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The Community Reinvestment Act: Evolution and Current Issues

Griffith L. Garwood and Dolores S. Smith, of the Division of Consumer and Community Affairs, prepared this article. Jane E. Ahrens, Michael S. Bylsma, and Adrienne D. Hurt provided research assistance.

The Community Reinvestment Act took effect in November 1978. How well is it working? The answer is, probably a lot better than is often recognized. The legislation has had a major influence on reinvestment activity throughout the country and has brought greater attention to local needs, especially in low-income and minority areas. It has also engendered creative strategies and techniques to stimulate lending for community development. In many parts of the country, community groups and financial institutions have moved from adversarial relations to cooperation in pursuit of mutual goals.

Yet many financial institutions complain that complying with the Community Reinvestment Act (CRA) is costly and burdensome. Some criticize the law's requirements as too vague; others say that its implementation amounts, de facto, to credit allocation. Some also are adversely affected by the law's existence when they seek to expand operations, particularly if a public protest is filed. Many community and consumer groups, on the other hand, believe that financial institutions are not doing enough to help meet the credit needs of residents and businesses in low- and moderate-income areas. In part, they blame the supervisory agencies for being too lenient in assessing CRA performance and too generous in assigning grades. Caught in the middle, the agencies over the years have addressed the divergent views and expanded the guidance they offer while seeking to maintain the flexibility called for by the law.

Today the act remains a source of concerns common to regulators, bankers, and community activists—the paperwork burden, the disproportionate effect on small institutions, and a lack of certainty in the law's application. But it also continues to offer each depository institution wide opportunities for meeting its CRA responsibilities creatively, in a manner that best accommodates the institution and the community it serves.

BACKGROUND

In the mid-1970s, a prevalent view among some members of the Congress was that many financial institutions accepted deposits from households and small businesses in inner cities while lending and investing those deposits primarily elsewhere. They believed that, given this disinvestment, or "redlining," credit needs for urban areas in decline were not being met by the private sector; moreover, the problem was worsening because public resources were becoming increasingly scarce.

In January 1977, the original Senate bill on community reinvestment was introduced. In the hearings that followed, opponents of the legislation voiced serious concerns that the bill threatened to allocate credit to geographic areas, according to the volume of deposits coming from those areas, or to specific types of loans, without regard for credit demand or the merits of loan applications. The law would therefore disrupt the normal flow of capital from areas of excess supply to areas of strong demand and undermine the safety and soundness of depository institutions. Proponents of the bill stated that it was meant to ensure only that lenders did not ignore good borrowing prospects in their communities and that they treated creditworthy borrowers evenhandedly. Senator William A. Proxmire, the bill's sponsor, stressed that it would neither force high-risk lending nor substitute the views of regulators for those of banks. He said that safety and soundness should remain the overriding factor when agencies evaluate applications for corporate expansion; meeting the credit needs of the community was only one of the criteria to consider.

Believing that systematic, affirmative programs would encourage lenders to give priority to credit needs in their home areas, the Congress passed the Community Reinvestment Act, and the President signed it into law on October 12, 1977.[1] The CRA reaffirmed the principle that financial institutions must serve "the convenience and needs" of the communities in which they are chartered to do business by extending credit in these communities. This principle is one that federal law governing deposit insurance, bank charters, and bank mergers had embodied long before the enactment of the CRA. Likewise, the Bank Holding Company Act—passed initially in 1956—requires the Board, in acting on acquisitions by banks and bank holding companies, to evaluate how well an institution meets the convenience and needs of its communities within the limits of safety and soundness. Thus, the mandate of the CRA was, in many respects, already in place.

BASIC PROVISIONS

The CRA is directed primarily at the four federal agencies that supervise the institutions covered by the law—the Board of Governors of the Federal Reserve System (the Board), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the Office of Thrift Supervision (OTS, formerly the Federal Home Loan Bank Board). First, the agencies are to use their supervisory authority to encourage financial institutions to help meet local credit needs in a manner consistent with safe and sound operation. Second, as part of their examinations, the agencies are to assess an institution's record of serving its entire community, including low- and moderate-income neighborhoods. Third, they must take that record into account when they assess an institution's application for approval regarding a deposit facility—a charter, a merger, an acquisition, a branch, an office relocation, or deposit insurance.

The act sets no criteria or guidelines for assessing the performance of an institution. It does not explain how an institution's "community" should be selected, how credit needs are to be determined, how to define low- and moderate-income neighborhoods, or what constitutes satisfactory compliance. With little guidance available from the statute, the agencies held hearings in 1978 to elicit the public's suggestions on how the CRA should be interpreted and implemented. Not surprisingly, views differed. Consumer groups favored specific rules—for example, the application of loan-to-deposit ratios for evaluating CRA performance—whereas industry witnesses voiced concerns about credit allocation and focused on the need for flexible standards.

The joint regulations subsequently adopted by the agencies reflected a set of principles that continues to mark the administration of the CRA: Flexibility is important, agency rules should not allocate credit, and institutions in different communities may approach the CRA in various ways. To deal with the lack of standards in the law, the regulations established twelve factors against which the agencies would assess the performance of institutions (see box).

In assessing an institution's CRA record, the supervisory agency examines for technical compliance with a few specific rules and qualitatively evaluates the institution's performance in serving its entire community. The rules call for an institution to do the following:

- Formulate and adopt a public "CRA statement" that delineates the communities it serves, lists the principal types of credit it offers, and indicates where a person should write to comment on the institution's CRA performance
- Maintain a file of comments from the public about its CRA performance (as of 1990, this "public comment file" also must contain the supervisory agency's most recent assessment of the institution's CRA record)
- Publicly display a notice about the availability of the CRA statement and the public comment file.

The agencies also adopted uniform examination procedures. Like the regulations, the procedures

1. In retrospect, the Congress enacted the CRA with surprising ease. In the Senate, a markup of the original bill was reported out of the Banking Committee and adopted as part of the Housing and Community Development Act of 1977. No companion reinvestment bill was introduced in the House; after minimal floor debate, House members adopted the Senate bill as amended by a conference committee of the two houses.

Twelve Performance Factors

The federal supervisory agencies consider the following factors in assessing an institution's record of performance under the Community Reinvestment Act:

• Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution

• The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution

• The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act

• Any practices intended to discourage applications for types of credit set forth in the institution's CRA statement

• The geographic distribution of the institution's credit extensions, credit applications, and credit denials

• Evidence of prohibited discriminatory credit practices or other illegal credit practices

• The institution's record of opening and closing offices and providing services at offices

• The institution's participation, including investment, in local community development and redevelopment projects or programs

• The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in the community

• The institution's participation in government insured, guaranteed, or subsidized loan programs for housing, small businesses, or small farms

• The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions, and other factors

• Other factors that, in the supervisory agency's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

stressed that financial institutions could use various means to learn about, and help meet, the financial needs of the surrounding community. The CRA did not establish hard and fast rules or ratios by which to judge an institution's performance. But an institution could expect negative marks if its pattern of loan applications, extensions, and rejections showed a concentration of credit approvals in high-income neighborhoods that was inappropriate given the institution's delineated service area and the presence of qualified applicants in lower-income areas.

In considering an application for a deposit facility, the supervisory agency assesses the applicant's CRA record—including its CRA rating and any actions taken to improve performance following an examination—as part of its decision to approve or deny the application. In the past, the agencies at times approved an application even though CRA performance was unsatisfactory if the applicant offered substantial commitments for future performance. Today, an institution generally is expected to have a satisfactory CRA program in place and working well before its application can receive approval. A poor CRA performance may, however, be outweighed by other factors, such as the need to merge a weak institution into a strong one, in which case the application may still be approved.

Policy Statements of 1980 and 1989

In December 1979 the Federal Reserve Board issued a policy statement on the CRA to guide state member banks; the Board also forwarded the statement to the Federal Financial Institutions Examination Council (FFIEC) for consideration by the three other supervisory agencies responsible for implementing the CRA. In September 1980 the FFIEC adopted a statement similar to the Board's and covering these principal points:

• Although directed toward meeting community credit needs, the CRA does not impose credit allocation.

• Disparities in loan-to-deposit ratios are not, on their face, evidence of discrimination or poor performance under the CRA.

• In the absence of substantial efforts to ascertain credit needs and publicize credit services, a lack of applications is not an adequate explanation for little or no lending in a particular neighborhood.

• Institutions are expected to offer throughout their communities the types of credit listed on their CRA statements.

• Favorable weight will be given to an institution's concerted effort to tailor and adapt programs and services to the needs of low- and moderate-income neighborhoods in its community.

• Commitments for future action will not be viewed as part of the CRA record of performance, but they may receive weight as an indicator of potential for improvement.

• Communication between applicants and protesting parties is encouraged, but the agencies will not approve or enforce agreements.

In subsequent years the CRA attracted increasing public attention. Reduced federal funding for community and housing programs and charges of discriminatory lending patterns intensified interest in bank performance. Community groups grew in number and experience and became more sophisticated in dealing with information about lending patterns. Challenges to applications multiplied, the handling of CRA protests became a significant aspect of the application process, particularly in major acquisitions by bank holding companies, and the volume and complexity of the CRA issues rose as the number of low CRA ratings grew.

The growing pressure on institutions increased their demands for guidance regarding the adequacy of a CRA record and what to expect in the application process. In April 1989 the agencies released a second CRA policy statement based on their decade of experience in evaluating applications, dealing with protests, and conducting examinations. Given the discomfort caused, on the one hand, by any notion of credit allocation and, on the other, by a perceived lack of detailed direction, the 1989 statement attempted to give more guidance to institutions but not hamstring them with rigid requirements. The statement added specificity about the responsibilities of institutions under the CRA, the manner in which the agencies would assess performance, and some of the elements found in effective programs.

A crucial feature of the 1989 policy statement was its emphasis on an institution's management of CRA performance as part of day-to-day activities. The statement reaffirmed the value of an institution's discretion in developing the products best suited to its expertise and the specific needs of its community. It stressed that the CRA requires an ongoing effort by an institution to ascertain the needs of its entire community, develop products in response, and market them throughout the community.

The statement also dealt with the CRA in the context of protested applications. It stressed that an institution's CRA evaluation rating would receive great weight. It encouraged community groups to bring CRA issues to the attention of banks and regulators without delay rather than to wait until an application was pending. Given the desirability of processing cases in a timely manner, the statement made clear that extensions of comment periods would be the exception, not the rule. The agencies also cautioned institutions to address their CRA responsibilities and to have policies in place and working well before they filed an application, signaling a shift away from approving applications on the strength of promised performance. In general, institutions could not hope to use commitments made in the application process to overcome a seriously deficient record.

Guidelines for CRA Evaluations

In August 1989 the Congress amended the CRA to require public release of examination assessments and change the CRA rating scale, effective July 1, 1990. To define the standards, the FFIEC issued "Guidelines for Disclosure of Written Evaluations and Revised Assessment Rating System" in April 1990. The guidelines detailed performance requirements and information about how examiners would evaluate institutions. They placed emphasis on the need for a managed CRA program: Were procedures in place at the institution to promote community dialogue? How did the institution take its assessment of community needs into account in product design and marketing? If it analyzed its geographic distribution of credit on an ongoing basis, what were the institution's own goals for lending distribution, and had they been met?

Although this approach steered clear of any semblance of credit allocation, it created a different problem by appearing to place undue emphasis on documentation. Widely reported statements from some regulators that "if it isn't documented, it didn't happen" contributed to that belief. So did some efforts of trade associations and CRA consultants, who prepared elaborate check lists of the documentation that institutions should provide to examiners. The requirement that public assessments be factually supported by "facts and data"—a provision added to the law in 1991—brought other requests for recorded activities that the examiners could cite.

In 1992, amid rising concerns about excessive reliance on paperwork, the agencies issued new examiner guidelines. These made clear that examiners should base the evaluation of CRA performance primarily on how well an institution was helping to meet credit needs, not on the amount of documentation it maintained. A lack of documentation was not a sufficient basis for assigning a poor rating if satisfactory performance was otherwise demonstrated or apparent. The agencies also emphasized their expectation that documentation would normally be found in a well-managed program and that it would generally be less formal and less extensive in small and rural institutions.

PUBLIC FOCUS ON THE CRA

In recent years, interest in CRA activities has increased dramatically, especially since the CRA evaluations became publicly available. Public disclosure in some respects has further empowered community groups and individuals concerned about financial institutions' lending practices. Application activities, marking a movement toward interstate banking and the industry's restructuring, have provided a ready forum in which to raise CRA issues. Those interested in the CRA, moreover, now include not just the traditional groups of community activists but also local government officials, unions, churches, the media, and others.

Coverage of mortgage lending issues by news organizations, particularly of the data produced under the Home Mortgage Disclosure Act (HMDA), has fueled the debate over how well institutions are serving the credit needs of minority populations in their local communities. The provisions of the CRA focus on issues broader than the financing of low- and moderate-income housing, but community activists have always emphasized mortgage lending, in large part because of the combination of unmet needs in low-income areas and the ready availability of mortgage data.[2] As amended in 1989, HMDA calls for lenders to record the race, sex, and income of applicants for all mortgages and home improvement loans, including loans denied and withdrawn; lenders previously reported only loans that they originated or purchased.[3] For both 1990 and 1991, the HMDA data have shown the rate of loan denials to be generally higher for minority and Hispanic loan applicants than for Asian and white applicants. The data also show that the rate of such denials generally increases in neighborhoods as the percentage of nonwhite residents increases.[4]

Other factors have contributed to an intensified focus on the CRA. The financial support of federal programs for low- and moderate-income housing, for example, has dropped significantly over the past decade. In constant dollars, the total budget for low-income housing programs was reduced by more than half between 1980 and 1991, and federal support for rental housing also contracted sharply. These cutbacks have placed yet greater pressure on

2. Bills to expand HMDA to other types of credit, such as small business loans and personal loans, have been introduced over the years. For example, in 1992 Representative Maxine Waters of California introduced a bill to expand the types of loans for which applicant characteristics are collected under HMDA and to expand the analysis required to evaluate an institution's CRA performance (Community Credit Improvement Act of 1992, H.R. 6206 § 101, 102 Cong. 2 Sess., 1992).

3. To maximize use of the expanded data, the Federal Reserve has developed a system that facilitates access and provides analyses of the data by demographic characteristics, such as race, gender, and income levels, and by geographic boundaries. Examiners are able to compare the HMDA data for a single reporting lender with the HMDA data for others within a defined geographic market. They also can compare the income levels and race of applicants with characteristics of the census tracts where the properties that secure the loans are located.

4. Glenn B. Canner and Dolores S. Smith, "Home Mortgage Disclosure Act: Expanded Data on Residential Lending," *Federal Reserve Bulletin*, vol. 77 (November 1991), pp. 859–84; and Canner and Smith, "Expanded HMDA Data on Residential Lending: One Year Later," *Federal Reserve Bulletin*, vol. 78 (November 1992), pp. 801–24.

financial institutions to support local efforts to create housing.[5]

Some state governments require commitments to community reinvestment before out-of-state institutions can operate in their localities. They premise entry on a standard of net new benefits to the state, such as increased in-state lending and investments. To encourage CRA-related programs, some municipalities, too, condition their placement of deposits upon the institution's making specific types of loans. In Chicago, for example, institutions must file reports on their residential and commercial lending in the Chicago metropolitan area before they can qualify for the city's deposits. Even private organizations may evaluate potential depositories using CRA factors; in 1991, the American Bar Association resolved to place its accounts whenever possible in financial institutions that have shown outstanding or satisfactory performance in helping to meet the credit needs of their communities, including low- and moderate-income neighborhoods.

All this interest has turned the public and congressional spotlight on the agencies' process for examining the CRA performance of institutions and encouraging economic development efforts.

EXAMINATIONS

The CRA relies primarily on the examination process to ensure that depository institutions meet the credit needs of their local communities. The federal agencies have virtually identical CRA regulations, and they work together to promote uniform measures of performance among depository institutions and consistent results within and among agencies.

A major change for the CRA examination process occurred with passage of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA). FIRREA amended the CRA to give the public access to examination assessments and CRA ratings prepared by federal regulators. The disclosure mandated by FIRREA had implications for depository institutions and examiners: Institutions with a negative CRA assessment now had to face the public display of the rating; and examiners preparing CRA reports were under much greater pressure to be precise and to be able to substantiate their findings.

The agencies' written evaluations have two sections: public and confidential. The public section discloses the examiner's conclusions, using the assessment factors developed jointly by the four supervisory agencies, and supporting facts; it gives a rating and explains the basis for it. The amended CRA mandates four possible choices ("outstanding," "satisfactory," "needs to improve," and "substantial noncompliance") from which agencies are to select in assessing the record of depository institutions. The confidential portion includes references to customers, employees, or other members of the community who provided information to the examiner and comments of a supervisory nature that the agencies believe ought not be public.

To implement these rules and promote uniformity in evaluations, the FFIEC published interagency guidelines and a rating system. The guidelines group the regulation's twelve assessment factors into five performance categories:

- What the institution does to ascertain community needs
- How the institution markets products and what types of credit are offered and actually extended
- Where the institution makes loans and where it has placed offices or closed them
- Whether evidence of discrimination or other illegal credit practices exists
- To what extent the institution participates in community development.

The guidelines provide examiners and institutions with sample profiles of CRA records of performance; these profiles correlate the quality and quantity of certain actions and efforts to the ratings for each assessment factor.

The public can influence an agency's evaluation of an institution's CRA record. Examiners review

5. For data on HUD's budget for low-income housing, see Cushing N. Dolbeare, "At a Snail's Pace, FY 1993: A Source Book on the Proposed 1993 Budget and How it Compares to Prior Years" (Washington: Low Income Housing Information Service, 1992). See also, Marion A. Cowell, Jr., and Monty D. Hagler, "The Community Reinvestment Act in the Decade of Bank Consolidation," *Wake Forest Law Review,* vol. 27 (1992), p. 90, note 64.

For data on the participation of the Federal Housing Administration in insuring mortgages on multifamily residential projects, see *Report on the Status of the Community Reinvestment Act,* before the Subcommittee on Housing and Urban Affairs of the Senate Committee on Banking, Housing and Urban Affairs, 102 Cong. 2 Sess., p. 21 (Government Printing Office, 1992).

CRA comments from persons in the community placed in the institution's public comment file, and may contact such persons directly. The examiners also seek out local officials, community groups, and others knowledgeable about local credit needs so that they can make an informed judgment about those needs and the institution's responsiveness.

The Federal Reserve uses consumer compliance examinations—as distinct from the commercial examinations for safety and soundness—to assess the CRA records of state member banks and their compliance with fair lending and other consumer statutes. These consumer examinations are conducted, in general, every eighteen months. Banks with a demonstrated need for greater oversight are examined more often; the lowest CRA rating of "substantial noncompliance" can bring a reexamination within six months. Banks with exemplary records may be examined every twenty-four months. The frequency with which other regulators examine their respective institutions may differ somewhat from the Federal Reserve schedule.

The CRA examinations take into account the size, location, and organizational structure of the individual institutions and the nature and needs of the communities they serve. Size and financial strength will affect the expected scope of an institution's efforts to identify and respond to credit needs. For example, examiners would generally expect large institutions to undertake specialized CRA-related activities to a greater extent, given their relative resources and expertise. Institutions that are part of a multibank holding company may be able to draw on the resources of the parent and affiliates.

Expectations also vary about how banks of various sizes demonstrate CRA performance in different settings. For example, CRA recordkeeping and documentation will generally be less formal and extensive in small and rural banks than in large urban institutions. This also holds true for the extent and sophistication of analyses of lending patterns for the CRA and other purposes.

Consistency and Level of Ratings

The agencies have worked to promote uniformity in CRA enforcement—using a common rating scheme, conducting interagency examiner training, adopting jointly developed examination standards and guidelines, and even reviewing examination reports across agencies to identify any lack of comparability in approach. Within the Federal Reserve, staff members at the Board participate regularly in CRA examinations of state member banks in connection with reviews of each Reserve Bank and sample reports from each Reserve Bank District to test for the consistent application of the Board's examination policy.

Nonetheless, institutions and the public alike express concern that, among the regulatory agencies and between different regions, examiners may apply differing standards when they assign ratings for CRA performance. Given the subjective nature of the CRA and the thousands of institutions examined—each with its own business goals and strengths, in communities with different needs and characteristics—some unevenness is probably unavoidable. Even though consistency remains elusive, it is an important goal.

Critics of the agencies' enforcement of the CRA also complain about the current ratings results, which in the aggregate are roughly comparable across agencies (table 1). About 10 percent of examined institutions receive an "outstanding" rating, and another 70 percent to 80 percent receive a "satisfactory." Some community groups see a contradiction between these results and public data indicating that even highly rated institutions have significant racial disparities in their home mortgage lending.

There probably is good reason for the current distribution of CRA ratings. All banks and thrift institutions pledge to meet the "convenience and needs" of their communities when they are chartered; this was so long before the CRA came on the scene. The fact that regulators have been assessing their CRA performance since 1978 also could be expected to have a positive effect. In addition, the "satisfactory" category—into which the vast majority of institutions fall—is quite broad and includes some with good performance and some with marginal but still satisfactory records. Adding a fifth rating has been suggested; doing so might permit a finer distinction in rating activities at the high or low end of a "satisfactory" rating and help produce a wider array of ratings.

The reliability of the rating system takes on special importance in light of legislation proposed

1. Distribution of CRA ratings, by supervisory agency and asset size of institution, January 1–September 30, 1992
Number except as noted

Asset size of institution (dollars)	Federal Deposit Insurance Corporation				Federal Reserve System				Office of the Comptroller of the Currency				Office of Thrift Supervision				All agencies (percent)			
	O	S	N	SN	O	S	N	SN	O	S	N	SN	O	S	N	SN	O	S	N	SN
Less than 100 million	149	969	38	4	37	245	24	4	23	256	65	2	16	248	71	4	10	80	9	1
100–250 million	30	84	3	0	15	37	4	0	21	94	15	0	25	118	28	1	19	70	11	0
250–500 million	9	16	1	0	3	15	1	0	5	29	1	1	8	46	11	0	17	73	10	1
500 million–1 billion	3	4	0	0	3	8	1	0	6	19	1	1	5	27	1	0	22	73	4	1
1–10 billion	2	4	0	0	3	10	0	0	8	49	4	0	9	33	7	0	17	74	9	0
More than 10 billion	0	0	0	0	0	4	0	0	8	9	0	0	2	1	0	0	42	58	0	0
All	**193**	**1,077**	**42**	**4**	**61**	**319**	**30**	**4**	**71**	**456**	**86**	**4**	**65**	**473**	**118**	**5**	**13**	**77**	**9**	**1**

O Outstanding. S Satisfactory. N Needs to improve. SN Substantial noncompliance.

in recent years to reward institutions for good CRA ratings. Institutions that have a "satisfactory" or "outstanding" CRA rating—and meet other statutory criteria—could be eligible for expedited approval procedures for opening new branches or could self-certify their compliance with the CRA and avoid routine examination. They could establish branches across state lines, or engage in new expanded powers, or enjoy a "safe harbor" from protests.

