This means that termination of the loan automatically would cancel both the coverage and any liability for future payments.

The final recommendation addressing abusive lending practices concerns notices that should be provided to consumers in general (HOEPA and non-HOEPA) before foreclosure. The Board and HUD believe that consumers who have been victims of abusive practices must be provided adequate opportunity to assert their rights in order to avoid unwarranted foreclosures.

For the most part, the procedures that a creditor must follow for foreclosure are governed by state law, local practice, and the terms of the relevant contract documents. These procedures include the amount or type of notice that consumers are entitled to regarding impending foreclosure. Some states require creditors to provide actual notices to consumers, but in other states notice by publication is deemed sufficient. In some states a judicial process is followed; the creditor must file a lawsuit and obtain a judgment in order to obtain permission to sell the property. Other states allow the use of a nonjudicial process, in which the creditor merely notifies the borrower that the home will be advertised and sold, thereby placing the burden on the homeowner to take legal action to prevent the sale. In some cases consumers do not receive adequate information about the foreclosure and options that are available to them.

Requiring a minimum standard for the type of notice creditors must provide to consumers before foreclosure raises issues concerning preemption of state law. However, to avoid unannounced foreclosures on consumers' homes, the Board and HUD recommend that before any foreclosure sale, creditors must first provide a written explanation of any rights the consumer may have to cure the delinquency or redeem the property. Consumers should also be notified of steps they must take to exercise their rights, the process that will be followed in any foreclosure, and information about the availability of third-party credit counseling.

This concludes my discussion of the four key questions in reforming TILA–RESPA. We look forward to working further with HUD and the Congress to make the recommended changes.

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 21, 1998

(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 22, 1998.)

I appreciate this opportunity to present the Federal Reserve's midyear report on monetary policy.[1]

Overall, the performance of the U.S. economy continues to be impressive. Over the first part of the year, we experienced further gains in output and employment, subdued prices, and moderate long-term interest rates. Important crosscurrents, however, have been impacting the economy. With labor markets very tight and domestic final demand retaining considerable momentum, the risks of a pickup in inflation remain significant. But inventory investment, which was quite rapid late last year and early this year, appears to have slowed, perhaps appreciably. Moreover, the economic and financial troubles in Asian economies are now demonstrably restraining demands for U.S. goods and services—and those troubles could intensify and spread further. Weighing these forces, the Federal Open Market Committee (FOMC) chose to keep the stance of policy unchanged over the first half of 1998. However, should pressures on labor resources begin to show through more impressively in cost increases, policy action may need to counter any associated tendency for prices to accelerate before it undermines this extraordinary expansion.

RECENT DEVELOPMENTS

When I appeared before your subcommittee in February, I noted that a key question for monetary policy was whether the consequences of the turmoil in Asia would be sufficient to check inflationary tendencies that might otherwise result from the strength of domestic spending and tightening labor markets. After the economy's surge in 1996 and, especially, last year, resource utilization, particularly that of the labor force, had risen to a very high level. Although some signs pointed to stepped-up increases in productivity, the speed at which the demand for goods and services had been growing clearly exceeded the rate of expansion of the economy's long-run potential to produce. Maintenance of such a pace would put even greater pressures on the economy's resources, threatening the balance and longevity of the expansion.

However, it appeared likely that the difficulties being encountered by Asian economies, by cutting into U.S. exports, would be a potentially important factor slowing the growth of aggregate demand in the United States. But uncertainties about the timing and dimensions of that development were considerable given the difficulties in assessing the extent of the problems in East Asia.

In the event, the contraction of output and incomes in a number of Asian economies has turned out to be more substantial than most had anticipated. Moreover, financial markets in Asia and in emerging market economies generally have remained unsettled, portending further difficult adjustments. The contraction in Asian economies, along with the rise in the foreign exchange value of the dollar over 1997, prompted a sharp deterioration in the U.S. balance of trade in the first quarter. Nonetheless, the American economy proved to be unexpectedly robust in that period. The growth of real gross domestic product not only failed to slow, it climbed further, to about a 5½ percent annual rate in the first quarter, according to the current national income accounts. Domestic private demand for goods and services—including personal consumption expenditures, business investment, and residential expenditures—was exceptionally strong.

Evidently, optimism about jobs, incomes, and profits, high and rising wealth-to-income ratios, low

1. See "Monetary Policy Report to the Congress," *Federal Reserve Bulletin*, vol. 84 (August 1998), pp. 585–603.

financing costs, and falling prices for high tech goods fed the appetites of households and businesses for consumer durables and capital equipment. In addition, inventory investment contributed significantly to growth in the first quarter; indeed, the growth of stocks of materials and goods outpaced that of overall output by a wide margin during the first quarter, adding 1¾ percentage points to the annualized growth rate of GDP. Although accumulation of some products likely was unintended, surveys indicate that much of the stockbuilding probably reflected firms' confidence in the prospects for continued growth.

As evidence piled up that the economy continued to run hot during the winter, the Federal Reserve's concerns about inflationary pressures mounted. Domestic demand clearly had more underlying momentum than we had anticipated, supported in part by financial conditions that were quite accommodative. Credit remained extremely easy for most borrowers to obtain; intermediate- and long-term interest rates were at relatively low levels; equity prices soared higher, despite some disappointing earnings reports; and growth in the monetary aggregates was rapid. Indeed, the crises in Asia, by lowering longer-term U.S. interest rates—through stronger preferences for dollar investments and expectations of slower growth ahead—and by reducing commodity prices, probably added to the positive forces boosting domestic spending in the first half, especially in the interest-sensitive housing sector. The robust expansion of demand tightened labor markets further, giving additional impetus to the upward trend in labor costs. Inflation was low—though, given the lags with which monetary policy affects the economy and prices, we had to be mainly concerned not with conditions at the moment but with those likely to prevail many months ahead. In these circumstances, the Federal Open Market Committee elected in March to move to a state of heightened alert against inflation but left the stance of policy unchanged.

Although national income and product data for the second quarter have not yet been published, growth of U.S. output appears to have slowed sharply. The auto strike has brought General Motor's production essentially to a halt, probably reducing real GDP in the second quarter about ½ percentage point at an annual rate. The limited available information on inventory investment suggests that stockbuilding dropped markedly from its unsustainable pace of the first quarter. In addition to the slower pace of inventory building, Asian economies have continued to deteriorate, further retarding our exports in recent months.

Indeed, readings on the elements that make up the real GDP have led many analysts to anticipate a decline in that measure in the second quarter, after the first-quarter surge. Given the upcoming revisions to the national income accounts, such assessments would have to be regarded as conjectural. It is worth noting in any case that other indicators of output, including worker hours and manufacturing production, show a somewhat steadier, though slowing, path over the first half of the year. And underlying trends in domestic final demand have remained strong, imparting impetus to the continuing economic expansion.

During the first half of the year, measures of resource utilization diverged. Pressures on manufacturing facilities appeared to be easing. Plant capacity was growing rapidly as a result of vigorous investment. And growth of industrial output was dropping off from its brisk pace of 1997, importantly reflecting the deceleration in world demand for manufactured goods that resulted from the Asian economic difficulties.

But labor markets, in contrast, became increasingly taut during the first half. Total payroll jobs rose about one-and-one-half million over the first six months of the year. The civilian unemployment rate dropped to a bit below 4½ percent in the second quarter, its lowest level in three decades. Firms resorted to a variety of tactics to attract and retain workers, such as paying various types of monetary bonuses and raising basic wage rates. But, at least through the first quarter, the effects of a rising wage bill on production costs were moderated by strong gains in productivity.

Indeed, inflation stayed remarkably damped during the first quarter. The consumer price index as well as broader measures of prices indicates that inflation moved down further, even as the economy strengthened. Although declining oil prices contributed to this development, pricing leverage in the goods-producing sector more generally was held in check by reduced demand from Asia that, among other things, has led to a softening of commodity prices, a strong dollar that has contributed to bargain prices on many imports, and rising industrial capacity. Service price inflation, less influenced by international events, has remained steady at about a 3 percent rate since before the beginning of the crisis.

Some elements in the goods price mix clearly were transitory. Indeed, the more recent price data suggest that overall consumer price inflation moved up in the second quarter. But, even so, the increase remained moderate.

In any event, it would be a mistake for monetary policy makers to focus on any single index in gauging inflation pressures in the economy. Although much public attention is directed to the consumer price index (CPI), the Federal Reserve monitors a wide variety of aggregate price measures. Each is designed for a particular purpose and has its own strengths and weaknesses. Price pressures appear especially absent in some of the measures in the national income accounts, which are available through the first quarter. The chain-weight price index for personal consumption expenditures excluding food and energy, for example, rose 1.5 percent over the year ending in the first quarter, considerably less than the 2.3 percent rise in the core CPI over the same period. An even broader price measure, that for overall GDP, rose 1.4 percent. These indexes, while certainly subject to many of the measurement difficulties the Bureau of Labor Statistics has been grappling with in the CPI, have the advantages that their chain-weighting avoids some aspects of so-called substitution bias and that already published data can be revised to incorporate new information and measurement techniques. Taken together, while the various price indexes show some differences, the basic message is that inflation to date has remained low.

ECONOMIC FUNDAMENTALS: THE VIRTUOUS CYCLE

So far this year, our economy has continued to enjoy a virtuous cycle. Evidence of accelerated productivity has been bolstering expectations of future corporate earnings, thereby fueling still further increases in equity values, and the improvements in productivity have been helping to reduce inflation. In the context of subdued price increases and generally supportive credit conditions, rising equity values have provided impetus to spending and, in turn, the expansion of output, employment, and productivity-enhancing capital investment.

The essential precondition for the emergence, and persistence, of this virtuous cycle is arguably the decline in the rate of inflation to near price stability. In recent years, continued low product price inflation and expectations that it will persist have promoted stability in financial markets and fostered perceptions that the degree of risk in the financial outlook has been moving ever lower. These perceptions, in turn, have reduced the extra compensation that investors require for making loans to, or taking ownership positions in, private firms. With risks in the domestic economy judged to be low, credit and equity capital have been readily available for many businesses, fostering strong investment. And low mortgage interest rates have allowed many households to purchase homes and to refinance outstanding debt. The reduction in debt-servicing costs has contributed to an apparent stabilization of the financial strains on the household sector that seemed to emerge a couple of years ago and has buoyed consumer demand.

To a considerable extent, investors seem to be expecting that low inflation and stronger productivity growth will allow the extraordinary growth of profits to be extended into the distant future. Indeed, expectations of earnings growth over the longer term have been undergoing continual upward revision by security analysts since early 1995. These rising expectations have, in turn, driven stock prices sharply higher and credit spreads lower, perhaps in both cases to levels that will be difficult to sustain unless the virtuous cycle continues. In any event, primarily because of the rise in stock prices, about $12½ trillion has been added to the value of household assets since the end of 1994. Probably only a few percent of these largely unrealized capital gains have been transformed into the purchase of goods and services in consumer markets. But that increment to spending, combined with the sharp increase in equipment investment, which has stemmed from the low cost of both equity and debt relative to expected profits on capital, has been instrumental in propelling the economy forward.

The consequences for the American worker have been dramatic and, for the most part, highly favorable. A great many chronically underemployed people have been given the opportunity to work, and many others have been able to upgrade their skills as a result of work experience, extensive increases in on-the-job training, or increased enrollment in technical programs in community colleges and elsewhere. In addition, former welfare recipients appear to have been absorbed into the work force in significant numbers.

Government finances have been enhanced as well. Widespread improvement has been evident in the financial positions of state and local governments. In the federal sector, the taxes paid on huge realized capital gains and other incomes related to stock market advances, coupled with taxes on markedly higher corporate profits, have joined with restraint on spending to produce a unified budget surplus for the first time in nearly three decades. The important steps taken by the Congress and the Administration to put federal finances on a sounder footing have added to national saving, relieving pressures on credit markets. The paydown of debt associated with the federal surplus has helped to hold down longer-term interest rates, which in turn has encouraged capital formation and reduced debt burdens. Maintaining this disciplined budget stance would be most helpful in supporting a continuation of our current robust economic performance in the years ahead.

The fact that economic performance has strengthened as inflation subsided should not have been surprising, given that risk premiums and economic disincentives to invest in productive capital diminish as the economy approaches price stability. But the extent to which strong growth and high labor force utilization have been joined with low inflation over an extended period is, nevertheless, exceptional. So far, at least, the adverse wage–price interactions that played so central a role in pressuring inflation higher in many past business expansions—eventually bringing those expansions to an end—have not played a significant role in the current expansion.

For one thing, increases in hourly compensation have been slower to pick up than in most other recent expansions, although, to be sure, wages have started to accelerate in the past couple of years as the labor market has become progressively tighter. In the first few years of the expansion, the subdued rate of rise in hourly compensation seemed to be, in part, a reflection of greater concerns among workers about job security. We now seem to have moved beyond that phase of especially acute concern, though the flux of technology may still be leaving many workers with fears of job skill obsolescence and a willingness to trade wage gains for job security. In the past couple of years, of course, workers have not had to press especially hard for nominal pay gains to realize sizable increases in their real wages. In contrast to the pattern that developed in several previous business expansions, when workers required substantial increases in pay just to cover increases in the cost of living, consumer prices have been generally well-behaved in the current expansion.

A couple of years ago—almost at the same time that increases in total hourly compensation began trending up in nominal terms—evidence of a long-awaited pickup in the growth of labor productivity began to show through more strongly in the data; and this accelerated increase in output per hour has enabled firms to raise workers' real wages while holding the line on price increases. Gains in productivity usually vary with the strength of the economy, and the favorable results that we have observed during the past two years or so, when the economy has been growing more rapidly, almost certainly overstate the degree of structural improvement. But evidence continues to mount that the trend of productivity has accelerated, even if the extent of that pickup is as yet unclear. Signs of major technological improvements are all around us, and the benefits are evident not only in high tech industries but also in production processes that have long been part of our industrial economy.

Those technological innovations and the rapidly declining cost of capital equipment that embodies them in turn seem to be a major factor behind the recent enlarged gains in productivity. Evidently, plant managers who were involved in planning capital investments anticipated that a significant increase in the real rates of return on facilities could be achieved by exploiting emerging new technologies. If that had been a mistake on their part, one would have expected capital investment to run up briefly and then start down again when the lower-than-anticipated rates of return developed. But we have instead seen sustained gains in investment, indicating that hoped-for rates of return apparently have been realized.

Notwithstanding a reasonably optimistic interpretation of the recent productivity numbers, it would not be prudent to assume that even strongly rising productivity, by itself, can ensure a noninflationary future. Certainly wage increases, per se, are not inflationary, unless they exceed productivity growth, thereby creating pressure for inflationary price increases that can eventually undermine economic growth and employment. Because the level of productivity is tied to an important degree to the stock of capital, which turns over only gradually, increases in the trend growth of productivity probably also occur rather gradually. By contrast, the potential for abrupt acceleration of nominal hourly compensation is surely greater.

As I have noted in previous appearances before the Congress, economic growth at rates experienced on average over the past several years would eventually run into constraints as the reservoir of unemployed people available to work is drawn down. The annual increase in the working-age population (from 16 to 64 years of age), including immigrants, has been approximately 1 percent a year in recent years. Yet employment, measured by the count of persons who are working rather than by the count of jobs, has been rising 2 percent a year since 1995, despite the acceleration in the growth of output per hour. The gap between employment growth and population growth, amounting to about 1.1 million persons a year on average since the end of 1995, has been made up, in part, by a decline in the number of individuals who are counted as unemployed—those persons who are actively seeking work—of approximately 650,000 a year, on average, over the past two and one-half years. The remainder of the gap has reflected a rise in labor force participation that can be traced largely to a decline of almost 300,000 a year in the number of individuals (aged 16 to 64) wanting a job but not actively seeking one. Presumably, many of the persons who once were in this group have more recently become active and successful job seekers as the economy has strengthened, thereby preventing a still sharper drop in the official unemployment rate. In June, the number of persons aged 16 to 64 who wanted to work but who did not have jobs was 10.6 million on a seasonally adjusted basis, roughly 6 percent of the working-age population. Despite an uptick in joblessness in June, this percentage is only fractionally above the record low reached in May for these data, which can be calculated back to 1970.

Nonetheless, a strong signal of inflation pressures building because of compensation increases markedly in excess of productivity gains has not yet clearly emerged in this expansion. Among nonfinancial corporations (our most recent source of data on consolidated income statements), trends in costs seem to have accelerated from their lows, but the rates of increase in both unit labor costs and total unit costs are still quite low.

Still, the gap between the growth in employment and that of the working-age population will inevitably close. What is crucial to sustaining this unprecedented period of prosperity is that it close reasonably promptly, given already stretched labor resources, and that labor markets find a balance consistent with sustained growth marked by compensation gains in line with productivity advances. Whether these adjustments will occur without monetary policy action remains an open question.

FOREIGN DEVELOPMENTS

While the United States has been benefiting from a virtuous economic cycle, a number of other economies unfortunately have been spiraling in quite the opposite direction. The United States, Canada, and Western Europe have been enjoying solid economic growth, with relatively low inflation and declining unemployment, but the economic performance in many developing and transition nations and Japan has been deteriorating. How quickly the latter erosion is arrested and reversed will be a key factor in shaping U.S. economic and financial trends in the period ahead. With all that is at stake, it would be difficult to overstate how crucial it is that the authorities in the relevant economies promptly implement effective policies to correct the structural problems underlying recent weaknesses and to promote sustainable economic growth before patterns of reinforcing contraction become difficult to contain.

Conditions in Asia are of particular concern. Aggregate output of the Asian developing economies has plunged, with particularly steep declines in Korea, Malaysia, Thailand, and Indonesia. Even the economies of the stalwart tigers—Hong Kong, Singapore, and Taiwan—have softened. Economic growth in China has also slowed, largely because of the currency depreciations among its neighbors and the sharp declines in their demand for imports.

Russia has also experienced some spillover from the Asian difficulties, but Russia's problems are mostly homegrown. Large fiscal deficits stem from high effective marginal tax rates that encourage avoidance and do not raise adequate revenue. This and the recent declines in prices of oil and other commodities have rendered Russian financial markets and the ruble vulnerable, particularly in an environment of heightened concern about all emerging markets. The Russian government has recently promulgated a set of new policy measures in connection with an expanded International Monetary Fund support package in an effort to address these problems.

In Latin America, conditions vary: Economies that are heavily dependent on exports of oil and other commodities have suffered as prices of those items have fallen, and several countries in that region have received more intensive scrutiny in international capital markets, but, on the whole, Latin American economies continue to perform reasonably well.

Disappointingly, economic activity in Japan—a crucial engine of Asian economic growth—has turned down after a long period of subpar growth. Gross domestic product fell at a 5¼ percent annual rate in the first quarter. More recently, confidence of households and businesses has continued to erode, the sharp contraction elsewhere in Asia has fed back onto Japan, and the dwindling domestic demand for goods and services in that country has been further constrained by a mounting credit crunch. Nonperforming loans have risen sharply as real estate values fell after the bursting of the asset bubble in 1991. Problems in the banking sector, exacerbated by the broader Asian financial crisis, have led to market concerns about the adequacy of the capital of many Japanese banks and have engendered a premium in the market for Japanese banks' borrowing. This resulting squeeze to profit margins has led to a reluctance to lend in dollars or yen. In response to the weakening economy and deteriorating banking situation, the Japanese yen has tended to weaken significantly, in often-volatile markets, against the dollar and major European currencies.

As you know, we have sought to be helpful in the Japanese government's efforts to stabilize their economy and financial system, reflecting our awareness of the important role that Japanese financial and economic performance plays in the world economy, including that of the United States. We have consulted with the relevant Japanese authorities on methods for resolving difficulties in their banking system and have urged them to take effective measures to stimulate their economy. I believe that the Japanese authorities recognize the urgency of the situation.

That a number of foreign economies are currently experiencing difficulties is not surprising. Although many had previously realized a substantial measure of success in developing their economies, a number had leaned heavily on command-type systems rather than relying primarily on market mechanisms. This characteristic has been evident not only in their industrial sectors but in banking where government intervention is typically heavy, where long-standing personal and corporate relationships are the predominant factor in financing arrangements, and where market-based credit assessments are the exception rather than the rule. Recent events confirm that these sorts of structures are ill suited to today's dynamic global economy, in which national economies must be capable of adapting flexibly and rapidly to changing conditions.

Responses in countries currently experiencing difficulties have varied considerably. Some have reacted quickly and, in general terms, appropriately. But in others, a variety of political considerations appear to have militated against prompt and effective action.

As a consequence, the risks of further adverse developments in these economies remain substantial. And given the pervasive interconnections of virtually all economies and financial systems in the world today, the associated uncertainties for the United States and other developed economies remain substantial as well.

In the current circumstances, we need to be aware that monetary policy tightening actions in the United States could have outsized effects on very sensitive financial markets in Asia, a development that could have substantial adverse repercussions on U.S. financial markets and, over time, on our own economy. But while we must take account of such foreign interactions, we must be careful that our responses ultimately are consistent with a monetary policy aimed at optimal performance of the U.S. economy. Our objectives relate to domestic economic performance, and price stability and maximum sustainable economic growth here at home would best serve the long-run interests of troubled financial markets and economies abroad.

THE ECONOMIC OUTLOOK

The Federal Open Market Committee believes that the conditions for continued growth with low inflation are in place here in the United States. As I noted previously, an important issue for policy is how the imbalance of recent years between the demand for labor and the growth of the working-age population is resolved. In that regard, we see a slowing in the growth of aggregate demand as a necessary element in the mix.

At this time, some of the key factors that have supported strong final demand by domestic purchasers remain favorable. Although real short-term interest rates have risen as the federal funds rate has been held unchanged while inflation expectations have declined, the financial conditions that have fostered the strength in demand are still in place. With their incomes and wealth having been on a strong upward track, American consumers remain quite upbeat. For businesses, decreasing costs of and high rates of return on investment, as well as the scarcity of labor, could keep capital spending elevated. These factors suggest some risk that the labor market could get even tighter. And even if it does not, under prevailing tight labor markets increasingly confident workers might place gradually escalating pressures on wages and costs, which would eventually feed through to prices.

But a number of factors likely will serve to damp growth in aggregate demand, helping to foster a reasonably smooth transition to a more sustainable rate of growth and reasonable balance in labor markets. We have yet to see the full effects of the crisis in East Asia on U.S. employment and income. Residential and business fixed investment already have reached such high levels that further gains approaching those experienced recently would imply very rapid growth of the stocks of housing and plant and equipment relative to income trends. Moreover, business investment will be damped if recent indications of a narrowing in domestic operating profit margins prompt a reassessment of the expected rates of return on investment in plant and equipment. Reduced prospects for the return to capital would not only affect investment directly but could also affect consumption if stock prices adjust to a less optimistic view of earnings prospects.

Of course, the demand for labor that is consistent with a particular rate of output growth also could be lowered if productivity growth were to increase more. And, on the supply side of the labor market, faster growth of the labor force could emerge as the result of increased immigration or delayed retirements.

Nonetheless, it appears most probable that the necessary slower absorption of labor into employment will reflect, in part, a deceleration of output growth, as a consequence of evolving market forces. Failing that, firming actions on the part of the Federal Reserve may be necessary to ensure a track of expansion that is capable of being sustained.

Thus, members of the Board of Governors and presidents of the Federal Reserve Banks anticipate a slowing in the rate of economic growth. The central tendency of their forecasts is that real GDP will rise 3 percent to 3¼ percent over 1998 as a whole and 2 percent to 2½ percent in 1999. With the rise in the demand for workers coming into line with that of the labor force, the unemployment rate is expected to change little from its current level, finishing next year in the neighborhood of 4½ percent to 4¾ percent.

Inflation performance will be affected by developments abroad as well as those here at home. The extent and pace of recovery of Asian economies currently experiencing a severe downturn will have important implications for prices of energy and other commodities, the strength of the dollar, and competitive conditions on world product markets. Should the situation abroad remain unsettled, these factors would probably continue to contribute to good price performance in the United States in the period ahead. But it is important to recognize that the damping influence of these factors on inflation is mostly temporary. At some point, the dollar will stop rising, foreign demand will begin to recover, and oil and other commodity prices will stop falling and could even back up some. Indeed, a brisk snap-back in foreign economic activity, should that occur, would add, at least temporarily, to price pressures in the United States.

On a more fundamental level, it is the balance of supply and demand in labor and product markets in the United States that will have the greatest effect on inflation rates here. As I noted previously, wage and benefit costs have been remarkably subdued in the current expansion. Nonetheless, an accelerating trend in wages has been apparent for some time.

In addition, a gradual upward tilt in benefit costs has become evident of late. A variety of factors—including the strength of the economy and rising equity values, which have reduced the need for payments into unemployment trust funds and pension plans, and the restructuring of the health care sector—have been working to keep benefit costs in check in this expansion. But, in the medical area at least, the most recent developments suggest that the favorable trend may have run its course. The slowing of price increases for medical services seems to have come to a halt, at least for a time, and, with the cost-saving shift to managed care having been largely completed, the potential for businesses to achieve further savings in that regard appears to be rather limited at this point. There have been a few striking instances this past year of employers boosting outlays for health benefits by substantial amounts.

Given that compensation costs are likely to accelerate at least a little further, productivity trends and profit margins will be key to determining price performance in the period ahead. Whether the recent strong performance of productivity can be extended remains to be seen. It does seem likely that productivity calculated for the entire economy using GDP data weakened in the second quarter. This development clearly owed, at least in some degree, to the deceleration of output in that period. In manufacturing, where our data are better measured, productivity appears still to have registered a solid increase. We will be closely monitoring a variety of indicators to assess how productivity is performing in the months ahead.

Monetary policymakers see the most likely outcome as modestly higher inflation rates in the next one and one-half years. The central tendency of monetary policymakers' CPI inflation forecasts is for an increase of 1¾ percent to 2 percent during 1998 and 2 percent to 2½ percent next year. As noted, the ebbing of the special factors reducing inflation over the past year or so, such as the decline in oil prices, will account for some of this uptick. But the Federal Open Market Committee will need to remain particularly alert to the possibility that more fundamental imbalances are increasing inflationary pressures. The Committee would need to resist vigorously any tendency for an upward trend, which could become embedded in the inflationary process.

The Committee recognizes that significant risks attend the outlook: One is that the impending constraint from domestic labor markets could bind more abruptly than it has to date, intensifying inflation pressures. The other is the potential for further adverse developments abroad, which could reduce the demand for U.S. goods and services more sharply than anticipated and which would thereby ease pressures on labor markets. While we expect that the situation will develop relatively smoothly, the Committee believes that, given the current tightness in labor markets, the potential for accelerating inflation is probably greater than the risk of protracted, excessive weakness in the economy. In any case, it will need to continue to monitor evolving circumstances closely and adjust the stance of monetary policy, as appropriate, in order to help establish conditions consistent with progress toward the Federal Reserve's goals of price stability and maximum sustainable economic growth.

RANGES FOR MONEY AND CREDIT GROWTH

Indeed, recognition of the benefits of low inflation and our commitment to the Federal Reserve's statutory objective of price stability were once again dominant in the Committee's semiannual review of the ranges for the monetary and debt aggregates. The FOMC noted that the behavior of the monetary aggregates had been somewhat more predictable over the past few years than it had been earlier in the 1990s. The rapid growth of M2 and M3 over the first half of the year, which lifted those measures above the upper ends of the target ranges established in February, was consistent with the unexpectedly strong advance in aggregate demand. However, movements in velocity remain difficult to predict.

The FOMC will continue to interpret the monetary ranges as benchmarks for the achievement of price stability under conditions of historically normal velocity behavior. Consistent with that interpretation, the Committee decided to retain the current ranges for the monetary aggregates for 1998, as well as the range for debt, and to carry them over on a provisional basis to next year. Although near-term prospects for velocity behavior are uncertain, the Committee recognizes that monetary growth does appear to provide some information about trends in the economy and inflation. Therefore, we will be carefully evaluating the aggregates, relative both to forecasts and to their ranges, in the context of other readings on other variables in our efforts to promote optimum macroeconomic conditions.

CONCLUDING COMMENTS

As I have stated in previous testimony, the recent economic performance, with its combination of strong growth and low inflation, is as impressive as any I have witnessed in my near half-century of daily observation of the American economy. Although the reasons for this development are complex, our success can be attributed in part to sound economic policy. The Congress and the Administration have successfully balanced the budget and, indeed, achieved a near-term surplus, a development that tends to boost national saving and investment. The Federal Reserve has pursued monetary conditions consistent with maximum sustainable long-run growth by seeking price stability. These policies have helped bring about a healthy macroeconomic environment for productivity-boosting investment and innovation, factors that have lifted living standards for most Americans. The task before us is to maintain disciplined economic policies and thereby contribute to maintaining and extending these gains in the years ahead.

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking and Financial Services, U.S. House of Representatives, July 24, 1998

(Chairman Greenspan presented similar testimony before the Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, July 30, 1998.)

I am pleased to be here today to present the Federal Reserve Board's views on the regulation of over-the-counter (OTC) derivatives. Under Secretary Hawke has already addressed the specific questions raised in your letter of invitation. The Board generally agrees with the Treasury Department's views on these issues. In particular, the Board supports a standstill of attempts by the Commodity Futures Trading Commission (CFTC) to impose new regulations on OTC derivatives as a minimalist approach to our long-standing concerns about CFTC assertions of authority in this area.[1] In my testimony I shall step back from these issues of immediate concern and address the fundamental underlying issue, that is, whether it is appropriate to apply the Commodity Exchange Act (CEA) to over-the-counter derivatives (and, indeed, to financial derivatives generally) in order to achieve the CEA's objectives—deterring market manipulation and protecting investors.

THE CEA AND ITS OBJECTIVES

The Commodity Exchange Act of 1936 and its predecessor the Grain Futures Act of 1922 were a response to the perceived problems of manipulation of grain

1. It also supports the legislation to amend the banking and insolvency laws that has been recommended by the President's Working Group on Financial Markets. This legislation would shore up the infrastructure of U.S. markets and enhance their competitiveness. The legislation recognizes that the traditional insolvency process can create serious risks to counterparties to financial transactions because of the price volatility of financial assets.

markets that were particularly evident in the latter part of the nineteenth and early part of the twentieth centuries. For example, endeavors to corner markets in wheat, while rarely successful, often led to temporary, but sharp, increases in prices that engendered very large losses to those short sellers of futures contracts who had no alternative but to buy and deliver grain under their contractual obligations. Because quantities of grain following a harvest are generally known and limited, it is possible, at least in principle, to corner a market.

It is not possible to corner a market for financial futures when the underlying asset or its equivalent is in essentially unlimited supply. Financial derivative contracts are fundamentally different from agricultural futures owing to the nature of the underlying asset from which the derivative contract is "derived." Supplies of foreign exchange, government securities, and certain other financial instruments are being continuously replenished, and large inventories held throughout the world are immediately available to be offered in markets if traders endeavor to create an artificial shortage. Thus, unlike commodities whose supply is limited to a particular growing season and finite carryover, the markets for financial instruments and their derivatives are deep and, as a consequence, are extremely difficult to manipulate. The type of regulation that is applied to crop futures appears wholly out of place and inappropriate for financial futures, whether traded on organized exchanges or over the counter, and accordingly, the Federal Reserve Board sees no need for it.

The early legislation on the trading of commodity futures was primarily designed to discourage forms of speculation that were seen as exacerbating price volatility and hurting farmers. In addition, it included provisions designed primarily to protect small investors in commodity futures, whose participation had been increasing and was viewed as beneficial. The Commodity Futures Trading Commission Act of 1974 (1974 Act) did not make any fundamental changes in the objectives of derivatives regulation. However, it expanded the scope of the CEA quite significantly. In addition to creating the CFTC as an independent agency and giving the CFTC exclusive jurisdiction over commodity futures and options, the 1974 Act expanded the CEA's definition of a "commodity" beyond a specific list of agricultural commodities to include "all other goods and articles, except onions, . . . and all services, rights, and interests in which contracts for future delivery are presently or in the future dealt in."

Given this broadened definition of a commodity and an equally broad interpretation of what constitutes a futures contract, a wide range of off-exchange transactions would have been brought potentially within the scope of the CEA. The Treasury Department was particularly concerned about the prospect that the foreign exchange markets might be found to fall within the act's scope. Aside from the difficulty of manipulating these markets, the Treasury argued that participants in OTC markets, primarily banks and other financial institutions, and large corporations, did not need the consumer protections of the Commodity Exchange Act. Consequently, Treasury proposed and the Congress included a provision in the 1974 Act, the "Treasury Amendment," which excluded off-exchange derivative transactions in foreign currency (as well as government securities and certain other financial instruments) from the newly expanded CEA. What the Treasury did not envision, and the Treasury Amendment did not protect, was the subsequent development and spectacular growth of a much wider range of OTC derivative contracts—swaps on interest rates, exchange rates, and prices of commodities and securities.

POTENTIAL APPLICATION OF THE CEA TO OTC DERIVATIVES

The vast majority of privately negotiated OTC contracts are settled in cash rather than through delivery. Cash settlement typically is based on a rate or price in a highly liquid market with a very large or virtually unlimited deliverable supply, for example, LIBOR or the spot dollar–yen exchange rate. To be sure, there are a limited number of OTC derivative contracts that apply to nonfinancial underlying assets. There is a significant business in oil-based derivatives, for example. But unlike farm crops, especially near the end of a crop season, private counterparties in oil contracts have virtually no ability to restrict the worldwide supply of this commodity. (Even OPEC has been less than successful over the years.) Nor can private counterparties restrict supplies of gold, another commodity whose derivatives are often traded over the counter, where central banks stand ready to lease gold in increasing quantities should the price rise.

To be sure, a few, albeit growing, types of OTC contracts such as equity swaps and some credit derivatives have a limited deliverable supply. However, unlike crop futures, where failure to deliver has additional significant penalties, costs of failure to deliver in OTC derivatives are almost always limited to actual damages. There is no reason to believe either equity swaps or credit derivatives can influence the price of the underlying assets any more than conventional securities trading does. Thus, manipulators attempting to corner a market, even if successful, would have great difficulty in inducing sellers in privately negotiated transactions to pay significantly higher prices to offset their contracts or to purchase the underlying assets.

Finally, the prices established in privately negotiated transactions are not widely disseminated or used directly or indiscriminately as the basis for pricing other transactions. Counterparties in the OTC markets can easily recognize the risks to which they would be exposed by failing to make their own independent valuations of their transactions, whose economic and credit terms may differ in significant respects. Moreover, they usually have access to other, often more reliable or more relevant sources of information. Hence, any price distortions in particular transactions could not affect other buyers or sellers of the underlying asset.

Professional counterparties to privately negotiated contracts also have demonstrated their ability to protect themselves from losses from fraud and counterparty insolvencies. They have managed credit risks quite effectively through careful evaluation of counterparties, the setting of internal credit limits, and judicious use of netting and collateral agreements. In particular, they have insisted that dealers have financial strength sufficient to warrant a credit rating of A or higher. This, in turn, provides substantial protection against losses from fraud. Dealers are established institutions with substantial assets and significant investments in their reputations. When they have been seen to engage in deceptive practices, the professional counterparties that have been victimized have been able to obtain redress under laws applicable to contracts generally. Moreover, the threat of legal damage awards provides dealers with strong incentives to avoid misconduct.

A far more powerful incentive, however, is the fear of loss of the dealer's good reputation, without which it cannot compete effectively, regardless of its financial strength or financial engineering capabilities. In these respects, derivatives dealers bear no resemblance to the "bucket shops" whose activities apparently motivate the exchange trading requirement.

I do not mean to suggest that counterparties will not in the future suffer significant losses on their OTC derivatives transactions. Since 1994 the effectiveness of their risk-management skills has not been tested by widespread major declines in underlying asset prices. I have no doubt derivatives losses will mushroom at the next significant downturn as will losses on holdings of other risk assets, both on and off exchange. Nonetheless, I see no reason to question the underlying stability of the OTC markets, or the overall effectiveness of private market discipline, or the prudential supervision of the derivatives activities of banks and other regulated participants. The huge increase in the volume of OTC transactions reflects the judgments of counterparties that these instruments provide extensive protection against undue asset concentration risk. They are clearly perceived to add significant value to our financial structure, both here in the United States and internationally.

Accordingly the Federal Reserve Board sees no reason why these markets should be encumbered with a regulatory structure devised for a wholly different type of market process in which supplies of underlying assets are driven by the vagaries of weather and seasons. Inappropriate regulation distorts the efficiency of our market system and as a consequence impedes growth and improvement in standards of living.

APPLICATION OF THE CEA TO CENTRALIZED MARKETS FOR DERIVATIVES

Recently, some participants in the OTC markets have shown interest in utilizing centralized mechanisms for clearing or executing OTC derivatives transactions. For example, the London Clearing House plans to introduce clearing of interest rate swaps and forward rate agreements in the second half of 1999, and the Electronic Broking Service, a brokerage system for foreign exchange contracts, reportedly is planning to begin brokering forward rate agreements. The latter service may not be offered in the United States, however, because of the threat of application of the CEA.

Even some who argue that privately negotiated and bilaterally settled derivatives transactions should be excluded from the CEA, nonetheless believe that such transactions should be subject to the CEA if they are centrally executed or cleared, for fear that such facilities can foster price manipulation. Leaving aside our concern about the regulatory regime of financial futures generally, the Federal Reserve Board is particularly concerned that the vast majority of the instruments currently traded in the OTC markets not be subject to the CEA, even if they become sufficiently standardized to be centrally executed or cleared. To be sure, OTC contracts between counterparties would then have many similarities to exchange-traded contracts. But they would still retain distinct characteristics that would leave them economically far short of standardization. For example, participants in trade execution systems may seek to retain counterparty credit limits, and participants in clearing systems likely will resist constraints on their ability to customize the economic terms of contracts. To force full standardization would reduce the economic value of a bilateral contract to both parties and to the marketplace as a whole. The 1992 Act as we read it authorized exemption of all OTC derivatives transactions between professional counterparties from the CEA, whether or not they are centrally executed or cleared. Even with centralized execution or clearing, the most relevant attributes of these markets would not resemble those of the agricultural futures markets and hence would not be susceptible to manipulation.

Harmonizing Regulation of the OTC Markets and Futures Exchanges

Beyond question, the centralized execution and clearing of what to date have been privately negotiated and bilaterally cleared transactions would narrow the existing differences between exchange-traded and OTC derivatives transactions. However, that is not a reason to extend the CEA to cover OTC transactions. As we have argued, doing so is unnecessary to achieve the public policy objectives of the CEA. Moreover, as the economic differences between OTC and exchange-traded contracts are narrowing, it is becoming more apparent that OTC market participants share this conclusion; their decision to trade outside the regulated environment implies they do not see the benefits of the CEA as outweighing its costs. Instead, the Federal Reserve believes that the fact that OTC markets function so effectively without the benefits of the CEA provides a strong argument for development of a less burdensome regulatory regime for financial derivatives traded on futures exchanges. To reiterate, the existing regulatory framework for futures trading was designed in the 1920s and 1930s for the trading of grain futures by the general public. Like OTC derivatives, exchange-traded financial derivatives generally are not as susceptible to manipulation and are traded predominantly by professional counterparties.

Indeed, the Congress has rejected the notion of a "one-size-fits-all" approach to regulation of exchange trading. The exemptive authority that the Congress gave the CFTC in 1992 permitted it to create a less restrictive regulatory regime for professional trading of financial futures. However, the pilot program proposed by the CFTC evidently has not met the competitive and business requirements of the futures exchanges—no contracts are currently trading under the program. Last year, the Agriculture Committees of the House and the Senate both attempted to craft legislation that would spur development of such a new regulatory framework but were unable to achieve consensus on the best approach. In any event, if progress toward a more appropriate regime is not forthcoming soon, the Congress should seriously consider passage of legislation that would mandate progress.

Conclusion

In conclusion, the Board continues to believe that, aside from safety and soundness regulation of derivatives dealers under the banking or securities laws, regulation of derivatives transactions that are privately negotiated by professionals is unnecessary. Moreover, the Board questions whether the CEA as currently implemented is an appropriate framework for professional trading of financial futures on exchanges. The key elements of the CEA were put in place in the 1920s and 1930s to regulate the trading of agricultural futures by the general public. The vast majority of financial futures traded simply are not as susceptible to manipulation as agricultural and other commodity futures where supplies are more limited. And participants in financial futures markets are predominantly professionals that simply do not require the customer protections that may be needed by the general public. Regulation that serves no useful purpose hinders the efficiency of markets to enlarge standards of living. In choosing a particular regulatory regime it is important to remember that no system will fully eliminate inappropriate or illegal activities. Banking examiners, for example, find it difficult to unearth fraud and embezzlement in their early stages. Securities regulators have difficulty ferreting out malfeasance. Even trading on exchanges does not in itself eliminate all endeavors at manipulation, as the Hunt brothers' 1979–80 fiasco in silver demonstrated. The primary source of regulatory effectiveness has always been private traders being knowledgeable of their counterparties. Government regulation can only act as a backup. It should be careful to create net benefits to markets. □

Announcements

Statement by Chairman Greenspan on the Death of William McChesney Martin

Chairman Alan Greenspan of the Federal Reserve Board on July 28, 1998, issued the following statement:

> William McChesney Martin served with notable distinction from 1951 to 1970 as the eighth Chairman of the Federal Reserve Board. He set a masterful example of leadership during his tenure, playing a key role in fostering an extraordinary period of growth and prosperity for the U.S. economy. Crucially, Chairman Martin moved the Federal Reserve from being an adjunct of the Treasury Department to the independent status we know today. His tenure as Chairman is unmatched in longevity, and his remarkable contributions to the entire Federal Reserve System were memorialized in the naming of a Federal Reserve Board building for him in 1974. I extend my deepest sympathy to his wife and family in their loss.

Revision to Regulation H and Rescission of Regulation P

The Federal Reserve Board on July 7, 1998, announced adoption of a final rule that revises Regulation H (Membership of State Banking Institutions in the Federal Reserve System). This rule removes outdated material, updates and reorganizes the remaining material, and incorporates provisions designed to reduce the burden on state member banks.

The Board is also rescinding Regulation P (Minimum Security Devices and Procedures for Federal Reserve Banks and State Member Banks), which is no longer necessary because its provisions have been incorporated into Regulation H. Regulation P requires each bank to adopt appropriate security procedures. The final rules are effective October 1, 1998.

Regulation DD: Amendment

The Federal Reserve Board on July 27, 1998, made final an interim rule amending Regulation DD (Truth in Savings), regarding the disclosure of the annual percentage yield (APY). The rule permits institutions to disclose an APY equal to the contract interest rate for certain time accounts; the rule applies only to time accounts with maturities longer than one year that do not compound but that require interest distributions at least annually.

Appointment of Governor Ferguson as Chairman of the Year 2000 Council

The Joint Year 2000 Council on July 21, 1998, announced the appointment of Federal Reserve Board Governor Roger W. Ferguson, Jr., as chairman of the council effective immediately.

The council is composed of senior representatives of the Basle Committee on Banking Supervision, the Committee on Payment and Settlement Systems, the International Association of Insurance Supervisors, and the International Organization of Securities Commissions.

The council was formed in April of this year to address issues associated with the Year 2000 computer challenge within the global financial supervisory community. Information on the council's activities is available on the Bank for International Settlements' web site (http://www.bis.org).

Publication of a Joint Report on Legislative Recommendations of Ways to Simplify and Improve Consumer Disclosures in Home-Secured Loans

The Federal Reserve Board on July 17, 1998, published with the Department of Housing and Urban Development a report on legislative recommendations to the Congress on ways to simplify and improve consumer disclosures under the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA).

The report focuses on four broad policy issues concerning closed-end home-secured loans. The Board and HUD recommended the following:

- Revising TILA's annual percentage rate (APR) to better reflect the overall cost of credit by defining the finance charge to include costs the consumer is required to pay to obtain the loan

• Requiring firmer settlement cost disclosures under RESPA through either guaranteed closing costs or estimated costs within a tolerance

• Revising and streamlining the timing requirements under TILA and RESPA to provide consumers with cost information earlier in the mortgage process

• Adding substantive protections to protect consumers against abusive lending practices.

To obtain a copy of the joint report, contact Publications Services, Board of Governors of the Federal Reserve System, Washington, DC 20551, or phone 202-452-3244. The report will also be available through the Federal Reserve Banks and on the Board's World Wide Web site (http://www.federalreserve.gov).

Availability of Data on Mortgage Lending Transactions in 1997 at Institutions Covered by the HMDA

The Federal Financial Institutions Examination Council (FFIEC) announced on July 14, 1998, the availability of data on mortgage lending transactions in 1997 at individual institutions in metropolitan areas throughout the nation. These data, in the form of disclosure statements, are available from the 7,925 lenders covered by the Home Mortgage Disclosure Act (HMDA).

The FFIEC prepares and distributes the HMDA statements for individual lenders on behalf of its member agencies—the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, and the Federal Reserve System—and the Department of Housing and Urban Development. Lenders are required to make the disclosure statements available at their home offices within three business days of receiving the statements. In addition, for other metropolitan statistical areas (MSAs) in which they have offices, lenders must either make a copy of the statements available at one branch per MSA or provide a copy on written request.

The disclosure statements cover home purchase and home improvement loans and contain information about loan originations, loan purchases, and applications that did not result in a loan. The 1997 data include a total of 16.4 million reported loans and applications, an increase of about 11 percent from 1996 that primarily reflects a large increase (19 percent) in refinancing activity in 1997. For most loans relating to property located in MSAs, the statements identify the geographic location, usually by census tract. The statements give information about three characteristics of applicants or borrowers: race or national origin, sex, and annual income.

By early August, the FFIEC will send aggregate and individual disclosure statements to a central depository in each metropolitan area for public inspection. The location of these central depositories can be obtained by calling the FFIEC (202-634-6526) or by visiting the FFIEC's web site (www.ffiec.gov) at this page: www.ffiec.gov/hmdacf/centdep/main.cfm.

In addition, the FFIEC makes HMDA data directly available to the public in various formats, including magnetic tape, PC diskette, and CD-ROM, and at the FFIEC web site. Some are available in paper form (tables for 1997 showing the nationwide aggregates and key demographic information for metropolitan areas, for instance). An order form can be obtained by calling 202-452-2016 (an automated response system) and selecting menu option 3 or by faxing a request for an order form to 202-452-6497. The order form is also available at the FFIEC web site. The order form is complete with descriptions of the various reports, prices, and formats. Advance orders may be placed to be filled when the data become available.

The FFIEC also provides data from the nation's eight private mortgage insurance (PMI) companies. The 1997 PMI data include information on approximately 1.2 million applications for mortgage insurance, about 1.0 million of which were to insure home purchase mortgages and 0.2 million of which were to insure mortgages to refinance existing obligations. These data will be available at individual PMI companies, at the central depositories in each metropolitan area, and from the FFIEC. By early August, the data will be available at central depositories and from the FFIEC in the same types of reports and in the same formats as the HMDA data.

Questions about a HMDA report for a specific lender should be directed to the lender's supervisory agency at its number in the following list:

Federal Reserve System, HMDA Assistance Line—202-452-2016

Federal Deposit Insurance Corporation—800-934-3342

Office of Thrift Supervision, Reports Division—972-281-2068

Comptroller of the Currency, Community and Consumer Policy—202-874-4446

National Credit Union Administration, Office of Examination—703-518-6392

Department of Housing and Urban Development, Office of Housing—202-755-7530

AVAILABILITY OF REVISED LISTS OF OVER-THE-COUNTER STOCKS AND OF FOREIGN STOCKS SUBJECT TO MARGIN REGULATIONS

The Federal Reserve Board published on July 24, 1998, a revised list of over-the-counter (OTC) market stocks that meet the margin criteria in Regulation T (Credit by Brokers and Dealers). Also published was a complete edition of the list of foreign equity securities that meet the margin criteria in Regulation T. The lists were effective August 10, 1998, and supersede the previous lists that were effective May 11, 1998.

The changes that have been made to the revised OTC List, which now contains 4,836 OTC stocks, are as follows:

- One hundred eighty stocks have been included for the first time, 148 under National Market System (NMS) designation
- Seventy-six stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing
- One hundred twenty-two stocks have been removed for reasons such as listing on a national securities exchange or involvement in an acquisition.

Lenders subject to Regulation T and borrowers subject to Regulation X (Borrowers of Securities Credit) who are required under Section 224.3(a) to conform credit they obtain to Regulation T must use the OTC list until publication of the last OTC list, which is anticipated for November 1998. An amendment to Regulation T that will make all stocks trading in the NASDAQ Stock Market marginable at brokers and dealers without the need for the Board to publish an OTC list will be effective January 1, 1999; therefore the November 1998 OTC list will expire on January 1, 1999.

Pursuant to amendments recently adopted by the Board that became effective for all broker–dealers on July 1, 1998, the foreign list is composed of those foreign equity securities that have been found to meet the criteria in section 220.11 of Regulation T. Additional foreign equity securities qualify as foreign margin securities if they are deemed by the Securities and Exchange Commission (SEC) to have a "ready market" for purposes of SEC Rule 15c3-1. This includes all foreign stocks listed on the Financial Times/Standard & Poor's Actuaries World Indices (FT/S&P–AW Indices). Although the Board has included these stocks on its foreign list since 1996, the recent amendments allow broker–dealers to extend credit on such stocks without regard to the foreign list. The complete edition of the foreign list now contains ninety-four securities displayed in order of country.

It is unlawful for any person to cause any representation to be made that inclusion of a stock on the OTC list or the foreign list indicates that the Board or the SEC has in any way passed upon the merits of any such stock or transaction therein. Any references to the Board in connection with these lists or any stocks thereon in any advertisement or similar communication is unlawful.

SCHEDULING OF AN ADDITIONAL DAY FOR THE MEETING ON THE PROPOSED ACQUISITION OF BANKAMERICA BY NATIONSBANK

The Federal Reserve Board on July 6, 1998, announced the scheduling of an additional day, July 10, and a time change for the public meeting in San Francisco on the proposal by NationsBank Corporation, Charlotte, North Carolina, to acquire BankAmerica Corporation, San Francisco, California.

The Board on June 19 had announced a public meeting on the proposal for July 9. The Presiding Officer extended the meeting to a second day, July 10, to accommodate timely requests to testify at the public meeting. In addition, the meetings on both days began at 8:00 a.m. PDT, instead of 9:00 a.m. PDT, at the Federal Reserve Bank of San Francisco, 101 Market Street, San Francisco, California.

Additional information about the public meeting was contained in the Notice of Public Meeting issued by the Board on June 19.

ACCESSIBILITY TO THE BOARD'S WORLD WIDE WEB SITE THROUGH A NEW ADDRESS

On July 20, 1998, the Board's public web site became accessible through a new address: (http://www.federalreserve.gov). The original address (http://www.bog.frb.fed.us) continues to work, and both addresses point to the same web site.

CHANGES IN BOARD STAFF

The Board of Governors announced on August 4, 1998, the promotion of Richard C. Stevens from Assistant Director to Deputy Director and the appointment of Maureen Hannan to the official staff as Assistant Director, both in the Division of Information Resources Management.

Mrs. Hannan joined the Board's staff in 1979. In 1992 she became manager for the information systems supporting the Federal Reserve System's National Information Center.

On August 12, 1998, the Board of Governors announced the promotion of Vincent R. Reinhart from Assistant Director to Deputy Associate Director and the appointment of William C. Whitesell to the official staff as Assistant Director in the Division of Monetary Affairs.

Mr. Whitesell joined the Board's staff in 1987. As Assistant Director and Chief of the Money and Reserves Projections Section, he will have expanded responsibilities for participation in oversight of the division's research and analysis program. He holds an M.B.A. from the University of Pennsylvania and a Ph.D. from New York University. □

Minutes of the Federal Open Market Committee Meeting Held on May 19, 1998

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D.C., on Tuesday, May 19, 1998, at 9:00 a.m.

Present:

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

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

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

Mr. Kohn, Secretary and Economist
Mr. Gillum, Assistant Secretary
Mr. Mattingly, General Counsel
Mr. Prell, Economist
Mr. Truman, Economist

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

Mr. Fisher, Manager, System Open Market Account

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

Ms. Fox, Deputy Congressional Liaison, Office of Board Members, Board of Governors

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

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

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

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

Ms. Garrett, Economist, Division of Monetary Affairs, Board of Governors

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

Mr. Kumasaka, Research Assistant, Division of Monetary Affairs, Board of Governors

Messrs. Eisenbeis, Goodfriend, Hunter, Lang, Rolnick, and Rosenblum, Senior Vice Presidents, Federal Reserve Banks of Atlanta, Richmond, Chicago, Philadelphia, Minneapolis, and Dallas respectively

Messrs. Altig, Bentley, and Judd, Vice Presidents, Federal Reserve Banks of Cleveland, New York, and San Francisco respectively

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on March 31, 1998, were approved.

The Manager of the System Open Market Account reported on developments in foreign exchange markets during the period March 31, 1998, through May 18, 1998. There were no System open market transactions in foreign currencies 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 31, 1998, through May 18, 1998. By unanimous vote, the Committee ratified these transactions.

The Manager informed the Committee of his intention to discuss with market participants proposed changes in the procedures for lending securities from the System Open Market Account. The changes would be intended to adapt the lending program to the evolving structure of the U.S. Treasury securities market. They are designed to make System securities lending more effective at helping to relieve occasional significant shortages of particular securities, which could cause disruptions to the market. In a brief discussion, Committee members sought clarification of some of the proposed details of the new program and how it would fit with the Federal Reserve's broader responsibilities. Action to amend paragraph 2 of the Authorization for Domestic Open Market Operations would be required at a later date when the details of the new program had been decided upon after discussions with market participants.

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 the economy continued to expand rapidly in 1998. Strength in consumption, business outlays for durable equipment, and homebuilding boosted growth in domestic final demand to a very rapid pace in the first quarter, and there had been indications of slower expansion since then. However, weakening net exports were exerting a considerable drag on economic growth. Moreover, the extraordinary pace of inventory investment thus far this year might foreshadow less robust expansion ahead. Payroll employment remained on a brisk uptrend, but industrial production decelerated sharply after having surged in the second half of last year. Despite indications of persisting pressures on employment costs associated with tight labor markets, consumer price inflation remained subdued, importantly reflecting large declines in energy prices.

Nonfarm payroll employment registered another large increase in April after a small decline in March; these data, along with the still-low level of initial claims for unemployment insurance in recent weeks, suggested that labor demand had remained robust thus far in 1998. Hiring in the trade, finance and real estate, and services industries was brisk in April; employment in construction retraced part of an apparently weather-related drop in March. The number of manufacturing jobs declined in April for a second consecutive month. The civilian unemployment rate fell sharply, to 4.3 percent in April, after having averaged around 4¾ percent since last November.

Industrial production rose somewhat over March and April after having weakened earlier in the year. Part of the slowdown this year, following rapid growth in the second half of last year, was attributable to weakness in utility output associated with unusually warm winter weather across much of the country. More importantly, though, manufacturing output had changed little on balance in recent months. In April, a pickup in the production of business equipment, particularly of information processing equipment, was largely offset by further declines in the output of construction supplies, basic metals, and nondurable materials. The production of consumer goods was unchanged. The factory operating rate eased further in April, reflecting the continuing brisk expansion in manufacturing facilities and slow growth in output.

Consumer spending had remained strong this year in the context of robust gains in income and household net worth and of very favorable consumer sentiment. Total retail sales rose appreciably in April, boosted by increases in purchases of automobiles and nondurable goods. Housing demand and residential construction activity also continued to increase at a rapid pace this year. Home sales were at very high levels, reflecting the continuing improvement in housing affordability as a result of declining mortgage rates. Although housing starts slipped in April, they remained at an elevated level.

Business fixed investment rebounded sharply in the first quarter from a small decline in the fourth quarter of 1997. A surge in expenditures on producers' durable equipment, notably on computers, communications equipment, and heavy trucks, more than offset continued weakness in outlays for nonresidential structures. While available indicators pointed to further substantial gains in equipment purchases over coming months, data on construction contracts offered little evidence of a pickup in nonresidential construction activity in the near term, even though vacancy rates were declining and office rents were rising.

Business inventories increased at a very rapid pace in the first quarter, but with sales strong, inventory–sales ratios remained within their ranges over the past year. In manufacturing, stock accumulation slowed in March after having increased fairly rapidly in January and February. At the wholesale level, inventories rose about in line with sales during the quarter, and in the retail sector inventories built up at a greatly accelerated pace in the first quarter.

The nominal deficit on U.S. trade in goods and services widened substantially in January and February from its average monthly rate in the fourth quarter. The value of exports declined considerably in the January–February period, with most of the drop attributable to reduced sales to Asian countries. The decrease in exports was concentrated in agricultural products, industrial supplies, and machinery. The value of imports rose slightly, largely reflecting higher amounts of imported automotive products and higher service payments. The available information suggested that economic growth in continental Europe strengthened in the first quarter, with strong domestic demand apparently offsetting the effects of Asian turmoil on foreign trade. Robust domestic demand also continued to buoy the Canadian economy. By contrast, economic activity in Japan contracted in the first quarter and decelerated sharply further in Asian countries that had experienced financial turmoil.

Consumer prices were unchanged in March and rose moderately in April. Energy prices were down slightly further in April after having declined markedly in previous months, and food prices increased a little; excluding food and energy, consumer price inflation picked up in April as prices of services accelerated and prices of tobacco surged higher. Over the course of recent months, core consumer inflation had accelerated to rates that were somewhat above those registered earlier. Even so, on a year-over-year basis, the increases in total and core consumer prices were substantially smaller over the twelve months ended in April than they had been in the year-earlier period; falling import prices apparently helped damp the goods component of the index. At the producer level, price inflation of finished goods other than food and energy picked up a bit in April, but it was considerably lower over the twelve months ended in April than over the year-earlier interval. Inflation at earlier stages of production also remained subdued. The rate of increase in hourly compensation of private industry workers slowed in the first quarter, reflecting smaller advances in both the wage and benefit components of the index; however, compensation costs accelerated appreciably on a year-over-year basis, primarily as a result of faster growth in wages and salaries.

At its meeting on March 31, 1998, the Committee adopted a directive that called for maintaining conditions in reserve markets that were consistent with an unchanged federal funds rate averaging around 5½ percent. However, in light of increased concerns that growth in aggregate demand might outpace the expansion of the economy's potential for some time, possibly generating inflationary imbalances in labor markets, the Committee decided that the directive should include a bias toward the possible firming of reserve conditions and a higher federal funds rate. The reserve conditions associated with this directive were expected to be consistent with considerable moderation in the growth in M2 and M3 over the months ahead.

Open market operations throughout the intermeeting period were directed toward maintaining reserve conditions consistent with the intended average of around 5½ percent for the federal funds rate. Though tax flows were heavy at times and reserves were drained from depository institutions as tax payments spilled into Treasury deposits at the Federal Reserve Banks, the federal funds rate averaged a little below its intended level over the period. Most other market interest rates declined slightly on balance over the intermeeting period; incoming data suggested that labor markets remained tight and that the economy retained considerable upward momentum, but market participants evidently gave greater weight to information indicating that wage and price inflation was well contained in the first quarter. Share prices in U.S. equity markets rose further despite some reports of soft corporate earnings, and equity prices in most other industrial countries also reached new highs.

In foreign exchange markets, the trade-weighted value of the dollar in terms of major currencies changed little on balance over the period. The dollar declined considerably against the German mark and other continental European countries amid signs of strong growth in the German economy and further progress in resolving the outstanding issues associated with next year's launch of the euro; French and German interest rates also rose slightly over the period. The dollar appreciated somewhat against the yen; the announcement of a large fiscal stimulus package and Japan's intervention in support of the yen did not offset indications of further weakening in the Japanese economy and related declines in Japanese interest rates. Other Asian financial markets came under renewed pressure after a brief period of relative calm. The currencies of several key Asian emerging market economies depreciated considerably against the dollar; and in sharp contrast to the performance of equity markets in most industrial countries, prices in Asian equity markets declined substantially on balance over the period to near their lows of late 1997 or early 1998.

M2 and M3 expanded briskly further in April, but data for late April and early May showed M2 declining and M3 leveling out; much of the fluctuation in M2 during the April–May period appeared to be related to movements of funds associated with unusually heavy nonwithheld tax payments and a surge in mortgage refinancings to take advantage of lower long-term rates. On balance, the underlying growth of these aggregates seemed to be slowing from the pace of the first quarter. The moderation in M3 partly reflected a reduced need for non-M2 sources of funds at a time when bank credit expansion seemed to be slowing. Growth of total domestic nonfinancial debt apparently had slipped somewhat after picking up earlier in the year.

The staff forecast prepared for this meeting indicated that the expansion of economic activity would slow considerably during the next few quarters and remain moderate in 1999. Reduced growth of foreign economic activity and the lagged effects of the sizable rise that had occurred in the foreign exchange value of the dollar were expected to place substantial restraint on the demand for U.S. exports and to add to the pressures on domestic producers to hold down prices to meet import competition. An anticipated sharp slowdown in the pace of inventory accumulation also would damp domestic production as the growth of stocks was brought into balance with the expected more moderate trajectory of final sales. The staff analysis suggested that further strong gains in income, along with the surge in household net worth over the past several years, would support brisk, though gradually diminishing, gains in consumer spending. Housing demand, fostered by the favorable cash flow affordability of home ownership, was expected to remain at a generally high level, though the anticipated slowing in income growth over the projection period would damp residential construction activity somewhat. Substantial increases in capital spending would continue, but slower growth in business sales and profits would produce a gradual deceleration. While pressures on production resources were likely to abate to a degree as output growth slowed, inflation was expected to increase somewhat from its recent pace in response to rising compensation costs associated with persisting tightness in labor markets, a limited rebound in energy prices, and a diminishing drag on non-oil import prices.

In the Committee's discussion of current and prospective economic developments, members noted the exceptional strength in domestic final demand and viewed robust further expansion in such demand as highly likely. Final purchases were being supported by accommodative financial conditions, especially a rising equity market, by ebullient consumer sentiment, and by business spending on productivity-enhancing equipment. While there were limited indications of weakness in some sectors of the economy—such as manufacturing, energy, and agriculture in some areas—the members did not see conclusive evidence of appreciable moderation in the pace of the overall economic expansion. Nonetheless, they generally believed that substantial moderation in the expansion was a likely prospect in coming quarters, largely as a consequence of a marked slowing in inventory investment from the clearly unsustainable pace of the first quarter and, to a lesser extent, from some further weakness in net exports. The outlook for the latter was especially uncertain, and the weakness could be greater than previously anticipated owing to renewed turmoil in emerging Asian economies and pronounced weakness in Japan. Whether the moderation in U.S. economic growth would be sufficient to forestall cost increases arising from tight labor markets that in turn would add to pressures on prices was open to question. To date, developments in business costs had been relatively benign, owing to an important extent to somewhat faster productivity growth. This circumstance and a number of one-time influences holding down costs and prices had contained inflation at rates that were lower than those seen in several decades, and probably would continue to do so for a while. But the members generally were concerned that inflation might begin to rise over the intermediate term, especially if labor markets tightened further.

In their assessment of the factors underlying the persisting strength of aggregate final demand, members took particular note of the effect of accommodative financial conditions. The rapid growth in consumer spending was being bolstered by large gains in stock market wealth; and the strength in housing and other interest-sensitive consumer expenditures also reflected declines in nominal, and perhaps in real, intermediate- and long-term interest rates and the ample availability of loans. Likewise, the ready availability of equity and debt financing on favorable terms was a key factor in the continuing robust growth of business investment. Indeed, some members expressed concern that the widespread perceptions of reduced risk or complacency that had bolstered equity prices beyond levels that seemed justified by fundamentals were beginning to be felt in a variety of other markets as well, including commercial and residential properties, business ventures, and land. In the view of a number of members, rapid growth of the monetary aggregates, though it had slowed very recently, was a further indication that financial conditions were not restraining economic activity.

Despite the failure of domestic demand to moderate in line with their earlier expectations, the members were persuaded that appreciable slowing in the growth of economic activity was a likely prospect over the course of coming quarters even though its exact timing and extent were unknown. Key elements in this assessment were the outlook for inventories and net exports. The surge in inventory accumulation in the first quarter did not appear to have resulted in overall stock imbalances as evidenced by stock–sales ratios or anecdotal reports. Even so, growth in inventory investment at a pace sharply exceeding the sustainable growth of final sales was unlikely to continue for an extended period. Given the ample availability of industrial capacity and the related absence of pressures on lead or delivery times, business firms did not need to build precautionary stocks. Thus, inventory investment was likely to respond to the expected deceleration in final sales over coming quarters. Some members expressed reservations about the probable extent of the deceleration in the period ahead, especially in the context of their expectations of a still relatively robust uptrend in final sales.

Developments in Asia clearly were having adverse effects on a number of U.S. industries, but the overall effects on the U.S. economy appeared to have been limited thus far. Indeed, the direct effects of the Asian financial and economic problems on U.S. trade over time needed to be weighed against their indirect but positive effects in the near term in helping to hold down U.S. interest rates and in reducing the prices of oil and other imported commodities. However, members were concerned that, as evidenced by the most recent developments, conditions in Asian financial markets and economies were deteriorating further, with potentially adverse consequences for net U.S. exports. Of particular concern in this regard was the possibility of worsening economic conditions in Japan and the negative implications not only for U.S. trade with Japan but for worldwide trade and financial markets. Some members also commented that unsettled financial and economic conditions in East Asia could tend to exacerbate the economic problems of several important emerging economies in other parts of the world, including major Latin American trading partners of the United States. On balance, forecasts of a limited further drag on U.S. net exports from developments in Asia were subject to substantial uncertainty, with the risks tilted toward a greater effect on the U.S. economy than had been anticipated earlier. Moreover, the lingering effects of the dollar's appreciation last year against a broad array of currencies would continue to depress the nation's foreign trade position for some time.

The decline in the unemployment rate to its lowest level in nearly three decades underscored anecdotal reports of further tightening in labor markets in recent months and added to concerns about the outlook for inflation. Though the first-quarter data had not suggested as steep an increase as a number of observers had anticipated, labor compensation clearly was trending higher. But as suggested by the rise until recently in profit margins, businesses had been able to realize productivity gains that tended to offset the faster increases in compensation costs. Indeed, while the most recent data were difficult to read, once likely revisions were taken into account productivity improvements could well be on a steeper uptrend than had been estimated earlier. Even so, the members remained concerned that if pressures on labor resources continued to intensify, the associated increases in labor compensation would at some point significantly exceed the gains in productivity. The resulting pressures on prices might be muted, but probably only for a time, by the inability of many business firms in highly competitive markets to raise their prices or to raise them sufficiently to offset rising costs. Some members emphasized that a number of developments that had held down prices, including the dollar's sizable appreciation last year, the drop in world oil prices, and the downtrend in employee benefit cost increases, were unlikely to be repeated over the coming year and could even be reversed to a degree. Members acknowledged, however, that the nexus between labor market tightness, accelerating labor costs, and the effects on price inflation was very difficult to ascertain and analyses based on earlier patterns that pointed to rising inflation had proved consistently wrong in recent years.

In the Committee's discussion of monetary policy for the intermeeting period ahead, a majority of the members indicated that they preferred or could accept an unchanged policy. These members also expressed a preference for retaining the asymmetric instruction in the directive that the Committee had adopted at the previous meeting. In this view, the uncertainties in the outlook for economic expansion and inflation remained sufficiently great to warrant a continued wait-and-see policy stance. Considerations underlying this view included the possibility that financial and economic conditions in Asia might worsen further and exert a stronger retarding effect on the performance of the U.S. economy than presently seemed to be in train. A good deal of uncertainty also surrounded the potential extent to which developments in the domestic economy, notably the pace of inventory accumulation over coming months, might foster slower economic expansion and the related degree to which pressures in labor markets would be affected. Moreover, considerable questions remained about the relationship of labor market pressures to inflation. In these circumstances, it was possible that inflation would continue to be contained, though the risks clearly seemed to be tilted in the direction that action would become necessary at some point to keep inflation low.

While a delay in implementing a tighter policy that ultimately proved to be needed to curb rising inflation involved some risks, many of the members concurred in the view that the potential costs of postponing action for a limited time were small. By some measures, inflation had continued to drop in the first quarter, and the appreciation of the dollar, reduced commodity prices, and low—if not declining—inflation expectations would help to hold down nominal wage increases and price pressures for some time, even if, as a number of members suspected, the economy was now producing beyond its long-run potential. Forecasts of rising inflation had proved unreliable and needed to be viewed in light of the considerable uncertainties surrounding them. The members recognized, however, that the longer any needed action was delayed, the more important it would be to take prompt and perhaps vigorous action once the danger of rising inflation became clearer.

Another reason for not taking action at this meeting was the possibility that even a modest tightening action could have outsized effects on the already very sensitive financial markets in Asia. The resulting unsettlement could have substantial adverse repercussions on U.S. financial markets and, over time, on the U.S. economy. Many of the members emphasized, however, that market considerations could not be allowed to jeopardize the effective conduct of a U.S. monetary policy aimed at an optimal performance of the U.S. economy. Indeed, such a performance would best serve the interests of troubled financial markets and economies abroad.

A number of members indicated that the decision was a close call for them. In this regard, some emphasized that financial conditions were very accommodative in terms of the ample availability of financing to most borrowers on very attractive terms and increases in equity prices. Several expressed concern that the persistence of quite rapid monetary growth this year was symptomatic of a monetary policy that was not positioned to restrain ebullient domestic demand sufficiently, even if short-term real interest rates were quite high. Although some of these members could accept postponing action for the present to await further information on the balance of risks, two members, while acknowledging the uncertainties that surrounded the economic outlook, indicated a strong preference for tightening the stance of policy at this meeting. They believed that current policy was accommodating excessive strength in aggregate demand that very likely would be felt in higher inflation before long. Prompt tightening was needed to avert the necessity of stronger and potentially disruptive policy actions later to contain inflation.

All the members who intended to vote for an unchanged policy at this meeting supported the retention of a directive that was biased toward restraint. In their view, current developments did not call for any policy action, at least at this meeting, but because they felt the risks were tilted in the direction of rising inflation, a policy tightening move, possibly in the near future, was a likely though not an inevitable prospect.

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

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

The information reviewed at this meeting suggests that economic activity has continued to grow rapidly in 1998. Nonfarm payroll employment registered another substantial increase in April after a slight decline in March, and the civilian unemployment rate fell to 4.3 percent in April. However, factory output has changed little on balance in recent months. Retail sales grew appreciably in April, and consumer spending as a whole has been very strong this year. Residential sales and construction also have strengthened this year. Business fixed investment rebounded sharply in the first quarter after having declined slightly in the fourth quarter, and available indicators point to continuing strength over coming months. Business inventories appear to have increased very rapidly in the first quarter. The nominal deficit on U.S. trade in goods and services widened substantially in January and February from its average monthly rate in the fourth quarter. Despite indications of persisting pressures on employment costs associated with tight labor markets, price inflation has remained subdued this year, primarily as a consequence of large declines in energy prices.

Most market interest rates have declined slightly on balance over the intermeeting period. Share prices in U.S. equity markets have moved up a little further. In foreign exchange markets, the trade-weighted value of the dollar in terms of major currencies has changed little on net over the period. However, the dollar has risen on balance against the currencies of key emerging market economies, particularly those in Asia. Equity markets in Asia have fallen substantially over the period to near their lows of late 1997, while those in Europe have risen to new highs.

M2 and M3 expanded briskly further in April, but data for late April and early May show M2 declining and M3 leveling out. The swing in these measures seemed to be related largely to movements of funds associated with tax payments. Expansion of total domestic nonfinancial debt appears to have moderated somewhat after a pickup earlier in the year.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at its meeting in February 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 1997 to the fourth quarter of 1998. The range for growth of total domestic non-financial 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 conditions in reserve markets consistent with maintaining the federal funds rate at an average of around 5½ percent. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, a somewhat higher federal funds rate would or a slightly lower federal funds rate might be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with considerable moderation in the growth in M2 and M3 over coming months.

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

Mr. Poole dissented because he believed that the sustained increase in money growth in recent quarters and associated accommodative conditions in the credit markets pointed to rising inflation. Although faster productivity growth suggested that trend output growth might be modestly higher than previously thought, the growth rate of aggregate demand over the past two years clearly had exceeded the economy's long-run growth potential. Without a reduction of aggregate demand growth, inflation would rise. In his view, the Federal Reserve should therefore take prompt action to reduce money growth to limit the rise in inflation and to avoid an increase in longer-term inflation expectations, which would tend to destabilize aggregate employment and financial markets.

Mr. Jordan also noted that the monetary and credit aggregates had accelerated further from already rapid growth rates in 1997. In his view, these high growth rates were fueling unsustainably rapid increases of real estate and other asset prices, and reports of "too much cash chasing too few deals" were becoming more frequent. Anticipated gains on both real and financial investments had risen relative to the cost of borrowed funds. In these circumstances, it was increasingly likely that the Committee would face a choice between smaller increases in interest rates sooner versus larger increases later. He added that maximum sustainable economic growth occurs when businesses and households act on the assumption that the dollar will maintain its value over time, and nothing he had heard from consumer groups, bankers, or other business people in his District led him to believe that decisions were being made in the expectation that the purchasing power of the dollar would be stable. Furthermore, expectations that market values of income-producing investments would continuously rise relative to underlying earning streams were not consistent with a stable purchasing power of money. He also believed that the view that real interest rates currently were high was not confirmed by observed behavior. Bankers told him that both consumers and businesses believed that credit was cheap and plentiful. These potentially inflationary conditions and imbalances in the economy were not conducive to sustained maximum growth.

It was agreed that the next meeting of the Committee would be held on Tuesday–Wednesday, June 30–July 1, 1998.

The meeting adjourned at 1:35 p.m.

Donald L. Kohn
Secretary

Legal Developments

Final Rule—Amendment to Regulation H

The Board of Governors is amending 12 C.F.R. Parts 208 and 250, Subpart A of Regulation H (Membership of State Banking Institutions in the Federal Reserve System; Miscellaneous Interpretations), regarding the general provisions for membership in the Federal Reserve System, and Subpart E of Regulation H, regarding Interpretations, in order to reduce regulatory burden, simplify and update requirements, and eliminate several obsolete interpretations. As part of the final rule the Board is reissuing prior Subparts B and C. Prior Subparts B and C have not been significantly amended but have been relettered (as Subparts D and E, respectively) to reflect the fact that prior Subpart A was broken into four new Subparts (Subparts A, B, C and F). Prior Subpart D, regarding safety and soundness standards, has been incorporated into new Subpart A. The final rule does not amend in any way Appendices A through E to Part 208. This final rule to modernize Subpart A of Regulation H is in accordance with the Board's policy of reviewing its regulations as well as the Board's review of regulations under section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994.

Effective October 1, 1998, 12 C.F.R. Parts 208 and 250 are amended as follows:

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

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

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

2. The table of contents to Part 208 is revised to read as follows:

Subpart A—General Membership and Branching Requirements

Section 208.1—Authority, purpose, and scope.
Section 208.2—Definitions.
Section 208.3—Application and conditions for membership in the Federal Reserve System.
Section 208.4—Capital adequacy.
Section 208.5—Dividends and other distributions.
Section 208.6—Establishment and maintenance of branches.
Section 208.7—Prohibition against use of interstate branches primarily for deposit production.

Subpart B—Investments and Loans

Section 208.20—Authority, purpose, and scope.
Section 208.21—Investments in premises and securities.
Section 208.22—Community development and public welfare investments.
Section 208.23—Agricultural loan loss amortization.
Section 208.24—Letters of credit and acceptances.
Section 208.25—Loans in areas having special flood hazards.

Subpart C—Bank Securities and Securities-Related Activities

Section 208.30—Authority, purpose, and scope.
Section 208.31—State member banks as transfer agents.
Section 208.32—Notice of disciplinary sanctions imposed by registered clearing agency.
Section 208.33—Application for stay or review of disciplinary sanctions imposed by registered clearing agency.
Section 208.34—Recordkeeping and confirmation of certain securities transactions effected by State member banks.
Section 208.35—Qualification requirements for transactions in certain securities. [Reserved]
Section 208.36—Reporting requirements for State member banks subject to the Securities Exchange Act of 1934.
Section 208.37—Government securities sales practices.

Subpart D—Prompt Corrective Action.

Section 208.40—Authority, purpose, scope, other supervisory authority, and disclosure of capital categories.
Section 208.41—Definitions for purposes of this subpart.
Section 208.42—Notice of capital category.
Section 208.43—Capital measures and capital category definitions.
Section 208.44—Capital restoration plans.
Section 208.45—Mandatory and discretionary supervisory actions under section 38.

Subpart E—Real Estate Lending and Appraisal Standards

Section 208.50—Authority, purpose, and scope.
Section 208.51—Real estate lending standards.

Subpart F—Miscellaneous Requirements

Section 208.60—Authority, purpose, and scope.
Section 208.61—Bank security procedures.
Section 208.62—Suspicious activity reports.
Section 208.63—Procedures for monitoring Bank Secrecy Act compliance.
Section 208.64—Frequency of examination.

Subpart G—Interpretations

Section 208.100—Sale of bank's money orders off premises as establishment of branch office.
Section 208.101—Obligations concerning institutional customers.

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

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

Appendix C to Part Section 208—Interagency Guidelines for Real Estate Lending Policies

Appendix D to Part Section 208—Interagency Guidelines Establishing Standards for Safety and Soundness

Appendix E to Part Section 208—Capital Adequacy Guidelines for State Member Banks; Market Risk Measure

3. Subparts A through E are revised and Subparts F and G are added to read as follows:

Subpart A—General Membership and Branching Requirements

Section 208.1—Authority, purpose, and scope.

(a) *Authority.* Subpart A of Regulation H (12 C.F.R. Part Section 208, Subpart A) is issued by the Board of Governors of the Federal Reserve System (Board) under 12 U.S.C. 24, 36; sections 9, 11, 21, 25 and 25A of the Federal Reserve Act (12 U.S.C. 321–338a, 248(a), 248(c), 481–486, 601 and 611); sections 1814, 1816, 1818, 1831o, 1831p-1, 1831r-1 and 1835a of the Federal Deposit Insurance Act (FDI Act) (12 U.S.C. 1814, 1816, 1818, 1831o, 1831p-1, 1831r-1, and 1835); and 12 U.S.C. 3906-3909.

(b) *Purpose and scope of Part 208.* The requirements of this part 208 govern State member banks and state banks applying for admission to membership in the Federal Reserve System (System) under section 9 of the Federal Reserve Act (Act), except for section 208.7, which also applies to certain foreign banks licensed by a State. This part 208 does not govern banks eligible for membership under section 2 or 19 of the Act.[1] Any bank desiring to be admitted to the System under the provisions of section 2 or 19 should communicate with the Federal Reserve Bank with which it would like to become a member.

(c) *Purpose and scope of Subpart A.* This Subpart A describes the eligibility requirements for membership of state-chartered banking institutions in the System, the general conditions imposed upon members, including capital and dividend requirements, as well as the requirements for establishing and maintaining branches.

Section 208.2—Definitions.

For the purposes of this part:

(a) *Board of Directors* means the governing board of any institution performing the usual functions of a board of directors.

(b) *Board* means the Board of Governors of the Federal Reserve System.

(c) *Branch.*

(1) Branch means any branch bank, branch office, branch agency, additional office, or any branch place of business that receives deposits, pays checks, or lends money. A branch may include a temporary, seasonal, or mobile facility that meets these criteria.

(2) *Branch* does not include:

(i) A loan origination facility where the proceeds of loans are not disbursed;

(ii) An office of an affiliated or unaffiliated institution that provides services to customers of the member bank on behalf of the member bank so long as the institution is not established or operated by the bank;

(iii) An automated teller machine;

(iv) A remote service unit;

(v) A facility to which the bank does not permit members of the public to have physical access for purposes of making deposits, paying checks, or borrowing money (such as an office established by the bank that receives deposits only through the mail); or

(vi) A facility that is located at the site of, or is an extension of, an approved main office or branch. The Board determines whether a fa-

1. Under section 2 of the Federal Reserve Act, every national bank in any state shall, upon commencing business, or within 90 days after admission into the Union of the State in which it is located, become a member of the System. Under section 19 of the Federal Reserve Act, national banks and banks organized under local laws, located in a dependency or insular possession or any part of the United States outside of the States of the United States and the District of Columbia, are not required to become members of the System but may, with the consent of the board, become members of the System.

cility is an extension of an existing main or branch office on a case-by-case basis.

(d) *Capital stock and surplus* means, unless otherwise provided in this part, or by statute, Tier 1 and Tier 2 capital included in a member bank's risk-based capital (under the guidelines in appendix A of this part) and the balance of a member bank's allowance for loan and lease losses not included in its Tier 2 capital for calculation of risk-based capital, based on the bank's most recent consolidated Report of Condition and Income filed under 12 U.S.C. 324.

(e) *Eligible bank* means a member bank that:
  (1) Is well capitalized as defined in Subpart D of this part;
  (2) Has a composite Uniform Financial Institutions Rating System (CAMELS) rating of 1 or 2;
  (3) Has a Community Reinvestment Act (CRA) (12 U.S.C. 2906) rating of "Outstanding" or "Satisfactory;"
  (4) Has a compliance rating of 1 or 2; and
  (5) Has no major unresolved supervisory issues outstanding (as determined by the Board or appropriate Federal Reserve Bank in its discretion).

(f) *State bank* means any bank incorporated by special law of any State, or organized under the general laws of any State, or of the United States, including a Morris Plan bank, or other incorporated banking institution engaged in a similar business.

(g) *State member bank or member bank* means a state bank that is a member of the Federal Reserve System.

Section 208.3—Application and conditions for membership in the Federal Reserve System.

(a) *Applications for membership and stock.*
  (1) State banks applying for membership in the Federal Reserve System shall file with the appropriate Federal Reserve Bank an application for membership in the Federal Reserve System and for stock in the Reserve Bank,[2] in accordance with this part and section 262.3 of the Rules of Procedure, located at 12 C.F.R. 262.3.
  (2) *Board approval.* If an applying bank conforms to all the requirements of the Federal Reserve Act and this section, and is otherwise qualified for membership, the Board may approve its application subject to such conditions as the Board may prescribe.
  (3) *Effective date of membership.* A State bank becomes a member of the Federal Reserve System on the date its Federal Reserve Bank stock is credited to its account (or its deposit is accepted, if it is a mutual savings bank not authorized to purchase Reserve Bank stock) in accordance with the Board's Regulation I (12 C.F.R. Part 209).

(b) *Factors considered in approving applications for membership.* Factors given special consideration by the Board in passing upon an application are:
  (1) *Financial condition and management.* The financial history and condition of the applying bank and the general character of its management.
  (2) *Capital.* The adequacy of the bank's capital in accordance with section 208.4, and its future earnings prospects.
  (3) *Convenience and needs.* The convenience and needs of the community.
  (4) *Corporate powers.* Whether the bank's corporate powers are consistent with the purposes of the Federal Reserve Act.

(c) *Expedited approval for eligible banks and bank holding companies.*
  (1) *Availability of expedited treatment.* The expedited membership procedures described in paragraph (c)(2) of this section are available to:
    (i) An eligible bank; and
    (ii) A bank that cannot be determined to be an eligible bank because it has not received compliance or CRA ratings from a bank regulatory authority, if it is controlled by a bank holding company that meets the criteria for expedited processing under section 225.14(c) of Regulation Y (12 C.F.R. 225.14(c)).
  (2) *Expedited procedures.* A completed membership application filed with the appropriate Reserve Bank will be deemed approved on the fifteenth day after receipt of the complete application by the Board or appropriate Reserve Bank, unless the Board or the appropriate Reserve Bank notifies the bank that the application is approved prior to that date or the Board or the appropriate Federal Reserve Bank notifies the bank that the application is not eligible for expedited review for any reason, including, without limitation, that:
    (i) The bank will offer banking services that are materially different from those currently offered by the bank, or by the affiliates of the proposed bank;
    (ii) The bank or bank holding company does not meet the criteria under section 208.3(c)(1);
    (iii) The application contains a material error or is otherwise deficient; or
    (iv) The application raises significant supervisory, compliance, policy or legal issues that have not been resolved, or a timely substantive adverse comment is submitted. A comment will be considered substantive unless it involves individual complaints, or raises frivolous, previously considered, or wholly unsubstantiated claims or irrelevant issues.

2. A mutual savings bank not authorized to purchase Federal Reserve Bank stock may apply for membership evidenced initially by a deposit, but if the laws under which the bank is organized are not amended at the first session of the legislature after its admission to authorize the purchase, or if the bank fails to purchase the stock within six months of the amendment, its membership shall be terminated.

(d) *Conditions of membership.*
   (1) *Safety and soundness.* Each member bank shall at all times conduct its business and exercise its powers with due regard to safety and soundness. (The Interagency Guidelines Establishing Standards for Safety and Soundness prescribed pursuant to section 39 of the FDI Act (12 U.S.C. 1831p-1), as set forth as Appendix D to this part apply to all member banks.)
   (2) *General character of bank's business.* A member bank may not, without the permission of the Board, cause or permit any change in the general character of its business or in the scope of the corporate powers it exercises at the time of admission to membership.
   (3) *Compliance with conditions of membership.* Each member bank shall comply at all times with this Regulation H (12 C.F.R. Part 208) and any other conditions of membership prescribed by the Board.

(e) *Waivers.*
   (1) *Conditions of membership.* A member bank may petition the Board to waive a condition of membership. The Board may grant a waiver of a condition of membership upon a showing of good cause and, in its discretion, may limit, among other items, the scope, duration, and timing of the waiver.
   (2) *Reports of affiliates.* Pursuant to section 21 of the Federal Reserve Act (12 U.S.C. 486), the Board waives the requirement for the submission of reports of affiliates of member banks, unless such reports are specifically requested by the Board.

(f) *Voluntary withdrawal from membership.* Voluntary withdrawal from membership becomes effective upon cancellation of the Federal Reserve Bank stock held by the member bank, and after the bank has made due provision to pay any indebtedness due or to become due to the Federal Reserve Bank in accordance with the Board's Regulation I (12 C.F.R. Part 209).

Section 208.4—Capital adequacy.

(a) *Adequacy.* A member bank's capital, as defined in Appendix A to this part, shall be at all times adequate in relation to the character and condition of its assets and to its existing and prospective liabilities and other corporate responsibilities. If at any time, in light of all the circumstances, the bank's capital appears inadequate in relation to its assets, liabilities, and responsibilities, the bank shall increase the amount of its capital, within such period as the Board deems reasonable, to an amount which, in the judgment of the Board, shall be adequate.

(b) *Standards for evaluating capital adequacy.* Standards and guidelines by which the Board evaluates the capital adequacy of member banks include those in Appendices A and E to this part for risk-based capital purposes and Appendix B to this part for leverage measurement purposes.

Section 208.5—Dividends and other distributions.

(a) *Definitions.* For the purposes of this section:
   (1) *Capital surplus* means the total of surplus as reportable in the bank's Reports of Condition and Income and surplus on perpetual preferred stock.
   (2) *Permanent capital* means the total of the bank's perpetual preferred stock and related surplus, common stock and surplus, and minority interest in consolidated subsidiaries, as reportable in the Reports of Condition and Income.

(b) *Limitations.* The limitations in this section on the payment of dividends and withdrawal of capital apply to all cash and property dividends or distributions on common or preferred stock. The limitations do not apply to dividends paid in the form of common stock.

(c) *Earnings limitations on payment of dividends.*
   (1) A member bank may not declare or pay a dividend if the total of all dividends declared during the calendar year, including the proposed dividend, exceeds the sum of the bank's net income (as reportable in its Reports of Condition and Income) during the current calendar year and the retained net income of the prior two calendar years, unless the dividend has been approved by the Board.
   (2) "Retained net income" in a calendar year is equal to the bank's net income (as reported in its Report of Condition and Income for such year), less any dividends declared during such year.[3] The bank's net income during the current year and its retained net income from the prior two calendar years is reduced by any net losses incurred in the current or prior two years and any required transfers to surplus or to a fund for the retirement of preferred stock.[4]

3. In the case of dividends in excess of net income for the year, a bank generally is not required to carry forward negative amounts resulting from such excess. Instead, the bank may attribute the excess to the prior two years, attributing the excess first to the earlier year and then to the immediately preceding year. If the excess is greater than the bank's previously undistributed net income for the preceding two years, prior Board approval of the dividend is required and a negative amount would be carried forward in future dividend calculations. However, in determining any such request for approval, the Board could consider any request for different treatment of such negative amount, including advance waivers for future periods. This applies only to earnings deficits that result from dividends declared in excess of net income for the year and does not apply to other types of current earnings deficits.

4. State member banks are required to comply with state law provisions concerning the maintenance of surplus funds in addition to common capital. Where the surplus of a State member bank is less than what applicable state law requires the bank to maintain relative to its capital stock account, the bank may be required to transfer amounts from its undivided profits account to surplus.

(d) *Limitation on withdrawal of capital by dividend or otherwise.*
 (1) A member bank may not declare or pay a dividend if the dividend would exceed the bank's undivided profits as reportable on its Reports of Condition and Income, unless the bank has received the prior approval of the Board and of at least two- thirds of the shareholders of each class of stock outstanding.
 (2) A member bank may not permit any portion of its permanent capital to be withdrawn unless the withdrawal has been approved by the Board and by at least two-thirds of the shareholders of each class of stock outstanding.
 (3) If a member bank has capital surplus in excess of that required by law, the excess amount may be transferred to the bank's undivided profits account and be available for the payment of dividends if:
  (i) The amount transferred came from the earnings of prior periods, excluding earnings transferred as a result of stock dividends;
  (ii) The bank's board of directors approves the transfer of funds; and
  (iii) The transfer has been approved by the Board.

(e) *Payment of capital distributions.* All member banks also are subject to the restrictions on payment of capital distributions contained in section 208.45 of Subpart D of this part implementing section 38 of the FDI Act (12 U.S.C. 1831o).

(f) *Compliance.* A member bank shall use the date a dividend is declared to determine compliance with this section.

Section 208.6—Establishment and maintenance of branches.

(a) *Branching.*
 (1) To the extent authorized by state law, a member bank may establish and maintain branches (including interstate branches) subject to the same limitations and restrictions that apply to the establishment and maintenance of national bank branches (12 U.S.C. 36 and 1831u), except that approval of such branches shall be obtained from the Board rather than from the Comptroller of the Currency.
 (2) *Branch applications.* A State member bank wishing to establish a branch in the United States or its territories must file an application in accordance with the Board's Rules of Procedure, located at 12 C.F.R. 262.3, and must comply with the public notice and comment rules contained in paragraphs (a)(3) and (a)(4) of this section. Branches of member banks located in foreign nations, in the overseas territories, dependencies, and insular possessions of those nations and of the United States, and in the Commonwealth of Puerto Rico, are subject to the Board's Regulation K (12 C.F.R. Part 211).
 (3) *Public notice of branch applications.*
  (i) *Location of publication.* A State member bank wishing to establish a branch in the United States or its territories must publish notice in a newspaper of general circulation in the form and at the locations specified in section 262.3 of the Rules of Procedure (12 C.F.R. 262.3).
  (ii) *Contents of notice.* The newspaper notice referred to in paragraph (a)(3) of this section shall provide an opportunity for interested persons to comment on the application for a period of at least 15 days.
  (iii) *Timing of publication.* Each newspaper notice shall be published no more than 7 calendar days before and no later than the calendar day on which an application is filed with the appropriate Reserve Bank.
 (4) *Public comment.*
  (i) *Timely comments.* Interested persons may submit information and comments regarding a branch application under section 208.6. A comment shall be considered timely for purposes of this subpart if the comment, together with all supplemental information, is submitted in writing in accordance with the Board's Rules of Procedure (12 C.F.R. 262.3) and received by the Board or the appropriate Reserve Bank prior to the expiration of the public comment period provided in paragraph (a)(3)(ii) of this section.
  (ii) *Extension of comment period.* The Board may, in its discretion, extend the public comment period regarding any application under section 208.6. In the event that an interested person requests a copy of an application submitted under section 208.6, the Board may, in its discretion and based on the facts and circumstances, grant such person an extension of the comment period for up to 15 calendar days.

(b) *Factors considered in approving domestic branch applications.* Factors given special consideration by the Board in passing upon a branch application are:
 (1) *Financial condition and management.* The financial history and condition of the applying bank and the general character of its management;
 (2) *Capital.* The adequacy of the bank's capital in accordance with section 208.4, and its future earnings prospects;
 (3) *Convenience and needs.* The convenience and needs of the community to be served by the branch;
 (4) *CRA performance.* In the case of branches with deposit-taking capability, the bank's performance under the Community Reinvestment Act

(12 U.S.C. 2901 *et seq.*) and Regulation BB (12 C.F.R. Part 228); and

(5) *Investment in bank premises.* Whether the bank's investment in bank premises in establishing the branch is consistent with section 208.21.

(c) *Expedited approval for eligible banks and bank holding companies.*

(1) *Availability of expedited treatment.* The expedited branch application procedures described in paragraph (c)(2) of this section are available to:

(i) An eligible bank; and

(ii) A bank that cannot be determined to be an eligible bank because it has not received compliance or CRA ratings from a bank regulatory authority, if it is controlled by a bank holding company that meets the criteria for expedited processing under section 225.14(c) of Regulation Y (12 C.F.R. 225.14(c)).

(2) *Expedited procedures.* A completed domestic branch application filed with the appropriate Reserve Bank will be deemed approved on the fifth day after the close of the comment period, unless the Board or the appropriate Reserve Bank notifies the bank that the application is approved prior to that date (but in no case will an application be approved before the third day after the close of the public comment period) or the Board or the appropriate Federal Reserve Bank notifies the bank that the application is not eligible for expedited review for any reason, including, without limitation, that:

(i) The bank or bank holding company does not meet the criteria under section 208.6(c)(1);

(ii) The application contains a material error or is otherwise deficient; or

(iii) The application or the notice required under paragraph (a)(3) of this section, raises significant supervisory, Community Reinvestment Act, compliance, policy or legal issues that have not been resolved, or a timely substantive adverse comment is submitted. A comment will be considered substantive unless it involves individual complaints, or raises frivolous, previously considered, or wholly unsubstantiated claims or irrelevant issues.

(d) *Consolidated applications.*

(1) *Proposed branches; notice of branch opening.* A member bank may seek approval in a single application or notice for any branches that it proposes to establish within one year after the approval date. The bank shall, unless notification is waived, notify the appropriate Reserve Bank not later than 30 days after opening any branch approved under a consolidated application. A bank is not required to open a branch approved under either a consolidated or single branch application.

(2) *Duration of branch approval.* Branch approvals remain valid for one year unless the Board or the appropriate Reserve Bank notifies the bank that in its judgment, based on reports of condition, examinations, or other information, there has been a change in the bank's condition, financial or otherwise, that warrants reconsideration of the approval.

(e) *Branch closings.* A member bank shall comply with section 42 of the FDI Act (FDI Act), 12 U.S.C. 1831r-1, with regard to branch closings.

(f) *Branch relocations.* A relocation of an existing branch does not require filing a branch application. A relocation of an existing branch, for purposes of determining whether to file a branch application, is a movement that does not substantially affect the nature of the branch's business or customers served.

Section 208.7—Prohibition against use of interstate branches primarily for deposit production.

(a) *Purpose and scope—*

(1) *Purpose.* The purpose of this section is to implement section 109 (12 U.S.C. 1835a) of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Interstate Act).

(2) *Scope.*

(i) This section applies to any State member bank that has operated a covered interstate branch for a period of at least one year, and any foreign bank that has operated a covered interstate branch licensed by a State for a period of at least one year.

(ii) This section describes the requirements imposed under 12 U.S.C. 1835a, which requires the appropriate Federal banking agencies (the Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation) to prescribe uniform rules that prohibit a bank from using any authority to engage in interstate branching pursuant to the Interstate Act, or any amendment made by the Interstate Act to any other provision of law, primarily for the purpose of deposit production.

(b) *Definitions.* For purposes of this section, the following definitions apply:

(1) *Bank* means, unless the context indicates otherwise:

(i) A State member bank as that term is defined in 12 U.S.C. 1813(d)(2); and

(ii) A foreign bank as that term is defined in 12 U.S.C. 3101(7) and 12 C.F.R. 211.21.

(2) *Covered interstate branch* means any branch of a State member bank, and any uninsured branch of a foreign bank licensed by a State, that:

(i) Is established or acquired outside the bank's home state pursuant to the interstate branching authority granted by the Interstate Act or by any amendment made by the Interstate Act to any other provision of law; or

(ii) Could not have been established or acquired outside of the bank's home state but for the establishment or acquisition of a branch described in paragraph (b)(2)(i) of this section.

(3) *Home state* means:
   (i) With respect to a state bank, the state that chartered the bank;
   (ii) With respect to a national bank, the state in which the main office of the bank is located; and
   (iii) With respect to a foreign bank, the home state of the foreign bank as determined in accordance with 12 U.S.C. 3103(c) and 12 C.F.R. 211.22.

(4) *Host state* means a state in which a bank establishes or acquires a covered interstate branch.

(5) *Host state loan-to-deposit ratio* generally means, with respect to a particular host state, the ratio of total loans in the host state relative to total deposits from the host state for all banks (including institutions covered under the definition of "bank" in 12 U.S.C. 1813(a)(1)) that have that state as their home state, as determined and updated periodically by the appropriate Federal banking agencies and made available to the public.

(6) *State* means state as that term is defined in 12 U.S.C. 1813(a)(3).

(7) *Statewide loan-to-deposit ratio* means, with respect to a bank, the ratio of the bank's loans to its deposits in a state in which the bank has one or more covered interstate branches, as determined by the Board.

(c) *Loan-to-deposit ratio screen—*

(1) *Application of screen.* Beginning no earlier than one year after a bank establishes or acquires a covered interstate branch, the Board will consider whether the bank's statewide loan-to-deposit ratio is less than 50 percent of the relevant host state loan-to-deposit ratio.

(2) *Results of screen.*
   (i) If the Board determines that the bank's statewide loan-to-deposit ratio is 50 percent or more of the host state loan-to-deposit ratio, no further consideration under this section is required.
   (ii) If the Board determines that the bank's statewide loan-to-deposit ratio is less than 50 percent of the host state loan-to-deposit ratio, or if reasonably available data are insufficient to calculate the bank's statewide loan-to-deposit ratio, the Board will make a credit needs determination for the bank as provided in paragraph (d) of this section.

(d) *Credit needs determination—*

(1) *In general.* The Board will review the loan portfolio of the bank and determine whether the bank is reasonably helping to meet the credit needs of the communities in the host state that are served by the bank.

(2) *Guidelines.* The Board will use the following considerations as guidelines when making the determination pursuant to paragraph (d)(1) of this section:
   (i) Whether covered interstate branches were formerly part of a failed or failing depository institution;
   (ii) Whether covered interstate branches were acquired under circumstances where there was a low loan-to-deposit ratio because of the nature of the acquired institution's business or loan portfolio;
   (iii) Whether covered interstate branches have a high concentration of commercial or credit card lending, trust services, or other specialized activities, including the extent to which the covered interstate branches accept deposits in the host state;
   (iv) The Community Reinvestment Act ratings received by the bank, if any, under 12 U.S.C. 2901 *et seq.*;
   (v) Economic conditions, including the level of loan demand, within the communities served by the covered interstate branches;
   (vi) The safe and sound operation and condition of the bank; and
   (vii) The Board's Regulation BB—Community Reinvestment (12 C.F.R. Part 228) and interpretations of that regulation.

(e) *Sanctions—*

(1) *In general.* If the Board determines that a bank is not reasonably helping to meet the credit needs of the communities served by the bank in the host state, and that the bank's statewide loan-to-deposit ratio is less than 50 percent of the host state loan-to-deposit ratio, the Board:
   (i) May order that a bank's covered interstate branch or branches be closed unless the bank provides reasonable assurances to the satisfaction of the Board, after an opportunity for public comment, that the bank has an acceptable plan under which the bank will reasonably help to meet the credit needs of the communities served by the bank in the host state; and
   (ii) Will not permit the bank to open a new branch in the host state that would be considered to be a covered interstate branch unless the bank provides reasonable assurances to the satisfaction of the Board, after an opportunity for public comment, that the bank will reasonably help to meet the credit needs of the community that the new branch will serve.

(2) *Notice prior to closure of a covered interstate branch.* Before exercising the Board's authority to order the bank to close a covered interstate branch, the Board will issue to the bank a notice of the Board's intent to order the closure and will schedule a hearing within 60 days of issuing the notice.

(3) *Hearing*. The Board will conduct a hearing scheduled under paragraph (e)(2) of this section in accordance with the provisions of 12 U.S.C. 1818(h) and 12 C.F.R. Part 263.

Subpart B—Investments and Loans

Section 208.20—Authority, purpose, and scope.

(a) *Authority*. Subpart B of Regulation H (12 C.F.R. Part Section 208, subpart B) is issued by the Board of Governors of the Federal Reserve System under 12 U.S.C. 24; sections 9, 11 and 21 of the Federal Reserve Act (12 U.S.C. 321–338a, 248(a), 248(c), and 481–486); sections 1814, 1816, 1818, 1823(j), 1831o, 1831p-1 and 1831r-1 of the FDI Act (12 U.S.C. 1814, 1816, 1818, 1823(j), 1831o, 1831p-1 and 1831r-1); and the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973, as amended (42 U.S.C. 4001-4129).

(b) *Purpose and scope*. This Subpart B describes certain investment limitations on member banks, statutory requirements for amortizing losses on agricultural loans and extending credit in areas having special flood hazards, as well as the requirements for issuing letters of credit and acceptances.

Section 208.21—Investments in premises and securities.

(a) *Investment in bank premises*. No state member bank shall invest in bank premises, or in the stock, bonds, debentures, or other such obligations of any corporation holding the premises of such bank, or make loans to or upon the security of any such corporation unless:

(1) The bank notifies the appropriate Reserve Bank at least fifteen days prior to such investment and has not received notice that the investment is subject to further review by the end of the fifteen day notice period;

(2) The aggregate of all such investments and loans, together with the amount of any indebtedness incurred by any such corporation that is an affiliate of the bank (as defined in section 2 of the Banking Act of 1933, as amended, 12 U.S.C. 221a), is less than or equal to the bank's perpetual preferred stock and related surplus plus common stock plus surplus, as those terms are defined in the FFIEC Consolidated Reports of Condition and Income; or

(3) (i) The aggregate of all such investments and loans, together with the amount of any indebtedness incurred by any such corporation that is an affiliate of the bank, is less than or equal to 150 percent of the bank's perpetual preferred stock and related surplus plus common stock plus surplus, as those terms are defined in the FFIEC Consolidated Reports of Condition and Income; and

(ii) The bank:

(A) Has a CAMELS composite rating of 1 or 2 under the Uniform Interagency Bank Rating System[5] (or an equivalent rating under a comparable rating system) as of the most recent examination of the bank; and

(B) Is well capitalized and will continue to be well capitalized, in accordance with Subpart D of this part, after the investment or loan.

(b) *Investments in securities*. Member banks are subject to the same limitations and conditions with respect to purchasing, selling, underwriting, and holding investment securities and stocks as are national banks under 12 U.S.C. 24, ¶ 7th. To determine whether an obligation qualifies as an investment security for the purposes of 12 U.S.C. 24, ¶ 7th, and to calculate the limits with respect to the purchase of such obligations, a state member bank may look to part 1 of the rules of the Comptroller of the Currency (12 C.F.R. Part 1) and interpretations thereunder. A state member bank may consult the Board for a determination with respect to the application of 12 U.S.C. 24, ¶ 7th, with respect to issues not addressed in 12 C.F.R. Part 1. The provisions of 12 C.F.R. Part 1 do not provide authority for a state member bank to purchase securities of a type or amount that the bank is not authorized to purchase under applicable state law.

Section 208.22—Community development and public welfare investments.

(a) *Definitions*. For purposes of this section:

(1) *Low- or moderate-income area means*:

(i) One or more census tracts in a Metropolitan Statistical Area where the median family income adjusted for family size in each census tract is less than 80 percent of the median family income adjusted for family size of the Metropolitan Statistical Area; or

(ii) If not in a Metropolitan Statistical Area, one or more census tracts or block-numbered areas where the median family income adjusted for family size in each census tract or block-numbered area is less than 80 percent of the median family income adjusted for family size of the State.

(2) *Low- and moderate-income persons* has the same meaning as low- and moderate-income persons as defined in 42 U.S.C. 5302(a)(20)(A).

5. *See* F.R.R.S. 3–1575 for an explanation of the Uniform Interagency Bank Rating System. (For availability, *See* 12 C.F.R. 261.10(f).)

(3) *Small business* means a business that meets the size-eligibility standards of 13 C.F.R. 121.802(a)(2).

(b) *Investments not requiring prior Board approval.* Notwithstanding the provisions of section 5136 of the Revised Statutes (12 U.S.C. 24, ¶7th) made applicable to member banks by paragraph 20 of section 9 of the Federal Reserve Act (12 U.S.C. 335), a member bank may make an investment, without prior Board approval, if the following conditions are met:

(1) The investment is in a corporation, limited partnership, or other entity, and:

(i) The Board has determined that an investment in that entity or class of entities is a public welfare investment under paragraph 23 of section 9 of the Federal Reserve Act (12 U.S.C. 338a), or a community development investment under Regulation Y (12 C.F.R. 225.25(b)(6)); or

(ii) The Comptroller of the Currency has determined, by order or regulation, that an investment in that entity by a national bank is a public welfare investment under section 5136 of the Revised Statutes (12 U.S.C. 24 (Eleventh)); or

(iii) The entity is a community development financial institution as defined in section 103(5) of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4702(5)); or

(iv) The entity, directly or indirectly, engages solely in or makes loans solely for the purposes of one or more of the following community development activities:

(A) Investing in, developing, rehabilitating, managing, selling, or renting residential property if a majority of the units will be occupied by low- and moderate-income persons, or if the property is a "qualified low-income building" as defined in section 42(c)(2) of the Internal Revenue Code (26 U.S.C. 42(c)(2));

(B) Investing in, developing, rehabilitating, managing, selling, or renting nonresidential real property or other assets located in a low- or moderate-income area and targeted towards low- and moderate-income persons;

(C) Investing in one or more small businesses located in a low- or moderate-income area to stimulate economic development;

(D) Investing in, developing, or otherwise assisting job training or placement facilities or programs that will be targeted towards low- and moderate-income persons;

(E) Investing in an entity located in a low- or moderate-income area if the entity creates long-term employment opportunities, a majority of which (based on full-time equivalent positions) will be held by low- and moderate-income persons; and

(F) Providing technical assistance, credit counseling, research, and program development assistance to low- and moderate-income persons, small businesses, or nonprofit corporations to help achieve community development;

(2) The investment is permitted by state law;

(3) The investment will not expose the member bank to liability beyond the amount of the investment;

(4) The aggregate of all such investments of the member bank does not exceed the sum of five percent of its capital stock and surplus;

(5) The member bank is well capitalized or adequately capitalized under sections 208.43(b)(1) and (2);

(6) The member bank received a composite CAMELS rating of "1" or "2" under the Uniform Financial Institutions Rating System as of its most recent examination and an overall rating of "1" or "2" as of its most recent consumer compliance examination; and

(7) The member bank is not subject to any written agreement, cease-and-desist order, capital directive, prompt-corrective-action directive, or memorandum of understanding issued by the Board or a Federal Reserve Bank.

(c) *Notice to Federal Reserve Bank.* Not more than 30 days after making an investment under paragraph (b) of this section, the member bank shall advise its Federal Reserve Bank of the investment, including the amount of the investment and the identity of the entity in which the investment is made.

(d) *Investments requiring Board approval.*

(1) With prior Board approval, a member bank may make public welfare investments under paragraph 23 of section 9 of the Federal Reserve Act (12 U.S.C. 338a), other than those specified in paragraph (b) of this section.

(2) Requests for Board approval under this paragraph (d) shall include, at a minimum:

(i) The amount of the proposed investment;

(ii) A description of the entity in which the investment is to be made;

(iii) An explanation of why the investment is a public welfare investment under paragraph 23 of section 9 of the Federal Reserve Act (12 U.S.C. 338a);

(iv) A description of the member bank's potential liability under the proposed investment;

(v) The amount of the member bank's aggregate outstanding public welfare investments under paragraph 23 of section 9 of the Federal Reserve Act;

(vi) The amount of the member bank's capital stock and surplus; and

(vii) If the bank investment is not eligible under paragraph (b) of this section, explain the reason or reasons why it is ineligible.

(3) The Board shall act on a request under this paragraph (d) within 60 calendar days of receipt of a request that meets the requirements of paragraph (d)(2) of this section, unless the Board notifies the requesting member bank that a longer time period will be required.

(e) *Divestiture of investments.* A member bank shall divest itself of an investment made under paragraph (b) or (d) of this section to the extent that the investment exceeds the scope of, or ceases to meet, the requirements of paragraphs (b)(1) through (b)(4) or paragraph (d) of this section. The divestiture shall be made in the manner specified in 12 C.F.R. 225.140, Regulation Y, for interests acquired by a lending subsidiary of a bank holding company or the bank holding company itself in satisfaction of a debt previously contracted.

Section 208.23—Agricultural loan loss amortization.

(a) *Definitions.* For purposes of this section:

(1) *Accepting official* means:

(i) The Reserve Bank in whose district the bank is located; or

(ii) The Director of the Division of Banking Supervision and Regulation in cases in which the Reserve Bank cannot determine that the bank qualifies.

(2) *Agriculturally related other property* means any property, real or personal, that the bank owned on January 1, 1983, and any additional property that it acquired prior to January 1, 1992, in connection with a qualified agricultural loan. For the purposes of paragraph (d) of this section, the value of such property shall include the amount previously charged off as a loss.

(3) *Participating bank* means an agricultural bank (as defined in 12 U.S.C. 1823(j)(4)(A)) that, as of January 1, 1992, had a proposal for a capital restoration plan accepted by an accepting official and received permission from the accepting official, subject to paragraphs (d) and (e) of this section, to amortize losses in accordance with paragraphs (b) and (c) of this section.

(4) *Qualified agricultural loan* means:

(i) Loans that finance agricultural production or are secured by farm land for purposes of Schedule RC-C of the FFIEC Consolidated Report of Condition or such other comparable schedule;

(ii) Loans secured by farm machinery;

(iii) Other loans that a bank proves to be sufficiently related to agriculture for classification as an agricultural loan by the Board; and

(iv) The remaining unpaid balance of any loans described in paragraphs (a)(4)(i), (ii) and (iii) of this section that have been charged off since January 1, 1984, and that qualify for deferral under this section.

(b) (1) Provided there is no evidence that the loss resulted from fraud or criminal abuse on the part of the bank, the officers, directors, or principal shareholders, a participating bank may amortize in its Reports of Condition and Income:

(i) Any loss on a qualified agricultural loan that the bank would be required to reflect in its financial statements for any period between and including 1984 and 1991; or

(ii) Any loss that the bank would be required to reflect in its financial statements for any period between and including 1983 and 1991 resulting from a reappraisal or sale of agriculturally-related other property.

(2) Amortization under this section shall be computed over a period not to exceed seven years on a quarterly straight-line basis commencing in the first quarter after the loan was or is charged off so as to be fully amortized not later than December 31, 1998.

(c) *Accounting for amortization.* Any bank that is permitted to amortize losses in accordance with paragraph (b) of this section may restate its capital and other relevant accounts and account for future authorized deferrals and authorizations in accordance with the instructions to the FFIEC Consolidated Reports of Condition and Income. Any resulting increase in the capital account shall be included in qualifying capital pursuant to Appendix A of this part.

(d) *Conditions of participation.* In order for a bank to maintain its status as a participating bank, it shall:

(1) Adhere to the approved capital plan and obtain the prior approval of the accepting official before making any modifications to the plan;

(2) Maintain accounting records for each asset subject to loss deferral under the program that document the amount and timing of the deferrals, repayments, and authorizations;

(3) Maintain the financial condition of the bank so that it does not deteriorate to the point where it is no longer a viable, fundamentally sound institution;

(4) Make a reasonable effort, consistent with safe and sound banking practices, to maintain in its loan portfolio a percentage of agricultural loans, including agriculturally-related other property, not less than the percentage of such loans in its loan portfolio on January 1, 1986; and

(5) Provide the accepting official, upon request, with any information the accepting official deems necessary to monitor the bank's amortization, its compliance with the conditions of participation, and its continued eligibility.

(e) *Revocation of eligibility for loss amortization.* The failure to comply with any condition in an acceptance, with the capital restoration plan, or with the conditions stated in paragraph (d) of this section, is grounds for revocation of acceptance for loss amortization and for an administrative action against the bank under 12 U.S.C. 1818(b). In addition, acceptance of a bank for loss amortization shall not foreclose any administrative action against the bank that the Board may deem appropriate.

(f) *Expiration date.* The terms of this section will no longer be in effect as of January 1, 1999.

Section 208.24—Letters of credit and acceptances.

(a) *Standby letters of credit.* For the purpose of this section, standby letters of credit include every letter of credit (or similar arrangement however named or designated) that represents an obligation to the beneficiary on the part of the issuer:
  (1) To repay money borrowed by or advanced to or for the account of the account party; or
  (2) To make payment on account of any evidence of indebtedness undertaken by the account party; or
  (3) To make payment on account of any default by the party procuring the issuance of the letter of credit in the performance of an obligation.[6]

(b) *Ineligible acceptance.* An ineligible acceptance is a time draft accepted by a bank, which does not meet the requirements for discount with a Federal Reserve Bank.

(c) *Bank's lending limits.* Standby letters of credit and ineligible acceptances count toward member banks' lending limits imposed by state law.

(d) *Exceptions.* A standby letter of credit or ineligible acceptance is not subject to the restrictions set forth in paragraph (c) of this section if prior to or at the time of issuance of the credit:
  (1) The issuing bank is paid an amount equal to the bank's maximum liability under the standby letter of credit; or
  (2) The party procuring the issuance of a letter of credit or ineligible acceptance has set aside sufficient funds in a segregated, clearly earmarked deposit account to cover the bank's maximum liability under the standby letter of credit or ineligible acceptance.

6. A standby letter of credit does not include:
(1) Commercial letters of credit and similar instruments, where the issuing bank expects the beneficiary to draw upon the issuer, and which do not guaranty payment of a money obligation; or
(2) A guaranty or similar obligation issued by a foreign branch in accordance with and subject to the limitations of 12 C.F.R. Part 211 (Regulation K).

Section 208.25—Loans in areas having special flood hazards.

(a) *Purpose and scope.*
  (1) *Purpose.* The purpose of this section is to implement the requirements of the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973, as amended (42 U.S.C. 4001-4129).
  (2) *Scope.* This section, except for paragraphs (f) and (h) of this section, applies to loans secured by buildings or mobile homes located or to be located in areas determined by the Director of the Federal Emergency Management Agency to have special flood hazards. Paragraphs (f) and (h) of this section apply to loans secured by buildings or mobile homes, regardless of location.

(b) *Definitions.* For purposes of this section:
  (1) *Act* means the National Flood Insurance Act of 1968, as amended (42 U.S.C. 4001-4129).
  (2) *Building* means a walled and roofed structure, other than a gas or liquid storage tank, that is principally above ground and affixed to a permanent site, and a walled and roofed structure while in the course of construction, alteration, or repair.
  (3) *Community* means a State or a political subdivision of a State that has zoning and building code jurisdiction over a particular area having special flood hazards.
  (4) *Designated loan* means a loan secured by a building or mobile home that is located or to be located in a special flood hazard area in which flood insurance is available under the Act.
  (5) *Director of FEMA* means the Director of the Federal Emergency Management Agency.
  (6) *Mobile home* means a structure, transportable in one or more sections, that is built on a permanent chassis and designed for use with or without a permanent foundation when attached to the required utilities. The term *mobile home* does not include a recreational vehicle. For purposes of this section, the term *mobile home* means a mobile home on a permanent foundation. The term *mobile home* includes a manufactured home as that term is used in the National Flood Insurance Program.
  (7) *NFIP* means the National Flood Insurance Program authorized under the Act.
  (8) *Residential improved real estate* means real estate upon which a home or other residential building is located or to be located.
  (9) *Servicer* means the person responsible for:
    (i) Receiving any scheduled, periodic payments from a borrower under the terms of a loan, including amounts for taxes, insurance premiums, and other charges with respect to the property securing the loan; and
    (ii) Making payments of principal and interest and any other payments from the amounts

received from the borrower as may be required under the terms of the loan.

(10) *Special flood hazard area* means the land in the flood plain within a community having at least a one percent chance of flooding in any given year, as designated by the Director of FEMA.

(11) *Table funding* means a settlement at which a loan is funded by a contemporaneous advance of loan funds and an assignment of the loan to the person advancing the funds.

(c) *Requirement to purchase flood insurance where available.*

(1) *In general.* A member bank shall not make, increase, extend, or renew any designated loan unless the building or mobile home and any personal property securing the loan is covered by flood insurance for the term of the loan. The amount of insurance must be at least equal to the lesser of the outstanding principal balance of the designated loan or the maximum limit of coverage available for the particular type of property under the Act. Flood insurance coverage under the Act is limited to the overall value of the property securing the designated loan minus the value of the land on which the property is located.

(2) *Table funded loans.* A member bank that acquires a loan from a mortgage broker or other entity through table funding shall be considered to be making a loan for the purposes of this section.

(d) *Exemptions.* The flood insurance requirement prescribed by paragraph (c) of this section does not apply with respect to:

(1) Any State-owned property covered under a policy of self-insurance satisfactory to the Director of FEMA, who publishes and periodically revises the list of States falling within this exemption; or

(2) Property securing any loan with an original principal balance of $5,000 or less and a repayment term of one year or less.

(e) *Escrow requirement.* If a member bank requires the escrow of taxes, insurance premiums, fees, or any other charges for a loan secured by *residential* improved real estate or a mobile home that is made, increased, extended, or renewed after October 1, 1996, the member bank shall also require the escrow of all premiums and fees for any flood insurance required under paragraph (c) of this section. The member bank, or a servicer acting on its behalf, shall deposit the flood insurance premiums on behalf of the borrower in an escrow account. This escrow account will be subject to escrow requirements adopted pursuant to section 10 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2609) (RESPA), which generally limits the amount that may be maintained in escrow accounts for certain types of loans and requires escrow account statements for those accounts, only if the loan is otherwise subject to RESPA. Following receipt of a notice from the Director of FEMA or other provider of flood insurance that premiums are due, the member bank, or a servicer acting on its behalf, shall pay the amount owed to the insurance provider from the escrow account by the date when such premiums are due.

(f) *Required use of standard flood hazard determination form.*

(1) *Use of form.* A member bank shall use the standard flood hazard determination form developed by the Director of FEMA (as set forth in Appendix A of 44 C.F.R. Part 65) when determining whether the building or mobile home offered as collateral security for a loan is or will be located in a special flood hazard area in which flood insurance is available under the Act. The standard flood hazard determination form may be used in a printed, computerized, or electronic manner.

(2) *Retention of form.* A member bank shall retain a copy of the completed standard flood hazard determination form, in either hard copy or electronic form, for the period of time the bank owns the loan.

(g) *Forced placement of flood insurance.* If a member bank, or a servicer acting on behalf of the bank, determines at any time during the term of a designated loan that the building or mobile home and any personal property securing the designated loan is not covered by flood insurance or is covered by flood insurance in an amount less than the amount required under paragraph (c) of this section, then the bank or its servicer shall notify the borrower that the borrower should obtain flood insurance, at the borrower's expense, in an amount at least equal to the amount required under paragraph (c) of this section, for the remaining term of the loan. If the borrower fails to obtain flood insurance within 45 days after notification, then the member bank or its servicer shall purchase insurance on the borrower's behalf. The member bank or its servicer may charge the borrower for the cost of premiums and fees incurred in purchasing the insurance.

(h) *Determination fees.*

(1) *General.* Notwithstanding any Federal or State law other than the Flood Disaster Protection Act of 1973, as amended (42 U.S.C. 4001-4129), any member bank, or a servicer acting on behalf of the bank, may charge a reasonable fee for determining whether the building or mobile home securing the loan is located or will be located in a special flood hazard area. A determination fee may also include, but is not limited to, a fee for life-of-loan monitoring.

(2) *Borrower fee.* The determination fee authorized by paragraph (h)(1) of this section may be charged to the borrower if the determination:

(i) Is made in connection with a making, increasing, extending, or renewing of the loan that is initiated by the borrower;

(ii) Reflects the Director of FEMA's revision or updating of flood plain areas or flood-risk zones;

(iii) Reflects the Director of FEMA's publication of a notice or compendium that:
(A) Affects the area in which the building or mobile home securing the loan is located; or
(B) By determination of the Director of FEMA, may reasonably require a determination whether the building or mobile home securing the loan is located in a special flood hazard area;
(iv) Results in the purchase of flood insurance coverage by the lender or its servicer on behalf of the borrower under paragraph (g) of this section.
(3) *Purchaser or transferee fee.* The determination fee authorized by paragraph (h)(1) of this section may be charged to the purchaser or transferee of a loan in the case of the sale or transfer of the loan.

(i) *Notice of special flood hazards and availability of Federal disaster relief assistance.* When a member bank makes, increases, extends, or renews a loan secured by a building or a mobile home located or to be located in a special flood hazard area, the bank shall mail or deliver a written notice to the borrower and to the servicer in all cases whether or not flood insurance is available under the Act for the collateral securing the loan.
(1) *Contents of notice.* The written notice must include the following information:
(i) A warning, in a form approved by the Director of FEMA, that the building or the mobile home is or will be located in a special flood hazard area;
(ii) A description of the flood insurance purchase requirements set forth in section 102(b) of the Flood Disaster Protection Act of 1973, as amended (42 U.S.C. 4012a(b));
(iii) A statement, where applicable, that flood insurance coverage is available under the NFIP and may also be available from private insurers; and
(iv) A statement whether Federal disaster relief assistance may be available in the event of damage to the building or mobile home caused by flooding in a Federally declared disaster.
(2) *Timing of notice.* The member bank shall provide the notice required by paragraph (i)(1) of this section to the borrower within a reasonable time before the completion of the transaction, and to the servicer as promptly as practicable after the bank provides notice to the borrower and in any event no later than the time the bank provides other similar notices to the servicer concerning hazard insurance and taxes. Notice to the servicer may be made electronically or may take the form of a copy of the notice to the borrower.
(3) *Record of receipt.* The member bank shall retain a record of the receipt of the notices by the borrower and the servicer for the period of time the bank owns the loan.
(4) *Alternate method of notice.* Instead of providing the notice to the borrower required by paragraph (i)(1) of this section, a member bank may obtain satisfactory written assurance from a seller or lessor that, within a reasonable time before the completion of the sale or lease transaction, the seller or lessor has provided such notice to the purchaser or lessee. The member bank shall retain a record of the written assurance from the seller or lessor for the period of time the bank owns the loan.
(5) *Use of prescribed form of notice.* A member bank will be considered to be in compliance with the requirement for notice to the borrower of this paragraph (i) by providing written notice to the borrower containing the language presented in appendix A of this section within a reasonable time before the completion of the transaction. The notice presented in appendix A of this section satisfies the borrower notice requirements of the Act.

(j) *Notice of servicer's identity.*
(1) *Notice requirement.* When a member bank makes, increases, extends, renews, sells, or transfers a loan secured by a building or mobile home located or to be located in a special flood hazard area, the bank shall notify the Director of FEMA (or the Director's designee) in writing of the identity of the servicer of the loan. The Director of FEMA has designated the insurance provider to receive the member bank's notice of the servicer's identity. This notice may be provided electronically if electronic transmission is satisfactory to the Director of FEMA's designee.
(2) *Transfer of servicing rights.* The member bank shall notify the Director of FEMA (or the Director's designee) of any change in the servicer of a loan described in paragraph (j)(1) of this section within 60 days after the effective date of the change. This notice may be provided electronically if electronic transmission is satisfactory to the Director of FEMA's designee. Upon any change in the servicing of a loan described in paragraph (j)(1) of this section, the duty to provide notice under this paragraph (j)(2) shall transfer to the transferee servicer.

Appendix A to Section 208.25—Sample Form of Notice

Notice of Special Flood Hazards and
Availability of Federal Disaster Relief Assistance

We are giving you this notice to inform you that:

The building or mobile home securing the loan for which you have applied is or will be located in an area with special flood hazards.

The area has been identified by the Director of the Federal Emergency Management Agency (FEMA) as a special flood hazard area using FEMA's *Flood Insurance Rate Map* or the *Flood Hazard Boundary Map* for the following community: ____________________. This area has a one percent (1%) chance of a flood equal to or exceeding the base flood elevation (a 100-year flood) in any given year. During the life of a 30-year mortgage loan, the risk of a 100-year flood in a special flood hazard area is 26 percent (26%).

Federal law allows a lender and borrower jointly to request the Director of FEMA to review the determination of whether the property securing the loan is located in a special flood hazard area. If you would like to make such a request, please contact us for further information.

____ The community in which the property securing the loan is located participates in the National Flood Insurance Program (NFIP). Federal law will not allow us to make you the loan that you have applied for if you do not purchase flood insurance. The flood insurance must be maintained for the life of the loan. If you fail to purchase or renew flood insurance on the property, Federal law authorizes and requires us to purchase the flood insurance for you at your expense.

- Flood insurance coverage under the NFIP may be purchased through an insurance agent who will obtain the policy either directly through the NFIP or through an insurance company that participates in the NFIP. Flood insurance also may be available from private insurers that do not participate in the NFIP.
- At a minimum, flood insurance purchased must cover *the lesser of:*
  (1) The outstanding principal balance of the loan; *or*
  (2) The maximum amount of coverage allowed for the type of property under the NFIP.

Flood insurance coverage under the NFIP is limited to the overall value of the property securing the loan minus the value of the land on which the property is located.

- Federal disaster relief assistance (usually in the form of a low-interest loan) may be available for damages incurred in excess of your flood insurance if your community's participation in the NFIP is in accordance with NFIP requirements.

____ Flood insurance coverage under the NFIP is not available for the property securing the loan because the community in which the property is located does not participate in the NFIP. In addition, if the non-participating community has been identified for at least one year as containing a special flood hazard area, properties located in the community will not be eligible for Federal disaster relief assistance in the event of a Federally declared flood disaster.

Subpart C—Bank Securities and Securities-Related Activities

Section 208.30—Authority, purpose, and scope.

(a) *Authority.* Subpart C of Regulation H (12 C.F.R. Part Section 208, Subpart C) is issued by the Board of Governors of the Federal Reserve System under 12 U.S.C. 24, 92a, 93a; sections 1818 and 1831p-1(a)(2) of the FDI Act (12 U.S.C. 1818, 1831p-1(a)(2)); and sections 78b, 78l(b), 78l(g), 78l(i), 78o-4(c)(5), 78o-5, 78q, 78q-1, and 78w of the Securities Exchange Act of 1934 (15 U.S.C. 78b, 78l(b), 78l(g), 78l(i), 78o-4(c)(5), 78o-5, 78q, 78q-1, 78w).

(b) *Purpose and scope.* This Subpart C describes the requirements imposed upon member banks acting as transfer agents, registered clearing agencies, or sellers of securities under the Securities Exchange Act of 1934. This Subpart C also describes the reporting requirements imposed on member banks whose securities are subject to registration under the Securities Exchange Act of 1934.

Section 208.31—State member banks as transfer agents.

(a) The rules adopted by the Securities and Exchange Commission (SEC) pursuant to section 17A of the Securities Exchange Act of 1934 (15 U.S.C. 78q-1) prescribing procedures for registration of transfer agents for which the SEC is the appropriate regulatory agency (17 C.F.R. 240.17Ac2–1) apply to member bank transfer agents. References to the "Commission" are deemed to refer to the Board.

(b) The rules adopted by the SEC pursuant to section 17A prescribing operational and reporting requirements for transfer agents (17 C.F.R. 240.17Ac2–2 and 240.17Ad-1 through 240.17Ad-16) apply to member bank transfer agents.

Section 208.32—Notice of disciplinary sanctions imposed by registered clearing agency.

(a) *Notice requirement.* Any member bank or any of its subsidiaries that is a registered clearing agency pursuant to section 17A(b) of the Securities Exchange Act of 1934 (the Act), and that:
  (1) Imposes any final disciplinary sanction on any participant therein;
  (2) Denies participation to any applicant; or
  (3) Prohibits or limits any person in respect to access to services offered by the clearing agency, shall file with the Board (and the appropriate regulatory agency, if other than the Board, for a participant or applicant) notice thereof in the manner prescribed in this section.

(b) *Notice of final disciplinary actions.*
  (1) Any registered clearing agency for which the Board is the appropriate regulatory agency that takes any final disciplinary action with respect to any participant shall promptly file a notice thereof with the Board in accordance with paragraph (c) of this section. For the purposes of this paragraph (b), *final disciplinary action* means the imposition of any disciplinary sanction pursuant to section 17A(b)(3)(G) of the Act, or other action of a

registered clearing agency which, after notice and opportunity for hearing, results in final disposition of charges of:

(i) One or more violations of the rules of the registered clearing agency; or

(ii) Acts or practices constituting a statutory disqualification of a type defined in paragraph (iv) or (v) (except prior convictions) of section 3(a)(39) of the Act.

(2) However, if a registered clearing agency fee schedule specifies certain charges for errors made by its participants in giving instructions to the registered clearing agency which are *de minimis* on a per error basis, and whose purpose is, in part, to provide revenues to the clearing agency to compensate it for effort expended in beginning to process an erroneous instruction, such error charges shall not be considered a final disciplinary action for purposes of this paragraph (b).

(c) *Contents of final disciplinary action notice.* Any notice filed pursuant to paragraph (b) of this section shall consist of the following, as appropriate:

(1) The name of the respondent and the respondent's last known address, as reflected on the records of the clearing agency, and the name of the person, committee, or other organizational unit that brought the charges. However, identifying information as to any respondent found not to have violated a provision covered by a charge may be deleted insofar as the notice reports the disposition of that charge and, prior to the filing of the notice, the respondent does not request that identifying information be included in the notice;

(2) A statement describing the investigative or other origin of the action;

(3) As charged in the proceeding, the specific provision or provisions of the rules of the clearing agency violated by the respondent, or the statutory disqualification referred to in paragraph (b)(2) of this section, and a statement describing the answer of the respondent to the charges;

(4) A statement setting forth findings of fact with respect to any act or practice in which the respondent was charged with having engaged in or omitted; the conclusion of the clearing agency as to whether the respondent violated any rule or was subject to a statutory disqualification as charged; and a statement of the clearing agency in support of its resolution of the principal issues raised in the proceedings;

(5) A statement describing any sanction imposed, the reasons therefor, and the date upon which the sanction became or will become effective; and

(6) Such other matters as the clearing agency may deem relevant.

(d) *Notice of final denial, prohibition, termination or limitation based on qualification or administrative rules.*

(1) Any registered clearing agency, for which the Board is the appropriate regulatory agency, that takes any final action that denies or conditions the participation of any person, or prohibits or limits access, to services offered by the clearing agency, shall promptly file notice thereof with the Board (and the appropriate regulatory agency, if other than the Board, for the affected person) in accordance with paragraph (e) of this section; but such action shall not be considered a final disciplinary action for purposes of paragraph (b) of this section where the action is based on an alleged failure of such person to:

(i) Comply with the qualification standards prescribed by the rules of the registered clearing agency pursuant to section 17A(b)(4)(B) of the Act; or

(ii) Comply with any administrative requirements of the registered clearing agency (including failure to pay entry or other dues or fees, or to file prescribed forms or reports) not involving charges of violations that may lead to a disciplinary sanction.

(2) However, no such action shall be considered final pursuant to this paragraph (d) that results merely from a notice of such failure to comply to the person affected, if such person has not sought an adjudication of the matter, including a hearing, or otherwise exhausted the administrative remedies within the registered clearing agency with respect to such a matter.

(e) *Contents of notice required by paragraph (d) of this section.* Any notice filed pursuant to paragraph (d) of this section shall consist of the following, as appropriate:

(1) The name of each person concerned and each person's last known address, as reflected in the records of the clearing agency;

(2) The specific grounds upon which the action of the clearing agency was based, and a statement describing the answer of the person concerned;

(3) A statement setting forth findings of fact and conclusions as to each alleged failure of the person to comply with qualification standards or administrative obligations, and a statement of the clearing agency in support of its resolution of the principal issues raised in the proceeding;

(4) The date upon which such action became or will become effective; and

(5) Such other matters as the clearing agency deems relevant.

(f) *Notice of final action based on prior adjudicated statutory disqualifications.* Any registered clearing agency for which the Board is the appropriate regulatory agency that takes any final action shall promptly file notice thereof with the Board (and the appropriate regulatory agency, if other than the Board, for the affected person) in accordance with paragraph (g) of this section, where the final action:

(1) Denies or conditions participation to any person, or prohibits or limits access to services offered by the clearing agency; and
(2) Is based upon a statutory disqualification of a type defined in paragraph (A), (B) or (C) of section 3(a)(39) of the Act, consisting of a prior conviction, as described in subparagraph (E) of section 3(a)(39) of the Act. However, no such action shall be considered final pursuant to this paragraph (f) that results merely from a notice of such disqualification to the person affected, if such person has not sought an adjudication of the matter, including a hearing, or otherwise exhausted the administrative remedies within the clearing agency with respect to such a matter.

(g) *Contents of notice required by paragraph (f) of this section.* Any notice filed pursuant to paragraph (f) of this section shall consist of the following, as appropriate:
(1) The name of each person concerned and each person's last known address, as reflected in the records of the clearing agency;
(2) A statement setting forth the principal issues raised, the answer of any person concerned, and a statement of the clearing agency in support of its resolution of the principal issues raised in the proceeding;
(3) Any description furnished by or on behalf of the person concerned of the activities engaged in by the person since the adjudication upon which the disqualification is based;
(4) A copy of the order or decision of the court, appropriate regulatory agency, or self-regulatory organization that adjudicated the matter giving rise to the statutory disqualification;
(5) The nature of the action taken and the date upon which such action is to be made effective; and
(6) Such other matters as the clearing agency deems relevant.

(h) *Notice of summary suspension of participation.* Any registered clearing agency for which the Board is the appropriate regulatory agency that summarily suspends or closes the accounts of a participant pursuant to the provisions of section 17A(b)(5)(C) of the Act shall, within one business day after such action becomes effective, file notice thereof with the Board and the appropriate regulatory agency for the participant, if other than the Board, of such action in accordance with paragraph (i) of this section.

(i) *Contents of notice of summary suspension.* Any notice pursuant to paragraph (h) of this section shall contain at least the following information, as appropriate:
(1) The name of the participant concerned and the participant's last known address, as reflected in the records of the clearing agency;
(2) The date upon which the summary action became or will become effective;
(3) If the summary action is based upon the provisions of section 17A(b)(5)(C)(i) of the Act, a copy of the relevant order or decision of the self-regulatory organization, if available to the clearing agency;
(4) If the summary action is based upon the provisions of section 17A(b)(5)(C)(ii) of the Act, a statement describing the default of any delivery of funds or securities to the clearing agency;
(5) If the summary action is based upon the provisions of section 17A(b)(5)(C)(iii) of the Act, a statement describing the financial or operating difficulty of the participant based upon which the clearing agency determined that the suspension and closing of accounts was necessary for the protection of the clearing agency, its participants, creditors, or investors;
(6) The nature and effective date of the suspension; and
(7) Such other matters as the clearing agency deems relevant.

Section 208.33—Application for stay or review of disciplinary sanctions imposed by registered clearing agency.

(a) *Stays.* The rules adopted by the Securities and Exchange Commission (SEC) pursuant to section 19 of the Securities Exchange Act of 1934 (15 U.S.C. 78s) regarding applications by persons for whom the SEC is the appropriate regulatory agency for stays of disciplinary sanctions or summary suspensions imposed by registered clearing agencies (17 C.F.R. 240.19d-2) apply to applications by member banks. References to the "Commission" are deemed to refer to the Board.

(b) *Reviews.* The regulations adopted by the Securities and Exchange Commission pursuant to section 19 of the Securities and Exchange Act of 1934 (15 U.S.C. 78s) regarding applications by persons for whom the SEC is the appropriate regulatory agency for reviews of final disciplinary sanctions, denials of participation, or prohibitions or limitations of access to services imposed by registered clearing agencies (17 C.F.R. 240.19d-3(a)-(f)) apply to applications by member banks. References to the "Commission" are deemed to refer to the Board. The Board's Uniform Rules of Practice and Procedure (12 C.F.R. Part 263) apply to review proceedings under this section 208.33 to the extent not inconsistent with this section 208.33.

Section 208.34—Recordkeeping and confirmation of certain securities transactions effected by State member banks.

(a) *Exceptions and safe and sound operations.*
(1) A State member bank may be excepted from one or more of the requirements of this section if it meets one of the following conditions of paragraphs (a)(1)(i) through (a)(1)(iv) of this section:
(i) *De minimis transactions.* The requirements of paragraphs (c)(2) through (c)(4) and paragraphs (e)(1) through (e)(3) of this section

shall not apply to banks having an average of less than 200 securities transactions per year for customers over the prior three calendar year period, exclusive of transactions in government securities;

(ii) *Government securities.* The recordkeeping requirements of paragraph (c) of this section shall not apply to banks effecting fewer than 500 government securities brokerage transactions per year; provided that this exception shall not apply to government securities transactions by a State member bank that has filed a written notice, or is required to file notice, with the Federal Reserve Board that it acts as a government securities broker or a government securities dealer;

(iii) *Municipal securities.* The municipal securities activities of a State member bank that are subject to regulations promulgated by the Municipal Securities Rulemaking Board shall not be subject to the requirements of this section; and

(iv) *Foreign branches.* The requirements of this section shall not apply to the activities of foreign branches of a State member bank.

(2) Every State member bank qualifying for an exemption under paragraph (a)(1) of this section that conducts securities transactions for customers shall, to ensure safe and sound operations, maintain effective systems of records and controls regarding its customer securities transactions that clearly and accurately reflect appropriate information and provide an adequate basis for an audit of the information.

(b) *Definitions.* For purposes of this section:

(1) *Asset-backed security* shall mean a security that is serviced primarily by the cash flows of a discrete pool of receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period plus any rights or other assets designed to assure the servicing or timely distribution of proceeds to the security holders.

(2) *Collective investment fund* shall mean funds held by a State member bank as fiduciary and, consistent with local law, invested collectively as follows:

(i) In a common trust fund maintained by such bank exclusively for the collective investment and reinvestment of monies contributed thereto by the bank in its capacity as trustee, executor, administrator, guardian, or custodian under the Uniform Gifts to Minors Act; or

(ii) In a fund consisting solely of assets of retirement, pension, profit sharing, stock bonus or similar trusts which are exempt from Federal income taxation under the Internal Revenue Code (26 U.S.C.).

(3) *Completion of the transaction* effected by or through a state member bank shall mean:

(i) For purchase transactions, the time when the customer pays the bank any part of the purchase price (or the time when the bank makes the book-entry for any part of the purchase price if applicable); however, if the customer pays for the security prior to the time payment is requested or becomes due, then the transaction shall be completed when the bank transfers the security into the account of the customer; and

(ii) For sale transactions, the time when the bank transfers the security out of the account of the customer or, if the security is not in the bank's custody, then the time when the security is delivered to the bank; however, if the customer delivers the security to the bank prior to the time delivery is requested or becomes due then the transaction shall be completed when the banks makes payment into the account of the customer.

(4) *Crossing of buy and sell orders* shall mean a security transaction in which the same bank acts as agent for both the buyer and the seller.

(5) *Customer* shall mean any person or account, including any agency, trust, estate, guardianship, or other fiduciary account, for which a State member bank effects or participates in effecting the purchase or sale of securities, but shall not include a broker, dealer, bank acting as a broker or dealer, municipal securities broker or dealer, or issuer of the securities which are the subject of the transactions.

(6) *Debt security* as used in paragraph (c) of this section shall mean any security, such as a bond, debenture, note or any other similar instrument which evidences a liability of the issuer (including any security of this type that is convertible into stock or similar security) and fractional or participation interests in one or more of any of the foregoing; provided, however, that securities issued by an investment company registered under the Investment Company Act of 1940, 15 U.S.C. 80a-1 *et seq.*, shall not be included in this definition.

(7) *Government security* shall mean:

(i) A security that is a direct obligation of, or obligation guaranteed as to principal and interest by, the United States;

(ii) A security that is issued or guaranteed by a corporation in which the United States has a direct or indirect interest and which is designated by the Secretary of the Treasury for exemption as necessary or appropriate in the public interest or for the protection of investors;

(iii) A security issued or guaranteed as to principal and interest by any corporation whose securities are designated, by statute specifically naming the corporation, to constitute exempt securities within the meaning of the laws administered by the Securities and Exchange Commission; or

(iv) Any put, call, straddle, option, or privilege on a security as described in paragraphs (b)(7) (i), (ii), or (iii) of this section other than a put, call, straddle, option, or privilege that is traded on one or more national securities exchanges, or for which quotations are disseminated though an automated quotation system operated by a registered securities association.

(8) *Investment discretion* with respect to an account shall mean if the State member bank, directly or indirectly, is authorized to determine what securities or other property shall be purchased or sold by or for the account, or makes decisions as to what securities or other property shall be purchased or sold by or for the account even though some other person may have responsibility for such investment decisions.

(9) *Municipal security* shall mean a security which is a direct obligation of, or obligation guaranteed as to principal or interest by, a State or any political subdivision thereof, or any agency or instrumentality of a State or any political subdivision thereof, or any municipal corporate instrumentality of one or more States, or any security which is an industrial development bond (as defined in 26 U.S.C. 103(c)(2) the interest on which is excludable from gross income under 26 U.S.C. 103(a)(1), by reason of the application of paragraph (4) or (6) of 26 U.S.C. 103(c) (determined as if paragraphs (4)(A), (5) and (7) were not included in 26 U.S.C. 103(c)), paragraph (1) of 26 U.S.C. 103(c) does not apply to such security.

(10) *Periodic plan* shall mean:

(i) A written authorization for a State member bank to act as agent to purchase or sell for a customer a specific security or securities, in a specific amount (calculated in security units or dollars) or to the extent of dividends and funds available, at specific time intervals, and setting forth the commission or charges to be paid by the customer or the manner of calculating them (including dividend reinvestment plans, automatic investment plans, and employee stock purchase plans); or

(ii) Any prearranged, automatic transfer or sweep of funds from a deposit account to purchase a security, or any prearranged, automatic redemption or sale of a security with the funds being transferred into a deposit account (including cash management sweep services).

(11) *Security* shall mean:

(i) Any note, stock, treasury stock, bond, debenture, certificate of interest or participation in any profit-sharing agreement or in any oil, gas, or other mineral royalty or lease, any collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, for a security, any put, call, straddle, option, or privilege on any security, or group or index of securities (including any interest therein or based on the value thereof), any instrument commonly known as a "security"; or any certificate of interest or participation in, temporary or interim certificate for, receipt for, or warrant or right to subscribe to or purchase, any of the foregoing.

(ii) But does not include a deposit or share account in a federally or state insured depository institution, a loan participation, a letter of credit or other form of bank indebtedness incurred in the ordinary course of business, currency, any note, draft, bill of exchange, or bankers acceptance which has a maturity at the time of issuance of not exceeding nine months, exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited, units of a collective investment fund, interests in a variable amount (master) note of a borrower of prime credit, or U.S. Savings Bonds.

(c) *Recordkeeping.* Except as provided in paragraph (a) of this section, every State member bank effecting securities transactions for customers, including transactions in government securities, and municipal securities transactions by banks not subject to registration as municipal securities dealers, shall maintain the following records with respect to such transactions for at least three years. Nothing contained in this section shall require a bank to maintain the records required by this paragraph in any given manner, provided that the information required to be shown is clearly and accurately reflected and provides an adequate basis for the audit of such information. Records may be maintained in hard copy, automated, or electronic form provided the records are easily retrievable, readily available for inspection, and capable of being reproduced in a hard copy. A bank may contract with third party service providers, including broker/dealers, to maintain records required under this part.

(1) Chronological records of original entry containing an itemized daily record of all purchases and sales of securities. The records of original entry shall show the account or customer for which each such transaction was effected, the description of the securities, the unit and aggregate purchase or sale price (if any), the trade date and the name or other designation of the broker/dealer or other person from whom purchased or to whom sold;

(2) Account records for each customer which shall reflect all purchases and sales of securities, all receipts and deliveries of securities, and all re-

ceipts and disbursements of cash with respect to transactions in securities for such account and all other debits and credits pertaining to transactions in securities;

(3) A separate memorandum (order ticket) of each order to purchase or sell securities (whether executed or canceled), which shall include:
   (i) The account(s) for which the transaction was effected;
   (ii) Whether the transaction was a market order, limit order, or subject to special instructions;
   (iii) The time the order was received by the trader or other bank employee responsible for effecting the transaction;
   (iv) The time the order was placed with the broker/dealer, or if there was no broker/dealer, the time the order was executed or canceled;
   (v) The price at which the order was executed; and
   (vi) The broker/dealer utilized;

(4) A record of all broker/dealers selected by the bank to effect securities transactions and the amount of commissions paid or allocated to each such broker during the calendar year; and

(5) A copy of the written notification required by paragraphs (d) and (e) of this section.

(d) *Content and time of notification.* Every State member bank effecting a securities transaction for a customer shall give or send to such customer either of the following types of notifications at or before completion of the transaction or; if the bank uses a broker/dealer's confirmation, within one business day from the bank's receipt of the broker/dealer's confirmation:

(1) A copy of the confirmation of a broker/dealer relating to the securities transaction; and if the bank is to receive remuneration from the customer or any other source in connection with the transaction, and the remuneration is not determined pursuant to a prior written agreement between the bank and the customer, a statement of the source and the amount of any remuneration to be received; or

(2) A written notification disclosing:
   (i) The name of the bank;
   (ii) The name of the customer;
   (iii) Whether the bank is acting as agent for such customer, as agent for both such customer and some other person, as principal for its own account, or in any other capacity;
   (iv) The date of execution and a statement that the time of execution will be furnished within a reasonable time upon written request of such customer specifying the identity, price and number of shares or units (or principal amount in the case of debt securities) of such security purchased or sold by such customer;
   (v) The amount of any remuneration received or to be received, directly or indirectly, by any broker/dealer from such customer in connection with the transaction;
   (vi) The amount of any remuneration received or to be received by the bank from the customer and the source and amount of any other remuneration to be received by the bank in connection with the transaction, unless remuneration is determined pursuant to a written agreement between the bank and the customer, provided, however, in the case of Government securities and municipal securities, this paragraph (d)(2)(vi) shall apply only with respect to remuneration received by the bank in an agency transaction. If the bank elects not to disclose the source and amount of remuneration it has or will receive from a party other than the customer pursuant to this paragraph (d)(2)(vi), the written notification must disclose whether the bank has received or will receive remuneration from a party other than the customer, and that the bank will furnish within a reasonable time the source and amount of this remuneration upon written request of the customer. This election is not available, however, if, with respect to a purchase, the bank was participating in a distribution of that security; or with respect to a sale, the bank was participating in a tender offer for that security;
   (vii) The name of the broker/dealer utilized; or, where there is no broker/dealer, the name of the person from whom the security was purchased or to whom it was sold, or the fact that such information will be furnished within a reasonable time upon written request;
   (viii) In the case of a transaction in a debt security subject to redemption before maturity, a statement to the effect that the debt security may be redeemed in whole or in part before maturity, that the redemption could affect the yield represented and that additional information is available on request;
   (ix) In the case of a transaction in a debt security effected exclusively on the basis of a dollar price:
      (A) The dollar price at which the transaction was effected;
      (B) The yield to maturity calculated from the dollar price; provided, however, that this paragraph (c)(2)(ix)(B) shall not apply to a transaction in a debt security that either has a maturity date that may be extended by the issuer with a variable interest payable thereon, or is an asset-backed security that represents an interest in or is secured by a pool of receivables or other financial assets that are subject to continuous prepayment;
   (x) In the case of a transaction in a debt security effected on the basis of yield:

(A) The yield at which the transaction was effected, including the percentage amount and its characterization (e.g., current yield, yield to maturity, or yield to call) and if effected at yield to call, the type of call, the call date, and the call price; and

(B) The dollar price calculated from the yield at which the transaction was effected; and

(C) If effected on a basis other than yield to maturity and the yield to maturity is lower than the represented yield, the yield to maturity as well as the represented yield; provided, however, that this paragraph (c)(2)(x)(C) shall not apply to a transaction in a debt security that either has a maturity date that may be extended by the issuer with a variable interest rate payable thereon, or is an asset-backed security that represents an interest in or is secured by a pool of receivables or other financial assets that are subject to continuous prepayment;

(xi) In the case of a transaction in a debt security that is an asset-backed security which represents an interest in or is secured by a pool of receivables or other financial assets that are subject continuously to prepayment, a statement indicating that the actual yield of such asset-backed security may vary according to the rate at which the underlying receivables or other financial assets are prepaid and a statement of the fact that information concerning the factors that affect yield (including at a minimum, the estimated yield, weighted average life, and the prepayment assumptions underlying yield) will be furnished upon written request of such customer; and

(xii) In the case of a transaction in a debt security, other than a government security, that the security is unrated by a nationally recognized statistical rating organization, if that is the case.

(e) *Notification by agreement; alternative forms and times of notification.* A State member bank may elect to use the following alternative procedures if a transaction is effected for:

(1) Accounts (except periodic plans) where the bank does not exercise investment discretion and the bank and the customer agree in writing to a different arrangement as to the time and content of the notification; provided, however, that such agreement makes clear the customer's right to receive the written notification pursuant to paragraph (c) of this section at no additional cost to the customer;

(2) Accounts (except collective investment funds) where the bank exercises investment discretion in other than an agency capacity, in which instance the bank shall, upon request of the person having the power to terminate the account or, if there is no such person, upon the request of any person holding a vested beneficial interest in such account, give or send to such person the written notification within a reasonable time. The bank may charge such person a reasonable fee for providing this information;

(3) Accounts, where the bank exercises investment discretion in an agency capacity, in which instance:

(i) The bank shall give or send to each customer not less frequently than once every three months an itemized statement which shall specify the funds and securities in the custody or possession of the bank at the end of such period and all debits, credits and transactions in the customer's accounts during such period; and

(ii) If requested by the customer, the bank shall give or send to each customer within a reasonable time the written notification described in paragraph (c) of this section. The bank may charge a reasonable fee for providing the information described in paragraph (c) of this section;

(4) A collective investment fund, in which instance the bank shall at least annually furnish a copy of a financial report of the fund, or provide notice that a copy of such report is available and will be furnished upon request, to each person to whom a regular periodic accounting would ordinarily be rendered with respect to each participating account. This report shall be based upon an audit made by independent public accountants or internal auditors responsible only to the board of directors of the bank;

(5) A periodic plan, in which instance the bank:

(i) Shall (except for a cash management sweep service) give or send to the customer a written statement not less than every three months if there are no securities transactions in the account, showing the customer's funds and securities in the custody or possession of the bank; all service charges and commissions paid by the customer in connection with the transaction; and all other debits and credits of the customer's account involved in the transaction; or

(ii) Shall for a cash management sweep service or similar periodic plan as defined in section 208.34(b)(10)(ii) give or send its customer a written statement in the same form as prescribed in paragraph (e)(3) above for each month in which a purchase or sale of a security takes place in a deposit account and not less than once every three months if there are no securities transactions in the account subject to any other applicable laws or regulations;

(6) Upon the written request of the customer the bank shall furnish the information described in paragraph (d) of this section, except that any such information relating to remuneration paid in connection with the transaction need not be provided to the customer when paid by a source other than the customer. The bank may charge a reasonable fee for providing the information described in paragraph (d) of this section.

(f) *Settlement of securities transactions.* All contracts for the purchase or sale of a security shall provide for completion of the transaction within the number of business days in the standard settlement cycle for the security followed by registered broker dealers in the United States unless otherwise agreed to by the parties at the time of the transaction.

(g) *Securities trading policies and procedures.* Every State member bank effecting securities transactions for customers shall establish written policies and procedures providing:

(1) Assignment of responsibility for supervision of all officers or employees who:

(i) Transmit orders to or place orders with broker/dealers;

(ii) Execute transactions in securities for customers; or

(iii) Process orders for notification and/or settlement purposes, or perform other back office functions with respect to securities transactions effected for customers; provided that procedures established under this paragraph (g)(1)(iii) should provide for supervision and reporting lines that are separate from supervision of personnel under paragraphs (g)(1)(i) and (g)(1)(ii) of this section;

(2) For the fair and equitable allocation of securities and prices to accounts when orders for the same security are received at approximately the same time and are placed for execution either individually or in combination;

(3) Where applicable and where permissible under local law, for the crossing of buy and sell orders on a fair and equitable basis to the parties to the transaction; and

(4) That bank officers and employees who make investment recommendations or decisions for the accounts of customers, who participate in the determination of such recommendations or decisions, or who, in connection with their duties, obtain information concerning which securities are being purchased or sold or recommended for such action, must report to the bank, within ten days after the end of the calendar quarter, all transactions in securities made by them or on their behalf, either at the bank or elsewhere in which they have a beneficial interest. The report shall identify the securities purchased or sold and indicate the dates of the transactions and whether the transactions were purchases or sales. Excluded from this requirement are transactions for the benefit of the officer or employee over which the officer or employee has no direct or indirect influence or control, transactions in mutual fund shares, and all transactions involving in the aggregate $10,000 or less during the calendar quarter. For purposes of this paragraph (g)(4), the term securities does not include government securities.

Section 208.35—Qualification requirements for transactions in certain securities. [Reserved]

Section 208.36—Reporting requirements for State member banks subject to the Securities Exchange Act of 1934.

(a) *Filing requirements.* Except as otherwise provided in this section, a member bank whose securities are subject to registration pursuant to section 12(b) or section 12(g) of the Securities Exchange Act of 1934 (the 1934 Act) (15 U.S.C. 78l (b) and (g)) shall comply with the rules, regulations, and forms adopted by the Securities and Exchange Commission (Commission) pursuant to sections 12, 13, 14(a), 14(c), 14(d), 14(f) and 16 of the 1934 Act (15 U.S.C. 78l, 78m, 78n(a), (c), (d), (f) and 78p). The term "Commission" as used in those rules and regulations shall with respect to securities issued by member banks be deemed to refer to the Board unless the context otherwise requires.

(b) *Elections permitted for member banks with total assets of $150 million or less.*

(1) Notwithstanding paragraph (a) of this section or the rules and regulations promulgated by the Commission pursuant to the 1934 Act a member bank that has total assets of $150 million or less as of the end of its most recent fiscal year, and no foreign offices, may elect to substitute for the financial statements required by the Commission's Form 10-Q, the balance sheet and income statement from the quarterly report of condition required to be filed by the bank with the Board under section 9 of the Federal Reserve Act (12 U.S.C. 324) (Federal Financial Institutions Examination Council Form 033 or 034).

(2) A member bank qualifying for and electing to file financial statements from its quarterly report of condition pursuant to paragraph (b)(1) of this section in its form 10-Q shall include earnings per share or net loss per share data prepared in accordance with GAAP and disclose any material contingencies, as required by Article 10 of the Commission's Regulation S-X (17 C.F.R. 210.10–01), in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of Form 10-Q.

(c) *Required filings.*

(1) *Place and timing of filing.* All papers required to be filed with the Board, pursuant to the 1934 Act

or Regulations thereunder, shall be submitted to the Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington, DC 20551. Material may be filed by delivery to the Board, through the mails, or otherwise. The date on which papers are actually received by the Board shall be the date of filing thereof if all of the requirements with respect to the filing have been complied with.

(2) *Filing fees.* No filing fees specified by the Commission's rules shall be paid to the Board.

(3) *Public inspection.* Copies of the registration statement, definitive proxy solicitation materials, reports, and annual reports to shareholders required by this section (exclusive of exhibits) shall be available for public inspection at the Board's offices in Washington, DC, as well as at the Federal Reserve Banks of New York, Chicago, and San Francisco and at the Reserve Bank in the district in which the reporting bank is located.

(d) *Confidentiality of filing.* Any person filing any statement, report, or document under the 1934 Act may make written objection to the public disclosure of any information contained therein in accordance with the following procedure:

(1) The person shall omit from the statement, report, or document, when it is filed, the portion thereof that the person desires to keep undisclosed (hereinafter called the confidential portion). The person shall indicate at the appropriate place in the statement, report, or document that the confidential portion has been omitted and filed separately with the Board.

(2) The person shall file the following with the copies of the statement, report, or document filed with the Board:

(i) As many copies of the confidential portion, each clearly marked "CONFIDENTIAL TREATMENT," as there are copies of the statement, report, or document filed with the Board. Each copy of the confidential portion shall contain the complete text of the item and, notwithstanding that the confidential portion does not constitute the whole of the answer, the entire answer thereto; except that in case the confidential portion is part of a financial statement or schedule, only the particular financial statement or schedule need be included. All copies of the confidential portion shall be in the same form as the remainder of the statement, report, or document; and

(ii) An application making objection to the disclosure of the confidential portion. The application shall be on a sheet or sheets separate from the confidential portion, and shall:

(A) Identify the portion of the statement, report, or document that has been omitted;

(B) Include a statement of the grounds of objection; and

(C) Include the name of each exchange, if any, with which the statement, report, or document is filed.

(3) The copies of the confidential portion and the application filed in accordance with this paragraph shall be enclosed in a separate envelope marked "CONFIDENTIAL TREATMENT," and addressed to Secretary, Board of Governors of the Federal Reserve System, Washington, DC 20551.

(4) Pending determination by the Board on the objection filed in accordance with this paragraph, the confidential portion shall not be disclosed by the Board.

(5) If the Board determines to sustain the objection, a notation to that effect shall be made at the appropriate place in the statement, report, or document.

(6) If the Board determines not to sustain the objection because disclosure of the confidential portion is in the public interest, a finding and determination to that effect shall be entered and notice of the finding and determination sent by registered or certified mail to the person.

(7) If the Board determines not to sustain the objection, pursuant to paragraph (d)(6) of this section, the confidential portion shall be made available to the public:

(i) 15 days after notice of the Board's determination not to sustain the objection has been given, as required by paragraph (d)(6) of this section, provided that the person filing the objection has not previously filed with the Board a written statement that he intends, in good faith, to seek judicial review of the finding and determination; or

(ii) 60 days after notice of the Board's determination not to sustain the objection has been given as required by paragraph (d)(6) of this section and the person filing the objection has filed with the Board a written statement of intent to seek judicial review of the finding and determination, but has failed to file a petition for judicial review of the Board's determination; or

(iii) Upon final judicial determination, if adverse to the party filing the objection.

(8) If the confidential portion is made available to the public, a copy thereof shall be attached to each copy of the statement, report, or document filed with the Board.

Section 208.37—Government securities sales practices.

(a) *Scope.* This subpart is applicable to state member banks that have filed notice as, or are required to file notice as, government securities brokers or dealers pursuant to section 15C of the Securities Exchange Act (15 U.S.C. 78o-5) and Department of the Treasury rules under section 15C (17 C.F.R. 400.1(d) and Part 401).

(b) *Definitions.* For purposes of this section:
  (1) *Bank that is a government securities broker or dealer* means a state member bank that has filed notice, or is required to file notice, as a government securities broker or dealer pursuant to section 15C of the Securities Exchange Act (15 U.S.C. 78o-5) and Department of the Treasury rules under section 15C (17 C.F.R. 400.1(d) and Part 401).
  (2) *Customer* does not include a broker or dealer or a government securities broker or dealer.
  (3) *Government security* has the same meaning as this term has in section 3(a)(42) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(42)).
  (4) *Non-institutional customer* means any customer other than:
    (i) A bank, savings association, insurance company, or registered investment company;
    (ii) An investment adviser registered under section 203 of the Investment Advisers Act of 1940 (15 U.S.C. 80b-3); or
    (iii) Any entity (whether a natural person, corporation, partnership, trust, or otherwise) with total assets of at least $50 million.

(c) *Business conduct.* A bank that is a government securities broker or dealer shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of its business as a government securities broker or dealer.

(d) *Recommendations to customers.* In recommending to a customer the purchase, sale or exchange of a government security, a bank that is a government securities broker or dealer shall have reasonable grounds for believing that the recommendation is suitable for the customer upon the basis of the facts, if any, disclosed by the customer as to the customer's other security holdings and as to the customer's financial situation and needs.

(e) *Customer information.* Prior to the execution of a transaction recommended to a non-institutional customer, a bank that is a government securities broker or dealer shall make reasonable efforts to obtain information concerning:
  (1) The customer's financial status;
  (2) The customer's tax status;
  (3) The customer's investment objectives; and
  (4) Such other information used or considered to be reasonable by the bank in making recommendations to the customer.

Subpart D—Prompt Corrective Action

Section 208.40—Authority, purpose, scope, other supervisory authority, and disclosure of capital categories.

(a) *Authority.* Subpart D of Regulation H (12 C.F.R. Part Section 208, Subpart D) is issued by the Board of Governors of the Federal Reserve System (Board) under section 38 (section 38) of the FDI Act as added by section 131 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (Pub. L. 102–242, 105 Stat. 2236 (1991)) (12 U.S.C. 1831o).

(b) *Purpose and scope.* This subpart D defines the capital measures and capital levels that are used for determining the supervisory actions authorized under section 38 of the FDI Act. (Section 38 of the FDI Act establishes a framework of supervisory actions for insured depository institutions that are not adequately capitalized.) This subpart also establishes procedures for submission and review of capital restoration plans and for issuance and review of directives and orders pursuant to section 38. Certain of the provisions of this subpart apply to officers, directors, and employees of state member banks. Other provisions apply to any company that controls a member bank and to the affiliates of the member bank.

(c) *Other supervisory authority.* Neither section 38 nor this subpart in any way limits the authority of the Board under any other provision of law to take supervisory actions to address unsafe or unsound practices or conditions, deficient capital levels, violations of law, or other practices. Action under section 38 of the FDI Act and this subpart may be taken independently of, in conjunction with, or in addition to any other enforcement action available to the Board, including issuance of cease and desist orders, capital directives, approval or denial of applications or notices, assessment of civil money penalties, or any other actions authorized by law.

(d) *Disclosure of capital categories.* The assignment of a bank under this subpart within a particular capital category is for purposes of implementing and applying the provisions of section 38. Unless permitted by the Board or otherwise required by law, no bank may state in any advertisement or promotional material its capital category under this subpart or that the Board or any other Federal banking agency has assigned the bank to a particular capital category.

Section 208.41—Definitions for purposes of this subpart.

For purposes of this subpart, except as modified in this section or unless the context otherwise requires, the terms used have the same meanings as set forth in section 38 and section 3 of the FDI Act.

(a) *Control*—
  (1) *Control* has the same meaning assigned to it in section 2 of the Bank Holding Company Act (12 U.S.C. 1841), and the term *controlled* shall be construed consistently with the term control.

(2) *Exclusion for fiduciary ownership.* No insured depository institution or company controls another insured depository institution or company by virtue of its ownership or control of shares in a fiduciary capacity. Shares shall not be deemed to have been acquired in a fiduciary capacity if the acquiring insured depository institution or company has sole discretionary authority to exercise voting rights with respect to the shares.

(3) *Exclusion for debts previously contracted.* No insured depository institution or company controls another insured depository institution or company by virtue of its ownership or control of shares acquired in securing or collecting a debt previously contracted in good faith, until two years after the date of acquisition. The two-year period may be extended at the discretion of the appropriate Federal banking agency for up to three one-year periods.

(b) *Controlling person* means any person having control of an insured depository institution and any company controlled by that person.

(c) *Leverage ratio* means the ratio of Tier 1 capital to average total consolidated assets, as calculated in accordance with the Board's Capital Adequacy Guidelines for State Member Banks: Tier 1 Leverage Measure (Appendix B to this part).

(d) *Management fee* means any payment of money or provision of any other thing of value to a company or individual for the provision of management services or advice to the bank, or related overhead expenses, including payments related to supervisory, executive, managerial, or policy making functions, other than compensation to an individual in the individual's capacity as an officer or employee of the bank.