Given the current rating distribution, the tying of legislative rewards to CRA ratings does raise certain concerns, however. If the standard for any reward were set at a rating of "satisfactory" or better, almost all institutions would qualify; yet limiting the rewards to the "outstanding" category could be overly restrictive.

Ratings Anomalies

The CRA rating system—one rating per depository institution—may affect similar institutions differently depending on their corporate structure. A bank holding company with ten subsidiary banks will have ten separate CRA ratings because each bank is examined and assigned a rating. A poor rating for even one bank, depending on its size, may cause problems for the holding company. Yet a bank holding company of similar size, but structured as a single bank with multiple branches, will have a single CRA rating, and deficiencies in a few branches might have no major effect on that rating.

If legislation for interstate branching is enacted, the concept of a single CRA rating for a multistate, multibranch depository institution becomes more troublesome. Would the agency simultaneously examine branches in each state for compliance with the CRA? If examinations were not contemporaneous, how would a "moving" rating be determined? One answer would be to change the nature of the focus and of the examination itself from the bank to the areas that it serves. Some legislative proposals, for example, call for separate evaluations for each metropolitan area in which an institution maintains a branch, or separate evaluations for branches in each state, all to be factored into a single rating or used to assign separate ratings for each major locality.

APPLICATIONS

The CRA offers a very big carrot—or stick—for encouraging depository institutions to meet their communities' credit needs. Agencies consider an institution's record when evaluating an application to start a new facility, open or relocate a branch, or merge, consolidate with, or acquire another institution. Thus, depository institutions and holding companies wanting to expand banking operations must assess their CRA performance, as well as financial, managerial, and competitive factors, when gauging their chances for approval.

Because the 1989 policy statement gives guidelines for evaluating the CRA aspects of applications, a common thread runs through the agencies' evaluation procedures, although timing and other processing rules may differ. In the case of the Federal Reserve, Federal Reserve Banks decide most applications under authority delegated by the Board. Often, a prospective applicant may discuss its proposed application with Reserve Bank officials in advance of its submission. Once an application is filed, the depository institution publishes notices in local newspapers and the Federal Reserve publishes a notice in the *Federal Register*. The Board's public comment period is thirty days for most applications, but because the notices in the newspaper and in the *Federal Register* generally are not published concurrently, the public usually has a longer period in which to comment.

Protests of Applications

Protests of applications are received from many sources and on many grounds. Protests from the insurance industry have commonly been made, for example, when bank holding companies seek to engage in insurance activities, on the ground that doing so is unlawful. Disgruntled shareholders may challenge the adequacy of the price offered for shares. Other protestants may raise antitrust issues. Protests of applications are therefore neither new nor restricted to CRA matters. Nonetheless, the linkage between the approval of an application and the evaluation of CRA performance raises the political and economic stakes of the application process both for community groups and for applicants.

The restructuring of the financial industry has involved high-profile expansion moves, and community groups have used protests aggressively to apply leverage on applicants. In private negotiations, protestants may threaten to create regulatory delays—and perhaps impediments to approval—and applicants often complain of "unreasonable demands" for lending commitments, financial contributions, and other concessions. At times, the applicants themselves may want to negotiate, rather than stand on their record.

Few applications filed with the Federal Reserve are protested on CRA grounds—between 1 percent and 2 percent since 1988. If a protest is received, the Federal Reserve stands ready to facilitate private meetings between the applicant and the protestant. These meetings are not required. Their purpose is to collect information and find areas of agreement or misunderstanding, not to force negotiated settlements. Neither the Federal Reserve nor the other agencies will defer action pending negotiation between the parties. Nor will the agencies enforce agreements that may be reached between an institution and a protestant; the agencies' CRA enforcement extends only to commitments made by applicants directly to the agencies.

Agencies may hold public meetings to obtain information not available otherwise or to expedite the application process. For example, the Board in the past two years held public meetings and received testimony from numerous witnesses on the application by Mitsui Taiyo Kobe Bank, Limited, to convert Taiyo Kobe Bank and Trust Company from a nonbank trust company into a bank; on the application by NCNB Corporation to acquire C&S/Sovran Corporation; and on the application by BankAmerica Corporation to acquire Security Pacific Corporation.

The Board is required to consider CRA performance in all applications to acquire or expand a depository institution. Not all applications that raise CRA issues for the agencies involve protests. At the Federal Reserve in the past three years, 63 percent of applications with CRA issues were subjected to an intensive analysis, not because of a protest but because of deficiencies brought to light during the examination process.

In holding company cases, CRA evaluations may especially complicate the application process because of the likely involvement of several agencies. Outdated or incomplete CRA examinations can cause delays. If a protest is filed, the agencies will evaluate the merits and investigate allegations. If a public meeting is held, the volume of information to be considered can be formidable. In BankAmerica's application to acquire Security Pacific, for example, the Board received almost 350 comments and heard the testimony of about 175 witnesses in public hearings held in four cities.[6]

In a contested application, the ability to request and obtain information to conduct an evaluation can be slowed by procedural rules governing communication that includes some parties to the dispute but not others. Once an application is protested, the Federal Reserve generally must notify all parties before discussing issues raised in the protest with any one of them. The agency may communicate with the parties individually about purely procedural matters or matters unrelated to the protest, but isolating issues that are not related in some substantive way to the protest is often difficult. Thus, whereas ordinarily the information needed to complete an application record might readily be obtained from an institution, the process in a contested application is more formal and time-consuming.

In dealings between applicants and protestants, the agencies are sometimes caught in the middle. Their responsibility is to evaluate fairly the entire record on an application, including the issues raised by protestants. Throughout the application process, they attempt to balance the need for a thorough review of the statutory factors with the necessity for an orderly process and a timely decision. In the case of the Federal Reserve, a substantive written protest has the potential to extend the processing period somewhat. In general, however, the worry about delay is exaggerated. Significant delay as the result of a CRA protest or a rating issue is the exception, not, as commonly assumed, the rule. For example, of the cases acted on by the System in 1992 that involved CRA issues, only about 9.5 percent took longer to process than 60 days—the Board's internal deadline.[7]

Commitments

Since 1989 the supervisory agencies have viewed commitments for future action as largely inapplicable to an assessment of the applicant's CRA performance. In February 1989 the Board denied on CRA grounds an application from Continental Bank Corporation and Continental Illinois Bancorp, Inc., to acquire an Arizona bank despite commitments from Continental to improve its CRA performance in specific ways. The Board stated that such commitments could be taken into account only "when there has been a basic level of compliance on which the commitments can be evaluated."[8] In Continental's case, the inadequacy of past CRA performance made it inappropriate to consider such commitments.

More recently, the Board denied an application from Gore–Bronson Bancorp, Inc., to acquire a Chicago bank despite Gore–Bronson's commitment to address CRA deficiencies at two subsidiary banks. The CRA record had been less than satisfactory for two examination cycles for one bank, and for the other bank the CRA record had actually deteriorated under Gore–Bronson's ownership.[9] And in February 1993 the Board denied the application of Farmers & Merchants Bank of Long Beach to establish another branch and make additional investments in bank premises. The denial was based on the bank's prolonged compliance problems in the consumer lending area (which had led to a cease-and-desist order) and a deficient CRA program. Although the bank had begun taking corrective measures during the application process, the Board was unconvinced that the bank's compliance and CRA programs were viable and successful.[10]

Still, the Board may deem commitments appropriate when the proposed acquisition involves a troubled institution whose loss would be a detriment to the convenience and needs of its community. For example, the Board approved the application of First Union Corporation, Charlotte, North Carolina, and First Union Corporation of Florida, Jacksonville, Florida, to acquire Florida National Banks of Florida, Inc., a financially weak institution. The CRA performance of First Union's subsidiary banks showed problems in certain specific areas; but under section 3 of the BHC Act, the

6. "Legal Developments," *Federal Reserve Bulletin,* vol. 78 (May 1992), BankAmerica Corporation, pp. 338–69.

7. Some of the cases may have involved proposals that required the applicant to file more than one application.

8. "Legal Developments," *Federal Reserve Bulletin,* vol. 75 (April 1989), Continental Bank Corporation and Continental Illinois Bancorp, Inc., p. 305.

9. "Legal Developments," *Federal Reserve Bulletin,* vol. 78 (October 1992), Gore–Bronson Bancorp, Inc., pp. 784–86.

10. "Legal Developments," *Federal Reserve Bulletin* (this issue), Farmers & Merchants Bank of Long Beach, p. 365.

Board also must consider the convenience and needs of the communities the applicant will serve. The Board reasoned that maintaining services to Florida National's customers—including those in low- to moderate-income neighborhoods—was an overriding factor; the Board also noted that First Union recently had taken significant steps to improve its CRA performance.[11]

The Federal Reserve Board has denied few applications on CRA grounds, but it denies relatively few applications generally. In 1992, only six applications were turned down, one of them because of CRA deficiencies. This record does not, however, fully reflect the influence that the CRA has had. Institutions with poor CRA records often do not file an application with their supervisory agency. Others take concrete steps to address weaknesses in their CRA performance before filing an application. Still other applications are withdrawn if applicants anticipate an adverse finding after the agency's preliminary review.

What happens when some subsidiaries of a bank holding company have less than satisfactory records and the other subsidiaries have adequate, or better, records? In the application of SunTrust Banks, Inc., to acquire shares of Peoples Bank of Lakeland, substantially all of SunTrust's subsidiary banks had ratings that were satisfactory or better. The four subsidiaries identified as having CRA problems represented less than 10 percent of SunTrust's assets, and the problems did not indicate either chronic institutional or CRA deficiencies. The Board approved the application, noting that whenever problems were identified in the CRA performance of its banks, SunTrust had taken immediate steps to correct them and had done so in the case of these four institutions. The Board applied the principle that weight can be given to CRA commitments in addressing specific problems when the institution has an otherwise satisfactory CRA record.[12]

In the case of First Interstate BancSystem of Montana, on the other hand, the Board denied an application for a corporate reorganization based on the CRA record of a quite small banking subsidiary. The deficiencies in that case were serious and substantive; they had continued through successive examinations, and steps taken over a significant period of time had been insufficient to cure the problems.[13]

Over the years, questions have been raised about the bearing of the CRA on various kinds of applications. The obligation to help meet the credit needs of local communities rests with insured depository institutions and their deposit facilities. Thus, the CRA does not apply to applications by bank holding companies to acquire most nonbanking entities under section 4(c)(8) of the BHC Act. The Board had determined, however, that the terms and purposes of the CRA and the BHC Act indicate that the Board has to consider CRA performance in a section 4(c)(8) application by a bank holding company to acquire a savings association. As a depository institution, a savings association is subject to the CRA, and consequently its acquisition as a deposit facility is covered by the CRA.[14]

COMMUNITY AFFAIRS PROGRAM

The CRA mandates that the regulators encourage institutions to help meet local credit needs. In furtherance of this mandate, the Board established a community affairs program more than a decade ago. The community affairs staff of each Reserve Bank routinely assists institutions with information about community development strategies and techniques and other reinvestment issues. They work with financial institutions, banking associations, government, businesses, and community groups to create programs for community development lending that help finance affordable housing, small and

11. "Legal Developments," *Federal Reserve Bulletin*, vol. 76 (February 1990), First Union Corporation, p. 88.

12. "Legal Developments," *Federal Reserve Bulletin*, vol. 76 (July 1990), SunTrust Banks, Inc., pp. 542–45.

13. "Legal Developments," *Federal Reserve Bulletin*, vol. 77 (December 1991), First Interstate BancSystem of Montana, Inc., pp. 1007–10.

14. Similarly, regulators consider CRA performance when a bank holding company acquires the assets and liabilities of a thrift institution in a merger that is subject to the so-called Oakar amendment to the Federal Deposit Insurance Act. See "Legal Developments," *Federal Reserve Bulletin*, vol. 79 (February 1993), letter, Jennifer J. Johnson, Associate Secretary of the Board of Governors of the Federal Reserve System, to John H. Huffstutler, Assistant General Counsel, BankAmerica Corporation, pp. 148–52. Conversely, the Board has determined that the CRA does not apply to applications under the Change of Bank Control Act.

minority business, and other community revitalization projects.

Reserve Banks help facilitate the broad-based offering of credit through conferences for bankers on topics such as barriers faced by minority borrowers, steps to ensure that credit is offered on an equitable basis, ways of participating in economic development programs, and credit issues affecting Native Americans. Reserve Banks also provide technical assistance, helping institutions to create community development corporations (CDCs) and multibank lending consortiums and, in the case of institutions with unsatisfactory CRA ratings, helping them to strengthen their CRA program. Reserve Banks publish descriptions of CDCs, limited partnerships, and other community development projects in which bank holding companies have been allowed to invest. They prepare profiles that identify key community and economic development needs and describe resource organizations in major communities.

For example, the Federal Reserve Banks of San Francisco and Philadelphia have produced community profiles used by local financial institutions to address specific issues and projects. The Federal Reserve Bank of Boston has developed a training curriculum on community-development finance for bankers. Reserve Banks also publish a variety of other brochures and manuals that assist lenders in community development activities. Their community affairs newsletters have a combined circulation of more than 40,000.

Other federal banking agencies also have community affairs programs. The OCC's Community Development Division, for instance, oversees CDC and investment programs and approves applications by national banks to invest in CDCs in accordance with the National Bank Act and its interpretations. The FDIC has a community affairs program that, like the Federal Reserve's, has a regional presence.

INDUSTRY INITIATIVES

The CRA has stimulated an abundance of activity by financial institutions and others. For example, in late 1992 the American Bankers Association established a Center for Community Development whose primary mission is to provide information and technical assistance to its members. The center has already published an educational guide, and in 1993 it expects to sponsor workshops and publish a compendium of contacts at community lending agencies and organizations. The center is also involved in credit counseling outreach, offering camera-ready copies of a five-part series of brochures on such issues as home buying and credit rights for member banks to publish and distribute in their communities.

Two recent surveys illustrate the banking industry's efforts. In a survey of banks, thrifts, and holding companies, the Consumer Bankers Association found that roughly 90 percent of its respondents have programs that target purchase-money lending for low- to moderate-income housing. Nearly 95 percent of the programs include mortgage products with flexible requirements for downpayment, loan-to-value ratios, and debt-to-income ratios designed to make home financing more available and affordable.[15] And in late 1992, the OCC announced the results of a survey to which nearly 55 percent of all national banks responded. A majority of the respondents engaged in community development lending and financed low- to moderate-income housing, small businesses, and small farms. The type of lending tended to differ according to their asset size. For instance, among the largest banks (assets of more than $1 billion), 86 percent focused on low- to moderate-income housing, whereas among the smallest banks (assets of less than $100 million), 72 percent reported making small-farm loans.

Depository institutions have access to various forms of assistance to support their CRA activities. For example, the Federal Home Loan Bank System offers two loan programs to its membership of savings banks, savings and loan associations, and banks. It advances funds or subsidizes below-market-rate loans originated for low- to moderate-income families and for businesses in low- to moderate-income neighborhoods. Its Community Investment Program provides home lending funds to projects aimed at individuals with incomes of up to 115 percent of an area's median income; an Affordable Housing Program provides home lend-

15. Consumer Bankers Association, *Affordable Mortgage Survey: A Survey of Bank Mortgage Programs as of June 30, 1992* (Washington: CBA, 1992), pp. 2, 4.

ing funds to support housing for people with incomes of 80 percent of an area's median income and rental housing funds where at least 20 percent of the units are occupied by very low income tenants.[16]

Increasingly, attention has turned to the role of the secondary markets in funding loans to low- to moderate-income applicants or in low- to moderate-income neighborhoods. Secondary markets provide liquidity to lenders by purchasing the loans that lenders originate, enabling them to meet additional credit needs. For example, more than half of the "affordable mortgages" reported by the respondents to the Consumer Bankers' survey are sold to the secondary market.

The Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) have both announced initiatives in recent years to purchase loans with underwriting guidelines or payment terms that do not meet their more traditional loan purchase programs. The Congress has spurred these corporations to support low- and moderate-income loans by setting specific volume goals over a two-year period beginning with 1993. For example, for all the loans they purchase, 30 percent of the units financed must be for low- to moderate-income borrowers, 30 percent must be located in central urban areas, and \$3.5 billion (\$1.5 billion for Freddie Mac, \$2 billion for Fannie Mae) must finance loans to low-income and very low income home buyers.[17]

OTHER ISSUES

Throughout its fifteen-year history, the CRA's seemingly simple but vague and imprecise charge has caused much consternation. The act, after all, is not an arcane banking matter of interest only to specialists in finance; in practice, it touches on social issues of great sensitivity and complexity, including issues of race and economic class, and its day-to-day influence on covered institutions has been significant. As a result, questions about the law's administration, including potential conflict with safety and soundness, continue to be raised—as do numerous proposals for better definitions of standards, easing of the regulatory burden, and incentives for superior performance.

Concern with Safety and Soundness

The mandate of the CRA, that institutions are to help meet community credit needs in a manner consistent with safety and soundness, requires lending choices in which some lenders believe they are "damned if they do and damned if they don't." Loans in low- to moderate-income neighborhoods, whether residential or commercial, often require underwriting standards or terms that differ from an institution's more traditional products and from an agency's loan classification standards.

Anecdotal evidence suggests that, by and large, the losses on lending that addresses CRA responsibilities is not significantly different from the losses on other product lines. But lenders express frustration that federal financial regulatory agencies may criticize the very loans the agencies are otherwise encouraging. They argue that the nontraditional loans may satisfy examiners monitoring CRA compliance, but the loans could well be downgraded internally by the bank's loan committee or by commercial examiners unfamiliar with special features—such as "equity substitutes" in the form of government guarantees—that may in fact make them very sound loans.

The agencies have repeatedly emphasized that the CRA does not contemplate the erosion of safety and soundness. To reduce the perception that commercial and CRA examiners work at cross purposes, for example, the Federal Reserve provides training to commercial examiners on the CRA. Nevertheless, there is a widespread impression that institutions are being "whipsawed," and the agencies are having to take special care not to send mixed messages.

Lack of Certainty

Rules that are more precise would, of course, ease the task of examiners, institutions, and the public in

16. Federal Home Loan Bank Act, 12 U.S.C. § 1430(i),(j) (Supp. III 1992).

17. Housing and Community Development Act of 1992, P.L. 102-550, 106 Stat. 3672, §§ 1332-34 (1992).

determining the adequacy of CRA performance. Many lenders express frustration at the business of translating the broad mission of the CRA into specific actions. To be sure, most lenders would oppose overt credit allocation and would resist being told what products to offer, or in what volume, or on what terms, or to whom. But many want to know, from the start, exactly what the "right" activities might be for CRA performance and what it takes to get an "outstanding" CRA rating. Examiners who judge performance, and community groups who evaluate institutions, likewise would be more comfortable with greater certainty.

The problem lies in preserving flexibility and providing precision at the same time. The CRA can be criticized for its ambiguities, but that same "flaw" allows for variations by institutions in meeting their responsibilities under the law. Over the years, the regulators have emphasized their position that no single community reinvestment program is perfect for every institution. Financial institutions can design CRA programs that fit their own business orientation and the special needs of their communities. Still, the agencies have offered extensive guidance on the CRA—policy statements, examination procedures, assessment factors considered in evaluations, elements of successful CRA programs, and advice through community affairs programs. Throughout, they have emphasized flexibility, seeking to give detailed guidance without imposing specific mandates.

Initially the industry wanted flexible CRA rules out of concern about regulatory credit allocation. The industry argued that neither the law nor the regulations should set minimums or mandate the types of loans an institution must offer. Increasingly, however, depository institutions and trade groups have asked for more precise rules. Recent interest in community development banks has even brought suggestions that institutions be allowed to meet their CRA obligations by specified investments in such institutions.

The State of New York, which has a community reinvestment law much like the federal law, is considering a proposal that would identify specific activities for which depository institutions covered by the state's statute could earn CRA "credit." The system would require institutions to establish investment targets for the CRA, measure these investments in relation to the institution's assets, and tie CRA ratings to minimum specified amounts of such investments.[18]

Moving toward a cafeteria-style menu of value-weighted, "approved" CRA activities—in a manner similar to what New York has proposed—has some appeal in that it would offer certainty. Potentially it also could increase desirable CRA-related activities in local communities. At the same time, creating such a list would inevitably transfer decisionmaking in some measure from an institution to the government. As it stands, the CRA's broad standard allows each depository institution to be creative in meeting credit needs within its lending community. The incentive to offer innovative service may be lost if institutions find it necessary to choose between engaging in services they know will earn them CRA credit and taking a chance on something that does not quite fit into a pre-approved pigeonhole. Also, the CRA is meant to encourage institutions to meet the credit needs of their entire community. Communities could be left with unmet credit needs if institutions were able to fulfill their total CRA responsibilities by a single CRA-related action, such as a passive investment in one community development organization in a sole low- to moderate-income neighborhood.

Paperwork Burden

Among lenders, and even community representatives, one major source of dissatisfaction with the CRA is the paperwork that they believe the agencies require to demonstrate an institution's record of performance. Small institutions, in particular, complain that the documentation provided to agency examiners is costly and unnecessary. Recent studies by trade groups among banks of all sizes point to the CRA as imposing substantial compliance costs. In a June 1992 study by the American Bankers Association on the sources of regulatory burden, the CRA topped the list as the most significant. A study by the Independent Bankers Association of America estimated that compli-

18. The state's community reinvestment law is in N.Y. Banking Law §28-b (McKinney 1990). The proposal for earning CRA credits is in New York State Banking Department, "Proposed Comprehensive Policy Statement Relating to the New York State Community Reinvestment Act: Request for Public Comment" (September 9, 1992).

ance with the CRA cost about $1 billion annually out of a total $3 billion for selected laws.

Some community groups, too, criticize regulators for elevating form over substance. More attention is focused on documenting community outreach, they say, than on whether an institution actually is making loans. While they may have a common complaint with some in the industry, however, their suggested correction for the problem is likely to be more mandated lending—a result most in the industry would oppose.

The technical "hard paper" burden of the CRA is in fact rather small: a CRA statement listing the types of loans the institution is willing to make; a map showing the boundaries of the local communities it serves; evidence (usually a notation in the minutes) that the board of directors has reviewed the statement at least annually; a lobby notice describing how the public can comment on the institution's CRA performance; and a file with its CRA statement, agency assessment, and public comments available for inspection. All are modest requirements, but they do not, of course, reflect the true extent of the documentation actually needed. Other paperwork is unavoidable. The statute calls for the public CRA assessments to contain "facts and data" to support the examiner's conclusions, and as a practical matter most of these "facts and data" can come only from the institution.