(e) *Risk-weighted assets* means total weighted risk assets, as calculated in accordance with the Board's Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure (Appendix A to this part).

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

(g) *Tier 1 capital* means the amount of Tier 1 capital as defined in the Board's Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure (Appendix A to this part).

(h) *Tier 1 risk-based capital ratio* means the ratio of Tier 1 capital to weighted risk assets, as calculated in accordance with the Board's Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure (Appendix A to this part).

(i) *Total assets* means quarterly average total assets as reported in a bank's Report of Condition and Income (Call Report), minus intangible assets as provided in the definition of tangible equity. At its discretion the Federal Reserve may calculate total assets using a bank's period-end assets rather than quarterly average assets.

(j) *Total risk-based capital ratio* means the ratio of qualifying total capital to weighted risk assets, as calculated in accordance with the Board's Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure (Appendix A to this part).

Section 208.42—Notice of capital category.

(a) *Effective date of determination of capital category.* A member bank shall be deemed to be within a given capital category for purposes of section 38 of the FDI Act and this subpart as of the date the bank is notified of, or is deemed to have notice of, its capital category, pursuant to paragraph (b) of this section.

(b) *Notice of capital category.* A member bank shall be deemed to have been notified of its capital levels and its capital category as of the most recent date:

(1) A Report of Condition and Income (Call Report) is required to be filed with the Board;

(2) A final report of examination is delivered to the bank; or

(3) Written notice is provided by the Board to the bank of its capital category for purposes of section 38 of the FDI Act and this subpart or that the bank's capital category has changed as provided in paragraph (c) of this section or section 208.43(c).

(c) *Adjustments to reported capital levels and capital category—*

(1) *Notice of adjustment by bank.* A member bank shall provide the Board with written notice that an adjustment to the bank's capital category may have occurred no later than 15 calendar days following the date that any material event occurred that would cause the bank to be placed in a lower capital category from the category assigned to the bank for purposes of section 38 and this subpart on the basis of the bank's most recent Call Report or report of examination.

(2) *Determination by Board to change capital category.* After receiving notice pursuant to paragraph (c)(1) of this section, the Board shall determine whether to change the capital category of the bank and shall notify the bank of the Board's determination.

Section 208.43—Capital measures and capital category definitions.

(a) *Capital measures.* For purposes of section 38 and this subpart, the relevant capital measures are:

(1) The total risk-based capital ratio;

(2) The Tier 1 risk-based capital ratio; and

(3) The leverage ratio.

(b) *Capital categories.* For purposes of section 38 and this subpart, a member bank is deemed to be:
  (1) "Well capitalized" if the bank:
    (i) Has a total risk-based capital ratio of 10.0 percent or greater; and
    (ii) Has a Tier 1 risk-based capital ratio of 6.0 percent or greater; and
    (iii) Has a leverage ratio of 5.0 percent or greater; and
    (iv) Is not subject to any written agreement, order, capital directive, or prompt corrective action directive issued by the Board pursuant to section 8 of the FDI Act, the International Lending Supervision Act of 1983 (12 U.S.C. 3907), or section 38 of the FDI Act, or any regulation thereunder, to meet and maintain a specific capital level for any capital measure.
  (2) "Adequately capitalized" if the bank:
    (i) Has a total risk-based capital ratio of 8.0 percent or greater; and
    (ii) Has a Tier 1 risk-based capital ratio of 4.0 percent or greater; and
    (iii) Has:
      (A) A leverage ratio of 4.0 percent or greater; or
      (B) A leverage ratio of 3.0 percent or greater if the bank is rated composite 1 under the CAMELS rating system in the most recent examination of the bank and is not experiencing or anticipating significant growth; and
    (iv) Does not meet the definition of a "well capitalized" bank.
  (3) "Undercapitalized" if the bank has:
    (i) A total risk-based capital ratio that is less than 8.0 percent; or
    (ii) A Tier 1 risk-based capital ratio that is less than 4.0 percent; or
    (iii) Except as provided in paragraph (b)(2)(iii)(B) of this section, has a leverage ratio that is less than 4.0 percent; or
    (iv) A leverage ratio that is less than 3.0 percent, if the bank is rated composite 1 under the CAMELS rating system in the most recent examination of the bank and is not experiencing or anticipating significant growth.
  (4) "Significantly undercapitalized" if the bank has:
    (i) A total risk-based capital ratio that is less than 6.0 percent; or
    (ii) A Tier 1 risk-based capital ratio that is less than 3.0 percent; or
    (iii) A leverage ratio that is less than 3.0 percent.
  (5) "Critically undercapitalized" if the bank has a ratio of tangible equity to total assets that is equal to or less than 2.0 percent.

(c) *Reclassification based on supervisory criteria other than capital.* The Board may reclassify a well capitalized member bank as adequately capitalized and may require an adequately-capitalized or an undercapitalized member bank to comply with certain mandatory or discretionary supervisory actions as if the bank were in the next lower capital category (except that the Board may not reclassify a significantly undercapitalized bank as critically undercapitalized) (each of these actions are hereinafter referred to generally as "reclassifications") in the following circumstances:
  (1) *Unsafe or unsound condition.* The Board has determined, after notice and opportunity for hearing pursuant to 12 C.F.R. 263.203, that the bank is in unsafe or unsound condition; or
  (2) *Unsafe or unsound practice.* The Board has determined, after notice and opportunity for hearing pursuant to 12 C.F.R. 263.203, that, in the most recent examination of the bank, the bank received and has not corrected, a less-than-satisfactory rating for any of the categories of asset quality, management, earnings, liquidity, or sensitivity to market risk.

Section 208.44—Capital restoration plans.

(a) *Schedule for filing plan.*
  (1) *In general.* A member bank shall file a written capital restoration plan with the appropriate Reserve Bank within 45 days of the date that the bank receives notice or is deemed to have notice that the bank is undercapitalized, significantly undercapitalized, or critically undercapitalized, unless the Board notifies the bank in writing that the plan is to be filed within a different period. An adequately capitalized bank that has been required, pursuant to section 208.43(c), to comply with supervisory actions as if the bank were undercapitalized is not required to submit a capital restoration plan solely by virtue of the reclassification.
  (2) *Additional capital restoration plans.* Notwithstanding paragraph (a)(1) of this section, a bank that has already submitted and is operating under a capital restoration plan approved under section 38 and this subpart is not required to submit an additional capital restoration plan based on a revised calculation of its capital measures or a reclassification of the institution under section 208.43(c), unless the Board notifies the bank that it must submit a new or revised capital plan. A bank that is notified that it must submit a new or revised capital restoration plan shall file the plan in writing with the appropriate Reserve Bank within 45 days of receiving such notice, unless the Board notifies the bank in writing that the plan is to be filed within a different period.

(b) *Contents of plan.* All financial data submitted in connection with a capital restoration plan shall be prepared in accordance with the instructions provided on the Call Report, unless the Board instructs otherwise. The capital restoration plan shall include all of the information required to be filed under section 38(e)(2) of the FDI Act. A bank that is required to submit a capital restoration plan as the result of a reclassification of the bank pursuant to section 208.43(c) shall include a description of the steps the bank will take to correct the unsafe or unsound condition or practice. No plan shall be accepted unless it includes any performance guarantee described in section 38(e)(2)(C) of that Act by each company that controls the bank.

(c) *Review of capital restoration plans.* Within 60 days after receiving a capital restoration plan under this subpart, the Board shall provide written notice to the bank of whether the plan has been approved. The Board may extend the time within which notice regarding approval of a plan shall be provided.

(d) *Disapproval of capital plan.* If the Board does not approve a capital restoration plan, the bank shall submit a revised capital restoration plan within the time specified by the Board. Upon receiving notice that its capital restoration plan has not been approved, any undercapitalized member bank (as defined in section 208.43(b)(3)) shall be subject to all of the provisions of section 38 and this subpart applicable to significantly undercapitalized institutions. These provisions shall be applicable until such time as the Board approves a new or revised capital restoration plan submitted by the bank.

(e) *Failure to submit capital restoration plan.* A member bank that is undercapitalized (as defined in section 208.43(b)(3)) and that fails to submit a written capital restoration plan within the period provided in this section shall, upon the expiration of that period, be subject to all of the provisions of section 38 and this subpart applicable to significantly undercapitalized institutions.

(f) *Failure to implement capital restoration plan.* Any undercapitalized member bank that fails in any material respect to implement a capital restoration plan shall be subject to all of the provisions of section 38 and this subpart applicable to significantly undercapitalized institutions.

(g) *Amendment of capital plan.* A bank that has filed an approved capital restoration plan may, after prior written notice to and approval by the Board, amend the plan to reflect a change in circumstance. Until such time as a proposed amendment has been approved, the bank shall implement the capital restoration plan as approved prior to the proposed amendment.

(h) *Notice to FDIC.* Within 45 days of the effective date of Board approval of a capital restoration plan, or any amendment to a capital restoration plan, the Board shall provide a copy of the plan or amendment to the Federal Deposit Insurance Corporation.

(i) *Performance guarantee by companies that control a bank.*

(1) *Limitation on Liability.*

(i) *Amount limitation.* The aggregate liability under the guarantee provided under section 38 and this subpart for all companies that control a specific member bank that is required to submit a capital restoration plan under this subpart shall be limited to the lesser of:

(A) An amount equal to 5.0 percent of the bank's total assets at the time the bank was notified or deemed to have notice that the bank was undercapitalized; or

(B) The amount necessary to restore the relevant capital measures of the bank to the levels required for the bank to be classified as adequately capitalized, as those capital measures and levels are defined at the time that the bank initially fails to comply with a capital restoration plan under this subpart.

(ii) *Limit on duration.* The guarantee and limit of liability under section 38 and this subpart shall expire after the Board notifies the bank that it has remained adequately capitalized for each of four consecutive calendar quarters. The expiration or fulfillment by a company of a guarantee of a capital restoration plan shall not limit the liability of the company under any guarantee required or provided in connection with any capital restoration plan filed by the same bank after expiration of the first guarantee.

(iii) *Collection on guarantee.* Each company that controls a bank shall be jointly and severally liable for the guarantee for such bank as required under section 38 and this subpart, and the Board may require and collect payment of the full amount of that guarantee from any or all of the companies issuing the guarantee.

(2) *Failure to provide guarantee.* In the event that a bank that is controlled by a company submits a capital restoration plan that does not contain the guarantee required under section 38(e)(2) of the FDI Act, the bank shall, upon submission of the plan, be subject to the provisions of section 38 and this subpart that are applicable to banks that have not submitted an acceptable capital restoration plan.

(3) *Failure to perform guarantee.* Failure by any company that controls a bank to perform fully its guarantee of any capital plan shall constitute a material failure to implement the plan for purposes of section 38(f) of the FDI Act. Upon such failure, the bank shall be subject to the provisions of section 38 and this subpart that are applicable to banks that have failed in a material respect to implement a capital restoration plan.

Section 208.45—Mandatory and discretionary supervisory actions under section 38.

(a) *Mandatory supervisory actions.*

(1) *Provisions applicable to all banks.* All member banks are subject to the restrictions contained in

section 38(d) of the FDI Act on payment of capital distributions and management fees.

(2) *Provisions applicable to undercapitalized, significantly undercapitalized, and critically undercapitalized banks.* Immediately upon receiving notice or being deemed to have notice, as provided in section 208.42 or section 208.44, that the bank is undercapitalized, significantly undercapitalized, or critically undercapitalized, the bank shall become subject to the provisions of section 38 of the FDI Act:
   (i) Restricting payment of capital distributions and management fees (section 38(d));
   (ii) Requiring that the Board monitor the condition of the bank (section 38(e)(1));
   (iii) Requiring submission of a capital restoration plan within the schedule established in this subpart (section 38(e)(2));
   (iv) Restricting the growth of the bank's assets (section 38(e)(3)); and
   (v) Requiring prior approval of certain expansion proposals (section 3(e)(4)).

(3) *Additional provisions applicable to significantly undercapitalized, and critically undercapitalized banks.* In addition to the provisions of section 38 of the FDI Act described in paragraph (a)(2) of this section, immediately upon receiving notice or being deemed to have notice, as provided in section section 208.42 or section 208.44, that the bank is significantly undercapitalized, or critically undercapitalized, or that the bank is subject to the provisions applicable to institutions that are significantly undercapitalized because the bank failed to submit or implement in any material respect an acceptable capital restoration plan, the bank shall become subject to the provisions of section 38 of the FDI Act that restrict compensation paid to senior executive officers of the institution (section 38(f)(4)).

(4) *Additional provisions applicable to critically undercapitalized banks.* In addition to the provisions of section 38 of the FDI Act described in paragraphs (a)(2) and (a)(3) of this section, immediately upon receiving notice or being deemed to have notice, as provided in section 208.32, that the bank is critically undercapitalized, the bank shall become subject to the provisions of section 38 of the FDI Act:
   (i) Restricting the activities of the bank (section 38(h)(1)); and
   (ii) Restricting payments on subordinated debt of the bank (section 38(h)(2)).

(b) *Discretionary supervisory actions.* In taking any action under section 38 that is within the Board's discretion to take in connection with: A member bank that is deemed to be undercapitalized, significantly undercapitalized, or critically undercapitalized, or has been reclassified as undercapitalized, or significantly undercapitalized; an officer or director of such bank; or a company that controls such bank, the Board shall follow the procedures for issuing directives under 12 C.F.R. 263.202 and 263.204, unless otherwise provided in section 38 or this subpart.

Subpart E—Real Estate Lending and Appraisal Standards

Section 208.50—Authority, purpose, and scope.

(a) *Authority.* Subpart E of Regulation H (12 C.F.R. Part 208, Subpart E) is issued by the Board of Governors of the Federal Reserve System under section 304 of the Federal Deposit Insurance Corporation Improvement Act of 1991, 12 U.S.C. 1828(o) and Title 11 of the Financial Institutions Reform, Recovery, and Enforcement Act (12 U.S.C. 3331-3351).

(b) *Purpose and scope.* This subpart E prescribes standards for real estate lending to be used by member banks in adopting internal real estate lending policies. The standards applicable to appraisals rendered in connection with federally related transactions entered into by member banks are set forth in 12 C.F.R. Part 225, Subpart G (Regulation Y).

Section 208.51—Real estate lending standards.

(a) *Adoption of written policies.* Each state bank that is a member of the Federal Reserve System shall adopt and maintain written policies that establish appropriate limits and standards for extensions of credit that are secured by liens on or interests in real estate, or that are made for the purpose of financing permanent improvements to real estate.

(b) *Requirements of lending policies.*
   (1) Real estate lending policies adopted pursuant to this section shall be:
      (i) Consistent with safe and sound banking practices;
      (ii) Appropriate to the size of the institution and the nature and scope of its operations; and
      (iii) Reviewed and approved by the bank's board of directors at least annually.
   (2) The lending policies shall establish:
      (i) Loan portfolio diversification standards;
      (ii) Prudent underwriting standards, including loan-to-value limits, that are clear and measurable;
      (iii) Loan administration procedures for the bank's real estate portfolio; and
      (iv) Documentation, approval, and reporting requirements to monitor compliance with the bank's real estate lending policies.

(c) *Monitoring conditions.* Each member bank shall monitor conditions in the real estate market in its lending area to ensure that its real estate lending policies continue to be appropriate for current market conditions.

(d) *Interagency guidelines.* The real estate lending policies adopted pursuant to this section should reflect consideration of the Interagency Guidelines for Real Estate Lending Policies (contained in Appendix C of this part) established by the Federal bank and thrift supervisory agencies.

Subpart F—Miscellaneous Requirements

Section 208.60—Authority, purpose, and scope.

(a) *Authority.* Subpart F of Regulation H (12 C.F.R. Part 208, Subpart F) is issued by the Board of Governors of the Federal Reserve System under sections 9, 11, 21, 25 and 25A of the Federal Reserve Act (12 U.S.C. 321–338a, 248(a), 248(c), 481–486, 601 and 611), section 7 of the International Banking Act (12 U.S.C. 3105), section 3 of the Bank Protection Act of 1968 (12 U.S.C. 1882), sections 1814, 1816, 1818, 1831o, 1831p-1 and 1831r-1 of the FDI Act (12 U.S.C. 1814, 1816, 1818, 1831o, 1831p-1 and 1831r-1), and the Bank Secrecy Act (31 U.S.C. 5318).

(b) *Purpose and scope.* This subpart F describes a member bank's obligation to implement security procedures to discourage certain crimes, to file suspicious activity reports, and to comply with the Bank Secrecy Act's requirements for reporting and recordkeeping of currency and foreign transactions. It also describes the examination schedule for certain small insured member banks.

Section 208.61—Bank security procedures.

(a) *Authority, purpose, and scope.* Pursuant to section 3 of the Bank Protection Act of 1968 (12 U.S.C. 1882), member banks are required to adopt appropriate security procedures to discourage robberies, burglaries, and larcenies, and to assist in the identification and prosecution of persons who commit such acts. It is the responsibility of the member bank's board of directors to comply with the provisions of this section and ensure that a written security program for the bank's main office and branches is developed and implemented.

(b) *Designation of security officer.* Upon becoming a member of the Federal Reserve System, a member bank's board of directors shall designate a security officer who shall have the authority, subject to the approval of the board of directors, to develop, within a reasonable time, but no later than 180 days, and to administer a written security program for each banking office.

(c) *Security program.*
 (1) The security program shall:
  (i) Establish procedures for opening and closing for business and for the safekeeping of all currency, negotiable securities, and similar valuables at all times;
  (ii) Establish procedures that will assist in identifying persons committing crimes against the institution and that will preserve evidence that may aid in their identification and prosecution. Such procedures may include, but are not limited to: maintaining a camera that records activity in the banking office; using identification devices, such as prerecorded serial-numbered bills, or chemical and electronic devices; and retaining a record of any robbery, burglary, or larceny committed against the bank;
  (iii) Provide for initial and periodic training of officers and employees in their responsibilities under the security program and in proper employee conduct during and after a burglary, robbery, or larceny; and
  (iv) Provide for selecting, testing, operating, and maintaining appropriate security devices, as specified in paragraph (c)(2) of this section.
 (2) *Security devices.* Each member bank shall have, at a minimum, the following security devices:
  (i) A means of protecting cash and other liquid assets, such as a vault, safe, or other secure space;
  (ii) A lighting system for illuminating, during the hours of darkness, the area around the vault, if the vault is visible from outside the banking office;
  (iii) Tamper-resistant locks on exterior doors and exterior windows that may be opened;
  (iv) An alarm system or other appropriate device for promptly notifying the nearest responsible law enforcement officers of an attempted or perpetrated robbery or burglary; and
  (v) Such other devices as the security officer determines to be appropriate, taking into consideration: the incidence of crimes against financial institutions in the area; the amount of currency and other valuables exposed to robbery, burglary, or larceny; the distance of the banking office from the nearest responsible law enforcement officers; the cost of the security devices; other security measures in effect at the banking office; and the physical characteristics of the structure of the banking office and its surroundings.

(d) *Annual reports.* The security officer for each member bank shall report at least annually to the bank's board of directors on the implementation, administration, and effectiveness of the security program.

(e) *Reserve Banks.* Each Reserve Bank shall develop and maintain a written security program for its main office and branches subject to review and approval of the Board.

Section 208.62—Suspicious activity reports.

(a) *Purpose.* This section ensures that a member bank files a Suspicious Activity Report when it detects a known or suspected violation of Federal law, or a suspicious transaction related to a money laundering activity or a violation of the Bank Secrecy Act. This section applies to all member banks.

(b) *Definitions.* For the purposes of this section:

(1) *FinCEN* means the Financial Crimes Enforcement Network of the Department of the Treasury.

(2) *Institution-affiliated party* means any institution-affiliated party as that term is defined in 12 U.S.C. 1786(r), or 1813(u) and 1818(b) (3), (4) or (5).

(3) *SAR* means a Suspicious Activity Report on the form prescribed by the Board.

(c) *SARs required.* A member bank shall file a SAR with the appropriate Federal law enforcement agencies and the Department of the Treasury in accordance with the form's instructions by sending a completed SAR to FinCEN in the following circumstances:

(1) *Insider abuse involving any amount.* Whenever the member bank detects any known or suspected Federal criminal violation, or pattern of criminal violations, committed or attempted against the bank or involving a transaction or transactions conducted through the bank, where the bank believes that it was either an actual or potential victim of a criminal violation, or series of criminal violations, or that the bank was used to facilitate a criminal transaction, and the bank has a substantial basis for identifying one of its directors, officers, employees, agents or other institution-affiliated parties as having committed or aided in the commission of a criminal act regardless of the amount involved in the violation.

(2) *Violations aggregating $5,000 or more where a suspect can be identified.* Whenever the member bank detects any known or suspected Federal criminal violation, or pattern of criminal violations, committed or attempted against the bank or involving a transaction or transactions conducted through the bank and involving or aggregating $5,000 or more in funds or other assets, where the bank believes that it was either an actual or potential victim of a criminal violation, or series of criminal violations, or that the bank was used to facilitate a criminal transaction, and the bank has a substantial basis for identifying a possible suspect or group of suspects. If it is determined prior to filing this report that the identified suspect or group of suspects has used an "alias," then information regarding the true identity of the suspect or group of suspects, as well as alias identifiers, such as drivers' licenses or social security numbers, addresses and telephone numbers, must be reported.

(3) *Violations aggregating $25,000 or more regardless of a potential suspect.* Whenever the member bank detects any known or suspected Federal criminal violation, or pattern of criminal violations, committed or attempted against the bank or involving a transaction or transactions conducted through the bank and involving or aggregating $25,000 or more in funds or other assets, where the bank believes that it was either an actual or potential victim of a criminal violation, or series of criminal violations, or that the bank was used to facilitate a criminal transaction, even though there is no substantial basis for identifying a possible suspect or group of suspects.

(4) *Transactions aggregating $5,000 or more that involve potential money laundering or violations of the Bank Secrecy Act.* Any transaction (which for purposes of this paragraph (c)(4) means a deposit, withdrawal, transfer between accounts, exchange of currency, loan, extension of credit, purchase or sale of any stock, bond, certificate of deposit, or other monetary instrument or investment security, or any other payment, transfer, or delivery by, through, or to a financial institution, by whatever means effected) conducted or attempted by, at or through the member bank and involving or aggregating $5,000 or more in funds or other assets, if the bank knows, suspects, or has reason to suspect that:

(i) The transaction involves funds derived from illegal activities or is intended or conducted in order to hide or disguise funds or assets derived from illegal activities (including, without limitation, the ownership, nature, source, location, or control of such funds or assets) as part of a plan to violate or evade any law or regulation or to avoid any transaction reporting requirement under federal law;

(ii) The transaction is designed to evade any regulations promulgated under the Bank Secrecy Act; or

(iii) The transaction has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the bank knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction.

(d) *Time for reporting.* A member bank is required to file a SAR no later than 30 calendar days after the date of initial detection of facts that may constitute a basis for filing a SAR. If no suspect was identified on the date of detection of the incident requiring the filing, a member bank may delay filing a SAR for an additional 30 calendar days to identify a suspect. In no case shall reporting be delayed more than 60 calendar days after the date of initial detection of a reportable transaction. In situations involving violations requiring immediate attention, such as when a reportable violation is ongoing, the financial institution shall immediately notify, by telephone, an appropriate law enforcement authority and the Board in addition to filing a timely SAR.

(e) *Reports to state and local authorities.* Member banks are encouraged to file a copy of the SAR with state and local law enforcement agencies where appropriate.

(f) *Exceptions.*
   (1) A member bank need not file a SAR for a robbery or burglary committed or attempted that is reported to appropriate law enforcement authorities.
   (2) A member bank need not file a SAR for lost, missing, counterfeit, or stolen securities if it files a report pursuant to the reporting requirements of 17 C.F.R. 240.17f-1.

(g) *Retention of records.* A member bank shall maintain a copy of any SAR filed and the original or business record equivalent of any supporting documentation for a period of five years from the date of the filing of the SAR. Supporting documentation shall be identified and maintained by the bank as such, and shall be deemed to have been filed with the SAR. A member bank must make all supporting documentation available to appropriate law enforcement agencies upon request.

(h) *Notification to board of directors.* The management of a member bank shall promptly notify its board of directors, or a committee thereof, of any report filed pursuant to this section.

(i) *Compliance.* Failure to file a SAR in accordance with this section and the instructions may subject the member bank, its directors, officers, employees, agents, or other institution affiliated parties to supervisory action.

(j) *Confidentiality of SARs.* SARs are confidential. Any member bank subpoenaed or otherwise requested to disclose a SAR or the information contained in a SAR shall decline to produce the SAR or to provide any information that would disclose that a SAR has been prepared or filed citing this section, applicable law (e.g., 31 U.S.C. 5318(g)), or both, and notify the Board.

(k) *Safe harbor.* The safe harbor provisions of 31 U.S.C. 5318(g), which exempts any member bank that makes a disclosure of any possible violation of law or regulation from liability under any law or regulation of the United States, or any constitution, law or regulation of any state or political subdivision, covers all reports of suspected or known criminal violations and suspicious activities to law enforcement and financial institution supervisory authorities, including supporting documentation, regardless of whether such reports are filed pursuant to this section or are filed on a voluntary basis.

Section 208.63—Procedures for monitoring Bank Secrecy Act compliance.

(a) *Purpose.* This section is issued to assure that all state member banks establish and maintain procedures reasonably designed to assure and monitor their compliance with the provisions of the Bank Secrecy Act (31 U.S.C. 5311, *et seq.*) and the implementing regulations promulgated thereunder by the Department of Treasury at 31 C.F.R. Part 103, requiring recordkeeping and reporting of currency transactions.

(b) *Establishment of compliance program.* On or before April 27, 1987, each bank shall develop and provide for the continued administration of a program reasonably designed to assure and monitor compliance with the recordkeeping and reporting requirements set forth in the Bank Secrecy Act (31 U.S.C. 5311, *et seq.*) and the implementing regulations promulgated thereunder by the Department of Treasury at 31 C.F.R. Part 103. The compliance program shall be reduced to writing, approved by the board of directors, and noted in the minutes.

(c) *Contents of compliance program.* The compliance program shall, at a minimum:
   (1) Provide for a system of internal controls to assure ongoing compliance;
   (2) Provide for independent testing for compliance to be conducted by bank personnel or by an outside party;
   (3) Designate an individual or individuals responsible for coordinating and monitoring day-to-day compliance; and
   (4) Provide training for appropriate personnel.

Section 208.64—Frequency of examination.

(a) *General.* The Federal Reserve examines insured member banks pursuant to authority conferred by 12 U.S.C. 325 and the requirements of 12 U.S.C. 1820(d). The Federal Reserve is required to conduct a full-scope, on-site examination of every insured member bank at least once during each 12-month period.

(b) *18-month rule for certain small institutions.* The Federal Reserve may conduct a full-scope, on-site examination of an insured member bank at least once during each 18-month period, rather than each 12-month period as provided in paragraph (a) of this section, if the following conditions are satisfied:
   (1) The bank has total assets of $250 million or less;
   (2) The bank is well capitalized as defined in Subpart D of this part (section 208.43);
   (3) At the most recent examination conducted by either the Federal Reserve or applicable State banking agency, the Federal Reserve found the bank to be well managed;
   (4) At the most recent examination conducted by either the Federal Reserve or applicable State banking agency, the Federal Reserve assigned the bank a CAMELS rating of 1 or 2;
   (5) The bank currently is not subject to a formal enforcement proceeding or order by the FDIC, OCC, or Federal Reserve System; and
   (6) No person acquired control of the bank during the preceding 12-month period in which a full-scope, on-site examination would have been required but for this section.

(c) *Authority to conduct more frequent examinations.* This section does not limit the authority of the Federal

Reserve to examine any member bank as frequently as the agency deems necessary.

Subpart G—Interpretations

Section 208.100—Sale of bank's money orders off premises as establishment of branch office.

(a) The Board of Governors has been asked to consider whether the appointment by a member bank of an agent to sell the bank's money orders, at a location other than the premises of the bank, constitutes the establishment of a branch office.

(b) Section 5155 of the Revised Statutes (12 U.S.C. 36), which is also applicable to member banks, defines the term branch as including "any branch bank, branch office, branch agency, additional office, or any branch place of business . . . at which deposits are received, or checks paid, or money lent." The basic question is whether the sale of a bank's money orders by an agent amounts to the receipt of deposits at a branch place of business within the meaning of this statute.

(c) Money orders are classified as deposits for certain purposes. However, they bear a strong resemblance to traveler's checks that are issued by banks and sold off premises. In both cases, the purchaser does not intend to establish a deposit account in the bank, although a liability on the bank's part is created. Even though they result in a deposit liability, the Board is of the opinion that the issuance of a bank's money orders by an authorized agent does not involve the receipt of deposits at a "branch place of business" and accordingly does not require the Board's permission to establish a branch.

Section 208.101—Obligations concerning institutional customers.

(a) As a result of broadened authority provided by the Government Securities Act Amendments of 1993 (15 U.S.C. 78o-3 and 78o-5), the Board is adopting sales practice rules for the government securities market, a market with a particularly broad institutional component. Accordingly, the Board believes it is appropriate to provide further guidance to banks on their suitability obligations when making recommendations to institutional customers.

(b) The Board's Suitability Rule, section 208.37(d), is fundamental to fair dealing and is intended to promote ethical sales practices and high standards of professional conduct. Banks' responsibilities include having a reasonable basis for recommending a particular security or strategy, as well as having reasonable grounds for believing the recommendation is suitable for the customer to whom it is made. Banks are expected to meet the same high standards of competence, professionalism, and good faith regardless of the financial circumstances of the customer.

(c) In recommending to a customer the purchase, sale, or exchange of any government security, the bank shall have reasonable grounds for believing that the recommendation is suitable for the customer upon the basis of the facts, if any, disclosed by the customer as to the customer's other security holdings and financial situation and needs.

(d) The interpretation in this section concerns only the manner in which a bank determines that a recommendation is suitable for a particular institutional customer. The manner in which a bank fulfills this suitability obligation will vary, depending on the nature of the customer and the specific transaction. Accordingly, the interpretation in this section deals only with guidance regarding how a bank may fulfill customer-specific suitability obligations under section 208.37(d).[7]

(e) While it is difficult to define in advance the scope of a bank's suitability obligation with respect to a specific institutional customer transaction recommended by a bank, the Board has identified certain factors that may be relevant when considering compliance with section 208.37(d). These factors are not intended to be requirements or the only factors to be considered but are offered merely as guidance in determining the scope of a bank's suitability obligations.

(f) The two most important considerations in determining the scope of a bank's suitability obligations in making recommendations to an institutional customer are the customer's capability to evaluate investment risk independently and the extent to which the customer is exercising independent judgement in evaluating a bank's recommendation. A bank must determine, based on the information available to it, the customer's capability to evaluate investment risk. In some cases, the bank may conclude that the customer is not capable of making independent investment decisions in general. In other cases, the institutional customer may have general capability, but may not be able to understand a particular type of instrument or its risk. This is more likely to arise with relatively new types of instruments, or those with significantly different risk or volatility characteristics than other investments generally made by the institution. If a customer is either generally not capable of evaluating investment risk or lacks sufficient capability to evaluate the particular product, the scope of a bank's customer-specific obligations under section 208.37(d) would not be diminished by the fact that the bank was dealing with an institutional customer. On the other hand, the fact that a customer initially needed help understanding a potential investment need not necessarily imply that the

7. The interpretation in this section does not address the obligation related to suitability that requires that a bank have ". . . a 'reasonable basis' to believe that the recommendation could be suitable for at least some customers." In the Matter of the Application of F.J. Kaufman and Company of Virginia and Frederick J. Kaufman, Jr., 50 SEC 164 (1989).

customer did not ultimately develop an understanding and make an independent investment decision.

(g) A bank may conclude that a customer is exercising independent judgement if the customer's investment decision will be based on its own independent assessment of the opportunities and risks presented by a potential investment, market factors and other investment considerations. Where the bank has reasonable grounds for concluding that the institutional customer is making independent investment decisions and is capable of independently evaluating investment risk, then a bank's obligations under section 208.25(d) for a particular customer are fulfilled.[8] Where a customer has delegated decision-making authority to an agent, such as an investment advisor or a bank trust department, the interpretation in this section shall be applied to the agent.

(h) A determination of capability to evaluate investment risk independently will depend on an examination of the customer's capability to make its own investment decisions, including the resources available to the customer to make informed decisions. Relevant considerations could include:
   (1) The use of one or more consultants, investment advisers, or bank trust departments;
   (2) The general level of experience of the institutional customer in financial markets and specific experience with the type of instruments under consideration;
   (3) The customer's ability to understand the economic features of the security involved;
   (4) The customer's ability to independently evaluate how market developments would affect the security; and
   (5) The complexity of the security or securities involved.

(i) A determination that a customer is making independent investment decisions will depend on the nature of the relationship that exists between the bank and the customer. Relevant considerations could include:
   (1) Any written or oral understanding that exists between the bank and the customer regarding the nature of the relationship between the bank and the customer and the services to be rendered by the bank;
   (2) The presence or absence of a pattern of acceptance of the bank's recommendations;
   (3) The use by the customer of ideas, suggestions, market views and information obtained from other government securities brokers or dealers or market professionals, particularly those relating to the same type of securities; and
   (4) The extent to which the bank has received from the customer current comprehensive portfolio information in connection with discussing recommended transactions or has not been provided important information regarding its portfolio or investment objectives.

(j) Banks are reminded that these factors are merely guidelines that will be utilized to determine whether a bank has fulfilled its suitability obligation with respect to a specific institutional customer transaction and that the inclusion or absence of any of these factors is not dispositive of the determination of suitability. Such a determination can only be made on a case-by-case basis taking into consideration all the facts and circumstances of a particular bank/customer relationship, assessed in the context of a particular transaction.

(k) For purposes of the interpretation in this section, an institutional customer shall be any entity other than a natural person. In determining the applicability of the interpretation in this section to an institutional customer, the Board will consider the dollar value of the securities that the institutional customer has in its portfolio and/or under management. While the interpretation in this section is potentially applicable to any institutional customer, the guidance contained in this section is more appropriately applied to an institutional customer with at least $10 million invested in securities in the aggregate in its portfolio and/or under management.

8. *See* footnote 7 in paragraph (d) of this section.

Part 250—Miscellaneous Interpretations

1. The authority citation for Part 250 continues to read as follows:

Authority: 12 U.S.C. 78, 248(i) and 371c(e). Sections 250.120 through 250.123, 250.140, 250.161, 250.162 [Removed]

2. Sections 250.120, 250.121, 250.122, 250.123, 250.140, 250.161, 250.162 are removed.

Sections 250.300 through 250.302 [Removed]

3. The undesignated center heading preceding section 250.300 and sections 250.300 through 250.302 are removed.

Final Rule—Amendment to Regulation I

The Board of Governors is amending 12 C.F.R. Part 209, its Regulation I (Issue and Cancellation of Federal Reserve Bank Capital Stock), regarding the issue and cancellation of Federal Reserve Bank Capital Stock in order to reduce regulatory burden and simplify and update requirements. The amendments modernize Regulation I in accordance with the Board's policy of regular review of its regulations and the Board's review of its regulations pursuant to section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994.

Effective October 1, 1998, 12 C.F.R. Part 209 is amended as follows:

Part 209—Issue and Cancellation of Federal Reserve Bank Capital Stock (Regulation I)

Section 209.1—Authority, purpose, and scope.
Section 209.2—Banks desiring to become member banks.
Section 209.3—Cancellation of Reserve Bank stock.
Section 209.4—Amounts and payments.
Section 209.5—The share register.

Authority: 12 U.S.C. 222, 248, 282, 286–288, 321, 323, 327–328, 333, 466.

Section 209.1—Authority, purpose, and scope.

(a) *Authority.* This part is issued pursuant to 12 U.S.C. 222, 248, 282, 286–288, 321, 323, 327–328, and 466.
(b) *Purpose.* The purpose of this part is to implement the provisions of the Federal Reserve Act relating to the issuance and cancellation of Federal Reserve Bank stock upon becoming or ceasing to be a member bank, or upon changes in the capital and surplus of a member bank, of the Federal Reserve System.
(c) *Scope.* This part applies to member banks of the Federal Reserve System, to national banks in process of organization, and to state banks applying for membership. National banks and locally-incorporated banks located in United States dependencies and possessions are eligible (with the consent of the Board) but not required to apply for membership under section 19(h) of the Federal Reserve Act, 12 U.S.C. 466.[1]

Section 209.2—Banks desiring to become member banks.

(a) *Application for stock or deposit.* Each national bank in process of organization,[2] each nonmember state bank converting into a national bank, and each nonmember state bank applying for membership in the Federal Reserve System under Regulation H, 12 C.F.R. Part 208, shall file with the Federal Reserve Bank (Reserve Bank) in whose district it is located an application for stock (or deposit in the case of mutual savings banks not authorized to purchase Reserve Bank stock[3]) in the Reserve Bank. The bank shall pay for the stock (or deposit) in accordance with section 209.4 of this regulation.
(b) *Issuance of stock; acceptance of deposit.* Upon authorization to commence business by the Comptroller of the Currency in the case of a national bank in organization or upon approval of conversion by the Comptroller of the Currency in the case of a state nonmember bank converting to a national bank, or when all applicable requirements have been complied with in the case of a state bank approved for membership, the Reserve Bank shall issue the appropriate number of shares by crediting the bank with the appropriate number of shares on its books. In the case of a national or state member bank in organization, such issuance shall be as of the date the bank opens for business. In the case of a mutual savings bank not authorized to purchase Reserve Bank shares, the Reserve Bank shall accept the deposit in place of issuing shares. The bank's membership shall become effective on the date of such issuance or acceptance.
(c) *Location of bank.*
 (1) *General rule.* For purposes of this part, a national bank or a state bank is located in the Federal Reserve District that contains the location specified in the bank's charter or organizing certificate, or, if no such location is specified, the location of its head office, unless otherwise determined by the Board under paragraph (c)(2) of this section.
 (2) *Board determination.* If the location of a bank as specified in paragraph (c)(1) of this section, in the judgment of the Board of Governors of the Federal Reserve System (Board), is ambiguous, would impede the ability of the Board or the Reserve Banks to perform their functions under the Federal Reserve Act, or would impede the ability of the bank to operate efficiently, the Board will determine the Federal Reserve District in which the bank is located, after consultation with the bank and the relevant Reserve Banks. The relevant Reserve Banks are the Reserve Bank whose District contains the location specified in paragraph (c)(1) of this section and the Reserve Bank in whose District the bank is proposed to be located. In making this determination, the Board will consider any applicable laws, the business needs of the bank, the location of the bank's head office, the locations where the bank performs its business, and the locations that would allow the bank, the Board, and the Reserve Banks to perform their functions efficiently and effectively.

1. If such a bank desires to become a member bank under the provisions of section 19(h) of the Federal Reserve Act, it should communicate with the Federal Reserve Bank with which it desires to do business.

2. A new national bank organized by the Federal Deposit Insurance Corporation under section 11(n) of the Federal Deposit Insurance Act (12 U.S.C. 1821(n)) should not apply until in the process of issuing stock pursuant to section 11(n)(15) of that act. Reserve Bank approval of such an application shall not be effective until the issuance of a certificate by the Comptroller of the Currency pursuant to section 11(n)(16)of that act.

3. A mutual savings bank not authorized to purchase Federal Reserve Bank stock may apply for membership evidenced initially by a deposit. (*See* section 208.3(a) of Regulation H, 12 C.F.R. Part 208.) The membership of the savings bank shall be terminated if the laws under which it is organized are not amended to authorize such purchase at the first session of the legislature after its admission, or if it fails to purchase such stock within six months after such an amendment.

Section 209.3—Cancellation of Reserve Bank stock.

(a) *Application for cancellation.* Any bank that desires to withdraw from membership in the Federal Reserve System, voluntarily liquidates or ceases business, is merged or consolidated into a nonmember bank, or is involuntarily liquidated by a receiver or conservator or otherwise, shall promptly file with its Reserve Bank an application for cancellation of all its Reserve Bank stock (or withdrawal of its deposit, as the case may be) and payment therefor in accordance with section 209.4.

(b) *Involuntary termination of membership.* If an application is not filed promptly after a cessation of business by a state member bank, a vote to place a member bank in voluntary liquidation, or the appointment of a receiver for (or a determination to liquidate the bank by a conservator of) a member bank, the Board may, after notice and an opportunity for hearing where required under Section 9(9) of the Federal Reserve Act (12 U.S.C. 327), order the membership of the bank terminated and all of its Reserve Bank stock canceled.

(c) *Effective date of cancellation.* Cancellation in whole of a bank's Reserve Bank capital stock shall be effective, in the case of:

   (1) Voluntary withdrawal from membership by a state bank, as of the date of such withdrawal;
   (2) Merger into, consolidation with, or (for a national bank) conversion into, a State nonmember bank, as of the effective date of the merger, consolidation, or conversion; and
   (3) Involuntary termination of membership, as of the date the Board issues the order of termination.

(d) *Exchange of stock on merger or change in location.*

   (1) *Merger of member banks in the same Federal Reserve District.* Upon a merger or consolidation of member banks located in the same Federal Reserve District, the Reserve Bank shall cancel the shares of the nonsurviving bank (or in the case of a mutual savings bank not authorized to purchase Reserve Bank stock, shall credit the deposit to the account of the surviving bank) and shall credit the appropriate number of shares on its books to (or in the case of a mutual savings bank not authorized to purchase Reserve Bank stock, shall accept an appropriate increase in the deposit of) the surviving bank, subject to paragraph (e)(2) of section 209.4.

   (2) *Change of location or merger of member banks in different Federal Reserve Districts.* Upon a determination under paragraph (c)(2) of section 209.2 that a member bank is located in a Federal Reserve District other than the District of the Reserve Bank of which it is a member, or upon a merger or consolidation of member banks located in different Federal Reserve Districts—

      (i) The Reserve Bank of the member bank's former District, or of the nonsurviving member bank, shall cancel the bank's shares and transfer the amount paid in for those shares, plus accrued dividends (at the rate specified in paragraph (d) of section 209.4) and subject to paragraph (e)(2) of section 209.4 (or, in the case of a mutual savings bank member not authorized to purchase Federal Reserve Bank stock, the amount of its deposit, adjusted in a like manner), to the Reserve Bank of the bank's new District or of the surviving bank; and

      (ii) The Reserve Bank of the member bank's new District or of the surviving bank shall issue the appropriate number of shares by crediting the bank with the appropriate number of shares on its books (or, in the case of a mutual savings bank, by accepting the deposit or an appropriate increase in the deposit).

(e) *Voluntary withdrawal.* Any bank withdrawing voluntarily from membership shall give six months written notice, and shall not cause the withdrawal of more than 25 percent of any Reserve Bank's capital stock in any calendar year, unless the Board waives these requirements.

Section 209.4—Amounts and Payments.

(a) *Amount of subscription.* The total subscription of a member bank (other than a mutual savings bank) shall equal six percent of its capital and surplus. Whenever any member bank (other than a mutual savings bank) experiences a cumulative increase or decrease in capital and surplus requiring a change in excess of the lesser of 15 percent or 100 shares of its Reserve Bank capital stock, it shall file with the appropriate Reserve Bank an application for issue or cancellation of Reserve Bank capital stock in order to adjust its Reserve Bank capital stock subscription to equal six percent of the member bank's capital and surplus. Such application shall be filed promptly after the first report of condition that reflects the increase or decrease occasioning the adjustment. In addition, every member bank shall file an application for issue or cancellation of Reserve Bank capital stock if needed in order to adjust its Reserve Bank capital stock subscription to equal six percent of the member bank's capital and surplus as shown on its report of condition as of December 31 of each year promptly after filing such report.

(b) *Capital Stock and Surplus defined.* Capital stock and surplus of a member bank means the paid-in capital stock[4] and paid-in surplus of the bank, less any deficit in the aggregate of its retained earnings, gains (losses) on available for sale securities, and foreign currency translation accounts, all as shown on the bank's most

4. Capital stock includes common stock and preferred stock (including sinking fund preferred stock).

recent report of condition. Paid-in capital stock and paid-in surplus of a bank in organization means the amount which is to be paid in at the time the bank commences business.

(c) *Mutual savings banks.* The total subscription of a member bank that is a mutual savings bank shall equal six-tenths of 1 percent of its total deposit liabilities as shown on its most recent report of condition. Whenever any member bank that is a mutual savings bank experiences a cumulative increase or decrease in total deposit liabilities as shown on its most recent report of condition requiring a change in its holding of Reserve Bank stock in excess of the lesser of 15 percent or 100 shares, it shall file with the appropriate Reserve Bank an application for issue or cancellation of Reserve Bank capital stock in order to adjust its Reserve Bank capital stock subscription to equal six-tenths of 1 percent of the member bank's total deposit liabilities. Such application shall be filed promptly after the first report of condition that reflects the increase or decrease occasioning the adjustment. In addition, every member bank that is a mutual savings bank shall file an application for issue or cancellation of Reserve Bank capital stock if needed in order to adjust its Reserve Bank capital stock subscription to equal six-tenths of 1 percent of its total deposit liabilities as shown on its report of condition as of December 31 of each year promptly after filing such report. A mutual savings bank that is applying for or has a deposit with the appropriate Reserve Bank in lieu of Reserve Bank capital stock shall file for acceptance or adjustment of its deposit in a like manner.

(d) *Payment for subscriptions.* Upon approval by the Reserve Bank of an application for capital stock (or for a deposit in lieu thereof), the applying bank shall pay the Reserve Bank one-half of the subscription amount plus accrued dividends. For purposes of this part, dividends shall accrue at the rate of one half of one percent per month calculated on the basis of a 360-day year of twelve 30-day months. Upon payment (and in the case of a national bank in organization or state nonmember bank converting into a national bank, upon authorization or approval by the Comptroller of the Currency), the Reserve Bank shall issue the appropriate number of shares by crediting the bank with the appropriate number of shares on its books. In the case of a mutual savings bank not authorized to purchase Reserve Bank stock, the Reserve Bank will accept the deposit or addition to the deposit in place of issuing shares. The remaining half of the subscription or additional subscription (including subscriptions for deposits or additions to deposits) shall be subject to call by the Board.

(e) *Payment for cancellations.*

(1) Upon approval of an application for cancellation of Reserve Bank capital stock, or (in the case of involuntary termination of membership) upon the effective date of cancellation specified in section 209.3(c)(3), the Reserve Bank shall reduce the bank's shareholding on the Reserve Bank's books by the number of shares required to be canceled and shall pay therefor a sum equal to the cash subscription paid on the canceled stock plus accrued dividends (at the rate specified in paragraph (d) of this section), such sum not to exceed the book value of the stock.[5]

(2) In the case of any cancellation of Reserve Bank stock under this Part, the Reserve Bank may first apply such sum to any liability of the bank to the Reserve Bank and pay over the remainder to the bank (or receiver or conservator, as appropriate).

Section 209.5—The share register.

(a) *Electronic or written record.* A member bank's holding of Reserve Bank capital stock shall be represented by one (or at the option of the Reserve Bank, more than one) notation on the Reserve Bank's books. Such books may be electronic or in writing. Upon any issue or cancellation of Reserve Bank capital stock, the Reserve Bank shall record the member bank's new share position in its books (or eliminate the bank's share position from its books, as the case may be).

(b) *Certification.* A Reserve Bank may certify on request as to the number of shares held by a member bank and purchased before March 28, 1942, or as to the purchase and cancellation dates and prices of shares cancelled, as the case may be.

Final Rule—Amendment to Regulation P

The Board of Governors is amending 12 C.F.R. Part 216, its Regulation P (Security Procedures), which is no longer necessary since its provisions have been incorporated into Regulation H (Membership of State Banking Institutions in the Federal Reserve System), as issued by the Board. Regulation P requires each bank to adopt appropriate security procedures.

Effective October 1, 1998, 12 C.F.R. Part 216 is amended as follows:

Part 216—[Removed]

1. Part 216 is removed.

Final Rule—Amendment to Regulations T and X

The Board of Governors is amending 12 C.F.R. Parts 220 and 224, its Regulations T and X (Securities Credit Trans-

5. Under sections 6 and 9(10) of the Act, a Reserve Bank is under no obligation to pay unearned accrued dividends on redemption of its capital stock from an insolvent member bank for which a receiver has been appointed or from state member banks on voluntary withdrawal from or involuntary termination of membership.

actions; List of Marginable OTC Stocks; List of Foreign Margin Stocks). The List of Marginable OTC Stocks (OTC List) is composed of stocks traded over-the-counter ("OTC") in the United States that qualify as *margin securities* under Regulation T, Credit by Brokers and Dealers. The List of Foreign Margin Stocks ("Foreign List") is composed of foreign equity securities that qualify as *margin securities* under Regulation T. The OTC List and the Foreign List are published four times a year by the Board.

Effective August 10, 1998, and in accordance with 12 C.F.R. Parts 220 and 224, there is set forth below a listing of deletions from and additions to the OTC List and a complete edition of the Foreign List.

Deletions from the List of Marginable OTC Stocks

Stocks Removed for Failing Continued Listing Requirements

Altris Software, Inc.: No par common
American Cinemastores Inc.: $.001 par common
American International Petroleum Corp.: Class A, Warrants (expire 04–09–1998)
Aquagenix Inc.: $.01 par common; Warrants (expire 09–13–1999)
Ariely Advertising, Limited: Ordinary Shares
Atkinson, Guy F., Company of California: No par common
Autoinfo. Inc.: $.01 par common

Biocircuits Corporation: $.001 par common
BPI Packaging Technologies, Inc.: Series A, $.01 par redeemable convertible preferred
Builders Transport, Incorporated: $.01 par common; 8 percent convertible debentures due 2005

Care Group, Inc., The: $.001 par common
Clean Diesel Technologies, Inc.: $.05 par common
Clevetrust Realty Investors: $1.00 par shares of beneficial interest
Consumers Financial Corporation: No par common
Cygne Designs, Inc.: $.01 par common

Daily Journal Corporation: $.01 par common
Data Systems Network Corporation: $.01 par common
Data Translation, Inc.: $.01 par common

Eagle Finance Corp.: $.01 par common
Enex Resources Corporation: $.05 par common
Equimed, Inc.: No par common

Fastcomm Communications Corporation: $.01 par common
Fine Host Corporation: $.01 par common
First Dynasty Mines Limited: No par common
First Financial Bancorp, Inc. (Illinois): $.10 par common
Firstar Corporation: American Depositary Shares

Geotek Communications Inc.: $.01 par common

Help at Home, Inc.: $.02 par common; Warrants (expire 12–05–2000)

Impco Technologies, Inc.: Warrants (expire 03–07–1998)
Insite Vision Incorporated: $.01 par common
International Precious Metals Corporation: No par common

London Financial Corporation: No par common

Manatron, Inc.: No par common

National Medical Financial Services Corporation: $.01 par common
Neorx Corporation: Warrants (expire 04–25–1998)
Nitches, Inc.: No par common
North American Palladium Ltd.: No par common
Novametrix Medical Systems, Inc.: Class A, Warrants (expire 12–08–1998)
NSA International, Inc.: $.05 par common
Nu-Tech Bio-Med, Inc.: $.01 par common

Pacific Chemical, Inc.: $4.75 par common
Paris Corporation: $.004 par common
Photo Control Corporation: $.08 par common
Physician Computer Network, Inc.: $.01 par common
Provident American Corporation: $1.00 par common

Questron Technology, Inc.: Series B, convertible preferred

Raster Graphics, Inc.: $.001 par common
Republic Security Financial Corporation (Florida): Series C, 7 percent par cumulative convertible preferred

Scios Inc.: Class D, Warrants (expire 06–30–1998)
Search Financial Services, Inc.: $.01 par common
Semi-Tech Corporation: Class A, sub-voting shares
Serengeti Eyewear, Inc.: $.001 par common; Warrants (expire 09–29–2000)
Smartserv Online, Inc.: $.01 par common
SMED International, Inc.: No par common
Sovereign Bancorp, Inc. (Pennsylvania): Series B, 6-¼ percent cumulative convertible preferred
Star Technologies, Inc.: $5.00 par common
Submicron Systems Corporation: $.0001 par common
Sumitomo Bank of California, The: Depositary Shares
Swisher International, Inc.: $.01 par common; Warrants (expire 06–30–1998)

TAT Technologies, Ltd.: Ordinary shares (par NIS .15)
Transcor Waste Services, Inc.: $.001 par common
Transcrypt International, Inc.: $.01 par common
Transnet Corporation: $.01 par common

Ultrafem, Inc.: $.001 par common

V Band Corporation: $.01 par common
Valley Systems, Inc.: $.01 par common
Vermont Teddy Bear Co., Inc.: $.05 par common
View Tech, Inc.: Warrants (expire 06–16–1998)

Vinings Investment Properties Trust: No par shares of beneficial interest

Wilsons, The Leather Experts: Warrants (expire 05–27–2000)

Stocks Removed for Listing on a National Securities Exchange or Being Involved in an Acquisition

3-D Geophysical, Inc.: $.01 par common

ACC Corporation: $.015 par common
Accelgraphics, Inc.: $.001 par common
Accugraph Corporation: Class A, No par common
Aloette Cosmetics, Inc.: No par common
Ameriwood Industries International Corporation: $1.00 par common
Artistic Greetings, Incorporated: $.10 par common
Authentic Specialty Foods, Inc.: $1.00 par common

BCB Financial Services Corporation: $2.50 par common
Beverly Bancorporation, Inc.: $.01 par common
Boardwalk Casino, Inc.: $.001 par common

California Community Bancshares Corporation: $.10 par common
California State Bank (California): No par common
Callon Petroleum Company: $.01 par common; Series A, $.01 par convertible exchangeable preferred
Cameron Ashley Building Products, Inc.: No par common
Capital Savings Bancorp Inc. (Missouri): $.01 par common
Carriage Services, Inc.: Class A, $.01 par common
CBT Corporation: No par common
Cenfed Financial Corporation: $.01 par common
Century Financial Corporation: $.835 par common
Charter Bank, S.B. (Illinois): $1.00 par common
Checkmate Electronics, Inc.: $.01 par common
Chemi-Trol Chemical Co.: No par common
Chicago Miniature Lamp, Inc.: $.01 par common
Children's Discovery Centers of America, Inc.: Class A, $.01 par common
Citfed Bancorp, Inc. (Ohio): $.01 par common
Cobancorp, Inc. (Ohio): No par common
Company Doctor, The: $.01 par common
Compscript, Inc.: $.0008 par common
Contour Medical, Inc.: $.001 par common
Corcom, Inc.: No par common
Core Laboratories, N.V.: Ordinary shares (par NIS .03)
Cross Medical Products, Inc.: $.01 par common

Dart Group Corporation: Class A, $1.00 par common
Dataflex Corporation: No par common
Devon Group, Inc.: $.01 par common
DLB Oil & Gas, Inc.: $.01 par common
Donnelley Enterprise Solutions, Incorporated: $.01 par common

Eagle Financial Corporation: $.01 par common
Environment/One Corporation: $.10 par common
Eselco, Inc.: $.01 par common

First American Corporation: $5.00 par common
First Commerce Corporation: $5.00 par common
First Shenango Bancorp, Inc. (Pennsylvania): $.10 par common
Firstbank of Illinois Co.: $1.00 par common
FP Bancorp, Inc.: No par common
Franklin Bancorporation, Inc.: $.10 par common

Gorefront Group, Inc., The: $.01 par common
Grand Prix Association of Long Beach, Inc.: No par common
Great Wall Electronic International Ltd.: American Depositary Receipts
Grist Mill Co.: $.10 par common

Harcor Energy Company: $.10 par common
Heritage Bancorp, Inc. (Pennsylvania): $5.00 par common
Heritage Financial Services, Inc.: $.625 par common
Holophane Corporation: $.01 par common
Hon Industries, Inc.: $1.00 par common
House of Fabrics, Incorporated: $.01 par common

IBAH, Inc.: $.01 par common
Indiana Community Bank, SB: No par common
Intelligent Electronics, Inc.: $.01 par common
International Murex Technologies Corporation: No par common
International Verifact, Inc.: No par common
Intime Systems International, Inc.: Class A, $.01 par common
IPC Information Systems, Inc.: $.01 par common

Jabil Circuit, Inc.: $.01 par common
Joachim Bancorp, Inc. (MIssouri): $.01 par common

Lancit Media Entertainment, Ltd.: $.001 par common
Learmonth & Burchett Management Systems, Inc.: American Depositary Receipts
Logic Works, Inc.: $.01 par common

Mastering, Inc.: $.001 par common
Medicus Systems Corporation: $.01 par common
Meritrust Federal Savings Bank (Louisiana): $1.00 par common
Micronics Computers, Inc.: $.01 par common
Milestone Scientific, Inc.: $.001 par common
Monroc, Inc.: $.01 par common
MTL, Inc.: $.01 par common

Network Long Distance, Inc.: $.0001 par common

Ocwen Asset Investment Group: $.01 par common
Orbital Sciences Corporation: $.01 par common

Peoples First Corporation: No par common
Perpetual Midwest Financial, Inc.: $.01 par common
Petsec Energy Ltd.: American Depositary Receipts

Pinnacle Financial Services, Inc.: $10.00 par common
Poughkeepsie Financial Corporation: $.01 par common
Prosource, Inc.: Class A, $.01 par common

Quiksilver, Inc.: $.01 par common

Redfed Bancorp Inc. (California): $.01 par common
Regal Cinemas, Inc.: No par common
Republic Automotive Parts, Inc.: $.50 par common
Rexx Environmental Corporation: $.02 par common
Ryan, Teck & Co., Inc.: $.10 par common

Sage Laboratores, Inc.: $.10 par common
ScopusTechnology, Inc.: $.001 par common
Sealright Co., Inc.: $.10 par common
Search Financial Services, Inc.: $.01 par convertible preferred
SFX Broadcasting, Inc.: Class A, $.01 par common; Class B, Warrants (expire 03–23–1999)
Showbiz Pizza Time, Inc.: $.10 par common
Sigma Circuits, Inc.: $.001 par common
Signature Resorts, Inc.: $.01 par common
Simulation Sciences, Inc.: $.001 par common
Somatogen, Inc.: $.001 par common
Source Services Corporation: $.02 par common
Southwest Bancshares, Inc. (Illinois): $.01 par common
Star Gas Partners, L.P.: Shares of beneficial interest
Sterling West Bancorp (California): No par common
Summit Care Corporation: No par common

Ticketmaster Group, Inc.: No par common
Tracor, Inc.: $.01 par common; Series A, Warrants (expire 12–31–2001)
Trescom International, Inc.: $.01 par common
Trusted Information Systems, Inc.: $.01 par common

Ultra Pac, Inc.: No par common

Walsh International, Inc.: $.01 par common
Waverly, Inc.: $2.00 par common
Wheels Sports Group, Inc.: $.01 par common
White River Corporation: $.01 par common
Williams-Sonoma, Inc.: No par common

XLConnect Solutions, Inc.: $.01 par common

Yurie Systems, Inc.: $.01 par common

Additions to the List of Marginable OTC Stocks

A.C.L.N. Limited: $.01 par ordinary shares
Adams Golf, Inc.: $.001 par common
Albion Banc Corporation (New York): $.01 par common
Allegiance Telecom, Inc.: $.01 par common
Alpha Industries, Inc.: $.25 par common
American Aircarriers Support, Inc.: $.001 par common
American Bancorporation (West Virginia): Trust preferred securities of American Bancorp Capital
American Bancshares, Inc. (Florida): Cumulative trust preferred ($10.00 liquidation preference)
American Xtal Technology, Inc.: $.001 par common
Amkor Technology, Inc.: $.001 par common
Amresco Capital Trust: $.01 par common shares of beneficial interest
Answerthink Consulting Group, Inc.: $.01 par common
Architel Systems Corporation: No par common
Aris Corporation: Warrants (expire 02–15–2000)
ARM Holdings PLC: American Depositary Shares
Aspec Technology, Inc.: $.001 par common
Asymetrix Learning Systems, Inc.: $.01 par common
ATG, Inc.: No par common
Atlantic Data Services, Inc.: $.01 par common
Aztec Technology Partners, Inc.: $.001 par common

Balance Bar Company: $.01 par common
BCSB Bankcorp: $.01 par common
BEBE Stores, Inc.: $.01 par common
Bel Fuse, Inc.: Class B, $.10 par common
Blue Rhino Corporation: $.001 par common
Bridgestreet Accommodations, Inc.: $.01 par common
Brightstar Information Technology Group, Inc.: $.001 par common
Brio Technology, Inc.: $.001 par common
Broadcom Corporation: Class A, $.001 par common

Caliber Learning Network, Inc.: $.01 par common
Capital Beverage Corporation: $.001 par common
Carreker-Antinori, Inc.: $.01 par common
Cellnet Funding LLC: Preferred securities
Central Coast Bancorp.: No par common
Century Bancorp, Inc. (Massachusetts): Trust preferred security
Charles River Associates, Inc.: No par common
Chastain Capital Corporation: $.01 par common
Citadel Communications Corporation: $.001 par common
Cleveland Indians Baseball Company, Inc.: No par common
Clinichem Development, Inc.: Class A, No par common
Collateral Therapeutics, Inc.: $.001 par common
Colorado Business Bancshares, Inc.: $.01 par common
Com21, Inc.: $.001 par common
Combichem, Inc.: $.001 par common
Conrad Industries, Inc.: $.01 par common
Covol Technologies, Inc.: $.001 par common
Coyote Sports, Inc.: $.001 par common
CTI Industries Corporation: No par common
Cumulus Media, Inc.: Class A, $.01 par common
Cunningham Graphics International, Inc.: No par common
Cybershop International, Inc.: $.001 par common

DA Consulting Group, Inc.: $.01 par common
Depomed, Inc.: No par common
Docucorp International, Inc.: $.01 par common
Dorel Industries, Inc.: No par common
Drovers Bancshares Corporation: $5.00 par common
Dynatec International, Inc.: $.01 par common

European Micro Holdings, Inc.: $.01 par common
Evolving Systems, Inc.: $.001 par common

FFD Financial Corporation: No par common
Fields Aircraft Spares, Inc.: $.05 par common
Fine.Com International Corporation: $6.50 par common
First Bank of Philadelphia: $2.00 par common
First Kansas Financial Corporation: $.10 par common
First Virtual Corporation: $.001 par common
Flour City International, Inc.: $.0001 par common
FNB Corp. (Virginia): $5.00 par common

Genesis Direct, Inc.: $.01 par common
Gentle Dental Service Corporation: No par common
Gilman & Ciocia, Inc.: Warrants (expire 09–09–1998)
Global Imaging Systems, Inc.: $.01 par common
Go2Net, Inc.: $.01 par common
Golden State Bancorp, Inc.: Litigation tracking warrants
Griffin Land & Nurseries, Inc.: $.01 par common
Guaranty Bancshares, Inc.: $1.00 par common

Hastings Entertainment, Inc.: $.01 par common
Hauppauge Digital, Inc.: $.01 par common
Headway Corporate Resources, Inc.: No par common
Herbalife International, Inc.: DECS Trust III
High Country Bancorp, Inc.: $.01 par common
Hines Horticulture, Inc.: $.01 par common
Horizon Group Properties, Inc.: $.01 par common
Horizon Organic Holding Corporation: $.001 par common
Hudson River Bancorp, Inc.: $.01 par common
Hyperion Telecommunications, Inc.: Class A, $.01 par common

ICON PLC: American Depositary Shares
Industrial Holdings, Inc.: Series D, Warrants (expire 01–14–2000)
Industrial Services of America, Inc.: $.01 par common
Inktomi Corporation: $.001 par common
Innotrac Corporation: $.10 par common
International Integration Incorporated: $.01 par common
International Isotopes, Inc.: $.01 par common
Interplay Entertainment Corporation: $.001 par common
IVI Checkmate Corporation: $.01 par common

JPS Packaging Company: $.01 par common

King Pharmaceuticals, Inc.: No par common
Knight/Trimark Group, Inc.: Class A, $.01 par common
Kuala Healthcare, Inc.: $.06 par common

Leukosite, Inc.: $.01 par common
Lexington B&L Financial Corporation: $.01 par common
Liberty Bancorp, Inc.: $1.00 par common
LJ International, Inc.: $.01 par common; Warrants (expire 04–16–2002)
LMI Aerospace, Inc.: $.02 par common

Main Street Bancorp, Inc.: $1.00 par common
Manhattan Associates, Inc.: $.01 par common
Marine Transport Corporation: $.01 par common
Mariner Capital Trust Preferred: $10.00 par preferred security
Mason-Dixon Bancshares, Inc. (Maryland): $20.00 par preferred stock
Master Graphics, Inc.: $.001 par common
Metropolitan Financial Corporation: Trust preferred securities
MGC Communications, Inc.: $.001 par common
Microstrategy, Incorporated: $.001 par common
Mid-State Bancshares: No par common
MIPS Technologies, Inc.: $.001 par common
Mobius Management Systems, Inc.: $.0001 par common

National City Bancshares, Inc. (Indiana): Cumulative Trust Preferred
Navigant International, Inc.: $.001 par common
Netgravity, Inc.: $.001 par common
Niagara Bancorp, Inc.: $.01 par common

Pacalta Resources, Ltd.: No par common
Pacifichealth Laboratories, Inc.: $.0025 par common
Palatin Technologies: $.01 par common
Paradign Geophysical, Ltd.: Oredinary shares (NIS .5 par)
PBOC Holdings, Inc.: $.01 par common
PDS Financial Corporation: Warrants (expire 05–04–2003)
Petro Union, Inc.: Common
Philadelphia Consolidated Holding Company: Growth Prides (expire 04–29–2001); Income Prides (expire 04–29–2001)
Pittsburgh Home Financial Corporation: 8.56 percent cumulative trust preferred
PNB Financial Group: No par common
Point of Sale Limited: Ordinary shares
Pointe Financial Corporation: $.01 par common
Professional Detailing, Inc.: $.01 par common
Protran Corporation: No par common
Provant, Inc.: $.01 par common
PVC Container Corporation: $.01 par common

Rainbow Rentals, Inc.: No par common
Realty Information Group, Inc.: $.01 par common
Regency Bancorp: No par common
Restoration Hardware, Inc.: $.0001 par common
Rock Financial Corporation: $.01 par common

SCC Communications Corporation: $.001 par common
School Specialty, Inc.: $.001 par common
SFX Entertainment, Inc.: Class A Voting, $.01 par common
Silicon Valley Bancshares, Inc. (California): Cumulative trust preferred securities
Software.net Corporation: No par common
Sognizant Technology Solutions Corporation: Class A, $.01 par common
Somanetics Corporation: $.01 par common
Source Information Management Company, The: $.01 par common
Southside Bancshares, Inc.: $2.50 par common; No par cumulative trust preferred securities
SQL Financials International, Inc.: $.0001 par common
Stet Hellas Telecommunications SA: American Depositary Shares
Stolt Comex Seaway S.A.: American Depositary Shares

Success Bancshares, Inc. (Illinois): 8.95 percent cumulative trust preferred securities
SVB Financial Services, Inc.: $2.08 par common

TCI Music, Inc.: Class A, $.01 par common; Series A, convertible preferred
Teardrop Golf Company: $.01 par common
Technisource, Inc.: $.01 par common
Telesystem International Wireless, Inc.: No par common
Trans Global Services, Inc.: $.01 par common

U.S. Home & Garden, Inc.: $.001 par common
U.S. Office Products Company: $.001 par common
Ultimate Software Group, Inc.: $.01 par common
United Community Financial Corporation: No par common
United Panam Financial Corporation: $.01 par common
United Road Services, Inc.: $.001 par common
United Tennessee Bankshares, Inc.: No par common
Ursus Telecom Corporation: $.01 par common
US LEC Corporation: Class A, $.01 par common
USBancorp, Inc.: Capital Trust 1

V.I. Technologies, Inc.: $.01 par common
Verio, Inc.: $.001 par common

Warwick Valley Telephone Company: No par common
Washington Banking Company: No par common
Waste Connections, Inc.: $.01 par common
Waste Systems International, Inc.: $.01 par common
Workflow Management, Inc.: $.001 par common

Complete Foreign Margin List

Germany

Gehe AG: Ordinary shares, par DM 50
Hoechst AG: Ordinary shares, par DM 50

Hong Kong

Peregrine Investment Holdings Ltd.: Ordinary, par HK $0.60
Sun Hung Kai Properties Limited: HK $0.50 par ordinary shares

Japan

Aiwa Co., Ltd.: ¥50 par common
Akita Bank, Ltd.: ¥50 par common
Aomori Bank, Ltd.: ¥50 par common
Asatsu Inc.: ¥50 par common
Bandai Co., Ltd.: ¥50 par common
Bank of Kinki, Ltd.: ¥50 par common
Bank of Nagoya, Ltd.: ¥50 par common
Chudenko Corp.: ¥50 par common
Chugoku Bank, Ltd.: ¥50 par common
Clarion Co., Ltd.: ¥50 par common
Credit Saison Co., Ltd.: ¥50 par common
Daihatsu Motor Co., Ltd.: ¥50 par common
Dainippon Screen MFG. Co., Ltd.: ¥50 par common
Daiwa Kosho Lease Co., Ltd.: ¥50 par common
Denki Kagaku Kogyo: ¥50 par common
Eighteenth Bank, Ltd.: ¥50 par common
Furukawa Co., Ltd.: ¥50 par common
Futaba Corp.: ¥50 par common
Futaba Industrial Co., Ltd.: ¥50 par common
Higo Bank, Ltd.: ¥50 par common
Hitachi Construction Machinery Co., Ltd.: ¥50 par common
Hitachi Software Engineering Co., Ltd.: ¥50 par common
Hitachi Transport System, Ltd.: ¥50 par common
Hokkoku Bank, Ltd.: ¥50 par common
Hokuetsu Bank, Ltd.: ¥50 par common
Hoikuetsu Paper Mills, Ltd.: ¥50 par common
Iyo Bank, Ltd.: ¥50 par common
Jaccs Co., Ltd.: ¥50 par common
Japan Airport Terminal Co., Ltd.: ¥50 par common
Japan Securities Finance Co., Ltd.: ¥50 par common
Kuroku Bank, Ltd.: ¥50 par common
Kagoshima Bank, Ltd.: ¥50 par common
Kamigumi Co., Ltd.: ¥50 par common
Katokichi Co., Ltd.: ¥50 par common
Keisei Electric Railway Co., Ltd.: ¥50 par common
Keiyo Bank, Ltd.: ¥50 par common
Kiyo Bank, Ltd.: ¥50 par common
Komori Corp.: ¥50 par common
Konami Co., Ltd.: ¥50 par common
Kurimoto, Ltd.: ¥50 par common
Kyowa Exeo Corp.: ¥50 par common
Kyudenko Corp.: ¥50 par common
Maeda Road Construction Co., Ltd.: ¥50 par common
Matsushita Seiko Co., Ltd.: ¥50 par common
Max Co., Ltd.: ¥50 par common
Meidensha Corp.: ¥50 par common
Michinoku Bank, Ltd.: ¥50 par common
Musashino Bank, Ltd.: ¥50 par common
Namco, Ltd.: ¥50 par common
Nichicon Corp.: ¥50 par common
Nichimen Corp.: ¥50 par common
Nihon Unisys, Ltd. ¥50 par common
Nippon Comsys Corp.: ¥50 par common
Nippon Trust Bank, Ltd.: ¥50 par common
Nishi-Nippon Bank, Ltd.: ¥50 par common
Nishi-Nippon Railroad Co., Ltd.: ¥50 par common
Nissan Chemical Industries, Ltd.: ¥50 par common
Nissan Fire & Marine Insurance Co., Ltd.: ¥50 par common
NOF Corporation: ¥50 par common
Ogaki Kyoritsu Bank, Ltd.: ¥50 par common
Q.P. Corp.: ¥50 par common
Rinnai Corporation: ¥50 par common
Ryosan Co., Ltd.: ¥50 par common
Sagami Railway Co., Ltd.: ¥50 par common
Saibu Gas Co., Ltd.: ¥50 par common
Sakata Seed Corp.: ¥50 par common
Sanki Engineering Co., Ltd.: ¥50 par common
Santen Pharmaceutical Co., Ltd.: ¥50 par common
Sanyo Securities Co., Ltd.: ¥50 par common
Shimadzu Corp.: ¥50 par common
Shimamura Co., Ltd.: ¥50 par common
Sumitomo Rubber Industries, Ltd.: ¥50 par common

Suruga Bank, Ltd.: ¥50 par common
Taiyo Yuden Co., Ltd.: ¥50 par common
Takara Standard Co., Ltd.: ¥50 par common
Takasago Thermal Engineering Co.: ¥50 par common
Takuma Co., Ltd.: ¥50 par common
Toho Bank, Ltd.: ¥50 par common
Toho Gas Co., Ltd. ¥50 par common
Tokyo Ohka Kogya Co., Ltd.: ¥50 par common
Tokyo Sowa Bank, Ltd.: ¥50 par common
Tokyo Tatemono Co., Ltd.: ¥50 par common
Tokyo Tomin Bank, Ltd.: ¥50 par common
Toshiba Ceramics Co., Ltd.: ¥50 par common
Uni-Charm Corp.: ¥50 par common
Ushio, Inc.: ¥50 par common
Yamaha Motor Co., Ltd.: ¥50 par common
Yamanashi Chuo Bank, Ltd.: ¥50 par common
Yodogawa Steel Works, Ltd.: ¥50 par common

United Kingdom

Racal Electronics PLC: Ordinary shares, par value 25 p

Final Rule—Amendment to Regulation DD

The Board of Governors is amending 12 C.F.R. Part 230, its Regulation DD (Truth in Savings), permitting institutions to disclose an annual percentage yield ("APY") equal to the contract interest rate for time accounts with maturities greater than one year that do not compound but that require interest distributions at least annually.

Effective August 28, 1998, 12 C.F.R. Part 230 is amended as follows:

Part 230—Truth in Savings (Regulation DD)

1. The authority citation for Part 230 continues to read as follows:

Authority: 12 U.S.C. 4301, *et seq.*

2. Section 230.4 is amended by revising the sentence at the end of paragraph (b)(6)(iii) to read as follows:

Section 230.4—Account disclosures.

* * * * *

(b) * * *
(6) * * *
(iii) * * * For accounts with a stated maturity greater than one year that do not compound interest on an annual or more frequent basis, that require interest payouts at least annually, and that disclose an APY determined in accordance with section E of Appendix A of this part, a statement that interest cannot remain on deposit and that payout of interest is mandatory.

* * * * *

3. Section 230.8 is amended by revising paragraph (c)(6)(iii) to read as follows:

Section 230.8—Advertising.

* * * * *

(c) * * *
(6) * * *
(iii) *Required interest payouts.* For noncompounding time accounts with a stated maturity greater than one year that do not compound interest on an annual or more frequent basis, that require interest payouts at least annually, and that disclose an APY determined in accordance with section E of Appendix A of this part, a statement that interest cannot remain on deposit and that payout of interest is mandatory.

* * * * *

4. In Part 230, Appendix A is amended by revising section E of Part I to read as follows:

Appendix A To Part 230—Annual Percentage Yield Calculation

* * * * *

E. Time Accounts with a Stated Maturity Greater than One Year that Pay Interest At Least Annually

1. For time accounts with a stated maturity greater than one year that do not compound interest on an annual or more frequent basis, and that require the consumer to withdraw interest at least annually, the annual percentage yield may be disclosed as equal to the interest rate.

Example
(1) If an institution offers a $1,000 two-year certificate of deposit that does not compound and that pays out interest semi-annually by check or transfer at a 6.00% interest rate, the annual percentage yield may be disclosed as 6.00%.

2. For time accounts covered by this paragraph that are also stepped-rate accounts, the annual percentage yield may be disclosed as equal to the composite interest rate.

Example
(1) If an institution offers a $1,000 three-year certificate of deposit that does not compound and that pays out interest annually by check or transfer at a 5.00% interest rate for the first year, 6.00% interest rate for the second year, and 7.00% interest rate for the third year, the institution may compute the composite interest rate and APY as follows:
(a) Multiply each interest rate by the number of days it will be in effect;
(b) Add these figures together; and

(c) Divide by the total number of days in the term.

(2) Applied to the example, the products of the interest rates and days the rates are in effect are (5.00% x 365 days) 1825, (6.00% x 365 days) 2190, and (7.00% x 365 days) 2555, respectively. The sum of these products, 6570, is divided by 1095, the total number of days in the term. The composite interest rate and APY are both 6.00%.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 4 of the Bank Holding Company Act

Commerce Bancorp, Inc.
Cherry Hill, New Jersey

Order Approving a Notice to Engage in Underwriting and Dealing in All Types of Debt and Equity Securities on a Limited Basis

Commerce Bancorp, Inc. ("Commerce"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the § Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.23) to expand the activities of its section 20 subsidiary, Commerce Capital Markets, Inc., Philadelphia, Pennsylvania ("Company"), to include underwriting and dealing in, to a limited extent, all types of debt and equity securities (other than ownership interests in open-end investment companies).

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (63 *Federal Register* 28,386 (1998)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Commerce, with total consolidated assets of approximately $4 billion, operates subsidiary banks in New Jersey and Pennsylvania.[1] Company currently engages in limited underwriting and dealing in bank-ineligible securities,[2] as permitted under section 20 of the Glass–Steagall Act (12 U.S.C. § 377).[3] Company currently is, and will continue to be, a broker-dealer registered with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*) and is a member of the National Association of Securities Dealers, Inc. ("NASD"). Company, therefore, is subject to the record-keeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934, the SEC, and the NASD.

The Board previously has determined — subject to the framework of prudential limitations established in previous decisions to address the potential for conflicts of interests, unsound banking practices, or other adverse effects — that underwriting and dealing in bank-ineligible securities are so closely related to banking as to be proper incidents thereto within the meaning of section 4(c)(8) of the BHC Act.[4] The Board also has determined that conduct of bank-ineligible securities underwriting and dealing is consistent with section 20 of the Glass–Steagall Act (12 U.S.C. § 377), provided that the company engaged in the activity derives no more than 25 percent of its gross revenues from underwriting and dealing in bank-ineligible securities.[5]

Commerce has committed that Company will conduct its underwriting and dealing activities using the methods and procedures and subject to the prudential limitations established by the Board in the Section 20 Orders and other previous cases. Commerce also has committed that Company will conduct its bank-ineligible securities underwriting and dealing activities subject to the Board's revenue restrictions. As a condition of this order, Commerce is required to conduct its bank-ineligible securities activities subject to the revenue limitations and Operating Standards established for section 20 subsidiaries ("Operating Standards").[6]

In order to approve the proposal, the Board also must determine that the proposed activities are a proper incident

1. Asset data are as of December 31, 1997.

2. As used in this order, "bank-ineligible securities" refers to all types of debt and equity securities that a member bank may not underwrite or deal in directly under section 16 of the Glass–Steagall Act. *See* 12 U.S.C. § 335.

3. Company has authority to underwrite and deal in, to a limited extent, certain municipal revenue bonds, 1–4 family mortgage-related securities, commercial paper, and consumer-receivable-related securities. *See Commerce Bancorp, Inc.*, 84 *Federal Reserve Bulletin* 358 (1998). Company also is authorized to engage in a variety of other nonbanking activities. *See id.*

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

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

6. 12 C.F.R. 225.200. Company may provide services that are necessary incidents to the proposed underwriting and dealing activities. Unless Company receives specific approval under section 4(c)(8) of the BHC Act to conduct the activities independently, any revenues from the incidental activities must be treated as ineligible revenues subject to the Board's revenue limitation.

to banking, that is, that the proposed transaction "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[7] As part of its evaluation of these factors, the Board considers the financial and managerial resources of the notificant, its subsidiaries, and any company to be acquired, and the effect the transaction would have on such resources.[8] The Board has reviewed the capitalization of Commerce 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. With respect to Company, this determination is based on all the facts of record, including projections of the volume of Company's underwriting and dealing activities in bank-ineligible securities. The Board also has reviewed the managerial resources of Commerce and Company in light of relevant reports of examination and all the facts of record. On the basis of all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of this notice.

As noted above, Commerce has committed that Company will conduct its bank-ineligible securities underwriting and dealing activities in accordance with the prudential framework established by the Board's Section 20 Orders. Under the framework and conditions established in this order and the Section 20 Orders, the Board concludes that consummation of this proposal is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. The Board also expects that the proposed expansion of the underwriting and dealing services of Company would provide added convenience to Commerce's customers, lead to improved methods of meeting customers' financing needs, and increase the level of competition among existing providers of these services. Accordingly, the Board has determined that performance of the proposed activities by Commerce 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.

On the basis of the record, the Board has determined that the notice should be, and hereby is, approved, 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, avoidance of conflicts of interests, and other relevant considerations under the BHC Act. Underwriting and dealing in any manner other than as approved in this order and the Section 20 Orders (as modified by the Modification Orders) is not authorized for Company.

The Board's approval of this proposal to underwrite and deal in all types of debt and equity securities also is conditioned on a determination that Commerce and Company have established policies and procedures to ensure compliance with the Operating Standards and the other requirements of this order and the Section 20 Orders, including computer, audit, and accounting systems, internal risk management controls, and the necessary operational and managerial infrastructure for underwriting and dealing in all types of debt and equity securities ("infrastructure review"). After notification that this condition has been satisfied, Company may commence the proposed underwriting and dealing activities, subject to the other conditions of this order, the Section 20 Orders, and the Modification Orders.

The Board's determination is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries that 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 Board's decision is specifically conditioned on compliance with all the commitments made in connection with this notice, including the commitments discussed in this order and the conditions set forth in the Board's 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 decision and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective July 13, 1998.

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

ROBERT DEV. FRIERSON
Associate Secretary of the Board

7. *See* 12 U.S.C. § 1843(c)(8).
8. *See* 12 C.F.R. 225.26(b).

Applications Approved Under Bank Holding Company Act
By the Secretary of the Board

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

Section 3

Applicant(s)	Bank(s)	Effective Date
First Financial Bancorporation, Iowa City, Iowa	Ameribanc, Inc., St. Louis, Missouri	July 31, 1998
McLaughlin Bancshares, Inc., Ralls, Texas	First Petersburg Bancshares, Inc., Petersburg, Texas First State Bank, Petersburg, Texas	July 27, 1998
Mercantile Bancorporation, Inc., St. Louis, Missouri	Financial Services Corporation of the Midwest, Rock Island, Illinois	July 20, 1998
Ameribanc, Inc., St. Louis, Missouri	Rock Island Bank, N.A., Bettendorf, Iowa	
Mercantile Bancorporation, Inc., St. Louis, Missouri	First Financial Bancorporation, Iowa City, Iowa First National Bank Iowa, N.A., Iowa City, Iowa	July 31, 1998
Old Kent Financial Corporation, Grand Rapids, Michigan	First Evergreen Corporation, Evergreen Park, Illinois	July 31, 1998

Section 4

Applicant(s)	Bank(s)	Effective Date
First National of Nebraska, Inc., Omaha, Nebraska	Insync Investments, Ltd., Omaha, Nebraska	July 23, 1998
Norwest Corporation, Minneapolis, Minnesota Norwest Mortgage, Inc., Des Moines, Iowa Norwest Ventures, LLC, Des Moines, Iowa	Southwest Partners, Inc., San Diego, California	July 29, 1998

Sections 3 and 4

Applicant(s)	Bank(s)	Effective Date
Norwest Corporation, Minneapolis, Minnesota	First Bancshares of Valley City, Inc., Valley City, North Dakota First National Bank of Valley City, Valley City, North Dakota First State Bank of Casselton, Casselton, North Dakota Litchville State Bank, Litchville, North Dakota People Insurance Agency, Inc., Valley City, North Dakota	July 16, 1998

Section 3 and 4—Continued

Applicant(s)	Bank(s)	Effective Date
Norwest Corporation, Minneapolis, Minnesota	Little Mountain Bancshares, Inc., Monticello, Minnesota First National Bank of Monticello, Monticello, Minnesota	July 1, 1998

By Federal Reserve Banks

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

Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
The 1855 Bancorp, New Bedford, Massachusetts	Sandwich Bancorp, Inc., Sandwich, Massachusetts	Boston	July 15, 1998
Alliance Bancshares, Inc., Orlando, Florida	Alliance Bank, Orlando, Florida	Atlanta	July 17, 1998
AmCorp Financial, Inc., Ardmore, Oklahoma	First State Bank, Morton, Texas	Kansas City	July 14, 1998
Anchor Financial Corporation, Myrtle Beach, South Carolina	M&M Financial Corporation, Marion, South Carolina First National South, Marion, South Carolina	Richmond	July 7, 1998
Anchor Financial Corporation, Myrtle Beach, South Carolina,	ComSouth Bankshares, Inc., Columbia, South Carolina Bank of Columbia, N.A., Columbia, South Carolina Bank of Charleston, National Association, Charleston, South Carolina	Richmond	July 7, 1998
Arizona Bancshares, Inc., Flagstaff, Arizona	First State Bank, Flagstaff, Arizona	San Francisco	July 1, 1998
Citizens Bancshares, Inc., Salineville, Ohio	NSD Bancorp, Inc., Pittsburgh, Pennsylvania	Cleveland	June 26, 1998
Community First Bankshares, Inc., Fargo, North Dakota	Guardian Bancorp, Salt Lake City, Utah Guardian State Bank, Salt Lake City, Utah	Minneapolis	July 6, 1998
Eggemeyer Advisory Corp., Rancho Santa Fe, California Castle Creek Capital, L.L.C., Rancho Santa Fe, California Castle Creek Capital Partners Fund-I, L.P., Rancho Santa Fe, California	State National Bancshares, Lubbock, Texas State National Bank of West Texas, Lubbock, Texas Sierra Bank, Truth or Consequences, New Mexico	San Francisco	July 15, 1998
El Paso Bancshares, Inc., Monument, Colorado	Peoples, Inc., Ottawa, Kansas	Kansas City	July 17, 1998
Financial Bancshares, Inc., Holton, Kansas	Arizona Bancshares, Inc., Flagstaff, Arizona	Kansas City	July 9, 1998

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
First American Bankshares, Inc., Fort Atkinson, Wisconsin	Jefferson County Bancorp, Inc., Jefferson, Wisconsin Jefferson County Bank, Jefferson, Wisconsin	Chicago	July 22, 1998
First Region Bancshares, Inc., Richlands, Virginia	First Sentinel Bank, Richlands, Virginia	Richmond	July 15, 1998
Fort Madison Financial Company, Fort Madison, Iowa	Bank of Dallas City, Dallas City, Illinois	Chicago	July 16, 1998
Gold Banc Corporation, Inc., Leawood, Kansas Gold Banc Acquisition Corporation VII, Inc., Leawood, Kansas	First State Bancorp, Inc., Pittsburg, Kansas	Kansas City	July 16, 1998
Gold Banc Corporation, Inc., Leawood, Kansas Gold Banc Acquisition Corporation VI, Inc., Leawood, Kansas	Northwest Bancshares, Colby, Kansas	Kansas City	July 15, 1998
Gold Banc Corporation, Inc., Leawood, Kansas Gold Banc Acquisition Corporation II, Inc., Leawood, Kansas	Tri-County Bancshares, Inc., Linn, Kansas	Kansas City	July 3, 1998
Habersham Bancorp, Cornelia, Georgia	Empire Bank Corp., Homerville, Georgia Empire Banking Co., Homerville, Georgia	Atlanta	July 16, 1998
Hancock Holding Company, Gulfport, Mississippi	American Security Bancshares, Inc., Ville Platte, Louisiana American Security Bank, Ville Platte, Louisiana	Atlanta	July 15, 1998
Heritage Bancorp, Inc., McLean, Virginia	The Heritage Bank, McLean, Virginia	Richmond	July 22, 1998
Horizons Bancorp, Inc., Monroe, Louisiana	Horizons Bank, Monroe, Louisiana	Dallas	June 24, 1998
JDOB, Inc., Sandstone, Minnesota	Lakeland National Bank, Lino Lakes, Minnesota	Minneapolis	July 8, 1998
Larch Bancorporation, Inc., Larchwood, Iowa	Exchange State Agency, Hills, Minnesota	Chicago	July 8, 1998
Larch Bancorporation, Inc., Larchwood, Iowa	Exchange State Bancorporation, Inc., Hills, Minnesota	Chicago	July 3, 1998
LeMars Acquisition Corp., LeMars, Iowa	LeMars Bancorporation, Inc., LeMars, Iowa LeMars Bank and Trust Company, LeMars, Iowa	Chicago	July 9, 1998
Marquette Bancshares, Inc., Minneapolis, Minnesota	Dakota Bancshares, Inc., Minneapolis, Minnesota Marquette Bank Nebraska, N.A., O'Neill, Nebraska *Marquette Bank South Dakota*, N.A., Sioux Falls, South Dakota	Minneapolis	July 15, 1998

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Midwest Bancorporation, Inc. & Affiliates Employee Stock Ownership Plan, Poplar Bluff, Missouri	Midwest Bancorporation, Inc., Poplar Bluff, Missouri	St. Louis	July 15, 1998
National City Bancshares, Inc., Evansville, Indiana	Community First Financial, Inc., Maysville, Kentucky Community First Bank, N.A., Maysville, Kentucky Community First Bank of Kentucky, Warsaw, Kentucky	St. Louis	July 22, 1998
National City Bancshares, Inc., Evansville, Indiana	Hoosier Hills Financial Corporation, Osgood, Indiana The Ripley County Bank, Osgood, Indiana	St. Louis	July 22, 1998
National City Bancshares, Inc., Evansville, Indiana	Trigg Bancorp, Inc., Cadiz, Kentucky Trigg County Farmers Bank, Cadiz, Kentucky	St. Louis	July 22, 1998
National Commerce Bancorporation, Memphis, Tennessee	CBC Bancshares, Inc., Collierville, Tennessee The Citizens Bank, Collierville, Tennessee	St. Louis	June 24, 1998
N.A. Corporation, Roseville, Minnesota	North American Banking Company, Roseville, Minnesota	Minneapolis	July 6, 1998
One Valley Bancorp, Inc., Charleston, West Virginia	Summit Bankshares, Inc., Raphine, Virginia Bank of Rockbridge, Raphine, Virginia	Richmond	July 2, 1998
Albert J. Ortte Family Limited Partnership, Metairie, Louisiana	Metairie Bank & Trust Company, Metairie, Louisiana	Atlanta	July 2, 1998
PASL Holding Corp., New York, New York MetBank Holding Corp., New York, New York	Metropolitan National Bank, New York, New York	New York	June 26, 1998
Peoples Bancorporation, Inc., Easley, South Carolina	Bank of Anderson, National Association, Anderson, South Carolina	Richmond	July 7, 1998
Peoples Service Company, Nixa, Missouri	Peoples Banking Company, Springfield, Missouri Peoples Bank of the Ozarks, Nixa, Missouri Citizens Bank of the Ozarks, Camdenton, Missouri Peoples Bank of Fordland, Fordland, Missouri	St. Louis	July 7, 1998
Plymouth Bancorp, Inc., Wareham, Massachusetts	Plymouth Savings Bank, Wareham, Massachusetts	Boston	June 30, 1998
RSI Bancorp, MHC, Rahway, New Jersey RSI Bancorp, Inc., Rahway, New Jersey	The Rahway Savings Institution, Rahway, New Jersey	New York	July 13, 1998

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
San Juan Bank Holding Company, Friday Harbor, Washington	Islanders Bank, Friday Harbor, Washington	San Francisco	July 1, 1998
Security Bank Holding Company ESOP, Coos Bay, Oregon Security Bank Holding Company, Coos Bay, Oregon	McKenzie State Bank, Springfield, Oregon	San Francisco	July 3, 1998
Service Bancorp, MHC, Medway, Massachusetts	Summit Bancorp, Inc., Medway, Massachusetts	Boston	July 10, 1998
Sherwood Banc Corporation, Sherwood, Ohio	The Sherwood State Bank, Sherwood, Ohio	Cleveland	July 15, 1998
SNB Bancshares, Inc., Macon, Georgia	Crossroads Bancshares, Inc., Perry, Georgia Crossroads Bank of Georgia, Perry, Georgia	Atlanta	July 9, 1998
Synovus Financial Corp., Columbus, Ohio TB&C Bancshares, Inc., Columbus, Georgia	Comunity Bank Capital Corporation, Alpharetta, Georgia Bank of North Georgia, Alpharetta, Georgia	Atlanta	July 22, 1998
UCBH Holdings, Inc., San Francisco, California	United Commercial Bank, San Francisco, California	San Francisco	July 14, 1998
Union Planters Corporation, Memphis, Tennessee Union Planters Holding Corporation, Memphis, Tennessee	AMBANC Corp., Vincennes, Indiana AmBank Indiana, N.A., Vincennes, Indiana AmBank Illinois, N.A., Robinson, Illinois	St. Louis	June 24, 1998
West Burlington Bancorporation, West Burlington, Iowa	West Burlington Bank, West Burlington, Iowa	Chicago	June 24, 1998
Whitney Holding Corporation, New Orleans, Louisiana	First National Bancorp of Greenville, Inc., Greenville, Alabama The First National Bank of Greenville, Greenville, Alabama	Atlanta	July 1, 1998
Winter Trust of 12/3/74, Monument, Colorado	Peoples Trust of 1987, Ottawa, Kansas	Kansas City	July 17, 1998

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
BB&T Corporation, Winston-Salem, North Carolina	Maryland Federal Bancorp, Inc., Hyattsville, Maryland	Richmond	July 14, 1998
BB&T Corporation, Winston-Salem, North Carolina	W.E. Stanley & Company, Inc., Greensboro, North Carolina Corporate Compensation Plans of N.C., Inc., Greensboro, North Carolina Corporate Group Services, Inc., Greensboro, North Carolina	Richmond	June 29, 1998

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Blackhawk Bancorp, Inc., Beloit, Wisconsin	First Financial Bancorp, Inc., Belvidere, Illinois First Federal Savings Bank, Belvidere, Illinois	Chicago	July 16, 1998
Central Bancshares, Inc., Lexington, Kentucky	Pioneer Financial Corporation, Lexington, Kentucky	Cleveland	July 13, 1998
Deutsche Bank, AG, Frankfurt an Main, Germany	German American Capital Corporation, New York, New York	New York	July 14, 1998
Heartland Financial USA, Inc., Dubuque, Iowa	Arrow Motors, Inc., Milwaukee, Wisconsin	Chicago	June 29, 1998,
Mellon Bank Corporation, Pittsburgh, Pennsylvania MBC Investments Corporation, Pittsburgh, Pennsylvania	Prime Advisors, Inc., Kirkland, Washington	Cleveland	June 26, 1998
Minnwest Corporation, Minnetonka, Minnesota	To engage *de novo* in the nonbank activities of lending and leasing	Minneapolis	July 10, 1998
NationsBank Corporation, Charlotte, North Carolina NationsBanc Montgomery Securities LLC, San Francisco, California	Morgan Stanley Dean Witter & Co., New York, New York	Richmond	July 17, 1998
Republic Bancshares, Inc., St. Petersburg, Florida	Lochaven Federal Savings and Loan Association, Winter Park, Florida	Atlanta	July 3, 1998
UnionBancorp, Inc., Ottawa, Illinois	Sainet, Streator, Illinois	Chicago	June 24, 1998

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Farmers Bancshares, Inc., Hardinsburg, Kentucky	Leitchfield Deposit Bancshares, Inc., Leitchfield, Kentucky Leitchfield Bancshares Insurance, Inc., Leitchfield, Illinois Leitchfield Deposit Bank & Trust Company, Leitchfield, Kentucky	St. Louis	June 30, 1998
UST Corp., Boston, Massachusetts	Affiliated Community Bancorp, Waltham, Massachusetts	Boston	July 23, 1998

APPLICATIONS APPROVED UNDER BANK MERGER ACT

By the Secretary of the Board

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

Applicant(s)	Bank(s)	Effective Date
Old Kent Bank, Grand Rapids, Michigan	First National Bank of Evergreen Park, Evergreen Park, Illinois	July 31, 1998

By Federal Reserve Banks

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

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
BancFirst, Oklahoma City, Oklahoma	The Security Bank & Trust Company, Lawton, Oklahoma	Kansas City	July 9, 1998
The Bank of Marion, Marion, Virginia	First-Citizens Bank & Trust Company, Raleigh, North Carolina	Richmond	July 14, 1998
Citizens Bank, Flint, Michigan	First of America Bank, N.A., Kalamazoo, Michigan	Chicago	July 16, 1998
The Citizens Banking Company, Salineville, Ohio	The First National Bank of Chester, Chester, West Virginia	Cleveland	July 3, 1998
Exchange Bank & Trust Company, Perry, Oklahoma	BankFirst, Oklahoma City, Oklahoma	Kansas City	July 8, 1998
Hanover Bank, Mechanicsville, Virginia	Regency Bank, Richmond, Virginia First Community Bank, Forest, Virginia	Richmond	July 2, 1998
M&I Bank of Shawano, Shawano, Wisconsin	M&I Bank S.S.B., Sheboygan, Wisconsin	Chicago	July 10, 1998
Sentinel Interim Bank, Richlands, Virginia	First Sentinel Bank, Richlands, Virginia	Richmond	July 15, 1998

PENDING CASES INVOLVING THE BOARD OF GOVERNORS

This list of pending cases does not include suits against the Federal Reserve Banks in which the Board of Governors is not named a party.

Pharaon v. Board of Governors, No. 98–103 (U.S. Supreme Court, filed July 15, 1998). Petition for writ of certiorari seeking review of the decision of the Court of Appeals for the District of Columbia Circuit affirming the Board's order dated January 31, 1997, imposing civil money penalties and an order of prohibition for violations of the Bank Holding Company Act.

Inner City Press/Community on the Move v. Board of Governors, No. 98-CIV-4608 (DLC) (S.D.N.Y., filed June 30, 1998). Freedom of Information Act case. On July 1, 1998, the court denied plaintiff's motion for a temporary restraining order extending the public comment period on the application by Travelers Group Inc. to acquire Citicorp.

Clarkson v. Greenspan, No. 98–5349 (D.C. Cir., filed July 29, 1998). Appeal of district court order granting Board's motion fur summary judgment in a Freedom of Information Act case.

Board of Governors v. Carrasco, No. 98 Civ. 3474 (LAK) (S.D.N.Y., filed May 15, 1998). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On May 26, 1998, the court issued a preliminary injunction restraining the transfer or disposition of the individual's assets and appointing the Federal Reserve Bank of New York as receiver for those assets.

Board of Governors v. Pharaon, No. 98–6101 (2d Cir., filed May 4, 1998). Appeal of partial denial of Board's motion for summary judgment in action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On May 22, 1998, the appellee filed a cross-appeal from the partial final judgment.

Research Triangle Institute v. Board of Governors, No. 97–1719 (U.S. Supreme Court, filed April 28, 1998). Petition for writ of certiorari to review dismissal by the United States Court of Appeals for the Fourth Circuit of a contract claim against the Board. The Board filed its opposition to the writ on June 30, 1998.

Fenili v. Davidson, No. C-98-01568-CW (N.D. California, filed April 17, 1998). Tort and constitutional claim arising out of return of a check. On June 5, 1998, the Board filed its motion to dismiss.

Inner City Press/Community on the Move v. Board of Governors, No. 97–1514 (U.S. Supreme Court, filed March 12, 1998). Petition for writ of certiorari to review dismissal by the United States Court of Appeals for the District of Columbia Circuit of a petition for review of a Board order dated May 14, 1997, approving the application of Banc One Corporation, Inc., Columbus, Ohio, to merge with First USA, Inc., Dallas, Texas. On June 22, 1998, the Supreme Court denied certiorari.

Wilkins v. Warren, No. 98–1320 (4th Cir., filed March 2, 1998). Appeal of District Court dismissal of action involving customer dispute with a bank.

Logan v. Greenspan, No. 1:98CV00049 (D.D.C., filed January 9, 1998). Employment discrimination complaint.

Goldman v. Department of the Treasury, No. 1–97-CV-3798 (N.D. Ga., filed December 23, 1997). Declaratory judgment action challenging Federal Reserve notes as lawful money. On March 2, 1998, the Board filed a motion to dismiss the action.

Kerr v. Department of the Treasury, No. CV-S-97–01877-DWH (S.D. Nev., filed December 22, 1997). Challenge to income taxation and Federal Reserve notes.

Allen v. Indiana Western Mortgage Corp., No. 97–7744 RJK (C.D. Cal., filed November 12, 1997). Customer dispute with a bank.

Patrick v. United States, No. 97–75564 (E.D. Mich., filed November 7, 1997). Action for damages arising out of tax dispute.

Leuthe v. Office of Financial Institution Adjudication, No. 97–1826 (3d Cir., filed October 22, 1997). Appeal of district court dismissal of action against the Board and other Federal banking agencies challenging the constitutionality of the Office of Financial Institution Adjudication. On June 8, 1998, the court of appeals affirmed the district court's dismissal of the action.

Patrick v. United States, No. 97–75017 (E.D. Mich., filed September 30, 1997). Action for damages arising out of tax dispute.

Artis v. Greenspan, No. 97–5235 (D.C. Cir., filed September 19, 1997). Appeal of district court order dismissing employment discrimination class action.

Towe v. Board of Governors, No. 97–71143 (9th Cir., filed September 15, 1997). Petition for review of a Board order dated August 18, 1997, prohibiting Edward Towe and Thomas E. Towe from further participation in the banking industry.

In re: Subpoena Duces Tecum Served on the Office of the Comptroller of the Currency, No. 97–5229 (D.C. Cir., filed September 12, 1997). Appeal of district court order denying motion to compel production of pre-decisional supervisory documents and testimony sought in connection with an action by Bank of New England Corporation's trustee in bankruptcy against the Federal Deposit Insurance Corporation. On June 26, 1998, the court of appeals reversed and remanded the case to the district court.

Bettersworth v. Board of Governors, No. 97-CA-624 (W.D. Tex., filed August 21, 1997). Privacy Act case.

Greeff v. Board of Governors, No. 97–1976 (4th Cir., filed June 17, 1997). Petition for review of a Board order dated May 19, 1997, approving the application by Allied Irish Banks, plc, Dublin, Ireland, and First Maryland Bancorp, Baltimore, Maryland, to acquire Dauphin Deposit Corporation, Harrisburg, Pennsylvania, and thereby acquire Dauphin's banking and nonbanking subsidiaries.

Enforcement Decision Issued by the Board of Governors

In the Matter of a Notice to Prohibit Further Participation Against

Richard Salmon
Former Vice President

Bank of the Desert
Indio, California

Docket No. AA-OCC-EC-97–05

Final Decision

This is an administrative proceeding pursuant to the Federal Deposit Insurance Act ("FDI Act") in which the Office of the Comptroller of the Currency of the United States of America ("OCC") seeks to prohibit the Respondent, Richard Salmon ("Salmon") from further participation in the affairs of any financial institution because of his conduct as a Vice President and Loan Administrator at the Bank of the Desert, N.A., Indio, California (the "Bank"). Under the FDI Act, the OCC may initiate a prohibition proceeding against a former employee of a national bank, but the Board must make the final determination whether to issue an order of prohibition.

Upon review of the administrative record, the Board issues this Final Decision adopting the Recommended Decision ("Recommended Decision") of Administrative Law Judge Walter Alprin (the "ALJ"), and orders the issuance of the attached Order of Prohibition.

I. Statement of the Case

A. Statutory Framework

Under the FDI Act and the Board's regulations, the ALJ is responsible for conducting an administrative hearing on a notice of intent to prohibit participation. 12 U.S.C. § 1818(e)(4). Following the hearing, the ALJ issues a recommended decision that is referred to the deciding agency together with any exceptions to those recommendations filed by the parties. The Board makes the final findings of fact, conclusions of law, and determination whether to issue an order of prohibition in the case of a prohibition order sought by the OCC. *Id.*; 12 C.F.R. 263.40.

The FDI Act sets forth the substantive basis upon which a federal banking agency may issue against a bank official an order of prohibition from further participation in banking. In order to issue such an order pursuant to section 1818(e)(1), the Board must make each of three findings:

(1) that the respondent engaged in identified *misconduct*, including a violation of law or regulation, an unsafe or unsound practice, or a breach of fiduciary duty;
(2) that the conduct had a specified *effect*, including financial loss to the institution or gain to the respondent; and

(3) that the respondent's conduct involved *culpability* of a certain degree — either personal dishonesty or a willful or continuing disregard for the safety or soundness of the institution. 12 U.S.C. § 1818(e)(1)(A) - (C).

B. Procedural History

On June 26, 1997, the OCC initiated three proceedings against Salmon: a Notice of Intention to Prohibit Further Participation, Notice of Assessment of Civil Money Penalty, and Notice of Charges (together, the "Notices"). The Notices alleged that Salmon engaged in unsafe and unsound banking practices, violations of law, and breaches of fiduciary duty during his tenure as Vice President and Loan Administrator at the Bank. The OCC alleged that Salmon caused the Bank to extend credit to fictitious borrowers as part of a loan kiting scheme, and that Salmon used the loan proceeds for his personal benefit. Salmon filed an answer to the Notices but asserted his Fifth Amendment right under the United States Constitution to refuse to respond to the charges on the ground that his answers might incriminate him.

On October 28–29, 1997, a hearing was held before the ALJ at which the OCC presented witnesses and called Salmon to testify. Salmon again invoked his Fifth Amendment rights and refused to answer questions at the hearing. Salmon presented no witnesses or documentary evidence in his defense.

In his Recommended Decision, the ALJ permitted an amendment to the Notices to charge violations of the Bank's legal lending limit and restrictions on loans to executive officers, as authorized by the rules, to conform to the evidence. The ALJ then found that the charges detailed in the Notices had been proved, and recommended issuance of an order of prohibition. Neither the OCC nor Salmon filed exceptions to the Recommended Decision.[1]

II. Discussion

Salmon's failure to file exceptions to an ALJ's Recommended Decision is a waiver of any objection he has to that decision. 12 C.F.R. 263.39(b). Nonetheless, the Board has reviewed the record in this matter to assure that substantial evidence in the record supports the factual and legal conclusions of the ALJ and warrants imposition of the prohibition order. The Board finds that the allegations contained in the OCC's Notices and proved at the hearing meet the statutory criteria for the issuance of an order of prohibition and adopts the Recommended Decision of the ALJ except as specifically supplemented or modified herein.

A. Facts

The record of the hearing confirms the ALJ's recommended findings concerning Salmon's actions. Beginning shortly after his arrival at the Bank, Salmon used his position as Vice President and loan administrator to originate a series of fictitious loans totaling almost $1,949,000. These activities were exposed shortly after Salmon resigned from the Bank in May 1996. In all, 24 nominee loans were identified in which Salmon used fictitious credit, collateral, and biographical information to cause the Bank to lend funds to fictitious persons or to persons who neither requested, nor received the proceeds of, the loans.

Most loans, including the first fictitious loan from the Bank, were originated in amounts large enough to both pay off previous fictitious loans and to provide Salmon with excess funds. At the time of Salmon's resignation, sixteen loans remained outstanding, and the Bank incurred losses of over $800,000 in connection with those loans. Proceeds from the 24 fraudulent loans were traced to Salmon for his personal benefit. Salmon typically deposited the excess funds into two checking accounts he controlled at the Bank in the names of Adam and Joni Zettler and Michael Platt. Funds from these accounts were used to pay Salmon's personal expenses, including credit card debt, or applied to extensions of credit secured by Salmon from various other lenders. A portion of one loan was used to settle a lawsuit brought against Salmon and his parents in connection with an apparently fraudulent loan extended by his prior employer to his parents. In addition, Salmon used the loan proceeds to pay off the mortgage on his residence and to purchase two vehicles.

Salmon used his position at the Bank to originate the loans, creating fictitious credit reports, altered title and insurance documents, and forged loan documents. In most if not all cases, the collateral listed for the loans did not exist.[2]

B. Legal Conclusions

Salmon's actions in this matter satisfy every one of the various alternative findings of misconduct, effect, and culpability required for an order of prohibition. Originating fictitious loans as part of a loan kiting scheme is certainly an unsafe or unsound banking practice.[3] *In the Matter of John W. Van Dyke, Jr.*, No. AA-EC-87-88 (June 13, 1988), *aff'd sub nom. Van Dyke v. Board of Governors*, 876 F.2d 1377 (8th Cir. 1989) (check kite constitutes unsafe or unsound practice); *In the Matter of William Vasa*, 81 *Federal Reserve Bulletin* 1171 (1995) (fictitious loans are unsafe or unsound practice). The practice also quite obviously involves a breach of a bank officer's fiduciary duty of loyalty to put the interests of his institution, its depositors,

1. The ALJ also recommended the entry of a cease and desist order requiring restitution by Salmon of the amounts lost by the Bank as a result of the fictitious loans, and a civil money penalty of $25,000. On July 8, 1998, the OCC adopted the ALJ's recommendations in this regard.

2. Because Salmon invoked his Fifth Amendment right not to testify in this civil proceeding, the Board is entitled to draw an adverse inference against him. *Baxter v. Palmigiano*, 425 U.S. 308, 318 (1976).

3. An unsafe or unsound practice is generally understood to be one that is contrary to generally accepted standards of prudent operations, the possible consequences of which, if continued, would be abnormal risk or loss or damage to the institution, its shareholders, or the insurance fund. *Financial Institutions Supervisory Act of 1966: Hearings on S. 3158 Before the House Committee on Banking and Currency*, 89th Cong., 2nd Sess., at 49–50 (1966).

and its shareholders before his own. Here, Salmon's actions for his own benefit resulted in a substantial decrease in the Bank's capital and depressed the sales price paid to shareholders when the Bank was sold. Moreover, Salmon's actions also violated statutory and regulatory limits. Total loans and extensions of credit by a national bank to any one borrower cannot exceed 15% of a bank's unimpaired capital. 12 U.S.C. § 84. The loans to Salmon reflected between 38 and 40% of the Bank's unimpaired capital. In addition, federal law and the Board's Regulation O place restrictions on loans to executive officers such as Salmon; these restrictions were also violated by the fictitious loans. 12 U.S.C. §§ 375a, 375b; 12 C.F.R. 215.4, 215.5, 215.6.

Salmon's actions resulted in both personal gain and in loss to the Bank, thus satisfying both of the alternative "effects" requirements for a prohibition order. Salmon benefitted from the loan kiting scheme by using the proceeds of the fictitious loans to satisfy his personal debts and to purchase personal items. For its part, the Bank was required to charge off more than $800,000 on the loans that remained open after Salmon's departure.

Finally, Salmon's actions meet all of the alternative standards for culpability. His actions showed personal dishonesty, in that he falsified bank records, forged signatures, and misled the Bank as to the identity of its borrowers. *Van Dyke, supra*, 876 F.2d at 1379 ("personal dishonesty" met where action involves "fraud and a lack of integrity"). Moreover, Salmon's actions evidenced both a continuing and a willful disregard for the Bank's safety or soundness. Over a period of four years, he repeatedly put the Bank's capital at risk by originating these fictitious loans with no ability to repay them except through additional fraudulent loans. He thus engaged in "willful disregard" by engaging in deliberate misconduct that exposed the Bank to abnormal risk of loss or harm, and in "continuing disregard" by engaging in voluntary conduct with heedless indifference to the consequences to the institution. *Grubb v. FDIC*, 34 F.3d 956, 961–62 (10th Cir. 1994).

In sum, all elements necessary for the issuance of a prohibition order are presented in this case.

Conclusion

For these reasons, the Board orders the issuance of the attached Order of Prohibition.

By Order of the Board of Governors, this 27th day of July, 1998.

Board of Governors of the
Federal Reserve System

JENNIFER J. JOHNSON
Secretary of the Board

Order of Prohibition

WHEREAS, pursuant to section 8(e) of the Federal Deposit Insurance Act, as amended (the "Act")(12 U.S.C. § 1818(e)), the Board of Governors of the Federal Reserve System ("the Board") is of the opinion, for the reasons set forth in the accompanying Final Decision, that a final Order of Prohibition should issue against RICHARD SALMON ("Salmon");

NOW, THEREFORE, IT IS HEREBY ORDERED, pursuant to section 8(e) of the Federal Deposit Insurance Act, as amended, (12 U.S.C. § 1818(e)), that:

1. In the absence of prior written approval by the Board, and by any other Federal financial institution regulatory agency where necessary pursuant to section 8(e)(7)(B) of the Act (12 U.S.C. § 1818(e)(7)(B)), Locci is hereby prohibited:
   (a) From participating in the conduct of the affairs of any bank holding company, any insured depository institution specified in subsection 8(e)(7)(A) of the Act (12 U.S.C. § 1818(e)(7)(A));
   (b) From soliciting, procuring, transferring, attempting to transfer, voting or attempting to vote any proxy, consent, or authorization with respect to any voting rights in any institution described in subsection 8(e)(7)(A) of the Act (12 U.S.C. § 1818(e)(7)(A));
   (c) From violating any voting agreement previously approved by the appropriate Federal banking agency; or (d) from voting for a director, or from serving or acting as an institution-affiliated party as defined in section 3(u) of the Act, (12 U.S.C. § 1813(u)), such as an officer, director, or employee.
2. This Order, and each provision hereof, is and shall remain fully effective and enforceable until expressly stayed, modified, terminated or suspended in writing by the Board.

This Order shall become effective at the expiration of thirty days after service is made.

By Order of the Board of Governors, this 27th day of July, 1998.

Board of Governors of the
Federal Reserve System

JENNIFER J. JOHNSON
Secretary of the Board

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SYMBOLS AND ABBREVIATIONS

c	Corrected
e	Estimated
n.a.	Not available
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
. . .	Cell not applicable
ATS	Automatic transfer service
BIF	Bank insurance fund
CD	Certificate of deposit
CMO	Collateralized mortgage obligation
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
SCO	Securitized credit obligation
SDR	Special drawing right
SIC	Standard Industrial Classification
VA	Department of Veterans Affairs

GENERAL INFORMATION

In many of the tables, components do not sum to totals because of rounding.

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury.

"State and local government" also includes municipalities, special districts, and other political subdivisions.

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

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1997		1998		1998				
	Q3	Q4	Q1	Q2	Feb.	Mar.	Apr.	May	June
Reserves of depository institutions[2]									
1 Total	−3.0	−2.7	−1.9	−3.8	−20.1	8.5	−2.3	−9.6[r]	−5.2
2 Required	−3.7	−5.6	−1.8	−2.5	−14.0	14.5	−3.1	−4.7[r]	−18.1
3 Nonborrowed	−4.7	−.8	−.7	−4.3	−16.3	9.0	−3.1	−11.7[r]	−7.8
4 Monetary base[3]	6.2	7.9	6.9	4.1	3.4[r]	4.1	3.3[r]	4.7	6.2
Concepts of money, liquid assets, and debt[4]									
5 M1	.3	.9	3.0	.3	3.1	5.1	−.3	−3.1[r]	−3.3
6 M2	5.6	7.1	8.0	7.3	9.6	8.3	9.5	2.8	5.3
7 M3	8.2	10.0	11.0[r]	9.6	8.9[r]	14.4[r]	10.2[r]	6.0[r]	5.3
8 L	7.2	9.2	12.1[r]	n.a.	11.6[r]	11.8[r]	3.1[r]	1.7	n.a.
9 Debt	4.5	5.8	6.2	n.a.	6.7	6.5	4.9	4.2	n.a.
Nontransaction components									
10 In M2[5]	7.6	9.4	9.9	9.8	11.9	9.4	12.9	4.8	8.3
11 In M3 only[6]	16.8	19.3	20.2[r]	16.4	6.8[r]	32.8[r]	12.5[r]	15.8[r]	5.2
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	9.6	16.3	13.6	14.2	13.2	12.1	25.9	.2	11.2
13 Small time[7]	8.1	4.5	1.5	−.8	.4	−.2	.4[r]	−3.8[r]	−.8
14 Large time[8,9]	17.2	9.9	19.8	13.9	36.5	45.9	−7.1[r]	7.4	5.3
Thrift institutions									
15 Savings, including MMDAs	1.0	1.4	7.6	11.8	13.6	11.6	10.6	16.3	3.9
16 Small time[7]	−5.2	−3.1	−.4	−6.8	−2.8	−5.6	−10.8	−6.0	−3.2
17 Large time[8]	10.0	5.4	14.4	1.1	4.1	−8.2	13.8	−17.7	16.6
Money market mutual funds									
18 Retail	16.3	16.0	19.6	21.0	28.7	21.6	18.0	19.8	20.7
19 Institution-only	19.7	22.0	18.9	36.5	12.3	22.5	51.7	38.7	28.7
Repurchase agreements and Eurodollars									
20 Repurchase agreements[10]	13.4	38.3	32.8	13.2	−26.9	88.5	−.9[r]	6.5	−34.8
21 Eurodollars[10]	18.6	24.3[r]	7.8[r]	−14.3	−50.0[r]	−55.6[r]	.0[r]	17.9[r]	.9
Debt components[4]									
22 Federal	.0	.4	.0	n.a	−1.2	1.4	−2.7	−5.7	n.a.
23 Nonfederal	6.1	7.6	8.3	n.a	9.4	8.2[r]	7.4	7.5	n.a.

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

2. Figures incorporate adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.20.)

3. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

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

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

M2: M1 plus (1) savings (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than $50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of $100,000 or more), (2) balances in institutional money funds (money funds with minimum initial investments of $50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

5. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances, each seasonally adjusted separately.

6. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees, each seasonally adjusted separately.

7. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits.

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

9. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

10. Includes both overnight and term.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT[1]

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1998			1998						
	Apr.	May	June	May 13	May 20	May 27	June 3	June 10	June 17	June 24
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	474,688	471,939[r]	480,045	469,098	473,983	471,967[r]	476,544	472,499	477,547	480,335
U.S. government securities[2]										
2 Bought outright—System account[3]	437,525	438,825	441,368	434,600	441,514	440,583	441,353	440,534	442,202	441,898
3 Held under repurchase agreements	3,566	442	4,853	0	421	0	2,838	0	2,060	4,144
Federal agency obligations										
4 Bought outright	584	551	549	551	551	551	551	551	551	551
5 Held under repurchase agreements	667	66	736	0	150	0	593	0	814	483
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	44	58	80	153	6	75	35	112	71	6
8 Seasonal credit	40	95	160	73	97	117	129	132	157	180
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	446	605[r]	779	1,069	746	295[r]	398	701	829	1,162
11 Other Federal Reserve assets	31,817	31,297	31,522	32,653	30,499	30,346	30,648	30,469	30,864	31,912
12 Gold stock	11,049	11,048	11,048	11,048	11,048	11,049	11,049	11,048	11,048	11,049
13 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	25,759[r]	25,792[r]	25,825	25,791[r]	25,792[r]	25,793[r]	25,794	25,808	25,822	25,836
ABSORBING RESERVE FUNDS										
15 Currency in circulation	476,326[r]	479,018[r]	481,524	478,356[r]	478,397[r]	480,822[r]	481,340	481,445	481,623	481,204
16 Treasury cash holdings	273	247	211	248	247	237	226	224	207	204
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	9,708	5,474	10,401	6,055	5,428	5,179	5,341	5,031	6,982	12,769
18 Foreign	177	165	165	166	167	172	161	162	159	164
19 Service-related balances and adjustments	6,800	6,721	6,809	6,644	6,782	6,738	6,674	6,587	6,759	6,958
20 Other	375	364	332	377	368	359	320	336	337	333
21 Other Federal Reserve liabilities and capital	16,177	16,617	16,888	16,691	16,463	16,505	16,722	16,709	16,913	16,880
22 Reserve balances with Federal Reserve Banks[4]	10,859	9,374	9,790	6,600	12,172	7,999	11,803	8,061	10,637	7,909

	End-of-month figures			Wednesday figures						
	Apr.	May	June	May 13	May 20	May 27	June 3	June 10	June 17	June 24
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	493,041	475,856[r]	496,967	471,338	478,366	474,436[r]	480,092	469,742	482,526	488,041
U.S. government securities[2]										
2 Bought outright—System account[3]	441,322	440,980	439,773	437,644	442,820	442,643	441,582	439,240	442,164	441,495
3 Held under repurchase agreements	15,731	2,997	18,681	0	2,945	0	4,194	0	6,678	11,495
Federal agency obligations										
4 Bought outright	551	551	526	551	551	551	551	551	551	551
5 Held under repurchase agreements	1,955	230	1,865	0	1,050	0	1,330	0	1,237	1,180
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	25	4	773	10	25	1	213	728	33	3
8 Seasonal credit	61	132	189	79	110	124	121	142	166	193
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	−478	253[r]	1,416	240	554	628[r]	1,268	−1,517	183	3
11 Other Federal Reserve assets	33,874	30,709	33,743	32,814	30,312	30,490	30,833	30,598	31,514	33,122
12 Gold stock	11,048	11,049	11,047	11,048	11,048	11,049	11,048	11,048	11,048	11,049
13 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	25,790[r]	25,794[r]	25,850	25,791[r]	25,792[r]	25,793[r]	25,794	25,808	25,822	25,836
ABSORBING RESERVE FUNDS										
15 Currency in circulation	476,739[r]	480,726[r]	483,865	479,204[r]	479,848[r]	482,201[r]	482,129	482,577	482,355	482,065
16 Treasury cash holdings	275	226	204	248	238	226	226	207	204	204
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	28,014	5,693	18,140	5,127	4,697	5,013	5,211	5,087	8,273	22,464
18 Foreign	162	156	201	155	174	179	162	152	176	154
19 Service-related balances and adjustments	6,751	6,674	7,018	6,644	6,782	6,738	6,674	6,587	6,759	6,958
20 Other	360	309	296	373	371	311	334	346	326	325
21 Other Federal Reserve liabilities and capital	16,894	16,743	17,073	16,168	16,251	16,294	16,454	16,656	16,709	16,667
22 Reserve balances with Federal Reserve Banks[4]	9,885	11,371[r]	16,269	9,457	16,044	9,516[r]	14,945	4,185	13,794	5,291

1. Amounts of cash held as reserves are shown in table 1.12, line 2.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities.
4. Excludes required clearing balances and adjustments to compensate for float.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1995	1996	1997	1997	1998					
	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 Reserve balances with Reserve Banks[2]	20,440	13,395	10,673	10,673	9,733	9,394	10,140	11,053	9,646	9,669
2 Total vault cash[3]	42,281	44,525	44,707	44,707	47,336	43,167	41,598	41,214[r]	41,481[r]	42,634
3 Applied vault cash[4]	37,460	37,848	37,206	37,206	37,762	35,580	35,370	35,423	35,159[r]	35,428
4 Surplus vault cash[5]	4,821	6,678	7,500	7,500	9,574	7,587	6,228	5,791[r]	6,322	7,207
5 Total reserves[6]	57,900	51,243	47,880	47,880	47,495	44,974	45,509	46,475[r]	44,805[r]	45,097
6 Required reserves	56,622	49,819	46,196	46,196	45,714	43,450	44,193	45,131	43,655[r]	43,473
7 Excess reserve balances at Reserve Banks[7]	1,278	1,424	1,683	1,683	1,780	1,524	1,316[r]	1,345	1,150	1,623
8 Total borrowings at Reserve Banks[8]	257	155	324	324	210	58	41	72	153	251
9 Seasonal borrowings	40	68	79	79	18	12	22	41	94	159
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0
	Biweekly averages of daily figures for two week periods ending on dates indicated									
	1998									
	Feb. 25	Mar. 11	Mar. 25	Apr. 8	Apr. 22	May 6	May 20	June 3[r]	June 17	July 1
1 Reserve balances with Reserve Banks[2]	9,726	10,210	9,878	10,623	11,991	9,841	9,365	9,898	9,340	9,971
2 Total vault cash[3]	41,804	42,202	41,199	41,420	40,813[r]	41,711[r]	41,544[r]	41,276	43,591	41,918
3 Applied vault cash[4]	34,892	35,555	35,154	35,534[r]	35,185	35,727	35,066	34,969	35,867	35,061
4 Surplus vault cash[5]	6,912	6,647	6,046	5,886[r]	5,627[r]	5,984[r]	6,478[r]	6,306	7,724	6,857
5 Total reserves[6]	44,618	45,765	45,031	46,157[r]	47,176	45,568	44,430	44,867	45,206	45,032
6 Required reserves	43,132	44,209	43,893	44,865	45,736	44,339	43,409	43,597	43,676	43,227
7 Excess reserve balances at Reserve Banks[7]	1,485	1,556	1,138	1,291[r]	1,441	1,230	1,022	1,270	1,530	1,805
8 Total borrowings at Reserve Banks[8]	59	19	34	101	51	81	165	178	236	285
9 Seasonal borrowings	13	17	23	30	37	61	85	123	145	184
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover. Data are not break-adjusted or seasonally adjusted.

2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.

3. Total "lagged" vault cash held by depository institutions subject to reserve requirements. Dates refer to the maintenance periods during which the vault cash may be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.

4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.

5. Total vault cash (line 2) less applied vault cash (line 3).

6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).

7. Total reserves (line 5) less required reserves (line 6).

8. Also includes adjustment credit.

9. Consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit[1]			Seasonal credit[2]			Extended credit[3]		
	On 8/7/98	Effective date	Previous rate	On 8/7/98	Effective date	Previous rate	On 8/7/98	Effective date	Previous rate
Boston	5.00	2/1/96	5.25	5.55	7/30/98	5.55	6.05	7/30/98	6.05
New York	↑	1/31/96	↑	↑	↑	↑	↑	↑	↑
Philadelphia		1/31/96							
Cleveland		1/31/96							
Richmond		2/1/96							
Atlanta		1/31/96							
Chicago		2/1/96							
St. Louis		2/5/96							
Minneapolis		1/31/96							
Kansas City		2/1/96							
Dallas	↓	1/31/96	↓	↓	↓	↓	↓	↓	↓
San Francisco	5.00	1/31/96	5.25	5.55	7/30/98	5.55	6.05	7/30/98	6.05

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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6.5	6.5
20	6.5	6.5
May 11	6.5–7	7
12	7	7
July 3	7–7.25	7.25
10	7.25	7.25
Aug. 21	7.75	7.75
Sept. 22	8	8
Oct. 16	8–8.5	8.5
20	8.5	8.5
Nov. 1	8.5–9.5	9.5
3	9.5	9.5
1979—July 20	10	10
Aug. 17	10–10.5	10.5
20	10.5	10.5
Sept. 19	10.5–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
1981—May 5	13–14	14
8	14	14

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1981—Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11.5–12	11.5
23	11.5	11.5
Aug. 2	11–11.5	11
3	11	11
16	10.5	10.5
27	10–10.5	10
30	10	10
Oct. 12	9.5–10	9.5
13	9.5	9.5
Nov. 22	9–9.5	9
26	9	9
Dec. 14	8.5–9	9
15	8.5–9	8.5
17	8.5	8.5
1984—Apr. 9	8.5–9	9
13	9	9
Nov. 21	8.5–9	8.5
26	8.5	8.5
Dec. 24	8	8
1985—May 20	7.5–8	7.5
24	7.5	7.5
1986—Mar. 7	7–7.5	7
10	7	7
Apr. 21	6.5–7	6.5
23	6.5	6.5
July 11	6	6
Aug. 21	5.5–6	5.5
22	5.5	5.5
1987—Sept. 4	5.5–6	6
11	6	6

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1988—Aug. 9	6–6.5	6.5
11	6.5	6.5
1989—Feb. 24	6.5–7	7
27	7	7
1990—Dec. 19	6.5	6.5
1991—Feb. 1	6–6.5	6
4	6	6
Apr. 30	5.5–6	5.5
May 2	5.5	5.5
Sept. 13	5–5.5	5
17	5	5
Nov. 6	4.5–5	4.5
7	4.5	4.5
Dec. 20	3.5–4.5	3.5
24	3.5	3.5
1992—July 2	3–3.5	3
7	3	3
1994—May 17	3–3.5	3.5
18	3.5	3.5
Aug. 16	3.5–4	4
18	4	4
Nov. 15	4–4.75	4.75
17	4.75	4.75
1995—Feb. 1	4.75–5.25	5.25
9	5.25	5.25
1996—Jan. 31	5.00–5.25	5.00
Feb. 5	5.00	5.00
In effect Aug. 7, 1998	5.00	5.00

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

2. Available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intrayearly movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates charged by market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period; however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

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

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment-credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. A surcharge of 2 percent was reimposed on Nov. 17, 1980; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981, the formula for applying the surcharge was changed from a calendar quarter to a moving thirteen-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Type of deposit	Requirement	
	Percentage of deposits	Effective date
Net transaction accounts[2]		
1 $0 million–$47.8 million[3]	3	1/1/98
2 More than $47.8 million[4]	10	1/1/98
3 Nonpersonal time deposits[5]	0	12/27/90
4 Eurocurrency liabilities[6]	0	12/27/90

1. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmember institutions may maintain reserve balances with a Federal Reserve Bank indirectly, on a pass-through basis, with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* or the *Federal Reserve Bulletin.* Under the Monetary Control Act of 1980, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. Transaction accounts include all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, or telephone or preauthorized transfers for the purpose of making payments to third persons or others. However, accounts subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month (of which no more than three may be by check, draft, debit card, or similar order payable directly to third parties) are savings deposits, not transaction accounts.

3. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 of each year. Effective with the reserve maintenance period beginning January 1, 1998, for depository institutions that report weekly, and with the period beginning January 15, 1998, for institutions that report quarterly, the amount was decreased from $49.3 million to $47.8 million.

Under the Garn–St Germain Depository Institutions Act of 1982, the Board adjusts the amount of reservable liabilities subject to a zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is made in the event of a decrease. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement. Effective with the reserve maintenance period beginning January 1, 1998, for depository institutions that report weekly, and with the period beginning January 15, 1998, for institutions that report quarterly, the exemption was raised from $4.4 million to $4.7 million.

4. The reserve requirement was reduced from 12 percent to 10 percent on Apr. 2, 1992, for institutions that report weekly, and on Apr. 16, 1992, for institutions that report quarterly.

5. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to 1½ percent for the maintenance period that began Dec. 13, 1990, and to zero for the maintenance period that began Dec. 27, 1990. For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan. 17, 1991.

The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

	Type of transaction and maturity	1995	1996	1997	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.	1998 Apr.	1998 May
	U.S. TREASURY SECURITIES[2]										
	Outright transactions (excluding matched transactions)										
	Treasury bills										
1	Gross purchases	10,932	9,901	9,147	0	4,545	0	0	0	3,550	0
2	Gross sales	0	0	0	0	0	0	0	0	0	0
3	Exchanges	405,296	426,928	436,257[r]	33,485	32,575[r]	41,731	35,495[r]	34,025[r]	46,802[r]	35,190
4	For new bills	405,296	426,928	435,907[r]	33,485	32,575[r]	41,731	35,495[r]	34,025[r]	46,802[r]	35,190
5	Redemptions	900	0	0	0	0	2,000	0	0	0	0
	Others within one year										
6	Gross purchases	390	524	5,549[r]	1,462	1,947	0	0	0	1,369	0
7	Gross sales	0	0	0	0	0	0	0	0	0	0
8	Maturity shifts	43,574	30,512	41,716[r]	5,220[r]	1,548[r]	3,447	6,098	1,964	4,369	6,951
9	Exchanges	−35,407	−41,394	−27,499	−4,126	−2,329	−400	−6,128	−5,736	−2,601	−4,990
10	Redemptions	1,776	2,015	1,996	0	0	478	0	0	286	0
	One to five years										
11	Gross purchases	5,366	3,898	19,680[r]	3,323	4,471	0	0	3,763	2,993	0
12	Gross sales	0	0	0	0	0	0	0	0	0	0
13	Maturity shifts	−34,646	−25,022	−37,987[r]	−4,872[r]	−1,548[r]	−3,447	−3,213	−1,964	−4,369	−6,620
14	Exchanges	26,387	31,459	20,274	1,651	2,329	0	3,383	5,736	2,201	2,270
	Five to ten years										
15	Gross purchases	1,432	1,116	3,849[r]	535[r]	613	0	0	283	495	0
16	Gross sales	0	0	0	0	0	0	0	0	0	0
17	Maturity shifts	−3,093	−5,469	−1,954	31	0	0	−2,884	0	0	−331
18	Exchanges	7,220	6,666	5,215	1,295	0	400	1,420	0	0	2,720
	More than ten years										
19	Gross purchases	2,529	1,655	5,897[r]	904[r]	1,214	0	0	743	0	0
20	Gross sales	0	0	0	0	0	0	0	0	0	0
21	Maturity shifts	−2,253	−20	−1,775	−379	0	0	0	0	0	0
22	Exchanges	1,800	3,270	2,360	1,180	0	0	1,325	0	400	0
	All maturities										
23	Gross purchases	20,649	17,094	44,122	6,224	12,790	0	0	4,789	8,407	0
24	Gross sales	0	0	0	0	0	0	0	0	0	0
25	Redemptions	2,676	2,015	1,996	0	0	2,478	0	0	286	0
	Matched transactions										
26	Gross purchases	2,197,736	3,092,399	3,577,954[r]	272,474	353,726	332,581	326,812	364,307	354,756[r]	367,934
27	Gross sales	2,202,030	3,094,769	3,580,274[r]	269,586	355,668	332,795	326,245	364,537	354,741[r]	368,281
	Repurchase agreements										
28	Gross purchases	331,694	457,568	810,485	73,618	97,932	45,544	33,428	40,211	59,548	7,722
29	Gross sales	328,497	450,359	809,268	73,064	87,160	65,932	30,583	37,010	50,663	20,456
30	Net change in U.S. Treasury securities	16,875	19,919	41,022	9,666	21,620	−23,079	3,412	7,760	17,021	−13,081
	FEDERAL AGENCY OBLIGATIONS										
	Outright transactions										
31	Gross purchases	0	0	0	0	0	0	0	0	0	0
32	Gross sales	0	0	0	0	0	0	0	0	0	0
33	Redemptions	1,003	409	1,540	26	0	0	10	50	74	0
	Repurchase agreements										
34	Gross purchases	36,851	75,354	160,409	23,054	20,056	12,488	9,615	17,685	13,547	1,575
35	Gross sales	36,776	74,842	159,369	20,976	21,186	13,872	8,776	18,342	13,042	3,300
36	Net change in federal agency obligations	−928	103	−500	2,052	−1,130	−1,384	829	−707	431	−1,725
37	**Total net change in System Open Market Account**	**15,948**	**20,021**	**40,522**	**11,718**	**20,490**	**−24,463**	**4,241**	**7,053**	**17,452**	**−14,806**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

2. Transactions exclude changes in compensation for the effects of inflation on the principal of inflation-indexed securities.

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

Millions of dollars

Account	Wednesday 1998 May 27	June 3	June 10	June 17	June 24	End of month 1998 Apr. 30	May 31	June 30
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,049	11,048	11,048	11,048	11,049	11,048	11,049	11,047
2 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
3 Coin	404	383	398	407	411	463	407	392
Loans								
4 To depository institutions	125	334	870	199	196	86	136	963
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	551	551	551	551	551	551	551	526
8 Held under repurchase agreements	0	1,330	0	1,237	1,180	1,955	230	1,865
9 **Total U.S. Treasury securities**	**442,643**	**445,776**	**439,240**	**448,842**	**452,990**	**457,053**	**443,977**	**458,454**
10 Bought outright[2]	442,643	441,582	439,240	442,164	441,495	441,322	440,980	439,773
11 Bills	200,140	199,078	196,734	199,657	198,987	198,823	198,476	197,264
12 Notes	180,590	180,590	180,591	180,592	180,593	180,586	180,590	180,594
13 Bonds	61,914	61,914	61,914	61,914	61,915	61,913	61,914	61,915
14 Held under repurchase agreements	0	4,194	0	6,678	11,495	15,731	2,997	18,681
15 **Total loans and securities**	**443,319**	**447,991**	**440,661**	**450,829**	**454,916**	**459,645**	**444,893**	**461,807**
16 Items in process of collection	10,106	8,708	6,924	8,361	6,396	4,997	5,165	10,126
17 Bank premises	1,287	1,286	1,293	1,293	1,291	1,284	1,287	1,290
Other assets								
18 Denominated in foreign currencies[3]	17,164	17,001	17,010	17,018	17,443	17,132	16,995	17,366
19 All other[4]	11,979	12,472	12,271	13,167	14,432	15,417	12,356	15,126
20 **Total assets**	**504,508**	**508,090**	**498,803**	**511,324**	**515,138**	**519,187**	**501,352**	**526,355**
LIABILITIES								
21 Federal Reserve notes	457,038	456,944	457,373	457,144	456,844	451,687	455,565	458,610
22 **Total deposits**	**22,159**	**27,227**	**18,446**	**30,568**	**35,603**	**45,106**	**24,112**	**42,287**
23 Depository institutions	16,656	21,520	12,860	21,793	12,660	16,570	17,954	23,651
24 U.S. Treasury—General account	5,013	5,211	5,087	8,273	22,464	28,014	5,693	18,140
25 Foreign—Official accounts	179	162	152	176	154	162	156	201
26 Other	311	334	346	326	325	360	309	296
27 Deferred credit items	9,016	7,465	6,328	6,903	6,025	5,500	4,931	8,385
28 Other liabilities and accrued dividends[5]	4,639	4,907	4,821	4,802	4,741	5,155	4,993	4,850
29 **Total liabilities**	**492,853**	**496,542**	**486,968**	**499,417**	**503,212**	**507,449**	**489,602**	**514,132**
CAPITAL ACCOUNTS								
30 Capital paid in	5,720	5,726	5,789	5,786	5,789	5,475	5,721	5,791
31 Surplus	5,220	5,220	5,220	5,220	5,220	5,220	5,218	5,220
32 Other capital accounts	714	601	826	900	916	1,043	811	1,212
33 **Total liabilities and capital accounts**	**504,508**	**508,090**	**498,803**	**511,324**	**515,138**	**519,187**	**501,352**	**526,355**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	606,305	603,316	603,167	595,350	595,723	604,758	606,393	600,373
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	565,846	567,000	567,057	567,083	567,476	560,384	566,773	567,155
36 LESS: Held by Federal Reserve Banks	108,807	110,056	109,683	109,940	110,633	108,697	111,209	108,545
37 Federal Reserve notes, net	457,038	456,944	457,373	457,144	456,844	451,687	455,565	458,610
Collateral held against notes, net								
38 Gold certificate account	11,049	11,048	11,048	11,048	11,049	11,048	11,049	11,047
39 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	436,790	436,696	437,126	436,896	436,594	431,438	435,316	438,363
42 **Total collateral**	**457,038**	**456,944**	**457,373**	**457,144**	**456,844**	**451,687**	**455,565**	**458,610**

1. Some of the data in this table also appear in the Board's H.4.1 (503) weekly statistical release. For ordering address, see inside front cover.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities. Excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1998					1998		
	May 27	June 3	June 10	June 17	June 24	Apr. 30	May 31	June 30
1 **Total loans**	**125**	**334**	**870**	**199**	**196**	**86**	**136**	**963**
2 Within fifteen days[1]	116	233	760	187	172	62	78	859
3. Sixteen days to ninety days	9	101	110	12	24	24	58	104
4 **Total U.S. Treasury securities[2]**	**442,643**	**445,776**	**439,240**	**448,842**	**452,990**	**457,364**	**443,976**	**458,634**
5 Within fifteen days[1]	16,211	11,955	7,655	18,465	26,209	21,350	5,745	27,389
6 Sixteen days to ninety days	96,740	98,531	95,934	94,535	97,168	91,141	102,385	93,433
7 Ninety-one days to one year	139,033	143,714	144,074	144,264	138,034	154,703	145,188	145,693
8 One year to five years	96,868	97,784	97,785	97,785	97,786	98,772	96,868	98,145
9 Five years to ten years	43,013	43,014	43,014	43,014	43,015	40,622	43,013	43,016
10 More than ten years	50,777	50,777	50,777	50,778	50,778	50,777	50,777	50,778
11 **Total federal agency obligations**	**551**	**1,881**	**551**	**1,788**	**1,731**	**2,209**	**781**	**2,391**
12 Within fifteen days[1]	0	1,330	0	1,262	1,205	1,658	230	1,865
13 Sixteen days to ninety days	50	75	75	98	98	0	75	98
14 Ninety-one days to one year	125	125	148	100	100	175	125	104
15 One year to five years	126	126	103	103	103	126	126	99
16 Five years to ten years	225	200	200	200	200	225	200	200
17 More than ten years	25	25	25	25	25	25	25	25

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

2. Includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities.

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

Billions of dollars, averages of daily figures

Item	1994 Dec.	1995 Dec.	1996 Dec.	1997 Dec.	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.	1998 Apr.	1998 May[r]	1998 June
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	59.41	56.40	50.08	46.67	46.31	46.67	46.50	45.72	46.05	45.96	45.59	45.39
2 Nonborrowed reserves[4]	59.20	56.14	49.93	46.35	46.16	46.35	46.29	45.66	46.01	45.89	45.44	45.14
3 Nonborrowed reserves plus extended credit[5]	59.20	56.14	49.93	46.35	46.16	46.35	46.29	45.66	46.01	45.89	45.44	45.14
4 Required reserves	58.24	55.12	48.66	44.99	44.69	44.99	44.72	44.20	44.73	44.61	44.44	43.77
5 Monetary base[6]	418.12	434.17	452.38	480.15	476.19	480.15	482.84[r]	484.23[r]	485.86[r]	487.20[r]	489.10	491.63
	Not seasonally adjusted											
6 Total reserves[7]	61.13	58.02	51.52	47.97	46.53	47.97	47.49	44.99	45.55	46.53	44.87	45.17
7 Nonborrowed reserves	60.92	57.76	51.37	47.65	46.38	47.65	47.28	44.94	45.50	46.45	44.71	44.92
8 Nonborrowed reserves plus extended credit[5]	60.92	57.76	51.37	47.65	46.38	47.65	47.28	44.94	45.50	46.45	44.71	44.92
9 Required reserves[8]	59.96	56.74	50.10	46.29	44.91	46.29	45.71	43.47	44.23	45.18	43.72	43.55
10 Monetary base[9]	422.51	439.03	456.72	485.11	476.62	485.11	484.41[r]	481.35[r]	484.00[r]	487.36[r]	488.28	491.18
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	61.34	57.90	51.24	47.88	46.45	47.88	47.50	44.97	45.51	46.48	44.81	45.10
12 Nonborrowed reserves	61.13	57.64	51.09	47.56	46.30	47.56	47.29	44.92	45.47	46.40	44.65	44.85
13 Nonborrowed reserves plus extended credit[5]	61.13	57.64	51.09	47.56	46.30	47.56	47.29	44.92	45.47	46.40	44.65	44.85
14 Required reserves	60.17	56.62	49.82	46.20	44.83	46.20	45.71	43.45	44.19	45.13	43.66	43.47
15 Monetary base[12]	427.25	444.45	463.49	491.92	483.50	491.92	491.61[r]	488.41[r]	490.96[r]	494.11[r]	494.95	497.93
16 Excess reserves[13]	1.17	1.28	1.42	1.68	1.62	1.68	1.78	1.52	1.32	1.35	1.15	1.62
17 Borrowings from the Federal Reserve	.21	.26	.16	.32	.15	.32	.21	.06	.04	.07	.15	.25

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data starting in 1959 and estimates of the effect on required reserves of changes in reserve requirements are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.10.)

3. Seasonally adjusted, break-adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).

4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).

5. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

6. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).

8. To adjust required reserves for discontinuities that are due to regulatory changes in reserve requirements, a multiplicative procedure is used to estimate what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves include required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).

9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with regulatory changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since the introduction of contemporaneous reserve requirements in February 1984, currency and vault cash figures have been measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

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

Billions of dollars, averages of daily figures

Item	1994 Dec.	1995 Dec	1996 Dec.	1997 Dec.	1998 Mar.	1998 Apr.	1998 May	1998 June
				Seasonally adjusted				
Measures[2]								
1 M1	1,150.7	1,128.7	1,082.8	1,076.0	1,081.1	1,080.8	1,078.0[r]	1,075.0
2 M2	3,503.0	3,651.2	3,826.1	4,045.8	4,132.3	4,164.9[r]	4,174.5[r]	4,193.0
3 M3	4,333.6	4,595.6	4,931.1	5,374.9	5,527.1[r]	5,574.3[r]	5,602.4[r]	5,627.1
4 L	5,315.8	5,702.2	6,083.6[r]	6,609.4	6,808.2[r]	6,825.6[r]	6,835.1	n.a.
5 Debt	13,003.1	13,702.3	14,432.2	15,170.7	15,413.9[r]	15,477.3[r]	15,532.0	n.a.
M1 components								
6 Currency[3]	354.3	372.4	394.9	425.5	432.4	433.7	435.5[r]	438.2
7 Travelers checks[4]	8.5	8.9	8.6	8.2	8.1	8.0	8.0	7.8
8 Demand deposits[5]	384.0	391.0	403.6	397.1	391.2	388.6	388.0	383.4
9 Other checkable deposits[6]	403.9	356.4	275.9	245.2	249.5	250.5	246.4[r]	245.6
Nontransaction components								
10 In M2[7]	2,352.3	2,522.6	2,743.2	2,969.7	3,051.2	3,084.1	3,096.5	3,118.0
11 In M3 only[8]	830.6	944.4	1,105.0	1,329.1	1,394.9[r]	1,409.4[r]	1,427.9[r]	1,434.1
Commercial banks								
12 Savings deposits, including MMDAs	752.6	775.0	904.8	1,020.9	1,055.2	1,078.0	1,078.2	1,088.3
13 Small time deposits[9]	503.2	575.8	594.5	625.7	626.2	626.4[r]	624.4	624.0
14 Large time deposits[10, 11]	298.7	345.4	413.2	487.5	524.2	521.1[r]	524.3[r]	526.6
Thrift institutions								
15 Savings deposits, including MMDAs	397.3	359.7	366.9	376.6	386.6	390.0	395.3	396.6
16 Small time deposits[9]	314.2	357.2	354.3	343.9	342.9	339.8	338.1	337.2
17 Large time deposits[10]	64.7	74.2	78.0	85.4	87.2	88.2	86.9	88.1
Money market mutual funds								
18 Retail	385.0	454.9	522.8	602.6	640.3	649.9	660.6	672.0
19 Institution-only	203.1	253.9	310.3	376.2	391.9	408.8	422.0	432.1
Repurchase agreements and Eurodollars								
20 Repurchase agreements[12]	183.3	182.4	194.2	234.8	257.6	257.4[r]	258.8[r]	251.3
21 Eurodollars[12]	80.8	88.6	109.2	145.3[r]	133.9[r]	133.9[r]	135.9[r]	136.0
Debt components								
22 Federal debt	3,492.4	3,638.9	3,780.6	3,798.4	3,797.3	3,788.9	3,770.8	n.a.
23 Nonfederal debt	9,510.7	10,063.4	10,651.6	11,372.3	11,616.7[r]	11,688.5[r]	11,761.1	n.a.
				Not seasonally adjusted				
Measures[2]								
24 M1	1,174.4	1,152.4	1,104.9	1,097.6	1,074.6	1,086.1[r]	1,068.6[r]	1,074.2
25 M2	3,523.4	3,672.0	3,845.4	4,064.7	4,143.4[r]	4,185.6[r]	4,153.9[r]	4,188.1
26 M3	4,353.2	4,615.2	4,948.9	5,392.1	5,545.8[r]	5,588.9[r]	5,580.3[r]	5,617.1
27 L	5,344.6	5,732.7	6,111.6[r]	6,634.9	6,830.5[r]	6,846.9[r]	6,813.0	n.a.
28 Debt	13,004.5	13,702.5	14,431.0	15,168.8	15,391.2[r]	15,450.8[r]	15,494.5	n.a.
M1 components								
29 Currency[3]	357.5	376.2	397.9	429.0	431.4[r]	433.7	436.1[r]	438.3
30 Travelers checks[4]	8.1	8.5	8.3	7.9	7.9	7.9	7.9	8.0
31 Demand deposits[5]	400.3	407.2	419.9	413.0	385.4	388.7	380.3	382.8
32 Other checkable deposits[6]	408.6	360.5	278.8	247.7	249.9	255.9	244.4	245.2
Nontransaction components								
33 In M2[7]	2,349.0	2,519.6	2,740.5	2,967.1	3,068.8[r]	3,099.5	3,085.3	3,113.9
34 In M3 only[8]	829.7	943.2	1,103.5	1,327.4	1,402.3[r]	1,403.2[r]	1,426.5[r]	1,429.0
Commercial banks								
35 Savings deposits, including MMDAs	751.7	774.1	903.3	1,019.0	1,060.2	1,083.3	1,076.7	1,091.5
36 Small time deposits[9]	501.5	573.8	592.7	624.1	626.6	627.2	625.0	624.4
37 Large time deposits[10, 11]	298.9	345.8	413.6	487.9	522.9	517.6[r]	525.5[r]	525.5
Thrift institutions								
38 Savings deposits, including MMDAs	396.8	359.2	366.4	375.9	388.4	391.9	394.7	397.7
39 Small time deposits[9]	313.2	355.9	353.2	343.0	343.1	340.2	338.5	337.4
40 Large time deposits[10]	64.8	74.3	78.1	85.4	87.0	87.6	87.2[r]	88.0
Money market mutual funds								
41 Retail	385.9	456.4	524.8	605.1	650.5	656.9	650.4	662.9
42 Institution-only	204.6	255.8	312.7	378.9	400.2	405.8	414.1	424.5
Repurchase agreements and Eurodollars								
43 Repurchase agreements[12]	179.6	178.0	188.8	228.2	256.5	257.8[r]	262.8[r]	256.4
44 Eurodollars[12]	81.8	89.4	110.3	146.9	135.8[r]	134.4[r]	136.9[r]	134.5
Debt components								
45 Federal debt	3,499.0	3,645.9	3,787.9	3,805.8	3,820.7	3,800.5	3,765.9	n.a.
46 Nonfederal debt	9,505.5	10,056.6	10,643.1	11,363.1	11,570.5[r]	11,650.3[r]	11,728.6	n.a.

Footnotes appear on following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data starting in 1959 are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

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

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

M2: M1 plus (1) savings deposits (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than $50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of $100,000 or more) issued by all depository institutions, (2) balances in institutional money funds (money funds with minimum initial investments of $50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

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

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

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

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

7. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances.

8. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees.

9. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRAs and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.

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

11. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

12. Includes both overnight and term.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]

A. All commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1997	1997[r]	1998[r]						1998			
	June	Dec.	Jan.	Feb.	Mar.	Apr	May	June	June 3	June 10	June 17	June 24
	Seasonally adjusted											
Assets												
1 Bank credit	3,923.3[r]	4,094.0	4,148.8	4,179.5	4,218.5	4,214.2	4,241.2	4,253.7	4,249.2	4,243.9	4,251.2	4,258.5
2 Securities in bank credit	1,007.9[r]	1,082.6	1,104.4	1,108.5	1,126.8	1,106.7	1,121.8	1,115.1	1,123.6	1,115.2	1,108.3	1,113.5
3 U.S. government securities	716.9[r]	747.0	760.6	768.0	779.7	763.2	769.9	752.9	769.7	754.5	742.3	747.2
4 Other securities	291.0[r]	335.6	343.8	340.5	347.1	343.5	351.9	362.1	353.9	360.7	366.0	366.3
5 Loans and leases in bank credit[2]	2,915.4[r]	3,011.4	3,044.3	3,071.0	3,091.7	3,107.5	3,119.4	3,138.6	3,125.7	3,128.7	3,142.9	3,145.1
6 Commercial and industrial	817.2	851.6	861.7	869.1	871.0	869.8	878.5	890.7	884.7	887.5	892.4	891.2
7 Real estate	1,189.9	1,230.2	1,233.4	1,247.6	1,259.8	1,266.9	1,268.5	1,270.5	1,271.0	1,267.9	1,271.5	1,271.2
8 Revolving home equity	92.3	97.6	98.0	98.2	98.3	98.5	98.1	97.6	97.6	97.6	97.7	97.7
9 Other	1,097.6	1,132.6	1,135.4	1,149.5	1,161.5	1,168.4	1,170.3	1,172.8	1,173.3	1,170.2	1,173.8	1,173.5
10 Consumer	518.2[r]	507.9	505.1	503.4	502.7	505.1	505.2	500.1	504.0	502.0	502.0	501.1
11 Security[3]	92.7	96.7	116.2	117.9	116.9	115.2	119.9	126.2	119.2	123.1	127.2	130.8
12 Other loans and leases	297.5[r]	325.0	327.8	333.0	341.3	350.5	347.3	351.2	346.8	348.2	349.9	350.8
13 Interbank loans	190.8[r]	209.4	201.3	199.8	216.7	213.3	202.0	218.0	206.7	215.6	207.4	219.3
14 Cash assets[4]	249.7	263.1	265.4	269.1	281.0	274.2	256.0	256.0	238.6	259.7	254.2	257.1
15 Other assets[5]	288.0	295.2	291.4	294.5	291.9	306.8	313.8	314.2	310.5	319.1	310.4	314.0
16 **Total assets[6]**	**4,595.1[r]**	**4,805.0**	**4,850.2**	**4,886.2**	**4,951.2**	**4,951.1**	**4,955.5**	**4,984.4**	**4,947.6**	**4,980.8**	**4,965.7**	**4,991.4**
Liabilities												
17 Deposits	2,974.1	3,109.3	3,114.8	3,151.4	3,190.8	3,203.7	3,199.1	3,220.4	3,205.6	3,226.3	3,214.4	3,217.1
18 Transaction	693.9	686.8	678.4	684.9	695.7	693.5	684.3	684.4	661.2	684.5	676.9	692.9
19 Nontransaction	2,280.2	2,422.5	2,436.4	2,466.5	2,495.2	2,510.2	2,514.8	2,536.0	2,544.4	2,541.8	2,537.5	2,524.3
20 Large time	580.5	634.9	644.3	660.5	674.9	672.6	674.7	683.6	684.6	688.2	689.5	683.5
21 Other	1,699.8	1,787.6	1,792.1	1,806.0	1,820.3	1,837.6	1,840.1	1,852.4	1,859.9	1,853.7	1,848.0	1,840.8
22 Borrowings	740.9	818.6	828.9	829.2	859.9	874.1	867.4	866.1	863.3	861.2	867.0	858.7
23 From banks in the U.S.	283.9	304.1	291.2	292.3	307.1	307.4	286.1	294.5	291.3	300.4	291.4	278.1
24 From others	457.0	514.6	537.7	536.9	552.8	566.7	581.3	571.6	572.0	560.8	575.6	580.5
25 Net due to related foreign offices	217.5	194.9	230.6	223.0	201.4	175.5	168.0	164.8	162.0	162.4	157.1	167.4
26 Other liabilities	271.1	280.1	293.7	296.8	290.7	289.6	295.8	303.4	296.3	309.8	296.2	300.7
27 **Total liabilities**	**4,203.6**	**4,402.9**	**4,468.0**	**4,500.4**	**4,542.8**	**4,542.9**	**4,530.3**	**4,554.7**	**4,527.3**	**4,559.7**	**4,534.8**	**4,543.8**
28 Residual (assets less liabilities)[7]	391.5[r]	402.1	382.2	385.9	408.4	408.2	425.2	429.7	420.3	421.1	430.9	447.6
	Not seasonally adjusted											
Assets												
29 Bank credit	3,924.9[r]	4,103.8	4,156.0	4,176.9	4,208.9	4,218.8	4,236.0	4,255.0	4,257.8	4,247.8	4,252.4	4,247.4
30 Securities in bank credit	1,011.3	1,077.8	1,104.9	1,111.9	1,128.2	1,117.4	1,126.4	1,117.9	1,133.2	1,123.5	1,108.3	1,111.7
31 U.S. government securities	719.3[r]	745.0	757.3	766.9	783.0	771.6	774.4	755.3	776.8	760.6	744.1	747.4
32 Other securities	292.0[r]	332.8	347.6	345.0	345.1	345.8	352.0	362.6	356.4	362.9	364.2	364.4
33 Loans and leases in bank credit[2]	2,913.6[r]	3,026.1	3,051.1	3,064.9	3,080.8	3,101.4	3,109.6	3,137.1	3,124.6	3,124.3	3,144.1	3,135.6
34 Commercial and industrial	819.6	849.9	859.4	869.0	874.5	877.3	884.0	893.4	889.7	888.1	895.4	892.9
35 Real estate	1,187.6	1,233.6	1,233.5	1,242.3	1,253.3	1,260.5	1,262.2	1,268.0	1,267.2	1,267.0	1,267.5	1,267.0
36 Revolving home equity	92.0	97.9	98.3	97.7	97.3	97.6	97.8	97.3	97.2	97.1	97.3	97.6
37 Other	1,095.6	1,135.7	1,135.3	1,144.6	1,156.0	1,162.8	1,164.4	1,170.7	1,170.0	1,169.9	1,170.2	1,169.5
38 Consumer	515.3[r]	514.2	511.9	502.9	496.2	500.1	499.9	497.3	499.8	498.2	499.1	499.3
39 Security[3]	92.8	99.3	116.4	119.4	117.7	116.8	119.5	126.2	118.6	124.1	130.8	127.8
40 Other loans and leases	298.3[r]	329.1	329.9	331.3	339.0	346.8	344.0	352.3	349.3	346.9	351.3	348.7
41 Interbank loans	188.2[r]	218.8	208.1	202.8	216.2	216.1	197.6	214.8	209.6	215.2	206.9	204.6
42 Cash assets[4]	244.8	282.2	276.4	269.3	269.4	269.5	251.6	250.9	252.9	240.4	255.5	236.3
43 Other assets[5]	286.4	295.6	289.9	295.6	291.8	304.8	313.3	312.5	312.0	316.6	307.8	309.7
44 **Total assets[6]**	**4,587.6**	**4,843.7**	**4,874.1**	**4,888.0**	**4,929.5**	**4,952.1**	**4,941.1**	**4,975.7**	**4,974.7**	**4,962.4**	**4,965.1**	**4,940.5**
Liabilities												
45 Deposits	2,966.0	3,141.7	3,120.9	3,138.7	3,181.6	3,203.1	3,182.7	3,212.4	3,228.2	3,220.0	3,216.7	3,164.8
46 Transaction	688.4	721.0	690.4	678.2	683.4	698.7	672.6	679.4	678.2	669.1	681.6	655.3
47 Nontransaction	2,277.5	2,420.6	2,430.5	2,460.4	2,498.3	2,504.5	2,510.1	2,533.0	2,550.0	2,550.9	2,535.2	2,509.4
48 Large time	578.5	639.4	642.6	659.5	672.4	667.1	675.0	681.3	685.8	689.9	687.0	680.0
49 Other	1,699.0	1,781.3	1,787.9	1,801.0	1,825.9	1,837.4	1,835.2	1,851.7	1,864.2	1,861.1	1,848.2	1,829.4
50 Borrowings	748.3	816.6	835.3	829.8	851.8	874.1	872.9	873.4	866.2	847.8	875.5	882.7
51 From banks in the U.S.	286.5	307.9	294.7	293.2	304.7	306.7	287.2	296.4	291.8	295.2	293.6	285.5
52 From others	461.8	508.8	540.6	536.5	547.1	567.4	585.7	577.0	574.4	552.5	582.0	597.2
53 Net due to related foreign offices	219.9	193.6	231.0	221.1	199.7	174.8	178.4	172.3	171.6	168.6	162.4	178.7
54 Other liabilities	270.1	281.0	293.8	298.0	290.9	288.8	295.2	302.5	295.6	309.2	295.0	299.6
55 **Total liabilities**	**4,204.3**	**4,433.0**	**4,481.0**	**4,487.5**	**4,524.1**	**4,540.8**	**4,529.3**	**4,560.7**	**4,561.6**	**4,545.6**	**4,549.7**	**4,525.7**
56 Residual (assets less liabilities)[7]	383.3	410.7	393.1	400.5	405.5	411.3	411.9	415.0	413.1	416.8	415.5	414.7
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	77.9	82.4	93.1	87.5	87.2	83.3	85.3	92.1	88.4	94.3	90.9	91.3
58 Revaluation losses on off-balance-sheet items[8]	80.9	85.7	95.6	89.8	89.3	84.4	84.8	90.4	87.1	93.0	87.6	90.8