One of the twelve assessment factors for CRA performance requires the examiner to evaluate the geographic distribution of the institution's credit extensions, applications, and credit denials. After considerable debate on this point, the FFIEC in December 1991 issued a policy that strongly encourages institutions to analyze the geographic distribution of their major product lines as part of their CRA planning process. Institutions also are encouraged to collect lending data and correlate them with the relevant demographic facts relating to the institution's community. The board of directors and senior management are expected to review the analyses in setting and evaluating the institution's CRA program. Understandably, this geographic tracking also has contributed to complaints about CRA paperwork.

In June 1992 the FFIEC issued examination procedures to address the outcry about unnecessary paperwork burden. The revised procedures emphasize that examiners should focus on performance in meeting credit needs, not on process, and that an institution's size has a bearing on how formal the proof of performance needs to be. Regarding geographic analysis, the FFIEC stated that the extent and sophistication of analyses expected by the agencies will depend on the size and location of the institution. What may be required for a large institution to track its loans, for instance, is not required for a small institution, which could be served by a more informal system.

Any well-conceived, ongoing CRA process will involve normal business documentation. To recognize the credit needs in their communities, as well as to know whether they are meeting those needs, institutions must have a process in place that provides relevant information. This is certainly the case for most large institutions, especially those with widespread branch networks. Smaller institutions, too, need to demonstrate performance, but their documentation may not have to be as sophisticated or extensive.

Despite agency efforts to contain the problem of CRA paperwork, it remains troubling. Through the FFIEC, the federal regulators continue to evaluate the paperwork issue as well as other CRA enforcement matters to see whether clarification or additional change is warranted.

Exempting Small Institutions

The agencies generally have tried to be sensitive to the complaints of small institutions that they are disproportionately affected by the CRA. The institutions say they must serve the needs of their entire community just to exist as viable businesses, and that, therefore, CRA requirements are unnecessary for them. Exemptions for small institutions are not a novel concept. For example, a depository institution's size determines whether it is covered by HMDA and, if it is covered, the data that it must report.

Community groups do not believe that small institutions necessarily meet the credit needs of their communities as a matter of course, and they point to the low loan-to-deposit ratios of some small banks.[19] They say small institutions need to

19. FFIEC, *Study on Regulatory Burden* (Washington: FFIEC, 1992), Appendix A, p. 2.

do more, not less, to comply with the CRA, and therefore they strongly oppose proposals for a small-institution exemption and for self-certification.

Apparently, the size of an institution is not a good indicator of CRA performance. Most institutions in all asset-size categories received "outstanding" or "satisfactory" ratings in examinations in the first three quarters of 1992 (table 1).

Some members of the Congress have taken up the proposal to exempt small institutions from the CRA. One bill would exempt an institution from the CRA if it is in a small town, has assets (aggregated with the assets of its holding company) of $75 million or less, and can show that its loans come to 50 percent or more of deposits. Such a proposal would exempt about one-fourth of the 12,000 institutions supervised by the Federal Reserve, the FDIC, and the OCC, but it would maintain CRA coverage of almost all banking assets. Of the total group's $3.6 trillion in assets, the banks that would be exempted account for about 3 percent, or $107 billion.

Another proposal would allow institutions with total assets of $250 million or less to certify their compliance with the CRA—provided, among other things, that they have a "satisfactory" or higher rating and remain in compliance with the Equal Credit Opportunity Act. Self-certification would take the place of agency examinations. The regulators would be required to examine an institution only in response to an allegation that it was not meeting the credit needs of its entire community. If banks with assets of up to $250 million were exempted from the CRA, as many as 87 percent of all financial institutions in the country could be excluded. But again, in terms of total dollars of community lending and investments, the likely effect of the exemption would not be major. Thus, such an exemption might respond to much of the concern about paperwork without undermining the force of the CRA.

Lack of Incentives

Financial institutions complain about the lack of incentives for outstanding performance, noting that even a superior CRA rating offers no protection from a protest. Ideally, of course, good performance should bring its own rewards—new business and enhanced public relations. But after assessing what it might cost to be rated outstanding, some institutions believe the payoff is not worth the extra effort under current law.

Various ideas have been proposed for adding statutory "carrots" to the CRA to increase the incentives, including a "safe harbor." A safe harbor might limit formal protests against applications, for instance, except when the evidence of a CRA performance problem is substantial and specific.

The state of New York is taking public comment on establishing a safe harbor in the application process. A bank with an outstanding rating on its three most recent CRA examinations would be assured that its CRA performance would not bar application approval. The theory is that such a scheme would encourage banks to make the CRA a part of their overall, day-to-day business plans. They would strive for outstanding performance and not view the CRA primarily in the context of applications. The Banking Department acknowledges that a safe harbor might be perceived as reducing community groups' involvement in the CRA. But state officials believe that if public comment were part of CRA examinations and not limited to the application context, its influence could be greatly enhanced.

The Congress has taken a first step in providing incentives. Under the Bank Enterprise Act of 1991, insured depository institutions that do business in economically distressed communities can earn assessment credits for application against their deposit insurance premiums.[20]

CONCLUSION

From modest beginnings and minimal legislative review, the CRA has grown in national importance. At the same time, the vague nature of the act has bedeviled its implementation through the years. In essence, instead of imposing hard and fast rules,

20. 12 U.S.C.A. § 1834 (Supp. 1992). The Congress has provided funds for establishing a Community Enterprise Assessment Credit Board, which will create the guidelines for qualifying activities. The program cannot be implemented, however, until additional money is appropriated to fund the assessment credits.

the statute relies on individual institutions and their local communities to define credit needs, with the expectation that the agencies will encourage this process and assess its success. To make up for the lack of precision, the agencies charged with enforcing the CRA have sought to measure CRA performance in a fair and comprehensive manner and to provide increasing guidance while avoiding any appearance of credit allocation.

Through a combination of efforts, the CRA has stimulated loans for home purchase, construction, and rehabilitation and for the development of small business and minority-owned business in low- and moderate-income areas. It has brought increased participation in public–private partnerships in urban and rural communities and has encouraged support for community development corporations and multibank lending consortiums that benefit low- and moderate-income communities. Indeed, many financial institutions have discovered that complying with the CRA helps them to compete for new customers and generate profitable business.

Although progress in community reinvestment marks the evolution of the CRA, unresolved problems remain and frustrations abound for financial institutions, supervisory agencies, and the public. In many cases, the major source of frustration rests on the law's lack of specificity. Yet that very lack also may be the law's most important strength. While providing strong incentives for institutions to reach out to their entire communities, it leaves the question of "how" largely in the hands of the institution and its community. In so doing, it continues to encourage and produce important reinvestment efforts throughout the nation. □

Treasury and Federal Reserve Foreign Exchange Operations

This quarterly report, covering the period November 1992 through January 1993, provides information on Treasury and System foreign exchange operations. It was presented by William J. McDonough, Executive Vice President of the Federal Reserve Bank of New York and Manager of the System Open Market Account. John W. Dickey was primarily responsible for preparation of the report.[1]

During the November–January period, the dollar continued to appreciate against the German mark and Japanese yen from the low levels established in the prior period. The U.S. authorities did not intervene in the foreign exchange markets.

DEVELOPMENTS IN DOLLAR EXCHANGE MARKETS

Over the period, the dollar gained 1 percent in value against the yen, 4.5 percent against the mark, and 5.5 percent on a trade-weighted basis.[2] The dollar's upward movement was supported, first, by the perception that the incoming Clinton Administration would pursue a policy of fiscal stimulus and, subsequently, by stronger-than-expected U.S economic growth and persistent expectations of official rate reductions in Germany and Japan. The dollar's trend was interrupted by changing estimates of the amount of any U.S. fiscal stimulus, by perceived postponements of German rate reductions, and by widespread market reports of European central bank sales of dollars.

1. The charts for the report are available from Publications Services, Board of Governors of the Federal Reserve System, mail stop 138, Washington, DC 20551.

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

The Dollar Trends Higher

After the U.S. election in November, analysts were predicting that the U.S. economy would begin to outperform those of other industrialized countries and that a narrowing of interest rate differentials would favor the dollar in the coming year. The prospect of a strengthening dollar was given continued support by indications that President-elect Clinton would apply fiscal stimulus early in 1993 should there be any signs of economic weakness. Although hopes for a reduction in official rates by the Bundesbank were disappointed in both November and December, expectations for such a move early in the new year persisted. Anticipating a stronger dollar in the new year, market participants in late December and early January bid up the dollar to its period highs of DM1.6490 on January 8 and ¥126.21 on January 13.

After mid-January, however, there was an unwinding of long-dollar positions as it became apparent that a reduction in official rates by the Bundesbank was not imminent and that the Clinton Administration's overall fiscal policy might put greater weight on reducing the budget deficit. Many market participants then assumed that if U.S. economic conditions were to worsen, responsibility for ensuring adequate economic growth would fall on the Federal Reserve. Although a reduction in official U.S. rates was still not seen as likely, an easing was perceived to be in the range of possible monetary policies, and that perception contributed to the dollar's brief reversal. But at the end of January, the release of stronger-than-expected U.S. economic data, particularly the strong fourth-quarter 1992 gross domestic product and December 1992 durable goods orders, seemed to erase the prospects for interest rate reductions by the Federal Reserve and refresh the expectation that the U.S. economy would be outperforming others over the year. Thus, in the closing days of the period, the dollar moved up from January lows of DM1.5660 and ¥122.85 to close the period at DM1.6102 and ¥124.60.

The Market Awaits Interest Rate Reductions in Germany and Japan

Throughout the period, on-again, off-again expectations for reductions in official interest rates by the Bundesbank and the Bank of Japan punctuated the dollar's movements.

In response to continued pressures within the European exchange rate mechanism (ERM), many market participants expected that the Bundesbank would ease interest rates in early November, and, when this did not occur, attention focused on the prospects for an easing in December. Although no official rate reduction came in December, the Bundesbank's market operations were designed to avoid end-of-year upward pressure on interest rates. Moreover, in statements that appeared to acknowledge a weakening in the German economy while expressing optimism about the central bank's ability to control inflation, senior Bundesbank officials predicted sharp reductions in German interest rates during the course of 1993. In the final week of December, Bundesbank officials added that an easing could occur earlier in 1993 than was previously expected. During this period, the dollar posted most of its gains toward its January 8 high against the mark.

In early January, the Bundesbank did engineer a small reduction in market interest rates through its market repurchase operations. However, by mid-January, when the decline in market rates had not been followed by a reduction in the Bundesbank's official discount and Lombard rates, expectations were that an easing in German monetary policy would be postponed until early March, and the dollar began its brief reversal against the mark.

Expectations of a reduction in the official discount rate (ODR) by the Bank of Japan persisted during the period, gaining in strength as the period closed, although with less direct effect on exchange rates than in the German case. In December, comments by Japanese officials focused on the need to stimulate demand through fiscal policy, and, as a result, prospects for a cut in the ODR receded. But in January, the release of weak Japanese retail sales, production, and employment data and a declining stock market heightened concerns about weakness in the Japanese economy and returned attention to the prospects for an immediate reduction in the ODR. Despite widespread expectations for an ODR cut at the end of January, the dollar was not able to sustain its mid-January high against the yen as exchange market attention focused on the January 22 report of a record Japanese trade surplus for the calendar year 1992 and on the risk that policymakers might respond to the trade imbalance by seeking an appreciation of the yen.

1. Federal Reserve reciprocal currency arrangements
Millions of dollars

Institution	Amount of facility, January 31, 1993
Austrian National Bank	250
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	700
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	**30,100**

2. Net profits or losses (–) on U.S. Treasury and Federal Reserve foreign exchange operations[1]
Millions of dollars

Period and item	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
Valuation profits and losses on outstanding assets and liabilities as of October 31, 1992	3,746.3	2,293.8
Realized, October 31, 1992–January 31, 1993	109.5	25.1
Valuation profits and losses on outstanding assets and liabilities as of January 31, 1993	2,868.4	1,749.9

1. Data are on a value-date basis.

Currency Tensions in Europe Continue

Pressures on several European exchange rates, particularly the German mark–French franc rate, persisted during the November–January period. In response to these pressures, German and French authorities repeatedly stated their commitment to the existing parity between their currencies and confirmed their participation in market intervention in support of the franc. The Spanish peseta and the Portuguese escudo were each devalued within the ERM 6 percent on November 22, and the Irish punt was devalued 10 percent on January 30. In addition, the Swedish and Norwegian monetary authorities abandoned their currencies' links to the European currency unit on November 19 and December 10 respectively.

Although these exchange rate pressures within Europe had little direct impact on dollar exchange rates, particularly in comparison with the previous period, transactions related to the financing of official European intervention were perceived as affecting the dollar. Throughout the period, market participants reported that both in the course of rebuilding official reserves and in transactions related to financing official borrowings, several European central banks were heavy sellers of dollars and that, at times, this selling pressure restrained the dollar's upward trend against the mark.

Although the U.S. authorities did not execute any foreign exchange transactions during the period, settlements were completed on a total of \$1,455.8 million in forward sales of German marks. As previously reported, these settlements were executed in May 1992 with the Deutsche Bundesbank in an effort by both the U.S. and German monetary authorities to adjust the level of their respective foreign currency holdings. During the period, \$729.4 million and \$726.5 million against marks settled on November 23 and December 21 respectively, completing the total of \$6,176.6 million of spot and forward dollar purchases from the Bundesbank. For each transaction, 60 percent was executed for the account of the Federal Reserve and 40 percent for the account of the Treasury's exchange stabilization fund (ESF). The Federal Reserve and the ESF realized profits of \$109.5 million and \$25.1 million respectively from these settlements. As of the end of January, cumulative valuation gains on outstanding foreign currency balances were \$2,868.4 million for the Federal Reserve and \$1,749.9 million for the ESF.

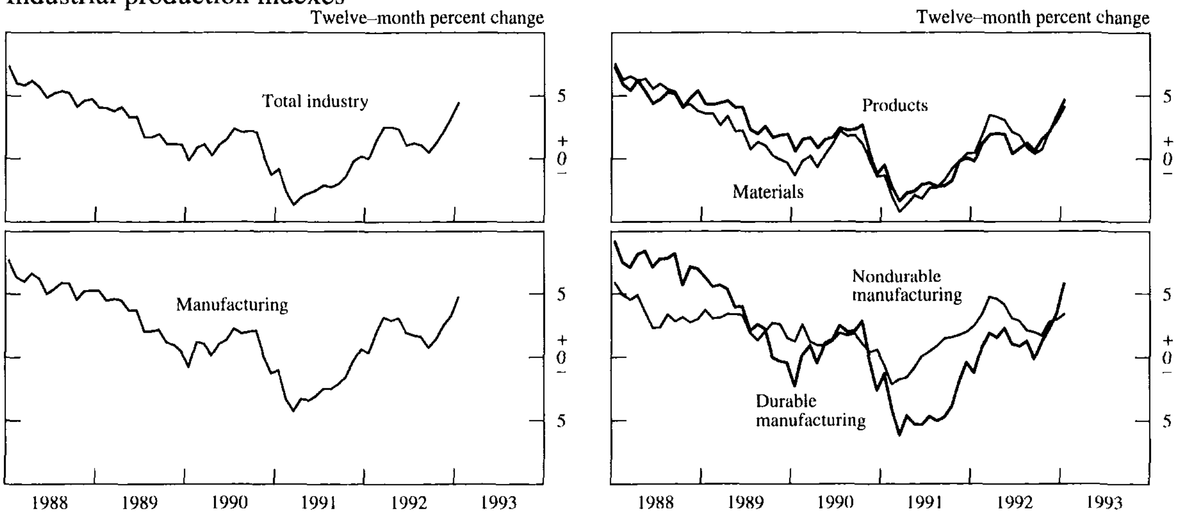
The Federal Reserve and the ESF invest their foreign currency holdings in a variety of instruments that yield market-related rates of return and have a high degree of liquidity and credit quality. A portion of the balances is invested in securities issued by foreign governments. As of the end of January, the Federal Reserve and the ESF held either directly or under repurchase agreements \$7,834.0 million and \$8,356.0 million equivalent respectively in foreign government securities valued at end-of-period exchange rates. □

Industrial Production and Capacity Utilization

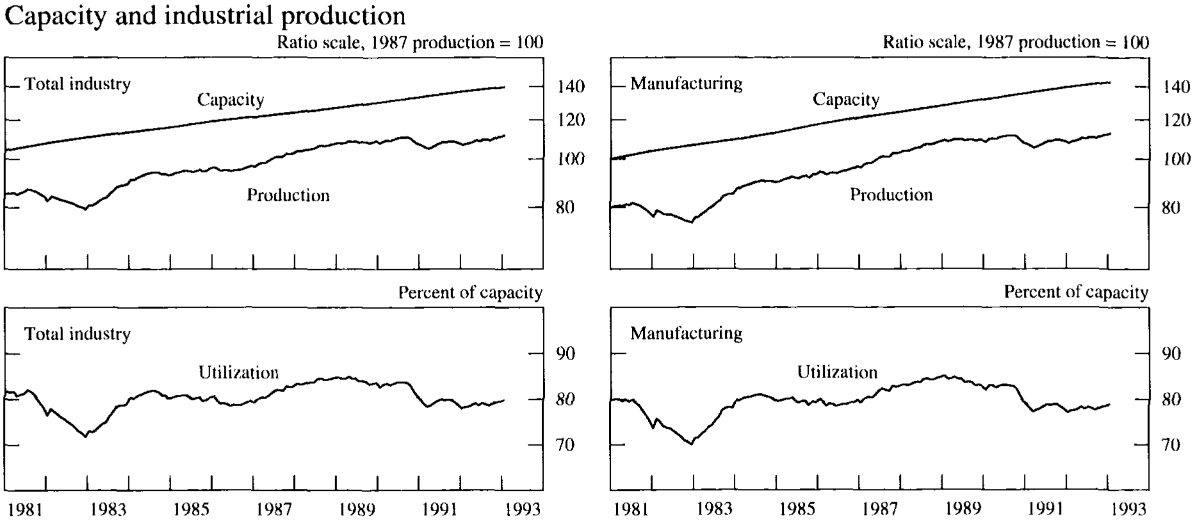
Released for publication February 15

Industrial production rose 0.4 percent in January, compared with revised gains of 0.2 percent in December and 0.5 percent in November. The rise of 4.7 percent in the output of motor vehicles and parts accounted for about one-half of the overall gain in total industrial production. Excluding motor vehicles and parts, the output of consumer goods and business equipment advanced, as did that of construction supplies; the production of materials was little changed, and the output of defense and space equipment continued its decline. At 111.0 percent of its 1987 average, total industrial production in January was 4.0 percent above its year-ago level. Total industrial capacity utilization

Industrial production indexes



Capacity and industrial production



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

Industrial production and capacity utilization[1]

Category	Industrial production, index, 1987=100								
	1992			1993	Percentage change				
					1992[2]			1993[2]	Jan. 1992 to Jan. 1993
	Oct.[r]	Nov.[r]	Dec.[r]	Jan.[p]	Oct.[r]	Nov.[r]	Dec.[r]	Jan.[p]	
Total	**109.7**	**110.3**	**110.5**	**111.0**	**.7**	**.5**	**.2**	**.4**	**4.0**
Previous estimate	109.7	110.1	110.5	...	.7	.4	.3	...	...
Major market groups									
Products, total[3]	110.7	111.3	111.9	112.5	1.0	.6	.5	.5	4.6
Consumer goods	111.9	112.6	113.2	114.1	1.1	.7	.5	.8	5.5
Business equipment	126.8	128.2	129.1	130.1	1.1	1.1	.8	.8	8.6
Construction supplies	98.5	98.5	98.6	98.9	1.5	.0	.2	.3	3.7
Materials	108.2	108.6	108.4	108.5	.3	.4	−.3	.1	3.1
Major industry groups									
Manufacturing	110.6	111.2	111.7	112.4	.7	.5	.5	.6	4.6
Durable	109.5	110.1	110.7	111.5	1.2	.5	.6	.8	5.4
Nondurable	112.0	112.6	113.1	113.4	.2	.6	.4	.3	3.6
Mining	98.8	99.8	98.3	98.6	.5	.9	−1.5	.4	.8
Utilities	110.7	111.3	109.6	108.2	.5	.5	−1.4	−1.3	1.3

Category	Capacity utilization, percent								Memo Capacity, percentage change, Jan. 1992 to Jan. 1993
	Average, 1967–92	Low, 1982	High, 1988–89	1992				1993	
				Jan.	Oct.[r]	Nov.[r]	Dec.[r]	Jan.[p]	
Total	**82.0**	**71.8**	**85.0**	**78.0**	**79.0**	**79.3**	**79.3**	**79.5**	**2.1**
Manufacturing	81.3	70.0	85.1	77.0	77.9	78.2	78.4	78.7	2.3
Advanced processing	80.8	71.4	83.6	75.7	76.3	76.6	76.8	77.2	2.9
Primary processing	82.3	66.8	89.0	80.2	81.9	82.3	82.4	82.5	1.0
Mining	87.4	80.6	87.2	85.3	86.1	86.9	85.6	85.9	.1
Utilities	86.6	76.2	92.3	82.6	85.0	85.3	84.0	82.8	.9

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

increased 0.2 percentage point in January, to 79.5 percent, the highest rate since October 1991.

When analyzed by market group, the data show that the output of consumer goods excluding autos and trucks rose 0.4 percent last month: Production advanced in durable goods for the home, such as carpeting and furniture, and in nondurable goods, particularly foods and chemical products. The output of business equipment other than motor vehicles, which had risen sharply in October and November, increased more slowly—about 0.3 percent—in both December and January; growth in the production of information processing equipment and of industrial equipment also slowed in December and January. The production of materials edged up last month, with gains in durable materials, particularly those used by the motor vehicle industry, nearly offset by losses among nondurables, such as paper and chemicals; the output of energy materials was about unchanged. Since October, the overall output of materials has improved only slightly as declines in energy materials have about offset increases in durable and nondurable materials.

When analyzed by industry group, the data show that output in manufacturing increased 0.6 percent in January and now stands 4.6 percent above its year-ago level. In addition to the sharp rise in the output of motor vehicles and parts, output grew nearly 1 percent or more in petroleum refining, primary metals, nonelectrical machinery, and miscellaneous manufacturing.

In January, the rate of factory utilization rose 0.3 percentage point, to 78.7 percent, and has risen 1.2 percentage points since September. Among advanced processing industries, motor vehicles and consumer chemicals contributed most significantly to the recent increase in operating rates. By contrast, the utilization rate for aerospace and miscellaneous transportation equipment dropped nearly 1 percentage point, a decline reflecting slack demand for both defense and nondefense aircraft; this rate has fallen nearly 7 percentage points during the past year. Among primary processing industries, operating rates for steel and petroleum refining rose sharply in January, while the utilization rate for paper and industrial chemicals declined.

In January, production at mines increased 0.4 percent, with strong gains in coal mining, while output at utilities fell 1.3 percent. □

Statements to the Congress

Statement by Griffith L. Garwood, Director, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions Supervision, Regulation and Deposit Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, February 3, 1993

Thank you for inviting us to share the Federal Reserve's perspectives on bank-related community development corporations (CDCs) and other types of community development equity investments. In my testimony today, I will confine my discussion primarily to bank holding company CDCs and community development investments, which are approved by the Federal Reserve. State-chartered banks that are Federal Reserve members now have authority similar to that of bank holding companies based on amendments to the Federal Reserve Act passed in late 1992, and the Federal Reserve Board is currently developing regulatory guidelines that will govern the CDCs and community development investments of state-chartered banks.