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

B. Domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1997	1997[r]	1998[r]						1998			
	June	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	June 3	June 10	June 17	June 24
	Seasonally adjusted											
Assets												
1 Bank credit	3,392.2[r]	3,550.0	3,580.1	3,610.9	3,652.5	3,656.4	3,676.9	3,685.8	3,684.8	3,681.8	3,686.7	3,686.7
2 Securities in bank credit	841.1	895.5	911.3	915.5	929.5	915.1	927.7	919.3	927.0	923.3	916.2	915.5
3 U.S. government securities	633.7	670.5	679.1	684.0	691.9	675.0	681.6	666.1	679.3	670.8	661.3	660.8
4 Other securities	207.5	224.9	232.2	231.6	237.6	240.1	246.2	253.2	247.7	252.5	255.0	254.7
5 Loans and leases in bank credit[2]	2,551.0[r]	2,654.6	2,668.8	2,695.3	2,723.0	2,741.3	2,749.2	2,766.4	2,757.8	2,758.5	2,770.5	2,771.2
6 Commercial and industrial	595.8	630.3	638.5	646.6	650.7	655.5	665.0	675.3	670.8	673.4	676.4	675.9
7 Real estate	1,160.0	1,204.3	1,206.9	1,221.7	1,235.2	1,243.3	1,245.4	1,247.6	1,248.1	1,245.0	1,248.6	1,248.2
8 Revolving home equity	92.3	97.6	98.0	98.2	98.3	98.5	98.1	97.6	97.6	97.6	97.7	97.7
9 Other	1,067.8	1,106.6	1,108.9	1,123.6	1,136.9	1,144.7	1,147.3	1,150.0	1,150.4	1,147.3	1,150.9	1,150.5
10 Consumer	518.2[r]	507.9	505.1	503.4	502.7	505.1	505.2	500.1	504.0	502.0	502.0	501.1
11 Security[3]	47.2	53.0	61.4	63.1	67.9	63.6	61.8	67.6	62.0	62.7	67.5	72.3
12 Other loans and leases	229.8[r]	259.1	256.8	260.5	266.5	273.9	271.9	275.9	273.0	275.4	276.0	273.8
13 Interbank loans	172.0[r]	178.1	173.2	175.0	195.8	192.4	181.2	194.7	184.7	188.7	184.9	198.5
14 Cash assets[4]	214.7	229.5	232.5	236.5	246.9	238.9	221.5	220.9	204.3	224.6	219.8	222.8
15 Other assets[5]	246.3	253.0	251.1	252.3	249.3	264.0	272.0	273.8	269.2	276.7	271.6	273.4
16 **Total assets[6]**	**3,968.7[r]**	**4,154.1**	**4,180.6**	**4,218.2**	**4,287.8**	**4,294.6**	**4,294.2**	**4,317.9**	**4,285.8**	**4,314.6**	**4,305.7**	**4,324.1**
Liabilities												
17 Deposits	2,721.9	2,836.8	2,841.3	2,866.6	2,901.9	2,911.3	2,904.8	2,918.3	2,904.1	2,920.9	2,909.5	2,916.0
18 Transaction	683.4	677.0	668.2	674.8	685.1	682.4	673.8	673.6	651.4	674.7	667.0	682.8
19 Nontransaction	2,038.6	2,159.8	2,173.1	2,191.9	2,216.8	2,228.9	2,231.0	2,244.7	2,252.7	2,246.2	2,242.5	2,233.2
20 Large time	339.9	375.0	382.8	387.7	398.3	392.2	390.9	391.6	391.9	391.6	393.6	391.6
21 Other	1,698.7	1,784.8	1,790.3	1,804.2	1,818.6	1,836.7	1,840.1	1,853.1	1,860.8	1,854.6	1,849.0	1,841.6
22 Borrowings	597.6	669.1	679.2	684.3	705.8	705.0	699.0	692.6	694.6	695.4	694.1	686.5
23 From banks in the U.S.	252.0	278.3	267.7	269.7	281.3	280.8	262.3	262.4	263.3	271.6	259.6	248.9
24 From others	345.6	390.9	411.4	414.7	424.5	424.1	436.8	430.2	431.4	423.7	434.5	437.6
25 Net due to related foreign offices	75.8	73.2	91.0	88.3	82.9	77.2	70.9	71.7	65.1	66.7	69.4	75.4
26 Other liabilities	179.6	184.6	197.5	199.4	196.7	199.4	202.3	208.7	202.2	213.0	204.7	207.4
27 **Total liabilities**	**3,575.0**	**3,763.7**	**3,809.0**	**3,838.7**	**3,887.4**	**3,892.9**	**3,877.0**	**3,891.3**	**3,866.0**	**3,895.9**	**3,877.7**	**3,885.3**
28 Residual (assets less liabilities)[7]	393.7[r]	390.4	371.6	379.6	400.4	401.7	417.2	426.6	419.8	418.7	428.0	438.7
	Not seasonally adjusted											
Assets												
29 Bank credit	3,391.5[r]	3,560.8	3,590.5	3,608.8	3,643.3	3,661.2	3,670.2	3,684.1	3,686.5	3,681.5	3,686.2	3,675.5
30 Securities in bank credit	842.1	894.4	917.1	922.0	932.8	924.3	928.5	919.1	929.9	926.4	914.3	912.4
31 U.S. government securities	636.0	668.8	677.8	683.6	694.5	684.8	685.5	668.4	684.7	675.9	663.3	661.8
32 Other securities	206.1	225.6	239.4	238.4	238.4	239.5	242.9	250.6	245.2	250.4	251.0	250.6
33 Loans and leases in bank credit[2]	2,549.3[r]	2,666.3	2,673.3	2,686.8	2,710.4	2,736.9	2,741.7	2,765.0	2,756.6	2,755.1	2,771.8	2,763.1
34 Commercial and industrial	598.3	627.7	635.3	645.4	653.5	663.0	671.1	678.1	675.6	674.6	679.6	677.7
35 Real estate	1,157.9	1,207.6	1,207.0	1,216.2	1,228.6	1,237.0	1,239.2	1,245.3	1,244.5	1,244.3	1,244.8	1,244.2
36 Revolving home equity	92.0	97.9	98.3	97.7	97.3	97.6	97.8	97.3	97.2	97.1	97.3	97.6
37 Other	1,065.9	1,109.7	1,108.7	1,118.5	1,131.3	1,139.4	1,141.4	1,148.0	1,147.3	1,147.2	1,147.4	1,146.7
38 Consumer	515.3[r]	514.2	511.9	502.9	496.2	500.1	499.9	497.3	499.8	498.2	499.1	499.3
39 Security[3]	47.4	54.3	61.5	64.4	68.1	65.7	61.8	67.7	61.7	64.1	71.0	69.9
40 Other loans and leases	230.4[r]	262.6	257.7	257.9	264.0	271.1	269.7	276.6	275.0	273.8	277.3	272.1
41 Interbank loans	169.4[r]	187.4	180.1	178.0	195.4	195.2	176.7	191.5	187.5	188.3	184.4	183.7
42 Cash assets[4]	208.9	247.1	243.5	237.2	236.4	235.9	217.4	214.8	217.5	204.6	220.1	201.1
43 Other assets[5]	245.5	252.5	249.1	251.9	249.1	264.3	271.0	272.9	270.3	274.1	270.1	270.8
44 **Total assets[6]**	**3,958.8[r]**	**4,191.3**	**4,207.1**	**4,219.7**	**4,267.6**	**4,299.8**	**4,278.2**	**4,306.0**	**4,304.5**	**4,291.2**	**4,303.4**	**4,273.9**
Liabilities												
45 Deposits	2,712.3	2,866.1	2,849.3	2,856.1	2,891.5	2,912.4	2,885.6	2,908.6	2,922.5	2,911.0	2,910.7	2,861.9
46 Transaction	677.9	710.7	680.3	668.3	672.9	688.0	662.3	668.6	668.3	659.7	671.7	645.2
47 Nontransaction	2,034.3	2,155.3	2,169.0	2,187.8	2,218.6	2,224.5	2,223.3	2,240.0	2,254.2	2,251.3	2,239.0	2,216.7
48 Large time	337.9	375.2	382.1	388.0	393.7	388.0	389.1	389.3	391.0	391.2	391.8	388.2
49 Other	1,696.4[r]	1,780.1	1,786.9	1,799.8	1,824.9	1,836.4	1,834.2	1,850.8	1,863.2	1,860.1	1,847.2	1,828.5
50 Borrowings	605.0	667.1	685.6	684.9	697.7	704.9	704.5	699.9	697.5	681.9	702.6	710.5
51 From banks in the U.S.	254.6	282.0	271.2	270.6	278.8	280.1	263.4	264.3	263.7	266.5	261.8	256.3
52 From others	350.4	385.1	414.4	414.3	418.8	424.8	441.1	435.6	433.8	415.4	440.8	454.2
53 Net due to related foreign offices	79.6	67.1	86.5	85.1	82.1	77.9	80.5	79.8	75.7	75.0	76.6	85.2
54 Other liabilities	179.6	184.6	197.5	199.4	196.7	199.4	202.3	208.7	202.2	213.0	204.7	207.4
55 **Total liabilities**	**3,576.5**	**3,784.8**	**3,819.0**	**3,825.6**	**3,868.0**	**3,894.7**	**3,872.8**	**3,897.1**	**3,897.9**	**3,880.7**	**3,894.6**	**3,865.0**
56 Residual (assets less liabilities)[7]	382.3[r]	406.5	388.2	394.1	399.6	405.1	405.3	408.9	406.6	410.5	408.7	408.9
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	38.5	41.0	49.9	47.0	47.2	43.9	45.6	50.5	47.5	52.2	49.8	50.1
58 Revaluation losses on off-balance-sheet items[8]	40.2	43.9	52.6	49.2	49.6	45.3	46.3	50.1	47.7	52.0	47.8	50.6
59 Mortgage-backed securities[9]	252.9	281.0	289.7	293.8	299.4	293.4	294.8	286.8	292.9	287.2	284.7	285.3

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

C. Large domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1997[r]	1997[r]	1998[r]						1998			
	June	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	June 3	June 10	June 17	June 24
	Seasonally adjusted											
Assets												
1 Bank credit	2,035.1	2,114.5	2,141.4	2,166.8	2,203.4	2,203.1	2,215.5	2,215.6	2,219.5	2,216.6	2,218.0	2,214.3
2 Securities in bank credit	442.6	483.2	501.6	507.5	519.2	506.4	515.3	507.5	514.9	511.3	506.9	504.1
3 U.S. government securities	317.4	343.7	354.7	361.3	369.4	356.1	359.6	346.2	358.5	350.1	343.6	341.4
4 Trading account	21.8	27.4	29.1	28.0	27.5	23.7	24.5	24.6	29.3	28.9	23.0	22.1
5 Investment account	295.6	316.3	325.6	333.3	341.9	332.4	335.1	321.5	329.2	321.2	320.6	319.3
6 Other securities	125.2	139.5	147.0	146.2	149.8	150.2	155.7	161.3	156.4	161.2	163.3	162.7
7 Trading account	58.6	63.3	69.6	67.5	70.9	69.4	74.4	78.3	74.0	78.7	80.2	79.7
8 Investment account	66.7	76.2	77.4	78.7	78.9	80.9	81.3	83.1	82.4	82.5	83.1	83.0
9 State and local government	21.8	22.1	22.5	22.7	22.8	23.0	22.8	22.2	22.5	22.4	22.2	22.2
10 Other	44.9	54.0	54.9	56.0	56.2	57.9	58.5	60.9	59.9	60.1	60.9	60.8
11 Loans and leases in bank credit[2]	1,592.5	1,631.4	1,639.7	1,659.3	1,684.2	1,696.7	1,700.3	1,708.1	1,704.6	1,705.3	1,711.0	1,710.2
12 Commercial and industrial	422.5	445.8	452.3	458.9	462.7	465.7	473.0	481.5	478.0	480.6	482.7	481.8
13 Bankers acceptances	1.6	1.2	1.2	1.2	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2
14 Other	420.9	444.6	451.1	457.6	461.4	464.5	471.8	480.3	478.2	480.8	482.9	482.0
15 Real estate	652.7	652.4	649.0	658.6	669.6	673.4	673.2	669.0	674.0	670.5	669.6	667.2
16 Revolving home equity	65.2	68.2	68.7	68.7	69.0	69.3	68.8	68.0	68.1	68.2	68.1	68.0
17 Other	587.5	584.3	580.4	589.9	600.6	604.1	604.5	601.1	606.0	602.3	601.5	599.2
18 Consumer	308.4	295.9	294.8	293.5	295.2	299.4	299.0	294.0	298.0	296.8	295.3	293.8
19 Security[3]	42.8	47.3	55.8	57.3	61.7	57.3	55.8	61.4	55.6	56.3	61.3	66.5
20 Federal funds sold to and repurchase agreements with broker–dealers	26.2	31.0	39.4	41.2	43.7	39.7	37.6	42.9	37.9	37.7	43.1	47.9
21 Other	16.7	16.3	16.4	16.2	18.0	17.6	18.3	18.5	17.7	18.6	18.2	18.6
22 State and local government	11.2	11.0	10.7	10.7	10.7	11.1	11.4	11.2	11.3	11.3	11.2	11.2
23 Agricultural	9.2	9.6	9.5	9.5	9.6	9.7	9.7	9.6	9.6	9.7	9.7	9.7
24 Federal funds sold to and repurchase agreements with others	6.8	11.2	7.7	6.1	7.1	7.2	5.6	5.6	4.6	4.9	6.0	5.6
25 All other loans	65.8	76.6	75.6	79.3	80.4	82.6	80.1	82.2	80.4	81.8	82.2	81.1
26 Lease-financing receivables	73.0	81.5	84.2	85.3	87.3	90.3	92.5	93.4	93.1	93.4	93.1	93.2
27 Interbank loans	123.4	122.5	117.4	118.1	131.2	126.4	115.1	125.4	114.7	122.3	115.2	129.8
28 Federal funds sold to and repurchase agreements with commercial banks	73.2	82.7	76.8	69.3	80.8	74.8	64.0	72.9	62.8	70.7	64.2	77.0
29 Other	50.2	39.8	40.6	48.8	50.3	51.5	51.1	52.5	51.9	51.5	51.1	52.8
30 Cash assets[4]	147.7	158.4	160.9	164.1	173.7	164.7	147.3	146.0	133.4	149.2	146.9	146.8
31 Other assets[5]	189.2	190.5	188.0	187.8	185.1	195.8	201.1	199.2	197.3	199.8	197.8	198.0
32 **Total assets**[6]	**2,458.2**	**2,549.1**	**2,570.8**	**2,599.9**	**2,656.3**	**2,652.7**	**2,641.6**	**2,649.0**	**2,627.6**	**2,650.4**	**2,640.6**	**2,651.7**
Liabilities												
33 Deposits	1,519.4	1,557.1	1,555.8	1,575.0	1,602.8	1,604.9	1,590.6	1,590.6	1,585.2	1,598.1	1,585.3	1,585.0
34 Transaction	389.0	379.7	372.2	376.5	384.0	382.5	374.3	372.3	357.5	376.3	368.3	375.9
35 Nontransaction	1,130.4	1,177.3	1,183.6	1,198.5	1,218.8	1,222.4	1,216.3	1,218.3	1,227.7	1,221.8	1,217.1	1,209.1
36 Large time	184.8	207.7	212.6	215.3	225.4	218.1	215.0	215.8	215.3	215.0	216.8	214.7
37 Other	945.5	969.6	971.1	983.2	993.4	1,004.3	1,001.2	1,002.5	1,012.4	1,006.8	1,000.3	994.4
38 Borrowings	447.1	511.4	521.1	525.2	544.6	542.5	534.5	527.4	529.0	528.4	529.4	523.4
39 From banks in the U.S.	174.5	205.8	195.3	197.0	209.0	208.1	188.6	187.6	188.1	196.1	185.6	175.3
40 From others	272.6	305.5	325.8	328.2	335.6	334.4	345.9	339.8	340.9	332.3	343.7	348.1
41 Net due to related foreign offices	72.0	68.9	86.8	82.2	78.8	73.7	67.1	67.8	61.3	62.8	66.0	71.5
42 Other liabilities	153.8	155.5	169.1	170.4	166.6	168.8	171.3	177.6	171.0	181.4	173.6	176.0
43 **Total liabilities**	**2,192.3**	**2,292.8**	**2,332.7**	**2,352.7**	**2,392.8**	**2,389.8**	**2,363.5**	**2,363.3**	**2,346.5**	**2,370.7**	**2,354.2**	**2,355.9**
44 Residual (assets less liabilities)[7]	265.8	256.3	238.0	247.2	263.5	262.9	278.1	285.7	281.1	279.7	286.4	295.8

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

C. Large domestically chartered commercial banks—Continued

Account	Monthly averages								Wednesday figures			
	1997[r]	1997[r]	1998[r]						1998			
	June	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	June 3	June 10	June 17	June 24
	Not seasonally adjusted											
Assets												
45 Bank credit	2,029.9	2,124.6	2,156.9	2,173.3	2,197.8	2,202.1	2,201.8	2,209.2	2,215.8	2,209.0	2,213.2	2,197.4
46 Securities in bank credit	440.4	484.0	509.1	516.1	521.1	510.0	511.9	504.2	514.7	510.2	501.5	497.1
47 U.S. government securities	316.9	343.5	354.8	363.1	370.8	360.8	360.3	345.8	361.5	351.7	342.7	338.8
48 Trading account	20.8	27.0	28.2	28.4	28.3	23.9	23.7	23.7	29.8	29.1	22.4	19.8
49 Investment account	296.1	316.5	326.6	334.6	342.5	336.9	336.6	322.2	331.7	322.6	320.3	319.0
50 Mortgage-backed securities	190.4	212.1	220.4	223.0	227.6	221.2	221.0	212.5	218.6	213.1	210.7	211.0
51 Other	105.7	104.4	106.2	111.6	114.8	115.7	115.6	109.6	113.0	109.5	109.6	108.0
52 One year or less	29.0	28.2	27.2	29.2	29.9	31.1	29.6	29.7	26.8	28.5	30.8	30.6
53 One to five years	56.9	53.4	52.4	51.4	51.3	50.7	49.3	46.1	47.1	45.9	45.2	44.7
54 More than five years	19.8	22.7	26.6	31.0	33.6	33.9	36.7	33.8	39.1	35.1	33.7	32.7
55 Other securities	123.5	140.5	154.3	153.0	150.3	149.2	151.5	158.3	153.2	158.5	158.9	158.3
56 Trading account	57.0	63.6	76.2	74.2	71.4	69.0	70.9	75.5	70.9	76.2	75.7	75.6
57 Investment account	66.5	76.9	78.0	78.8	79.0	80.2	80.6	82.9	82.3	82.3	83.1	82.6
58 State and local government	21.9	22.2	22.5	22.7	22.7	22.9	22.7	22.4	22.6	22.5	22.4	22.5
59 Other	44.6	54.8	55.6	56.1	56.3	57.3	57.9	60.5	59.7	59.8	60.7	60.2
60 Loans and leases in bank credit[2]	1,589.5	1,640.6	1,647.9	1,657.2	1,676.7	1,692.1	1,689.9	1,705.0	1,701.1	1,698.8	1,711.7	1,700.3
61 Commercial and industrial	423.3	443.8	449.9	458.0	464.6	470.8	476.6	482.6	480.6	479.9	484.2	481.9
62 Bankers acceptances	1.6	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
63 Other	421.8	442.4	448.7	456.8	463.4	469.6	475.4	481.4	479.4	478.7	483.0	480.7
64 Real estate	650.1	654.9	652.1	656.9	665.3	667.5	665.4	666.1	669.1	667.7	666.0	662.9
65 Revolving home equity	65.0	68.5	69.0	68.3	68.0	68.3	68.3	67.7	67.7	67.6	67.8	67.8
66 Other	362.4	358.8	357.5	361.7	370.4	371.2	368.3	371.0	372.5	372.8	371.1	367.8
67 Commercial	222.5	227.6	225.6	226.8	226.8	227.9	228.8	227.4	229.0	227.2	227.2	227.3
68 Consumer	307.0	299.8	299.9	293.2	290.6	295.3	294.9	292.8	295.4	294.5	294.1	293.2
69 Security[3]	43.1	48.6	55.9	58.7	61.9	59.4	55.9	61.6	55.3	57.8	64.8	64.1
70 Federal funds sold to and repurchase agreements with broker–dealers	26.0	31.3	39.5	42.4	43.9	41.6	37.5	42.6	37.6	39.6	45.8	44.7
71 Other	17.0	17.3	16.4	16.3	18.0	17.8	18.4	19.0	17.7	18.1	19.0	19.4
72 State and local government	11.2	11.1	10.7	10.7	10.7	11.0	11.3	11.2	11.2	11.1	11.2	11.2
73 Agricultural	9.3	9.6	9.4	9.1	9.2	9.3	9.5	9.7	9.6	9.7	9.8	9.8
74 Federal funds sold to and repurchase agreements with others	6.8	11.2	7.7	6.1	7.1	7.2	5.6	5.6	4.6	4.9	6.0	5.6
75 All other loans	65.9	80.0	76.3	77.9	79.5	81.6	78.8	82.4	82.5	80.2	82.9	78.8
76 Lease-financing receivables	72.7	81.8	86.0	86.6	87.9	90.0	91.8	93.0	92.6	92.9	92.7	92.8
77 Interbank loans	123.6	127.9	122.7	117.1	126.9	127.1	114.4	125.9	117.3	119.6	118.1	125.0
78 Federal funds sold to and repurchase agreements with commercial banks	73.6	86.9	80.7	68.5	77.5	76.0	63.7	73.2	64.8	67.8	66.1	73.2
79 Other	50.1	41.0	42.0	48.6	49.4	51.1	50.8	52.7	52.5	51.8	52.0	51.8
80 Cash assets[4]	143.0	172.3	170.8	165.0	164.9	162.3	143.3	140.9	141.5	133.0	147.2	130.9
81 Other assets[5]	189.2	190.5	188.0	187.8	185.1	195.8	201.1	199.2	197.3	199.8	197.8	198.0
82 Total assets[6]	**2,448.4**	**2,578.5**	**2,601.9**	**2,606.4**	**2,637.8**	**2,650.4**	**2,623.4**	**2,637.9**	**2,634.5**	**2,624.0**	**2,639.0**	**2,614.2**
Liabilities												
83 Deposits	1,513.2	1,578.5	1,565.2	1,567.5	1,590.8	1,597.6	1,571.0	1,584.2	1,594.0	1,586.2	1,588.4	1,549.0
84 Transaction	385.4	402.9	381.9	373.4	374.9	384.4	365.0	368.9	366.9	362.2	372.9	350.7
85 Nontransaction	1,127.8	1,175.6	1,183.4	1,194.1	1,215.9	1,213.2	1,206.0	1,215.3	1,227.0	1,224.0	1,215.5	1,198.4
86 Large time	182.8	207.9	211.9	215.6	220.9	213.8	213.3	213.4	214.4	214.6	215.0	211.3
87 Other	944.9	967.7	971.5	978.4	995.1	999.4	992.7	1,002.0	1,012.6	1,009.5	1,000.5	987.1
88 Borrowings	454.1	508.6	526.6	527.6	539.7	544.3	539.5	534.3	533.8	519.4	538.3	542.2
89 From banks in the U.S.	176.6	209.5	198.3	198.8	207.7	207.8	188.9	189.0	188.9	192.5	187.7	180.1
90 From nonbanks in the U.S.	277.5	299.1	328.2	328.8	332.0	336.5	350.6	345.3	344.9	326.9	350.6	362.1
91 Net due to related foreign offices	75.8	62.8	82.3	79.0	78.0	74.4	76.7	76.0	71.9	71.1	73.2	81.3
92 Other liabilities	153.8	155.5	169.1	170.4	166.6	168.8	171.3	177.6	171.0	181.4	173.6	176.0
93 Total liabilities	**2,196.8**	**2,305.4**	**2,343.2**	**2,344.5**	**2,375.1**	**2,385.1**	**2,358.5**	**2,372.0**	**2,370.6**	**2,358.1**	**2,373.5**	**2,348.5**
94 Residual (assets less liabilities)[7]	251.6	273.0	258.7	261.9	262.7	265.3	264.9	265.8	263.9	265.9	265.5	265.7
MEMO												
95 Revaluation gains on off-balance-sheet items[8]	38.5	41.0	49.9	47.0	47.2	43.9	45.6	50.5	47.5	52.2	49.8	50.1
96 Revaluation losses on off-balance-sheet items[8]	40.2	43.9	52.6	49.2	49.6	45.3	46.3	50.1	47.7	52.0	47.8	50.6
97 Mortgage-backed securities[9]	209.5	230.1	238.8	242.5	247.6	241.0	241.8	233.8	239.6	234.0	231.9	232.2
98 Pass-through securities	143.7	157.7	162.9	165.2	169.7	165.1	164.5	156.7	162.5	157.0	155.7	155.8
99 CMOs, REMICs, and other mortgage-backed securities	65.7	72.4	75.8	77.3	77.9	75.9	77.3	77.1	77.2	77.0	76.3	76.4
100 Net unrealized gains (losses) on available-for-sale securities[10]	0.5	2.1	3.0	3.3	2.9	3.0	2.8	3.2	3.4	3.2	3.2	3.2
101 Offshore credit to U.S. residents[11]	33.4	34.2	35.5	36.2	35.2	35.5	36.0	36.1	36.6	36.2	36.0	36.3

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

D. Small domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1997[r]	1997[r]	1998[r]						1998			
	June	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	June 3	June 10	June 17	June 24
	Seasonally adjusted											
Assets												
1 Bank credit	1,357.0	1,435.5	1,438.7	1,444.1	1,449.1	1,453.4	1,461.4	1,470.2	1,465.3	1,465.2	1,468.8	1,472.5
2 Securities in bank credit	398.5	412.3	409.7	408.0	410.3	408.7	412.5	411.8	412.2	412.1	409.3	411.4
3 U.S. government securities	316.3	326.9	324.4	322.7	322.5	318.9	322.0	319.9	320.8	320.7	317.7	319.4
4 Other securities	82.2	85.5	85.2	85.4	87.8	89.8	90.5	91.9	91.4	91.3	91.6	92.0
5 Loans and leases in bank credit[2]	958.5	1,023.2	1,029.1	1,036.1	1,038.8	1,044.6	1,048.9	1,058.4	1,053.2	1,053.2	1,059.5	1,061.1
6 Commercial and industrial	173.4	184.5	186.2	187.7	188.0	189.8	192.0	193.8	192.8	192.8	193.7	194.1
7 Real estate	507.3	551.8	557.9	563.1	565.6	569.8	572.1	578.6	574.0	574.5	579.1	581.0
8 Revolving home equity	27.1	29.5	29.4	29.5	29.3	29.2	29.4	29.7	29.6	29.5	29.7	29.8
9 Other	480.3	522.4	528.6	533.7	536.3	540.6	542.8	548.9	544.4	545.0	549.4	551.3
10 Consumer	209.9	212.0	210.3	209.9	207.6	205.7	206.2	206.1	206.0	205.2	206.7	207.3
11 Security[3]	4.3	5.7	5.5	5.7	6.2	6.3	5.9	6.1	6.4	6.4	6.2	5.8
12 Other loans and leases	63.7	69.2	69.1	69.6	71.5	73.0	72.6	73.8	73.9	74.3	73.8	72.9
13 Interbank loans	48.6	55.5	55.9	56.9	64.7	66.0	66.1	69.3	70.0	66.5	69.6	68.7
14 Cash assets[4]	67.0	71.2	71.6	72.4	73.3	74.2	74.2	74.8	70.9	75.4	72.9	76.0
15 Other assets[5]	57.1	62.5	63.1	64.5	64.2	68.1	70.9	74.6	71.9	76.9	73.8	75.4
16 **Total assets[6]**	**1,510.6**	**1,605.0**	**1,609.8**	**1,618.3**	**1,631.5**	**1,641.9**	**1,652.6**	**1,668.9**	**1,658.2**	**1,664.2**	**1,665.1**	**1,672.4**
Liabilities												
17 Deposits	1,202.5	1,279.7	1,285.5	1,291.7	1,299.1	1,306.5	1,314.1	1,327.8	1,318.8	1,322.8	1,324.2	1,331.0
18 Transaction	294.3	297.2	296.1	298.3	301.1	300.0	299.4	301.3	293.9	298.4	298.7	306.8
19 Nontransaction	908.2	982.5	989.4	993.4	998.1	1,006.5	1,014.7	1,026.5	1,025.0	1,024.4	1,025.5	1,024.2
20 Large time	155.1	167.3	170.2	172.4	172.9	174.2	175.9	175.9	176.6	176.7	176.8	176.9
21 Other	753.2	815.2	819.2	821.0	825.2	832.3	838.9	850.6	848.4	847.8	848.7	847.3
22 Borrowings	150.5	157.8	158.1	159.1	161.2	162.5	164.6	165.2	165.6	167.0	164.8	163.1
23 From banks in the U.S.	77.5	72.4	72.4	72.6	72.3	72.7	73.7	74.8	75.2	75.5	74.0	73.6
24 From others	72.9	85.3	85.7	86.5	88.9	89.8	90.9	90.4	90.4	91.5	90.7	89.5
25 Net due to related foreign offices	3.8	4.3	4.2	6.1	4.1	3.5	3.8	3.8	3.8	3.9	3.4	3.9
26 Other liabilities	25.9	29.1	28.5	29.0	30.1	30.7	31.0	31.2	31.2	31.5	31.2	31.3
27 **Total liabilities**	**1,382.7**	**1,470.9**	**1,476.3**	**1,485.9**	**1,494.6**	**1,503.1**	**1,513.5**	**1,528.0**	**1,519.4**	**1,525.2**	**1,523.5**	**1,529.4**
28 Residual (assets less liabilities)[7]	127.9	134.1	133.6	132.4	137.0	138.8	139.1	140.9	138.7	138.9	141.6	143.0
	Not seasonally adjusted											
Assets												
29 Bank credit	1,361.6	1,436.1	1,433.5	1,435.6	1,445.4	1,459.0	1,468.4	1,474.9	1,470.7	1,472.5	1,472.9	1,478.1
30 Securities in bank credit	401.7	410.4	408.1	405.9	411.7	414.3	416.6	414.9	415.2	416.2	412.8	415.3
31 U.S. government securities	319.1	325.3	323.0	320.6	323.7	324.0	325.2	322.6	323.2	324.2	320.6	323.0
32 Other securities	82.6	85.1	85.1	85.4	88.0	90.3	91.4	92.3	92.1	92.0	92.1	92.3
33 Loans and leases in bank credit[2]	959.9	1,025.7	1,025.5	1,029.6	1,033.8	1,044.8	1,051.8	1,060.0	1,055.5	1,056.3	1,060.1	1,062.9
34 Commercial and industrial	175.0	183.9	185.4	187.3	188.9	192.2	194.5	195.5	195.0	194.7	195.4	195.7
35 Real estate	507.9	552.7	554.9	559.4	563.3	569.5	573.8	579.2	575.3	576.6	578.8	581.3
36 Revolving home equity	27.0	29.4	29.2	29.4	29.2	29.3	29.5	29.6	29.5	29.5	29.6	29.7
37 Other	480.9	523.3	525.7	529.9	534.0	540.2	544.3	549.6	545.8	547.1	549.2	551.6
38 Consumer	208.2	214.4	212.0	209.8	205.6	204.7	204.9	204.5	204.4	203.8	205.0	206.1
39 Security[3]	4.3	5.7	5.5	5.7	6.2	6.3	5.9	6.1	6.4	6.4	6.2	5.8
40 Other loans and leases	64.4	69.0	67.6	67.4	69.7	72.0	72.6	74.7	74.3	74.9	74.7	74.0
41 Interbank loans	45.8	59.6	57.4	60.9	68.5	68.1	62.3	65.6	70.2	68.7	66.3	58.7
42 Cash assets[4]	66.0	74.8	72.8	72.3	71.5	73.6	74.1	73.9	76.0	71.7	72.9	70.2
43 Other assets[5]	56.3	62.0	61.1	64.2	64.1	68.5	69.9	73.8	73.0	74.3	72.3	72.8
44 **Total assets[6]**	**1,510.5**	**1,612.9**	**1,605.3**	**1,613.3**	**1,629.8**	**1,649.4**	**1,654.8**	**1,668.1**	**1,669.9**	**1,667.2**	**1,664.4**	**1,659.7**
Liabilities												
45 Deposits	1,199.1	1,287.5	1,284.1	1,288.7	1,300.7	1,314.8	1,314.6	1,324.4	1,328.6	1,324.7	1,322.3	1,312.8
46 Transaction	292.5	307.9	298.4	294.9	298.0	303.6	297.3	299.7	301.4	297.5	298.8	294.5
47 Nontransaction	906.6	979.7	985.6	993.8	1,002.7	1,011.2	1,017.3	1,024.7	1,027.2	1,027.3	1,023.5	1,018.3
48 Large time	155.1	167.3	170.2	172.4	172.9	174.2	175.9	175.9	176.6	176.7	176.8	176.9
49 Other	751.5	812.4	815.4	821.4	829.8	837.1	841.5	848.8	850.6	850.6	846.7	841.4
50 Borrowings	151.0	158.5	159.0	157.3	158.0	160.6	165.0	165.7	163.7	162.5	164.3	168.3
51 From banks in the U.S.	78.1	72.6	72.9	71.8	71.2	72.3	74.4	75.3	74.8	74.0	74.1	76.2
52 From others	72.9	86.0	86.2	85.5	86.8	88.3	90.5	90.3	88.9	88.5	90.2	92.1
53 Net due to related foreign offices	3.8	4.3	4.2	6.1	4.1	3.5	3.8	3.8	3.8	3.9	3.4	3.9
54 Other liabilities	25.9	29.1	28.5	29.0	30.1	30.7	31.0	31.2	31.2	31.5	31.2	31.3
55 **Total liabilities**	**1,379.8**	**1,479.4**	**1,475.8**	**1,481.1**	**1,492.9**	**1,509.6**	**1,514.4**	**1,525.1**	**1,527.2**	**1,522.6**	**1,521.1**	**1,516.5**
56 Residual (assets less liabilities)[7]	130.7	133.4	129.5	132.2	136.9	139.8	140.4	143.1	142.7	144.6	143.2	143.3
MEMO												
57 Mortgage-backed securities[9]	43.5	50.9	50.9	51.3	51.8	52.4	53.0	53.0	53.2	53.2	52.7	53.2

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

E. Foreign-related institutions

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1997[r]	1997[r]	1998[r]						1998			
	June	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	June 3	June 10	June 17	June 24
	Seasonally adjusted											
Assets												
1 Bank credit	531.1	544.0	568.6	568.6	566.0	557.8	564.3	567.9	564.4	562.1	564.5	571.8
2 Securities in bank credit	166.8	187.2	193.1	192.9	197.3	191.6	194.1	195.7	196.6	191.9	192.1	198.0
3 U.S. government securities	83.2	76.5	81.5	84.1	87.8	88.2	88.3	86.8	90.4	83.7	81.1	86.4
4 Other securities	83.5	110.7	111.6	108.9	109.5	103.4	105.8	108.9	106.1	108.2	111.0	111.6
5 Loans and leases in bank credit[2]	364.4	356.8	375.6	375.7	368.7	366.2	370.2	372.2	367.8	370.2	372.4	373.8
6 Commercial and industrial	221.3	221.3	223.2	222.5	220.3	214.2	213.5	215.4	213.9	214.0	216.0	215.3
7 Real estate	29.9	25.9	26.5	25.9	24.6	23.7	23.1	22.9	22.9	22.9	22.9	23.0
8 Security[3]	45.5	43.8	54.8	54.8	49.0	51.7	58.1	58.6	57.3	60.4	59.7	58.6
9 Other loans and leases	67.7	65.8	71.0	72.4	74.7	76.6	75.5	75.3	73.8	72.8	73.8	77.0
10 Interbank loans	18.8	31.3	28.0	24.8	20.9	20.9	20.8	23.3	22.1	26.9	22.5	20.9
11 Cash assets[4]	35.0	33.5	32.9	32.6	34.1	35.3	34.5	35.1	34.3	35.1	34.4	34.3
12 Other assets[5]	41.7	42.3	40.4	42.2	42.7	42.8	41.8	40.5	41.3	42.3	38.8	40.6
13 **Total assets**[6]	**626.4**	**650.9**	**669.7**	**668.0**	**663.4**	**656.6**	**661.3**	**666.5**	**661.8**	**666.2**	**660.0**	**667.4**
Liabilities												
14 Deposits	252.2	272.5	273.5	284.8	288.9	292.4	294.3	302.0	301.6	305.4	304.9	301.1
15 Transaction	10.5	9.8	10.2	10.1	10.6	11.1	10.6	10.7	9.8	9.8	10.0	10.1
16 Nontransaction	241.7	262.7	263.3	274.7	278.3	281.3	283.8	291.3	291.7	295.6	295.0	291.1
17 Borrowings	143.3	149.5	149.7	144.8	154.1	169.1	168.4	173.5	168.7	165.9	173.0	172.2
18 From banks in the U.S.	31.9	25.8	23.5	22.6	25.8	26.6	23.9	32.1	28.0	28.8	31.9	29.3
19 From others	111.4	123.7	126.2	122.2	128.3	142.5	144.5	141.4	140.7	137.1	141.1	142.9
20 Net due to related foreign offices	141.6	121.7	139.6	134.7	118.5	98.3	97.1	93.2	96.9	95.7	87.7	91.9
21 Other liabilities	91.5	95.5	96.2	97.4	94.0	90.2	93.5	94.7	94.2	96.8	91.5	93.3
22 **Total liabilities**	**628.6**	**639.2**	**659.1**	**661.7**	**655.4**	**650.0**	**653.3**	**663.4**	**661.4**	**663.8**	**657.1**	**658.5**
23 Residual (assets less liabilities)[7]	−2.2	11.7	10.6	6.3	7.9	6.5	8.0	3.1	0.4	2.4	2.9	8.9
	Not seasonally adjusted											
Assets												
24 Bank credit	533.4	543.1	565.5	568.1	565.6	557.6	565.9	570.9	571.3	566.3	566.3	571.8
25 Securities in bank credit	169.2	183.3	187.7	189.9	195.3	193.1	197.9	198.8	203.3	197.1	194.0	199.3
26 U.S. government securities	83.3	76.2	79.5	83.3	88.5	86.8	88.9	86.9	92.1	84.7	80.8	85.6
27 Trading account	16.4	13.7	14.6	14.1	17.6	18.3	20.4	18.2	21.4	14.8	13.5	16.8
28 Investment account	66.9	62.5	64.9	69.2	70.9	68.6	68.5	68.7	70.7	69.9	67.3	68.7
29 Other securities	85.8	107.2	108.2	106.6	106.8	106.2	109.0	111.9	111.1	112.4	113.2	113.8
30 Trading account	50.1	60.0	62.9	61.3	59.7	58.2	59.8	63.1	62.2	62.5	62.0	63.9
31 Investment account	35.8	47.1	45.3	45.3	47.1	48.1	49.2	48.9	48.9	49.9	51.2	49.9
32 Loans and leases in bank credit[2]	364.2	359.7	377.8	378.1	370.3	364.5	367.9	372.1	368.0	369.2	372.3	372.5
33 Commercial and industrial	221.3	222.2	224.1	223.6	221.0	214.3	212.9	215.3	214.0	213.4	215.7	215.2
34 Real estate	29.6	26.0	26.5	26.1	24.7	23.5	23.0	22.7	22.7	22.7	22.8	22.8
35 Security[3]	45.3	45.0	54.9	55.0	49.7	51.1	57.7	58.5	56.9	60.0	59.8	58.0
36 Other loans and leases	68.0	66.5	72.3	73.4	75.0	75.6	74.4	75.6	74.3	73.1	74.0	76.5
37 Interbank loans	18.8	31.3	28.0	24.8	20.9	20.9	20.8	23.3	22.1	26.9	22.5	20.9
38 Cash assets[4]	35.9	35.1	32.8	32.0	33.0	33.6	34.2	36.1	35.4	35.8	35.5	35.2
39 Other assets[5]	40.9	43.1	40.8	43.7	42.7	40.5	42.3	39.6	41.7	42.4	37.7	38.8
40 **Total assets**[6]	**628.7**	**652.4**	**666.9**	**668.3**	**661.9**	**652.3**	**663.0**	**669.6**	**670.2**	**671.2**	**661.7**	**666.6**
Liabilities												
41 Deposits	253.7	275.6	271.6	282.5	290.1	290.7	297.1	303.8	305.6	309.1	306.1	302.9
42 Transaction	10.5	10.3	10.1	9.9	10.5	10.7	10.3	10.8	9.8	9.4	9.9	10.1
43 Nontransaction	243.2	265.3	261.4	272.6	279.6	280.0	286.8	293.0	295.8	299.7	296.1	292.7
44 Borrowings	143.3	149.5	149.7	144.8	154.1	169.1	168.4	173.5	168.7	165.9	172.9	172.2
45 From banks in the U.S.	31.9	25.8	23.5	22.6	25.8	26.6	23.9	32.1	28.0	28.8	31.8	29.2
46 From others	111.4	123.7	126.2	122.2	128.3	142.5	144.5	141.4	140.7	137.1	141.1	143.0
47 Net due to related foreign offices	140.3	126.5	144.5	136.0	117.6	96.9	98.0	92.4	95.9	93.5	85.7	93.3
48 Other liabilities	90.5	96.5	96.3	98.5	94.2	89.3	92.9	93.8	93.5	96.3	90.3	92.3
49 **Total liabilities**	**627.8**	**648.2**	**662.0**	**661.9**	**656.1**	**646.1**	**656.4**	**663.6**	**663.7**	**664.8**	**655.0**	**660.7**
50 Residual (assets less liabilities)[7]	1.0	4.2	4.9	6.4	5.9	6.3	6.5	6.0	6.5	6.3	6.7	5.8
MEMO												
51 Revaluation gains on off-balance-sheet items[8]	39.4	41.4	43.2	40.4	40.0	39.4	39.7	41.5	40.8	42.1	41.1	41.2
52 Revaluation losses on off-balance-sheet items[8]	40.7	41.8	42.9	40.6	39.8	39.0	38.4	40.3	39.4	41.0	39.8	40.2

Footnotes appear on p. A21.

NOTES TO TABLE 1.26

NOTE. Tables 1.26, 1.27, and 1.28 have been revised to reflect changes in the Board's H.8 statistical release, "Assets and Liabilities of Commercial Banks in the United States." Table 1.27, "Assets and Liabilities of Large Weekly Reporting Commercial Banks," and table 1.28, "Large Weekly Reporting U.S. Branches and Agencies of Foreign Banks," are no longer being published in the *Bulletin*. Instead, abbreviated balance sheets for both large and small domestically chartered banks have been included in table 1.26, parts C and D. Data are both merger-adjusted and break-adjusted. In addition, data from large weekly reporting U.S. branches and agencies of foreign banks have been replaced by balance sheet estimates of all foreign-related institutions and are included in table 1.26, part E. These data are break-adjusted.

The not-seasonally-adjusted data for all tables now contain additional balance sheet items, which were available as of October 2, 1996.

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic); other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks, and Edge Act and agreement corporations (foreign-related institutions). Excludes International Banking Facilities. Data are Wednesday values or *pro rata* averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign-related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.

The data for large and small domestic banks presented on pp. A17–19 are adjusted to remove the estimated effects of mergers between these two groups. The adjustment for mergers changes past levels to make them comparable with current levels. Estimated quantities of balance sheet items acquired in mergers are removed from past data for the bank group that contained the acquired bank and put into past data for the group containing the acquiring bank. Balance sheet data for acquired banks are obtained from Call Reports, and a ratio procedure is used to adjust past levels.

2. Excludes federal funds sold to, reverse RPs with, and loans made to commercial banks in the United States, all of which are included in "Interbank loans."

3. Consists of reverse RPs with brokers and dealers and loans to purchase and carry securities.

4. Includes vault cash, cash items in process of collection, balances due from depository institutions, and balances due from Federal Reserve Banks.

5. Excludes the due-from position with related foreign offices, which is included in "Net due to related foreign offices."

6. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.

7. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis. On a seasonally adjusted basis this item reflects any differences in the seasonal patterns estimated for total assets and total liabilities.

8. Fair value of derivative contracts (interest rate, foreign exchange rate, other commodity and equity contracts) in a gain/loss position, as determined under FASB Interpretation No. 39.

9. Includes mortgage-backed securities issued by U.S. government agencies, U.S. government-sponsored enterprises, and private entities.

10. Difference between fair value and historical cost for securities classified as available-for-sale under FASB Statement No. 115. Data are reported net of tax effects. Data shown are restated to include an estimate of these tax effects.

11. Mainly commercial and industrial loans but also includes an unknown amount of credit extended to other than nonfinancial businesses.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1997	1998				
	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	1997 Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**555,075**	**595,382**	**674,904**	**775,371**	**966,699**	**966,699**	**973,761**	**1,004,662**	**1,049,222**	**1,041,681**	**1,053,995**
Financial companies[1]											
2 Dealer-placed paper[2], total	218,947	223,038	275,815	361,147	513,307	513,307	509,950	520,940	550,670	558,817	569,065
3 Directly placed paper[3], total	180,389	207,701	210,829	229,662	252,536	252,536	254,926	268,001	282,083	275,415	274,469
4 Nonfinancial companies[4]	155,739	164,643	188,260	184,563	200,857	200,857	208,886	215,721	216,469	207,449	210,460
	Bankers dollar acceptances (not seasonally adjusted)[5]										
5 **Total**	**32,348**	**29,835**	**29,242**	**25,754**							
By holder											
6 Accepting banks	12,421	11,783									
7 Own bills	10,707	10,462									
8 Bills bought from other banks	1,714	1,321									
Federal Reserve Banks[6]											
9 Foreign correspondents	725	410	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Others	19,202	17,642									
By basis											
11 Imports into United States	10,217	10,062									
12 Exports from United States	7,293	6,355									
13 All other	14,838	13,417									

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
2. Includes all financial-company paper sold by dealers in the open market.
3. As reported by financial companies that place their paper directly with investors.
4. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
5. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January. Beginning January 1995, data for Bankers dollar acceptances are reported annually in September.
6. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1995—Jan. 1	8.50	1995	8.83	1996—Jan.	8.50	1997—Jan.	8.25
Feb. 1	9.00	1996	8.27	Feb.	8.25	Feb.	8.25
July 7	8.75	1997	8.44	Mar.	8.25	Mar.	8.30
Dec. 20	8.50			Apr.	8.25	Apr.	8.50
		1995—Jan.	8.50	May	8.25	May	8.50
1996—Feb. 1	8.25	Feb.	9.00	June	8.25	June	8.50
		Mar.	9.00	July	8.25	July	8.50
1997—Mar. 26	8.50	Apr.	9.00	Aug.	8.25	Aug.	8.50
		May	9.00	Sept.	8.25	Sept.	8.50
		June	9.00	Oct.	8.25	Oct.	8.50
		July	8.80	Nov.	8.25	Nov.	8.50
		Aug.	8.75	Dec.	8.25	Dec.	8.50
		Sept.	8.75				
		Oct.	8.75			1998—Jan.	8.50
		Nov.	8.75			Feb.	8.50
		Dec.	8.65			Mar.	8.50
						Apr.	8.50
						May	8.50
						June	8.50
						July	8.50

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most recent Call Report. Data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Percent per year; figures are averages of business day data unless otherwise noted

Item	1995	1996	1997	1998				1998, week ending				
				Mar.	Apr.	May	June	May 29	June 5	June 12	June 19	June 26
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	5.83	5.30	5.46	5.49	5.45	5.49	5.56	5.45	5.63	5.43	5.58	5.42
2 Discount window borrowing[2,4]	5.21	5.02	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Commercial paper[3,4,5,6]												
Nonfinancial												
3 1-month	n.a.	n.a.	5.57	5.51	5.49	5.49	5.51	5.50	5.50	5.49	5.52	5.54
4 2-month	n.a.	n.a.	5.57	5.49	5.48	5.49	5.50	5.50	5.49	5.49	5.50	5.52
5 3-month	n.a.	n.a.	5.56	5.46	5.46	5.48	5.48	5.48	5.48	5.49	5.48	5.49
Financial												
6 1-month	n.a.	n.a.	5.59	5.53	5.51	5.50	5.53	5.51	5.51	5.51	5.53	5.54
7 2-month	n.a.	n.a.	5.59	5.51	5.49	5.50	5.52	5.50	5.51	5.51	5.52	5.54
8 3-month	n.a.	n.a.	5.60	5.49	5.48	5.50	5.50	5.49	5.50	5.50	5.50	5.51
Commercial paper (historical)[3,5,6,7]												
9 1-month	5.93	5.43	5.54	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 3-month	5.93	5.41	5.58	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
11 6-month	5.93	5.42	5.62	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Finance paper, directly placed (historical)[3,5,7,8]												
12 1-month	5.81	5.31	5.44	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 3-month	5.78	5.29	5.48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 6-month	5.68	5.21	5.48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bankers acceptances[3,5,9]												
15 3-month	5.81	5.31	5.54	5.50	5.48	5.48	5.50	5.48	5.50	5.50	5.48	5.50
16 6-month	5.80	5.31	5.57	5.46	5.44	5.44	5.47	5.44	5.49	5.45	5.48	5.46
Certificates of deposit, secondary market[3,10]												
17 1-month	5.87	5.35	5.54	5.58	5.56	5.56	5.57	5.56	5.56	5.56	5.56	5.58
18 3-month	5.92	5.39	5.62	5.58	5.58	5.59	5.60	5.59	5.59	5.59	5.59	5.60
19 6-month	5.98	5.47	5.73	5.61	5.63	5.67	5.65	5.66	5.65	5.65	5.63	5.65
20 Eurodollar deposits, 3-month[3,11]	5.93	5.38	5.61	5.56	5.56	5.57	5.57	5.57	5.57	5.56	5.57	5.56
U.S. Treasury bills												
Secondary market[3,5]												
21 3-month	5.49	5.01	5.06	5.03	4.95	5.00	4.98	4.95	4.95	5.00	5.04	4.93
22 6-month	5.56	5.08	5.18	5.04	5.06	5.14	5.12	5.15	5.11	5.14	5.12	5.11
23 1-year	5.60	5.22	5.32	5.11	5.10	5.16	5.13	5.15	5.14	5.14	5.12	5.13
Auction average[3,5,12]												
24 3-month	5.51	5.02	5.07	5.03	5.00	5.03	4.99	5.02	4.95	5.00	5.01	4.99
25 6-month	5.59	5.09	5.18	5.04	5.08	5.15	5.12	5.17	5.11	5.16	5.07	5.12
26 1-year	5.69	5.23	5.36	5.13	5.12	5.15	5.13	5.15	n.a.	n.a.	n.a.	5.13
U.S. TREASURY NOTES AND BONDS												
Constant maturities[13]												
27 1-year	5.94	5.52	5.63	5.39	5.38	5.44	5.41	5.43	5.42	5.42	5.40	5.41
28 2-year	6.15	5.84	5.99	5.56	5.56	5.59	5.52	5.56	5.55	5.52	5.51	5.51
29 3-year	6.25	5.99	6.10	5.57	5.58	5.61	5.52	5.56	5.55	5.52	5.49	5.52
30 5-year	6.38	6.18	6.22	5.61	5.61	5.63	5.52	5.57	5.57	5.53	5.51	5.50
31 7-year	6.50	6.34	6.33	5.71	5.70	5.72	5.56	5.65	5.62	5.56	5.54	5.54
32 10-year	6.57	6.44	6.35	5.65	5.64	5.65	5.50	5.57	5.57	5.51	5.47	5.46
33 20-year	6.95	6.83	6.69	6.01	6.00	6.01	5.80	5.93	5.89	5.81	5.77	5.75
34 30-year	6.88	6.71	6.61	5.95	5.92	5.93	5.70	5.83	5.80	5.72	5.67	5.65
Composite												
35 More than 10 years (long-term)	6.93	6.80	6.67	6.00	5.98	5.99	5.78	5.91	5.87	5.79	5.75	5.74
STATE AND LOCAL NOTES AND BONDS												
Moody's series[14]												
36 Aaa	5.80	5.52	5.32	5.03	5.00	5.04	4.97	4.98	4.92	4.98	4.96	5.00
37 Baa	6.10	5.79	5.50	5.25	5.21	n.a.	n.a.	5.20	5.15	5.16	4.90	5.09
38 *Bond Buyer* series[15]	5.95	5.76	5.52	5.21	5.23	5.20	5.12	5.13	5.13	5.08	5.11	5.14
CORPORATE BONDS												
39 Seasoned issues, all industries[16]	7.83	7.66	7.54	7.00	6.99	6.98	6.83	6.91	6.88	6.83	6.80	6.82
Rating group												
40 Aaa	7.59	7.37	7.27	6.72	6.69	6.69	6.53	6.61	6.59	6.52	6.49	6.53
41 Aa	7.72	7.55	7.48	6.93	6.90	6.91	6.78	6.86	6.84	6.79	6.75	6.77
42 A	7.83	7.69	7.54	7.05	7.03	7.03	6.88	6.95	6.93	6.88	6.84	6.88
43 Baa	8.20	8.05	7.87	7.32	7.33	7.30	7.13	7.21	7.19	7.13	7.10	7.13
44 A-rated, recently offered utility bonds[17]	7.86	7.77	7.71	7.11	7.10	7.16	6.98	7.04	7.06	6.94	6.96	6.92
MEMO												
Dividend–price ratio[18]												
45 Common stocks	2.56	2.19	1.77	1.48	1.43	1.45	1.45	1.46	1.48	1.44	1.45	1.41

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year for bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. An average of offering rates on commercial paper for firms whose bond rating is AA or the equivalent.
7. Series ended August 29, 1997.
8. An average of offering rates on paper directly placed by finance companies.
9. Representative closing yields for acceptances of the highest-rated money center banks.
10. An average of dealer offering rates on nationally traded certificates of deposit.
11. Bid rates for Eurodollar deposits at approximately 11:00 a.m. London time. Data are for indication purposes only.
12. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
13. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
14. General obligation bonds based on Thursday figures; Moody's Investors Service.
15. State and local government general obligation bonds maturing in twenty years are used in compiling this index. The twenty-bond index has a rating roughly equivalent to Moodys' A1 rating. Based on Thursday figures.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
18. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

NOTE. Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1995	1996	1997	1997			1998					
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
	Prices and trading volume (averages of daily figures)[1]											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	291.18	357.98	456.99	499.25	492.14	504.66	504.13	532.15	560.70	578.05	574.46	569.76
2 Industrial	367.40	453.57	574.97	625.22	615.65	623.57	624.61	660.91	693.13	711.89	712.39	731.01
3 Transportation	270.14	327.30	415.08	466.04	453.56	461.04	458.49	485.73	508.06	523.73	505.02	492.98
4 Utility	110.64	126.36	143.87	157.83	153.53	165.74	146.25	170.96	191.67	207.32	198.25	188.26
5 Finance	238.48	303.94	424.84	476.70	465.35	490.30	479.81	508.97	539.47	563.07	551.28	548.57
6 Standard & Poor's Corporation (1941–43 = 10)[2]	541.72	670.49	873.43	951.16	938.92	962.37	963.36	1,023.74	1,076.83	1,112.20	1,108.42	1,108.39
7 American Stock Exchange (Aug. 31, 1973 = 50)[3]	498.13	570.86	628.34	702.43	674.37	667.89	665.72	685.73	722.37	742.33	735.02	704.59
Volume of trading (thousands of shares)												
8 New York Stock Exchange	345,729	409,740	523,254	606,513	531,449	541,134	632,895	610,958	619,366	647,110	569,239	605,576
9 American Stock Exchange	20,387	22,567	n.a.	32,873	27,741	27,624	28,199	26,808	28,943	29,544	27,004	25,447
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[4]	**76,680**	**97,400**	**126,090**	**128,190**	**127,330**	**126,090**	**127,790**	**135,590**	**140,340**	**140,240**	**143,600**	**146,980**
Free credit balances at brokers[5]												
11 Margin accounts[6]	16,250	22,540	31,410	26,950	26,735	31,410	29,480	27,450	27,430	28,160	26,200	30,560
12 Cash accounts	34,340	40,430	52,160	47,465	45,470	52,160	48,620	48,640	51,340	51,050	47,770	51,205

	Margin requirements (percent of market value and effective date)[7]					
	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. Daily data on prices are available upon request to the Board of Governors. For ordering address, see inside front cover.
2. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
3. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.
4. Since July 1983, under the revised Regulation T, margin credit at broker–dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
5. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.
6. Series initiated in June 1984.
7. Margin requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

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

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year			Calendar year					
				1998					
	1995	1996	1997	Jan.	Feb.	Mar.	Apr.	May	June
U.S. budget[1]									
1 Receipts, total	1,351,830	1,453,062	1,579,292	162,610	97,952	117,930	261,002	95,278	187,860
2 On-budget	1,000,751	1,085,570	1,187,302	123,367	65,051	80,647	216,988	61,790	144,973
3 Off-budget	351,079	367,492	391,990	39,243	32,901	37,283	44,014	33,488	42,887
4 Outlays, total	1,515,729	1,560,512	1,601,235	137,231	139,701	131,743	136,400	134,057	136,754
5 On-budget	1,227,065	1,259,608	1,290,609	108,843	109,393	101,967	108,569	102,381	125,606
6 Off-budget	288,664	300,904	310,626	28,388	30,309	29,775	27,830	31,676	11,148
7 Surplus or deficit (−), total	−163,899	−107,450	−21,943	25,379	−41,750	−13,813	124,603	−38,779	51,106
8 On-budget	−226,314	−174,038	−103,307	14,524	−44,342	−21,320	108,419	−40,591	19,367
9 Off-budget	62,415	66,588	81,364	10,855	2,592	7,508	16,184	1,812	31,739
Source of financing (total)									
10 Borrowing from the public	171,288	129,712	38,171	−24,807	30,565	20,137	−60,587	−8,597	−12,618
11 Operating cash (decrease, or increase (−))	−2,007	−6,276	604	−8,422	24,027	−11,352	−60,398	51,899	−36,144
12 Other[2]	−5,382	−15,986	−16,832	7,850	−12,842	5,028	−3,618	−4,523	−2,344
MEMO									
13 Treasury operating balance (level, end of period)	37,949	44,225	43,621	40,307	16,280	27,632	88,030	36,131	72,275
14 Federal Reserve Banks	8,620	7,700	7,692	5,552	5,037	5,490	28,014	5,693	18,140
15 Tax and loan accounts	29,329	36,525	35,930	34,756	11,243	22,141	60,016	30,438	54,135

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 1996	Fiscal year 1997	Calendar year 1996 H2	Calendar year 1997 H1	Calendar year 1997 H2	Calendar year 1998 H1	Calendar year 1998 Apr.	Calendar year 1998 May	Calendar year 1998 June
RECEIPTS									
1 **All sources**	**1,453,062**	**1,579,292**	**707,552**	**845,527**	**773,812**	**922,632**	**261,002**	**95,278**	**187,860**
2 Individual income taxes, net	656,417	737,466	323,884	400,436	354,072	447,514	158,284	29,974	81,587
3 Withheld	533,080	580,207	279,988	292,252	306,865	316,309	51,811	49,854	48,501
4 Nonwithheld	212,168	250,753	53,491	191,050	58,069	219,136	129,520	4,196	35,135
5 Refunds	88,897	93,560	9,604	82,926	10,869	87,989	23,059	24,086	2,060
Corporation income taxes									
6 Gross receipts	189,055	204,493	95,364	106,451	104,659	109,353	29,910	4,706	41,098
7 Refunds	17,231	22,198	10,053	9,635	10,135	14,220	2,549	1,447	1,313
8 Social insurance taxes and contributions, net	509,414	539,371	240,326	288,251	260,795	312,713	61,465	51,239	55,468
9 Employment taxes and contributions[2]	476,361	506,751	227,777	268,357	247,794	293,520	56,544	42,560	54,807
10 Unemployment insurance	28,584	28,202	10,302	17,709	10,724	17,080	4,589	8,273	292
11 Other net receipts[3]	4,469	4,418	2,245	2,184	2,280	2,112	332	406	369
12 Excise taxes	54,014	56,924	27,016	28,084	31,132	29,922	5,742	4,841	5,370
13 Customs deposits	18,670	17,928	9,294	8,619	9,679	8,546	1,428	1,297	1,568
14 Estate and gift taxes	17,189	19,845	8,835	10,477	10,262	12,971	4,198	1,845	1,775
15 Miscellaneous receipts[4]	25,534	25,465	12,889	12,866	13,348	15,837	2,525	2,823	2,307
OUTLAYS									
16 **All types**	**1,560,512**	**1,601,235**	**800,177**	**797,418**	**824,370**	**815,886**	**136,400**	**134,057**	**136,754**
17 National defense	265,748	270,473	139,402	132,698	140,873	129,351	22,065	23,212	22,329
18 International affairs	13,496	15,228	8,532	5,740	9,420	4,610	1,460	720	347
19 General science, space, and technology	16,709	17,174	8,260	8,938	10,040	9,426	1,702	1,548	1,657
20 Energy	2,844	1,483	695	803	411	957	−34	42	661
21 Natural resources and environment	21,614	21,369	10,307	9,628	11,106	10,051	1,575	1,574	1,964
22 Agriculture	9,159	9,032	11,037	1,465	10,590	2,387	119	−451	140
23 Commerce and housing credit	−10,472	−14,624	−5,899	−7,575	−3,526	−2,483	−814	791	−20
24 Transportation	39,565	40,767	21,512	16,847	20,414	16,196	2,511	2,746	3,127
25 Community and regional development	10,685	11,005	5,498	5,678	5,749	4,863	1,121	873	914
26 Education, training, employment, and social services	52,001	53,008	27,524	25,080	26,851	25,928	4,428	2,798	4,237
27 Health	119,378	123,843	61,595	61,809	63,552	65,053	11,259	10,419	11,602
28 Social security and Medicare	523,901	555,273	269,412	278,863	283,109	286,305	48,351	46,831	51,569
29 Income security	225,989	230,886	107,631	124,034	106,353	125,196	20,757	18,705	14,554
30 Veterans benefits and services	36,985	39,313	21,109	17,697	22,077	19,615	4,056	3,604	3,355
31 Administration of justice	17,548	20,197	9,583	10,670	10,212	11,287	1,757	1,781	2,241
32 General government	11,892	12,768	6,546	6,623	7,302	6,139	1,178	925	2,080
33 Net interest[5]	241,090	244,013	122,573	122,655	122,620	122,345	20,961	20,855	19,407
34 Undistributed offsetting receipts[6]	−37,620	−49,973	−25,142	−24,235	−22,795	−21,340	−6,054	−2,916	−3,408

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

SOURCE. Fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1999*; monthly and half-year totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government.*

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1996			1997				1998	
	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30
1 **Federal debt outstanding**	**5,197**	**5,260**	**5,357**	**5,415**	**5,410**	**5,446**	**5,536**	**5,573**	**5,578**
2 Public debt securities	5,161	5,225	5,323	5,381	5,376	5,413	5,502	5,542	5,548
3 Held by public	3,739	3,778	3,826	3,874	3,805	3,815	3,847	3,872	n.a.
4 Held by agencies	1,422	1,447	1,497	1,507	1,572	1,599	1,656	1,670	n.a.
5 Agency securities	36	35	34	34	34	33	34	31	30
6 Held by public	28	27	27	26	26	26	27	26	n.a.
7 Held by agencies	8	8	8	8	7	7	7	5	n.a.
8 **Debt subject to statutory limit**	**5,073**	**5,137**	**5,237**	**5,294**	**5,290**	**5,328**	**5,417**	**5,457**	**5,460**
9 Public debt securities	5,073	5,137	5,237	5,294	5,290	5,328	5,416	5,456	5,460
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	5,500	5,500	5,500	5,500	5,500	5,950	5,950	5,950	5,950

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

SOURCE. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin*.

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

Billions of dollars, end of period

Type and holder	1994	1995	1996	1997	1997		1998	
					Q3	Q4	Q1	Q2
1 **Total gross public debt**	**4,800.2**	**4,988.7**	**5,323.2**	**5,502.4**	**5,413.2**	**5,502.4**	**5,542.4**	**5,547.9**
By type								
2 Interest-bearing	4,769.2	4,964.4	5,317.2	5,494.9	5,407.5	5,494.9	5,535.3	5,540.2
3 Marketable	3,126.0	3,307.2	3,459.7	3,456.8	3,439.6	3,456.8	3,467.1	3,369.5
4 Bills	733.8	760.7	777.4	715.4	701.9	715.4	720.1	641.1
5 Notes	1,867.0	2,010.3	2,112.3	2,106.1	2,122.2	2,106.1	2,091.9	2,064.6
6 Bonds	510.3	521.2	555.0	587.3	576.2	587.3	598.7	598.7
7 Inflation-indexed notes and bonds[1]	n.a.	n.a	n.a.	33.0	24.4	33.0	41.5	50.1
8 Nonmarketable[2]	1,643.1	1,657.2	1,857.5	2,038.1	1,967.9	2,038.1	2,068.2	2,170.7
9 State and local government series	132.6	104.5	101.3	124.1	111.9	124.1	139.1	155.0
10 Foreign issues[3]	42.5	40.8	37.4	36.2	34.9	36.2	35.4	36.0
11 Government	42.5	40.8	47.4	36.2	34.9	36.2	36.4	36.0
12 Public	.0	.0	.0	0	.0	.0	.0	.0
13 Savings bonds and notes	177.8	181.9	182.4	181.2	182.7	181.2	181.2	180.7
14 Government account series[4]	1,259.8	1,299.6	1,505.9	1,666.7	1,608.5	1,666.7	1,681.5	1,769.1
15 Non-interest-bearing	31.0	24.3	6.0	7.5	5.6	7.5	7.2	7.7
By holder[5]								
16 U.S. Treasury and other federal agencies and trust funds	1,257.1	1,304.5	1,497.2	1,655.7	1,598.5	1,655.7	1,670.4	
17 Federal Reserve Banks	374.1	391.0	410.9	451.9	436.5	451.9	400.0	
18 Private investors	3,168.0	3,294.9	3,411.2	3,393.4	3,388.9	3,393.4	3,430.7	
19 Commercial banks	290.4	278.7	261.8[r]	269.8	261.8	269.8	275.0	
20 Money market funds	67.6	71.5[r]	91.6[r]	88.9	75.8	88.9	84.8	
21 Insurance companies	240.1	241.5	214.1[r]	224.9	222.7	224.9	225.5	
22 Other companies	224.5[r]	228.8	258.5	265.0	266.5	265.0	268.1	n.a.
23 State and local treasuries[6,7]	541.0[r]	469.6[r]	482.5[r]	493.0	486.6	493.0	494.6	
Individuals								
24 Savings bonds	180.5	185.0	187.0	186.5	186.2	186.5	186.3	
25 Other securities	150.7	162.7	169.6	168.4	168.6	168.4	165.8	
26 Foreign and international[8]	688.6	862.2	1,135.6[r]	1,278.0	1,266.0	1,278.0	1,288.0	
27 Other miscellaneous investors[7,9]	784.6[r]	794.9[r]	610.5[r]	418.8	454.5	418.8	442.5	

1. The U.S. Treasury first issued inflation-indexed securities during the first quarter of 1997.
2. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
3. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.
4. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
5. Data for Federal Reserve Banks and U.S government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
6. Includes state and local pension funds.
7. In March 1996, in a redefinition of series, fully defeased debt backed by nonmarketable federal securities was removed from "Other miscellaneous investors" and added to "State and local treasuries." The data shown here have been revised accordingly.
8. Consists of investments of foreign balances and international accounts in the United States.
9. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally sponsored agencies.

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

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

Millions of dollars, daily averages

Item	1998			1998, week ending								
	Mar.	Apr.	May	Apr. 29	May 6	May 13	May 20	May 27	June 3	June 10	June 17	June 24
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	35,701	38,290	31,384	38,463	33,191	26,997	28,682	35,436	37,393	27,119	30,849	31,816
Coupon securities, by maturity												
2 Five years or less	119,974	112,975	115,270	132,337	133,880	125,667	90,080	112,805	119,962	95,567	137,966	105,264
3 More than five years	64,952	65,132	75,845	63,256	79,709	80,015	67,683	77,873	74,041	79,855	97,329	66,052
4 Inflation-indexed	412	1,720	673	1,083	1,101	871	552	298	370	559	791	362
Federal agency												
5 Discount notes	38,968	39,114	35,571	36,834	34,486	30,572	38,697	36,436	40,697	36,576	34,742	35,005
Coupon securities, by maturity												
6 One year or less	2,086	1,620	1,290	2,141	1,130	1,189	974	1,569	2,093	2,398	1,406	1,741
7 More than one year, but less than or equal to five years	4,051	4,041	2,676	3,774	3,535	2,606	2,325	2,521	2,320	2,865	5,075	2,391
8 More than five years	2,425	3,118	2,903	2,354	3,988	3,540	1,520	2,109	4,189	3,209	3,030	2,195
9 Mortgage-backed	62,728	67,799	62,597	55,953	65,172	89,857	45,313	40,504	76,692	94,057	69,278	57,055
By type of counterparty												
With interdealer broker												
10 U.S. Treasury	125,029	120,163	124,671	129,930	134,955	134,625	103,942	127,882	124,619	114,370	149,485	115,646
11 Federal agency	2,101	2,417	2,034	1,831	2,759	2,428	1,384	1,456	2,375	2,264	2,650	1,704
12 Mortgage-backed	19,793	21,335	20,318	16,318	20,903	30,793	16,107	12,525	19,072	26,454	21,858	16,219
With other												
13 U.S. Treasury	96,010	97,954	98,501	105,210	112,926	98,926	83,054	98,530	107,147	88,730	117,450	87,848
14 Federal agency	45,429	45,476	40,407	43,272	40,381	35,479	42,132	41,178	46,923	42,784	41,602	39,628
15 Mortgage-backed	42,934	46,463	42,279	39,635	44,269	59,064	29,206	27,979	57,620	67,603	47,420	40,835
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
16 U.S. Treasury bills	289	173	139	39	202	231	74	57	108	249	334	46
Coupon securities, by maturity												
17 Five years or less	2,555	2,084	2,337	2,417	2,199	1,667	1,788	3,040	4,255	2,644	3,294	1,871
18 More than five years	15,909	14,015	13,900	14,885	13,430	12,396	12,057	17,433	16,142	15,281	21,273	13,596
19 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0	0
Federal agency												
20 Discount notes	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
21 One year or less	0	0	0	0	0	0	0	0	0	0	0	0
22 More than one year, but less than or equal to five years	0	0	0	0	0	0	0	0	0	0	0	0
23 More than five years	0	0	0	0	0	0	0	0	0	0	0	0
24 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
25 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
26 Five years or less	2,305	2,407	2,110	2,828	2,735	2,119	1,457	1,957	2,774	1,309	1,372	1,500
27 More than five years	5,422	5,815	6,263	0	5,044	6,318	7,135	7,112	4,685	4,903	6,086	5,244
28 Inflation-indexed	0	25	109	0	n.a.	240	n.a	0	0	0	0	0
Federal agency												
29 Discount notes	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
30 One year or less	0	0	0	0	0	0	0	0	0	0	0	0
31 More than one year, but less than or equal to five years	0	0	0	0	0	0	n.a.	0	0	0	0	0
32 More than five years	0	0	0	0	0	0	0	0	0	0	0	0
33 Mortgage-backed	602	750	535	0	603	618	427	539	455	874	801	683

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Monthly averages are based on the number of trading days in the month. Transactions are assumed to be evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Outright transactions include immediate and forward transactions. Immediate delivery refers to purchases or sales of securities (other than mortgage-backed federal agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

3. Futures transactions are standardized agreements arranged on an exchange. All futures transactions are included regardless of time to delivery.

4. Options transactions are purchases or sales of put and call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending January 28, 1998.

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

Millions of dollars

Item	1998			1998, week ending							
	Mar.	Apr.	May	Apr. 29	May 6	May 13	May 20	May 27	June 3	June 10	June 17
	Positions[2]										
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	16,723	16,747	7,500	8,359	11,566	9,031	3,450	5,814	8,760	4,453	−1,131
Coupon securities, by maturity											
2 Five years or less	−11,431	−17,750	−25,842	−23,201	−29,578	−25,584	−28,624	−23,346	−20,186	−24,154	−21,456
3 More than five years	−23,667	−27,081	−24,468	−34,907	−29,821	−29,783	−23,874	−20,515	−15,091	−10,460	−8,448
4 Inflation-indexed	1,099	2,058	1,968	2,092	2,176	2,098	2,132	1,775	1,481	1,343	1,167
Federal agency											
5 Discount notes	16,943	18,148	16,837	16,103	15,075	18,257	16,571	15,338	20,087	22,241	17,011
Coupon securities, by maturity											
6 One year or less	3,593	3,215	2,715	2,538	2,982	2,603	2,443	2,772	2,889	2,596	1,762
7 More than one year, but less than or equal to five years	7,378	8,394	7,646	8,694	7,746	8,045	8,141	7,335	6,476	5,914	7,662
8 More than five years	9,095	11,588	11,182	10,984	12,315	11,718	11,338	10,328	9,765	11,107	11,014
9 Mortgage-backed	51,110	55,843	56,867	49,240	54,756	62,528	55,492	51,339	62,204	69,747	74,736
NET FUTURES POSITIONS[4]											
By type of deliverable security											
10 U.S. Treasury bills	−2,503	−1,040	−433	−1,312	−966	−466	−217	−251	−272	−238	279
Coupon securities, by maturity											
11 Five years or less	2,023	698	2,910	3,898	3,129	1,858	2,967	4,147	2,156	1,313	−2,890
12 More than five years	−15,929	−15,744	−21,492	−8,843	−13,543	−16,865	−22,468	−26,980	−30,203	−37,146	−34,285
13 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0
Federal agency											
14 Discount notes	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
15 One year or less	0	0	0	0	0	0	0	0	0	0	0
16 More than one year, but less than or equal to five years	0	0	0	0	0	0	0	0	0	0	0
17 More than five years	0	0	0	0	0	0	0	0	0	0	0
18 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
By type of deliverable security											
19 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
20 Five years or less	1,215	628	825	−319	1,903	2,147	1,214	−113	−2,145	−2,522	−1,476
21 More than five years	3,020	1,561	7	−145	929	453	52	−667	−1,058	−420	−748
22 Inflation-indexed	n.a.	70	n.a.	126	n.a.	n.a.	n.a.	n.a.	n.a.	0	0
Federal agency											
23 Discount notes	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
24 One year or less	0	0	0	0	0	0	0	0	0	0	0
25 More than one year, but less than or equal to five years	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
26 More than five years	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
27 Mortgage-backed	1,119	435	660	1,413	566	659	667	583	929	1,667	2,058
	Financing[5]										
Reverse repurchase agreements											
28 Overnight and continuing	359,012	365,357	368,407	370,855	361,782	341,254	390,603	371,186	382,159	329,190	338,660
29 Term	758,517	822,709	793,992	862,109	840,643	875,843	732,919	756,646	753,008	803,727	830,448
Securities borrowed											
30 Overnight and continuing	213,254	208,558	216,006	209,488	214,956	214,832	218,560	214,923	217,059	217,413	223,799
31 Term	89,659	99,303	100,113	102,952	102,290	104,623	99,240	97,063	95,824	98,899	98,125
Securities received as pledge											
32 Overnight and continuing	2,526	2,591	3,131	2,491	2,732	3,288	3,394	3,063	3,116	2,924	2,927
33 Term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Repurchase agreements											
34 Overnight and continuing	740,803	788,452	761,206	771,881	757,011	752,310	781,666	749,674	767,445	740,156	757,836
35 Term	671,254	726,216	710,585	773,149	748,465	791,540	654,576	677,027	668,836	718,453	751,130
Securities loaned											
36 Overnight and continuing	9,825	11,640	10,871	11,446	11,426	11,594	10,653	10,346	10,071	11,003	11,023
37 Term	4,240	2,120	2,734	1,934	1,915	1,890	3,429	3,388	3,081	3,321	3,421
Securities pledged											
38 Overnight and continuing	52,797	48,773	49,489	47,059	49,555	49,217	50,613	49,113	48,555	51,525	57,787
39 Term	5,181	5,693	4,961	5,292	5,102	5,137	4,856	4,672	5,129	5,264	5,331
Collateralized loans											
40 Total	12,421	11,714	11,607	5,580	9,297	11,466	10,618	14,307	12,327	12,724	10,640

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net outright positions include immediate and forward positions. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions for mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.

Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

4. Futures positions reflect standardized agreements arranged on an exchange. All futures positions are included regardless of time to delivery.

5. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day. Financing data are reported in terms of actual funds paid or received, including accrued interest.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending January 28, 1998.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1994	1995	1996	1997	1997	1998			
					Dec.	Jan.	Feb.	Mar.	Apr.
1 **Federal and federally sponsored agencies**	**738,928**	**844,611**	**925,823**	**1,022,609**	**1,022,609**	**1,032,486**	**1,038,348**	**1,059,043**	**1,048,661**
2 Federal agencies	39,186	37,347	29,380	27,792	27,792	27,110	27,101	27,227	27,104
3 Defense Department[1]	6	6	6	6	6	6	6	6	6
4 Export-Import Bank[2,3]	3,455	2,050	1,447	552	552	682	549	549	542
5 Federal Housing Administration[4]	116	97	84	102	102	133	79	97	102
6 Government National Mortgage Association certificates of participation[5]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Postal Service[6]	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Tennessee Valley Authority	27,536	29,429	27,853	27,786	27,786	27,104	27,095	27,221	27,098
9 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Federally sponsored agencies[7]	699,742	807,264	896,443	994,817	994,817	1,005,376	1,011,247	1,031,816	1,021,557
11 Federal Home Loan Banks	205,817	243,194	263,404	313,919	313,919	311,385	312,017	317,967	323,208
12 Federal Home Loan Mortgage Corporation	93,279	119,961	156,980	169,200	169,200	181,948	184,100	193,300	200,800
13 Federal National Mortgage Association	257,230	299,174	331,270	369,774	369,774	370,524	373,574	381,093	395,977
14 Farm Credit Banks[8]	53,175	57,379	60,053	63,517	63,517	61,317	61,177	62,327	62,799
15 Student Loan Marketing Association[9]	50,335	47,529	44,763	37,717	37,717	39,375	39,570	36,310	36,256
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt**[13]	**103,817**	**78,681**	**58,172**	**49,090**	**49,090**	**48,321**	**47,341**	**45,487**	**44,893**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	3,449	2,044	1,431	552	552	549	549	549	542
21 Postal Service[6]	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
22 Student Loan Marketing Association	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
23 Tennessee Valley Authority	3,200	3,200	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other lending[14]									
25 Farmers Home Administration	33,719	21,015	18,325	13,530	13,530	13,530	13,160	13,030	12,380
26 Rural Electrification Administration	17,392	17,144	16,702	14,898	14,898	14,841	14,852	14,315	14,203
27 Other	37,984	29,513	21,714	20,110	20,110	19,401	18,780	17,593	17,768

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. On-budget since Sept. 30, 1976.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Includes Federal Agricultural Mortgage Corporation, therefore details do not sum to total. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, which is shown on line 17.
9. Before late 1982, the association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.
12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.
13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table to avoid double counting.
14. Includes FFB purchases of agency assets and guaranteed loans; the latter are loans guaranteed by numerous agencies, with the amounts guaranteed by any one agency generally being small. The Farmers Home Administration entry consists exclusively of agency assets, whereas the Rural Electrification Administration entry consists of both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1995	1996	1997	1997		1998					
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 **All issues, new and refunding**[1]	**145,657**	**171,222**	**214,694**	**20,207**	**21,342**	**16,770**	**21,306**	**27,859**	**20,271**	**22,862**	**29,665**
By type of issue											
2 General obligation	56,980	60,409	69,934	5,713	8,005	5,608	9,893	9,597	8,154	4,827	10,135
3 Revenue	88,677	110,813	134,989	14,494	13,337	11,162	11,413	18,261	12,117	18,035	19,530
By type of issuer											
4 State	14,665	13,651	18,237	509	1,702	1,268	2,420	2,375	3,548	1,146	2,809
5 Special district or statutory authority[2]	93,500	113,228	134,919	13,586	15,600	11,794	14,228	19,629	12,504	16,865	18,099
6 Municipality, county, or township	37,492	44,343	70,558	5,920	4,098	3,708	4,658	5,859	4,219	4,851	7,220
7 **Issues for new capital**	**102,390**	**112,298**	**135,519**	**12,979**	**13,487**	**9,696**	**12,538**	**15,134**	**12,616**	**15,281**	**19,341**
By use of proceeds											
8 Education	23,964	26,851	31,860	2,973	2,981	2,338	3,525	4,297	4,080	2,819	4,911
9 Transportation	11,890	12,324	13,951	1,420	1,144	1,521	1,760	771	1,089	1,043	2,962
10 Utilities and conservation	9,618	9,791	12,219	1,217	683	598	687	1,866	749	5,971	2,368
11 Social welfare	19,566	24,583	27,794	4,090	2,940	1,540	2,903	3,104	n.a.	n.a.	n.a.
12 Industrial aid	6,581	6,287	6,667	574	897	448	581	1,236	678	576	563
13 Other purposes	30,771	32,462	35,095	2,705	4,842	3,251	3,082	3,860	3,255	2,482	5,279

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

SOURCE. Securities Data Company beginning January 1990; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1995	1996	1997	1997			1998				
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
1 **All issues**[1]	**673,779**	n.a.	n.a.	**72,131**[r]	**58,959**[r]	**64,463**[r]	**73,614**[r]	**68,578**[r]	**108,994**[r]	**76,799**[r]	**77,164**
2 **Bonds**[2]	**572,998**[r]	n.a.	n.a.	**58,166**	**46,543**	**55,973**	**66,198**	**57,396**	**89,723**	**64,329**	**62,713**
By type of offering											
3 Public, domestic	408,707[r]	465,489	537,880[r]	46,967	42,969	54,443	55,647	50,453	81,778	55,452	56,965
4 Private placement, domestic[3]	87,492	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	76,799[r]	83,433	103,188	11,199	3,574	1,530	10,551	6,943	7,946	8,878	5,748
By industry group											
6 Nonfinancial	156,763[r]	119,765[r]	130,116[r]	15,977	6,794	7,696	21,039	12,133	17,301	16,985	12,856
7 Financial	416,235[r]	429,157[r]	510,953[r]	42,189	39,750	48,276	45,159	45,263	72,422	47,345	49,857
8 **Stocks**[2]	**100,573**	n.a.	n.a.	**13,053**	**11,807**	**8,019**	**7,416**	**10,965**	**18,371**	**11,717**	**13,888**
By type of offering											
9 Public	146,446	244,012	235,760	13,965	12,416	8,490	7,667	11,182	18,399	12,470	14,451
10 Private placement[3]	32,100	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
11 Nonfinancial	52,707	80,460	60,386	6,897	6,861	3,039	1,761	5,737	10,756	5,551	9,269
12 Financial	20,516	41,546	57,494	7,068	5,555	5,451	5,906	5,445	8,515	6,919	5,182

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data cover only public offerings.
3. Monthly data are not available.

SOURCE. Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1996	1997	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.	1998 Apr.	1998 May[r]	1998 June
1 **Sales of own shares**[2]	**934,595**	**1,190,900**	**94,478**	**110,452**	**119,488**	**114,219**	**128,348**	**128,828**	**113,593**	**122,049**
2 Redemptions of own shares	702,711	918,728	66,135	89,982	92,621	81,688	97,248	97,087	84,421	97,746
3 Net sales[3]	231,885	272,172	28,343	20,471	26,867	32,532	31,100	31,741	29,172	24,303
4 **Assets**[4]	**2,624,463**	**3,409,315**	**3,356,347**	**3,409,315**	**3,459,354**	**3,675,392**	**3,843,971**	**3,909,932**	**3,882,061**	**3,982,551**
5 Cash[5]	138,559	174,154	186,582	174,154	183,648	180,415	174,058	170,045	171,425	177,845
6 Other	2,485,904	3,235,161	3,169,765	3,235,161	3,275,706	3,494,977	3,669,913	3,739,887	3,710,636	3,804,706

1. Data include stock, hybrid, and bond mutual funds and exclude money market mutual funds.
2. Excludes reinvestment of net income dividends and capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes sales and redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.
4. Market value at end of period, less current liabilities.
5. Includes all U.S. Treasury securities and other short-term debt securities.

SOURCE. Investment Company Institute. Data based on reports of membership, which comprises substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect underwritings of newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1995	1996	1997	1996 Q2	1996 Q3	1996 Q4	1997 Q1	1997 Q2	1997 Q3	1997 Q4	1998 Q1
1 Profits with inventory valuation and capital consumption adjustment	650.0	735.9	805.0	738.5	739.6	747.8	779.6	795.1	827.3	818.1	827.7
2 Profits before taxes	622.6	676.6	729.8	682.2	679.1	680.0	708.4	719.8	753.4	737.3	723.8
3 Profits-tax liability	213.2	229.0	249.4	232.2	231.6	226.0	241.2	244.5	258.2	253.6	246.0
4 Profits after taxes	409.4	447.6	480.3	450.0	447.5	454.0	467.2	475.3	495.2	483.7	477.9
5 Dividends	264.4	304.8	336.1	303.7	305.7	309.1	326.8	333.0	339.1	345.6	352.2
6 Undistributed profits	145.0	142.8	144.2	146.4	141.8	144.9	140.3	142.3	156.1	138.1	125.7
7 Inventory valuation	−24.3	−2.5	5.5	−5.4	−2.7	3.3	3.5	5.9	3.6	9.2	30.1
8 Capital consumption adjustment	51.6	61.8	69.7	61.6	63.2	64.4	67.7	69.4	70.3	71.6	73.7

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1995	1996	1997	1996 Q4	1997 Q1	1997 Q2	1997 Q3	1997 Q4	1998 Q1	1998 Q2
ASSETS										
1 Accounts receivable, gross[2]	607.0	637.1	663.3	637.1	648.0	651.6	660.5	663.3	666.8	
2 Consumer	233.0	244.9	256.8	244.9	249.4	255.1	254.5	256.8	251.3	
3 Business	301.6	309.5	318.5	309.5	315.2	311.7	319.5	318.5	325.9	
4 Real estate	72.4	82.7	87.9	82.7	83.4	84.8	86.4	87.9	89.6	
5 LESS: Reserves for unearned income	60.7	55.6	52.7	55.6	51.3	57.2	54.6	52.7	52.1	
6 Reserves for losses	12.8	13.1	13.0	13.1	12.8	13.3	12.7	13.0	13.1	
7 Accounts receivable, net	533.5	568.3	597.6	568.3	583.9	581.2	593.1	597.6	601.6	
8 All other	250.9	290.0	312.4	290.0	289.6	306.8	289.1	312.4	329.9	n.a.
9 **Total assets**	**784.4**	**858.3**	**910.0**	**858.3**	**873.4**	**887.9**	**882.3**	**910.0**	**931.5**	
LIABILITIES AND CAPITAL										
10 Bank loans	15.3	19.7	24.1	19.7	18.4	18.8	20.4	24.1	22.0	
11 Commercial paper	168.6	177.6	201.5	177.6	185.3	193.7	189.6	201.5	211.7	
Debt										
12 Owed to parent	51.1	60.3	64.7	60.3	61.0	60.0	61.6	64.7	64.6	
13 Not elsewhere classified	300.0	332.5	328.8	332.5	324.6	345.3	322.8	328.8	338.1	
14 All other liabilities	163.6	174.7	189.6	174.7	189.2	171.4	190.1	189.6	193.0	
15 Capital, surplus, and undivided profits	85.9	93.5	101.3	93.5	94.9	98.7	97.9	101.3	102.0	
16 **Total liabilities and capital**	**784.4**	**858.3**	**910.0**	**858.3**	**873.4**	**887.9**	**882.3**	**910.0**	**931.5**	

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are amounts carried on the balance sheets of finance companies; securitized pools are not shown, as they are not on the books.
2. Before deduction for unearned income and losses.

1.52 DOMESTIC FINANCE COMPANIES Owned and Managed Receivables[1]

Billions of dollars, amounts outstanding

	Type of credit	1995	1996	1997	1997	1998				
					Dec.	Jan.	Feb.	Mar.	Apr.	May
		Seasonally adjusted								
1	**Total**	**682.4**	**762.4**	**810.4**	**810.4**	**811.0**	**821.1**	**818.3**	**823.7[r]**	**830.5**
2	Consumer	281.9	306.6	326.9	326.9	324.9	326.2	326.7	329.0[r]	329.9
3	Real estate	72.4	111.9	121.1	121.1	121.9	123.7	121.6	121.9	125.1
4	Business	328.1	343.8	362.4	362.4	364.3	371.1	369.9	372.8	375.6
		Not seasonally adjusted								
5	**Total**	**689.5**	**769.7**	**818.1**	**818.1**	**812.2**	**819.6**	**819.4**	**825.0[r]**	**832.7**
6	Consumer	285.8	310.6	330.9	330.9	326.2	324.8	325.0	326.4[r]	329.0
7	Motor vehicles loans	81.1	86.7	87.0	87.0	87.4	84.7	86.8	90.6	89.6
8	Motor vehicle leases	80.8	92.5	96.8	96.8	94.5	94.7	95.2	95.9	95.9
9	Revolving[2]	28.5	32.5	38.6	38.6	37.6	36.9	36.3	30.1[r]	30.2
10	Other[3]	42.6	33.2	34.4	34.4	34.5	34.1	33.0	33.4	33.5
	Securitized assets[4]									
11	Motor vehicle loans	34.8	36.8	44.3	44.3	42.8	45.3	45.0	42.8	45.7
12	Motor vehicle leases	3.5	8.7	10.8	10.8	10.7	10.6	10.5	10.4	10.8
13	Revolving	n.a.	0.0	0.0	0.0	0.0	0.0	0.0	5.3	5.3
14	Other	14.7	20.1	19.0	19.0	18.7	18.5	18.2	18.1	18.1
15	Real estate	72.4	111.9	121.1	121.1	121.9	123.7	121.6	121.9	125.1
16	One- to four-family	n.a.	52.1	59.0	59.0	59.8	62.2	61.5	62.4	65.2
17	Other	n.a.	30.5	28.9	28.9	29.1	29.0	28.1	28.1	28.1
	Securitized real estate assets[4]									
18	One- to four-family	n.a.	28.9	33.0	33.0	32.8	32.3	31.8	31.2	30.7
19	Other	n.a.	0.4	0.2	0.2	0.2	0.2	0.2	0.2	1.0
20	Business	331.2	347.2	366.1	366.1	364.0	371.1	372.7	376.7	378.6
21	Motor vehicles	66.5	67.1	63.5	63.5	61.8	64.8	67.8	68.2	69.1
22	Retail loans	21.8	25.1	25.6	25.6	26.1	26.4	27.3	28.3	29.3
23	Wholesale loans[5]	36.6	33.0	27.7	27.7	25.6	28.2	30.2	29.5	29.5
24	Leases	8.0	9.0	10.2	10.2	10.1	10.2	10.2	10.4	10.4
25	Equipment	188.0	194.8	203.9	203.9	204.2	204.7	206.5	207.8	209.3
26	Loans	58.5	59.9	51.5	51.5	50.7	49.9	50.8	51.2	51.3
27	Leases	129.4	134.9	152.3	152.3	153.5	154.8	155.7	156.7	158.0
28	Other business receivables[6]	47.2	47.6	51.1	51.1	52.1	55.6	51.6	54.0	54.3
	Securitized assets[4]									
29	Motor vehicles	20.6	24.0	33.0	33.0	31.5	31.2	32.1	31.6	31.0
30	Retail loans	1.8	2.7	2.4	2.4	2.3	2.2	2.0	1.9	1.9
31	Wholesale loans	18.8	21.3	30.5	30.5	29.2	29.0	30.0	29.6	29.2
32	Leases	n.a.	.0	.0	0.0	0.0	0.0	0.0	0.0	0.0
33	Equipment	8.2	11.3	10.7	10.7	10.4	10.8	10.5	10.3	10.2
34	Loans	5.3	4.7	4.2	4.2	3.9	4.3	4.2	4.1	4.0
35	Leases	2.8	6.6	6.5	6.5	6.5	6.5	6.3	6.2	6.2
36	Other business receivables[6]	.8	2.4	4.0	4.0	4.0	4.0	4.2	4.7	4.7

NOTE. This table has been revised to incorporate several changes resulting from the benchmarking of finance company receivables to the June 1996 Survey of Finance Companies. In that benchmark survey, and in the monthly surveys that have followed, more detailed breakdowns have been obtained for some components. In addition, previously unavailable data on securitized real estate loans are now included in this table. The new information has resulted in some reclassification of receivables among the three major categories (consumer, real estate, and business) and in discontinuities in some component series between May and June 1996.

Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

1. Owned receivables are those carried on the balance sheet of the institution. Managed receivables are outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator. Data are shown before deductions for unearned income and losses. Components may not sum to totals because of rounding.

2. Excludes revolving credit reported as held by depository institutions that are subsidiaries of finance companies.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, boats, and recreation vehicles.

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

5. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

6. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1995	1996	1997	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.	1998 Apr.	1998 May	1998 June
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	175.8	182.4	180.1	190.7	184.1	195.3	191.7	189.5	195.6	193.7
2 Amount of loan (thousands of dollars)	134.5	139.2	140.3	149.8	142.3	148.5	149.5	147.1	150.2	151.0
3 Loan-to-price ratio (percent)	78.6	78.2	80.4	81.0	80.5	78.6	81.0	80.4	79.1	81.0
4 Maturity (years)	27.7	27.2	28.2	28.2	28.5	28.0	28.3	28.4	28.3	28.3
5 Fees and charges (percent of loan amount)[2]	1.21	1.21	1.02	.96	.91	.99	.95	.87	.85	.85
Yield (percent per year)										
6 Contract rate[1]	7.65	7.56	7.57	7.25	7.13	7.09	7.03	7.05	7.05	7.03
7 Effective rate[1,3]	7.85	7.77	7.73	7.40	7.27	7.24	7.17	7.19	7.18	7.16
8 Contract rate (HUD series)[4]	8.05	8.03	7.76	7.25	7.16	7.22	7.16	7.20	7.11	7.08
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	8.18	8.19	7.89	7.17	7.08	7.06	7.09	7.37	7.07	7.07
10 GNMA securities[6]	7.57	7.48	7.26	6.74	6.56	6.63	6.66	6.63	6.63	6.54
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	253,511	287,052	316,678	316,678	320,062	322,957	327,025	333,571	343,922	349,249
12 FHA/VA insured	28,762	30,592	31,925	31,925	31,621	31,650	31,965	32,734	32,771	32,896
13 Conventional	224,749	256,460	284,753	284,753	288,441	291,307	295,060	300,837	311,151	316,353
14 Mortgage transactions purchased (during period)	56,598	68,618	70,465	6,692	7,647	8,630	12,095	14,668	17,423	11,916
Mortgage commitments (during period)										
15 Issued[7]	56,092	65,859	69,965	6,275	12,199	10,587	14,057	17,556	10,612	16,921
16 To sell[8]	360	130	1,298	140	60	0	92	0	0	0
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	107,424	137,755	164,421	164,421	169,142	175,770	185,928	189,471	192,603	196,634
18 FHA/VA insured	267	220	177	177	173	170	166	162	160	160
19 Conventional	107,157	137,535	164,244	164,244	168,969	175,600	185,762	189,309	192,443	196,474
Mortgage transactions (during period)										
20 Purchases	98,470	125,103	117,401	15,979	13,120	13,610	21,011	25,132	23,743	22,394
21 Sales	85,877	119,702	114,258	14,587	12,702	12,481	19,085	24,479	23,338	21,133
22 Mortgage commitments contracted (during period)[9]	118,659	128,995	120,089	15,805	15,638	17,397	23,060	24,468	26,100	20,008

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.
4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.
5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.
6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.
7. Does not include standby commitments issued, but includes standby commitments converted.
8. Includes participation loans as well as whole loans.
9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1994	1995	1996	1997				1998
				Q1	Q2	Q3	Q4	Q1[p]
1 **All holders**	**4,395,888**	**4,608,162**	**4,936,041**	**4,991,477**	**5,070,645**	**5,189,141**	**5,288,301**	**5,383,193**
By type of property								
2 One- to four-family residences	3,355,868	3,530,400	3,761,560	3,806,060	3,860,806	3,958,109	4,030,312	4,097,033
3 Multifamily residences	275,005	287,483	312,388	315,282	320,601	323,349	332,200	339,789
4 Nonfarm, nonresidential	682,044	705,719	774,960	782,482	800,560	817,924	835,372	854,949
5 Farm	82,971	84,561	87,134	87,653	88,678	89,759	90,417	91,422
By type of holder								
6 Major financial institutions	1,819,806	1,894,420	1,979,114	1,993,046	2,033,662	2,068,022	2,086,747	2,118,968
7 Commercial banks[2]	1,012,711	1,090,189	1,145,389	1,160,136	1,196,524	1,227,151	1,244,146	1,269,973
8 One- to four-family	615,861	669,434	698,508	708,802	733,737	752,334	762,580	779,924
9 Multifamily	39,346	43,837	46,675	47,618	49,118	49,169	50,643	51,777
10 Nonfarm, nonresidential	334,953	353,088	375,322	378,474	387,608	398,847	403,945	410,818
11 Farm	22,551	23,830	24,883	25,242	26,061	26,800	26,978	27,453
12 Savings institutions[3]	596,191	596,763	628,335	626,381	629,062	631,444	631,809	636,759
13 One- to four-family	477,626	482,353	513,712	513,393	516,521	519,564	520,660	526,984
14 Multifamily	64,343	61,987	61,570	60,645	60,070	60,348	59,543	58,884
15 Nonfarm, nonresidential	53,933	52,135	52,723	52,007	52,132	51,187	51,251	50,522
16 Farm	289	288	331	336	338	346	354	369
17 Life insurance companies	210,904	207,468	205,390	206,529	208,077	209,426	210,792	212,235
18 One- to four-family	7,018	7,316	6,772	6,799	6,842	7,080	7,186	7,321
19 Multifamily	23,902	23,435	23,197	23,320	23,499	23,615	23,755	23,902
20 Nonfarm, nonresidential	170,421	167,095	165,399	166,277	167,548	168,374	169,377	170,423
21 Farm	9,563	9,622	10,022	10,133	10,188	10,358	10,473	10,589
22 Federal and related agencies	315,580	306,774	300,935	295,203	292,966	291,410	292,581	293,499
23 Government National Mortgage Association	6	2	2	6	7	7	8	8
24 One- to four-family	6	2	2	6	7	7	8	8
25 Multifamily	0	0	0	0	0	0	0	0
26 Farmers Home Administration[4]	41,781	41,791	41,596	41,485	41,400	41,332	41,195	40,972
27 One- to four-family	18,098	17,705	17,303	17,175	17,239	17,458	17,253	17,160
28 Multifamily	11,319	11,617	11,685	11,692	11,706	11,713	11,720	11,714
29 Nonfarm, nonresidential	5,670	6,248	6,841	6,969	7,135	7,246	7,370	7,369
30 Farm	6,694	6,221	5,768	5,649	5,321	4,916	4,852	4,729
31 Federal Housing and Veterans' Administrations	10,964	9,809	6,244	4,330	4,200	3,462	3,821	3,694
32 One- to four-family	4,753	5,180	3,524	2,335	2,299	2,810	3,091	2,966
33 Multifamily	6,211	4,629	2,719	1,995	1,900	652	730	729
34 Resolution Trust Corporation	10,428	1,864	0	0	0	0	0	0
35 One- to four-family	5,200	691	0	0	0	0	0	0
36 Multifamily	2,859	647	0	0	0	0	0	0
37 Nonfarm, nonresidential	2,369	525	0	0	0	0	0	0
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	7,821	4,303	2,431	2,217	1,816	1,476	724	786
40 One- to four-family	1,049	492	365	333	272	221	109	118
41 Multifamily	1,595	428	413	377	309	251	123	134
42 Nonfarm, nonresidential	5,177	3,383	1,653	1,508	1,235	1,004	492	534
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	174,312	176,824	174,556	172,829	170,386	168,458	167,722	166,670
45 One- to four-family	158,766	161,665	160,751	159,634	157,729	156,363	156,245	155,876
46 Multifamily	15,546	15,159	13,805	13,195	12,657	12,095	11,477	10,794
47 Federal Land Banks	28,555	28,428	29,602	29,668	29,963	30,346	30,657	31,005
48 One- to four-family	1,671	1,673	1,742	1,746	1,763	1,786	1,804	1,824
49 Farm	26,885	26,755	27,860	27,922	28,200	28,560	28,853	29,181
50 Federal Home Loan Mortgage Corporation	41,712	43,753	46,504	44,668	45,194	46,329	48,454	50,364
51 One- to four-family	38,882	39,901	41,758	39,640	40,092	40,953	42,629	44,440
52 Multifamily	2,830	3,852	4,746	5,028	5,102	5,376	5,825	5,924
53 Mortgage pools or trusts[5]	1,732,347	1,866,763	2,070,436	2,113,770	2,153,812	2,210,930	2,282,566	2,334,416
54 Government National Mortgage Association	450,934	472,283	506,340	513,471	520,938	529,867	536,810	533,011
55 One- to four-family	441,198	461,438	494,158	500,591	507,618	516,217	523,156	519,152
56 Multifamily	9,736	10,845	12,182	12,880	13,320	13,650	13,654	13,859
57 Federal Home Loan Mortgage Corporation	490,851	515,051	554,260	562,894	567,187	569,920	579,385	583,144
58 One- to four-family	487,725	512,238	551,513	560,369	564,445	567,340	576,846	580,715
59 Multifamily	3,126	2,813	2,747	2,525	2,742	2,580	2,539	2,429
60 Federal National Mortgage Association	530,343	582,959	650,780	663,668	673,931	690,919	709,582	730,832
61 One- to four-family	520,763	569,724	633,210	645,324	654,826	670,677	687,981	708,125
62 Multifamily	9,580	13,235	17,570	18,344	19,105	20,242	21,601	22,707
63 Farmers Home Administration[4]	19	11	3	3	2	2	2	2
64 One- to four-family	3	2	0	0	0	0	0	0
65 Multifamily	0	0	0	0	0	0	0	0
66 Nonfarm, nonresidential	9	5	0	0	0	0	0	0
67 Farm	7	4	3	3	2	2	2	2
68 Private mortgage conduits	260,200	296,459	359,053	373,734	391,753	420,222	456,787	487,427
69 One- to four-family[6]	208,500	227,800	261,900	271,100	279,450	299,400	318,000	336,824
70 Multifamily	14,925	21,279	33,689	35,607	38,992	41,973	48,261	54,680
71 Nonfarm, nonresidential	36,774	47,380	63,464	67,027	73,312	78,849	90,526	102,447
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[7]	528,155	540,206	585,556	589,458	590,206	618,779	626,408	636,310
74 One- to four-family	368,749	372,786	376,341	378,815	377,966	405,900	412,763	422,120
75 Multifamily	69,686	73,719	81,389	82,054	82,081	81,684	82,329	82,257
76 Nonfarm, nonresidential	72,738	75,859	109,558	110,220	111,591	112,418	112,411	112,834
77 Farm	16,983	17,841	18,268	18,368	18,567	18,777	18,905	19,099

1. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. Includes securitized home equity loans.
7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCE. Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve. Line 69 from Inside Mortgage Securities and other sources.

1.55 CONSUMER CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1995	1996	1997	1997	1998				
				Dec.	Jan.	Feb.	Mar.	Apr.[r]	May
	Seasonally adjusted								
1 **Total**	**1,094,197**	**1,179,892**	**1,230,695**	**1,230,695**	**1,236,068[r]**	**1,243,719[r]**	**1,246,134[r]**	**1,251,740**	**1,252,066**
2 Automobile	364,231	392,370	413,453	413,453	415,344[r]	416,468[r]	419,287[r]	420,388	421,437
3 Revolving	442,994	499,209	530,801	530,801	532,626[r]	536,106[r]	536,319[r]	538,033	534,700
4 Other[2]	286,972	288,313	286,441	286,441	288,099[r]	291,145[r]	290,528[r]	293,319	295,929
	Not seasonally adjusted								
5 **Total**	**1,122,828**	**1,211,590**	**1,264,103**	**1,264,103**	**1,246,131[r]**	**1,238,496[r]**	**1,234,683[r]**	**1,240,457**	**1,241,436**
By major holder									
6 Commercial banks	501,963	526,769	512,563	512,563	501,975	497,804	492,221	502,185	499,496
7 Finance companies	152,123	152,391	160,022	160,022	159,493	155,675	156,140	153,988	153,216
8 Credit unions	131,939	144,148	152,362	152,362	151,024	149,804	149,334	149,119	149,775
9 Savings institutions	40,106	44,711	47,172	47,172	47,144[r]	47,115[r]	47,087[r]	47,059	47,030
10 Nonfinancial business[3]	85,061	77,745	78,927	78,927	75,349[r]	72,761[r]	72,652[r]	64,984	65,091
11 Pools of securitized assets[4]	211,636	265,826	313,057	313,057	311,146	315,337	317,249	323,122	326,828
By major type of credit[5]									
12 Automobile	367,069	395,609	416,962	416,962	413,586[r]	412,177[r]	415,230[r]	415,396	417,401
13 Commercial banks	151,437	157,047	155,254	155,254	154,413	152,747	153,627	150,613	150,763
14 Finance companies	81,073	86,690	87,015	87,015	87,379	84,685	86,834	90,564	89,569
15 Pools of securitized assets[4]	44,635	51,719	64,950	64,950	63,066	65,957	65,062	63,596	65,734
16 Revolving	464,134	522,860	555,858	555,858	541,144[r]	535,451[r]	530,364[r]	531,115	529,900
17 Commercial banks	210,298	228,615	219,826	219,826	208,750	204,564	197,264	204,928	202,310
18 Finance companies	28,460	32,493	38,608	38,608	37,603	36,851	36,273	30,058	30,155
19 Nonfinancial business[3]	53,525	44,901	44,966	44,966	42,689	40,976	41,246	33,487	33,412
20 Pools of securitized assets[4]	147,934	188,712	221,465	221,465	221,805	223,400	226,562	233,871	235,550
21 Other	291,625	293,121	291,283	291,283	291,401[r]	290,868[r]	289,089[r]	293,946	294,135
22 Commercial banks	140,228	141,107	137,483	137,483	138,812	140,493	141,330	146,644	146,423
23 Finance companies	42,590	33,208	34,399	34,399	34,511	34,139	33,033	33,366	33,492
24 Nonfinancial business[3]	31,536	32,844	33,961	33,961	32,660[r]	31,785[r]	31,406[r]	31,497	31,679
25 Pools of securitized assets[4]	19,067	25,395	26,642	26,642	26,275	25,980	25,625	25,655	25,544

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Comprises mobile home loans and all other loans that are not included in automobile or revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.
3. Includes retailers and gasoline companies.
4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.
5. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER CREDIT[1]

Percent per year except as noted

Item	1995	1996	1997	1997		1998				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	9.57	9.05	9.02	8.96	n.a.	n.a.	8.87	n.a.	n.a.	8.69
2 24-month personal	13.94	13.54	13.90	14.50	n.a.	n.a.	14.01	n.a.	n.a.	13.76
Credit card plan										
3 All accounts	15.90[r]	15.63	15.77	15.65	n.a.	n.a.	15.65	n.a.	n.a.	15.67
4 Accounts assessed interest	15.64[r]	15.50	15.57	15.62	n.a.	n.a.	15.33	n.a.	n.a.	15.62
Auto finance companies										
5 New car	11.19	9.84	7.12	6.85	5.93	6.12	6.98	5.94	6.20	6.07
6 Used car	14.48	13.53	13.27	13.14	13.16	12.77	12.87	12.79	12.76	12.73
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.1	51.6	54.1	53.7	53.5	52.8	52.6	51.5	50.7	50.8
8 Used car	52.2	51.4	51.0	50.5	50.5	52.2	52.5	52.6	52.9	52.9
Loan-to-value ratio										
9 New car	92	91	92	91	92	92	92	92	91	93
10 Used car	99	100	99	99	99	98	97	97	98	99
Amount financed (dollars)										
11 New car	16,210	16,987	18,077	18,923	19,121	18,944	18,825	18,932	18,922	18,793
12 Used car	11,590	12,182	12,281	12,389	12,547	12,391	12,356	12,431	12,716[r]	12,607

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Data are available for only the second month of each quarter.
3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1993	1994	1995	1996	1997	1996		1997				1998
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**588.0**	**574.6**	**702.8**	**727.8**	**764.2**	**685.5**	**625.4**	**712.3**	**624.4**	**786.9**	**933.4**	**941.2**
By sector and instrument												
2 Federal government	256.1	155.9	144.4	145.0	23.1	155.3	112.3	64.9	−43.5	30.3	40.8	−30.0
3 Treasury securities	248.3	155.7	142.9	146.6	23.2	158.4	115.6	66.3	−43.8	31.2	39.0	−27.6
4 Budget agency securities and mortgages	7.8	.2	1.5	−1.6	−.1	−3.1	−3.3	−1.4	.2	−.9	1.7	−2.4
5 Nonfederal	331.9	418.7	558.3	582.8	741.1	530.2	513.1	647.4	667.9	756.6	892.6	971.2
By instrument												
6 Commercial paper	10.0	21.4	18.1	−.9	13.7	−14.2	−24.1	7.2	20.3	14.5	12.8	53.9
7 Municipal securities and loans	74.8	−35.9	−48.2	2.6	71.4	−64.7	41.6	43.4	96.7	56.4	89.3	124.3
8 Corporate bonds	75.2	23.3	73.3	72.5	90.7	67.8	89.9	79.4	86.1	122.9	74.4	157.2
9 Bank loans n.e.c.	6.4	75.2	102.3	66.2	101.5	138.3	27.2	143.1	105.0	16.8	141.0	63.7
10 Other loans and advances	−18.9	34.0	67.2	33.8	66.8	63.0	3.9	37.5	18.5	76.3	134.9	94.8
11 Mortgages	123.7	175.8	206.7	320.0	344.5	258.1	336.0	266.0	281.4	419.2	411.4	420.5
12 Home	156.2	178.5	174.5	264.9	268.8	239.7	249.9	228.4	191.2	344.5	310.9	315.8
13 Multifamily residential	−6.8	1.9	10.6	18.6	17.2	12.9	27.1	9.5	18.8	7.7	33.0	27.7
14 Commercial	−26.7	−6.9	19.9	33.9	55.2	3.3	57.4	25.9	67.3	62.7	64.9	72.9
15 Farm	1.0	2.2	1.6	2.6	3.3	2.2	1.6	2.1	4.1	4.3	2.6	4.0
16 Consumer credit	60.7	124.9	138.9	88.8	52.5	81.9	38.6	70.8	60.0	50.5	28.8	56.9
By borrowing sector												
17 Household	205.9	309.3	348.9	372.7	350.3	355.2	298.5	339.2	292.5	381.4	388.0	426.9
18 Nonfinancial business	51.3	141.7	245.5	195.8	311.3	224.9	163.3	252.9	274.7	311.6	406.0	419.7
19 Corporate	45.5	134.1	218.6	146.5	241.5	193.4	92.9	200.3	199.6	242.8	323.4	323.8
20 Nonfarm noncorporate	3.2	3.3	23.9	44.5	63.5	30.9	61.2	48.3	68.5	65.7	71.3	88.9
21 Farm	2.6	4.4	2.9	4.8	6.4	.6	9.2	4.3	6.7	3.1	11.3	7.0
22 State and local government	74.7	−32.3	−36.0	14.3	79.5	−49.9	51.4	55.3	100.7	63.6	98.6	124.6
23 Foreign net borrowing in United States	69.8	−14.0	71.1	70.5	51.5	105.7	87.9	26.3	56.4	87.8	35.5	60.3
24 Commercial paper	−9.6	−26.1	13.5	11.3	3.7	37.5	4.4	15.5	10.4	−11.6	.7	56.0
25 Bonds	82.9	12.2	49.7	49.4	41.3	60.2	78.5	11.0	34.3	94.6	25.3	8.4
26 Bank loans n.e.c.	.7	1.4	8.5	9.1	8.5	4.7	7.8	−.7	11.5	7.3	15.7	5.5
27 Other loans and advances	−4.2	−1.5	−.5	.8	−2.0	3.4	−2.7	.5	.2	−2.5	−6.1	−9.6
28 **Total domestic plus foreign**	**657.8**	**560.5**	**773.8**	**798.3**	**815.7**	**791.2**	**713.3**	**738.6**	**680.8**	**874.7**	**968.9**	**1,001.5**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**294.4**	**468.4**	**456.4**	**556.2**	**649.2**	**456.5**	**664.0**	**342.5**	**679.6**	**603.1**	**971.7**	**828.5**
By instrument												
30 Federal government-related	165.3	287.5	204.1	231.5	212.8	222.9	252.8	105.7	286.2	161.0	298.1	227.3
31 Government-sponsored enterprise securities	80.6	176.9	105.9	90.4	98.4	80.0	123.3	−8.9	198.1	46.4	157.9	142.4
32 Mortgage pool securities	84.7	115.4	98.2	141.1	114.4	142.9	129.6	114.6	88.1	114.6	140.3	84.8
33 Loans from U.S. government	.0	−4.8	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	129.1	180.9	252.3	324.7	436.5	233.6	411.1	236.8	393.4	442.1	673.5	601.2
35 Open market paper	−5.5	40.5	42.7	92.2	166.7	84.4	162.0	175.9	77.8	168.2	244.6	236.7
36 Corporate bonds	123.1	121.8	196.7	179.7	206.8	104.0	187.9	63.4	234.8	202.0	327.0	304.6
37 Bank loans n.e.c.	−14.4	−13.7	3.9	16.9	19.7	.9	25.1	11.4	10.3	24.3	32.8	19.2
38 Other loans and advances	22.4	22.6	3.4	27.9	35.6	33.3	31.2	−20.1	63.0	37.5	61.7	32.7
39 Mortgages	3.6	9.8	5.6	7.9	7.8	11.0	4.9	6.2	7.5	10.1	7.3	8.0
By borrowing sector												
40 Commercial banking	13.4	20.1	22.5	13.0	46.1	14.7	26.8	13.7	77.3	32.0	61.4	83.2
41 Savings institutions	11.3	12.8	2.6	25.5	19.7	25.8	23.0	−16.8	31.9	22.3	41.7	9.8
42 Credit unions	.2	.2	−.1	.1	.1	.3	.3	−.2	.2	.2	.3	.5
43 Life insurance companies	.2	.3	−.1	1.1	.2	−.4	2.0	.8	.1	.2	−.3	.0
44 Government-sponsored enterprises	80.6	172.1	105.9	90.4	98.4	80.0	123.3	−8.9	198.1	46.4	157.9	142.4
45 Federally related mortgage pools	84.7	115.4	98.2	141.1	114.4	142.9	129.6	114.6	88.1	114.6	140.3	84.8
46 Issuers of asset-backed securities (ABSs)	83.6	72.9	141.1	153.6	203.3	109.6	160.2	84.5	116.5	231.0	381.2	239.8
47 Finance companies	−1.4	48.7	50.2	45.9	48.7	30.7	43.8	7.2	123.8	−2.9	66.5	82.2
48 Mortgage companies	.0	−11.5	.4	12.4	4.8	1.7	12.1	5.9	5.0	3.6	4.9	8.3
49 Real estate investment trusts (REITs)	3.4	13.7	5.7	11.0	24.8	11.8	15.2	15.1	19.8	32.0	32.1	36.3
50 Brokers and dealers	12.0	.5	−5.0	−2.0	8.1	5.7	4.9	−2.9	34.9	−6.9	7.0	−1.1
51 Funding corporations	6.3	23.1	34.9	64.1	80.7	33.7	123.0	129.4	−16.1	130.7	78.7	142.1

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Transaction category or sector	1993	1994	1995	1996	1997	1996 Q3	1996 Q4	1997 Q1	1997 Q2	1997 Q3	1997 Q4	1998 Q1
	All sectors											
52 **Total net borrowing, all sectors**	**952.2**	**1,028.9**	**1,230.2**	**1,354.5**	**1,464.9**	**1,247.7**	**1,377.3**	**1,081.1**	**1,360.4**	**1,477.8**	**1,940.5**	**1,830.0**
53 Open market paper	−5.1	35.7	74.3	102.6	184.1	107.7	142.3	198.6	108.5	171.1	258.1	346.6
54 U.S. government securities	421.4	448.1	348.5	376.5	235.9	378.2	365.1	170.6	242.6	191.3	338.9	197.2
55 Municipal securities	74.8	−35.9	−48.2	2.6	71.4	−64.7	41.6	43.4	96.7	56.4	89.3	124.3
56 Corporate and foreign bonds	281.2	157.3	319.6	301.7	338.8	232.0	356.2	153.8	355.2	419.5	426.6	470.3
57 Bank loans n.e.c.	−7.2	62.9	114.7	92.1	129.6	143.8	60.1	153.8	126.8	48.4	189.5	88.4
58 Other loans and advances	−.8	50.3	70.1	62.5	100.4	99.7	32.4	17.9	81.7	111.3	190.5	117.8
59 Mortgages	127.3	185.6	212.3	327.9	352.3	269.1	340.9	272.2	288.9	429.3	418.7	428.5
60 Consumer credit	60.7	124.9	138.9	88.8	52.5	81.9	38.6	70.8	60.0	50.5	28.8	56.9
	Funds raised through mutual funds and corporate equities											
61 **Total net issues**	**429.7**	**125.2**	**143.9**	**230.5**	**184.5**	**71.9**	**156.0**	**186.1**	**131.8**	**291.1**	**128.8**	**258.1**
62 Corporate equities	137.7	24.6	−3.5	−7.0	−79.0	−100.1	−20.3	−67.3	−109.1	−12.6	−126.9	−78.2
63 Nonfinancial corporations	21.3	−44.9	−58.3	−64.2	−114.8	−127.6	−56.0	−90.4	−141.6	−83.2	−144.1	−109.6
64 Foreign shares purchased by U.S. residents	63.4	48.1	50.4	58.8	38.0	32.7	42.3	47.0	53.0	62.2	−10.4	9.3
65 Financial corporations	53.0	21.4	4.4	−1.6	−2.1	−5.1	−6.7	−23.9	−20.6	8.4	27.6	22.1
66 Mutual fund shares	292.0	100.6	147.4	237.6	263.4	171.9	176.3	253.4	240.9	303.7	255.7	336.2

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.4. For ordering address, see inside front cover.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

Billions of dollars except as noted; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1993	1994	1995	1996	1997	1996		1997				1998
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**952.2**	**1,028.9**	**1,230.2**	**1,354.5**	**1,464.9**	**1,247.7**	**1,377.3**	**1,081.1**	**1,360.4**	**1,477.8**	**1,940.5**	**1,830.0**
2 Domestic nonfederal nonfinancial sectors	41.6	241.1	−92.6	7.2	−97.3	−202.6	−145.2	−193.4	−21.4	−164.4	−9.8	−145.3
3 Household	1.0	277.8	2.8	11.5	−109.5	−106.5	−36.6	−245.9	−10.3	−158.9	−23.0	−228.6
4 Nonfinancial corporate business	9.1	17.7	−8.8	15.0	9.9	−10.0	−33.2	77.9	−53.3	34.4	−19.5	86.2
5 Nonfarm noncorporate business	−1.1	.6	4.7	4.4	2.7	4.4	4.4	2.5	2.7	2.8	2.9	3.0
6 State and local governments	32.6	−55.0	−91.4	−23.7	−.3	−90.5	−79.9	−27.9	39.5	−42.7	29.8	−5.8
7 Federal government	−18.4	−27.5	−.2	−7.7	4.9	−7.1	−4.1	1.9	5.6	3.0	9.1	13.8
8 Rest of the world	129.3	132.3	273.9	409.3	320.4	485.3	532.2	373.6	301.2	405.4	201.4	242.3
9 Financial sectors	799.7	683.0	1,049.1	945.8	1,236.9	972.1	994.5	898.9	1,075.0	1,233.7	1,739.8	1,719.2
10 Monetary authority	36.2	31.5	12.7	12.3	38.3	11.5	8.4	37.4	47.2	14.3	54.3	30.5
11 Commercial banking	142.2	163.4	265.9	187.5	324.8	196.1	248.3	308.1	309.2	209.8	472.2	291.8
12 U.S.-chartered banks	149.6	148.1	186.5	119.6	274.9	119.5	158.9	195.9	301.1	209.5	393.1	257.5
13 Foreign banking offices in United States	−9.8	11.2	75.4	63.3	40.2	71.1	80.5	104.0	1.1	−.6	56.4	13.5
14 Bank holding companies	.0	.9	−.3	3.9	5.4	4.8	10.5	2.2	5.1	−5.0	19.4	15.2
15 Banks in U.S.-affiliated areas	2.4	3.3	4.2	.7	4.2	.7	−1.6	6.1	1.8	5.8	3.2	5.6
16 Savings institutions	−23.3	6.7	−7.6	19.9	−4.7	49.7	−47.9	−5.3	23.8	−35.3	−2.0	8.1
17 Credit unions	21.7	28.1	16.2	25.5	16.8	21.1	24.3	18.5	28.3	14.4	5.8	16.9
18 Bank personal trusts and estates	9.5	7.1	−8.3	−7.7	7.6	−14.8	−2.5	3.4	10.7	7.3	8.8	2.4
19 Life insurance companies	100.9	66.7	99.2	72.5	113.2	123.2	118.1	94.3	175.0	107.0	76.4	104.1
20 Other insurance companies	27.7	24.9	21.5	22.5	23.3	14.2	27.7	−.1	27.9	32.4	32.8	25.5
21 Private pension funds	49.5	45.5	61.3	48.3	67.6	42.7	34.1	55.0	58.5	66.2	90.7	72.6
22 State and local government retirement funds	22.7	22.3	27.5	45.9	36.6	45.5	41.9	3.6	39.2	90.6	13.0	38.2
23 Money market mutual funds	20.4	30.0	86.5	88.8	84.5	83.0	81.3	65.2	19.7	123.6	129.3	174.6
24 Mutual funds	159.5	−7.1	52.5	48.9	79.3	27.5	25.3	61.9	91.6	103.6	60.0	118.2
25 Closed-end funds	20.0	−3.7	10.5	2.2	1.2	2.2	2.2	2.7	1.3	.3	.4	.6
26 Government-sponsored enterprises	87.8	117.8	84.7	92.0	95.0	81.4	137.9	45.1	119.2	55.5	160.0	166.2
27 Federally related mortgage pools	84.7	115.4	98.2	141.1	114.4	142.9	129.6	114.6	88.1	114.6	140.3	84.8
28 Asset-backed securities issuers (ABSs)	81.0	65.8	119.3	123.4	164.9	83.6	111.2	60.9	101.7	168.4	328.4	190.7
29 Finance companies	−20.9	48.3	49.9	18.4	21.9	13.2	−6.2	44.9	1.9	65.2	−24.3	33.6
30 Mortgage companies	.0	−24.0	−3.4	8.2	16.4	3.4	4.1	−1.3	−24.4	82.9	8.3	10.4
31 Real estate investment trusts (REITs)	.6	4.7	2.2	2.0	−2.0	3.4	−2.1	−2.1	−2.1	−2.1	−1.7	−2.0
32 Brokers and dealers	14.8	−44.2	90.1	−15.7	13.7	35.5	82.7	−14.5	−11.7	15.8	65.3	253.4
33 Funding corporations	−35.3	−16.2	−29.7	9.8	24.4	7.0	−24.0	6.5	−30.0	−.7	121.7	98.5
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
34 **Net flows through credit markets**	**952.2**	**1,028.9**	**1,230.2**	**1,354.5**	**1,464.9**	**1,247.7**	**1,377.3**	**1,081.1**	**1,360.4**	**1,477.8**	**1,940.5**	**1,830.0**
Other financial sources												
35 Official foreign exchange	.8	−5.8	8.8	−6.3	.7	−26.6	.7	−17.6	.4	2.4	17.5	−.8
36 Special drawing rights certificates	.0	.0	2.2	−.5	−.5	−1.8	.0	−2.1	.0	.0	.0	.0
37 Treasury currency	.4	.7	.6	.0	.0	2.3	−2.3	.4	.2	1.3	−1.9	.3
38 Foreign deposits	−18.5	52.9	35.3	82.0	89.0	119.7	104.5	188.6	18.8	105.4	43.1	52.2
39 Net interbank transactions	50.5	89.8	9.9	−51.6	−46.3	−97.2	17.6	−86.1	−46.4	−42.6	−10.0	61.9
40 Checkable deposits and currency	117.3	−9.7	−12.7	15.8	41.5	105.9	−53.3	85.3	64.2	−49.2	65.6	72.5
41 Small time and savings deposits	−70.3	−39.9	96.6	97.2	97.1	94.2	90.1	157.9	24.5	53.8	152.3	165.6
42 Large time deposits	−23.5	19.6	65.6	114.0	122.5	180.2	135.4	49.9	176.3	194.1	69.9	105.0
43 Money market fund shares	20.2	43.3	142.3	145.8	157.6	145.1	187.5	182.4	58.5	243.6	146.0	283.2
44 Security repurchase agreements	71.3	78.2	110.4	40.0	115.2	−16.7	84.3	36.5	198.0	121.1	105.3	253.2
45 Corporate equities	137.7	24.6	−3.5	−7.0	−79.0	−100.1	−20.3	−67.3	−109.1	−12.6	−126.9	−78.2
46 Mutual fund shares	292.0	100.6	147.4	237.6	263.4	171.9	176.3	253.4	240.9	303.7	255.7	336.2
47 Trade payables	52.0	93.7	101.9	72.1	96.3	−14.7	109.3	63.1	63.1	135.5	123.3	84.4
48 Security credit	61.4	−.1	26.7	52.4	110.1	5.3	125.2	117.1	137.4	79.7	106.3	150.7
49 Life insurance reserves	36.0	34.5	44.9	43.6	56.0	59.2	66.7	39.8	77.5	62.8	43.7	52.9
50 Pension fund reserves	255.6	246.1	233.4	232.1	290.2	225.0	283.9	256.8	337.3	321.8	244.7	281.2
51 Taxes payable	11.4	2.6	5.1	15.0	13.9	13.5	17.6	31.0	2.4	30.5	−8.4	24.0
52 Investment in bank personal trusts	.9	17.8	4.0	−8.6	75.0	−17.4	−4.2	68.8	71.8	80.8	78.4	25.7
53 Noncorporate proprietors' equity	25.5	57.5	53.8	30.8	22.5	51.3	17.6	33.1	25.7	28.5	2.8	12.9
54 Miscellaneous	346.6	251.0	444.3	434.9	584.4	406.1	572.6	632.3	529.8	531.1	644.6	841.2
55 **Total financial sources**	**2,319.3**	**2,086.4**	**2,747.2**	**2,893.8**	**3,474.5**	**2,552.9**	**3,286.6**	**3,104.4**	**3,231.6**	**3,669.4**	**3,892.7**	**4,554.0**
Liabilities not identified as assets (−)												
56 Treasury currency	−.2	−.2	−.5	−1.0	−.6	1.3	−3.1	−.3	−.5	.8	−2.4	−.4
57 Foreign deposits	−5.7	43.0	25.1	55.4	71.5	86.1	36.1	178.7	−10.5	83.1	34.7	2.2
58 Net interbank liabilities	4.2	−2.7	−3.1	−3.3	−19.8	−4.4	4.2	26.9	−24.4	−51.6	−30.0	101.4
59 Security repurchase agreements	46.4	69.4	22.9	−.7	71.9	−101.2	114.7	−91.5	172.1	27.4	179.9	171.5
60 Taxes payable	15.8	16.6	17.8	16.3	14.1	20.3	21.6	12.2	28.3	11.2	4.9	−.9
61 Miscellaneous	−164.2	−144.2	−211.7	−89.8	−249.7	−124.5	−8.2	−104.2	−372.5	−212.1	−310.0	−382.8
Floats not included in assets (−)												
62 Federal government checkable deposits	−1.5	−4.8	−6.0	.5	−2.7	27.1	−21.4	−9.4	16.1	2.1	−19.5	.9
63 Other checkable deposits	−1.3	−2.8	−3.8	−4.0	−3.9	−4.7	−3.7	−2.6	−4.8	−3.4	−4.8	−9.3
64 Trade credit	−4.3	.3	−12.2	−32.2	3.8	−102.5	−41.2	13.1	−72.0	68.6	5.5	−26.2
65 **Total identified to sectors as assets**	**2,430.0**	**2,111.8**	**2,918.8**	**2,952.6**	**3,589.7**	**2,755.5**	**3,187.5**	**3,081.5**	**3,499.8**	**3,743.2**	**4,034.6**	**4,697.6**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.1 and F.5. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

Transaction category or sector	1994	1995	1996	1997	1996 Q3	1996 Q4	1997 Q1	1997 Q2	1997 Q3	1997 Q4	1998 Q1
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**13,016.8**	**13,719.6**	**14,447.4**	**15,210.1**	**14,252.1**	**14,447.4**	**14,613.7**	**14,729.1**	**14,933.9**	**15,210.1**	**15,435.2**
By sector and instrument											
2 Federal government	3,492.3	3,636.7	3,781.8	3,804.9	3,733.1	3,781.8	3,829.8	3,760.6	3,771.2	3,804.9	3,830.8
3 Treasury securities	3,465.6	3,608.5	3,755.1	3,778.3	3,705.7	3,755.1	3,803.5	3,734.3	3,745.1	3,778.3	3,804.8
4 Budget agency securities and mortgages	26.7	28.2	26.6	26.5	27.4	26.6	26.3	26.3	26.1	26.5	25.9
5 Nonfederal	9,524.5	10,082.8	10,665.6	11,405.2	10,519.0	10,665.6	10,783.9	10,968.5	11,162.7	11,405.2	11,604.4
By instrument											
6 Commercial paper	139.2	157.4	156.4	168.6	173.0	156.4	168.7	179.3	176.6	168.6	193.1
7 Municipal securities and loans	1,341.7	1,293.5	1,296.0	1,367.5	1,281.7	1,296.0	1,305.1	1,326.8	1,340.2	1,367.5	1,397.1
8 Corporate bonds	1,253.0	1,326.3	1,398.8	1,489.5	1,376.4	1,398.8	1,418.7	1,440.2	1,470.9	1,489.5	1,528.8
9 Bank loans n.e.c.	759.9	862.1	928.3	1,029.8	920.5	928.3	962.9	994.2	994.2	1,029.8	1,045.1
10 Other loans and advances	669.6	736.9	770.6	837.4	769.4	770.6	784.4	788.0	803.1	837.4	865.7
11 Mortgages	4,377.2	4,583.9	4,903.8	5,248.3	4,824.6	4,903.8	4,957.7	5,035.0	5,151.0	5,248.3	5,341.2
12 Home	3,355.9	3,530.4	3,761.6	4,030.3	3,703.8	3,761.6	3,806.1	3,860.8	3,958.1	4,030.3	4,097.0
13 Multifamily residential	268.8	279.5	301.7	319.0	295.0	301.7	304.1	308.8	310.7	319.0	325.9
14 Commercial	669.5	689.4	753.4	808.6	739.0	753.4	759.9	776.7	792.4	808.6	826.8
15 Farm	83.0	84.6	87.1	90.4	86.7	87.1	87.7	88.7	89.8	90.4	91.4
16 Consumer credit	983.9	1,122.8	1,211.6	1,264.1	1,173.5	1,211.6	1,186.4	1,205.0	1,226.7	1,264.1	1,233.5
By borrowing sector											
17 Household	4,446.2	4,800.4	5,143.9	5,497.0	5,043.7	5,143.9	5,174.6	5,260.7	5,374.4	5,497.0	5,546.5
18 Nonfinancial business	3,927.1	4,167.3	4,392.3	4,699.3	4,361.9	4,392.3	4,466.9	4,543.0	4,608.2	4,699.3	4,818.3
19 Corporate	2,663.1	2,876.5	3,052.1	3,289.3	3,038.1	3,052.1	3,116.3	3,170.2	3,217.6	3,289.3	3,387.1
20 Nonfarm noncorporate	1,121.8	1,145.8	1,190.2	1,253.7	1,174.3	1,190.2	1,202.2	1,219.3	1,235.2	1,253.7	1,275.9
21 Farm	142.2	145.1	149.9	156.3	149.5	149.9	148.3	153.4	155.4	156.3	155.3
22 State and local government	1,151.1	1,115.1	1,129.4	1,209.0	1,113.4	1,129.4	1,142.4	1,164.8	1,180.1	1,209.0	1,239.6
23 **Foreign credit market debt held in United States**	**371.8**	**442.9**	**513.4**	**558.8**	**490.2**	**513.4**	**517.8**	**531.6**	**548.7**	**558.8**	**571.3**
24 Commercial paper	42.7	56.2	67.5	65.1	65.8	67.5	69.3	71.3	64.3	65.1	76.7
25 Bonds	242.3	291.9	341.3	382.6	321.7	341.3	344.1	352.7	376.3	382.6	384.7
26 Bank loans n.e.c.	26.1	34.6	43.7	52.1	41.7	43.7	43.5	46.4	48.2	52.1	53.5
27 Other loans and advances	60.8	60.2	61.0	59.0	61.0	61.0	60.9	61.2	59.9	59.0	56.4
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**13,388.7**	**14,162.5**	**14,960.8**	**15,768.9**	**14,742.3**	**14,960.8**	**15,131.5**	**15,260.7**	**15,482.6**	**15,768.9**	**16,006.5**
	Financial sectors										
29 **Total credit market debt owed by financial sectors**	**3,822.2**	**4,281.2**	**4,837.3**	**5,453.5**	**4,672.0**	**4,837.3**	**4,918.2**	**5,090.9**	**5,211.8**	**5,453.5**	**5,655.7**
By instrument											
30 Federal government-related	2,172.7	2,376.8	2,608.3	2,821.0	2,545.1	2,608.3	2,634.7	2,706.2	2,746.5	2,821.0	2,877.9
31 Government-sponsored enterprise securities	700.6	806.5	896.9	995.3	866.1	896.9	894.7	944.2	955.8	995.3	1,030.9
32 Mortgage pool securities	1,472.1	1,570.3	1,711.4	1,825.8	1,679.0	1,711.4	1,740.0	1,762.1	1,790.7	1,825.8	1,847.0
33 Loans from U.S. government	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	1,649.5	1,904.4	2,229.1	2,632.5	2,126.9	2,229.1	2,283.5	2,384.7	2,465.3	2,632.5	2,777.9
35 Open market paper	441.6	486.9	579.1	745.7	538.6	579.1	623.0	642.5	684.7	745.7	804.9
36 Corporate bonds	1,008.8	1,205.4	1,385.1	1,558.9	1,339.4	1,385.1	1,396.5	1,457.7	1,478.6	1,558.9	1,630.3
37 Bank loans n.e.c.	48.9	52.8	69.7	89.4	62.8	69.7	72.2	75.2	80.7	89.4	94.0
38 Other loans and advances	131.6	135.0	162.9	198.5	155.1	162.9	157.9	173.7	183.0	198.5	206.6
39 Mortgages	18.7	24.3	32.2	40.0	31.0	32.2	33.8	35.6	38.2	40.0	42.0
By borrowing sector											
40 Commercial banks	94.5	102.6	113.6	140.6	107.7	113.6	115.3	125.7	130.0	140.6	148.7
41 Bank holding companies	133.6	148.0	150.0	168.6	149.1	150.0	151.6	160.5	164.0	168.6	181.3
42 Savings institutions	112.4	115.0	140.5	160.3	134.8	140.5	136.3	144.3	149.8	160.3	162.7
43 Credit unions	.5	.4	.4	.6	.4	.4	.4	.4	.5	.6	.7
44 Life insurance companies	.6	.5	1.6	1.8	1.1	1.6	1.8	1.8	1.9	1.8	1.8
45 Government-sponsored enterprises	700.6	806.5	896.9	995.3	866.1	896.9	894.7	944.2	955.8	995.3	1,030.9
46 Federally related mortgage pools	1,472.1	1,570.3	1,711.4	1,825.8	1,679.0	1,711.4	1,740.0	1,762.1	1,790.7	1,825.8	1,847.0
47 Issuers of asset-backed securities (ABSs)	579.0	720.1	873.8	1,088.1	830.5	873.8	889.9	918.0	989.6	1,088.1	1,142.7
48 Brokers and dealers	34.3	29.3	27.3	35.3	26.1	27.3	26.6	35.3	33.6	35.3	35.1
49 Finance companies	433.7	483.9	529.8	554.5	513.7	529.8	528.4	557.8	532.7	554.5	571.8
50 Mortgage companies	18.7	19.1	31.5	36.4	28.5	31.5	33.0	34.3	35.2	36.4	38.5
51 Real estate investment trusts (REITs)	31.1	36.8	47.8	72.6	44.0	47.8	51.6	56.6	64.6	72.6	81.7
52 Funding corporations	211.0	248.6	312.7	373.8	291.0	312.7	348.6	350.0	363.4	373.8	412.9
	All sectors										
53 **Total credit market debt, domestic and foreign**	**17,210.9**	**18,443.7**	**19,798.2**	**21,222.4**	**19,414.3**	**19,798.2**	**20,049.6**	**20,351.6**	**20,694.4**	**21,222.4**	**21,662.2**
54 Open market paper	623.5	700.4	803.0	979.4	777.4	803.0	861.1	893.1	925.7	979.4	1,074.8
55 U.S. government securities	5,665.0	6,013.6	6,390.0	6,625.9	6,278.2	6,390.0	6,464.5	6,466.8	6,517.7	6,625.9	6,708.6
56 Municipal securities	1,341.7	1,293.5	1,296.0	1,367.5	1,281.7	1,296.0	1,305.1	1,326.8	1,340.2	1,367.5	1,397.1
57 Corporate and foreign bonds	2,504.0	2,823.6	3,125.3	3,431.0	3,037.5	3,125.3	3,159.3	3,250.6	3,325.9	3,431.0	3,543.8
58 Bank loans n.e.c.	834.9	949.6	1,041.7	1,171.3	1,025.0	1,041.7	1,078.6	1,115.7	1,123.1	1,171.3	1,192.6
59 Other loans and advances	862.0	932.1	994.5	1,094.9	985.4	994.5	1,003.2	1,022.9	1,046.0	1,094.9	1,128.7
60 Mortgages	4,395.9	4,608.2	4,936.0	5,288.3	4,855.6	4,936.0	4,991.5	5,070.6	5,189.1	5,288.3	5,383.2
61 Consumer credit	983.9	1,122.8	1,211.6	1,264.1	1,173.5	1,211.6	1,186.4	1,205.0	1,226.7	1,264.1	1,233.5

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

Transaction category or sector	1994	1995	1996	1997	1996 Q3	1996 Q4	1997 Q1	1997 Q2	1997 Q3	1997 Q4	1998 Q1
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**17,210.9**	**18,443.7**	**19,798.2**	**21,222.4**	**19,414.3**	**19,798.2**	**20,049.6**	**20,351.6**	**20,694.4**	**21,222.4**	**21,662.2**
2 Domestic nonfederal nonfinancial sectors	3,002.4	2,874.6	2,926.9	2,793.6	2,911.5	2,926.9	2,854.7	2,812.5	2,758.3	2,793.6	2,736.5
3 Household	1,945.7	1,913.3	1,979.3	1,833.8	1,955.9	1,979.3	1,920.2	1,873.7	1,822.7	1,833.8	1,783.5
4 Nonfinancial corporate business	289.2	280.4	286.0	295.9	275.7	286.0	281.8	271.9	280.3	295.9	292.3
5 Nonfarm noncorporate business	37.6	42.3	46.7	49.4	45.6	46.7	47.4	48.0	48.7	49.4	50.2
6 State and local governments	729.9	638.6	614.8	614.5	634.4	614.8	605.4	618.9	606.6	614.5	610.5
7 Federal government	204.4	204.2	196.5	201.4	197.5	196.5	196.9	198.3	199.1	201.4	204.8
8 Rest of the world	1,254.8	1,563.1	1,953.6	2,274.0	1,844.8	1,953.6	2,052.7	2,126.4	2,229.1	2,274.0	2,340.0
9 Financial sectors	12,749.2	13,801.8	14,721.2	15,953.4	14,460.5	14,721.2	14,945.4	15,214.3	15,507.8	15,953.4	16,381.0
10 Monetary authority	368.2	380.8	393.1	431.4	386.2	393.1	397.1	412.4	412.7	431.4	433.8
11 Commercial banking	3,254.3	3,520.1	3,707.7	4,032.5	3,643.3	3,707.7	3,775.7	3,856.8	3,912.9	4,032.5	4,095.8
12 U.S.-chartered banks	2,869.6	3,056.1	3,175.8	3,450.7	3,135.3	3,175.8	3,218.1	3,295.2	3,351.9	3,450.7	3,507.1
13 Foreign banking offices in United States	337.1	412.6	475.8	516.1	454.2	475.8	499.5	501.8	501.0	516.1	517.7
14 Bank holding companies	18.4	18.0	22.0	27.4	19.3	22.0	22.5	23.8	22.5	27.4	31.2
15 Banks in U.S.-affiliated areas	29.2	33.4	34.1	38.3	34.5	34.1	35.6	36.1	37.5	38.3	39.7
16 Savings institutions	920.8	913.3	933.2	928.5	945.2	933.2	931.9	937.8	929.0	928.5	930.5
17 Credit unions	246.8	263.0	288.5	305.3	282.6	288.5	291.2	299.9	303.9	305.3	307.5
18 Bank personal trusts and estates	248.0	239.7	232.0	239.5	232.6	232.0	232.8	235.5	237.3	239.5	240.1
19 Life insurance companies	1,482.6	1,581.8	1,654.3	1,767.4	1,627.0	1,654.3	1,680.2	1,724.1	1,750.4	1,767.4	1,795.7
20 Other insurance companies	446.4	468.7	491.2	514.4	484.2	491.2	491.2	498.1	506.2	514.4	520.8
21 Private pension funds	656.9	718.2	766.5	834.2	758.0	766.5	780.3	794.9	811.5	834.2	852.3
22 State and local government retirement funds	455.8	483.3	529.2	565.8	517.7	529.2	531.6	542.7	562.0	565.8	577.0
23 Money market mutual funds	459.0	545.5	634.3	718.8	606.6	634.3	659.0	656.5	678.7	718.8	770.1
24 Mutual funds	718.8	771.3	820.2	899.5	818.3	820.2	838.3	860.6	889.2	899.5	931.6
25 Closed-end funds	86.0	96.4	98.7	99.8	98.1	98.7	99.3	99.7	99.7	99.8	100.0
26 Government-sponsored enterprises	663.3	748.0	813.6	908.6	779.3	813.6	824.3	854.8	868.7	908.6	949.5
27 Federally related mortgage pools	1,472.1	1,570.3	1,711.4	1,825.8	1,679.0	1,711.4	1,740.0	1,762.1	1,790.7	1,825.8	1,847.0
28 Asset-backed securities issuers (ABSs)	541.7	661.0	784.4	949.2	753.4	784.4	794.6	819.0	863.9	949.2	991.5
29 Finance companies	476.2	526.2	544.5	566.4	538.3	544.5	552.4	553.1	564.4	566.4	571.6
30 Mortgage companies	36.5	33.0	41.2	57.6	40.2	41.2	40.9	34.8	55.5	57.6	60.2
31 Real estate investment trusts (REITs)	13.3	15.5	17.5	15.5	18.0	17.5	17.0	16.5	15.9	15.5	15.0
32 Brokers and dealers	93.3	183.4	167.7	181.4	147.1	167.7	164.1	161.2	165.1	181.4	244.8
33 Funding corporations	109.3	82.2	92.0	111.7	105.4	92.0	103.6	93.8	90.1	111.7	145.9
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
34 **Total credit market debt**	**17,210.9**	**18,443.7**	**19,798.2**	**21,222.4**	**19,414.3**	**19,798.2**	**20,049.6**	**20,351.6**	**20,694.4**	**21,222.4**	**21,662.2**
Other liabilities											
35 Official foreign exchange	53.2	63.7	53.7	48.9	54.3	53.7	46.3	46.7	46.1	48.9	48.2
36 Special drawing rights certificates	8.0	10.2	9.7	9.2	9.7	9.7	9.2	9.2	9.2	9.2	9.2
37 Treasury currency	17.6	18.2	18.2	18.2	18.8	18.2	18.3	18.3	18.7	18.2	18.3
38 Foreign deposits	324.6	359.2	438.1	527.0	415.1	438.1	485.2	489.9	516.2	527.0	540.1
39 Net interbank liabilities	280.1	290.7	240.8	192.8	225.8	240.8	210.9	197.1	186.9	192.8	201.2
40 Checkable deposits and currency	1,242.0	1,229.3	1,245.1	1,286.6	1,220.8	1,245.1	1,220.0	1,265.3	1,234.2	1,286.6	1,259.8
41 Small time and savings deposits	2,183.2	2,279.7	2,377.0	2,474.1	2,357.9	2,377.0	2,427.1	2,432.3	2,438.8	2,474.1	2,526.0
42 Large time deposits	411.2	476.9	590.9	713.4	557.2	590.9	606.0	646.7	696.1	713.4	742.4
43 Money market fund shares	602.9	745.3	891.1	1,048.7	838.1	891.1	950.8	952.4	1,005.1	1,048.7	1,132.9
44 Security repurchase agreements	549.5	659.9	699.9	815.1	686.9	699.9	713.8	766.7	795.4	815.1	881.1
45 Mutual fund shares	1,477.3	1,852.8	2,342.4	2,994.7	2,211.6	2,342.4	2,411.5	2,719.6	2,977.0	2,994.7	3,348.4
46 Security credit	279.0	305.7	358.1	468.2	317.8	358.1	380.0	414.8	432.2	468.2	498.6
47 Life insurance reserves	505.3	550.2	593.8	649.7	577.1	593.8	603.7	623.1	638.8	649.7	663.0
48 Pension fund reserves	4,880.1	5,599.6	6,329.5	7,452.2	6,039.8	6,329.5	6,417.1	6,942.5	7,331.8	7,452.2	8,036.2
49 Trade payables	1,141.5	1,243.4	1,315.5	1,411.8	1,260.6	1,315.5	1,300.4	1,321.9	1,351.9	1,411.8	1,401.7
50 Taxes payable	101.4	106.5	121.5	135.4	119.1	121.5	134.8	130.7	139.5	135.4	147.1
51 Investment in bank personal trusts	699.4	803.0	871.7	1,082.8	843.1	871.7	888.7	982.9	1,058.9	1,082.8	1,173.1
52 Miscellaneous	5,397.3	5,767.7	6,082.7	6,489.0	5,972.2	6,082.7	6,276.5	6,224.3	6,396.9	6,489.0	6,725.1
53 **Total liabilities**	**37,364.7**	**40,805.7**	**44,377.7**	**49,040.3**	**43,140.3**	**44,377.7**	**45,150.1**	**46,536.0**	**47,968.1**	**49,040.3**	**51,014.5**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	21.1	22.1	21.4	21.1	21.2	21.4	20.9	21.1	21.0	21.1	21.2
55 Corporate equities	6,237.9	8,331.3	10,061.1	12,958.6	9,340.5	10,061.1	10,072.3	11,719.8	12,804.6	12,958.6	14,618.6
56 Household equity in noncorporate business	3,422.6	3,647.5	3,863.3	4,156.7	3,817.7	3,863.3	3,947.1	4,030.7	4,093.1	4,156.7	4,203.9
Liabilities not identified as assets (−)											
57 Treasury currency	−5.4	−5.8	−6.8	−7.4	−6.0	−6.8	−6.9	−7.0	−6.8	−7.4	−7.5
58 Foreign deposits	276.2	300.6	353.1	424.6	347.0	353.1	397.8	395.2	416.0	424.6	425.2
59 Net interbank transactions	−6.5	−9.0	−10.6	−32.1	−11.6	−10.6	−1.6	−8.1	−22.1	−32.1	−2.2
60 Security repurchase agreements	67.8	90.7	90.0	162.0	72.1	90.0	68.4	109.2	126.0	162.0	203.8
61 Taxes payable	48.8	61.3	74.7	88.5	68.9	74.7	72.3	74.3	84.2	88.5	84.9
62 Miscellaneous	−983.1	−1,260.8	−1,650.8	−1,960.4	−1,492.7	−1,650.8	−1,606.0	−1,745.9	−1,789.5	−1,960.4	−2,070.6
Floats not included in assets (−)											
63 Federal government checkable deposits	3.4	3.1	−1.6	−8.1	−1.7	−1.6	−9.7	−6.8	−7.8	−8.1	−10.4
64 Other checkable deposits	38.0	34.2	30.1	26.2	23.1	30.1	25.6	27.9	19.5	26.2	19.9
65 Trade credit	−245.8	−258.1	−290.3	−297.5	−359.7	−290.3	−345.8	−371.8	−380.2	−297.5	−364.2
66 **Total identified to sectors as assets**	**47,852.8**	**53,850.5**	**59,735.7**	**67,780.8**	**57,680.3**	**59,735.7**	**60,596.4**	**63,840.5**	**66,447.6**	**67,780.8**	**71,579.2**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.1 and L.5. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1992=100, except as noted

Measure	1995	1996	1997	1997			1998					
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.[r]	May[r]	June
1 **Industrial production**[1]	**114.5**	**118.5**	**124.5**	**126.5**	**127.5**	**127.9**	**127.8**	**127.3**	**128.0**	**128.5**	**128.9**	**128.1**
Market groupings												
2 Products, total	110.6	113.7	118.5	120.2	121.2	121.0	121.3	120.6	121.3	121.9	122.1	121.4
3 Final, total	111.3	114.6	119.6	121.5	122.5	122.2	122.6	121.5	122.6	123.3	123.5	122.5
4 Consumer goods	109.9	111.8	114.4	115.9	116.7	115.9	116.6	115.1	116.0	116.7	116.9	115.5
5 Equipment	113.8	119.6	128.8	131.3	132.8	133.4	133.1	133.1	134.3	135.0	135.3	134.9
6 Intermediate	108.3	110.8	115.1	116.3	117.3	117.4	117.4	117.6	117.3	117.6	118.0	118.0
7 Materials	120.8	126.2	134.1	136.7	137.7	138.9	138.2	138.2	138.7	139.2	139.7	138.8
Industry groupings												
8 Manufacturing	116.0	120.2	127.0	129.1	130.4	130.9	131.1	130.6	130.8	131.6	131.7	130.9
9 Capacity utilization, manufacturing (percent)[2]	82.8	81.4	81.7	81.9	82.3	82.3	82.1	81.4	81.2	81.4	81.1	80.3
10 Construction contracts[3]	122.0[r]	130.8[r]	141.3[r]	143.0[r]	143.0[r]	143.0[r]	143.0[r]	143.0	139.0	142.0	139.0	132.0
11 Nonagricultural employment, total[4]	114.9	117.2	119.9	121.2	121.6	121.9	122.3	122.4	122.5	122.8	123.1	123.3
12 Goods-producing, total	98.3	99.0	100.3	101.5	101.7	102.1	102.5	102.6	102.4	102.7	102.5	102.5
13 Manufacturing, total	97.5	97.2	97.6	98.5	98.7	98.9	99.1	99.1	99.1	99.1	99.0	98.8
14 Manufacturing, production workers	99.0	98.4	98.9	99.9	100.1	100.4	100.5	100.6	100.5	100.4	100.2	100.0
15 Service-producing	120.2	123.0	126.2	127.5	127.9	128.2	128.6	128.8	128.9	129.3	129.7	130.0
16 Personal income, total	158.2	167.0	176.8	179.2	180.5	181.3	182.3	183.4	184.0	184.8	185.7	n.a.
17 Wages and salary disbursements	150.9	159.8	170.6	173.5	175.6	176.4	177.7	179.1[r]	179.5	180.3	181.4	n.a.
18 Manufacturing	130.4	135.7	142.0	144.4	145.7	146.4	146.7[r]	147.2[r]	147.5	147.3	147.3	n.a.
19 Disposable personal income[5]	158.7	166.2	174.4	176.6	177.7	178.4	179.0	179.8[r]	180.5	181.1	182.0	n.a.
20 Retail sales[5]	151.5	159.6	166.9	167.8	168.4	169.1	170.8	172.2	172.4	173.7	175.8	176.0
Prices[6]												
21 Consumer (1982–84=100)	152.4	156.9	160.5	161.6	161.5	161.3	161.6	161.9	162.2	162.5	162.8	163.0
22 Producer finished goods (1982=100)	127.9	131.3	131.8	132.3	131.7	131.1	130.3	130.2[r]	129.7	130.0	130.4	130.6

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 December 1997. The recent annual revision is described in an article in the February 1998 issue of the *Bulletin*. For a description of the aggregation methods for industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. For details about the construction of individual industrial production series, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.
2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.
3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F.W. Dodge Division.
4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.
5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.
6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

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

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol 79 (June 1993), pp. 590–605.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1995	1996	1997	1997		1998					
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May[r]	June
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	132,304	133,943	126,297	136,864	137,169	137,493	137,557	137,523	137,242	137,364	137,447
Employment											
2 Nonagricultural industries[3]	121,460	123,264	126,159	127,191	127,392	127,764	127,829	127,862	128,033	128,118	127,867
3 Agriculture	3,440	3,443	3,399	3,384	3,385	3,319	3,335	3,132	3,350	3,335	3,343
Unemployment											
4 Number	7,404	7,236	6,739	6,289	6,392	6,409	6,393	6,529	5,859	5,910	6,237
5 Rate (percent of civilian labor force)	5.6	5.4	4.9	4.6	4.7	4.7	4.6	4.7	4.3	4.3	4.5
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**117,191**	**119,523**	**122,257**	**123,944**	**124,289**	**124,640**	**124,832**	**124,914**	**125,234**	**125,543**	**125,748**
7 Manufacturing	18,524	18,457	18,538	18,758	18,791	18,824	18,822	18,829	18,827	18,805	18,776
8 Mining	581	574	573	591	592	592	590	587	582	579	578
9 Contract construction	5,160	5,400	5,627	5,750	5,810	5,881	5,902	5,860	5,930	5,917	5,937
10 Transportation and public utilities	6,132	6,261	6,426	6,456	6,451	6,473	6,494	6,504	6,513	6,530	6,544
11 Trade	27,565	28,108	28,788	28,917	28,976	29,039	29,052	29,042	29,133	29,227	29,295
12 Finance	6,806	6,899	7,053	7,172	7,194	7,213	7,232	7,258	7,289	7,310	7,340
13 Service	33,117	34,377	35,597	36,638	36,795	36,932	37,020	37,106	37,196	37,349	37,485
14 Government	19,305	19,447	19,655	19,662	19,680	19,686	19,720	19,728	19,764	19,826	19,793

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.
2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.
3. Includes self-employed, unpaid family, and domestic service workers.
4. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE. Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	Output (1992=100) 1997 Q3	1997 Q4	1998 Q1[r]	1998 Q2	Capacity (percent of 1992 output) 1997 Q3	1997 Q4	1998 Q1[r]	1998 Q2	Capacity utilization rate (percent)[2] 1997 Q3	1997 Q4	1998 Q1[r]	1998 Q2
1 **Total industry**	**125.1**	**127.3**	**127.7**	**128.5**	**151.3**	**153.0**	**154.8**	**156.5**	**82.7**	**83.2**	**82.5**	**82.1**
2 Manufacturing	127.6	130.1	130.8	131.4	156.3	158.3	160.4	162.4	81.6	82.2	81.6	80.9
3 Primary processing[3]	118.5	119.8	120.2	119.9	138.0	139.2	140.4	141.4	85.8	86.0	85.6	84.8
4 Advanced processing[4]	132.1	135.3	136.2	137.2	165.7	168.1	170.7	173.1	79.8	80.4	79.8	79.2
5 Durable goods	143.7	147.2	148.2	149.6	177.2	180.6	184.1	187.6	81.1	81.5	80.5	79.7
6 Lumber and products	114.9	114.7	115.7	116.7	140.0	141.3	142.2	142.6	82.1	81.2	81.3	81.8
7 Primary metals	125.5	127.8	128.2	126.3	137.2	138.5	140.1	141.8	91.5	92.3	91.5	89.1
8 Iron and steel	122.8	126.5	127.2	124.1	136.6	137.9	139.4	141.3	89.9	91.8	91.3	87.9
9 Nonferrous	128.8	129.4	129.3	128.8	137.7	138.9	140.6	142.1	93.5	93.2	92.0	90.6
10 Industrial machinery and equipment	173.9	177.6	181.2	188.2	204.4	210.0	215.8	221.4	85.1	84.6	84.0	85.0
11 Electrical machinery	236.6	246.0	254.0	259.1	289.1	301.9	315.4	328.6	81.9	81.5	80.5	78.8
12 Motor vehicles and parts	136.7	144.0	137.2	135.0	184.7	186.7	188.8	190.8	74.0	77.1	72.7	70.7
13 Aerospace and miscellaneous transportation equipment	95.6	98.6	101.3	101.5	124.1	124.8	125.5	126.3	77.1	79.0	80.7	80.4
14 Nondurable goods	111.1	112.6	113.1	112.9	135.0	135.7	136.4	137.0	82.3	82.9	82.9	82.4
15 Textile mill products	110.9	111.5	110.1	109.8	131.7	132.3	132.8	133.2	84.3	84.3	82.9	82.5
16 Paper and products	114.1	113.5	113.1	112.4	126.0	126.7	127.4	128.1	90.5	89.6	88.8	87.8
17 Chemicals and products	114.8	117.1	118.0	118.1	146.3	147.5	148.6	149.4	78.5	79.4	79.4	79.1
18 Plastics materials	130.6	131.4	130.8	130.9	140.0	141.9	143.6	145.0	93.3	92.6	91.1	90.3
19 Petroleum products	109.5	109.8	113.0	113.5	115.2	115.7	116.2	117.2	95.1	94.9	97.2	96.9
20 Mining	106.4	105.9	108.4	106.9	118.1	118.2	118.4	118.6	90.1	89.6	91.6	90.2
21 Utilities	114.0	115.5	110.4	115.5	126.7	127.1	127.4	127.7	90.0	90.9	86.6	90.4
22 Electric	114.2	115.7	112.1	116.6	125.0	125.4	125.7	126.1	91.4	92.3	89.2	92.5

Series	1973 High	1975 Low	Previous cycle[5] High	Previous cycle[5] Low	Latest cycle[6] High	Latest cycle[6] Low	1997 June	1998 Jan.	1998 Feb.	1998 Mar.[r]	1998 Apr.[r]	1998 May	1998 June[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.1**	**85.4**	**78.1**	**82.3**	**82.9**	**82.2**	**82.4**	**82.4**	**82.4**	**81.6**
2 Manufacturing	88.5	70.5	86.9	69.0	85.7	76.6	81.3	82.1	81.4	81.2	81.4	81.1	80.3
3 Primary processing[3]	91.2	68.2	88.1	66.2	88.9	77.7	85.8	86.1	85.5	85.1	85.3	84.7	84.3
4 Advanced processing[4]	87.2	71.8	86.7	70.4	84.2	76.1	79.4	80.3	79.6	79.5	79.7	79.5	78.5
5 Durable goods	89.2	68.9	87.7	63.9	84.6	73.1	80.7	81.0	80.2	80.2	80.3	80.1	78.8
6 Lumber and products	88.7	61.2	87.9	60.8	93.6	75.5	84.2	80.8	82.0	81.2	81.8	82.0	81.6
7 Primary metals	100.2	65.9	94.2	45.1	92.7	73.7	91.6	92.7	91.4	90.3	90.0	89.2	88.0
8 Iron and steel	105.8	66.6	95.8	37.0	95.2	71.8	90.3	92.2	91.1	90.5	89.5	88.1	86.0
9 Nonferrous	90.8	59.8	91.1	60.1	89.3	74.2	93.3	93.6	92.0	90.3	90.8	90.6	90.5
10 Industrial machinery and equipment	96.0	74.3	93.2	64.0	85.4	72.3	84.0	84.3	83.1	84.4	84.9	85.0	85.2
11 Electrical machinery	89.2	64.7	89.4	71.6	84.0	75.0	81.7	81.4	80.5	79.7	79.6	78.9	78.0
12 Motor vehicles and parts	93.4	51.3	95.0	45.5	89.1	55.9	72.3	73.5	72.4	72.1	72.7	74.0	65.6
13 Aerospace and miscellaneous transportation equipment	78.4	67.6	81.9	66.6	87.3	79.2	75.9	81.3	80.6	80.4	80.0	80.4	80.9
14 Nondurable goods	87.8	71.7	87.5	76.4	87.3	80.7	82.1	83.4	82.8	82.4	82.8	82.3	82.1
15 Textile mill products	91.4	60.0	91.2	72.3	90.4	77.7	83.1	84.3	82.5	81.9	82.0	83.1	82.3
16 Paper and products	97.1	69.2	96.1	80.6	93.5	85.0	88.9	88.4	90.0	88.1	88.3	87.7	87.4
17 Chemicals and products	87.6	69.7	84.6	69.9	86.2	79.3	78.8	80.1	79.1	79.0	79.4	78.8	79.0
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	92.0	93.9	90.3	89.0	91.8	89.9	89.2
19 Petroleum products	96.7	81.1	90.0	66.8	88.5	85.1	96.9	96.7	96.3	98.6	98.1	96.2	96.3
20 Mining	94.3	88.2	96.0	80.3	88.0	87.0	89.6	91.6	91.9	91.2	90.3	91.0	89.1
21 Utilities	96.2	82.9	89.1	75.9	92.6	83.4	87.7	85.4	84.9	89.6	88.9	91.0	91.3
22 Electric	99.0	82.7	88.2	78.9	95.0	87.1	88.7	87.7	87.9	91.8	90.7	93.4	93.5

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in December 1997. The recent annual revision is described in an article in the February 1998 issue of the *Bulletin*. For a description of the aggregation methods for industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. For details about the construction of individual industrial production series, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper; industrial chemicals; synthetic materials; fertilizer materials; petroleum products; rubber and plastics; stone, clay, and glass; primary metals; and fabricated metals.

4. Advanced processing includes foods; tobacco; apparel; furniture and fixtures; printing and publishing; chemical products such as drugs and toiletries; agricultural chemicals; leather and products; machinery; transportation equipment; instruments; and miscellaneous manufactures.