I want to call the subcommittee's attention to two publications we have provided with our written statement.[1] The first is *Community Development Investments*, which describes in some detail the Federal Reserve's policies and guidelines for bank holding company CDCs and community development project investments and also outlines key issues that holding companies should address when considering such investments. Although I will touch briefly on some of these guidelines and issues today, those who are interested in additional detail should consult the publication. The second publication is *Directory: Bank Holding Company Community Development Investments*, which includes profiles that describe the CDCs and other community development projects in which bank holding companies have invested.

In my remarks today I begin by discussing CDCs in the context of banking's overall role in financing community development. Second, I will provide the subcommittee with some background on the Federal Reserve's policies and guidelines for bank holding company CDCs and community development investments. Finally, I will share with you some observations about key ways in which the equity investment option is being used around the country and some of the more common misperceptions about bank-related CDCs.

As you know, interest in banking's overall role in financing community development is increasing in banks and their communities. Those seeking funds for low-income housing projects, small and minority business development, and other community revitalization efforts have increasingly looked to banks as the primary source of financing. Because of their expertise in finance, their local presence, and their community reinvestment obligations, financial institutions are viewed as natural partners in the community development process by housing groups, community organizations, small businesses, neighborhood development groups, and city and county governments, as well as private developers.

Over the past five years, in particular, we have observed significant growth of bank financing for community development in both large and small communities throughout the country. Some of that growth has been reflected in the increasing use of community development corporations and investments by banks and bank holding companies.

THE ROLE OF BANKS IN COMMUNITY DEVELOPMENT

I want to make clear at the outset, however, that although CDCs and community development in-

1. These publications are available from Publications Services, Board of Governors of the Federal Reserve System, Washington, DC 20551.

vestments remain important tools for banks and bank holding companies, they are, in fact, only one part of a much larger picture. Despite the significant growth in the number of bank-related CDCs and the expanding scope of their activities, the primary way in which financial institutions support community development programs and projects continues to be in the more traditional form of loans. These loans may include direct loans or loan participations, involvement in special housing or small business lending consortium organizations, the offering of credit lines to other community development lenders, or the purchase of loans and other common forms of debt securities to help meet the credit needs of a bank's community. Often these loans are provided through collaborative public–private partnerships. Financing packages may include public funds used as loan guarantees, interest rate subsidies, second and third position loans, contingency reserves, or project grants. But, at its core, the financing of community development by banks is still primarily through lending.

To illustrate this point, I have included with my written testimony a list of more than ninety examples of activities of banks in community development. These examples were recently compiled by the Community Affairs Officers of the Federal Reserve Banks. Although this compilation includes a very small sample of projects, based on information that was readily available, we do believe that it reflects the wide variety of community development and reinvestment activities being undertaken around the country by banks. With few exceptions, these projects include a combination of public and bank financing.

Special Role for CDCs

In the context of banking's overall role in community development, I want to draw a simple distinction between CDCs, project investments, and other forms of community development finance in which the banking community engages. Typical bank lending for community development requires others who own property or businesses to commit capital before lending can occur. On the other hand, authority granted to banks and bank holding companies for investment in special community development enables them to take a position of ownership by investing equity capital through CDCs and other means.

The practical result is that these institutions can expand the roles they can play in the community development process. Rather than waiting for others to initiate projects, institutions using this special authority can also buy, rehabilitate, and sell properties or provide supplemental equity or special debt investments that help make projects or business ventures feasible. In effect, the CDC option provides an additional dimension that allows financial institutions to become catalysts for the revitalization of economically distressed areas.

Commonly, this option enables financial institutions to fill gaps in equity capital projects, making the participation of other lenders and investors possible. The capacity to provide additional equity to a project is especially important in areas that are poor in capital or with nonprofit community-based development corporations that typically have little working capital to support neighborhood revitalization projects or to help them obtain loans.

Legal and Regulatory Issues

The Federal Reserve's formal involvement with bank holding company CDCs began shortly after the 1970 amendments to the Bank Holding Company Act, which provided some flexibility to the Federal Reserve Board concerning permissible bank holding company activities. In 1971 the Board revised its Regulation Y to authorize bank holding companies to invest in community development equity activities. Section 225.25(b)(6) defines the term "community development" as "making equity and debt investments in corporations or projects designed primarily to promote community welfare, such as the economic rehabilitation and development of low-income areas by providing housing, services or jobs for residents."

Let me emphasize that equity investments in corporations or development projects are not part of the traditional role played by financial institutions. Such investments constitute exceptions to laws that restrict bank and bank holding company ownership of real estate or nonbanking business ventures and thus require special legal and regulatory authority. They also necessitate a cautious approach by supervisory agencies to ensure that bank holding companies are using this authority only for legitimate community development purposes and in a manner that does not pose undue risk to the bank holding company or its insured financial institution subsidiaries.

Nevertheless, several Federal Reserve decisions have provided bank holding companies with considerable flexibility in tailoring their investments to meet the needs of their disparate communities. Generally, the Federal Reserve has held that holding company investments in CDC ventures or community development projects generally meet the "community welfare" test if they primarily benefit low- and moderate-income persons and economically disadvantaged neighborhoods and communities.

More than seventy bank holding companies have been authorized by the Federal Reserve to invest in CDCs and projects. These investments have had a variety of purposes, including construction or rehabilitation of rental housing for low- and moderate-income families; purchase, rehabilitation, and sale of affordable homes; industrial development and the development or expansion of small and minority business enterprises in economically distressed areas; and development of community facilities that provide health, educational, and other essential services for low- and moderate-income persons.

Over the years, the Federal Reserve has made clear that investments for corporations or projects that are organized to build or rehabilitate high-income housing or commercial, office, and industrial facilities that are not designed explicitly to create long-term job opportunities for low- and moderate-income persons—even though such investments might provide some indirect benefits to low- and moderate-income persons—would be presumed *not* to meet the community welfare test. That distinction is important. The Federal Reserve does not want CDC authority used to enable bank holding companies to engage in large-scale real estate development or nonbanking business ventures as a conventional business activity.

Nonetheless, the Federal Reserve recognizes that neighborhoods and communities in both urban and rural settings vary greatly in size, population mix, and economic condition, and it has remained flexible in applying the standards of Regulation Y for approval of community development activities. For example, approved community development activities have included, in one case, the creation of a rural test farm for crop experimentation that could help diversify a rural farm economy, and in another case, the rehabilitation of a medical services clinic to help attract doctors to a small rural community.

CHARACTERISTICS OF CDCs

Under Federal Reserve guidelines, community development investments by bank holding companies may be made on either a for-profit or a nonprofit basis, although most holding company CDCs and investments have been for-profit ventures. Although the Federal Reserve does not discourage profit seeking from community development investments by holding companies, significant profits are, as a practical matter, generally not expected.

The Federal Reserve also takes a flexible approach concerning the amount of capital that bank holding companies commit for community development investments. Although the Federal Reserve sets no minimum or maximum levels for capital investment by bank holding companies in CDCs or community development projects, it does expect that use of holding company equity for such purposes will be appropriate for anticipated investment activities, and certainly prudent with respect to the size, financial condition, and capitalization of the holding company. The Federal Reserve will not allow community development equity investments in amounts that might pose undue risk to the safety and soundness of the holding company. Recent legislation related to *bank* investments sets certain limits for banks themselves.

For practical reasons related to the functions of bank holding companies, the Federal Reserve also does not limit the geographic scope of a holding company's community development investments. Bank holding companies typically conduct their CDC and project investment activities in economically disadvantaged neighborhoods and communities in the market areas served by their subsidiary banks. As a result, although some holding companies focus their community development investment activities in one community or one state, others with banks in several states have established CDCs that have been approved to make investments on an interstate or even national basis.

Despite this flexibility, we do expect that bank holding companies will seek and consider the views of the affected neighborhoods or communities when making an investment decision, although the Board does not specify any particular approach for ensuring community involvement. Some holding company CDCs have established community advisory committees in each community where projects are considered, while others use community outreach vehicles already established by their affiliate banks. Although community representation on the board of directors of a bank holding company's CDC may be helpful in certain situations, it is not required.

TYPES OF COMMUNITY DEVELOPMENT INVESTMENTS

Let me now turn to the various approaches used by bank holding companies when making community development investments. There are four primary ways in which bank holding companies utilize their authority for community development equity investment, and these methods are not unlike those used by national banks. First, the bank holding company can establish a wholly owned, de novo CDC as a stand-alone subsidiary. Usually, the holding company capitalizes the CDC with an initial equity contribution and may provide loans or lines of credit to fund the CDC's investments and lending. The CDC then becomes the vehicle that makes debt and equity investments in community development projects. An advantage in having a subsidiary CDC is that it can be used by the holding company to support a variety of projects over time.

Currently there are about forty CDCs operating as wholly owned subsidiaries of bank holding companies. One example is Banc One's CDC, which provides equity investments for projects identified and supported by the holding company's subsidiary banks that are located in many states. The CDC has participated in several neighborhood housing renovation projects in Cleveland, Columbus, and Dayton, Ohio, and in Milwaukee, Wisconsin. It also has invested in the Ohio Equity Fund, the Wisconsin Equity Fund, and the National Equity Fund, all of which help finance acquisition and renovation of lower-income housing projects in several communities. Other large holding companies, such as Citicorp, Chase Manhattan Corporation, and J.P. Morgan and Company in New York, have formed wholly owned CDCs, but many smaller holding companies that serve smaller communities or neighborhoods have also used this approach. For example, Moxham Bank Corporation of Johnstown, Pennsylvania, formed a CDC that became a limited partner in a fifty-eight-unit apartment complex for lower-income senior citizens.

A second approach, one that is increasingly popular, is participation in a multi-investor consortium CDC that, in turn, invests in one or more community development projects and business ventures. Sometimes called multibank or nonbank CDCs, these CDCs are intermediaries that pool the investments of several financial institutions or other investors. Participation in a multi-investor CDC enables a bank holding company to share community development expertise, resources, and risks with others; such participation is an especially valuable tool for smaller institutions that do not have sufficient capital by themselves to make larger investments, which can have the most significant impact on community development needs. In rural Illinois, for example, the Tri-County Community Development Corporation was created by two bank holding companies—FirstBank of Illinois Company, in Springfield, and Farmers Holding Company, in Jacksonville—along with several smaller banks, all located in three adjacent counties in western Illinois. A local utility, a power cooperative, and a local chamber of commerce are also investors. The CDC's purpose is to promote economic development and to help new and existing small businesses to expand, thereby creating jobs in the three-county area. The CDC provided financing that helped attract a music company distribution center to the area, and it is also participating in a state program that assists companies in retooling and modernizing their facilities.

A third approach used by bank holding companies is investment in limited partnerships that are formed to invest in one or more community development projects. The availability of federal low-income housing tax credits has made investments in limited partnerships that finance low-income housing projects increasingly attractive. An increasing number of large and small bank holding companies have invested in such partnerships. Holding companies can be the sole limited partner, or they can be one of many partners.

For example, BB & T Financial Corporation, a parent of Branch Banking and Trust Company, has invested as the sole limited partner in three separate low-income housing limited partnerships that developed a total of 118 rental units in three North Carolina communities. In another case, First Bank System, headquartered in Minnesota, formed a CDC that in turn has become an investor in several limited partnerships in the Minneapolis–St. Paul area that support fifteen separate low-income housing projects; it has also invested in limited partnerships and projects in other states that are served by First Bank System subsidiaries.

Finally, bank holding companies may make direct investments in single-purpose community development projects or business ventures alone or jointly with others. This investment can be made without forming a CDC or participating in a limited partnership. For example, Perry Bancshares, Inc., in Perry, Oklahoma, purchased an industrial site in its community and is working with the local chamber of commerce to market the site to potential industrial users while exploring other potential uses that will benefit the community.

As these examples illustrate, the option to make equity investments for community development purposes produces several benefits for financial institutions and their communities. Through its Community Affairs programs at each of the Federal Reserve Banks, the Federal Reserve System provides information and technical assistance to banks and holding companies about community development investment options.

ISSUES RELATED TO CDCs

Although fully supporting the CDC concept, the Federal Reserve believes that the use of community development corporations and investments has limitations and that these mechanisms should not be oversold. In that regard, there are several issues that both financial institutions and policymakers should address.

First, bank-related CDCs should not be viewed as a panacea for the ills of our urban neighborhoods and rural communities nor as the main vehicle for bank activity. As I noted earlier, the option for community development equity investment is an important and useful tool, one that we believe can effectively supplement ongoing bank lending programs and community efforts to revitalize economically disadvantaged areas. Although we continue to expect increased CDC activity by state member banks and bank holding companies, we believe that community development lending by financial institutions and other intermediaries will continue to be the primary nongovernmental source of funding for community development.

Second, as interest develops in CDCs, there is a growing need to reiterate how bank CDCs relate to the Community Reinvestment Act (CRA). Under current provisions of the CRA, CDCs and project investments can provide positive contributions to an institution's CRA performance, but they are not considered to be a substitute for the institution's CRA program. By making loans and equity investments in low- and moderate-income areas, CDCs help fulfill CRA's aims. But any expectation a bank may have that forming a CDC or making a few low-income housing investments will automatically result in a satisfactory or better CRA performance rating is unrealistic under current law. In the absence of any other CRA-related activities, a CDC, unless it is extremely active in community outreach and lending, would not make up for an otherwise deficient CRA record of performance.

Third, it is clear that no one model is appropriate for every financial institution or every community it serves. As even the few examples discussed here illustrate, there are many options. Banks and holding companies must continue to have the flexibility to look at community needs and create the community development response that best fits their circumstances.

Fourth, several other issues can impact the effectiveness of bank CDCs and community development investments. For example, there are practical limitations on the amount of bank and bank holding company capital that can be devoted to community development purposes. Expectations concerning widespread use of bank capital for community development purposes may be too optimistic. Although we believe that the trend will continue to be very positive over the longer term, for many institutions there are limits to the speed with which they can commit large amounts of capital to CDCs and related community development investments.

In addition, financial institutions must consider community resources. CDCs are rarely successful unless there are effective partners with which to work. These might include other nonprofit CDCs, the local business community, local and state government agencies and program resources, or federal program funds that help provide the subsidies that make community development projects feasible and affordable for lower-income people. While some communities have many effective partners and can assemble appropriate resources for projects, others do not.

Finally, I think financial institutions and policymakers need to consider the human resources aspect of CDCs. Community development investment requires special knowledge of real estate development and business ownership, an understanding of public–private partnerships, and a somewhat different approach to finance issues. Although community development finance as a specialty in banks continues to grow, we believe that development of effective specialists and managers to meet the demand and current expectations of community groups, local governments, and financial institution management will take time. □

Statement by Richard F. Syron, President, Federal Reserve Bank of Boston, before the Subcommittee on Consumer Credit and Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives February 4, 1993

Thank you for this opportunity to testify on the credit availability problems that have arisen in low-income communities. As you know, this issue has been an important one in the First Federal Reserve District. Accordingly, my prepared statement will focus on what we have learned from second-mortgage abuses in Boston.

Second-mortgage abuses represent one of the most emotional issues facing the Congress, regulators, lenders, and the public. Some homeowners, usually the elderly or disadvantaged, have been literally "conned" out of their homes through abusive second-mortgage practices. Others, who have not lost their homes, have been so burdened by high payments that their lives have been severely disrupted. At the same time, home equity is the major asset of most households; borrowing against this asset is the only way that many homeowners can make needed repairs and improvements and tide themselves over in periods of economic distress. Striking the right balance between protecting homeowners and ensuring widespread access to credit is no easy task.

The problems created by abusive second-mortgage practices in Boston came to light in the spring of 1991, when numerous media accounts appeared of minority homeowners having been victimized by second-mortgage lenders. Community activists were effective in bringing these abuses to the attention of the public and to government officials.

The rapid appreciation of house prices in the Boston area in the 1980s resulted in many homeowners accumulating significant wealth in the form of home equity. Middle- and higher-income homeowners frequently took advantage of these gains by borrowing through home equity loans to improve their properties, to send their children to college, or simply to finance higher spending. Low- and moderate-income homeowners should have the same opportunities; but unfortunately, some unsophisticated residents, frequently unaware of the value of their assets, fell prey to unregulated and aggressive loan brokers and home improvement contractors. The end result of these abuses was to take the equity these people had built, sometimes over a lifetime.

In some cases, unsophisticated homeowners were induced to borrow against their home equity in amounts that were larger than their incomes could comfortably support. When they ran into difficulty, the day of reckoning was postponed with yet larger loans until the potential to refinance was exhausted. At that point, the monthly payments were far beyond their means.

Media stories of elderly and infirm homeowners losing their homes understandably fostered deep anger and outrage and fed speculation that the extent of victimization reached many thousands. To help understand the problem, the Federal Reserve Bank of Boston undertook a study to estimate the number of potentially abusive loans secured by real estate in Boston. I would like to submit this report for the official record.

We found that, out of a total of more than 50,000 nonacquisition mortgages made in the four years 1987 through 1990, 698 carried an initial interest rate of 18 percent or more. Another 1,630 were estimated to have interest rates in the 15 to 18 percent range. The bulk of the loans with interest rates higher than 18 percent was made by a small group of lenders, identified in the report. No banks were among the lenders with the highest rates or even among the lenders making loans at 15 to 18 percent. However, most of the large banks had provided financing to some high-rate lenders or purchased mortgages from them.

The report by the Federal Reserve Bank of Boston is subject to several qualifications. Most important, the report focused on loans at high interest rates, and, therefore, it did not identify as problems those loans with relatively low interest rates but high points and fees; nor did it uncover instances of shoddy workmanship, high pressure sales tactics, or fraudulent documents. Some people have also noted that the study was limited to loans made in the four years 1987 to 1990, whereas newspaper accounts indicated that some problems dated back to 1985. However, bias in the study may overstate the value of problem mortgages.

The report helped to accomplish the following.

First, identifying the type and the names of the companies that were most active in making potentially abusive loans helped state officials formulate their response. A relatively small number of companies accounted for most of the problems. Legislation was enacted to license mortgage lenders and brokers and also home improvement contractors, and new consumer protection regulations were promulgated by the Massachusetts Attorney General. In addition, the Attorney General initiated several enforcement actions, including litigation against several mortgage and home improvement companies, as well as some individuals. During this process we worked with State officials and made specific suggestions about approaches that could be taken.

Second, the report confirmed that banks did, indeed, bear some responsibility for the problems arising from second mortgages, even though they themselves were not high-rate lenders.

Third, the report indicated that the problem was manageable, although it was severe. Once the dimensions and nature of the problem were understood, remedies were developed. Earlier estimates of the problem's size had been so large that everyone was overwhelmed. One outcome was that the Massachusetts Community and Banking Council was able to develop a process for identifying and aiding victims of second-mortgage abuses that was acceptable to both banks and community representatives.

Our experience in Boston has demonstrated that traditional lenders must play a larger role in lending in low- and moderate-income neighborhoods but that there is a place for nontraditional lenders to provide credit to individuals who do not qualify for bank credit. However, these nontraditional lenders should be licensed and regulated to avoid the unscrupulous lending activity that occurred in the Boston area.

The Federal Reserve continues to encourage and assist banks to increase their presence in low-income and minority communities. Our recent study of mortgage denial rates in the Boston area is spurring the banking industry to accelerate their efforts to detect and eliminate discriminatory lending practices.

One of the most encouraging developments, to which the Congress, banks and community groups, and, we hope, the Boston Reserve Bank has contributed, has been the increase in bank branches and automated teller machines (ATMs) in Boston's minority communities. To date twenty-nine branches have either opened, been preserved, or upgraded, and thirty-eight ATMs have been installed in these neighborhoods. Increased access to banking services for lower-income people will help reduce opportunities for abuse as in the second-mortgage scams.

In summary, the subject of this hearing is a serious problem for low-income and minority neighborhoods. Anyone who has listened to the stories of the human suffering involved cannot help but also be deeply moved. We hope that we are making progress not only in understanding the issue but also in doing something about it. Undoubtedly, however, more remains to be done. We hope that this hearing and others in your series will help bring that about. □

Statement by John P. LaWare, Chairman, Federal Financial Institutions Examination Council and Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions Supervision, Regulation and Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, February 18, 1993

I am pleased to be here to discuss regulatory burden and particularly the study of this subject that the Federal Financial Institutions Examination Council (FFIEC) conducted last year in response to section 221 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA). Some of you may recall that I testified before this subcommittee on behalf of the Federal Reserve on regulatory burden last June, while the FFIEC study was in progress.

The issue of the appropriate level of regulation of banking institutions is not new. Banking institutions serve a vital role in the U.S. economy because of the critical functions they perform in the payments mechanism, as chartered recipients of federally insured deposits, as credit intermediaries, and as the principal vehicle through which monetary policy is implemented. The strength of the U.S. economy depends on a healthy banking system to support its operations and growth.

It is because of the important role that banking institutions play in the economy that they are regulated. Safety and soundness regulations were introduced in the past century to minimize the destabilizing effects on the economy of difficulties in the banking system. Federal deposit insurance, introduced in the 1930s, further increased the government's need to protect its interests. More recently, because of the banks' importance in providing financial services to consumers and others, they have been viewed as vehicles for implementing social policies, including consumer protection and law enforcement.

The ever-increasing number and detail of regulatory requirements and restrictions, whatever their purpose, have increased the costs and reduced the availability of services from banking institutions. Excessive requirements and restrictions have imposed a heavy burden on institutions. They have reached the point where the aggregate burden may frustrate the purposes of the individual regulations by driving traditional banking functions to alternative providers of these services that may not be subject to the same requirements and restrictions.

Section 221: Study on Regulatory Burden

In enacting section 221 of the FDICIA, the Congress recognized the growing significance of this burden. Section 221 required that the FFIEC review the regulatory policies and procedures of the banking agencies and the Department of the Treasury to determine whether they impose "unnecessary" burden on banking institutions and to identify any revisions that might reduce burden without endangering safety and soundness or without diminishing compliance with or enforcement of consumer laws. The FFIEC was directed to report its findings by December 19, 1992.

During early 1992, the four federal banking agencies and the Department of the Treasury undertook extensive internal reviews of their policies, procedures, recordkeeping, and documentation requirements. In addition, an interagency task force assembled and reviewed the public comments that the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS) had received in response to their requests in spring 1992 for comments on regulatory burden. The FFIEC also requested and received public comments on ways that the burden might be reduced, and it held public hearings on this topic in Kansas City, San Francisco, and Washington, D.C.