5. Monthly highs, 1978–80; monthly lows, 1982.

6. Monthly highs, 1988–89; monthly lows, 1990–91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1992 proportion	1997 avg.	1997 June	1997 July	1997 Aug.	1997 Sept.	1997 Oct.	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.[r]	1998 Apr.[r]	1998 May	1998 June[p]
			Index (1992 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**124.5**	**123.5**	**124.5**	**125.2**	**125.6**	**126.5**	**127.5**	**127.9**	**127.8**	**127.3**	**128.0**	**128.5**	**128.9**	**128.1**
2 Products	60.5	118.5	117.6	118.1	119.2	119.1	120.2	121.2	121.0	121.3	120.6	121.3	121.9	122.1	121.4
3 Final products	46.3	119.6	118.6	119.2	120.5	120.3	121.5	122.5	122.2	122.6	121.5	122.6	123.3	123.5	122.5
4 Consumer goods, total	29.1	114.4	113.5	113.9	114.6	114.5	115.9	116.7	115.9	116.6	115.1	116.0	116.7	116.9	115.5
5 Durable consumer goods	6.1	131.3	129.8	128.1	132.1	131.9	131.4	136.5	134.7	135.6	134.3	135.2	136.5	138.5	131.0
6 Automotive products	2.6	129.9	126.7	120.3	131.6	132.8	131.2	138.4	133.8	132.6	131.0	132.4	134.5	136.1	122.2
7 Autos and trucks	1.7	136.5	130.3	120.2	137.6	140.9	139.7	147.8	142.7	139.9	137.2	137.7	140.2	142.3	117.6
8 Autos, consumer	.9	115.2	110.8	113.0	118.6	119.9	115.2	120.3	113.9	116.0	105.7	107.4	108.3	109.3	94.6
9 Trucks, consumer	.7	159.1	154.2	131.9	161.2	166.5	168.6	179.8	175.7	168.2	172.7	172.0	176.0	179.3	144.1
10 Auto parts and allied goods	.9	119.3	120.3	119.3	121.8	120.1	117.9	123.8	120.1	120.9	121.0	123.7	125.3	126.0	127.3
11 Other	3.5	132.3	132.3	134.4	132.5	131.1	131.5	135.0	135.3	138.0	136.9	137.4	138.1	140.5	138.1
12 Appliances, televisions, and air conditioners	1.0	168.6	165.4	174.8	169.8	166.0	169.4	177.2	178.7	186.4	188.6	192.5	194.7	200.1	195.9
13 Carpeting and furniture	.8	117.0	119.0	116.4	117.7	116.2	116.5	122.1	116.8	122.5	117.7	116.5	117.4	122.6	119.1
14 Miscellaneous home goods	1.6	120.0	120.3	122.1	119.8	119.4	118.6	119.2	122.1	121.0	120.7	120.8	120.7	120.4	119.3
15 Nondurable consumer goods	23.0	110.2	109.4	110.3	110.3	110.2	112.1	111.8	111.3	112.0	110.4	111.3	111.8	111.6	111.6
16 Foods and tobacco	10.3	109.3	108.1	109.6	108.9	108.6	109.7	110.7	110.0	113.0	111.8	111.3	112.1	112.0	111.3
17 Clothing	2.4	95.9	95.4	95.8	96.0	96.0	96.4	95.1	95.1	95.2	93.5	94.7	94.7	93.2	93.0
18 Chemical products	4.5	119.1	119.1	117.3	119.4	119.4	123.0	121.3	121.8	122.9	121.8	122.2	123.4	122.9	123.9
19 Paper products	2.9	109.3	109.8	110.8	109.8	110.1	111.3	111.7	110.1	110.2	107.8	106.2	106.5	105.7	106.2
20 Energy	2.9	111.3	109.7	112.4	112.8	112.4	116.2	113.9	113.5	107.4	104.6	112.6	112.0	113.6	113.8
21 Fuels	.8	109.3	111.5	108.8	111.0	110.8	112.0	106.7	109.3	110.5	110.0	111.3	111.7	109.7	110.3
22 Residential utilities	2.1	112.0	108.3	113.7	113.2	112.8	117.8	117.1	115.1	105.4	101.5	112.8	111.6	115.1	115.1
23 Equipment	17.2	128.8	127.7	128.6	130.9	130.6	131.3	132.8	133.4	133.1	133.1	134.3	135.0	135.3	134.9
24 Business equipment	13.2	141.9	140.2	141.6	144.6	144.4	145.5	147.5	148.6	147.3	146.8	148.7	150.2	150.5	150.6
25 Information processing and related	5.4	168.1	166.8	169.3	171.1	172.9	174.3	174.7	176.0	175.4	178.0	179.7	182.5	183.4	184.7
26 Computer and office equipment	1.1	385.6	375.8	391.6	407.1	414.6	420.3	427.3	440.1	457.1	476.1	499.2	515.1	533.3	543.4
27 Industrial	4.0	133.3	131.7	133.7	135.8	133.8	135.9	136.3	137.8	136.4	134.2	137.4	137.7	136.3	139.3
28 Transit	2.5	111.2	107.3	106.9	113.3	114.2	113.0	119.9	121.2	119.8	117.9	117.8	119.0	121.9	115.6
29 Autos and trucks	1.2	119.7	113.6	111.5	120.3	120.2	117.0	128.2	124.6	121.1	116.4	117.1	119.4	122.7	107.7
30 Other	1.3	135.0	136.3	136.3	137.9	135.1	137.5	137.3	136.2	133.6	132.7	135.2	136.3	135.2	136.7
31 Defense and space equipment	3.3	75.2	76.0	74.9	75.0	74.7	74.7	74.5	74.5	75.7	75.9	75.3	75.1	75.4	75.8
32 Oil and gas well drilling	.6	149.7	150.9	152.1	153.2	153.1	149.1	150.0	145.9	154.0	158.9	158.6	150.5	148.1	137.5
33 Manufactured homes	.2	139.1	139.1	143.5	139.5	137.2	136.9	138.1	132.4	144.0	148.6	145.4	146.9	146.7	145.9
34 Intermediate products, total	14.2	115.1	114.7	114.6	115.3	115.2	116.3	117.3	117.4	117.4	117.6	117.3	117.6	118.0	118.0
35 Construction supplies	5.3	121.8	122.2	121.2	122.7	120.4	121.3	123.6	123.2	125.2	126.2	124.2	124.0	125.3	125.0
36 Business supplies	8.9	111.1	110.2	110.6	111.0	112.2	113.4	113.5	113.9	112.9	112.6	113.2	113.9	113.6	113.9
37 Materials	39.5	134.1	133.0	134.9	134.9	136.1	136.7	137.7	138.9	138.2	138.2	138.7	139.2	139.7	138.8
38 Durable goods materials	20.8	158.2	156.9	159.3	160.3	161.3	163.2	165.0	166.5	166.2	165.8	166.4	167.7	167.9	166.5
39 Durable consumer parts	4.0	139.2	136.2	139.2	140.3	140.7	141.8	142.3	146.9	138.5	139.3	139.3	141.6	142.8	135.1
40 Equipment parts	7.6	221.9	220.0	224.6	227.6	229.6	233.3	237.9	240.9	245.5	245.7	247.7	249.6	250.4	251.8
41 Other	9.2	125.5	125.0	125.9	126.0	126.6	127.8	128.8	128.3	128.8	127.7	127.8	128.4	127.8	127.7
42 Basic metal materials	3.1	120.6	121.2	121.1	121.8	121.7	122.5	124.9	122.2	125.0	125.4	122.8	122.1	122.1	121.2
43 Nondurable goods materials	8.9	113.0	111.9	113.5	112.3	113.3	113.1	114.4	116.0	114.5	114.8	113.5	114.0	113.3	113.2
44 Textile materials	1.1	109.3	108.1	112.3	108.4	111.4	111.9	111.0	112.5	107.9	108.5	107.6	107.7	107.2	107.3
45 Paper materials	1.8	112.6	110.9	113.8	114.3	112.7	113.4	112.2	113.7	112.3	114.0	111.8	111.9	110.7	110.0
46 Chemical materials	3.9	115.2	113.8	115.1	113.9	115.6	115.0	116.5	119.1	119.2	117.6	116.6	117.5	116.4	116.6
47 Other	2.1	110.3	110.8	110.1	108.6	109.5	109.0	113.7	113.3	109.4	112.5	111.5	111.6	111.8	111.9
48 Energy materials	9.7	103.9	103.2	104.6	103.9	105.5	104.7	103.9	104.2	103.7	103.7	106.0	105.1	107.2	106.5
49 Primary energy	6.3	101.7	101.0	102.3	102.4	102.2	101.7	101.4	100.7	102.8	103.0	104.0	102.8	105.1	103.9
50 Converted fuel materials	3.3	108.3	107.3	109.0	106.8	111.8	110.6	108.6	110.9	105.5	105.0	109.6	109.4	111.3	111.7
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.1	124.3	123.6	124.8	125.1	125.4	126.5	127.2	127.7	127.7	127.3	128.0	128.5	128.7	128.5
52 Total excluding motor vehicles and parts	95.1	123.8	123.1	124.3	124.6	124.8	125.9	126.6	127.0	127.3	126.9	127.5	128.0	128.3	128.2
53 Total excluding computer and office equipment	98.2	121.9	121.1	122.0	122.6	122.9	123.8	124.8	125.1	124.9	124.3	124.8	125.3	125.6	124.7
54 Consumer goods excluding autos and trucks	27.4	113.2	112.5	113.5	113.4	113.0	114.6	115.0	114.4	115.4	113.9	114.8	115.4	115.5	115.3
55 Consumer goods excluding energy	26.2	114.8	114.0	114.1	114.9	114.7	115.9	117.0	116.2	117.9	116.5	116.4	117.3	117.3	115.7
56 Business equipment excluding autos and trucks	12.0	144.5	143.4	145.2	147.5	147.3	149.0	149.7	151.5	150.5	150.5	152.6	153.9	153.9	155.9
57 Business equipment excluding computer and office equipment	12.1	129.1	127.7	128.6	131.2	130.8	131.8	133.5	134.4	132.7	131.7	133.0	134.0	133.9	133.7
58 Materials excluding energy	29.8	143.7	142.5	144.6	144.8	145.8	147.0	148.6	150.2	149.4	149.3	149.2	150.3	150.1	149.2

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

Group	SIC code[2]	1992 proportion	1997 avg.	1997 June	1997 July	1997 Aug.	1997 Sept.	1997 Oct.	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.r	1998 Apr.r	1998 May	1998 June p
				Index (1992 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	...	**100.0**	**124.5**	**123.5**	**124.5**	**125.2**	**125.6**	**126.5**	**127.5**	**127.9**	**127.8**	**127.3**	**128.0**	**128.5**	**128.9**	**128.1**
60 Manufacturing	...	85.4	127.0	126.1	126.9	127.9	128.0	129.1	130.4	130.9	131.1	130.6	130.8	131.6	131.7	130.9
61 Primary processing	...	26.5	118.1	117.7	118.3	118.5	118.6	118.9	120.0	120.5	120.6	120.1	119.8	120.4	119.8	119.5
62 Advanced processing	...	58.9	131.4	130.2	131.2	132.5	132.7	134.1	135.5	136.1	136.4	135.8	136.3	137.3	137.6	136.6
63 Durable goods	...	45.0	142.3	141.2	142.4	144.3	144.4	145.5	147.7	148.6	148.3	147.8	148.6	149.6	150.3	148.8
64 Lumber and products	24	2.0	114.9	117.0	116.1	115.4	113.3	112.9	117.0	114.4	114.8	116.7	115.6	116.6	116.9	116.6
65 Furniture and fixtures	25	1.4	122.5	123.5	124.2	121.1	122.0	123.0	124.1	124.4	122.5	120.4	123.0	122.5	122.5	122.1
66 Stone, clay, and glass products	32	2.1	120.5	120.0	120.9	120.5	121.2	121.0	122.1	123.4	122.3	121.4	120.7	119.8	120.2	120.6
67 Primary metals	33	3.1	124.5	124.9	125.2	125.5	125.9	127.4	128.9	127.2	129.3	128.1	127.1	127.1	126.4	125.2
68 Iron and steel	331,2	1.7	122.8	122.6	122.2	121.8	124.5	126.4	127.0	126.1	127.9	127.0	126.7	125.9	124.5	122.0
69 Raw steel	331PT	.1	115.9	114.9	115.5	116.1	119.2	117.7	120.9	119.2	122.8	123.7	119.5	122.8	122.3	116.2
70 Nonferrous	333–6,9	1.4	126.4	127.7	128.8	129.9	127.7	128.6	131.1	128.5	131.0	129.4	127.5	128.6	128.8	129.1
71 Fabricated metal products	34	5.0	122.9	121.9	122.4	122.8	122.7	124.4	124.7	126.7	125.6	124.3	125.0	125.9	125.9	125.0
72 Industrial machinery and equipment	35	8.0	171.4	168.8	172.2	175.9	173.7	176.5	177.7	178.6	180.3	179.4	183.8	186.3	188.1	190.3
73 Computer and office equipment	357	1.8	382.3	372.3	388.5	403.9	412.0	418.0	425.7	438.3	457.1	476.6	500.5	517.0	536.0	546.4
74 Electrical machinery	36	7.3	231.5	229.7	235.5	236.8	237.5	240.8	247.4	249.9	252.9	254.1	254.9	257.9	259.3	260.0
75 Transportation equipment	37	9.5	115.6	113.0	112.2	117.0	118.8	118.3	121.6	123.4	119.9	118.8	118.7	119.4	121.2	114.0
76 Motor vehicles and parts	371	4.9	137.2	132.5	130.0	138.9	141.2	139.6	145.9	146.6	138.3	136.7	136.6	138.3	141.1	125.5
77 Autos and light trucks	371PT	2.6	128.3	122.4	115.0	129.5	132.3	130.4	137.7	132.5	130.8	126.7	127.4	129.5	131.3	109.4
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.6	94.4	93.8	94.6	95.5	96.8	97.3	97.9	100.6	101.8	101.1	101.0	100.8	101.5	102.4
79 Instruments	38	5.4	108.0	107.9	108.0	109.2	108.9	109.7	109.5	109.0	109.0	109.6	109.9	110.2	109.8	109.6
80 Miscellaneous	39	1.3	125.9	126.0	127.0	126.7	126.1	126.5	126.2	128.5	128.0	128.4	128.5	129.1	127.1	127.0
81 Nondurable goods	...	40.4	111.1	110.5	110.9	111.0	111.3	112.2	112.6	112.9	113.6	113.0	112.6	113.3	112.7	112.6
82 Foods	20	9.4	109.6	108.8	110.0	108.9	108.6	109.2	110.9	110.9	112.9	112.0	111.4	112.3	112.1	111.5
83 Tobacco products	21	1.6	112.7	109.0	110.5	112.5	112.0	118.8	115.9	110.1	116.9	115.9	114.7	114.9	114.9	114.1
84 Textile mill products	22	1.8	109.6	109.1	110.7	110.7	111.4	111.6	112.5	110.4	111.8	109.6	108.9	109.1	110.6	109.7
85 Apparel products	23	2.2	99.6	99.6	99.7	99.1	99.1	99.3	98.6	99.3	99.3	97.7	98.2	98.3	97.1	96.4
86 Paper and products	26	3.6	112.9	111.7	114.2	114.4	113.7	112.8	113.6	114.1	112.4	114.6	112.4	112.9	112.3	112.1
87 Printing and publishing	27	6.7	104.9	104.1	104.1	104.4	105.1	106.7	107.4	107.1	106.5	105.6	105.0	105.1	104.8	104.9
88 Chemicals and products	28	9.9	115.3	114.6	114.3	114.5	115.6	116.7	116.5	118.2	118.7	117.6	117.7	118.5	117.7	118.2
89 Petroleum products	29	1.4	109.4	111.3	108.9	109.7	110.1	111.2	108.6	109.7	112.3	111.9	114.8	114.6	112.7	113.2
90 Rubber and plastic products	30	3.5	126.4	125.6	126.0	127.9	127.6	127.4	129.6	129.3	129.3	129.4	129.7	131.8	130.3	130.3
91 Leather and products	31	.3	73.7	74.0	74.0	71.2	70.9	72.4	71.0	71.3	69.4	70.8	69.4	68.2	67.7	67.2
92 Mining	..	6.9	106.0	105.7	106.5	106.3	106.5	105.9	106.1	105.7	108.4	108.8	108.0	107.0	108.0	105.8
93 Metal	10	.5	106.9	109.9	105.2	106.0	105.3	111.1	113.2	103.8	105.3	119.5	105.5	102.9	104.0	103.7
94 Coal	12	1.0	109.9	107.4	112.1	107.7	109.5	109.6	111.2	117.4	116.0	108.4	109.4	110.6	118.2	111.7
95 Oil and gas extraction	13	4.8	103.2	102.9	103.9	104.1	104.3	103.1	102.6	101.7	105.0	105.9	106.5	104.8	104.5	102.8
96 Stone and earth minerals	14	.6	118.8	120.9	117.8	119.9	117.7	116.2	119.2	120.2	124.3	122.6	117.2	120.8	121.6	121.7
97 Utilities	...	7.7	112.5	110.9	113.8	113.0	115.1	116.9	115.3	114.3	108.7	108.2	114.3	113.5	116.2	116.7
98 Electric	491,493PT	6.2	113.1	110.7	113.8	113.1	115.7	118.1	114.7	114.2	110.2	110.6	115.6	114.2	117.8	118.0
99 Gas	492,493PT	1.6	111.0	111.9	113.5	112.5	112.7	111.9	117.8	115.0	103.0	99.0	109.5	110.7	110.3	112.0
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	...	80.5	126.4	125.7	126.7	127.2	127.3	128.4	129.4	130.0	130.7	130.2	130.5	131.3	131.1	131.2
101 Manufacturing excluding office and computing machines	.	83.6	124.1	123.2	123.9	124.8	124.9	125.9	127.2	127.6	127.8	127.1	127.2	127.9	127.8	127.0
		Gross value (billions of 1992 dollars, annual rates)														
MAJOR MARKETS																
102 **Products, total**	..	**2,001.9**	**2,373.2**	**2,365.3**	**2,368.4**	**2,402.0**	**2,396.9**	**2,416.1**	**2,442.2**	**2,435.3**	**2,442.8**	**2,427.7**	**2,442.6**	**2,457.2**	**2,463.5**	**2,435.8**
103 Final	..	1,552.1	1,855.8	1,844.6	1,849.1	1,879.3	1,875.6	1,890.6	1,911.0	1,904.9	1,911.9	1,895.0	1,911.5	1,924.8	1,929.3	1,900.7
104 Consumer goods	...	1,049.6	1,195.5	1,190.2	1,191.0	1,205.2	1,203.3	1,215.9	1,224.1	1,215.7	1,224.6	1,209.6	1,219.2	1,227.4	1,227.9	1,205.6
105 Equipment	...	502.5	660.0	654.1	657.8	674.0	672.3	674.5	686.9	689.4	687.3	685.5	692.6	697.7	701.7	695.6
106 Intermediate	...	449.9	518.1	521.0	519.9	523.7	522.2	526.5	532.3	531.4	532.0	533.3	532.1	533.6	535.4	535.6

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 December 1997. The recent annual revision is described in an article in the February 1998 issue of the *Bulletin*. For a description of the aggregation methods for industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. For details about the construction of individual industrial production series, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76, (April 1990), pp. 187–204.

2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1995	1996	1997	1997					1998				
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.	May
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,333	1,426	1,442	1,445	1,475	1,502	1,475	1,467	1,553	1,635	1,569	1,517	1,543
2 One-family	997	1,070	1,056	1,059	1,084	1,106	1,102	1,094	1,142	1,176	1,136	1,145	1,152
3 Two-family or more	335	356	387	386	391	396	373	373	411	459	433	372	391
4 Started	1,354	1,477	1,474	1,383	1,501	1,529	1,523	1,540	1,545	1,616	1,585	1,546	1,530
5 One-family	1,076	1,161	1,134	1,076	1,174	1,124	1,167	1,130	1,225	1,263	1,239	1,237	1,219
6 Two-family or more	278	316	340	307	327	405	356	410	320	353	346	309	311
7 Under construction at end of period[1]	776	820	834	834	843	853	862	872	888	907	911	911	915
8 One-family	554	584	570	567	571	574	575	580	593	609	616	619	625
9 Two-family or more	222	235	264	267	272	279	287	292	295	298	295	292	290
10 Completed	1,319	1,405	1,407	1,335	1,433	1,384	1,432	1,413	1,314	1,461	1,486	1,500	1,455
11 One-family	1,073	1,123	1,122	1,062	1,133	1,063	1,145	1,094	1,007	1,142	1,130	1,189	1,101
12 Two-family or more	247	283	285	273	300	321	287	319	307	319	356	311	354
13 Mobile homes shipped	341	361	354	354	351	349	352	353	362	377	374	370	374
Merchant builder activity in one-family units													
14 Number sold	667	757	803	799	809	805	875	805	853	878[r]	836	891	901
15 Number for sale at end of period[1]	374	326	287	286	284	284	280	282	281	281	285	286	286
Price of units sold (thousands of dollars)[2]													
16 Median	133.9	140.0	145.9	144.0	146.3	141.5	145.0	145.9	148.0	156.0[r]	152.7	147.9	150.0
17 Average	158.7	166.4	175.8	170.7	177.5	172.9	175.4	175.8	178.6	181.6[r]	178.5	175.7	184.8
EXISTING UNITS (one-family)													
18 Number sold	3,812	4,087	4,215	4,280	4,300	4,380	4,390	4,370	4,370	4,770	4,890	4,770	4,830
Price of units sold (thousands of dollars)[2]													
19 Median	113.1	118.2	124.1	127.5	125.8	124.4	124.3	125.9	126.1	124.5	127.1	128.2	130.5
20 Average	139.1	145.5	154.2	159.1	155.4	154.7	155.0	157.5	156.8	153.9	157.2	159.7	162.3
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 **Total put in place**	**538,158[r]**	**581,813[r]**	**618,051[r]**	**623,429[r]**	**623,305[r]**	**626,608[r]**	**623,068[r]**	**626,290[r]**	**633,714[r]**	**638,180[r]**	**639,913**	**643,383**	**633,548**
22 Private	408,012[r]	444,743[r]	470,969[r]	475,498[r]	475,885[r]	477,539[r]	475,340[r]	478,363[r]	487,807[r]	490,896[r]	494,333	497,459	493,395
23 Residential	231,191[r]	255,570[r]	265,536[r]	263,496[r]	266,077[r]	268,623[r]	268,893[r]	273,020[r]	278,956[r]	282,496[r]	286,045	288,694	286,565
24 Nonresidential	176,821[r]	189,173[r]	205,433[r]	212,002[r]	209,808[r]	208,916[r]	206,447[r]	205,343[r]	208,851[r]	208,400[r]	208,288	208,765	206,830
25 Industrial buildings	32,535[r]	32,563[r]	31,417[r]	33,403[r]	32,220[r]	30,870[r]	30,075[r]	29,794[r]	31,055[r]	30,936[r]	31,474	31,438	29,454
26 Commercial buildings	68,245[r]	75,722[r]	83,727[r]	85,457[r]	83,473[r]	83,838[r]	83,601[r]	83,214[r]	85,807[r]	84,152[r]	83,981	84,947	85,473
27 Other buildings	27,084[r]	30,637[r]	37,382[r]	37,748[r]	39,083[r]	38,372[r]	38,341[r]	39,275[r]	37,694[r]	39,151[r]	37,812	38,958	37,802
28 Public utilities and other	48,957[r]	50,252[r]	52,906[r]	55,394[r]	55,032[r]	55,836[r]	54,430[r]	53,060[r]	54,295[r]	54,161[r]	55,021	53,422	54,101
29 Public	130,147[r]	137,070[r]	147,082[r]	147,931[r]	147,421[r]	149,069[r]	147,728[r]	147,927[r]	145,907[r]	147,284[r]	145,580	145,924	140,152
30 Military	2,983	2,639[r]	2,625[r]	2,812[r]	2,630[r]	2,806[r]	2,889[r]	2,342[r]	2,474[r]	2,916[r]	2,818	2,616	2,263
31 Highway	38,126[r]	41,326[r]	45,246[r]	45,930[r]	44,309[r]	43,144[r]	47,416[r]	45,306[r]	46,067[r]	45,561[r]	45,559	46,014	43,423
32 Conservation and development	6,371[r]	5,926[r]	5,628[r]	5,479[r]	6,180[r]	5,148[r]	5,068[r]	6,422[r]	5,281[r]	6,305[r]	5,488	4,978	4,998
33 Other	82,667[r]	87,179[r]	93,583[r]	93,710[r]	94,302[r]	97,971[r]	92,355[r]	93,857[r]	92,085[r]	92,502[r]	91,715	92,316	89,468

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 1998[1]
	1997 June	1998 June	1997		1998		1998					
			Sept.	Dec.	Mar.	June	Feb.	Mar.	Apr.	May	June	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**2.3**	**1.7**	**2.3**	**1.5**	**.2**	**2.5**	**.1**	**.0**	**.2**	**.3**	**.1**	**163.0**
2 Food	2.6	2.2	2.8	1.5	1.3	3.0	.0	.0	.1	.6	.1	160.1
3 Energy items	−.7	−5.9	8.3	−7.7	−21.1	−1.9	−2.2	−1.2	−.1	.3	−.7	105.7
4 All items less food and energy	2.4	2.2	1.7	2.4	2.4	2.6	.3	.1	.3	.2	.1	173.0
5 Commodities	.9	.4	−.3	.6	.8	1.1	.2	−.1	.1	.1	.0	142.8
6 Services	3.1	3.1	2.6	3.3	3.0	3.2	.3	.2	.4	.3	.2	190.3
PRODUCER PRICES (1982=100)												
7 Finished goods	−.1	−.8	1.2	−1.2	−4.2	1.2	−.1[r]	−.4[r]	.2	.2	−.1	130.6
8 Consumer foods	.3	−.3	−1.5	1.5	−2.1	.9	.2	−.4	.4	−.3	.1	133.6
9 Consumer energy	−1.3	−8.3	6.0	−5.7	−26.2	−4.1	−1.8[r]	−2.1[r]	−.1	.8	−1.7	76.7
10 Other consumer goods	.3	1.7	1.7	−.3	.6	4.8	.2[r]	−.1[r]	.3	.5	.3	147.2
11 Capital equipment	−.1	−.6	.6	−2.0	−.3	−.6	.0	.0	.1	−.2	.0	137.3
Intermediate materials												
12 Excluding foods and feeds	−.2	−1.4	.6	−.6	−4.4	−1.6	−.3[r]	−.3[r]	.1	−.2	−.3	123.9
13 Excluding energy	.1	−.4	.6	.0	−1.2	−.9	−.1	−.1	.0	−.1	−.1	133.7
Crude materials												
14 Foods	−13.7	−5.1	−5.0	4.1	−13.4	−4.1	−.7	.6[r]	.3	−1.4	.1	105.6
15 Energy	2.1	−12.6	21.8	5.4	−54.6	.0	−4.3[r]	−3.5[r]	3.5	.6	−3.9	69.2
16 Other	1.4	−6.7	.3	−8.2	−14.7	−3.7	−.3[r]	−1.7[r]	−.9	.5	−.5	146.8

1. Not seasonally adjusted.
2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE. U.S. Department of Labor, Bureau of Labor Statistics.

2.16 GROSS DOMESTIC PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1995	1996	1997	1997				1998
				Q1	Q2	Q3	Q4	Q1[r]
GROSS DOMESTIC PRODUCT								
1 **Total**	**7,265.4**	**7,636.0**	**8,079.9**	**7,933.6**	**8,034.3**	**8,124.3**	**8,227.4**	**8,359.3**
By source								
2 Personal consumption expenditures	4,957.7	5,207.6	5,485.8	5,405.7	5,432.1	5,527.4	5,577.8	5,667.3
3 Durable goods	608.5	634.5	659.3	658.4	644.5	667.3	666.8	687.4
4 Nondurable goods	1,475.8	1,534.7	1,592.0	1,587.4	1,578.9	1,600.8	1,600.9	1,621.5
5 Services	2,873.4	3,038.4	3,234.5	3,159.9	3,208.7	3,259.3	3,310.0	3,358.4
6 Gross private domestic investment	1,038.2	1,116.5	1,242.5	1,193.6	1,242.0	1,250.2	1,284.1	1,359.5
7 Fixed investment	1,008.1	1,090.7	1,174.1	1,127.5	1,160.8	1,201.3	1,206.8	1,250.7
8 Nonresidential	723.0	781.4	846.9	811.3	836.3	872.0	868.0	897.9
9 Structures	200.6	215.2	230.2	227.4	226.8	232.9	233.9	233.6
10 Producers' durable equipment	522.4	566.2	616.7	583.9	609.5	639.1	634.2	664.3
11 Residential structures	285.1	309.2	327.2	316.2	324.6	329.3	338.8	352.8
12 Change in business inventories	30.1	25.9	68.4	66.1	81.1	48.9	77.2	108.8
13 Nonfarm	38.1	23.0	61.7	62.2	74.9	40.9	68.7	101.6
14 Net exports of goods and services	−86.0	−94.8	−101.1	−98.8	−88.7	−111.3	−105.3	−130.2
15 Exports	818.4	870.9	957.1	922.2	960.3	965.8	980.0	965.0
16 Imports	904.5	965.7	1,058.1	1,021.0	1,049.0	1,077.1	1,085.4	1,095.2
17 Government consumption expenditures and gross investment	1,355.5	1,406.7	1,452.7	1,433.1	1,449.0	1,457.9	1,470.9	1,462.6
18 Federal	509.6	520.0	523.8	516.1	526.1	525.7	527.3	515.1
19 State and local	846.0	886.7	928.9	917.0	923.0	932.3	943.6	947.5
By major type of product								
20 Final sales, total	7,235.3	7,610.2	8,011.5	7,867.4	7,953.2	8,075.3	8,150.2	8,250.5
21 Goods	2,637.9	2,759.3	2,876.7	2,838.4	2,854.9	2,903.2	2,910.4	2,954.1
22 Durable	1,133.9	1,212.0	1,284.0	1,248.0	1,275.3	1,305.3	1,307.3	1,335.5
23 Nondurable	1,503.9	1,547.3	1,592.8	1,590.4	1,579.6	1,597.9	1,603.1	1,618.6
24 Services	3,980.7	4,187.3	4,430.4	4,338.2	4,400.1	4,462.3	4,521.0	4,564.5
25 Structures	616.8	663.6	704.4	690.8	698.2	709.8	718.8	731.8
26 Change in business inventories	30.1	25.9	68.4	66.1	81.1	48.9	77.2	108.8
27 Durable goods	29.1	16.9	33.0	31.8	46.8	18.6	34.8	53.0
28 Nondurable goods	1.1	9.0	35.4	34.3	34.4	30.3	42.4	55.8
MEMO								
29 **Total GDP in chained 1992 dollars**	**6,742.1**	**6,928.4**	**7,188.8**	**7,101.6**	**7,159.6**	**7,214.0**	**7,280.0**	**7,375.7**
NATIONAL INCOME								
30 **Total**	**5,912.3**	**6,254.5**	**6,649.7**	**6,510.0**	**6,599.0**	**6,699.6**	**6,790.1**	**6,905.6**
31 Compensation of employees	4,215.4	4,426.9	4,703.6	4,606.3	4,663.4	4,725.2	4,819.6	4,914.5
32 Wages and salaries	3,442.6	3,633.6	3,878.6	3,792.7	3,842.7	3,897.3	3,981.6	4,064.1
33 Government and government enterprises	623.0	642.6	665.3	657.8	662.0	667.7	673.7	682.0
34 Other	2,819.6	2,991.0	3,213.3	3,134.9	3,180.8	3,229.6	3,307.9	3,382.1
35 Supplement to wages and salaries	772.9	793.3	825.0	813.6	820.7	827.9	837.9	850.4
36 Employer contributions for social insurance	366.0	385.7	408.4	401.3	405.6	410.2	416.6	425.3
37 Other labor income	406.8	407.6	416.6	412.3	415.1	417.7	421.4	425.1
38 Proprietors' income[1]	489.0	520.3	544.5	534.6	543.6	547.2	552.5	554.5
39 Business and professional[1]	465.5	483.1	503.8	494.4	500.0	506.3	514.3	523.5
40 Farm[1]	23.4	37.2	40.7	40.2	43.6	40.9	38.2	31.0
41 Rental income of persons[2]	132.8	146.3	147.9	149.0	148.7	148.0	145.7	144.0
42 Corporate profits[1]	650.0	735.9	805.0	779.6	795.1	827.3	818.1	827.7
43 Profits before tax[3]	622.6	676.6	729.8	708.4	719.8	753.4	737.3	723.8
44 Inventory valuation adjustment	−24.3	−2.5	5.5	3.5	5.9	3.6	9.2	30.1
45 Capital consumption adjustment	51.6	61.8	69.7	67.7	69.4	70.3	71.6	73.7
46 Net interest	425.1	425.1	448.7	440.5	448.1	451.8	454.2	465.1

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. U.S. Department of Commerce, *Survey of Current Business.*

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1995	1996	1997	1997 Q1	1997 Q2	1997 Q3	1997 Q4	1998 Q1[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**6,150.8**	**6,495.2**	**6,873.9**	**6,746.2**	**6,829.1**	**6,906.9**	**7,013.5**	**7,125.4**
2 Wage and salary disbursements	3,429.5	3,632.5	3,877.4	3,791.5	3,841.6	3,896.1	3,980.4	4,063.0
3 Commodity-producing industries	864.4	909.1	960.3	942.9	952.8	961.4	984.1	998.6
4 Manufacturing	648.4	674.7	706.0	694.1	700.3	706.0	723.4	731.6
5 Distributive industries	783.1	823.3	876.3	856.8	867.0	880.8	900.6	918.4
6 Service industries	1,159.0	1,257.5	1,375.5	1,334.1	1,359.8	1,386.3	1,422.0	1,464.0
7 Government and government enterprises	623.0	642.6	665.3	657.8	662.0	667.7	673.7	682.0
8 Other labor income	406.8	407.6	416.6	412.3	415.1	417.7	421.4	425.1
9 Proprietors' income[1]	489.0	520.3	544.5	534.6	543.6	547.2	552.5	554.5
10 Business and professional[1]	465.5	483.1	503.8	494.4	500.0	506.3	514.3	523.5
11 Farm[1]	23.4	37.2	40.7	40.2	43.6	40.9	38.2	31.0
12 Rental income of persons[2]	132.8	146.3	147.9	149.0	148.7	148.0	145.7	144.0
13 Dividends	251.9	291.2	321.5	312.5	318.3	324.5	330.7	336.8
14 Personal interest income	718.9	735.7	768.6	757.2	766.1	772.6	778.4	785.4
15 Transfer payments	1,015.0	1,068.0	1,121.1	1,107.2	1,117.0	1,125.7	1,134.8	1,154.8
16 Old-age survivors, disability, and health insurance benefits	507.8	537.6	566.7	558.9	564.4	569.4	574.2	585.2
17 LESS: Personal contributions for social insurance	293.1	306.3	323.7	318.2	321.3	324.8	330.4	338.1
18 EQUALS: Personal income	6,150.8	6,495.2	6,873.9	6,746.2	6,829.1	6,906.9	7,013.5	7,125.4
19 LESS: Personal tax and nontax payments	795.1	886.9	988.7	955.7	979.2	998.0	1,022.1	1,059.8
20 EQUALS: Disposable personal income	5,355.7	5,608.3	5,885.2	5,790.5	5,849.9	5,908.9	5,991.4	6,065.6
21 LESS: Personal outlays	5,101.1	5,368.8	5,658.5	5,574.6	5,602.8	5,700.8	5,755.6	5,844.6
22 EQUALS: Personal saving	254.6	239.6	226.7	215.9	247.0	208.2	235.8	221.0
MEMO								
Per capita (chained 1992 dollars)								
23 Gross domestic product	25,615.7	26,085.8	26,834.0	26,597.8	26,765.0	26,897.9	27,073.3	27,378.2
24 Personal consumption expenditures	17,459.2	17,748.7	18,168.9	18,045.2	18,053.9	18,255.7	18,319.6	18,554.9
25 Disposable personal income	18,861.0	19,116.0	19,493.0	19,331.0	19,439.0	19,518.0	19,681.0	19,857.0
26 Saving rate (percent)	4.8	4.3	3.9	3.7	4.2	3.5	3.9	3.6
GROSS SAVING								
27 **Gross saving**	**1,165.5**	**1,267.8**	**1,394.3**	**1,332.9**	**1,396.9**	**1,411.6**	**1,435.8**	**1,495.6**
28 Gross private saving	1,093.1	1,125.5	1,164.2	1,134.0	1,178.1	1,159.6	1,185.2	1,188.1
29 Personal saving	254.6	239.6	226.7	215.9	247.0	208.2	235.8	221.0
30 Undistributed corporate profits[1]	172.4	202.1	219.5	211.5	217.6	230.0	218.9	229.5
31 Corporate inventory valuation adjustment	−24.3	−2.5	5.5	3.5	5.9	3.6	9.2	30.1
Capital consumption allowances								
32 Corporate	428.9	452.3	475.6	467.4	472.6	478.0	484.5	489.8
33 Noncorporate	224.1	230.5	241.2	238.0	239.7	242.4	244.9	246.5
34 Gross government saving	72.4	142.3	230.1	198.9	218.8	251.9	250.6	307.5
35 Federal	−103.6	−39.3	42.8	15.9	34.7	60.8	59.7	119.0
36 Consumption of fixed capital	70.9	71.2	71.6	71.4	71.5	71.6	71.8	71.5
37 Current surplus or deficit (−), national accounts	−174.4	−110.5	−28.8	−55.5	−36.8	−10.8	−12.1	47.5
38 State and local	176.0	181.5	187.3	182.9	184.1	191.1	190.9	188.6
39 Consumption of fixed capital	72.9	76.2	79.5	78.2	79.2	79.7	80.8	81.3
40 Current surplus or deficit (−), national accounts	103.1	105.3	107.8	104.7	104.9	111.4	110.1	107.3
41 **Gross investment**	**1,137.2**	**1,207.9**	**1,308.3**	**1,268.6**	**1,323.4**	**1,308.4**	**1,332.7**	**1,397.6**
42 Gross private domestic investment	1,038.2	1,116.5	1,242.5	1,193.6	1,242.0	1,250.2	1,284.1	1,359.5
43 Gross government investment	213.4	224.3	226.0	223.3	227.4	227.1	226.1	223.2
44 Net foreign investment	−114.4	−132.9	−160.2	−148.4	−146.0	−168.9	−177.4	−185.2
45 **Statistical discrepancy**	**−28.2**	**−59.9**	**−86.0**	**−64.3**	**−73.5**	**−103.2**	**−103.1**	**−98.0**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. U.S Department of Commerce, *Survey of Current Business*.

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted except as noted[1]

Item credits or debits	1995	1996	1997	1997				1998
				Q1	Q2	Q3	Q4	Q1[p]
1 Balance on current account	−115,254	−134,915	−155,215	−36,990	−35,090	−38,094	−45,043	−47,210
2 Merchandise trade balance[2]	−173,729	−191,337	−197,954	−49,723	−49,096	−49,296	−49,839	−55,698
3 Merchandise exports	575,845	611,983	679,325	163,499	169,240	172,302	174,284	171,469
4 Merchandise imports	−749,574	−803,320	−877,279	−213,222	−218,336	−221,598	−224,123	−227,167
5 Military transactions, net	4,769	4,684	6,781	1,542	2,191	1,945	1,103	1,530
6 Other service transactions, net	69,069	78,079	80,967	20,051	20,390	20,246	20,277	19,306
7 Investment income, net	19,275	14,236	−5,318	14	460	−1,544	−4,247	−3,124
8 U.S. government grants	−11,170	−15,023	−12,090	−2,241	−2,274	−2,362	−5,213	−2,257
9 U.S. government pensions and other transfers	−3,433	−4,442	−4,193	−1,013	−1,055	−1,056	−1,069	−1,071
10 Private remittances and other transfers	−20,035	−21,112	−23,408	−5,620	−5,706	−6,027	−6,055	−5,896
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	−589	−708	174	−22	−269	436	29	−426
12 Change in U.S. official reserve assets (increase, −)	−9,742	6,668	−1,010	4,480	−236	−730	−4,524	−444
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−808	370	−350	72	−133	−139	−150	−182
15 Reserve position in International Monetary Fund	−2,466	−1,280	−3,575	1,055	54	−463	−4,221	−85
16 Foreign currencies	−6,468	7,578	2,915	3,353	−157	−128	−153	−177
17 Change in U.S. private assets abroad (increase, −)	−317,122	−374,761	−477,666	−149,597	−86,101	−123,023	−118,946	−43,877
18 Bank-reported claims[3]	−75,108	−91,555	−147,439	−63,698	−26,625	−29,577	−27,539	12,903
19 Nonbank-reported claims	−45,286	−86,333	−120,403	−37,880	−9,825	−24,791	−47,907	.
20 U.S. purchases of foreign securities, net	−100,074	−115,801	−87,981	−15,521	−23,263	−41,167	−8,030	−5,173
21 U.S. direct investments abroad, net	−96,654	−81,072	−121,843	−32,498	−26,388	−27,488	−35,470	−30,924
22 Change in foreign official assets in United States (increase, +)	109,768	127,344	15,817	26,949	−5,411	21,258	−26,979	10,181
23 U.S. Treasury securities	68,977	115,671	−7,270	22,311	−11,689	6,686	−24,578	11,337
24 Other U.S. government obligations	3,735	5,008	4,334	754	827	2,667	86	2,610
25 Other U.S. government liabilities[4]	−217	−362	−2,521	−587	−523	−1,167	−244	−1,059
26 Other U.S. liabilities reported by U.S. banks[3]	34,008	5,704	21,928	7,696	5,043	12,439	−3,250	−1,751
27 Other foreign official assets[5]	3,265	1,323	−654	−3,225	931	633	1,007	−956
28 Change in foreign private assets in United States (increase, +)	355,681	436,013	717,624	154,786	155,184	160,180	247,470	80,712
29 U.S. bank-reported liabilities[3]	30,176	16,478	148,059	17,743	28,067	12,606	89,643	−41,199
30 U.S. nonbank-reported liabilities	59,637	39,404	107,779	28,840	5,274	26,275	47,390	..
31 Foreign private purchases of U.S. Treasury securities, net	99,548	154,996	146,710	33,363	42,614	35,432	35,301	−1,363
32 Foreign purchases of other U.S. securities, net	96,367	130,151	196,845	45,477	54,258	60,327	36,783	76,656
33 Foreign direct investments in United States, net	57,653	77,622	93,449	25,879	20,149	18,964	28,453	25,020
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	−22,742	−59,641	−99,724	394	−28,077	−20,027	−52,007	1,064
36 Due to seasonal adjustment	..	...	...	5,812	685	−10,018	3,528	6,260
37 Before seasonal adjustment	−22,742	−59,641	−99,724	−5,418	−28,762	−10,009	−55,535	−5,196
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−9,742	6,668	−1,010	4,480	−236	−730	−4,524	−444
39 Foreign official assets in United States, excluding line 25 (increase, +)	109,985	127,706	18,338	27,536	−4,888	22,425	−26,735	11,240
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	4,239	14,911	10,822	7,103	1,970	3,031	−1,282	348

1. Seasonal factors are not calculated for lines 12–16, 18–20, 22–34, and 38–40.
2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.
3. Reporting banks include all types of depository institutions as well as some brokers and dealers.
4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1995	1996	1997	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.	1998 Apr.	1998 May[p]
1 Goods and services, balance	−101,857	−111,040	−113,684	−9,600	−10,205	−9,935	−11,720	−13,208	−14,274	−15,745
2 Merchandise	−173,560	−191,170	−198,975	−16,605	−16,962	−17,075	−18,120	−20,503	−21,335	−22,803
3 Services	71,703	80,130	85,291	7,005	6,757	7,140	6,400	7,295	7,061	7,058
4 Goods and services, exports	794,610	848,833	931,370	79,088	79,784	79,571	77,684	79,148	77,219	76,230
5 Merchandise	575,871	612,069	678,150	57,482	58,336	57,902	56,350	57,217	55,335	54,357
6 Services	218,739	236,764	253,220	21,606	21,448	21,669	21,334	21,931	21,884	21,873
7 Goods and services, imports	−896,467	−959,873	−1,045,054	−88,688	−89,989	−89,506	−89,404	−92,356	−91,493	−91,975
8 Merchandise	−749,431	−803,239	−877,125	−74,087	−75,298	−74,977	−74,470	−77,720	−76,670	−77,160
9 Services	−147,036	−156,634	−167,929	−14,601	−14,691	−14,529	−14,934	−14,636	−14,823	−14,815

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. *FT900*, U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1994	1995	1996	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.	1998 Apr.	1998 May	1998 June[p]
1 **Total**	**74,335**	**85,832**	**75,090**	**67,112**	**69,954**	**70,003**	**70,632**	**69,354**	**70,328**	**70,723**	**71,161**
2 Gold stock, including Exchange Stabilization Fund[1]	11,051	11,050	11,049	11,050	11,050	11,046	11,050	11,050	11,048	11,049	11,047
3 Special drawing rights[2,3]	10,039	11,037	10,312	10,120	10,027	9,998	10,217	10,108	10,188	10,296	10,001
4 Reserve position in International Monetary Fund[2]	12,030	14,649	15,435	14,571	18,071	18,039	18,135	17,976	18,218	18,957	18,945
5 Foreign currencies[4]	41,215	49,096	38,294	31,371	30,809	30,920	31,230	30,220	30,874	30,421	31,168

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce.

2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.

3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million; 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.

4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Asset	1994	1995	1996	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.	1998 Apr.	1998 May	1998 June[p]
1 **Deposits**	**250**	**386**	**167**	**167**	**457**	**215**	**243**	**167**	**162**	**156**	**200**
Held in custody											
2 U.S. Treasury securities[2]	441,866	522,170	638,049	635,092	620,885	625,219	621,956	630,602	622,220	622,557	616,569
3 Earmarked gold[3]	12,033	11,702	11,197	10,793	10,763	10,709	10,705	10,664	10,651	10,641	10,617

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.

2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.

3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1995	1996	1997[r]		1998				
			Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.[r]	Apr.	May[p]
1 **Total**[1]	**630,918**	**758,624**	**793,220**	**778,538**	**780,587**	**780,393**	**790,921**	**788,265[r]**	**788,981**
By type									
2 Liabilities reported by banks in the United States[2]	107,394	113,098	148,096	135,326	140,931	139,739	134,719	144,929	144,518
3 U.S. Treasury bills and certificates[3]	168,534	198,921	150,102	148,301	145,609	144,324	153,335	138,418	137,652
U.S. Treasury bonds and notes									
4 Marketable	293,690	379,497	423,823	423,456	422,267	423,509	429,642	431,158[r]	432,971
5 Nonmarketable[4]	6,491	5,968	5,955	5,994	6,033	6,069	6,110	6,149	6,189
6 U.S. securities other than U.S. Treasury securities[5]	54,809	61,140	65,244	65,461	65,747	66,752	67,115	67,611[r]	67,651
By area									
7 Europe[1]	222,406	257,915	272,705	263,103	261,680	261,133	259,053	268,848[r]	269,611
8 Canada	19,473	21,295	19,275	18,749	18,339	19,065	20,280	20,254	20,122
9 Latin America and Caribbean	66,721	80,623	94,435	97,616	96,997	99,381	98,028	101,191	102,963
10 Asia	311,016	385,484	391,430	382,423	387,204	385,378	397,283	381,982[r]	380,381
11 Africa	6,296	7,379	9,542	10,118	10,213	10,518	11,440	11,281	10,574
12 Other countries	5,004	5,926	5,831	6,527	6,152	4,916	4,835	4,707	5,328

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes current value of zero-coupon Treasury bond issues to foreign governments as follows: Mexico, beginning March 1988, 20-year maturity issue and beginning March 1990, 30-year maturity issue; Venezuela, beginning December 1990, 30-year maturity issue; Argentina, beginning April 1993, 30-year maturity issue.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1994	1995	1996	1997			1998
				June	Sept.	Dec.[r]	Mar.[r]
1 Banks' liabilities	89,258	109,713	103,383	110,224	120,105	117,524	100,054
2 Banks' claims	60,711	74,016	66,018	85,305	91,158	83,038	82,119
3 Deposits	19,661	22,696	22,467	28,900	32,154	28,661	28,076
4 Other claims	41,050	51,320	43,551	56,405	59,004	54,377	54,043
5 Claims of banks' domestic customers[2]	10,878	6,145	10,978	10,251[r]	10,090[r]	8,191	7,926

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Item	1995	1996	1997	1997		1998				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**1,099,549**	**1,162,148**	**1,283,248r**	**1,242,826r**	**1,283,248r**	**1,267,169r**	**1,283,616r**	**1,255,043r**	**1,270,429r**	**1,262,304**
2 Banks' own liabilities	753,461	758,998	883,238	836,663r	883,238	867,140r	879,659	843,906	861,562r	854,067
3 Demand deposits	24,448	27,034	32,104	35,690	32,104	29,716	29,691	32,588	32,102r	31,200
4 Time deposits[2]	192,558	186,910	198,470r	194,173r	198,470r	187,617r	183,285r	183,109	185,889r	187,638
5 Other[3]	140,165	143,510	167,713r	181,125r	167,713r	185,049r	189,527r	188,425	204,193r	192,681
6 Own foreign offices[4]	396,290	401,544	484,951	425,675r	484,951	464,758r	477,156	439,784	439,378r	442,548
7 Banks' custodial liabilities[5]	346,088	403,150	400,010r	406,163r	400,010r	400,029	403,957r	411,137r	408,867r	408,237
8 U.S. Treasury bills and certificates[6]	197,355	236,874	193,239r	196,388r	193,239r	184,881	186,564	191,571	174,256r	173,872
9 Other negotiable and readily transferable instruments[7]	52,200	72,011	93,604	99,882	93,604	96,945	99,370	96,332	111,366r	107,749
10 Other	96,533	94,265	113,167	109,893	113,167	118,203	118,023r	123,234r	123,245	126,616
11 Nonmonetary international and regional organizations[8]	11,039	13,972	11,390	12,469	11,390	11,240	16,184r	15,246r	14,793	14,186
12 Banks' own liabilities	10,347	13,355	11,186	12,205	11,186	11,048	15,855r	14,925r	14,377	13,559
13 Demand deposits	21	29	16	43	16	175	74	98	365	229
14 Time deposits[2]	4,656	5,784	5,466	6,310	5,466	5,023	5,316r	5,957r	6,646	7,029
15 Other[3]	5,670	7,542	5,704	5,852	5,704	5,850	10,465r	8,870r	7,366	6,301
16 Banks' custodial liabilities[5]	692	617	204	264	204	192	329	321	416	627
17 U.S. Treasury bills and certificates[6]	350	352	69	46	69	85	149	247	344	359
18 Other negotiable and readily transferable instruments[7]	341	265	133	217	133	107	180	72	72	268
19 Other	1	0	2	1	2	0	0	2	0	0
20 Official institutions[9]	275,928	312,019	283,627r	298,198r	283,627r	286,540r	284,063r	288,054r	283,347	282,170
21 Banks' own liabilities	83,447	79,406	101,910r	110,288r	101,910r	111,027r	109,959r	104,006r	105,731	106,183
22 Demand deposits	2,098	1,511	2,314	1,891	2,314	1,682	1,910	2,051	2,532	2,052
23 Time deposits[2]	30,717	33,336	41,420r	40,016r	41,420r	38,726r	37,242r	40,265r	38,865r	37,885
24 Other[3]	50,632	44,559	58,176	68,381	58,176	70,619	70,807r	61,690r	64,334r	66,246
25 Banks' custodial liabilities[5]	192,481	232,613	181,717	187,910	181,717	175,513	174,104	184,048	177,616	175,987
26 U.S. Treasury bills and certificates[6]	168,534	198,921	148,301	150,102	148,301	145,609	144,324	153,335	138,418	137,652
27 Other negotiable and readily transferable instruments[7]	23,603	33,266	33,211	37,374	33,211	29,614	29,643	30,183	38,745	38,010
28 Other	344	426	205	434	205	290	137	530	453	325
29 Banks[10]	691,412	694,835	815,963r	765,297r	815,963r	794,648r	799,916	763,349	776,269r	783,041
30 Banks' own liabilities	567,834	562,898	642,223r	595,390r	642,223r	620,410r	623,186	585,083	596,509r	602,167
31 Unaffiliated foreign banks	171,544	161,354	157,272r	169,715r	157,272r	155,652r	146,030	145,299	157,131	159,619
32 Demand deposits	11,758	13,692	17,527	21,316	17,527	15,974	16,084	18,350	17,152	16,111
33 Time deposits[2]	103,471	89,765	83,433r	84,121r	83,433r	79,051r	75,255r	70,060	72,703r	74,670
34 Other[3]	56,315	57,897	56,312r	64,278r	56,312r	60,627r	54,691r	56,889	67,276r	68,838
35 Own foreign offices[4]	396,290	401,544	484,951	425,675r	484,951	464,758r	477,156	439,784	439,378r	442,548
36 Banks' custodial liabilities[5]	123,578	131,937	173,740	169,907	173,740	174,238	176,730	178,266	179,760r	180,874
37 U.S. Treasury bills and certificates[6]	15,872	23,106	31,915	32,995	31,915	27,607	30,620	28,499	26,650	26,919
38 Other negotiable and readily transferable instruments[7]	13,035	17,027	35,333	33,826	35,333	35,266	35,107	34,962	37,942r	38,170
39 Other	94,671	91,804	106,492	103,086	106,492	111,365	111,003	114,805	115,168	115,785
40 Other foreigners	121,170	141,322	172,268r	166,862r	172,268r	174,741r	183,453r	188,394r	196,020	182,907
41 Banks' own liabilities	91,833	103,339	127,919	118,780r	127,919	124,655r	130,659	139,892	144,945	132,158
42 Demand deposits	10,571	11,802	12,247	12,440	12,247	11,885	11,623	12,089	12,053r	12,808
43 Time deposits[2]	53,714	58,025	68,151	63,726r	68,151	64,817	65,472	66,827	67,675r	68,054
44 Other[3]	27,548	33,512	47,521	42,614	47,521	47,953r	53,564	60,976	65,217	51,296
45 Banks' custodial liabilities[5]	29,337	37,983	44,349r	48,082r	44,349r	50,086	52,794r	48,502r	51,075	50,749
46 U.S. Treasury bills and certificates[6]	12,599	14,495	12,954r	13,245r	12,954r	11,580	11,471	9,490	8,844r	8,942
47 Other negotiable and readily transferable instruments[7]	15,221	21,453	24,927	28,465	24,927	31,958	34,440	31,115	34,607r	31,301
48 Other	1,517	2,035	6,468	6,372	6,468	6,548	6,883r	7,897r	7,624	10,506
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	9,103	14,573	16,046	16,553	16,046	17,038	20,791	22,384	22,471r	23,408

1. Reporting banks include all types of depository institutions as well as some brokers and dealers. Excludes bonds and notes of maturities longer than one year.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks for foreign customers.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued

Item	1995	1996	1997	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.	1998 Apr.	1998 May[p]
AREA										
50 **Total, all foreigners**	**1,099,549**	**1,162,148**	**1,283,248r**	**1,242,826r**	**1,283,248r**	**1,267,169r**	**1,283,616r**	**1,255,043r**	**1,270,429r**	**1,262,304**
51 **Foreign countries**	**1,088,510**	**1,148,176**	**1,271,858r**	**1,230,357r**	**1,271,858r**	**1,255,929r**	**1,267,432r**	**1,239,797r**	**1,255,636r**	**1,248,118**
52 Europe	362,819	376,590	420,401r	425,496r	420,401r	401,604r	419,986r	390,718r	406,359r	405,839
53 Austria	3,537	5,128	2,717	2,319	2,717	2,787	2,774	2,375	2,957r	3,012
54 Belgium and Luxembourg	24,792	24,084	41,007	46,258	41,007	39,018	38,178	33,244	38,530r	35,518
55 Denmark	2,921	2,565	1,514	2,157	1,514	1,625	1,215	1,094	2,588	1,443
56 Finland	2,831	1,958	2,246	1,969	2,246	2,177	2,136	1,549	1,768	1,365
57 France	39,218	35,078	46,607	45,653	46,607	44,773	44,990	44,027	48,468	47,869
58 Germany	24,035	24,660	23,737	23,040	23,737	21,988	23,290	20,971	24,895	26,467
59 Greece	2,014	1,835	1,515	1,229	1,515	1,676	1,663	1,988	2,351	2,578
60 Italy	10,868	10,946	11,378	10,713	11,378	9,854	9,804	9,631	10,600	11,127
61 Netherlands	13,745	11,110	7,385	7,010	7,385	6,287	7,043	8,208	8,051	7,265
62 Norway	1,394	1,288	317	1,793	317	955	845	346	514	774
63 Portugal	2,761	3,562	2,262	1,987	2,262	1,515	1,437	1,426	2,279r	2,160
64 Russia	7,948	7,623	7,968	6,938	7,968	5,573	6,118	6,466	5,381	3,952
65 Spain	10,011	17,707	18,989	20,921	18,989	19,413	20,137	16,315	18,071	15,520
66 Sweden	3,246	1,623	1,628	1,614	1,628	1,415	2,055	1,967	1,785	2,197
67 Switzerland	43,625	44,538	39,172r	39,577r	39,172r	37,340	37,157	35,463	32,341	33,893
68 Turkey	4,124	6,738	4,054	4,218	4,054	3,659	4,047	4,154	4,340	4,467
69 United Kingdom	139,183	153,420	181,904	177,781	181,904	176,457	191,181	174,198	172,829r	178,214
70 Yugoslavia[11]	177	206	239	234	239	292	244	236	246	270
71 Other Europe and other former U.S.S.R.[12]	26,389	22,521	25,762	30,085	25,762	24,800r	25,672r	27,060r	28,365r	27,748
72 Canada	30,468	38,920	28,341	30,921	28,341	29,035	29,470	27,121	27,398	26,081
73 Latin America and Caribbean	440,213	467,529	536,365	501,941r	536,365	532,748r	533,880r	529,404r	552,832r	552,116
74 Argentina	12,235	13,877	20,199	18,358	20,199	19,215	18,278	18,835	17,766	16,938
75 Bahamas	94,991	88,895	112,217	92,390	112,217	117,604r	110,882	109,041	112,510	114,227
76 Bermuda	4,897	5,527	6,911	6,012	6,911	6,279	8,283	8,273	6,657	7,142
77 Brazil	23,797	27,701	31,037	32,614	31,037	31,857	33,026	34,017	36,777	39,513
78 British West Indies	239,083	251,465	276,389	266,191r	276,389	268,034r	273,464r	261,500r	273,565r	277,974
79 Chile	2,826	2,915	4,072	3,283	4,072	4,514	4,450	3,975	4,330r	4,230
80 Colombia	3,659	3,256	3,652	3,341	3,652	3,584	3,904	4,200	4,212	4,383
81 Cuba	8	21	66	57	66	63	58	55	57	59
82 Ecuador	1,314	1,767	2,078	1,704	2,078	1,867	1,997	1,814	1,737	1,783
83 Guatemala	1,276	1,282	1,494	1,361	1,494	1,492	1,382	1,438	1,478	1,353
84 Jamaica	481	628	450	445	450	449	437	431	449	439
85 Mexico	24,560	31,240	33,972	32,678	33,972	33,230	33,611	35,708	37,559	37,981
86 Netherlands Antilles	4,673	6,099	5,085	4,995	5,085	5,777	5,417	11,351	17,569	7,447
87 Panama	4,264	4,099	4,241	4,293	4,241	3,921	4,087	3,958	4,211	4,106
88 Peru	974	834	893	907	893	876	912	878	878	964
89 Uruguay	1,836	1,890	2,382	2,247	2,382	2,201	2,247	2,228	2,097	1,991
90 Venezuela	11,808	17,363	21,601	22,111	21,601	22,339	21,887	21,474	20,696	21,600
91 Other	7,531	8,670	9,626	8,954	9,626	9,446r	9,558	10,228	10,284	9,986
92 Asia	240,595	249,083	269,198	254,998r	269,198	274,770r	267,957	275,215	251,423	244,857
China										
93 Mainland	33,750	30,438	18,252	17,433	18,252	20,153	18,575	20,743	20,122r	20,209
94 Taiwan	11,714	15,995	11,760	13,586	11,760	12,936	12,942	13,619	13,776r	12,648
95 Hong Kong	20,197	18,789	17,722	18,886	17,722	18,002	17,797	17,825	19,762r	18,105
96 India	3,373	3,930	4,567	4,913	4,567	5,331	5,265	5,586	4,813	4,882
97 Indonesia	2,708	2,298	3,554	3,092	3,554	2,909	2,989	4,015	4,266	3,197
98 Israel	4,041	6,051	6,281	3,743r	6,281	7,190	7,197	7,589	7,348	6,251
99 Japan	109,193	117,316	143,401	133,690	143,401	138,686r	140,426	137,700	113,283r	111,623
100 Korea (South)	5,749	5,949	12,959	9,982	12,959	12,171r	12,530	11,233	13,711r	14,058
101 Philippines	3,092	3,378	3,250	2,558	3,250	2,530	2,872	3,009	2,870	2,802
102 Thailand	12,279	10,912	6,501	5,824	6,501	5,858	4,676	9,073	7,928	8,882
103 Middle Eastern oil-exporting countries[13]	15,582	16,285	14,959	14,017	14,959	16,059	14,146	14,613	14,771r	12,928
104 Other	18,917	17,742	25,992	27,274	25,992	32,945	26,736	28,606	26,449	26,904
105 Africa	7,641	8,116	10,347	9,520	10,347	10,291	9,670	11,385	11,160	10,965
106 Egypt	2,136	2,012	1,663	1,836	1,663	1,949	1,670	1,449	1,236	1,460
107 Morocco	104	112	138	69	138	131	73	88	131	115
108 South Africa	739	458	2,158	1,615	2,158	1,685	1,825	2,547	2,556	2,465
109 Zaire	10	10	10	5	10	7	4	10	3	5
110 Oil-exporting countries[14]	1,797	2,626	3,060	2,948	3,060	3,470	2,959	3,515	3,622	3,411
111 Other	2,855	2,898	3,318	3,047	3,318	3,049	2,619	3,016	2,902	2,841
112 Other	6,774	7,938	7,206	7,481	7,206	7,481	6,469	5,954	6,464	8,260
113 Australia	5,647	6,479	6,304	6,283	6,304	6,385	5,466	4,989	5,450	7,416
114 Other	1,127	1,459	902	1,198	902	1,096	1,003	965	1,014	844
115 Nonmonetary international and regional organizations	11,039	13,972	11,390	12,469	11,390	11,240	16,184r	15,246r	14,793	14,186
116 International[15]	9,300	12,099	10,217	10,926	10,217	10,016	14,591r	14,331r	13,330	12,509
117 Latin American regional[16]	893	1,339	424	1,053	424	975	1,217	536	762	830
118 Other regional[17]	846	534	749	490	749	249	376	379	701	847

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States)
14. Comprises Algeria, Gabon, Libya, and Nigeria.
15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.
16. Principally the Inter-American Development Bank.
17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Area or country	1995	1996	1997	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar	1998 Apr.	1998 May[p]
1 **Total, all foreigners**	**532,444**	**599,925**	**708,233**	**699,132[r]**	**708,233**	**703,190[r]**	**703,984[r]**	**687,643[r]**	**701,385**	**705,697**
2 **Foreign countries**	**530,513**	**597,321**	**705,770**	**696,646[r]**	**705,770**	**700,273[r]**	**701,229[r]**	**684,695[r]**	**698,092**	**703,305**
3 Europe	132,150	165,769	199,880	215,077	199,880	204,763	212,307[r]	205,525	208,502	209,910
4 Austria	565	1,662	1,354	2,034	1,354	1,917	1,934	1,566	1,827	2,132
5 Belgium and Luxembourg	7,624	6,727	6,641	7,475	6,641	5,714	6,021	6,145	5,527	6,123
6 Denmark	403	492	980	844	980	1,531	907	895	968	1,286
7 Finland	1,055	971	1,233	1,259	1,233	1,492	1,554	1,686	1,018	931
8 France	15,033	15,246	16,239	19,817	16,239	21,474	18,963	18,206	17,383	16,482
9 Germany	9,263	8,472	12,676	13,245	12,676	10,849	10,752	13,047	16,731	15,104
10 Greece	469	568	402	401	402	504	504	503	442	428
11 Italy	5,370	6,457	6,230	6,871	6,230	6,655	5,974	6,601	6,938	6,538
12 Netherlands	5,346	7,117	6,141	11,496	6,141	5,384	5,447	6,618	5,851	3,975
13 Norway	665	808	555	2,080	555	989	1,296	850	662	736
14 Portugal	888	418	777	695	777	655	533	589	935	1,496
15 Russia	660	1,669	1,248	2,207	1,248	1,297	1,143	1,115	1,133	1,117
16 Spain	2,166	3,211	2,942	6,339	2,942	6,926	6,255	5,778	7,458	6,218
17 Sweden	2,080	1,739	1,854	1,804	1,854	1,736	2,184	2,798	2,975	3,181
18 Switzerland	7,474	19,798	28,846	29,399	28,846	28,515	29,006	31,306	25,069	29,319
19 Turkey	803	1,109	1,558	1,572	1,558	1,648	1,675	1,914	2,324	2,386
20 United Kingdom	67,784	85,234	103,143	100,870	103,143	99,302	110,357[r]	97,588	103,275	104,404
21 Yugoslavia[2]	147	115	52	74	52	53	53	61	59	19
22 Other Europe and other former U.S.S.R.[3]	4,355	3,956	7,009	6,595	7,009	8,122	7,749[r]	8,259	7,927	8,035
23 Canada	20,874	26,436	27,176	24,765	27,176	25,155	24,872	29,827	25,785	24,961
24 Latin America and Caribbean	256,944	274,153	343,820	317,522[r]	343,820	345,787	345,643[r]	338,909[r]	354,302	361,765
25 Argentina	6,439	7,400	8,924	8,761	8,924	9,076	9,402	8,726	8,540	8,224
26 Bahamas	58,818	71,871	89,379	72,739	89,379	90,823	84,982	77,585[r]	82,711	78,083
27 Bermuda	5,741	4,129	8,782	6,552	8,782	9,385	8,917	8,997	9,462	8,894
28 Brazil	13,297	17,259	21,696	20,390	21,696	22,541	23,987	25,283	26,033	25,971
29 British West Indies	124,037	105,510	145,471	141,801	145,471	145,935	149,520[r]	147,910	159,649	168,131
30 Chile	4,864	5,136	7,913	7,783	7,913	7,910	8,249	8,171	8,444	8,482
31 Colombia	4,550	6,247	6,945	6,976	6,945	6,733	6,729	6,783	6,772	7,208
32 Cuba	0	0	0	3	0	0	0	0	0	0
33 Ecuador	825	1,031	1,311	1,292	1,311	1,390	1,398	1,476	1,522	1,501
34 Guatemala	457	620	886	787	886	863	868	904	955	955
35 Jamaica	323	345	424	405	424	410	401	364	373	385
36 Mexico	18,024	18,425	19,518	18,904	19,518	20,515	21,107	20,680	20,913	21,220
37 Netherlands Antilles	9,229	25,209	17,838	17,064	17,838	16,026	15,594	17,618	14,073	17,352
38 Panama	3,008	2,786	4,364	4,089	4,364	4,074	4,232	4,108	4,422	4,422
39 Peru	1,829	2,720	3,491	3,457	3,491	3,413	3,550	3,538	3,644	3,793
40 Uruguay	466	589	629	651	629	588	594	920	773	807
41 Venezuela	1,661	1,702	2,129	1,921	2,129	2,257	2,334	2,169	2,194	2,375
42 Other	3,376	3,174	4,120	3,947[r]	4,120	3,848	3,779	3,677	3,822	3,962
43 Asia	115,336	122,478	125,024	129,783[r]	125,024	114,457[r]	109,041[r]	101,351[r]	99,185	96,952
China										
44 Mainland	1,023	1,401	1,579	2,102	1,579	2,534	1,988	2,762	2,965	2,990
45 Taiwan	1,713	1,894	921	1,000	921	847	820	740	895	667
46 Hong Kong	12,821	12,802	13,990	15,151	13,990	14,569[r]	13,520[r]	12,628[r]	10,162	12,884
47 India	1,846	1,946	2,200	2,501	2,200	2,299	2,172	1,927	1,807	1,912
48 Indonesia	1,696	1,762	2,634	2,797[r]	2,634	2,361	2,266	2,289	2,212	2,100
49 Israel	739	633	768	1,201	768	946	987	812	874	907
50 Japan	61,468	59,967	59,540	60,195	59,540	52,904	51,891	46,660	44,970	42,071
51 Korea (South)	13,975	18,901	18,123	19,258	18,123	14,450[r]	12,812[r]	11,520	10,852	12,062
52 Philippines	1,318	1,697	1,689	1,533	1,689	1,794	1,645	1,813	1,561	1,614
53 Thailand	2,612	2,679	2,259	2,180	2,259	2,164	2,138	2,144	1,971	1,906
54 Middle Eastern oil-exporting countries[4]	9,639	10,424	10,790	8,909	10,790	9,133	9,101	8,921	11,028	9,338
55 Other	6,486	8,372	10,531	12,956	10,531	10,456	9,701	9,135	9,888	8,501
56 Africa	2,742	2,776	3,530	3,332	3,530	3,580	3,403	3,567	3,337	3,693
57 Egypt	210	247	247	282	247	279	304	289	294	281
58 Morocco	514	524	511	412	511	498	514	518	483	490
59 South Africa	465	584	805	743	805	694	573	559	490	859
60 Zaire	1	0	0	0	0	0	0	0	0	0
61 Oil-exporting countries[5]	552	420	1,212	1,091	1,212	1,324	1,219	1,364	1,194	1,078
62 Other	1,000	1,001	755	804	755	785	793	837	876	985
63 Other	2,467	5,709	6,340	6,167	6,340	6,531	5,963	5,516	6,981	6,024
64 Australia	1,622	4,577	5,299	4,962	5,299	5,419	5,139	5,011	6,513	5,704
65 Other	845	1,132	1,041	1,205	1,041	1,112	824	505	468	320
66 Nonmonetary international and regional organizations[6]	1,931	2,604	2,463	2,486	2,463	2,917	2,755	2,948	3,293	2,392

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1995	1996	1997	1997		1998				
				Nov.	Dec.r	Jan.r	Feb.r	Mar.r	Apr.	May p
1 **Total**	**655,211**	**743,919**	**852,860r**	...	**852,860**	...	...	**842,456**	...	...
2 Banks' claims	532,444	599,925	708,233	699,132r	708,233	703,190	703,984	687,643	701,385	705,697
3 Foreign public borrowers	22,518	22,216	20,660	27,739	20,660	30,195	27,041	28,226	32,463	28,999
4 Own foreign offices[2]	307,427	341,574	431,685	409,314	431,685	415,708	421,733	402,387	411,584	416,759
5 Unaffiliated foreign banks	101,595	113,682	109,224	122,350	109,224	111,015	106,600	107,802	104,426	105,362
6 Deposits	37,771	33,826	31,042	33,962r	31,042	30,768	26,559	25,657	24,324	21,282
7 Other	63,824	79,856	78,182	88,388r	78,182	80,247	80,041	82,145	80,102	84,080
8 All other foreigners	100,904	122,453	146,664	139,729r	146,664	146,272	148,610	149,228	152,912	154,577
9 Claims of banks' domestic customers[3]	122,767	143,994	144,627r	..	144,627	...	...	154,813	...	...
10 Deposits	58,519	77,657	73,110	..	73,110	...	...	85,406	...	...
11 Negotiable and readily transferable instruments[4]	44,161	51,207	53,967	.	53,967	.	...	51,594	...	...
12 Outstanding collections and other claims	20,087	15,130	17,550r	...	17,550	.	...	17,813	...	...
MEMO										
13 Customer liability on acceptances	8,410	10,388	9,624	.	9,624	..	...	7,496	...	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	30,717	39,661	34,046	37,541	34,046	35,831	36,615	31,958	31,633	32,384

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.
Reporting banks include all types of depository institution as well as some brokers and dealers.
2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and from foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
3. Assets held by reporting banks in the accounts of their domestic customers.
4. Principally negotiable time certificates of deposit, bankers acceptances, and commercial paper.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area[2]	1994	1995	1996	1997			1998
				June	Sept.	Dec.	Mar.
1 **Total**	**202,282**	**224,932**	**258,106**	**272,029r**	**281,000r**	**276,558**	**285,516**
By borrower							
2 Maturity of one year or less	170,411	178,857	211,859	210,897r	217,981r	205,859	214,832
3 Foreign public borrowers	15,435	14,995	15,411	17,979	20,123	12,134	16,944
4 All other foreigners	154,976	163,862	196,448	192,918r	197,858r	193,725	197,888
5 Maturity of more than one year	31,871	46,075	46,247	61,132	63,019	70,699	70,684
6 Foreign public borrowers	7,838	7,522	6,790	11,406	8,752	8,525	11,312
7 All other foreigners	24,033	38,553	39,457	49,726	54,267	62,174	59,372
By area							
Maturity of one year or less							
8 Europe	56,381	55,622	55,690	69,233	69,204	58,294	69,245
9 Canada	6,690	6,751	8,339	10,381	8,460	9,917	9,304
10 Latin America and Caribbean	59,583	72,504	103,254	87,065r	99,929r	97,277	101,012
11 Asia	40,567	40,296	38,078	38,444r	34,650r	33,972	28,748
12 Africa	1,379	1,295	1,316	1,899	2,157	2,211	2,239
13 All other[3]	5,811	2,389	5,182	3,875	3,581	4,188	4,284
Maturity of more than one year							
14 Europe	4,358	4,995	6,965	11,884	11,202	13,240	15,118
15 Canada	3,505	2,751	2,645	3,174	3,842	2,512	2,752
16 Latin America and Caribbean	15,717	27,681	24,943	31,001	34,988	42,069	39,338
17 Asia	5,323	7,941	9,392	12,509	10,393	10,159	10,729
18 Africa	1,583	1,421	1,361	1,264	1,236	1,236	1,243
19 All other[3]	1,385	1,286	941	1,300	1,358	1,483	1,504

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Maturity is time remaining until maturity.
3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks[1]

Billions of dollars, end of period

Area or country	1994	1995	1996				1997				1998
			Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**499.5**	**551.9**	**574.7**	**612.8**	**586.2**	**645.3**	**688.4**	**718.7**	**747.8**	**764.9**	**762.7**
2 G-10 countries and Switzerland	191.2	206.0	203.4	226.9	220.0	228.3	255.9	274.0	268.4	261.6	267.1
3 Belgium and Luxembourg	7.2	13.6	11.0	11.4	11.3	11.7	15.2	10.8	12.5	11.5	11.9
4 France	19.1	19.4	17.9	18.0	17.4	16.6	21.5	19.3	21.6	17.6	17.2
5 Germany	24.7	27.3	31.5	31.4	33.9	29.8	34.0	35.1	37.3	32.4	29.8
6 Italy	11.8	11.5	13.2	14.9	15.2	16.0	16.4	23.1	22.4	17.5	22.1
7 Netherlands	3.6	3.7	3.1	4.7	5.9	4.0	4.6	7.1	7.7	6.7	7.7
8 Sweden	2.7	2.7	3.3	2.7	3.0	2.6	3.4	3.6	4.1	3.3	4.8
9 Switzerland	5.1	6.7	5.2	6.3	6.3	5.3	6.1	5.5	4.9	7.2	5.6
10 United Kingdom	85.8	82.4	84.7	101.6	90.5	104.7	112.7	119.9	115.9	119.9	126.3
11 Canada	10.0	10.3	10.8	12.2	14.8	14.0	17.0	17.5	15.8	14.0	14.3
12 Japan	21.1	28.5	22.7	23.6	21.7	23.7	25.1	32.1	26.2	31.6	27.4
13 Other industrialized countries	45.7	50.2	61.3	55.5	62.1	65.7	67.4	72.7	74.7	65.5	73.8
14 Austria	1.1	.9	1.3	1.2	1.0	1.1	2.0	1.6	1.8	1.5	1.8
15 Denmark	1.3	2.6	3.4	3.3	1.7	1.5	1.7	2.8	3.7	2.4	2.0
16 Finland	.9	.8	.7	.6	.6	.8	.7	1.4	1.9	1.3	1.5
17 Greece	4.5	5.7	5.6	5.6	6.1	6.7	6.3	6.1	6.2	5.1	6.1
18 Norway	2.0	3.2	2.1	2.3	3.0	8.0	5.3	4.7	4.6	3.6	4.0
19 Portugal	1.2	1.3	1.6	1.6	1.4	.9	1.0	1.2	1.4	1.1	.7
20 Spain	13.6	11.6	17.5	13.6	16.1	13.2	15.0	16.2	14.6	12.3	17.2
21 Turkey	1.6	1.9	2.0	2.3	2.8	2.7	2.8	3.4	4.4	4.5	4.9
22 Other Western Europe	3.2	4.7	3.8	3.4	4.8	4.7	6.3	5.5	6.1	8.2	10.1
23 South Africa	1.0	1.2	1.7	2.0	1.7	2.0	1.9	1.9	1.9	2.2	2.1
24 Australia	15.4	16.4	21.7	19.6	22.8	24.0	24.5	27.8	28.1	23.2	23.4
25 OPEC[2]	24.1	22.1	21.2	20.1	19.2	19.7	22.1	22.5	23.2	26.3	26.3
26 Ecuador	.5	.7	.8	.9	.9	1.1	1.1	1.0	1.3	1.3	1.3
27 Venezuela	3.7	2.7	2.9	2.3	2.3	2.4	2.0	2.1	2.3	2.6	3.4
28 Indonesia	3.8	4.8	4.7	4.9	5.4	5.2	5.0	5.7	6.6	6.8	5.6
29 Middle East countries	15.3	13.3	12.3	11.5	10.2	10.7	13.3	12.6	11.8	14.4	14.6
30 African countries	.9	.6	.6	.5	.4	.4	.7	1.2	1.2	1.2	1.4
31 Non-OPEC developing countries	96.0	112.6	118.6	126.5	124.4	130.3	131.9	144.8	141.4	143.7	150.9
Latin America											
32 Argentina	11.2	12.9	12.7	14.1	15.0	14.3	14.9	16.9	17.5	18.8	19.9
33 Brazil	8.4	13.7	18.3	21.7	17.8	20.7	22.7	28.3	27.4	29.9	33.7
34 Chile	6.1	6.8	6.4	6.7	6.6	7.0	7.1	7.9	8.3	9.2	9.5
35 Colombia	2.6	2.9	2.9	2.8	3.1	4.1	3.9	3.6	3.6	3.7	3.6
36 Mexico	18.4	17.3	16.1	15.4	16.3	16.2	17.9	17.4	17.1	18.3	18.6
37 Peru	.5	.8	.9	1.2	1.3	1.6	1.7	1.6	2.0	2.1	2.2
38 Other	2.7	2.8	3.1	3.0	3.0	3.3	3.6	3.7	3.8	4.3	4.4
Asia											
China											
39 Mainland	1.1	1.8	3.3	2.9	2.6	2.5	2.7	3.6	4.3	3.2	4.2
40 Taiwan	9.2	9.4	9.7	9.8	10.4	10.3	10.5	10.6	9.7	9.0	11.7
41 India	4.2	4.4	4.7	4.2	3.8	4.3	4.9	5.3	5.0	5.0	5.1
42 Israel	.4	.5	.5	.6	.5	.5	1.0	1.1	1.5	1.2	1.3
43 Korea (South)	16.2	19.1	19.3	21.7	21.9	21.5	14.9	16.6	16.5	15.9	14.8
44 Malaysia	3.1	4.4	5.2	5.3	5.5	6.0	6.5	6.4	5.6	5.1	4.5
45 Philippines	3.3	4.1	3.9	4.7	5.4	5.8	6.1	7.0	5.7	5.7	5.1
46 Thailand	2.1	4.9	5.2	5.4	4.8	5.7	6.8	7.3	6.2	5.4	5.5
47 Other Asia	4.7	4.5	4.3	4.8	4.1	4.1	4.4	4.8	4.6	4.4	4.2
Africa											
48 Egypt	.3	.4	.5	.5	.6	.7	.9	1.1	.9	.9	1.0
49 Morocco	.6	.7	.7	.8	.7	.7	.6	.7	.7	.6	.6
50 Zaire	.0	.0	.0	.0	.0	.1	.0	.0	.0	.0	.0
51 Other Africa[3]	.8	.9	.8	.8	1.0	.9	.9	.9	.9	.8	1.1
52 Eastern Europe	2.7	4.2	6.3	5.1	5.3	6.9	9.0	7.2	9.9	9.2	10.0
53 Russia[4]	.8	1.0	1.4	1.0	1.8	3.7	3.6	4.2	5.1	5.1	5.4
54 Other	1.9	3.2	4.9	4.1	3.5	3.2	5.4	3.0	4.7	4.0	4.6
55 Offshore banking centers	72.9	99.2	101.3	106.1	105.2	134.7	142.5	140.0	149.6	159.4	137.8
56 Bahamas	10.2	11.0	13.9	17.3	14.2	20.3	21.1	17.2	20.5	31.1	31.0
57 Bermuda	8.4	6.3	5.3	4.1	4.0	4.5	6.7	7.9	9.8	9.8	9.1
58 Cayman Islands and other British West Indies	21.4	32.4	28.8	26.1	32.0	37.2	41.2	43.1	52.1	51.5	28.9
59 Netherlands Antilles	1.6	10.3	11.1	13.2	11.7	26.1	20.0	15.9	21.8	14.7	14.0
60 Panama[5]	1.3	1.4	1.6	1.7	1.7	2.0	2.2	2.7	2.3	3.4	3.5
61 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
62 Hong Kong, China	20.0	25.0	25.3	27.6	26.0	27.9	30.9	35.2	27.3	32.3	33.8
63 Singapore	10.1	13.1	15.4	15.9	15.5	16.7	20.3	17.7	15.9	16.7	17.4
64 Other[6]	.1	.1	.1	.1	.1	.1	.1	.3	.1	.1	.1
65 Miscellaneous and unallocated[7]	66.9	57.6	62.6	72.7	50.0	59.6	59.6	57.6	80.8	99.1	96.8

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

These data are on a gross claims basis and do not necessarily reflect the ultimate country risk or exposure of U.S. banks. More complete data on the country risk exposure of U.S. banks are available in the quarterly Country Exposure Lending Survey published by the Federal Financial Institutions Examination Council.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).
3. Excludes Liberia. Beginning March 1994 includes Namibia.
4. As of December 1992, excludes other republics of the former Soviet Union.
5. Includes Canal Zone.
6. Foreign branch claims only.
7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

	Type of liability, and area or country	1994	1995	1996	1996	1997				1998
					Dec.	Mar.	June	Sept.	Dec.	Mar.p
1	**Total**	**54,309**	**46,448**	**54,798**	**54,798**	**58,667**	**55,341**	**55,639**	**58,295**	**55,260**
2	Payable in dollars	38,298	33,903	38,956	38,956	39,861	38,651	39,746	41,888	40,919
3	Payable in foreign currencies	16,011	12,545	15,842	15,842	18,806	16,690	15,893	16,407	14,341
	By type									
4	Financial liabilities	32,954	24,241	26,065	26,065	29,633	27,103	26,209	27,790	25,172
5	Payable in dollars	18,818	12,903	11,327	11,327	11,847	11,442	11,487	12,975	12,135
6	Payable in foreign currencies	14,136	11,338	14,738	14,738	17,786	15,661	14,722	14,815	13,037
7	Commercial liabilities	21,355	22,207	28,733	28,733	29,034	28,238	29,430	30,505	30,088
8	Trade payables	10,005	11,013	12,720	12,720	11,432	11,040	10,885	10,904	10,204
9	Advance receipts and other liabilities	11,350	11,194	16,013	16,013	17,602	17,198	18,545	19,601	19,884
10	Payable in dollars	19,480	21,000	27,629	27,629	28,014	27,209	28,259	28,913	28,784
11	Payable in foreign currencies	1,875	1,207	1,104	1,104	1,020	1,029	1,171	1,592	1,304
	By area or country									
	Financial liabilities									
12	Europe	21,703	15,622	16,195	16,195	20,081	18,530	18,019	19,121	17,596
13	Belgium and Luxembourg	495	369	632	632	769	238	89	186	127
14	France	1,727	999	1,091	1,091	1,205	1,280	1,334	1,684	1,325
15	Germany	1,961	1,974	1,834	1,834	1,589	1,765	1,730	2,018	1,636
16	Netherlands	552	466	556	556	507	466	507	494	472
17	Switzerland	688	895	699	699	694	591	645	776	345
18	United Kingdom	15,543	10,138	10,177	10,177	13,863	12,968	12,165	12,201	11,846
19	Canada	629	632	1,401	1,401	602	456	399	1,186	878
20	Latin America and Caribbean	2,034	1,783	1,668	1,668	1,876	1,285	1,067	1,386	965
21	Bahamas	101	59	236	236	293	124	10	141	17
22	Bermuda	80	147	50	50	27	55	64	229	86
23	Brazil	207	57	78	78	75	97	52	143	91
24	British West Indies	998	866	1,030	1,030	965	775	669	604	517
25	Mexico	0	12	17	17	16	15	76	26	21
26	Venezuela	5	2	1	1	1	1	1	1	1
27	Asia	8,403	5,988	6,423	6,423	6,370	6,248	6,239	5,394	5,024
28	Japan	7,314	5,436	5,869	5,869	5,794	5,668	5,725	5,085	4,767
29	Middle Eastern oil-exporting countries[1]	35	27	25	25	72	39	23	32	23
30	Africa	135	150	38	38	29	29	33	60	33
31	Oil-exporting countries[2]	123	122	0	0	0	0	0	0	0
32	All other[3]	50	66	340	340	675	555	452	643	676
	Commercial liabilities									
33	Europe	6,773	7,700	9,767	9,767	9,524	8,683	9,343	10,228	9,957
34	Belgium and Luxembourg	241	331	479	479	639	736	703	666	565
35	France	728	481	680	680	679	708	782	764	840
36	Germany	604	767	1,002	1,002	1,043	845	945	1,274	1,069
37	Netherlands	722	500	766	766	551	288	452	439	444
38	Switzerland	327	413	624	624	480	429	400	375	408
39	United Kingdom	2,444	3,568	4,303	4,303	4,158	3,818	3,829	4,086	4,043
40	Canada	1,037	1,040	1,090	1,090	1,068	1,136	1,150	1,175	1,348
41	Latin America and Caribbean	1,857	1,740	2,574	2,574	2,562	2,500	2,224	2,176	2,136
42	Bahamas	19	1	63	63	43	33	38	16	27
43	Bermuda	345	205	297	297	479	397	180	203	174
44	Brazil	161	98	196	196	200	225	233	220	249
45	British West Indies	23	56	14	14	14	26	23	12	5
46	Mexico	574	416	665	665	633	594	562	565	520
47	Venezuela	276	221	328	328	318	304	322	261	219
48	Asia	10,741	10,421	13,422	13,422	13,915	13,875	14,628	14,966	14,678
49	Japan	4,555	3,315	4,614	4,614	4,465	4,430	4,553	4,500	4,374
50	Middle Eastern oil-exporting countries[1]	1,576	1,912	2,168	2,168	2,495	2,420	2,984	3,111	3,138
51	Africa	428	619	1,040	1,040	1,037	941	929	874	833
52	Oil-exporting countries[2]	256	254	532	532	479	423	504	408	376
53	Other[3]	519	687	840	840	928	1,103	1,156	1,086	1,136

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Comprises Algeria, Gabon, Libya, and Nigeria

3. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

	Type of claim, and area or country	1994	1995	1996	1996	1997				1998
					Dec.	Mar.	June	Sept.	Dec.	Mar.p
1	**Total**	**57,888**	**52,509**	**63,642**	**63,642**	**68,102**	**68,266**	**70,760**	**70,077**	**73,473**
2	Payable in dollars	53,805	48,711	58,630	58,630	62,126	62,082	64,144	62,173	66,010
3	Payable in foreign currencies	4,083	3,798	5,012	5,012	5,976	6,184	6,616	7,904	7,463
	By type									
4	Financial claims	33,897	27,398	35,268	35,268	40,547	40,717	42,059	38,908	42,123
5	Deposits	18,507	15,133	21,404	21,404	22,150	24,106	23,951	23,139	21,019
6	Payable in dollars	18,026	14,654	20,631	20,631	20,499	22,615	22,392	21,290	19,322
7	Payable in foreign currencies	481	479	773	773	1,651	1,491	1,559	1,849	1,697
8	Other financial claims	15,390	12,265	13,864	13,864	18,397	16,611	18,108	15,769	21,104
9	Payable in dollars	14,306	10,976	12,069	12,069	15,381	13,354	14,795	11,576	16,814
10	Payable in foreign currencies	1,084	1,289	1,795	1,795	3,016	3,257	3,313	4,193	4,290
11	Commercial claims	23,991	25,111	28,374	28,374	27,555	27,549	28,701	31,169	31,350
12	Trade receivables	21,158	22,998	25,751	25,751	24,801	24,858	25,110	27,536	27,535
13	Advance payments and other claims	2,833	2,113	2,623	2,623	2,754	2,691	3,591	3,633	3,815
14	Payable in dollars	21,473	23,081	25,930	25,930	26,246	26,113	26,957	29,307	29,874
15	Payable in foreign currencies	2,518	2,030	2,444	2,444	1,309	1,436	1,744	1,862	1,476
	By area or country									
	Financial claims									
16	Europe	7,936	7,609	9,282	9,282	13,076	12,904	15,862	16,948	16,009
17	Belgium and Luxembourg	86	193	185	185	119	203	360	406	378
18	France	800	803	694	694	760	680	1,112	1,015	902
19	Germany	540	436	276	276	324	281	352	427	391
20	Netherlands	429	517	493	493	567	519	764	677	911
21	Switzerland	523	498	474	474	570	447	448	434	401
22	United Kingdom	4,649	4,303	6,119	6,119	9,837	9,814	11,254	12,286	11,113
23	Canada	3,581	2,851	3,445	3,445	4,917	6,422	4,279	3,313	4,688
24	Latin America and Caribbean	19,536	14,500	19,577	19,577	19,742	18,725	19,176	15,543	18,207
25	Bahamas	2,424	1,965	1,452	1,452	1,894	2,064	2,442	2,459	1,316
26	Bermuda	27	81	140	140	157	188	190	108	66
27	Brazil	520	830	1,468	1,468	1,404	1,617	1,501	1,313	1,408
28	British West Indies	15,228	10,393	15,182	15,182	15,176	13,553	12,957	10,311	13,551
29	Mexico	723	554	457	457	517	497	508	537	967
30	Venezuela	35	32	31	31	22	21	15	36	47
31	Asia	1,871	1,579	2,221	2,221	2,068	1,934	2,015	2,133	2,174
32	Japan	953	871	1,035	1,035	831	766	999	823	791
33	Middle Eastern oil-exporting countries[1]	141	3	22	22	12	20	15	11	9
34	Africa	373	276	174	174	182	179	174	319	325
35	Oil-exporting countries[2]	0	5	14	14	14	15	16	15	16
36	All other[3]	600	583	569	569	562	553	553	652	720
	Commercial claims									
37	Europe	9,540	9,824	10,443	10,443	9,863	9,603	10,486	12,120	12,945
38	Belgium and Luxembourg	213	231	226	226	364	327	331	328	232
39	France	1,881	1,830	1,644	1,644	1,514	1,377	1,642	1,796	1,939
40	Germany	1,027	1,070	1,337	1,337	1,364	1,229	1,395	1,614	1,670
41	Netherlands	311	452	562	562	582	613	573	597	534
42	Switzerland	557	520	642	642	418	389	381	554	475
43	United Kingdom	2,556	2,656	2,946	2,946	2,626	2,836	2,904	3,660	4,834
44	Canada	1,988	1,951	2,165	2,165	2,381	2,464	2,649	2,660	3,036
45	Latin America and Caribbean	4,117	4,364	5,276	5,276	5,067	5,241	5,028	5,750	5,888
46	Bahamas	9	30	35	35	40	29	22	27	13
47	Bermuda	234	272	275	275	159	197	128	244	238
48	Brazil	612	898	1,303	1,303	1,216	1,136	1,101	1,162	1,413
49	British West Indies	83	79	190	190	127	98	98	109	88
50	Mexico	1,243	993	1,128	1,128	1,102	1,140	1,219	1,392	1,302
51	Venezuela	348	285	357	357	330	451	418	576	441
52	Asia	6,982	7,312	8,376	8,376	8,348	8,460	8,576	8,713	7,634
53	Japan	2,655	1,870	2,003	2,003	2,065	2,079	2,048	1,976	1,712
54	Middle Eastern oil-exporting countries[1]	708	974	971	971	1,078	1,014	987	1,107	987
55	Africa	454	654	746	746	718	618	764	680	614
56	Oil-exporting countries[2]	67	87	166	166	100	81	207	119	123
57	Other[3]	910	1,006	1,368	1,368	1,178	1,163	1,198	1,246	1,233

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Comprises Algeria, Gabon, Libya, and Nigeria.

3. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction, and area or country	1996	1997[r]	1998	1997[r]		1998				
			Jan. – May	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.[r]	Apr.	May[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	590,714	961,423	552,317	84,730	90,699	89,801	99,011	124,729	120,907	117,869
2 Foreign sales	578,203	895,365	510,648	79,833	85,341	83,507	88,995	111,958	116,649	109,539
3 Net purchases, or sales (–)	**12,511**	**66,058**	**41,669**	**4,897**	**5,358**	**6,294**	**10,016**	**12,771**	**4,258**	**8,330**
4 Foreign countries	**12,585**	**66,215**	**41,756**	**4,905**	**5,392**	**6,346**	**10,006**	**12,775**	**4,279**	**8,350**
5 Europe	5,367	59,167	43,830	5,302	5,889	6,664	9,617	10,499	6,219	10,831
6 France	–2,402	3,135	3,285	–65	299	664	492	831	449	849
7 Germany	1,104	9,059	5,228	834	788	546	768	627	1,453	1,834
8 Netherlands	1,415	3,831	2,035	579	408	613	140	557	161	564
9 Switzerland	2,715	7,848	6,979	1,042	1,475	683	1,132	1,956	974	2,234
10 United Kingdom	4,478	22,464	14,300	1,903	1,278	2,797	4,573	3,406	594	2,930
11 Canada	2,226	–1,414	–601	–448	–331	–254	–461	566	55	–507
12 Latin America and Caribbean	5,816	5,206	1,917	–627	–1,224	2,646	2,183	2,110	–3,689	–1,333
13 Middle East[1]	–1,600	368	–499	16	21	–166	–273	–170	347	–237
14 Other Asia	918	2,074	–2,885	887	1,075	–2,693	–944	–201	1,563	–610
15 Japan	–372	4,786	–2,854	708	555	–1,112	–667	–1,422	555	–208
16 Africa	–85	472	533	–35	7	34	13	83	128	275
17 Other countries	–57	342	–539	–190	–45	115	–129	–112	–344	–69
18 Nonmonetary international and regional organizations	**–74**	**–157**	**–87**	**–8**	**–34**	**–52**	**10**	**–4**	**–21**	**–20**
BONDS[2]										
19 Foreign purchases	393,953	610,118	336,211	52,222	52,164	57,548	67,418	70,079	75,872	65,294
20 Foreign sales	268,487	475,959	249,405	48,793	43,174	44,394	49,991	50,208	52,229	52,583
21 Net purchases, or sales (–)	**125,466**	**134,159**	**86,806**	**3,429**	**8,990**	**13,154**	**17,427**	**19,871**	**23,643**	**12,711**
22 Foreign countries	**125,295**	**133,596**	**86,378**	**3,517**	**8,979**	**13,122**	**17,358**	**19,732**	**23,513**	**12,653**
23 Europe	77,570	71,631	49,871	1,964	4,257	5,425	8,253	12,669	18,439	5,085
24 France	4,460	3,300	1,089	546	–67	74	272	727	33	–17
25 Germany	4,439	2,742	2,551	165	–474	289	419	249	1,727	–133
26 Netherlands	2,107	3,576	1,182	185	425	–433	199	364	520	532
27 Switzerland	1,170	187	2,950	712	733	760	266	358	772	794
28 United Kingdom	60,509	54,134	38,076	–535	2,751	4,172	6,194	9,833	13,762	4,115
29 Canada	4,486	6,264	2,915	459	677	1,409	114	400	363	629
30 Latin America and Caribbean	17,737	34,734	24,696	3,884	7,220	5,339	5,512	4,835	2,257	6,753
31 Middle East[1]	1,679	2,155	1,598	199	142	78	820	522	69	109
32 Other Asia	23,762	16,996	6,270	–3,193	–3,531	485	2,428	1,166	2,078	113
33 Japan	14,173	9,357	4,253	–2,883	–3,763	–958	886	742	2,904	679
34 Africa	624	1,005	120	88	49	142	36	–72	45	–31
35 Other countries	–563	811	908	116	165	244	195	212	262	–5
36 Nonmonetary international and regional organizations	**171**	**563**	**428**	**–88**	**11**	**32**	**69**	**139**	**130**	**58**
	Foreign securities									
37 Stocks, net purchases, or sales (–)	–59,268	–40,931	–5,983	1,727	1,435	83	–1,205	–1,643	–159	–3,059
38 Foreign purchases	450,365	755,842	375,183	73,510	70,435	63,573	68,782	81,297	80,591	80,940
39 Foreign sales	509,633	796,773	381,166	71,783	69,000	63,490	69,987	82,940	80,750	83,999
40 Bonds, net purchases, or sales (–)	–51,369	–45,917	–14,505	–4,167	–3,099	–3,539	–2,691	2,797	–9,629	–1,443
41 Foreign purchases	1,114,035	1,490,498	557,994	113,491	117,165	97,927	102,429	132,740	117,121	107,777
42 Foreign sales	1,165,404	1,536,415	572,499	117,658	120,264	101,466	105,120	129,943	126,750	109,220
43 Net purchases, or sales (–), of stocks and bonds	**–110,637**	**–86,848**	**–20,488**	**–2,440**	**–1,664**	**–3,456**	**–3,896**	**1,154**	**–9,788**	**–4,502**
44 Foreign countries	**–109,766**	**–86,764**	**–20,533**	**–2,392**	**–1,578**	**–3,367**	**–3,854**	**1,182**	**–9,824**	**–4,670**
45 Europe	–57,139	–27,898	–3,901	–2,483	823	–4,009	–1,816	4,841	–40	–2,877
46 Canada	–7,685	–2,890	–1,791	528	–51	987	600	–1,561	–481	–1,336
47 Latin America and Caribbean	–11,507	–25,264	–4,762	–2,210	–2,943	834	512	569	–5,817	–860
48 Asia	–27,831	–25,131	–8,967	1,700	876	–1,109	–3,099	–2,598	–2,779	618
49 Japan	–5,887	–10,001	–1,298	2,270	1,887	–414	–1,831	–1,732	2,019	660
50 Africa	–1,517	–3,293	–830	–381	–74	–115	–151	–169	–305	–90
51 Other countries	–4,087	–2,288	–282	454	–209	45	100	100	–402	–125
52 Nonmonetary international and regional organizations	**–871**	**–84**	**45**	**–48**	**–86**	**–89**	**–42**	**–28**	**36**	**168**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions[1]

Millions of dollars; net purchases, or sales (−) during period

Area or country	1996	1997[r]	1998 Jan.–May	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.	1998 Apr.	1998 May[p]
1 **Total estimated**	**232,241**	**184,171**	**38,943**	**15,909**	**−9,398**	**5,512**	**9,957**	**−4,091**	**6,078**	**21,487**
2 Foreign countries	234,083	183,688	37,899	15,489	−7,788	4,990	10,091	−5,287	6,769	21,336
3 Europe	118,781	144,921	31,474	10,158	−37	18,215	6,798	−857	6,530	788
4 Belgium and Luxembourg	1,429	3,427	1,271	384	161	304	252	704	−165	176
5 Germany	17,980	22,471	936	5,255	3,052	−1,085	1,096	1,897	−829	−143
6 Netherlands	−582	1,746	−1,651	375	−1,525	403	−792	−1,733	130	341
7 Sweden	2,242	−465	34	−67	−124	82	−430	400	−202	184
8 Switzerland	328	6,028	3,840	1,395	2,847	2,419	1,690	170	−483	44
9 United Kingdom	65,658	98,253	17,114	5,640	−1,792	11,879	5,875	−3,705	5,785	−2,720
10 Other Europe and former U.S.S.R.	31,726	13,461	9,930	−2,824	−2,656	4,213	−893	1,410	2,294	2,906
11 Canada	2,331	−811	982	730	−2,132	−1	266	−517	1,457	−223
12 Latin America and Caribbean	20,785	−2,554	2,174	6,512	3,737	−3,619	2,123	−8,383	−7,981	20,034
13 Venezuela	−69	655	−352	397	−36	4	97	−128	14	−339
14 Other Latin America and Caribbean	8,439	−549	3,683	−723	2,485	1,711	2,949	−11	−632	−334
15 Netherlands Antilles	12,415	−2,660	−1,157	6,838	1,288	−5,334	−923	−8,244	−7,363	20,707
16 Asia	89,735	39,567	5,753	−1,002	−10,359	−8,757	1,348	3,522	7,966	1,674
17 Japan	41,366	20,360	2,214	−4,784	−7,860	−6,484	764	−168	6,301	1,801
18 Africa	1,083	1,524	282	−82	268	−43	176	154	−18	13
19 Other	1,368	1,041	−2,766	−827	735	−805	−620	794	−1,185	−950
20 Nonmonetary international and regional organizations	−1,842	483	1,044	420	−1,610	522	−134	1,196	−691	151
21 International	−1,390	621	543	451	−1,025	445	−223	900	−715	136
22 Latin American regional	−779	170	8	−24	−131	32	−29	10	−4	−1
MEMO										
23 Foreign countries	234,083	183,688	37,899	15,489	−7,788	4,990	10,091	−5,287	6,769	21,336
24 Official institutions	85,807	43,959	9,515	1,831	−367	−1,189	1,242	6,133[r]	1,516	1,813
25 Other foreign	148,276	139,729	28,384	13,658	−7,421	6,179	8,849	−11,420[r]	5,253	19,523
Oil-exporting countries										
26 Middle East[2]	10,232	7,636	−106	3,175	−1,506	−2,411	409	1,325	−380	951
27 Africa[3]	1	−12	1	0	0	1	0	0	0	0

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year, averages of daily figures

Country	Rate on July 31, 1998 Percent	Rate on July 31, 1998 Month effective	Country	Rate on July 31, 1998 Percent	Rate on July 31, 1998 Month effective
Austria	2.5	Apr. 1996	Germany	2.5	Apr. 1996
Belgium	2.75	Oct. 1997	Italy	5.0	Apr. 1998
Canada	5.0	Jan. 1998	Japan	.5	Sept. 1995
Denmark	3.75	May 1998	Netherlands	2.5	Apr. 1996
France[2]	3.3	Oct. 1997	Switzerland	1.0	Sept. 1996

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1995	1996	1997	1998 Jan.	1998 Feb.	1998 Mar.	1998 Apr.	1998 May	1998 June	1998 July
1 Eurodollars	5.93	5.38	5.61	5.53	5.53	5.56	5.56	5.57	5.57	5.57
2 United Kingdom	6.63	5.99	6.81	7.49	7.46	7.47	7.41	7.37	7.61	7.67
3 Canada	7.14	4.49	3.59	4.68	5.02	4.93	4.94	5.09	5.10	5.10
4 Germany	4.43	3.21	3.24	3.51	3.45	3.44	3.56	3.55	3.49	3.46
5 Switzerland	2.94	1.92	1.58	1.27	.98	1.06	1.39	1.52	1.81	1.98
6 Netherlands	4.30	2.91	3.25	3.42	3.36	3.42	3.52	3.53	3.51	3.46
7 France	6.43	3.81	3.35	3.50	3.45	3.45	3.50	3.50	3.47	3.44
8 Italy	10.43	8.79	6.86	6.05	6.12	5.59	5.09	4.98	4.99	4.75
9 Belgium	4.73	3.19	3.40	3.47	3.53	3.61	3.69	3.67	3.62	3.59
10 Japan	1.20	.58	.58	.77	.84	.74	.66	.56	.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	1995	1996	1997	1998 Feb.	1998 Mar.	1998 Apr.	1998 May	1998 June	1998 July
1 Australia/dollar[2]	74.073	78.283	74.368	67.436	66.963	65.231	63.124	60.456	61.802
2 Austria/schilling	10.076	10.589	12.206	12.735	12.852	12.760	12.491	12.615	12.650
3 Belgium/franc	29.472	30.970	35.807	37.417	37.699	37.424	36.624	36.981	37.074
4 Canada/dollar	1.3725	1.3638	1.3849	1.4334	1.4166	1.4298	1.4452	1.4655	1.4869
5 China, P.R./yuan	8.3700	8.3389	8.3193	8.3072	8.3076	8.3058	8.3084	8.3100	8.3100
6 Denmark/krone	5.5999	5.8003	6.6092	6.9089	6.9661	6.9174	6.7662	6.8294	6.8499
7 Finland/markka	4.3763	4.5948	5.1956	5.4999	5.5467	5.5053	5.3966	5.4503	5.4653
8 France/franc	4.9864	5.1158	5.8393	6.0744	6.1257	6.0782	5.9528	6.0118	6.0280
9 Germany/deutsche mark	1.4321	1.5049	1.7348	1.8123	1.8272	1.8132	1.7753	1.7928	1.7976
10 Greece/drachma	231.68	240.82	273.28	286.70	306.05	315.82	307.22	304.24	299.35
11 Hong Kong/dollar	7.7357	7.7345	7.7431	7.7412	7.7458	7.7497	7.7490	7.7471	7.7483
12 India/rupee	32.418	35.506	36.365	39.008	39.569	39.703	40.469	42.367	42.612
13 Ireland/pound[2]	160.35	159.95	151.63	137.71	136.72	138.94	141.74	140.51	139.88
14 Italy/lira	1,629.45	1,542.76	1,703.81	1,788.28	1,799.07	1,791.24	1,750.79	1,766.32	1,772.42
15 Japan/yen	93.96	108.78	121.06	125.85	129.08	131.75	134.90	140.33	140.79
16 Malaysia/ringgit	2.5073	2.5154	2.8173	3.8148	3.7456	3.7376	3.8204	4.0006	4.1591
17 Netherlands/guilder	1.6044	1.6863	1.9525	2.0432	2.0598	2.0422	2.0005	2.0208	2.0267
18 New Zealand/dollar[2]	65.625	68.765	66.247	58.286	57.261	55.339	53.876	51.231	51.847
19 Norway/krone	6.3355	6.4594	7.0857	7.5530	7.5833	7.5315	7.4539	7.5785	7.6246
20 Portugal/escudo	149.88	154.28	175.44	185.54	187.03	185.81	181.87	183.58	183.93
21 Singapore/dollar	1.4171	1.4100	1.4857	1.6509	1.6188	1.6007	1.6374	1.6941	1.7085
22 South Africa/rand	3.6284	4.3011	4.6072	4.9337	4.9746	5.0459	5.0927	5.3910	6.2285
23 South Korea/won	772.69	805.00	950.77	1,628.42	1,489.36	1,391.55	1,399.05	1,397.77	1,295.76
24 Spain/peseta	124.64	126.68	146.53	153.61	154.95	153.99	150.81	152.18	152.58
25 Sri Lanka/rupee	51.047	55.289	59.026	62.363	62.083	62.903	64.261	65.150	65.908
26 Sweden/krona	7.1406	6.7082	7.6446	8.0723	7.9677	7.8238	7.7026	7.9174	7.9942
27 Switzerland/franc	1.1812	1.2361	1.4514	1.4631	1.4901	1.5051	1.4790	1.4949	1.5136
28 Taiwan/dollar	26.495	27.468	28.775	32.948	32.524	33.016	33.466	34.553	34.387
29 Thailand/baht	24.921	25.359	31.072	45.987	41.366	39.654	39.198	42.332	41.300
30 United Kingdom/pound[2]	157.85	156.07	163.76	164.08	166.19	167.23	163.82	165.04	164.37
MEMO									
31 United States/dollar[3]	84.25	87.34	96.38	99.93	100.47	100.30	99.61	100.90	101.38

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).

Guide to Statistical Releases and Special Tables

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4.34 RESIDENTIAL LENDING ACTIVITY OF FINANCIAL INSTITUTIONS COVERED BY HMDA, 1985–97

Number

Item	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
1 Loans or applications (millions)[2]	1.98	2.83	3.42	3.39	3.13	6.59	7.89	12.01	15.38	12.19	11.23	14.81	16.41
2 Reporting institutions	8,072	8,898	9,431	9,319	9,203	9,332	9,358	9,073	9,650	9,858	9,539	9,328	7,925
3 Disclosure reports	12,567	12,329	13,033	13,919	14,154	24,041	25,934	28,782	35,976	38,750	36,611	42,946	47,416

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, 1997
By Type of Dwelling, Purpose of Loan, and Loan Program

Thousands

Loan program	One- to four-family dwellings				Multifamily dwellings[1]	All
	Home purchase	Home refinancing	Home improvement	All		
1 FHA	887.3	168.3	259.0	1,314.6	.5	1,315.1
2 VA	251.9	78.7	*	331.1	*	331.1
3 FmHA	25.2	2.7	3.2	31.2	*	31.2
4 Conventional	5,584.4	5,135.3	1,894.1	12,613.8	38.9	12,652.7
5 **Total**	**6,748.8**	**5,385.1**	**2,156.8**	**14,290.7**	**39.5**	**14,330.1**

*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 REPORTED UNDER HMDA, 1997
By Type of Dwelling, Purpose of Loan, and Type of Lender

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	8.3	10.0	14.2	24.6	20.9	27.8	61.4	28.8	48.7	28.8
2 Savings association	7.7	8.3	6.2	20.0	17.2	14.5	7.6	15.0	35.4	15.0
3 Credit union	.2	2.5	.2	2.1	1.8	3.4	11.8	3.7	.5	3.7
4 Mortgage company[2]	83.8	79.3	79.4	53.3	60.2	54.2	19.1	52.6	15.4	52.5
5 **Total**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
MEMO *Distribution of loans*										
6 Number	703,367	194,887	19,484	3,037,366	3,955,104	2,789,364	1,026,240	7,770,708	26,419	7,797,127
7 Percent	9.0	2.5	.2	39.0	50.7	35.8	13.2	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, 1997
By Purpose of Loan and Characteristics of Applicant and Census Tract

Characteristic	Home purchase						Home refinancing		Home improvement	
	Government-backed			Conventional						
	Number	Percent	MEMO Percentage of characteristic's home purchase loans	Number	Percent	MEMO Percentage of characteristic's home purchase loans	Number	Percent	Number	Percent
APPLICANT										
Racial/ethnic identity										
1 American Indian or Alaskan Native	4,961	.4	10.9	40,448	.8	89.1	17,967	.5	8,836	.6
2 Asian or Pacific Islander	19,275	1.7	11.6	146,290	2.8	88.4	97,863	2.5	23,643	1.5
3 Black	163,223	14.7	26.1	461,438	8.8	73.9	380,768	9.7	174,153	11.4
4 Hispanic	157,293	14.1	34.0	305,829	5.9	66.0	206,998	5.3	142,716	9.3
5 White	724,621	65.1	15.0	4,120,221	78.9	85.0	3,048,561	77.8	1,126,516	73.5
6 Other	8,023	.7	15.3	44,321	.8	84.7	90,780	2.3	30,769	2.0
7 All	35,144	3.2	25.5	102,696	2.0	74.5	74,138	1.9	25,757	1.7
8 **Total**	**1,112,540**	**100.0**	**17.6**	**5,221,243**	**100.0**	**82.4**	**3,917,075**	**100.0**	**1,532,390**	**100.0**
Income (percentage of MSA median)[2]										
9 Less than 50	110,978	11.2	21.0	418,194	10.9	79.0	460,907	11.3	274,683	15.6
10 50–79	332,511	33.5	29.3	804,155	20.9	70.7	870,649	21.4	401,519	22.8
11 80–99	208,675	21.0	28.5	524,057	13.6	71.5	599,518	14.8	266,427	15.1
12 100–119	141,258	14.2	23.8	451,711	11.7	76.2	518,399	12.8	221,688	12.6
13 120 or more	198,800	20.0	10.7	1,654,771	42.9	89.3	1,612,058	39.7	595,534	33.8
14 **Total**	**992,222**	**100.0**	**20.5**	**3,852,888**	**100.0**	**79.5**	**4,061,531**	**100.0**	**1,759,851**	**100.0**
CENSUS TRACT										
Racial/ethnic compostion (minorities as percentage of population)										
15 Less than 10	374,043	37.8	15.9	1,973,673	50.6	84.1	2,099,580	48.6	757,917	44.1
16 10–19	223,258	22.6	20.6	859,528	22.0	79.4	809,103	18.7	312,928	18.2
17 20–49	249,274	25.2	26.0	709,345	18.2	74.0	748,923	17.3	320,405	18.6
18 50–79	81,661	8.3	26.8	222,770	5.7	73.2	310,589	7.2	144,307	8.4
19 80–100	61,569	6.2	31.3	134,879	3.5	68.7	348,865	8.1	183,337	10.7
20 **Total**	**989,805**	**100.0**	**20.2**	**3,900,195**	**100.0**	**79.8**	**4,317,060**	**100.0**	**1,718,894**	**100.0**
Income[3]										
21 Low	22,503	2.2	24.3	70,213	1.8	75.7	149,058	3.5	76,110	4.3
22 Moderate	163,582	16.3	25.2	484,305	12.4	74.8	663,825	15.4	326,022	18.6
23 Middle	574,138	57.3	22.8	1,948,314	49.9	77.2	2,215,296	51.3	912,269	52.0
24 Upper	242,239	24.2	14.8	1,398,913	35.9	85.2	1,292,333	29.9	438,680	25.0
25 **Total**	**1,002,462**	**100.0**	**20.4**	**3,901,745**	**100.0**	**79.6**	**4,320,512**	**100.0**	**1,753,081**	**100.0**
Location[4]										
26 Central city	458,445	45.2	22.9	1,542,713	38.8	77.1	1,777,710	40.5	792,018	44.4
27 Non–central city	556,111	54.8	18.6	2,428,868	61.2	81.4	2,610,154	59.5	993,062	55.6
28 **Total**	**1,014,556**	**100.0**	**20.3**	**3,971,581**	**100.0**	**79.7**	**4,387,864**	**100.0**	**1,785,080**	**100.0**

NOTE. Lenders reported 13,009,405 applications for home loans in 1996. 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. 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 income*, median family income for census tract less than 50 percent of median family income for MSA; *Moderate income*, median family income for census tract at least 50 and less than 80 percent of MSA median; *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, 1997
By Purpose of Loan, with Denial Rate, and by Characteristic of Applicant

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	34.00	13.50	30.20	53.00	28.50	25.70	32.70	37.40
2 Two males	1.50	13.30	1.40	53.90	2.70	15.50	1.90	22.20
3 One female	25.80	10.80	27.40	53.80	23.90	25.20	28.60	41.50
4 Two females	1.80	10.00	2.30	59.20	1.60	27.70	1.30	51.30
5 One male and one female	36.80	9.90	38.70	49.40	43.30	22.70	35.50	32.30
6 **Total**[3]	**100.00**	**11.40**	**100.00**	**51.90**	**100.00**	**24.10**	**100.00**	**36.80**
Asian or Pacific Islander								
7 One male	22.60	10.10	20.10	15.60	16.70	21.80	24.80	37.10
8 Two males	4.00	10.20	2.40	15.40	1.50	20.30	1.40	29.20
9 One female	15.90	10.00	15.00	15.20	14.50	21.10	17.70	36.40
10 Two females	2.90	9.20	1.60	15.10	1.30	19.20	1.00	34.70
11 One male and one female	54.70	9.10	60.90	11.00	66.00	17.70	55.10	27.50
12 **Total**[3]	**100.00**	**9.60**	**100.00**	**12.70**	**100.00**	**18.90**	**100.00**	**31.60**
Black								
13 One male	27.50	13.90	27.70	53.00	24.80	28.00	27.00	44.30
14 Two males	1.30	10.70	.90	55.70	.70	25.50	.50	42.50
15 One female	34.70	13.40	37.30	56.60	32.70	27.40	37.10	44.30
16 Two females	3.00	14.70	3.00	61.30	1.80	25.70	1.80	46.10
17 One male and one female	33.40	15.00	31.10	48.00	39.90	26.20	33.60	38.50
18 **Total**[3]	**100.00**	**14.10**	**100.00**	**53.00**	**100.00**	**27.00**	**100.00**	**42.40**
Hispanic								
19 One male	24.10	9.80	30.30	42.70	21.00	27.40	31.80	44.60
20 Two males	6.50	9.30	2.60	37.20	1.80	22.70	1.30	45.00
21 One female	13.10	9.50	17.60	40.20	16.60	25.20	21.80	46.20
22 Two females	2.40	10.20	1.80	39.90	1.40	25.70	1.10	45.20
23 One male and one female	53.90	9.40	47.80	33.70	59.20	24.10	44.00	39.00
24 **Total**[3]	**100.00**	**9.50**	**100.00**	**37.80**	**100.00**	**25.00**	**100.00**	**42.50**
White								
25 One male	25.20	8.30	23.60	32.40	19.50	20.00	22.30	28.20
26 Two males	1.50	7.70	1.20	26.50	.80	16.80	.70	27.80
27 One female	16.90	7.40	17.70	32.00	14.70	18.20	18.10	28.00
28 Two females	1.30	8.00	1.10	34.10	.80	18.10	.90	30.00
29 One male and one female	55.00	7.60	56.30	20.90	64.20	14.80	58.00	20.90
30 **Total**[3]	**100.00**	**7.70**	**100.00**	**25.80**	**100.00**	**16.40**	**100.00**	**23.90**
All								
31 One male	25.40	9.50	24.30	35.10	20.10	21.50	23.90	32.60
32 Two males	2.30	8.80	1.30	29.30	.90	18.30	.70	32.00
33 One female	19.10	9.30	19.50	36.60	16.70	20.50	20.70	33.50
34 Two females	1.70	10.30	1.40	39.60	.90	20.40	1.00	35.20
35 One male and one female	51.50	8.60	53.50	22.90	61.40	16.20	53.60	23.80
36 **Total**[3]	**100.00**	**9.00**	**100.00**	**28.80**	**100.00**	**18.00**	**100.00**	**28.10**

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, 1997 By Loan Program and Size of Dwelling

Percent

Type of loan program	One- to four-family dwellings											
	Home purchase						Home refinancing					
	Approved and accepted	Approved but not accepted	Denied	Withdrawn	File closed	Total	Approved and accepted	Approved but not accepted	Denied	Withdrawn	File closed	Total
1 FHA	79.3	2.0	9.0	8.3	1.5	100	63.3	5.7	14.7	11.4	5.0	100
2 VA	77.4	1.9	9.8	9.5	1.3	100	72.1	3.7	6.0	13.7	4.5	100
3 FmHA	77.2	1.1	13.5	7.1	1.0	100	40.6	.4	55.9	2.8	.3	100
4 Conventional	54.4	9.8	28.6	6.0	1.2	100	51.1	10.1	24.2	11.6	3.0	100
5 All	58.6	8.4	25.3	6.5	1.2	100	51.8	9.9	23.6	11.6	3.1	100

Type of loan program	One- to four-family dwellings						Multifamily dwellings[1]					
	Home improvement											
	Approved and accepted	Approved but not accepted	Denied	Withdrawn	File closed	Total	Approved and accepted	Approved but not accepted	Denied	Withdrawn	File closed	Total
1 FHA	22.8	11.6	47.6	13.4	4.6	100	80.0	3.6	6.0	8.0	2.4	100
2 VA	32.5	2.0	38.6	26.6	.2	100	82.6	8.7	*	8.7	*	100
3 FmHA	64.5	.1	35.1	.3	*	100	55.3	*	2.6	39.5	2.6	100
4 Conventional	50.9	11.0	32.6	4.7	.7	100	66.8	6.4	15.5	9.2	2.1	100
5 All	47.6	11.0	34.4	5.8	1.2	100	67.0	6.4	15.4	9.2	2.1	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, 1997
By Disposition of Loan and Characteristics of Applicant and Census Tract

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	76.1	11.4	10.4	2.1	100	42.2	51.9	5.2	.7	100
2 Asian or Pacific Islander	80.0	9.6	9.1	1.4	100	77.3	12.7	8.3	1.7	100
3 Black	73.9	14.1	9.9	2.1	100	40.4	53.0	5.2	1.3	100
4 Hispanic	79.4	9.5	9.3	1.7	100	54.3	37.8	6.5	1.4	100
5 White	83.9	7.7	7.2	1.1	100	67.9	25.8	5.4	.9	100
6 Other	77.3	11.1	10.1	1.5	100	67.2	22.5	8.5	1.8	100
7 Joint[2]	81 7	9.4	7.7	1.2	100	68.8	23.6	6.5	1.1	100
Income ratio (percentage of MSA median)[3]										
8 Less than 50	74.9	14.1	9.2	1.8	100	46.4	47.6	4.8	1.3	100
9 American Indian or Alaskan Native	70.5	18.7	9.4	1.4	100	38.2	55.1	5.2	1.6	100
10 Asian or Pacific Islander	76.0	14.1	8.3	1.6	100	65.4	23.5	8.4	2.7	100
11 Black	70.5	17.2	10.1	2.2	100	36.9	57.2	4.5	1.5	100
12 Hispanic	77.4	12.3	8.5	1.8	100	45.7	48.1	4.9	1.3	100
13 White	78.3	12.4	7.8	1.6	100	48.8	46.3	4.1	.9	100
14 Other	71.1	17.0	9.8	2.1	100	53.0	38.3	6.7	2.0	100
15 Joint[2]	70.1	17.6	9.9	2.4	100	46.5	45.7	6.0	1.7	100
16 50–79	82.7	8.9	7.3	1.1	100	61.8	31.5	5.5	1.2	100
17 American Indian or Alaskan Native	80.7	10.0	7.2	2.1	100	50.9	43.2	4.9	1.1	100
18 Asian or Pacific Islander	82.5	9.1	7.4	1.0	100	76.9	14.3	7.2	1.6	100
19 Black	76.9	12.8	8.7	1.7	100	46.8	45.6	5.9	1.7	100
20 Hispanic	82.1	9.1	7.5	1.2	100	55.4	37.6	5.7	1.2	100
21 White	85.5	7.3	6.3	.9	100	65.0	29.4	4.8	.8	100
22 Other	81.6	9.3	7.6	1.4	100	66.6	24.4	7.2	1.8	100
23 Joint[2]	80.7	10.9	7.4	1.0	100	58.5	35.1	5.5	.8	100
24 80–119	85.0	7.3	6.8	.9	100	72.9	19.6	6.3	1.3	100
25 American Indian or Alaskan Native	82.1	7.4	9.4	1.1	100	59.3	32.4	7.1	1.2	100
26 Asian or Pacific Islander	83.1	7.6	8.3	1.0	100	79.9	10.9	7.6	1.6	100
27 Black	79.0	11.5	8.1	1.4	100	55.8	34.7	7.4	2.1	100
28 Hispanic	82.7	8.4	7.8	1.1	100	63.0	28.6	7.0	1.5	100
29 White	87.6	5.9	5.8	.8	100	75.9	17.6	5.5	1.0	100
30 Other	58.3	6.8	5.6	.6	100	28.7	7.1	3.2	.6	100
31 Joint[2]	84.5	7.9	6.7	.9	100	71.9	21.1	6.1	1.0	100
32 120 or more	84.4	6.9	7.5	1.2	100	81.9	10.1	6.7	1.3	100
33 American Indian or Alaskan Native	79.9	8.1	10.1	1.9	100	71.6	17.4	9.4	1.6	100
34 Asian or Pacific Islander	81.3	9.9	7.5	1.3	100	81.0	9.9	7.6	1.5	100
35 Black	79.1	11.0	8.4	1.5	100	67.6	21.7	8.5	2.2	100
36 Hispanic	79.7	7.5	10.5	2.3	100	71.7	17.9	8.6	1.9	100
37 White	87.6	5.5	6.0	.8	100	84.2	8.8	6.0	1.0	100
38 Other	76.7	11.4	10.4	1.5	100	76.7	12.7	8.7	1.9	100
39 Joint[2]	86.1	6.9	6.2	.8	100	81.5	10.5	6.8	1.2	100
CENSUS TRACT										
Racial or ethnic composition (minorities as percentage of population)										
40 Less than 10	85.2	7.1	6.7	1.0	100	76.1	16.9	5.9	1.1	100
41 10–19	83.6	8.1	7.2	1.2	100	71.7	20.3	6.7	1.3	100
42 20–49	81.4	9.4	8.0	1.3	100	65.2	26.2	7.1	1.5	100
43 50–79	78.1	11.1	9.3	1.5	100	60.3	30.0	7.9	1.8	100
44 80–100	74.1	12.7	11.1	2.1	100	54.5	33.7	9.2	2.6	100
Income[4]										
45 Low	72.8	13.3	11.5	2.4	100	54.3	34.1	9.3	2.3	100
46 Moderate	79.3	10.6	8.6	1.6	100	59.1	32.7	6.7	1.5	100
47 Middle	83.3	8.3	7.3	1.2	100	69.2	23.4	6.2	1.3	100
48 Upper	83.7	7.4	7.7	1.2	100	79.9	12.0	6.8	1.3	100
Location[5]										
49 Central city	81.4	9.3	7.9	1.4	100	69.4	22.3	6.9	1.4	100
50 Non-central city	83.3	10.3	53.1	14.0	100	72.6	19.9	6.3	1.2	100

4.40 APPLICATIONS FOR ONE- TO FOUR-FAMILY HOME LOANS REPORTED UNDER HMDA, 1997
By Disposition of Loan and Characteristics of Applicant and Census Tract—Continued

B. Home Refinancing and Home Improvement Loans

Percent

Characteristic	Home refinancing					Home improvement				
	Approved	Denied	Withdrawn	File closed	Total	Approved	Denied	Withdrawn	File closed	Total
APPLICANT										
Racial or ethnic identity										
1 American Indian or Alaskan Native	57.8	24.1	14.2	3.9	100	58.0	36.8	4.5	.8	100
2 Asian or Pacific Islander	68.0	18.9	10.5	2.6	100	60.6	31.6	6.3	1.5	100
3 Black	56.6	27.0	12.1	4.2	100	52.5	42.4	4.1	1.0	100
4 Hispanic	57.5	25.0	13.4	4.2	100	52.2	42.5	4.5	.8	100
5 White	72.6	16.4	8.7	2.3	100	71.3	23.9	4.2	.6	100
6 Other[1]	53.3	36.3	8.7	1.7	100	36.0	45.0	18.4	.6	100
7 Joint[2]	70.7	17.6	9.3	2.4	100	69.1	26.2	4.1	.7	100
Income ratio (percentage of MSA median)[3]										
8 Less than 50	49.2	34.2	12.9	3.7	100	44.2	49.2	5.5	1.1	100
9 American Indian or Alaskan Native	52.7	29.6	13.0	4.8	100	47.7	47.2	4.5	.6	100
10 Asian or Pacific Islander	51.3	30.7	13.6	4.4	100	43.6	50.0	5.5	.9	100
11 Black	53.7	30.3	11.6	4.4	100	44.5	50.2	4.1	1.1	100
12 Hispanic	49.4	32.7	13.6	4.3	100	39.8	55.0	4.4	.8	100
13 White	60.8	25.7	10.3	3.2	100	58.0	36.7	4.6	.7	100
14 Other[1]	44.4	48.1	6.3	1.2	100	29.7	55.4	14.6	.3	100
15 Joint[2]	59.3	24.6	11.8	4.3	100	49.9	45.1	4.1	.9	100
16 50–79	56.5	27.6	12.6	3.2	100	51.7	41.4	5.7	1.2	100
17 American Indian or Alaskan Native	55.1	26.2	15.4	3.3	100	54.4	40.1	4.7	.8	100
18 Asian or Pacific Islander	63.1	22.8	10.9	3.1	100	52.7	40.6	5.4	1.3	100
19 Black	55.1	28.3	12.4	4.2	100	49.5	45.5	3.9	1.1	100
20 Hispanic	54.3	28.7	13.2	3.8	100	46.8	47.5	4.8	.9	100
21 White	68.3	19.4	9.7	2.6	100	65.4	29.8	4.3	.6	100
22 Other[1]	50.1	40.0	8.4	1.4	100	31.8	51.0	16.8	.4	100
23 Joint[2]	65.7	21.8	9.6	2.9	100	57.3	37.7	4.3	.6	100
24 80–119	62.6	23.4	11.1	2.9	100	59.1	33.8	5.8	1.3	100
25 American Indian or Alaskan Native	59.8	22.7	13.4	4.1	100	65.1	29.7	4.3	.9	100
26 Asian or Pacific Islander	68.2	19.0	10.3	2.5	100	61.2	31.2	6.4	1.2	100
27 Black	58.0	26.8	10.9	4.2	100	55.5	39.5	4.0	1.1	100
28 Hispanic	57.7	26.2	12.7	3.4	100	52.8	41.6	4.8	.8	100
29 White	73.6	16.0	8.2	2.3	100	72.2	23.2	4.1	.6	100
30 Other[1]	8.1	5.0	1.3	.3	100	4.0	4.9	2.1	.1	100
31 Joint[2]	69.5	19.2	9.0	2.3	100	67.0	28.8	3.6	.6	100
32 120 or more	69.9	17.9	9.7	2.5	100	68.8	24.3	5.6	1.3	100
33 American Indian or Alaskan Native	63.3	20.4	13.1	3.2	100	71.1	23.1	4.5	1.2	100
34 Asian or Pacific Islander	72.7	16.4	8.8	2.0	100	67.7	24.4	6.3	1.6	100
35 Black	60.5	25.0	10.7	3.8	100	62.4	32.6	3.9	1.0	100
36 Hispanic	61.4	21.9	12.7	4.0	100	63.7	32.1	3.6	.6	100
37 White	78.3	12.6	7.2	2.0	100	79.5	16.1	3.8	.6	100
38 Other[1]	58.0	29.9	9.9	2.2	100	42.9	35.8	20.5	.8	100
39 Joint[2]	74.1	15.8	8.0	2.1	100	75.4	20.1	3.7	.7	100
CENSUS TRACT										
Racial or ethnic composition (minorities as percentage of population)										
40 Less than 10	67.0	20.0	10.4	2.6	100	67.5	26.6	5.0	1.0	100
41 10–19	62.7	22.7	11.5	3.0	100	58.8	33.3	6.5	1.4	100
42 20–49	57.3	26.7	12.7	3.4	100	51.3	40.3	6.8	1.7	100
43 50–79	52.0	29.7	14.3	4.0	100	45.6	45.9	6.8	1.7	100
44 80–100	48.4	30.3	16.5	4.8	100	43.2	48.7	6.5	1.6	100
Income[4]										
45 Low	48.5	32.6	14.9	4.0	100	42.0	50.4	6.0	1.5	100
46 Moderate	54.1	28.6	13.5	3.8	100	48.9	43.8	5.9	1.4	100
47 Middle	61.8	23.4	11.8	3.1	100	59.4	33.7	5.7	1.2	100
48 Upper	68.0	18.7	10.6	2.7	100	65.5	27.2	5.9	1.3	100
Location[5]										
49 Central city	59.3	25.1	12.4	3.3	100	54.3	38.4	6.0	1.3	100
50 Non-central city	63.9	21.8	11.3	3.0	100	61.4	31.7	5.6	1.2	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 income*, median family income for census tract less than 50 percent of median family income for MSA; *Moderate income*, median family income for census tract at least 50 and less than 80 percent of MSA median; *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, 1997 By Purchaser and Characteristics of Borrower and Census Tract

Characteristic	Fannie Mae		Ginnie Mae		Freddie Mac		FmHA		Commercial bank	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
1 All	1,122,744	100.0	995,880	100.0	840,545	100.0	4,049	100.0	130,920	100.0
BORROWER										
Racial or ethnic identity										
2 American Indian or Alaskan Native	2,509	.3	2,437	.4	1,629	.2	49	1.4	275	.2
3 Asian or Pacific Islander	37,761	4.1	10,823	1.7	21,075	3.0	76	2.2	3,092	2.8
4 Black	30,769	3.3	78,341	12.6	18,172	2.6	429	12.6	9,141	8.3
5 Hispanic	41,203	4.5	85,134	13.7	22,799	3.2	441	13.0	7,221	6.5
6 White	781,165	84.6	418,406	67.5	619,833	88.1	2,305	67.8	87,628	79.2
7 Other	8,205	.9	5,244	.8	5,812	.8	18	.5	819	.7
8 Joint	21,214	2.3	19,867	3.2	14,059	2.0	83	2.4	2,516	2.3
9 **Total**	**922,826**	**100.0**	**620,252**	**100.0**	**703,379**	**100.0**	**3,401**	**100.0**	**110,692**	**100.0**
Income ratio (percentage of MSA median)										
10 Less than 50	38,888	4.7	46,300	9.3	26,920	4.3	351	11.4	6,239	5.7
11 50–79	141,888	17.0	158,835	32.0	101,330	16.1	1,044	33.9	20,622	18.8
12 80–99	128,083	15.3	108,238	21.8	95,502	15.2	621	20.2	15,624	14.2
13 100–119	124,532	14.9	76,183	15.3	95,912	15.2	389	12.6	14,108	12.8
14 120 or more	401,340	48.1	107,473	21.6	310,203	49.2	673	21.9	53,250	48.5
15 **Total**	**834,731**	**100.0**	**497,029**	**100.0**	**629,867**	**100.0**	**3,078**	**100.0**	**109,843**	**100.0**
CENSUS TRACT										
Racial or ethnic composition (minorities as percentage of population)										
16 Less than 10	534,246	55.2	327,561	36.7	437,944	61.0	1,492	42.1	57,734	49.6
17 10–19	209,970	21.7	206,759	23.2	145,401	20.2	873	24.6	26,798	23.0
18 20–49	155,278	16.1	231,571	26.0	97,335	13.6	781	22.0	21,455	18.4
19 50–79	44,992	4.7	73,609	8.3	25,634	3.6	192	5.4	6,007	5.2
20 80–100	22,732	2.4	52,300	5.9	11,834	1.6	210	5.9	4,420	3.8
21 **Total**	**967,218**	**100.0**	**891,800**	**100.0**	**718,148**	**100.0**	**3,548**	**100.0**	**116,414**	**100.0**
Income										
22 Low	8,248	.9	16,167	1.8	4,835	.7	96	2.7	1,562	1.3
23 Moderate	77,723	8.0	135,970	15.1	52,005	7.2	533	15.0	12,337	10.5
24 Middle	480,392	49.7	523,218	58.0	365,633	50.9	1,939	54.7	54,892	46.6
25 Upper	401,056	41.5	226,291	25.1	295,568	41.2	975	27.5	48,995	41.6
26 **Total**	**967,419**	**100.0**	**901,646**	**100.0**	**718,041**	**100.0**	**3,543**	**100.0**	**117,786**	**100.0**
Location										
27 Central city	358,933	37.1	384,345	42.6	249,329	34.7	1,542	43.5	44,488	37.8
28 Non-central city	608,554	62.9	517,025	57.4	468,618	65.3	2,004	56.5	73,336	62.2
29 **Total**	**967,487**	**100.0**	**901,370**	**100.0**	**717,947**	**100.0**	**3,546**	**100.0**	**117,824**	**100.0**

4.41 HOME LOANS SOLD, 1997 By Purchaser and Characteristics of Borrower and Census Tract—Continued

Characteristic	Savings bank or savings and loan association		Life insurance company		Affiliate		Other	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
30 All	68,108	100.0	6,807	100.0	547,528	100.0	1,944,298	100.0
BORROWER								
Racial or ethnic identity								
31 American Indian or Alaskan Native	179	.3	14	.2	1,971	.4	6,472	.4
32 Asian or Pacific Islander	1,636	2.8	88	1.4	22,806	5.1	39,570	2.6
33 Black	3,294	5.5	350	5.6	30,135	6.7	167,355	11.1
34 Hispanic	2,170	3.6	115	1.9	23,078	5.1	118,574	7.9
35 White	50,546	85.0	5,508	88.6	357,440	79.3	1,124,323	74.5
36 Other	496	.8	22	.4	5,275	1.2	16,559	1.1
37 Joint	1,159	1.9	119	1.9	10,221	2.3	35,959	2.4
38 **Total**	**59,480**	**100.0**	**6,216**	**100.0**	**450,926**	**100.0**	**1,508,812**	**100.0**
Income ratio (percentage of MSA median)[1]								
39 Less than 50	2,578	4.9	378	6.9	25,030	6.4	150,884	10.7
40 50–79	9,014	17.1	1,336	24.4	66,692	17.1	332,943	23.5
41 80–99	7,350	13.9	968	17.6	47,080	12.1	221,169	15.6
42 100–119	6,552	12.4	794	14.5	43,840	11.3	176,537	12.5
43 120 or more	27,367	51.8	2,009	36.6	206,702	53.1	532,404	37.7
44 **Total**	**52,861**	**100.0**	**5,485**	**100.0**	**389,344**	**100.0**	**1,413,937**	**100.0**
CENSUS TRACT								
Racial or ethnic composition (minorities as percentage of population)								
45 Less than 10	38,310	62.0	4,449	73.4	234,553	48.4	688,089	42.4
46 10–19	11,616	18.8	862	14.2	116,996	24.1	347,295	21.4
47 20–49	8,143	13.2	557	9.2	86,980	18.0	335,366	20.7
48 50–79	2,141	3.5	122	2.0	27,506	5.7	121,848	7.5
49 80–100	1,560	2.5	71	1.2	18,455	3.8	128,930	8.0
50 **Total**	**61,770**	**100.0**	**6,061**	**100.0**	**484,490**	**100.0**	**1,621,528**	**100.0**
Income[2]								
51 Low	873	1.4	88	1.5	8,562	1.8	50,599	3.1
52 Moderate	5,173	8.4	582	9.6	50,849	10.5	250,936	15.5
53 Middle	26,868	43.4	3,242	53.5	212,522	43.8	818,836	50.4
54 Upper	28,990	46.8	2,147	35.4	213,585	44.0	503,322	31.0
55 **Total**	**61,904**	**100.0**	**6,059**	**100.0**	**485,518**	**100.0**	**1,623,693**	**100.0**
Location								
56 Central city	19,956	32.2	2,415	39.9	190,775	39.3	683,368	42.1
57 Non-central city	42,008	67.8	3,645	60.1	294,824	60.7	941,739	57.9
58 **Total**	**61,964**	**100.0**	**6,060**	**100.0**	**485,599**	**100.0**	**1,625,107**	**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

1. Median family income of the metropolitan statistical area (MSA) in which the property related to the loan is located.

2. 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 income*, median family income for census tract less than 50 percent of median family income for MSA; *Moderate income*, median family income for census tract at least 50 and less than 80 percent of MSA median; *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.

SOURCE. FFIEC, Home Mortgage Disclosure Act.

4.42 APPLICATIONS RECEIVED AND POLICIES WRITTEN FOR PRIVATE MORTGAGE INSURANCE, 1994–97
By Insurance Company

Company	1994		1995		1996		1997	
	Applications	Policies written	Applications	Policies written	Applications	Policies written	Applications	Policies written
1 Amerin Guaranty	23,239	20,673	48,266	48,229	61,401	61,378	60,149	60,105
2 Commonwealth Mortgage Assurance	113,862	81,606	127,734	95,476	151,261	106,768	152,874	112,513
3 GE Capital Mortgage Insurance	406,440	314,144	281,755	221,450	269,133	199,728	210,493	160,847
4 Mortgage Guaranty Insurance	388,248	317,499	331,534	267,423	360,167	283,897	325,336	265,566
5 PMI Mortgage Insurance	212,352	155,966	157,929	119,582	181,904	142,896	152,129	119,181
6 Republic Mortgage Insurance	133,307	107,927	119,147	94,038	158,731	123,289	132,204	102,221
7 Triad Guaranty Insurance	20,020	15,459	18,910	14,699	23,942	19,143	36,908	31,129
8 United Guaranty	186,108	134,348	150,962	118,092	170,868	132,661	147,256	120,182
9 **Total**	**1,483,576**	**1,147,622**	**1,236,237**	**978,989**	**1,377,407**	**1,069,760**	**1,217,349**	**971,744**

1. First year of data collection; covers only fourth quarter.

SOURCE. Federal Financial Institution Examination Council.

4.43 APPLICATIONS RECEIVED AND POLICIES WRITTEN FOR PRIVATE MORTGAGE INSURANCE, 1997
By Purpose of Loan and Insurance Company

Percent

Company	Home purchase		Home refinance		Total	
	Applications	Policies written	Applications	Policies written	Applications	Policies written
1 Amerin Guaranty	5.0	6.1	4.8	6.4	4.9	6.2
2 Commonwealth Mortgage Assurance	12.2	11.3	14.3	13.1	12.6	11.6
3 GE Capital Mortgage Insurance	17.5	16.7	16.5	16.0	17.3	16.6
4 Mortgage Guaranty Insurance	26.9	27.6	25.7	25.9	26.7	27.3
5 PMI Mortgage Insurance	12.7	12.5	11.2	10.7	12.5	12.3
6 Republic Mortgage Insurance	10.8	10.5	11.4	10.6	10.9	10.5
7 Triad Guaranty Insurance	2.8	2.9	4.2	4.7	3.0	3.2
8 United Guaranty	12.1	12.3	12.0	12.6	12.1	12.4
9 **Total**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
MEMO						
10 Number of applications or policies	1,018,728	822,566	198,621	149,178	1,217,349	971,744

SOURCE. Federal Financial Institutions Examination Council.

4.44 APPLICATIONS FOR PRIVATE MORTGAGE INSURANCE, 1997
By Purpose of Loan and Characteristic of Applicant and Census Tract

Characteristic	Home purchase		Home refinance	
	Number	Percent	Number	Percent
APPLICANT				
Race or ethnic group				
1 American Indian or Alaskan native	2,353	.3	453	.3
2 Asian or Pacific Islander	26,132	3.1	4,344	2.8
3 Black	47,165	5.6	8,868	5.6
4 Hispanic	54,819	6.5	7,810	5.0
5 White	682,354	80.5	129,630	82.4
6 Other	16,015	1.9	2,923	1.9
7 Joint (white and minority)	18,348	2.2	3,306	2.1
8 **Total**	**847,186**	**100.0**	**157,334**	**100.0**
Income (percentage of MSA median)[1]				
9 Less than 50	29,009	3.5	3,310	2.0
10 50–79	126,536	15.2	21,749	13.2
11 80–99	124,351	14.9	24,659	15.0
12 100–119	127,907	15.3	26,284	16.0
13 120 or more	426,329	51.1	88,234	53.7
14 **Total**	**834,132**	**100.0**	**164,236**	**100.0**
CENSUS TRACT				
Racial composition (minorities as percentage of population)				
15 Less than 10	438,359	52.6	84,326	50.5
16 10–19	185,569	22.2	37,171	22.3
17 20–49	141,947	17.0	30,551	18.3
18 50–79	43,743	5.2	9,272	5.6
19 80–100	24,412	2.9	5,711	3.4
20 **Total**	**834,030**	**100.0**	**167,031**	**100.0**
Income[2]				
21 Lower	10,455	1.3	1,553	.9
22 Moderate	77,334	9.3	15,477	9.3
23 Middle	408,163	49.0	88,363	52.9
24 Upper	337,286	40.5	61,489	36.8
25 **Total**	**833,238**	**100.0**	**166,882**	**100.0**
Location[3]				
26 Central city	326,673	38.8	57,972	34.4
27 Non-central city	514,233	61.2	110,722	65.6
28 **Total**	**840,906**	**100.0**	**168,694**	**100.0**

NOTE. Not all characteristics were reported for all loans.

1. MSA median is median family income of the metropolitan statistical area (MSA) in which the property related to the loan is located.

2. *Lower:* median family income for census tract less than 50 percent of median family income for MSA. *Moderate*: 50 percent to less than 80 percent. *Middle:* 80 percent to less than 120 percent. *Upper:* 120 percent or more

3. For census tracts located in MSAs.

SOURCE. Federal Financial Institutions Examination Council.

4.45 APPLICATIONS FOR PRIVATE MORTGAGE INSURANCE, 1997
By Purpose of Loan, Disposition of Application, Characteristic of Applicant, and Census Tract
Percent

Characteristic	Home purchase					Home refinance				
	Approved	Denied	Withdrawn	File closed	Total	Approved	Denied	Withdrawn	File closed	Total
1 **Total**	**89.0**	**7.4**	**2.8**	**.8**	**100.0**	**87.5**	**8.7**	**3.1**	**.6**	**100.0**
APPLICANT										
Race or ethnic group										
2 American Indian or Alaskan Native	86.0	9.9	3.3	.9	100.0	81.0	14.6	3.1	1.3	100.0
3 Asian or Pacific Islander	85.2	9.7	3.9	1.1	100.0	84.4	11.0	4.0	.6	100.0
4 Black	78.5	16.5	3.8	1.2	100.0	80.2	14.8	4.0	.9	100.0
5 Hispanic	80.1	14.4	4.2	1.4	100.0	81.0	13.6	4.3	1.1	100.0
6 White	89.7	6.9	2.6	.8	100.0	87.6	8.7	3.1	.6	100.0
7 Other	94.7	3.4	1.6	.3	100.0	93.6	4.1	2.1	.2	100.0
8 Joint (white and minority)	86.8	9.3	3.0	.9	100.0	85.8	10.0	3.7	.6	100.0
Income (percentage of MSA median)[1]										
9 Less than 50	78.9	17.3	3.1	.8	100.0	73.4	21.5	4.0	1.1	100.0
10 50–79	87.6	9.1	2.6	.7	100.0	84.0	11.8	3.4	.7	100.0
11 80–99	90.3	6.7	2.3	.7	100.0	86.6	9.6	3.2	.7	100.0
12 100–119	91.6	5.8	2.1	.6	100.0	88.7	7.9	2.8	.6	100.0
13 120 or more	91.7	5.4	2.3	.6	100.0	88.8	7.6	3.1	.6	100.0
CENSUS TRACT										
Racial composition (minorities as percentage of population)										
14 Less than 10	92.6	5.0	1.9	.5	100.0	89.0	7.6	2.8	.6	100.0
15 10–19	90.4	6.6	2.4	.6	100.0	88.1	8.3	2.9	.6	100.0
16 20–49	87.5	8.7	2.9	.9	100.0	86.6	9.5	3.3	.6	100.0
17 50–79	83.3	11.8	3.9	1.0	100.0	83.5	11.8	3.8	.9	100.0
18 80–100	79.5	15.0	4.1	1.4	100.0	79.5	15.2	4.3	1.1	100.0
Income[2]										
19 Lower	80.3	15.1	3.5	1.1	100.0	80.2	14.7	4.1	1.0	100.0
20 Moderate	85.4	10.8	3.0	.9	100.0	83.9	11.6	3.6	.9	100.0
21 Middle	90.5	6.6	2.3	.6	100.0	87.8	8.5	3.1	.6	100.0
22 Upper	91.7	5.5	2.2	.6	100.0	88.7	7.8	2.9	.6	100.0
Location[3]										
23 Central city	89.5	7.3	2.5	.7	100.0	87.3	8.9	3.2	.6	100.0
24 Non-central city	91.0	6.2	2.3	.6	100.0	87.9	8.5	3.0	.6	100.0

NOTE. Not all characteristics were reported for all loans.

1. Median family income of the metropolitan statistical area (MSA) in which the property related to the loan is located.

2. *Lower:* median family income for census tract less than 50 percent of median family income for MSA of tract. *Moderate:* 50 percent to less than 80 percent. *Middle:* 80 percent to less than 120 percent. *Upper:* 120 percent or more.

3. For census tracts located in MSAs.

SOURCE. Federal Financial Institutions Examination Council.

4.46 SMALL LOANS TO BUSINESSES AND FARMS, 1996–97

	Item	1996	1997
	Total business loans		
1	Number	2,424,966	2,560,795
2	Amount (thousands of dollars)	149,718,193	159,401,302
	Percent to small firms[1]		
3	By number of loans	55.9	50.0
4	By amount of loans	43.1	42.1
	Total farm loans		
5	Number of loans	217,356	2,128,222
6	Amount of loans (thousands of dollars)	10,480,989	11,192,400
	Percent to small farms[2]		
7	By number of loans	88.4	89.5
8	By amount of loans	81.4	81.3
	Activity of CRA reporters as a percentage of		
	All small loans to businesses[2]		
9	By number of loans	64.6	67.9
10	By amount of loans	65.9	66.2
	All small loans to farms[2]		
11	By number of loans	21.6	22.2
12	By amount of loans	27.5	27.8
	Distribution of business loans by asset size of lender		
	By number (percent)		
13	Less than 100	3.7	1.2
14	100 to 249	19.7	6.5
15	250 to 999	16.1	15.7
16	1,000 or more	60.6	76.6
17	**Total**	**100.0**	**100.0**
	By amount (percent)		
18	Less than 100	1.6	1.4
19	100 to 249	5.7	3.5
20	250 to 999	22.4	20.9
21	1,000 or more	70.3	74.2
22	**Total**	**100.0**	**100.0**
	Distribution of farm loans by asset size of lender		
	By number of loans (percent)		
23	Less than 100	9.8	6.4
24	100 to 249	14.2	10.4
25	250 to 999	34.5	37.4
26	1,000 or more	41.5	45.8
27	**Total**	**100.0**	**100.0**
	By amount of loans (percent)		
28	Less than 100	6.4	5.1
29	100 to 249	11.5	8.2
30	250 to 999	31.7	34.2
31	1,000 or more	50.4	52.5
32	**Total**	**100.0**	**100.0**
	Distribution of business loans by income of census tract[3]		
	By number of loans		
33	Low	4.7	4.6
34	Moderate	15.9	16.0
35	Middle	49.4	49.1
36	Upper	29.5	29.8
37	Income not reported	.5	.5
38	**Total**	**100.0**	**100.0**
	By amount of loans		
39	Low	5.6	5.4
40	Moderate	16.0	16.0
41	Middle	46.8	46.5
42	Upper	30.9	31.4
43	Income not reported	.7	.7
44	**Total**	**100.0**	**100.0**
	MEMO		
	Number of reporters		
45	Commercial banks	1,583	1,421
46	Savings institutions	496	475
47	**Total**	**2,079**	**1,421**

1. Businesses and farms with revenues of $1 million or less.

2. Percentages reflect the ratio of activity by CRA reporters to activity by all lenders. Calculations are based on information reported in the June 1996 and 1997 Call Reports for commercial banks and the Thrift Financial Reports.

3. *Low income*: census tract median family income less than 50 percent of MSA median family income or nonmetropolitan portion of state median family income; *moderate income*: 50–79 percent; *middle income*: 80–120 percent; *upper income*: 120 percent or more.

4.47 ORIGINATIONS AND PURCHASES OF SMALL LOANS TO BUSINESSES AND FARMS, 1997

By Size of Loan

Type of borrower and loan	Size of loan (dollars)						All loans		MEMO Loans to firms with revenues of $1 million or less	
	100,000 or less		100,001 to 250,000		More than 250,000					
	Total	Percent	Total	Percent	Total	Percent	Total	Percent	Total	Percent
	Number of Loans									
Business										
1 Originations	2,180,314	86.5	186,114	7.4	153,331	6.1	2,519,759	100	1,276,331	50.7
2 Purchases	37,500	91.4	1,773	4.3	1,763	4.3	41,036	100	4,624	11.3
3 **Total**	**2,217,814**	**86.6**	**187,887**	**7.3**	**155,094**	**6.1**	**2,560,795**	**100**	**1,280,955**	**50.0**
Farm										
4 Originations	182,258	86.3	21,038	10.0	8,007	3.8	211,303	100	189,477	89.7
5 Purchases	1,166	76.8	233	15.3	120	7.9	1,519	100	953	62.7
6 **Total**	**183,424**	**86.2**	**21,271**	**10.0**	**8,127**	**3.8**	**212,822**	**100**	**190,430**	**89.5**
All										
7 Originations	2,362,572	86.5	207,152	7.6	161,338	5.9	2,731,062	100	1,465,808	53.7
8 Purchases	38,666	90.9	2,006	4.7	1,883	4.4	42,555	100	5,577	13.1
9 **Total**	**2,401,238**	**86.6**	**209,158**	**7.5**	**163,221**	**5.9**	**2,773,617**	**100**	**1,471,385**	**53.0**
	Amount of loans (thousands of dollars)									
Business										
10 Originations	45,647,222	29.0	32,231,586	20.5	79,669,425	50.6	157,548,233	100	66,652,157	42.3
11 Purchases	620,409	33.5	296,943	16.0	935,717	50.5	1,853,069	100	380,268	20.5
12 **Total**	**46,267,631**	**29.0**	**32,528,529**	**20.4**	**80,605,142**	**50.6**	**159,401,302**	**100**	**67,032,425**	**42.1**
Farm										
13 Originations	4,644,415	42.0	3,464,126	31.3	2,956,286	26.7	11,064,827	100	9,042,825	81.7
14 Purchases	38,860	30.5	38,918	30.5	49,795	39.0	127,573	100	61,933	48.5
15 **Total**	**4,683,275**	**41.8**	**3,503,044**	**31.3**	**3,006,081**	**26.9**	**11,192,400**	**100**	**9,104,758**	**81.3**
All										
16 Originations	50,291,637	29.8	35,695,712	21.2	82,625,711	49.0	168,613,060	100	75,694,982	44.9
17 Purchases	659,269	33.3	335,861	17.0	985,512	49.8	1,980,642	100	442,201	22.3
18 **Total**	**50,950,906**	**29.9**	**36,031,573**	**21.1**	**83,611,223**	**49.0**	**170,593,702**	**100**	**76,137,183**	**44.6**

4.48 ORIGINATIONS AND PURCHASES OF SMALL LOANS TO BUSINESSES AND FARMS, 1997

By Type of Borrower and Loan, and Distributed by Size of Lending Institution

Type of borrower and loan	Institutions, by asset size (millions of dollars)								All institutions	
	Less than 100		100 to 249		250 to 999		1,000 or more			
	Total	Percent	Total	Percent	Total	Percent	Total	Percent	Total	Percent
	Number of loans									
Business										
1 Originations	29,479	1.2	167,392	6.6	398,731	15.8	1,924,157	76.4	2,519,759	100
2 Purchases	118	.3	249	.6	2,547	6.2	38,122	92.9	41,036	100
3 **Total**	**29,597**	**1.2**	**167,641**	**6.5**	**401,278**	**15.7**	**1,962,279**	**76.6**	**2,560,795**	**100**
Farm										
4 Originations	13,383	6.3	21,937	10.4	79,056	37.4	96,927	45.9	211,303	100
5 Purchases	253	16.7	229	15.1	532	35.0	505	33.2	1,519	100
6 **Total**	**13,636**	**6.4**	**22,166**	**10.4**	**79,588**	**37.4**	**97,432**	**45.8**	**212,822**	**100**
All										
7 Originations	42,862	1.6	189,329	6.9	477,787	17.5	2,021,084	74.0	2,731,062	100
8 Purchases	371	.9	478	1.1	3,079	7.2	38,627	90.8	42,555	100
9 **Total**	**43,233**	**1.6**	**189,807**	**6.8**	**480,866**	**17.3**	**2,059,711**	**74.3**	**2,773,617**	**100**
	Amount of loans (thousands of dollars)									
Business										
10 Originations	2,182,058	1.4	5,550,607	3.5	32,988,689	20.9	116,826,879	74.2	157,548,233	100
11 Purchases	25,877	1.4	79,117	4.3	331,106	17.9	1,416,969	76.5	1,853,069	100
12 **Total**	**2,207,935**	**1.4**	**5,629,724**	**3.5**	**33,319,795**	**20.9**	**118,243,848**	**74.2**	**159,401,302**	**100**
Farm										
13 Originations	563,775	5.1	914,006	8.3	3,763,572	34.0	5,823,474	52.6	11,064,827	100
14 Purchases	10,969	8.6	4,706	3.7	58,898	46.2	53,000	41.5	127,573	100
15 **Total**	**574,744**	**5.1**	**918,712**	**8.2**	**3,822,470**	**34.2**	**5,876,474**	**52.5**	**11,192,400**	**100**
All										
16 Originations	2,745,833	1.6	6,464,613	3.8	36,752,261	21.8	122,650,353	72.7	168,613,060	100
17 Purchases	36,846	1.9	83,823	4.2	390,004	19.7	1,469,969	74.2	1,980,642	100
18 **Total**	**2,782,679**	**1.6**	**6,548,436**	**3.8**	**37,142,265**	**21.8**	**124,120,322**	**72.8**	**170,593,702**	**100**
MEMO										
19 Number of institutions reporting	153		261		1,008		474		1,896	
20 Number of institutions extending loans	144		252		913		420		1,729	

4.49 COMMUNITY DEVELOPMENT LENDING, 1997

Asset size of lender (millions of dollars)	Number of loans		Amount of loan (thousands of dollars)		MEMO: CRA reporters			
							Community development loans	
	Total	Percent	Total	Percent	Number	Percent	Number extending	Percent extending
1 Less than 100	397	.9	113,472	.6	153	8.1	54	5.0
2 100 to 249	594	1.4	214,146	1.2	261	13.8	108	10.1
3 250 to 999	25,113	60.1	3,116,022	16.8	1,008	53.2	544	50.7
4 1,000 or more	15,688	37.5	15,153,086	81.5	474	25.0	366	34.1
5 All	41,792	100.0	18,596,726	100.0	1,896	100.0	1,072	100.0
MEMO								
6 Lending by all affiliates	545	1.3	916,151	4.9	...	..	30	2.8

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REPRINTS OF SELECTED Bulletin *ARTICLES*

Some Bulletin *articles are reprinted. The articles listed below are those for which reprints are available. Beginning with the January 1997 issue, articles are available on the Board's World Wide Web site* (http://www.federalreserve.gov) *under* **Publications**, Federal Reserve Bulletin articles.

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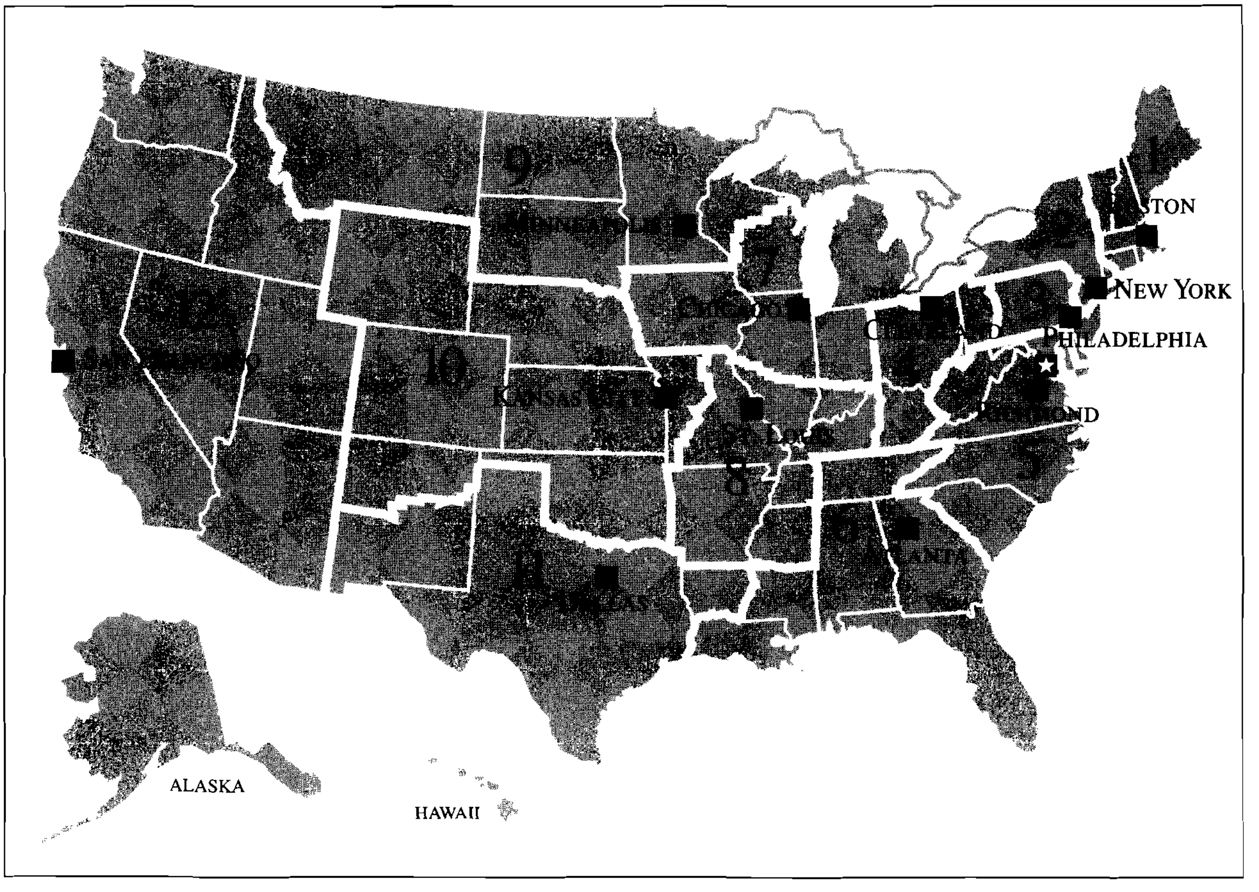
FAMILY FINANCES IN THE U.S.: RECENT EVIDENCE FROM THE SURVEY OF CONSUMER FINANCES. January 1997.

Maps of the Federal Reserve System



Legend

Both pages

- ■ Federal Reserve Bank city
- ▣ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

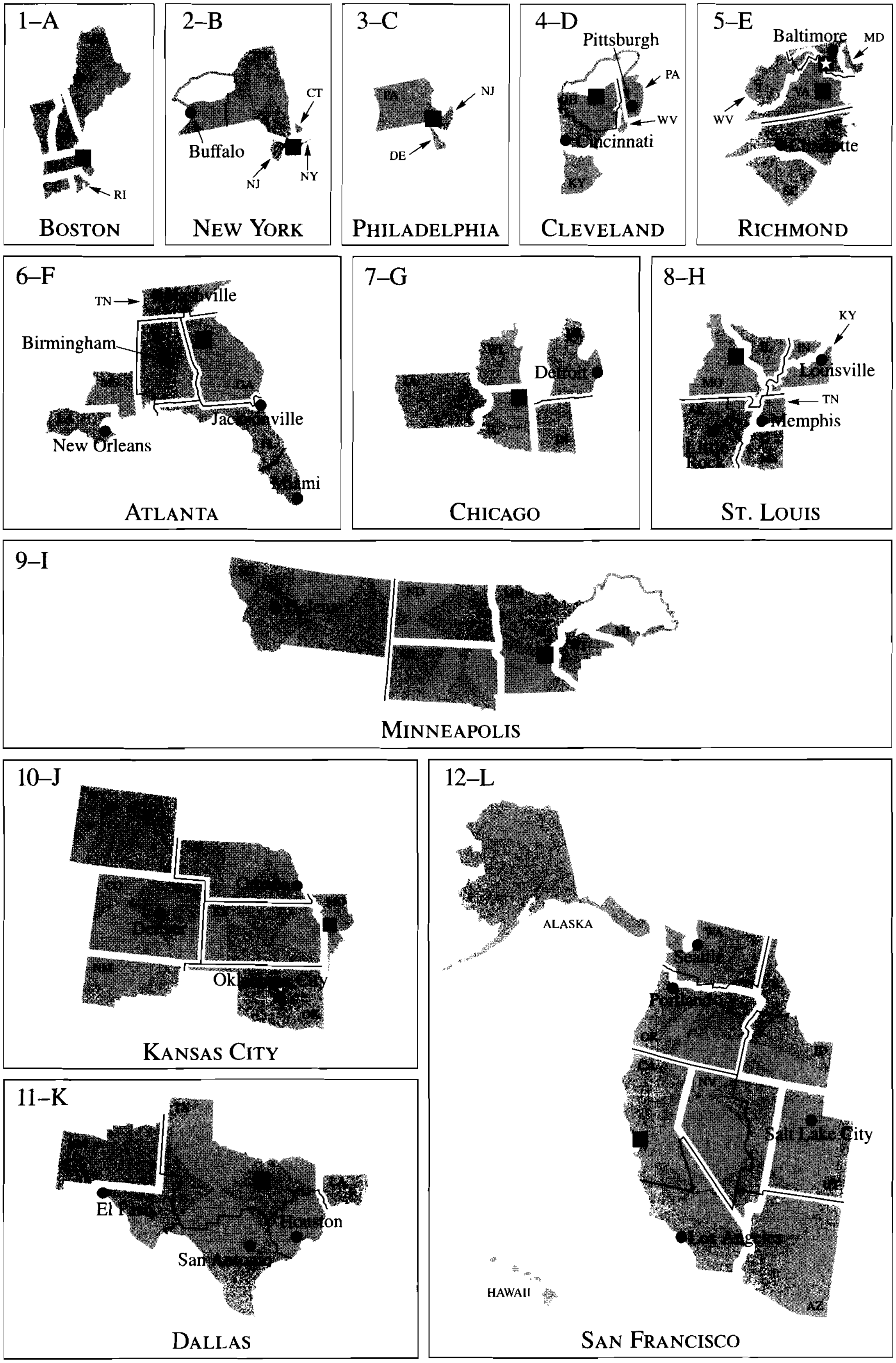
- • Federal Reserve Branch city
- — Branch boundary

Note

The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System most recently in February 1996.


1–A
RI
BOSTON
2–B
CT
Buffalo
NJ
NY
NEW YORK
3–C
NJ
DE
PHILADELPHIA
4–D
Pittsburgh
PA
WV
CLEVELAND
5–E
Baltimore
MD
WV
RICHMOND
6–F
TN
Birmingham
New Orleans
ATLANTA
7–G
CHICAGO
8–H
KY
Louisville
TN
Memphis
ST. LOUIS
9–I
MINNEAPOLIS
10–J
KANSAS CITY
11–K
DALLAS
12–L
ALASKA
Salt Lake City
HAWAII
SAN FRANCISCO

Federal Reserve Banks, Branches, and Offices

FEDERAL RESERVE BANK branch, or *facility*	Zip	Chairman / Deputy Chairman	President / First Vice President	Vice President in charge of branch
BOSTON*	02106	William C. Brainard William O. Taylor	Cathy E. Minehan Paul M. Connolly	
NEW YORK*	10045	John C. Whitehead Thomas W. Jones	William J. McDonough Vacant	
Buffalo	14240	Bal Dixit		Carl W. Turnipseed[1]
PHILADELPHIA	19105	Joan Carter Charisse R. Lillie	Edward G. Boehne William H. Stone, Jr.	
CLEVELAND*	44101	G. Watts Humphrey, Jr. David H. Hoag	Jerry L. Jordan Sandra Pianalto	
Cincinnati	45201	George C. Juilfs		Charles A. Cerino[1]
Pittsburgh	15230	John T. Ryan III		Robert B. Schaub
RICHMOND*	23219	Claudine B. Malone Robert L. Strickland	J. Alfred Broaddus, Jr. Walter A. Varvel	
Baltimore	21203	Daniel R. Baker		William J. Tignanelli[1]
Charlotte	28230	Dennis D. Lowery		Dan M. Bechter[1]
ATLANTA	30303	David R. Jones John F. Wieland	Jack Guynn Patrick K. Barron	James M. Mckee
Birmingham	35283	Patricia B. Compton		Fred R. Herr[1]
Jacksonville	32231	Judy Jones		James D. Hawkins[1]
Miami	33152	R. Kirk Landon		James T. Curry III
Nashville	37203	Frances F. Marcum		Melvyn K. Purcell
New Orleans	70161	Lucimarian Roberts		Robert J. Musso
CHICAGO*	60690	Lester H. McKeever, Jr. Arthur C. Martinez	Michael H. Moskow William C. Conrad	
Detroit	48231	Florine Mark		David R. Allardice[1]
ST. LOUIS	63166	John F. McDonnell Susan S. Elliott	William Poole W. LeGrande Rives	
Little Rock	72203	Betta M. Carney		Robert A. Hopkins
Louisville	40232	Roger Reynolds		Thomas A. Boone
Memphis	38101	Carol G. Crawley		Martha L. Perine
MINNEAPOLIS	55480	David A. Koch James J. Howard	Gary H. Stern Colleen K. Strand	
Helena	59601	William P. Underriner		John D. Johnson
KANSAS CITY	64198	Jo Marie Dancik Terrence P. Dunn	Thomas M. Hoenig Richard K. Rasdall	
Denver	80217	Peter I. Wold		Carl M. Gambs[1]
Oklahoma City	73125	Barry L. Eller		Kelly J. Dubbert
Omaha	68102	Arthur L. Shoener		Steven D. Evans
DALLAS	75201	Roger R. Hemminghaus James A. Martin	Robert D. McTeer, Jr. Helen E. Holcomb	
El Paso	79999	Patricia Z. Holland-Branch		Sammie C. Clay
Houston	77252	Edward O. Gaylord		Robert Smith, III[1]
San Antonio	78295	H. B. Zachry, Jr.		James L. Stull[1]
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Los Angeles	90051	Anne L. Evans		Mark L. Mullinix[1]
Portland	97208	Carol A. Whipple		Raymond H. Laurence[1]
Salt Lake City	84125	Richard E. Davis		Andrea P. Wolcott
Seattle	98124	Richard R. Sonstelie		Gordon R. G. Werkema[2]

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2. Executive Vice President