At the outset, the FFIEC stated its belief that the goal of this process was not to examine and develop proposed revisions to the overall statutory scheme governing financial institutions. Rather, it appeared to the council that the congressional intent was to accept the statutory scheme as a given and instead to examine the manner in which the federal banking agencies and the Department of the Treasury have implemented that scheme through regulations, policy statements, procedures, and recordkeeping requirements.

Many commentators, as well as the four federal banking agencies themselves, recommended changes that were within the jurisdiction of the agencies. During the year, the agencies acted on many of these suggestions for regulatory improvement, particularly those related to required reports, examination procedures, and application processes. A summary of those actions is included in the study. Regulators have also increased their efforts to coordinate policies and procedures, which should lessen the burden on banking organizations.

Other specific recommendations from the public for regulatory change were reviewed by interagency working groups and divided into three categories. The first category consists of approximately sixty recommendations that warrant further consideration as changes that may be effective in reducing regulatory burden. In most cases, the federal banking agencies agreed on the general approach to a recommendation and developed a consensus position, which is described in the accompanying discussion. In a few cases, further consideration and possibly some compromise may be required to implement a change in current procedures, and in some cases a recommendation was controversial and an agency supported it only in part or preferred an alternative approach to meet the goal of the recommendation.

Some of the more notable recommendations include clarifying standards for loan- and lease-loss allowances, developing a uniform interagency policy regarding supervisory standards for assets sold with recourse, and instituting unified Call Reports so that all the banking agencies request the same information from regulated institutions. Each recommendation is currently being considered in FFIEC subcommittees and task forces.

After careful consideration, the agencies concluded that the other suggestions either did not fully meet the standards set forth in section 221 or concerned noncouncil member agencies. Separately, the Department of the Treasury contributed an analysis of the public recommendations concerning the rules implementing the Bank Secrecy Act (BSA).

In addition to the analysis of specific suggestions for change, the study addressed more generally the nature and cost of regulatory burden. Burden ultimately arises from two sources: (1) prohibitions that prevent regulated institutions from engaging in activities that they might otherwise undertake and (2) requirements for certain specific actions or behavior patterns that regulated institutions would not undertake in the absence of the requirements. Restrictions on activities, such as limitations on interstate branching and on investment banking activities, fall into the first category, while paperwork and required compliance activities fall into the second. Both prohibitions and requirements can be costly to the regulated entity.

Furthermore, it is often not only the prohibitions and requirements themselves but *changes* in either of them that can impose costs. Cost studies, as well as public comments and testimony, indicate that the costs of adjusting to frequent (and sometimes minor) revisions to laws and regulations are a major component of regulatory burden. Therefore, slowing the pace of legislative and regulatory change, avoiding marginally necessary changes, and allowing reasonable transition times for implementation of revisions in legal requirements could reduce burden meaningfully.

The current approach to regulation, which often relies on mandates and uniform standards, has led to inflexibility, which can be costly. Very specific requirements necessarily bring standardization, especially when detailed standards or methods of compliance are set out in the law itself and no exceptions are allowed. However, such inflexibility can be costly because it tends to preclude new approaches, prevent innovation, and even limit access to new technology and new markets.

Overall, the study concluded that the regulatory burden on the banking system is large and growing. Although the FFIEC did not conduct new cost studies of its own, available studies conducted by other researchers suggest that the costs attributable to banking regulation are substantial. Despite methodological and coverage differences, findings are reasonably consistent that regulatory costs might be in the range of 6 percent to 14 percent of noninterest expenses, without including any measurement of the opportunity cost of reserve requirements. Because noninterest expenses of the banking industry were $124.6 billion in 1991, if the percentage estimates are correct, regulatory costs to the industry in 1991 could have been between $7.5 billion and $17 billion, without any adjustment for the costs of reserve requirements or prohibited activities.

Additionally, cost studies of consumer regulations indicate that there appear to be economies of scale appear in compliance costs. In other words, the cost of regulation may fall heaviest on smaller banks. Descriptive statistics from the recently completed study by the Independent Bankers Association of America (IBAA) suggest that scale economics may exist for regulations other than consumer regulations.

Reducing Regulatory Burden

In the weeks since the study was submitted to the Congress, the agencies have continued to consider the suggestions, and I anticipate that further action will be taken in the near term. The steps already taken by the regulatory agencies and the sixty specific suggestions for further consideration represent a beginning—an important first step. Nonetheless, the sixty suggestions are generally quite technical, and their overall impact on regulatory burden is likely to be modest. Although many of the suggestions are good ideas and the agencies will give them further consideration, significant relief from regulatory burden will require more substantial changes.

Administrative relief, however, is limited by statutory requirements. In many cases, legislation contains very detailed requirements, and the regulations must track the statutory provisions. Thus, the agencies have little power to change many provisions that impose substantial burdens. Legislative changes are required.

Although proposed statutory reforms to ease regulatory burden were not the intended or primary focus of last year's study, the council recognized when it began the study that suggestions might well arise regarding appropriate legislative action to ease regulatory burden. During the course of the study, many valuable suggestions regarding potential statutory revisions were indeed forthcoming. Accordingly, the council's member agencies have agreed to continue meeting to identify and recommend possible statutory changes to further reduce regulatory burden. The council hopes to prepare a separate report to the Congress on those issues by late spring.

Recommendations for the Future

As I have noted, banking institutions are regulated because of important public policy considerations. Much of the regulation arises ultimately from four fundamental public policy concerns: banking market structure and competition, banking safety and soundness, systemic stability, and consumer protection. The safety and stability of the banking system are vital to the economy. Further, it is difficult to quarrel with the purposes of individual consumer protections. Nevertheless, the aggregate effect of the implementation of a substantial number of desirable policies may result in burdening individual banking transactions to an unacceptable degree.

Many have noted, for example, the tremendous growth in the number of documents involved in a home mortgage loan. Similarly, making a small business loan, which is often secured by real estate, has become costly and can take up to ninety days, largely because of real estate appraisal requirements. Often, the need to adopt regulations to implement many statutes may generate substantial detailed documentation that banks must read and interpret as the agencies respond to public comments and address concerns about potential bank liability.

In the aggregate, this burden has become substantial, raising the costs of banking services and thus encouraging bank customers to seek less costly loans and services or higher-yielding investments from other financial intermediaries that are not subject to the same regulatory requirements and restrictions. The movement of business from banking institutions to other intermediaries and directly to money and capital markets may frustrate the purposes for which banking regulations were adopted. I believe this burden has already begun to threaten the competitiveness of the banking industry itself.

Fundamental review is needed of approaches to regulation in search of mechanisms that will achieve the same goals but with less burden and without the problems that accompany the current approach. New approaches to regulation that are more sensitive to cost–benefit trade-offs must be sought and considered. In particular, existing market forces and incentives should be harnessed as much as possible to achieve regulatory goals, rather than relying on microlevel regulations that eliminate the flexibility that is important in a dynamic industry.

To the greatest extent possible, banking regulation should provide flexibility by tailoring requirements to specific facts and circumstances and by distinguishing among institutions according to meaningful criteria such as condition, size, and management competence. Regulations that provide insufficient flexibility can cause unnecessary regulatory burden and create inefficiencies by preventing depository institutions from finding the most cost-effective means of complying with the law or regulation and by impairing the ability of banking institutions to react to changing market conditions.

These approaches must be applied not only to future regulatory actions but also to existing regulations. Efforts to substantially reduce regulatory burden will undoubtedly raise difficult questions about the trade-offs to be made between competing public policies, much like the ongoing discussion of the federal budget. Because achieving political consensus for change may be difficult, in my judgment, an independent nonpolitical commission charged with exploring possibilities for legislative change would be useful. Such a commission could address a broad range of banking issues (such as regulatory burden and the competitive position of U.S. banking organizations), offer suggestions and guidance for legislative and regulatory changes, and assist the Congress in developing a specific legislative agenda.

Summary and Conclusion

Banking institutions serve a vital role in the U.S. economy. The regulatory burden that we have imposed, however, may now threaten their role in providing the services that are so important to the health of our economy. We must be careful not to constrain our banking system so much that it is not responsive to the country's needs. In an increasingly global and competitive financial market, the United States can ill afford to handicap its banking institutions—and therefore the individuals and businesses they serve—with stifling and constantly changing rules and regulations.

The regulatory burden on banking institutions is large and growing. The *cumulative* regulatory burden on the banking industry may well be more than the sum of its parts. This burden has grown slowly but relentlessly over the years, layer by layer by layer. Although genuine public policy benefits may develop from any single regulatory proposal, it is important to recognize that the combined banking regulations and prohibitions create a substantial, if not approaching unmanageable, burden for many institutions. When these burdens are aggregated, they affect the economy by reducing the efficiency and competitiveness of the banking industry.

At this time, we need to make fundamental decisions. If there is to be a real reduction in burden, we must revisit our overall approach for developing banking laws and establish a more direct process for balancing the benefits of regulatory proposals with the burdens they inevitably impose. We cannot continue to view banking institutions as the appropriate vehicle for implementing government policies without recognizing the costs. While the intended benefits of a regulation may be evident, we should recognize that those benefits are not free to society, or to consumers, because they appear to be paid for by the banking system. Those costs are shifted to consumers through lower interest rates paid on deposits and higher costs for loans and other banking services.

Administrative relief is limited by statutory requirements, however. In many instances, the agencies have little power to change the provisions that impose substantial burdens. Significant reductions in regulatory burden will require legislative action—and more than minor adjustments to the existing laws and regulations.

I hope that the FFIEC study completed last year represents the start of an ongoing process to address the problem of regulatory burden on the banking industry. The steps already taken by the regulatory agencies and the sixty specific suggestions still under consideration represent an important, if modest, first step. Perhaps regulatory relief, like regulatory burden, can be cumulative. □

Statement by Lawrence B. Lindsey, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Consumer Credit and Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, February 18, 1993 [1]

I appreciate the opportunity to provide the Federal Reserve's perspectives on the current status of the Community Reinvestment Act (CRA). I will include a few comments on the Home Mortgage Disclosure Act (HMDA) and the fair lending laws, but they are extensive subjects in their own right.

The CRA continues to be the source of concern and frustration. Many members of the banking community consider the CRA as unnecessary, vague, burdensome, and unfair. Community and consumer groups often view enforcement as weak and have suggested several changes, including new disclosure provisions, to help ensure that banks and supervisory agencies effectively approach their CRA responsibilities.

We, as regulators, are often caught in the middle. Despite a dramatic increase in resources and efforts devoted to the CRA, we continue to receive brickbats from all sides. Bankers think that we grade too harshly and that we focus on process and paperwork instead of assessing "real" community lending. Community groups say that our grades are too high and that our effort is lax.

Over the years, critics have made many other charges about bank and supervisory agency performance, some of which have little foundation in the CRA's intent, actual provisions, or regulations. For example, some believe that an institution's record of making mortgage loans in minority areas should be the only CRA criteria, while others think that if a bank has a community development corporation (CDC), it should automatically get a "pass" on the CRA. But the CRA is more complex than the taking into account of home lending and CDCs.

Hearing this cacophony of divergent critiques, ideas, and proposals over the past few years, you would likely have concerns that the CRA may not be working as intended. In considering this point, I would like to cover several related areas in my testimony today. First, as a basis for my comments, I want to provide an overview of the act and its implementing regulation. Second, I would like to bring the subcommittee up to date on recent activities by the supervisory agencies to strengthen our CRA assessment programs. Third, I would like to touch on some of the recurring issues affecting the CRA that are of concern to bankers, community representatives, and the supervisory agencies. Finally, I want to share with you some thoughts on the CRA's impact—which we believe has been quite considerable.

1. Griffith L. Garwood, Director of the Board's Division of Consumer and Community Affairs, presented this statement on behalf of Governor Lindsey.

I want to make it clear, however, that agencies other than the Federal Reserve are also deeply involved with the CRA. In fact, from an examination perspective we have by far the smallest number of supervised institutions—less than 10 percent of the total. I caution the subcommittee, therefore, that a serious exploration of the CRA would require testimony from others. This requirement, of course, would also be true with regard to HMDA and fair lending.

WHAT THE CRA SAYS AND REQUIRES

Let me begin by reviewing the act and its implementing regulations. Given what seems like a blizzard of recent proposals to change the CRA, increase its scope, provide safe harbors, or reduce its burden, it is especially important that the discussion be grounded in a clear understanding about the objectives of the act and its current requirements.

On its face, the CRA is a short, rather simple law, as banking laws go. It is only a few pages. It reminds financial institutions that they have a continuing obligation to help meet the credit needs of their entire community, including those of low- and moderate-income neighborhoods. These obligations stem from bank charters that state that banks should meet the convenience and needs of the communities they serve.

But the CRA also emphasizes that the obligation to help meet community credit needs, including those of low- and moderate-income areas, is an affirmative one. The CRA's fundamental message is simply that each financial institution should, as part of its day-to-day business functions, be as attentive to the credit needs of low- and moderate-income areas of its community as it is to other areas.

When considering the CRA's overall message, I think that it is important to recognize that the actual legislative language contains few directives and virtually no requirements that fall directly on financial institutions.

The CRA does not require that an institution make any specific types of loans, make any quantity of loans to particular types of persons or businesses, or make any specific number of loans in any targeted geographic area. The Congress has wisely avoided mandating credit allocation. The CRA does not require that institutions make housing loans, nor does it require that they make loans with below-market interest rates or loans with other terms and conditions that would be inconsistent with safe and sound lending. None of these items are required, or, in my view, even implied by the CRA.

The CRA's actual requirements are really directives to the financial institution supervisory agencies. First, the CRA requires that these agencies encourage each financial institution they supervise to help meet the credit needs of its entire community, including the credit needs of low- and moderate-income neighborhoods, in a way that is consistent with safe and sound banking practices. Second, the CRA requires that the supervisory agencies assess the performance of financial institutions in meeting community credit needs. We do that primarily through CRA examinations that use twelve assessment factors outlined in the CRA regulation. Third, as a result of 1989 and 1991 amendments to the CRA, the supervisory agencies are required to prepare for each institution examined a public written CRA evaluation that includes the CRA rating and provides supporting facts and data. Finally, the CRA requires that the agencies consider the CRA performance of each financial institution when reviewing its applications for expansion of depository facilities through branching, mergers, or acquisitions.

In performing their responsibilities, the agencies have issued regulations that impose a few specific requirements on banks and thrift institutions, but these are essentially technical and procedural in nature. For example, each bank must develop and update a CRA statement that delineates its community with a map and describes services offered within that community. Institutions must also post CRA notices in the lobbies of depository facilities and maintain a public comment file that may be inspected by the public and the banking agencies.

NATURE OF THE LAW

I believe that virtually everyone who is affected by the CRA senses that this law is clearly unusual. It encourages but does not require action by financial institutions. It reminds banks and thrift institutions about their charter obligations but does not mandate any particular activities. It states that banks should be encouraged to "help" meet community credit needs but does not specify how such encouragement is to be provided or how much help in meeting credit needs is expected.

Further, the CRA directs the supervisory agencies to assess bank performance in helping meet community credit needs, but it does not define good CRA performance. The act also implies potential punishment for institutions with poor performance—in the form of denials of applications to expand—but provides no particular incentives to encourage institutions to seek outstanding performance. With the exception of requirements for such items as CRA statements or CRA notices, lack of action by institutions does not constitute a "violation" of the law.

And most important, the fundamental approach of the act, and perhaps the primary source of most concerns and issues, is that the CRA's focus is on assessments of performance. That is, the CRA, at its very heart, is "valuative." It requires judgments based on a set of facts and circumstances that vary greatly among communities and institutions.

Supervisory Agency Roles and Actions

Under the CRA, the supervisory agencies are charged with encouraging financial institutions to help meet community credit needs and with evaluating their performance. At the Federal Reserve, we provide "encouragement" in two primary ways: by conducting CRA examinations and by carrying out a comprehensive set of educational, technical assistance, and informational programs, primarily through our Community Affairs program.

Over the years, the Federal Reserve System has strengthened its CRA-related activities on several fronts. My impression is that, in all the talk about the problems with CRA, not enough information has been conveyed about the many positive happenings. Let me first talk about the examination side.

Examination Improvements

First, examiner training has been expanded and significantly enhanced. Our consumer compliance schools for examiners devote considerable time to the CRA and related regulations, such as those covering fair lending and home mortgage disclosure. A more advanced compliance school also includes segments on community development. In addition, we regularly conduct a unique, one-week intensive course for examiners, called CRA Advanced Examination Techniques. Over the past three years, virtually all of our consumer compliance examiners have completed this course. We are also taking steps to help our safety and soundness examiners understand the essentials of the community development market so that they can fairly assess the quality of a bank's reinvestment loans.

Second, in addition to enhanced training for our examiners, we have been concerned about providing them with better tools to help them get the job done. To this end, on behalf of the Federal Financial Institutions Examination Council (FFIEC) the Federal Reserve has developed a computerized system for analyzing the expanded data collected under the Home Mortgage Disclosure Act (HMDA). The system is extremely versatile and allows the data to be segmented by demographic characteristics such as race, gender, and income levels, or geographic boundaries. Examiners can now sort through vast quantities of data to focus attention on specific lending markets and draw comparisons between an individual HMDA reporter's performance and of all lenders in the area. With these capabilities, examiners can more readily determine whether a bank is effectively serving all segments of its market, including low- and moderate-income and minority neighborhoods.

Third, in June 1992, the FFIEC issued revised, uniform CRA examination procedures that clarify CRA examination policies. For example, they emphasize the importance of using numerical data in the public CRA evaluation to the extent that they are used in the assessment process and support the conclusions reached. Our examiners now routinely factor into their CRA assessments "hard data" derived from HMDA tables, the supervisory Call Reports, bank lending records, and other sources.

Fourth, we have been mindful of the widely shared perception, often vocalized by bankers, that the CRA entails an undue amount of paperwork. In developing the new examination procedures, we endeavored to help reduce the amount of paperwork and documentation by emphasizing that institutions should retain for examiners' review only information that is useful to the institution's own management needs. We have emphasized to our examiners that CRA documentation will generally be less formal and less extensive in small and rural banks than it is in larger, urban banks. We want to reduce as much as possible the paperwork burden on bankers so that they can focus on the lending side.

Fifth, personnel resources allocated to CRA examinations have increased significantly since 1989. Our examiners and Reserve Bank staff also spend considerable time in follow-up to the examinations through correspondence, advisory visits, and educational activities directed to the industry as a whole. The frequency of CRA examinations by the Federal Reserve System has been maintained, despite the fact that CRA examinations have become a more demanding and time-consuming job for examiners. For more than a decade, we have examined state member banks with a satisfactory or better record of past CRA performance every eighteen to twenty-four months. "Problem banks," or those with demonstrated weaknesses, are examined every six to twelve months.

Sixth, the agencies have successfully implemented the public disclosure of CRA evaluations and ratings. Written, public evaluations of CRA performance have been a reality for well over two years. We and the other supervisory agencies have devoted substantial time and effort in developing the system and in training examiners for an unprecedented change in the way they do their jobs.

Since the disclosure provisions became effective, the Federal Reserve has examined for CRA purposes every bank it supervises at least once, and many twice, and has presented its findings to the public. We believe that this process has proceeded relatively smoothly and has had a positive impact on financial institutions and their responses to their CRA obligations.

Expanded Educational, Informational, and Technical Assistance

In addition to examinations, a second key way that the supervisory agencies fulfill our CRA "encouragement" responsibilities is through educational, informational, and technical assistance activities. These activities are conducted jointly by the agencies and through programs administered in each agency. At the Federal Reserve, we provide these educational and informational services primarily through our Community Affairs program at each of the twelve Federal Reserve Banks.

To help educate the public and the banking community about CRA and community development lending, the Reserve Banks sponsor Community Affairs conferences, seminars, and workshops. Over the past four years, we have sponsored or cosponsored more than 400 conferences, seminars, and workshops for bankers and others focusing on such topics as CRA and HMDA compliance, options for bank participation in low- and moderate-income housing development, downtown and neighborhood revitalization, small and minority business lending, the formation of community development corporations, and housing finance in rural areas. During the past year, several Reserve Banks conducted workshops on the CRA targeted for members of bank boards of directors and for bank senior executives. Community Affairs staff members have developed community development lending curricula and have conducted numerous community development workshops for bankers.

In addition, during this same four-year period, Community Affairs staff members of both the Board and the Reserve Banks made more than 1,000 formal presentations at conferences, seminars, and meetings of banking, community, and other organizations on community development, the CRA, and other related topics. They have responded to thousands of inquiries and requests for information about the CRA.

Community Affairs staff members also provide CRA-related technical assistance and advice to individual banks, and some are conducting special visitations to bank holding companies to discuss CRA issues and opportunities directly with senior management. Community Affairs staff members have helped several banks and banking groups structure lending consortia or community development corporations. They have helped mediate disputes between banks and community organizations. They produce a variety of publications, from community profiles that outline CRA-related opportunities for banks—such as one recently prepared on South Central Los Angeles—to compendiums of programs that banks can use to complement their CRA programs. Nine of the Reserve Banks publish their own community affairs newsletters, which reach a combined total of more than 40,000 bankers, community representatives, and others.

Increasingly, the Community Affairs program is providing direct support to our examination staff members, helping them identify community contacts to meet with during examinations, or helping examiners identify community programs in which banks could be involved.

Overall, we believe that the Federal Reserve's Community Affairs program has greatly strengthened our efforts to "encourage" and help institutions to meet their CRA obligations.

EFFECTS ON APPLICATIONS

Applications that present CRA issues, which include those affected by poor CRA ratings as well as by CRA protests, have grown more numerous in recent years. During 1992, adverse CRA ratings were an issue in forty-four applications received by the Federal Reserve from banks and bank holding companies, compared with thirty-one such applications in 1991. Protested applications also increased to thirty in 1992 from twenty-four in 1991.

Although there have been relatively few outright denials of applications on CRA grounds, we would urge caution in using this as a significant measure of CRA's impact. We have found that institutions are taking this aspect of CRA quite seriously. They do not want poor CRA examination results, which are afforded great weight in our consideration of applications, to reduce their expansion options or to impede the timing of their applications. This gives them added incentive to have good programs in place. Some undoubtedly avoid filing applications, or decide to withdraw them, when faced with potentially adverse findings. Through the years, many institutions have made substantial commitments to the agencies or to protestants during the application process.

Coupled with our examination and educational efforts, I think that the application procedures have also contributed to overall CRA performance.

RECURRENT ISSUES

As should be apparent from this summary of recent agency activities, the CRA continues to consume an increasing amount of our time and resources. Despite our belief that things are much better than many realize, we also recognize that several controversies continue to be related to the structure and administration of the CRA. Let me touch on a few.

Consistency

One of the recurring issues involves the consistency, or lack thereof, in the way CRA evaluations are written and ratings assigned. Both community groups and bankers have alleged that the evaluations of the agencies are not equally comprehensive and that in some cases the assigned CRA ratings are not always the same for banks that appear to have similar performance.

Let me say that the supervisory agencies have spent much time and energy, both on an interagency basis, and within each agency, to deal with inconsistencies in evaluation write-ups. We have an extensive program within the Federal Reserve to review reports across Federal Reserve Districts to promote uniformity. In May 1991, the FFIEC convened a working group of field examiners and senior staff members from each of the agencies to review evaluations across agencies to help ensure a common approach. We have also received input from the Federal Reserve's Consumer Advisory Council, national community organizations, and many others on how we can enhance the quality and consistency of public information. We believe that these issues are being resolved.

It should be recognized, however, that it will probably always be somewhat difficult to make all ratings read consistently, simply because we are rarely comparing "apples to apples." Each financial institution is unique with respect to its business strategy, size, geographical market reach, product mix, and organizational structure. Even banks of the same size in the same communities may offer very different products and services. Each community is also different with respect to its economic condition, credit needs, organizations, and resources.

Process vs. Product

Both bankers and community groups continue to charge that the agencies appear more interested in ensuring that institutions have the appropriate CRA procedures and documentation than actual lending programs in their communities. I believe, however, that if that was the case at one point, it most certainly is not the case now. However, as I will indicate, this issue is not as simple as it may first appear.

In conducting CRA examinations, we *do not* focus on process to the exclusion of lending. We have cautioned our examiners about just this issue in our revised examination procedures, and we discuss it regularly in examiner training and other meetings. However, we do not consider certain basic business processes to be irrelevant to the CRA. Most successful institutions understand that, if they do not have a well-thought-out CRA program, they may be less effective in finding good lending opportunities in their communities or in being able to take credit for their lending activities at examination time.

We do not believe that most larger institutions, especially those with large branch networks, can reasonably claim to know the credit needs in their diverse communities unless they have an effective program in place to find out. Similarly, they probably cannot truly know whether they are meeting the credit needs with loans unless they have a process in place that would provide them with this information. But this process involves, after all, basic types of information that most bank managements regularly want to see for all products and services. For smaller institutions, the process is much simpler and usually should involve use of day-to-day information that bank management collects in any case.

However, this "process versus product" debate is not an easy one for one fundamental reason—the agencies were not given the task, nor have they assumed the role, of providing rules that allocate credit. Certainly, it would make everything much easier if we had lists of "blessed" loans and customers and mathematical ratios of loans by category that would match various ratings under the CRA—then we would simply count the product and be done with it. In fact, the CRA—wisely in my view—provides flexibility for institutions to meet their obligation in many different ways, depending on their strengths and the specialized needs of their community. Thus, there will always be considerable focus on having an adequate process in place which, in fact, delivers product.

Easy Grading

The distribution of ratings is another recurring issue. Community groups say that the CRA grades are much too high, and they contend that the banking agencies are much too lenient. And roughly 90 percent of the institutions do get a satisfactory or better rating. Some bankers, argue, of course, that because an institution would be out of business if it did not meet the needs of its community, *all* should pass.

When haggling over the grade distribution, we should remember that the CRA ultimately involves performance evaluations. Disagreements will always occur over such assessments, whether they involve a teacher or a professor grading a paper, a music critic judging a recital, or an employer evaluating an employee. No matter how well the criteria are understood, different people—reasonable people— can often make different judgments based on the same information.

But, clearly, few institutions fail. I think there are several good reasons for the current distribution. First, all banks pledge to meet the "convenience and needs" of their communities when they are chartered. This pledge occurred long before the CRA came on the scene. Second, we have been examining banks for compliance since 1977, and one would expect this pledge to have had a positive effect. Third, it should be recognized that the "satisfactory" category, in which about 80 percent fall, is a very broad one—and it includes some with good performance and some with more marginal records.

Discrimination and Home Mortgage Lending

Finally, a highly sensitive and recurring issue involves the relationship of the CRA to both the Home Mortgage Disclosure Act (HMDA) and the fair lending laws, such as the Equal Credit Opportunity Act. Although CRA assessments incorporate the objectives of these civil rights laws, the CRA is also much broader in scope.

It is well known that regulators have faced considerable difficulties in identifying instances of discrimination. It is extremely difficult to find conclusive evidence of discrimination through inspection of individual loan files during examinations. Lenders usually can demonstrate that the applicant was denied because certain credit standards, involving such elements as debt ratios or credit history, were not met.

But we have learned much from the intensive study on mortgage denials conducted by the Federal Reserve Bank of Boston and from the Justice Department's recent case involving Decatur Federal Savings and Loan. We are very concerned about the results of the Boston study and have taken several steps that we hope will help strengthen the capacity of our examiners to detect and deter discriminatory treatment of applicants. Fortunately, we are seeing a significant growth in affirmative marketing of mortgage and other loan products in minority areas as well as development of special mortgage products that meet the needs of low- and moderate-income persons. Institutions that are making positive efforts to offer and extend credit in minority communities are helping fulfill the CRA's aims.

The Impact of the CRA

How well is the CRA working? Frankly, I think it is working a lot better than is often recognized. By any measure it has had a major impact on reinvestment activity by financial institutions throughout the United States. In recent years, we have seen real momentum in financial institution responses to the needs of their communities, especially in lower-income areas. I believe that a good part of that momentum is because of the CRA.

The CRA has helped stimulate loans for home mortgages, housing construction and rehabilitation, and small and minority business development in low- and moderate-income communities. More banks and thrift institutions are seeking and participating in public and private partnerships, in both urban and rural communities, than ever before. A growing number of bank-led community development corporations or multibank lending consortia are supporting projects that benefit low-and moderate-income areas. Included with my testimony is a sample of such activities gathered from across the nation by our Community Affairs officers.[2]

Although beginnings are sometimes adversarial, banks and community groups in many cities have proved that they can work together to promote the goals of the CRA process. I think bankers are generally viewing the world a little differently because of the CRA, and the world views bankers a little differently as well. For many institutions, the CRA is becoming increasingly important. Good CRA performance enhances their ability to take advantage of opportunities afforded by mergers and interstate banking. Many bankers are also discovering that good CRA performance also helps them compete for customers. Finally, a growing number of bankers are seeing that CRA-related activities can lead to just good, profitable business.

2. The attachment to this statement is available from the Board of Governors of the Federal Reserve System, Division of Consumer and Community Affairs, Washington, DC 20051.

CONCLUSION

I would conclude from all of this that despite its weaknesses, the CRA is indeed working and working quite well. The supervisory agencies have stepped up their activities. We continue to strengthen our CRA examination, educational, and technical assistance programs. The banking community is responding positively, although certainly more can be done. The CRA is a simple and unusual law. Its lack of specificity—the source of many of its frustrations—may be its strength. In view of this, I would counsel that radical changes to the CRA be cautiously approached. □

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, February 19, 1993

I appreciate this opportunity to discuss with you developments in the economy and the conduct of monetary policy. Nineteen ninety-two saw an improved performance of our economy. The expansion firmed, and inflation moderated. Some of the structural impediments to growth seemed to diminish. In particular, the financial condition of households, firms, and financial institutions improved. In addition, confidence rebounded late in the year.

Nevertheless, the expansion seemed to exhibit little momentum through much of 1992, unemployment remained high, and money and credit growth was sluggish. In response, the Federal Reserve took steps to increase the availability of bank reserves on several occasions. These actions brought short-term interest rates to their lowest levels in thirty years. Long-term interest rates also fell in 1992 and in early 1993, as inflation expectations gradually moderated and optimism developed about a potential for genuine progress in reducing federal budget deficits.

Our economy has been held back in the past few years by a variety of structural factors that have not been typical of post-World-War II business cycles—certainly not occurring all at once. These factors have included record debt burdens, overbuilding in commercial real estate, and a substantial cutback in defense spending. We have not been alone in this. Other major industrial countries have also been experiencing unusual impediments to growth, and by comparison the recent performance of the U.S. economy has been relatively good. Our monetary policy actions have been directed at facilitating adjustments to these developments and have in the process improved our economy's prospects for long-run sustainable growth. Significant hurdles, of course, still remain to be overcome in the short run. Nonetheless, in the view of the vast majority of business analysts, prospects appear reasonable for continued economic expansion and further declines in the unemployment rate. The tasks of the monetary and fiscal authorities alike will be not only to support this prospective growth but also to set policies to enhance the capacity of our economy to produce rising living standards over time. Before discussing the outlook in more detail, I will reflect on how monetary policy has interacted with the forces that have shaped developments over recent years.

RECENT ECONOMIC DEVELOPMENTS AND MONETARY POLICY IN PERSPECTIVE

I have often noted before this committee the distinctly different nature of the current business cycle. Several extraordinary factors contributed to the earlier weakening in the economy and have worked against a brisk and normal rebound from the recession.

Balance sheet restructuring has been, perhaps, the most important of these factors. In the 1980s, debt growth, hand in hand with rising asset prices, considerably exceeded that of income, and debt burdens rose to record levels. Debt-financed construction in the commercial real estate market was an extreme manifestation of this development, but it was apparent as well in other sectors of the economy.

The development of these imbalances should not be entirely surprising. The economy grew continuously for nearly eight years—from late 1982 through mid-1990, the longest peacetime expansion on record. In this unusual period of uninterrupted growth, unrealistic expectations of what the economy could deliver seem to have developed. In addition, households and businesses apparently were skeptical that inflation would continue to decline and, based on their experience during the 1970s, may even have expected it to rebound. As a consequence, many may have shaped their investment decisions importantly based on expectations of inflation-induced appreciation of asset prices rather than on more fundamental economic considerations. In the commercial real estate sector, assessments of profit potential that were formed during the first half of the 1980s simply went too far, leading to an unavoidable period of retrenchment.

The difficulties faced by borrowers in servicing their debts as the expansion slowed and the leveling out or decline in asset prices prompted many to cut back expenditures and divert abnormal proportions of their cash flows to debt repayment. This, in turn, fed back into slower economic growth. In addition, financial institutions were faced with impaired equity positions, owing to sizable loan losses as well as more stringent supervision and regulation and demands by investors and regulators for better capital ratios. In response, they limited the availability of credit with particular effects on smaller businesses. During the past year or so, however, considerable progress has been made in strengthening balance sheets in both the nonfinancial and financial sectors. Moreover, by some measures the rate of deterioration of the commercial real estate industry might be slowing, and prices in this sector may soon begin to stabilize. Such developments should contribute to the sustainability of the expansion in the period ahead.

Intensive business restructuring has been another important characteristic of the evolving economic situation. In an environment of weak demand and intense competition here and abroad, many firms have found it necessary to take aggressive measures to reduce costs. These actions have included selling or closing down unprofitable units and reducing their work force. The availability of new computing and communication technologies has given the process of restructuring added momentum. Although these changes involve difficult adjustments in the short run, they are producing important gains in productivity, which will boost real wages and living standards over time.

A third development restraining the expansion has been the contraction in defense spending. Real federal defense expenditures dropped about 6 percent in 1992 and are down 9 percent from their 1987 peak. Those regions of the country with substantial defense-related activity have been among the areas whose economies have performed especially poorly. Although this development is having a contractionary influence on the economy in the short run, over a longer period the productive resources freed in this process will find employment in the private sector contributing to capital formation and the growth potential of the economy.

Another less-discussed factor that contributed to the formulation of our recent monetary policy dates not from the 1980s but rather from the 1970s—inflation and inflation expectations. Over the past decade or so, the importance of the interactions of monetary policy with these expectations has become increasingly apparent. The effects of policy on the economy critically depend on how market participants react to Federal Reserve actions as well as on expectations of our future actions. These expectations—and thus the credibility of monetary policy—are influenced not only by the statements and behavior of the Federal Reserve but by those of the Congress and the Administration as well.

Through the first two decades of the post-World-War II period, this interaction was patently less important. Savers, investors, firms, and households made economic and financial decisions based on an implicit assumption that inflation over the long run would remain low enough to be inconsequential. There was a sense that our institutional structure and culture, unlike those of many other nations of the world, were alien to inflation. As a consequence, inflation premiums embodied in long-term interest rates were low and effectively capped. Inflation expectations were reasonably impervious to unexpected shifts in aggregate demand or supply. In those circumstances, monetary policy had far more room to maneuver; monetary policy, for example, could ease aggressively without igniting inflation expectations.

Even during the rise in inflation of the late

1960s and 1970s there was a clear reluctance to believe that the inflation being experienced was other than transitory; it was presumed that inflation would eventually retreat to the 1 percent to 2 percent area that prevailed during the 1950s and the first half of the 1960s. Consequently, long-term interest rates remained contained.

But the dam eventually broke, and the huge losses suffered by bondholders during the 1970s and early 1980s sensitized them to the slightest sign, real or imagined, of rising inflation. At the first indication of an inflationary policy—monetary or fiscal—investors dump bonds, driving up long-term interest rates. To guard against unexpected losses, investors now demand a considerable premium in bond yields—a premium that seems out of proportion to the likely future path of inflation but one that nevertheless conditions the environment of monetary policy today. The steep slope of the yield curve and the expectations about future interest rates that the slope implies suggest that investors remain quite concerned about the possibility of higher inflation over the longer run, even as they appear less concerned about that possibility for the next year or two.

This heightened sensitivity affects the way monetary policy interacts with the economy. An overly expansionary monetary policy, or even its anticipation, is embedded fairly soon in higher inflation expectations and nominal bond yields. Producers incorporate expected cost increases quickly into their own prices, and eventually any increase in output disappears as inflation rises and any initial decline in long-term nominal interest rates is more than retraced. To be sure, a stimulative monetary policy can prompt a short-run acceleration of economic activity. But the experience of the 1970s provided convincing evidence that there is no lasting tradeoff between inflation and unemployment; in the long run, higher inflation buys no increase in employment.

This view of the capabilities of monetary policy is entirely consistent with the Humphrey–Hawkins Act. As you know, the act requires that the Federal Reserve "maintain long-run growth of the monetary and credit aggregates commensurate with the economy's long-run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates."

The goal of moderate long-term interest rates is particularly relevant in the current circumstances, in which balance sheet constraints have been a major—if not the major—drag on the expansion. The halting, but substantial, declines in intermediate- and long-term interest rates that have occurred over the past few years have been the single most important factor encouraging balance sheet restructuring by households and firms and fostering the very significant reductions in debt-service burdens. Monetary policy also has played a crucial role in facilitating balance sheet adjustments—and thus has enhanced the sustainability of the expansion—by easing in measured steps, gradually convincing investors that inflation was likely to remain subdued and fostering the decline in longer-term interest rates.

We have conducted monetary policy against this background for the past several years. During this period, Federal Reserve policy was directed at fostering sustainable growth in the economy. The Federal Reserve began to ease monetary policy in spring 1989, when it recognized tendencies for the economy to slow. Responding to the downturn that began in August 1990, we accelerated the reduction in short-term interest rates. Last year, we extended our earlier reductions in interest rates by lowering the federal funds rate another percentage point through another cut in the discount rate and by injections of a large volume of reserves. In addition to reducing interest rates, the Federal Reserve lowered reserve requirements last year for the second time in eighteen months to help reduce depository institutions' costs and to encourage lending.

Although the easing actions over the past few years have been purposely gradual, cumulatively they have been quite large. Short-term interest rates have been reduced since their 1989 peak by nearly 7 percentage points; looked at differently, short rates have been lowered by two-thirds. Some have argued that monetary policy has been too cautious and that rates should have been lowered more sharply or in larger increments.

In my view, these arguments miss the crucial features of our current experience: the sensitivity of inflation expectations and the necessity to work through structural imbalances to establish a basis for sustained growth. In these circumstances, monetary policy clearly has a role to play in helping the economy grow; the process by which monetary policy can contribute, however, has been different in some respects than in past business cycles. Lower intermediate- and long-term interest rates and inflation are essential to the structural adjustments in our economy, and monetary policy thus has given considerable weight to helping such rates move lower.

Some have suggested that the decline in inflation permitted more aggressive moves, and, had the downward trajectory of short-term interest rates been a bit steeper, that aggregate demand would have been appreciably stronger. I question that as well. Basing this argument on the lower inflation that has occurred is a non sequitur; the disinflation very likely would not have occurred in the context of an appreciably more stimulative policy, and such a policy could have led to higher inflation in the next few years. Moreover, such a policy would not have dealt fundamentally with the very real imbalances in our economy that needed to be resolved before sustainable growth could resume. And it would have run the risk of aborting the process of balance sheet adjustment before it was completed. The credibility of noninflationary policies would have been strained, and longer-term interest rates likely would be higher, thereby inhibiting the restructuring of balance sheets and reducing the odds on sustainable growth.

Recent evidence suggests that our approach to monetary policy in recent years has been appropriate and productive. Even by last July, when I presented our midyear report to the Congress, some straws in the wind suggested that the easing of monetary policy to that date and the various financial adjustments under way in the economy were proving successful in paving the way for better economic performance. Households and businesses appeared to have made significant progress in shoring up their balance sheets; considerable reductions in debt-servicing requirements had been achieved, equity had risen, and liquidity was higher. In the financial sector, bank profitability had improved, and a brisker flow of bank earnings as well as issuance of new equity shares and subordinated debt had bolstered capital ratios, which helped arrest the tightening of lending terms and standards. The lower level of interest rates, both short- and long-term, helped limit the decline in real estate values and boost the profitability of thrift institutions, as a by-product reducing the losses that would have been borne by the Resolution Trust Corporation and, ultimately, the taxpayer.

It is now apparent that our July expectation of a firmer trajectory of output has been borne out. Gross domestic product (GDP) growth is estimated to have picked up to a 3½ percent rate during the second half of 1992 after a more modest increase in the first half. Some quickening in the pace of auto sales could be detected in the late summer, and spending on other consumer durables strengthened as well. Single-family housing starts rebounded. Industrial orders, production, and shipments all rose. In association with this stronger trend, payroll employment growth has picked up, and the unemployment rate has dropped back to 7.1 percent by early this year—certainly too high but well below the level at midyear. For 1992 as a whole, real gross domestic product is currently estimated to have increased at about a 3 percent rate. And indications are that the expansion is continuing in the early months of 1993 although perhaps at a slightly reduced rate.

The news on inflation in 1992 likewise was quite encouraging. The consumer price index (CPI) rose just 3 percent in 1992, at the lower end of the central tendency of our July projections. Excluding volatile food and energy prices, inflation last year was the lowest in two decades. Although the January CPI was surprisingly high, judging from survey evidence and the behavior of long-term interest rates, inflation expectations appear to be gradually diminishing, as market participants gain more confidence that inflation is being contained.

Money and Credit in 1992

These favorable outcomes occurred despite slow growth of the money and credit aggregates. The Federal Open Market Committee (FOMC) had established ranges of 2½ to 6½ percent for M2, 1 to 5 percent for M3, and 4½ to 8½ percent for domestic nonfinancial sector debt. Over the year, M2 actually rose 2 percent, M3 rose ½ percent, and debt 4½ percent. Thus, both of the monetary aggregates finished the year about ½ percentage point below their ranges and debt just at its lower bound.

Interpreting this slow growth was one of the major challenges the Federal Reserve faced last year. You may recall that, in establishing the ranges in February and reviewing them in July, the committee took note of the substantial uncertainties regarding the relationships between income and money in 1992. Although the velocity of the broad monetary aggregates—the ratio of nominal GDP to the quantity of money—had not changed much in 1991, that result itself was surprising. In the past, when market interest rates declined, as they had in 1991, savers shifted funds into M2 because deposit rates usually did not fall as much as market rates, and this produced a decline in velocity in contrast to what occurred in 1991. As we moved into 1992, there appeared to be an appreciable likelihood that unusual weakness in M2 growth relative to spending would continue. But, in the absence of convincing evidence for increases in velocity, the FOMC elected to leave the ranges unchanged from the previous year and noted that it would need to be flexible in assessing the implications of monetary growth relative to the ranges.

In the event, nominal GDP was even stronger relative to the broad aggregates in 1992 than seemed likely when their ranges were established. Income increased 3½ percent faster than M2 over the year and 4¾ percent faster than M3. The unusual nature of these increases in velocity can be illustrated by noting that before 1992 the velocity of M3 had risen more than 3 percent in a year only once; the historical increases in M2 velocity comparable with last year's occurred solely in the context of sizable increases in market interest rates in contrast to last year's declines.

What accounts for this unusual behavior? Why is it that our financial system was able to support 5½ percent growth in nominal GDP with only 2 percent growth in M2 and ½ percent growth in M3? We cannot be entirely certain we have all the answers, but certain elements of our evolving financial picture clearly have played a major role. The most important element perhaps was that savers believed they could earn considerably more on their funds if they were invested in something other than the deposits and money market mutual funds that make up M2. The unprecedented steepness of the yield curve was one factor contributing to the apparent rate disadvantage of M2 assets. The high level of long-term yields relative to shorter-term rates—rates on deposits, in particular—has attracted funds from bank and thrift deposits into alternative, longer-term investments. For example, bond and stock mutual funds, which are not included in our standard monetary measures, flourished in 1992. Assets in those funds, excluding institutional holdings and Individual Retirement Accounts (IRAs) and Keogh accounts, increased $125 billion. In the absence of such growth, a sizable proportion of the additional shares doubtless would have resided in deposits. Shifts from deposits to mutual funds have been abetted by the spread of facilities in banks and thrift institutions to sell mutual funds directly to their customers.

In addition, the high relative cost of consumer debt, which has resulted partly from the elimination of the tax deductibility of consumer interest expenses, no doubt has prompted households to use funds that otherwise would be held in M2 to pay off, or avoid taking on, consumer debt. Mortgage interest rates also are high, compared with interest rates on deposits, reflecting the steep yield curve. This relationship has led some households to repay mortgage debt with funds that might otherwise be held in deposits.

Of course, if banks and thrift institutions had been expanding their loan portfolios, they would have had to bid more vigorously for deposits. But several developments damped growth of bank and thrift credit. Consequently depositories have been prompt to reduce rates on deposits. In the business sector, the higher levels of stock and bond prices have encouraged many corporations to pay down bank debt with the proceeds of a large volume of bond and stock offerings. More generally, the attitudes of households and firms toward debt and leverage appear to have changed considerably in recent years, perhaps, in part, mirroring revised expectations about prospects for inflation to ease debt burdens or reward leverage.

The supplies of credit by depositories also have been constrained. Incentives to lend have been damped by market and regulatory pressures for depository institutions to increase capital ratios as well as by other factors raising their costs of intermediating credit, such as higher deposit insurance premiums, rising regulatory costs, and more stringent supervisory oversight. As a result, banking and thrift institutions have sought to limit or to actually shrink balance sheet growth.

Together, these supply and demand factors have accelerated a long-standing process of re-channelling credit flows outside depository institutions. With reduced needs to fund asset growth, banks and thrift institutions have bid less vigorously for deposits as can be observed in the very low returns on such instruments. These low yields, as I have noted, provide incentives for depositors to redirect cash toward alternative investments and repayment of debt. In addition, the proceeds of banking firms' offerings of equity shares and subordinated debt have substituted for banks' deposit funding and have thus reduced monetary growth.

The adjustments in our depository sector have significant implications for the overall operation of the financial system and the performance of the economy. Historically, banking institutions have played a critical role in financing small- and medium-sized businesses—firms that in the past have been a key source of growth in the economy. Some of the factors leading to the relative shrinkage of our banking industry, by limiting the availability of credit to smaller firms, have restrained aggregate demand and thus have significantly hindered the economic expansion.

Nevertheless, the financial markets have shown a remarkable capacity to adjust to the contraction of the depository sector in a way that mutes the impact on the overall economy. For instance, despite a massive contraction in the thrift industry since 1988, housing credit has remained readily available and, in fact, relatively inexpensive as a result of the further exploitation of financial innovations such as mortgage-related securities. Similarly, open market sources of funds have flourished in recent years and have allowed many firms to tap the stock or bond markets to restructure their balance sheets.

As a result of such adaptations, the relationship between money and the economy may be undergoing a significant transformation. In contrast to earlier work that suggested a stable long-run relationship between M2 growth and inflation, recent developments may indicate that the velocities of the broader monetary aggregates are moving toward higher trend levels. It may be that the opening of securities markets to increasing numbers of borrowers and lenders—in part through securitization of loans by depositories as well as their offerings of mutual funds to deposit customers—is permanently shunting financing around depository institutions. If this is true, the liabilities of these institutions will not be as good a gauge of financial conditions as they once were.

This is not to argue that money growth can be ignored in formulating monetary policy. The Federal Reserve in 1992 paid substantial attention to developments in the money supply, and we will continue to do so in 1993 and beyond. Selecting ranges for monetary growth over the coming year consistent with desired economic performance, however, is especially difficult when the relationship between money and income has become uncertain. Recent experience suggests that, at least for a time, measuring money against such ranges may lead to erroneous conclusions regarding the stance of monetary policy.

The shortfall of the aggregates from their ranges and suggestions that the Federal Reserve should have been more vigorous in preventing the shortfall have raised the general question of the role of the ranges in conducting monetary policy. The annual ranges for money and credit growth can be useful in communicating to the Congress and the public the Federal Reserve's plans for monetary policy and their relationship to the country's broader economic objectives. Lowering the ranges during the 1980s, for instance, served as an important signal of the anti-inflationary commitment of the Federal Reserve.

In some circumstances, the monetary aggregates can also be valuable by serving as indicators of the thrust of monetary policy. Deviations of money growth from expectations may well signal that policy is not having its intended effect and that adjustments should be considered. Over much of our nation's financial history several measures of the money supply had reasonably predictable relationships with aggregate income. The period of rapid financial change had not yet begun, and measuring money was more straightforward. Recognition of these predictable money–income relationships was the basis for the Federal Reserve's increased emphasis on money in the 1970s and the subsequent Humphrey–Hawkins legislation. The Congress passed the Monetary Control Act at the beginning of the 1980s, and the Federal Reserve adopted procedures to provide greater assurance that targets for M1 could be achieved.

But, even by the mid-1970s, the relationship of the monetary aggregates to the economy was becoming more complex. Financial innovation and deregulation significantly altered the spectrum of available transaction and saving instruments. In the mid-1970s, advances in corporate cash management techniques, such as sweep accounts, reduced the need for business demand deposit balances for any given level of transactions. And in the early 1980s, the widespread availability of negotiable order of withdrawal (NOW) accounts—transaction accounts that pay interest—led households to treat their checking accounts to some degree as savings instruments and to shift funds in and out of such accounts mainly on the basis of interest rate relationships. Such developments primarily affected M1. The FOMC made repeated adjustments to its M1 range to take account of changing velocity and soon after the mid-1980s had eliminated its target for this aggregate. Many of the shifts were captured within the broader aggregates, but adjustments to their ranges also had to be made from time to time.

In the past few years, the broader aggregates, in turn, have become much less reliable guides for the conduct of policy. Eventually, these measures may resume a more stable relationship with the economy, or experience may suggest useful new definitions for the aggregates. We are currently investigating several possible alternative measures. But, in the meanwhile, the FOMC necessarily has given less weight to monetary aggregates in the conduct of policy and has relied on a broad range of indicators of future financial and economic developments and price pressures. And, in particular, the FOMC judged in 1992 that more determined efforts to push the aggregates into their ranges would not have been consistent with achieving the nation's longer-term objective of maximum sustainable economic growth. Indeed, had there been an attempt to force M2 and M3 toward the middle of their ranges, intermediate- and long-term rates might have been significantly higher by now than they are currently, threatening the durability of the expansion.

This use of a broad range of indicators is appropriate because achievement of the ranges for growth of particular measures of money and credit is not, and should not be, the objective of monetary policy. Rather, the ranges are a means to an end. The Humphrey–Hawkins Act, incorporating this view, does not require that the ranges be attained in circumstances in which doing so would not be consistent with achieving the more fundamental economic objectives.

Ranges for Money and Credit for 1993

In establishing ranges for the monetary and credit aggregates in the current year, the FOMC took into account the likelihood that many of the factors that have acted in recent years to restrain money and credit growth relative to income would continue, although perhaps with somewhat diminishing intensity. The yield curve could well remain steep, absent very marked progress in deficit reduction or a distinct break in long-term inflation expectations, which would tend to lower long-term interest rates. Banking and thrift institutions are unlikely to step up the pace of balance sheet expansion sharply, and the large volume of securities they have accumulated in recent years will allow them to fund a pickup in loan growth without as marked an acceleration of deposit growth. And households and firms are expected to continue to be relatively cautious in using credit. Other factors may add to tendencies for money to expand more slowly than income. For example, a resumption of resolutions by the Resolution Trust Corporation, which has been inactive for nearly a year, by shifting assets from thrift institutions onto government balance sheets, would tend to substitute federal liabilities for those of thrift institutions, reducing monetary growth.

Reflecting the expectation that sluggish monetary growth will be associated with sustainable expansion in the economy, the Federal Open Market Committee has elected to reduce the ranges for M2 and M3 for 1993 by ½ of 1 percentage point. For M2, a range of 2 percent to 6 percent, measured as usual on a fourth-quarter-to-fourth-quarter basis, was established. A range of ½ percent to 4½ percent was specified for M3.

As I have indicated in correspondence with members of the Congress, the FOMC does not view the reductions in the monetary ranges as signaling a change in the stance of monetary policy. And most emphatically, these reductions do not indicate a desire on the part of the Federal Reserve to thwart the expansion. The Federal Reserve, to the contrary, is endeavoring to conduct monetary policy in a way that promotes sustainable economic expansion. The lowering of these ranges does not imply any change in our fundamental objectives. The necessity for a reduction in the monetary ranges at this time is wholly technical in nature and is a result of the forces that are altering the money–income relationship. Consistent with this view, the FOMC decided to maintain a range of 4½ percent to 8½ percent for domestic nonfinancial sector debt, an aggregate whose relationship with nominal GDP has been less distorted in the past few years than that of the monetary aggregates.

Significant uncertainties regarding the appropriate ranges for monetary growth remain. Although we have made some progress in understanding the behavior of the money and credit aggregates over the past year, to a degree this increased understanding has reinforced our appreciation of the complexity—and limited predictability—of the economic and financial relationships that affect money growth and its linkages with the economy.

These uncertainties imply that the relationship between money and GDP growth could turn out significantly different from what currently seems likely. Accordingly, the Federal Reserve again will interpret the growth of money and credit relative to their ranges in the context of other indicators of the financial system, the performance of the economy, and prices. Should recent trends affecting the money–income relationship continue, growth of the monetary aggregates in the lower portions of their ranges might be expected. On the other hand, the upper ends of the ranges provide ample room for adequate monetary growth should demands for money relative to income come more into line with historical patterns. In any event, until the relationship between the monetary aggregates and spending returns to a more reliable basis, flexibility in the interpretation of the aggregates relative to their new ranges is required.

Economic Outlook for 1993

Several of the forces affecting relationships between money and income also complicate the task of assessing the economic outlook itself. For example, the prospects for an easing of supply restrictions on credit from banks and other intermediaries are difficult to assess, but any major change in this situation could have important implications for the economy. Although banking institutions have become much more healthy and are well positioned to meet an increase in loan demand, very few signals of any easing of terms or standards on business loans have been apparent to date.

In addition, other factors that hobbled the economy in the past several years are likely to persist in 1993, although perhaps with diminished intensity. Households and business are likely to remain cautious in using credit—a healthy development for sustained growth but potentially continuing to constrain spending in the short run. Sizable imbalances in commercial real estate remain, and a significant rebound in this sector is doubtless several years off. Government spending at the federal, state, and local levels is likely to remain constrained. Several foreign nations are confronting slow economic growth or recession, which is likely to hold back demand for our exports. And it is apparent from recent announcements by several large firms that corporate restructuring, involving significant cutbacks in operations and employment, is continuing.

Another very considerable uncertainty in the economic outlook is fiscal policy. The Congress and the Administration are considering short-run fiscal stimulus and steps to reduce the deficit in the long run. Obviously, government spending and taxes could be affected by such measures in such a way as to influence directly the overall economy this year, although the bulk of any effect likely would occur in succeeding years. In addition, depending on the timing, dimensions, and credibility of any fiscal measures, market interest rates and stock prices could be affected appreciably, with implications for private expenditures.

While uncertainties thus remain, the economy appears to have entered the year with noticeable momentum to spending. In addition, inventories are at relatively low levels, and factory orders have been rising. Consumer confidence has recovered, and spending on durables and homes appears to be moving at a brisker pace. Recent surveys suggest an appreciable increase in business investment this year.

Against this background, members of the Board and the Federal Reserve Bank presidents project a further gain in economic activity in 1993. The central tendency of our projections is for real GDP to increase at a 3 to 3¼ percent rate this year. Such an increase should result in a decline in the unemployment rate, which would be expected to finish 1993 at a level of 6¾ to 7 percent. Inflation is expected to remain low next year.

Containing, and over time eliminating, inflation is a key element in a strategy to foster maximum sustainable long-run growth of the economy. As I have often emphasized, monetary policy, by achieving and maintaining price stability, can foster a stable economic and financial environment that is conducive to private economic planning, savings, investment, and economic growth. It is no accident that the periods in our nation's history of low inflation were the times when the economy experienced high rates of private saving, investment, and hence productivity and economic growth. When inflation is low, endeavors to boost profit margins necessarily involve reductions in cost rather than increasing prices; thus, low rates of inflation tend to be associated with relatively high productivity growth. Conversely, periods of high and rising inflation here and abroad have been characterized by financial instability, an excessive amount of resources devoted to protecting financial wealth rather than production of goods and services, and substandard economic growth.

Over the past decade or so, our nation has made very substantial progress toward the achievement of price stability, reversing a dangerous upward trend of inflation and inflationary expectations. Last year's 3¼ percent increase in the core CPI was the lowest in twenty years and far lower than the debilitating double-digit rates at the close of the 1970s. As I have indicated to this committee on numerous occasions, price stability does not require that measured inflation literally be zero but rather is achieved when inflation is low enough that changes in the general price level are insignificant for economic and financial planning. At current inflation rates, we are thus quite close to attaining this goal.

Going forward, the strategy of monetary policy will be to provide sufficient liquidity to support the economic expansion while containing inflationary pressures. The existing slack implies that the economy can grow more rapidly than potential GDP for a time, permitting further reductions in the unemployment rate even while inflation is contained.

Implementing this strategy, however, will be challenging. Judging the level of potential output and its rate of growth is difficult. Recent increases in productivity have been unusually strong, given the moderate pace of economic growth during much of the expansion, and it is unclear whether these rates of productivity gain can be continued. In addition, the monetary aggregates do not appear to be giving reliable indications of economic developments and price pressures, and numerous other uncertainties cloud the particular features of the outlook. Monetary policy will have to adjust to unexpected developments as they occur, taking into account a variety of economic and financial indicators.

The contributions that monetary policy can make to maximum sustainable economic growth would be complemented by a fiscal policy focused on long-term deficit reduction. In the current environment, reducing the federal government's drain on scarce savings would take pressure off long-term interest rates, facilitating the readjustment of balance sheets and helping to promote capital formation and more robust economic growth over the longer term.

The Federal Reserve, in formulating monetary policy, certainly needs to take into account fiscal policy developments. Of course, it is not possible for the Federal Reserve to specify in advance what actions might be taken in the presence of particular fiscal policy strategies. Clearly, the course of interest rates and financial market conditions more generally will depend importantly on a host of forces—in addition to fiscal policy—affecting the economy and prices. And the effects of fiscal policy on the economy, in turn, will depend importantly on the credibility of long-run deficit reduction and the market reaction to any package. The lower long-term interest rates that resulted from a credible deficit-reduction plan would themselves have an immediate positive effect on the economy. In any event, I can assure you of our shared goal for the American economy—the greatest possible increase in living standards for our citizens over time.

The past several years have been difficult, and the economy is still adjusting to structural imbalances that have built up over recent decades. The near-term outlook, as always, is somewhat uncertain. But I believe that in many respects the inevitable painful adjustments have laid the foundation for better performance of our economy over the longer term. Financial positions have been strengthened; inflation is low and should remain subdued; labor productivity is increasing; resources are being shifted from national defense to investment and consumption. Nevertheless, the challenges ahead for policymakers will be considerable. While continuing to be supportive of the expansion of our economy over coming quarters, the monetary and fiscal authorities alike need to structure our policies to enable our economy to reach its full potential over time.

Supplemental Statement

The President is to be commended for placing on the table for active debate the issue of our burgeoning structural budget deficit, which will increasingly threaten the stability of our economic system if we continue to fail to address it. Leaving aside the specific details, it is a serious proposal; its baseline economic assumptions are plausible; and it is a detailed program-by-program set of recommendations as distinct from general goals.

It is obviously very difficult to get a consensus on deficit cutting. If it were easy, it would have been done long ago. The debate among the nation's elected representatives will be profoundly political, in the best sense of the word. As the nation's central bankers, our primary and professional concern is soon having the structural deficit sharply reduced.

Time is no longer on our side. After declining through 1996, the current services deficit starts on an inexorable upward path again. The deficit and the mounting federal debt as a percentage of gross domestic product are corrosive forces slowly undermining the vitality of our free market system.

If we fail to resolve our structural deficit at this time, the next opportunity will doubtless confront us with still more difficult choices. How the deficit is reduced is very important; that it be done, is crucial.

In this regard, certain issues that I have discussed with this committee and others of the Congress throughout the years are worth repeating.

First, with current services outlays from 1997 and beyond rising faster than the tax base, stabilizing the deficit as a percentage of nominal gross domestic product, not to mention a reduction, would require ever-increasing tax *rates*. Hence, there is no alternative to achieving much slower growth of outlays. This implies not only the need to make cuts now but also to control future spending impulses. I trust that the President's endeavor to reign in medical costs will contribute importantly to this goal.

Second, the hope that we can possibly inflate or grow our way out of the structural deficit is fanciful. Certainly greater inflation is not the answer; aside from its serious debilitating effects on our economic system, higher inflation, given the explicit and implicit indexing of receipts and expenditures, would not reduce the deficit. As I indicated in testimony last month to the Joint Economic Committee, productivity growth may be moving into a faster long-term channel and may be boosting real growth over time. But even if that turns out to be the case, it would not by itself resolve the basic long-term imbalance in our budgetary accounts.

Finally, I find misplaced the fear that the deficit reduction can be overdone and create a degree of "fiscal drag" that would significantly harm the economy. In our current political environment, to presume that the Congress and the President would jointly cut too much from the deficit too soon is in the words of my predecessor "nothing I would lose sleep over."

The Federal Reserve recognizes that it has an important role to play in this regard. In formulating monetary policy, we certainly need to take into account fiscal policy developments. But it is not possible for the Federal Reserve to specify in advance what actions might be taken in the presence of particular fiscal policy strategies. Clearly, the course of interest rates and financial market conditions more generally will depend importantly on a host of forces—in addition to fiscal policy—affecting the economy and prices. In any event, I can assure you of our shared goal for the American economy—the greatest possible increase in living standards for our citizens over time. □

Chairman Greenspan presented identical testimony before the Subcommittee on Economic Growth and Credit Formation of the House Committee on Banking, Finance and Urban Affairs, February 23, 1993.

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. House of Representatives, February 24, 1993

I very much appreciate the opportunity to meet with you today, especially in view of the crucial budgetary issues now before the Congress. As you know, in the last few days I have given detailed testimony on the conduct of monetary policy in 1992 and our plans for 1993. Accordingly, I shall be rather general today in discussing monetary policy, focusing instead on the economic outlook and the relationship between fiscal policy and monetary policy.

Our economy recently has made considerable progress in overcoming structural imbalances and improving the prospects for sustainable long-run growth. The Federal Reserve has contributed to this progress by easing the stance of monetary policy in a measured fashion and thus helping to encourage appreciable declines in long-term interest rates. As I will be discussing, considerable imbalances in the economy remain, and the uncertainties are sizable. But, on balance, the prospects are reasonably good for continued economic growth and declines in unemployment in 1993. We at the Federal Reserve intend to continue to conduct policy in such a way as to support the economic expansion while containing inflation and making further progress toward price stability. This policy approach should help promote sustainable long-term growth of our economy.

Fiscal policy similarly can contribute to sustainable and robust economic growth. The President's budget proposals have prompted anticipation in the markets that there will be genuine progress in the reduction of federal budget deficits. This anticipation has been the most important factor behind the very significant recent declines in intermediate- and long-term interest rates. These lower rates are a striking reminder that reducing federal deficits will free up private savings, reduce the cost of credit to private borrowers, and encourage accumulation of capital that will help enhance growth in the future.

To provide some background for discussion of future monetary and fiscal policies, I would first like to review recent economic developments and the conduct of monetary policy. I will then turn to the economic outlook and our monetary policy plans for 1993 and conclude with some comments on fiscal policy and its relationship with monetary policy.

RECENT ECONOMIC DEVELOPMENTS

Our economy has experienced considerable impediments to growth in the past few years. In my view, adjustments to certain imbalances and structural changes in the economy have been important causes of the sluggish performance of the economy until recently.

As I have often noted, balance sheet adjustments have been a key element. By the late 1980s, balance sheets had been weakened considerably by the large runup in debt over the previous seven years or so. But, in addition, actual declines in asset prices—particularly in commercial real estate prices but, in many locales, in housing prices as well—unambiguously signaled a serious imbalance between demands and supplies for certain structures. These declines, in turn, represented a significant reduction in the wealth of many firms and households. These entities, and many others who experienced difficulties servicing debt, typically responded by restraining expenditures on real goods and services, reducing the forward momentum of the economy.

The difficulties of borrowers and declines in real estate values spilled over onto the financial institutions that financed such purchases. With loan losses mounting and under pressure from the markets and regulators to improve their capital ratios, those institutions tightened terms and standards on many types of loans. The reduced availability of credit limited the ability of certain smaller and medium-sized firms to expand and contributed to the weakening of the economy.

After the invasion of Kuwait and the associated jump in oil prices and drop in confidence, a recession began. From peak to trough, real gross domestic product declined 2¼ percent. Total employment declined considerably, industrial production fell, and capacity utilization dropped.

Although an economic recovery began in spring 1991, it was rather anemic. Some of the factors that had earlier weakened the economy continued to weigh on aggregate demand, particularly efforts by businesses and households to bring down debt burdens, the reduced availability of business credit, and the hangover in the commercial real estate sector. In addition, state and local governments, faced with a recession-induced decline in revenues, retrenched. And real federal defense purchases, after having peaked in 1987, have moved down considerably, depressing demand further. As a result, real gross domestic product (GDP) expanded at only a 1.6 percent average annual rate during the first five quarters of the recovery. As real GDP growth was below the expansion of the economy's potential to produce, unemployment continued to rise substantially.

More recently, however, the expansion has shown somewhat more vigor. Real GDP rose at a 3½ percent rate in the third quarter and is currently estimated to have increased at a 3¾ percent rate in the fourth quarter. And data that have become available since this estimate was prepared suggest that the fourth-quarter growth could well be revised up substantially. Halfway through the first quarter, we appear to be growing at a somewhat slower pace than in the second half of last year.

The stronger pace of economic growth has aided the employment picture somewhat. Although payroll employment fluctuated over 1992, on balance it rose during the year for the first time since 1989. Nevertheless, unemployment remained a serious problem. The number of unemployed persons rose considerably in the first half of 1992, despite a moderate gain in GDP, and the unemployment rate climbed to 7¾ percent by midyear. Over the second half of the year, the number of unemployed persons declined appreciably, and the unemployment rate moved down to 7.3 percent. In January, the rate edged down further to 7.1 percent.

The modest gains in employment and the continuing high unemployment rate reflect, in part, determined efforts by firms to limit costs and boost productivity in an environment of intense domestic and foreign competition. Many firms have taken measures to boost profitability by shrinking their work forces, closing down unprofitable units, and employing recent advances in computing and communications technology more effectively. As a result, labor productivity has shown remarkable gains recently. For example, output per hour in the nonfarm business sector surged 3 percent in 1992, the strongest gain since 1975.

The substantial slack in labor markets and improvements in productivity growth have contributed to downward pressure on the inflation rate. The consumer price index rose just 3 percent in 1992, and excluding volatile food and energy prices, the increase was the lowest in twenty years. Inflation expectations, while lagging somewhat actual inflation developments, have moved down gradually.

RECENT MONETARY POLICY

In the circumstances of hesitant economic growth and downward pressures on inflation, monetary policy in 1992 was directed at fostering a more vigorous, but sustainable, rebound, consistent with progress toward price stability. The Federal Reserve, extending a series of policy moves that began in mid-1989, eased policy several times in 1992. We reduced the federal funds rate a total of 1 percentage point by providing additional bank reserves and by reducing the discount rate. In addition, we again lowered reserve requirements for depository institutions.

These actions helped intermediate- and long-term interest rates move lower. During 1992, the yield on long-term Treasury bonds averaged nearly ½ percentage point lower than in the previous year. In the past few weeks, these reductions have been extended, bringing the rate on long-term Treasuries below 7 percent—the lowest since the early 1970s.

The declines in intermediate- and long-term interest rates have helped foster significant balance sheet restructuring by households and by business firms. Low mortgage rates have encouraged many households to refinance existing mortgage debt, and some have used the opportunity to tap into home equity to pay off consumer credit. Lower interest rates on mortgage as well as consumer credit, combined with more moderate growth of household debt, have resulted in a considerable reduction in household debt service payments since their 1990–91 peak. The lower levels of long-term interest rates also have helped buoy housing prices as well as stock prices. These factors may well have contributed to the substantial acceleration in personal consumption expenditures over the second half of 1992.

In the business sector, balance sheet restructuring activity has been encouraged by the high level of stock prices as well as by relatively low long-term interest rates. Nonfinancial corporations stepped up their issuance of equity shares and bonds last year. These issues frequently were used to pay down bank debt as well as bonds carrying relatively high interest rates, and thus they helped lengthen liability structures while reducing the interest cost of debt. In the nonfinancial business sector, net interest payments as a percentage of cash flow are estimated to have reversed roughly two-thirds of the runup that occurred during the previous economic expansion.

Financial institutions also strengthened their financial positions. Commercial banks, for instance, considerably bolstered their risk-based and total capital ratios. In addition, their liquidity increased substantially as a result of their purchases of a large volume of Treasury and mortgage-backed securities. With their financial position more secure and the economy firming, banks no longer tightened business lending terms and standards in 1992; however, very little, if any, easing of lending conditions occurred either, and credit remained somewhat difficult for smaller firms to obtain.

The less accommodative stance of banks as well as the reluctance of firms and households to take on debt and the focus of borrowing on long-term markets have resulted in a rechanneling of credit flows outside depository institutions. This rechanneling, in turn, has markedly affected the behavior of the monetary aggregates in relation to income. Both M2 and M3 expanded very sluggishly in 1992, leaving both aggregates ½ percentage point below the ranges set by the Federal Open Market Committee. Domestic nonfinancial sector debt, by contrast, expanded appreciably more quickly, 4½ percent, leaving this aggregate at the bottom of its range.

The relatively slow growth of the broad monetary aggregates in 1992 was associated with much brisker growth of nominal income; that is, velocity increased considerably. Several factors appeared to contribute to the strength in income relative to money growth. The steep yield curve encouraged households to shift funds from deposits into longer-term instruments, especially bond and stock mutual funds. In addition, interest rate incentives encouraged some households to use deposit balances to pay off or avoid taking on additional debt. Much of business and household borrowing was funded in the open markets, either through direct issuance of securities, in the case of businesses, or through issuance by banks and thrift institutions of securities backed by mortgage and consumer debt. Depository institutions generally sought to restrain growth in their balance sheets as a result of market and regulatory factors. Although some small businesses continued to experience unusual difficulties in obtaining credit, most other sectors remained able to tap credit; thus the restraint on credit by banking institutions had only a modest negative impact on the overall economy. The net impact of these developments is that the economy was able to grow at a fairly good pace, particularly in the second half of the year, despite very slow money growth.

Economic Outlook and Monetary Policy Plans for 1993

Many of the factors that contributed to the unusual strength of velocity in 1992 appear likely to continue this year. Accordingly, the Federal Open Market Committee has decided to lower the target ranges for monetary aggregates one-half percentage point. The new range for M2 is 2 percent to 6 percent, and that for M3 is ½ percent to 4½ percent. The lower ranges do not indicate a change in the Federal Reserve's monetary policy. Rather, they are a result of technical factors that are altering the money–income relationship. This view is reflected in the FOMC's decision to leave the range for domestic nonfinancial sector debt unchanged at 4½ percent to 8½ percent.

Although we have made some progress in understanding the factors that recently have affected money growth, considerable uncertainties regarding the money–income relationship remain. The upper ends of the monetary ranges provide substantial room for more rapid money growth should velocity tend to return to previous patterns, while growth in the lower parts of the ranges could be appropriate should velocity continue to strengthen.

Some of the same uncertainties that affect the money–income relationship also affect the outlook for income growth itself, including uncertainties regarding credit availability and attitudes of borrowers toward credit. The effects of these factors in limiting economic growth may be slowly ebbing. As I noted earlier, households, firms, and financial institutions have made considerable progress in cleaning up their balance sheets, which should help to reduce impediments to the flow of credit. Still, borrowers and lenders alike in the past few years have become a good deal more cautious about the use of credit; this development, while restraining aggregate demand in the short run, is likely to contribute to the sustainability of the expansion over the longer term.

A rebound in commercial real estate construction is still several years off. However, there are some signs that prices of commercial real estate are bottoming in certain areas. If this proves to be the case, it could bode well for borrowing on the basis of real estate collateral. Loan officers are likely to remain chary about extending such loans as long as declining prices and illiquid real estate markets make it difficult to assess the future value of collateral. But as uncertainties about loan losses and capital positions ebb, banks are likely to become gradually more willing to extend credit generally.

The Federal Reserve is working closely with other banking regulators to ensure that undue impediments to credit flows are removed. In addition, we continue to monitor indicators of the availability of credit and take them into account in formulating monetary policy. They have been an important factor behind our measures to reduce short-term interest rates in the past few years, and our reductions in reserve requirements were intended to reduce depository institutions' costs and foster a better flow of credit.

The improvements in household balance sheets probably supported the gains in consumption spending in the second half of 1992. Declines in the unemployment rate, by fostering a sense of a stabilizing jobs situation, may also have played a role. Going forward, the employment picture will probably continue to be an important factor governing the pace of consumption spending. It is possible that the recent strong gains in productivity will be extended and may damp employment growth temporarily. But productivity growth will boost real wages over time and contribute to rising living standards of our citizens.

Certain other factors will probably continue to restrain growth of the economy in 1993. These factors include the budgetary problems of state and local governments, the downsizing of the defense sector, and slow growth or recession in the economies of some of our major trading partners. Those regions of the United States that have particular concentrations of defense-related employment may continue to experience soft conditions during 1993.

Impediments to growth thus remain, but they have diminished significantly. Against this background, the central tendency of the governors' and Federal Reserve Bank presidents' forecasts is for real GDP to expand 3 percent to 3¼ percent in 1993. This growth would be expected to be associated with some decline in the unemployment rate. Inflation is expected to remain well contained.

Looking ahead, the strategy of monetary policy will be to provide sufficient liquidity to support the economic expansion while containing inflationary pressures. The existing slack implies that the economy can grow for a time more rapidly than potential GDP, permitting further reductions in the unemployment rate even while further progress toward price stability is made. As I have often emphasized, monetary policy, by achieving and maintaining price stability, can foster a stable economic and financial environment that is conducive to private economic planning, savings, investment, productivity, and economic growth. In light of the uncertainties in the economic outlook and in the relationship between the monetary aggregates and the economy, the Federal Reserve will need to continue to carefully monitor a variety of economic and financial indicators in conducting monetary policy this year and to make adjustments in our stance as necessary.

THE ROLE OF FISCAL POLICY

Fiscal policy, also, can make an important contribution toward enhancing the ability of our economy to produce rising living standards. The case for bringing down the structural budget deficit is compelling. The deficit has for some time been eroding the foundations of our economic strength. Pressures on credit markets resulting from large federal deficits have led to high real interest rates, which, in turn, have curtailed investment in productive plant and equipment that would have boosted growth in real wages and output. The federal budget deficits are of particular concern because they have occurred in the context of very low private saving and have contributed to large current account deficits.

Substantial reductions in structural budget deficits, conversely, would confer appreciable benefits on the economy. The absorption of private savings by the government would be reduced. Concerns about the government's future claim on real resources would be lowered, and inflation expectations might well decline. As a result, nominal and real intermediate- and long-term interest rates would be substantially lower than otherwise. The lower level of real interest rates would encourage capital formation in the private sector—particularly investment in longer-lived capital—and would boost productivity growth and real incomes.

The President is to be commended for placing on the table a serious proposal for the reduction of structural budgetary deficits. Discussion about this proposal, and alternatives to it, has already begun in the Congress and in public forums across the United States. The debate will be intensely political in the best sense of the word, and identifying what is in the long-term interest of the country will not be easy. But reducing the structural deficit is crucial. And action must be taken now. Postponing action would only extend the pattern of sluggish growth of the capital stock and, with incomes and living standards lagging, would ultimately make it even more difficult to engage in the programmatic actions that are necessary.

I have recently articulated certain key points that I believe are useful to keep in mind in evaluating alternative fiscal approaches. Let me repeat them.

First, current services outlays under present law rise faster than the tax base and would thus require ever-increasing tax rates, simply to keep the budget deficit as a percentage of nominal income from beginning to rise again after the mid 1990s. Such tax rate increases could stifle incentives and dampen economic growth and, incidentally, tax revenues. Hence, there is no alternative to achieving much slower growth of health-related and other outlays.

Second, we can no longer afford to hope to inflate or grow our way out of structural budget deficits. Given the explicit and implicit indexing of receipts and expenditures, higher inflation would not reduce the deficit, and even under optimistic assumptions regarding productivity growth, budget deficits would remain massive.

Finally, I find misplaced the fear that deficit reduction would be overdone and create an undesirable degree of "fiscal drag." It seems to me highly unlikely that in the current political environment the Congress and the Administration would cut too much too soon from the deficit. Moreover, given the lags in the impact of changes in fiscal programs on the economy, a program oriented toward fiscal consolidation is unlikely to have significant restraining effects on the economy in the near term. Indeed, the President's proposal would likely involve a modest degree of fiscal stimulus over the first year.

At this pivotal moment, I should emphasize that the Federal Reserve shares with the Congress and the Administration the goal of maximum sustainable economic growth. I assure you that the Federal Reserve will do its part to support your efforts. We at the Federal Reserve intend to continue to foster the economic expansion in the near term while using the tools at our disposal to promote a financial environment conducive to sustainable long-term growth. Fiscal policymakers, in turn, by taking difficult but necessary measures to reduce the structural deficit now, can enhance the growth of the economy and promote rising living standards for the American people for years to come. □

Statement by John P. LaWare, Chairman, Federal Financial Institutions Examination Council, and Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, February 24, 1993

I appreciate the opportunity to speak today to this committee about concerns related to credit discrimination in mortgage lending.

This hearing is very timely given the troubling questions that have been raised about the fairness of the mortgage lending process. Parity in how applications are considered, without regard to race, sex, or other prohibited bases, is absolutely essential in the United States. Let no one have any misunderstanding on the point. Racial discrimination, no matter how subtle and whether intended or not, cannot be tolerated. Simply stated, excluding any segment of our society from fundamental economic opportunities, such as home ownership and equal access to credit, is morally repugnant and illegal. Moreover, it robs the lending industry and our economy of growth potential. I can assure you that the Board is committed to vigorously enforcing fair lending laws.

As chairman of the Federal Financial Institutions Examination Council (FFIEC), I was asked to focus my testimony on current efforts to enforce fair lending laws and the steps being taken by member agencies to strengthen them. I am pleased to do so. However, as my recent letter to Chairman Riegle indicated, I will be unable to answer detailed questions about the fair lending enforcement programs of the other federal banking agencies. Each of the other FFIEC agencies (the Office of the Controller of the Currency (OCC), the Office of Thrift Supervision (OTS), the National Credit Union Administration (NCUA), and the Federal Deposit Insurance Corporation (FDIC)) is represented here today, and they will respond to any questions you may have about their specific programs.

Before I move on to a discussion of the efforts of the FFIEC, let me give you a sense of some of the actions the Board has undertaken. First, in consultation with the other FFIEC agencies, we have implemented a system that increases our ability to analyze the Home Mortgage Disclosure Act (HMDA) data for use in our fair lending and

Community Reinvestment Act (CRA) enforcement efforts. Second, we are working with the Department of Justice to target certain state member banks for fair lending examinations where HMDA data suggest disparate treatment of minority mortgage loan applicants. Third, we have referred several consumer complaints alleging violations of the Fair Housing Act to the Department of Housing and Urban Development (HUD) and recently referred a matter to the Department of Justice. Fourth, we have taken formal enforcement actions, including assessment of civil money penalties, to enforce compliance with consumer protection laws, including the prohibitions against credit discrimination based on marital status, age, and race found in the fair lending laws. Fifth, the Board has denied three applications in the past two years from financial institutions, primarily because of poor CRA performance. In each case, significant evidence in the record indicated that these banks were not adequately serving the credit needs of their communities. These actions demonstrate, I believe, the strong commitment the Federal Reserve has made to enforce fair lending laws.

RECENT DEVELOPMENTS

Some recent developments have changed the nature of the discussion regarding the issue of credit discrimination. The debate has moved from a discussion about whether unequal treatment is occurring to how to strengthen enforcement of fair lending laws. One of these developments was a study that the Boston Reserve Bank completed. Another event was a settlement between the Department of Justice and an Atlanta savings and loan association that resulted from a fair lending investigation by the department. In each of these cases, evidence was found of disparate treatment in mortgage lending between minorities and whites. This finding has increased our understanding of this complex issue and will provide a basis from which the Federal Reserve and other agencies can better focus our efforts to strengthen the enforcement of fair lending laws.

Boston Study. As I mentioned, the Boston study furthered our understanding of issues related to credit discrimination, and I would like to share with you some of its findings. During 1992, the Boston Reserve Bank undertook a detailed study of mortgage lending in the Boston metropolitan area, in cooperation with the other federal financial supervisory agencies and HUD. The study was initiated in response to the large differences in rates of home loan denials among white, black, and Hispanic applicants in Boston as revealed by the 1990 HMDA data: a ratio of nearly three rejections for black and Hispanic applicants to one for white applicants. The study sought to analyze whether disparities in denial rates for mortgage loans among surveyed lenders reflected the equal application of legitimate credit standards or whether race was a factor in the decisions.

Because income is the only financial attribute of loan applicants collected under HMDA, the Reserve Bank augmented the HMDA data with thirty-eight additional items of information pertaining to financial characteristics, employment experience, and credit history—data that the lenders participating in the study voluntarily provided from their files. The study revealed substantial differences in the financial and other economic circumstances of typical white applicants and those of minority applicants. Statistical analysis also revealed, however, that even after having controlled for significant economic factors, unexplained differences remained in loan approval rates for black, Hispanic, and white applicants. Specifically, the study revealed that minority applicants who had the same credit characteristics as white applicants would experience a 17 percent denial rate, compared with an 11 percent denial rate for white applicants.

Significantly, racial background generally was not found to be a factor in the case of clearly qualified or clearly unqualified applicants, whatever their race. Disparities were evident, however, among applicants with some imperfections, such as a relatively high debt-to-income ratio or weaknesses in credit history. For such applicants, national origin or ethnic background appeared to be a consideration. The authors of the study suggest that differences in treatment may reflect differences in the level of assistance that applicants received from loan officers to address those deficiencies, although no specific evidence from the Boston study is available on this point.

The degree to which the findings reflect outright discrimination by individual loan officers and financial institutions in the market is unclear. The reason for this lack of clarity is that this study was made of the lenders in the Boston market in general and did not include a review of individual lenders to assess whether any specific individuals were treated differently because of their race. The findings do confirm, however, that greater attention is needed to ensure the fairness of the mortgage granting process.

EFFORTS BY THE FFIEC TO STRENGTHEN FAIR LENDING ENFORCEMENT

While the FFIEC agencies have separate programs through which they enforce fair lending laws, I know that all of us take our enforcement responsibility very seriously. We have been working hard to ensure that our efforts are responsive to the concerns expressed by the Congress and others. In this regard, the FFIEC has undertaken several initiatives to strengthen its member agencies' enforcement of fair lending laws.

Boston Study Follow-Up. After the release of the results of the Boston study in October, the member agencies of the FFIEC issued a joint statement that addressed the issue of disparate treatment. In the statement, we attempted to shift the focus from a debate about whether unequal treatment is occurring to initiatives that will ensure that it does not. The interagency statement reiterated the agencies' concerns about fair treatment of applicants for mortgage loans. It pointed to increased empirical data that suggested that differences in denial rates may be unsupported by economic factors. The agencies also encouraged financial institutions to intensify their fair lending education programs for management, lending personnel, and consumers. We encouraged efforts to identify and promote examples of successful techniques used by institutions to ensure equal treatment of loan applicants, such as self-testing and second reviews of minority applications.

In addition, each of the agencies has under way investigations of those financial institutions that took part in the Boston study where evidence of disparate treatment was present. These investigations include review of loan files and other relevant documents to discover whether any individual applicants were treated less favorably because of race. As I previously indicated, the Board did refer the name of one institution to the Department of Justice where the data from the Boston study raised concerns about that mortgage company's compliance with fair lending laws.

HMDA Analysis. Like the HMDA data for 1990, the data for 1991 indicate that greater proportions of black and Hispanic loan applicants are turned down for credit than are Asian or white applicants. Income levels account for some of the variation in loan disposition rates among racial groups. However, even after having controlled for income, white applicants for conventional home loans in all income groupings had lower rates of denial than did black and Hispanic applicants. Of course, many factors other than income are relevant to a credit decision. And it would be erroneous to conclude that the HMDA disparities themselves necessarily all reflect discriminatory practices. Nevertheless, some of these disparities may be caused by the unequal application of lending criteria, and the data as a whole are obviously troubling.

Analyzing the disturbing disparities revealed by the HMDA data for use in our fair lending and CRA enforcement efforts has become a high priority for the FFIEC. In this regard, I am pleased to report that the FFIEC has made significant progress in the manner in which the HMDA data are utilized and the ways in which the data are analyzed. Before 1989, the HMDA data revealed information only about the geographic distribution of residential lending by covered institutions. Statutory amendments to the HMDA, enacted in 1989, expanded disclosures to include the disposition of applications— approved, denied, withdrawn, or files closed for incompleteness—and the race or national original, income, and sex of all applicants, whether approved or denied. The amendments also expanded coverage to independent mortgage companies, that is, those that are not subsidiaries of depository institutions or holding companies.

The HMDA data enable the agencies to select specific loan files to review during on-site examinations and also to target specific lenders for more extensive fair lending and CRA investigations. Several supervisory agencies, as well as the Department of Justice, are using the new HMDA data to identify institutions to review, based on either the large disparities in denial rates among different racial groups or the low number of applications from minority households compared with the racial composition in the community.

Over the past two years, the Federal Reserve, in consultation with the FFIEC agencies, has developed and implemented a computer-based HMDA data analysis system. The system, which uses both the HMDA data and demographic information, is extremely versatile and allows the new data to be examined and analyzed in a variety of ways. It provides a series of set reports (in addition to the standard HMDA tables) as well as the capability of querying the database for more tailored information about an institution's lending activity. The FFIEC is also working to develop a set of standard paper-based reports for examiners to use without electronically accessing the database.

The FFIEC has also worked to ensure that the HMDA data are as accurate as possible. In this regard, the FFIEC issued a revised version of *A Guide to HMDA Reporting, Getting it Right* to help institutions compile and report their data. The guide discusses the law's requirements, coverage, and management responsibilities; it also sets forth detailed directions for gathering data, plus step-by-step instructions for completing the reporting form. We have also provided, free of charge, computer software that may be used for reporting HMDA data, which will help screen out inaccuracies before the data are submitted. In addition, the FFIEC has developed a process that assists reporting institutions in identifying and correcting errors.

The FFIEC agencies continue to pursue discussions with the Department of Justice, the HUD, and the Federal Trade Commission to strengthen enforcement of civil rights laws. In particular, the banking agencies are also exploring ways to work with the Department of Justice in detecting possible patterns of discrimination against minority applicants. One example of coordination involves targeted examinations of financial organizations with mortgage lending records that raise concerns. Staff members of the Justice Department may, in some instances, participate in these reviews by going into the financial institution with our examiners.

The FFIEC has also been working to increase coordination with the HUD. This work reflects the expanded enforcement authority assigned to the HUD by amendments to the Fair Housing Act in 1990. One example is a memorandum of understanding among the agencies calling for formal referral of complaints alleging fair housing violations to each other and coordination of investigations, when that is feasible.

In December 1992, the FFIEC contracted with an outside consultant for a review of the agencies' examination procedures to enforce civil rights laws. The contractor will also review the existing training processes and recommend improvements. We believe that this third-party review will ultimately help strengthen the enforcement of fair lending laws by providing a fresh look at the current examination procedures and training.

In March 1992, the agencies distributed to the institutions they supervise a brochure, prepared by the FFIEC agencies, entitled *Home Mortgage Lending and Equal Treatment*. The brochure identifies and cautions lenders about lending standards and practices that may produce unintended discriminatory effects. It focuses on race and includes examples of subtle forms of discrimination, such as unduly conservative appraisal practices in minority areas; property standards such as size and age that may exclude homes in minority and low-income areas; and unrealistically high minimum-loan amounts. The Federal Reserve published a companion brochure in 1991, entitled *Home Mortgages: Understanding the Process and Your Right to Fair Lending*, to inform consumers about the mortgage application process and about their rights under fair lending and consumer protection laws.

The FFIEC is also offering specialized training for examiners from the member agencies responsible for enforcement of fair lending laws. In fact, one of these training sessions will be held next week. The issue of credit discrimination and use of the HMDA data will be a focus during this session.

The Federal Reserve is committed to working within the FFIEC to develop ways to enhance enforcement effectiveness under the fair lending laws. Although substantial progress has been made, the FFIEC recognizes that its job in this area is certainly not finished.

FEDERAL RESERVE EFFORTS

At the beginning of my testimony, I described particular efforts that the Board has taken to enforce the fair lending laws. Those actions—denial of applications, formal enforcement actions, civil money penalties, referrals to the HUD and the Department of Justice, and coordination among the agencies to make the best use of the HMDA data—have each been possible because the Board has had a solid program in place Systemwide for many years to address our fair lending responsibilities. I would next like to describe these efforts for you in some detail.

The Board supervises approximately 1,000 state member banks for compliance with fair lending laws. This supervision has involved consumer compliance examinations, consumer complaint investigations, and community affairs efforts. Examiners at the Reserve Banks who are specially trained in consumer affairs and civil rights examination techniques conduct the consumer compliance examinations. The Board and each of the Reserve Banks also have staff members who deal with consumer complaints. In addition, the System has a substantial Community Affairs program, many of whose activities help to advance fair lending. The Board provides general guidance and oversight to Reserve Banks in these areas.

COMPLIANCE EXAMINATIONS

The Board first established a specialized consumer compliance examination program in 1977. Through it, the twelve Reserve Banks conduct examinations of state member banks to determine compliance with consumer protection legislation by using a cadre of specially trained examiners. The scope of these examinations specifically includes the Equal Credit Opportunity and Fair Housing Acts. From the beginning, the examiners were instructed to place special emphasis on violations involving potential discrimination of the kind prohibited by those statutes.

Over the years, the Board has reassessed its enforcement responsibilities and made several changes to its consumer affairs program. This included increased training for examiners in detecting discriminatory lending practices. Changes were also made in the System's processing of consumer complaints to place increased emphasis on investigating serious complaints such as allegations of loan discrimination. We have made it clear that failure to comply with certain provisions of the fair lending laws was viewed by the Board as particularly serious and would require retroactive corrective action.

The Federal Reserve System's consumer compliance examinations are scheduled at regular intervals, are comprehensive, and are conducted by specialized examiners. Each state member bank is examined on a regular basis. An average of two-thirds of state member banks are examined each year. Examinations are scheduled every eighteen months for a bank with a satisfactory record. A limited number of banks with exceptional records can be examined every two years. Those banks with less-than-satisfactory records are to be examined every six months or every year, depending on the severity of their problems.

The examination procedures focus primarily on comparing the treatment of members of a protected class with other loan applicants. First, the bank's loan policies and procedures are reviewed. Bank documents are reviewed, and loan personnel are interviewed. During this phase, the examiner will seek to determine, among other things, the bank's credit standards. After the standards have been identified, the examiner will determine whether those standards were, in fact, applied uniformly, using a sample of actual loan applicants. Special note will be taken of applications received from minorities, women, and others whom the laws were designed to protect. The examiner is looking at the same information that the bank used to make its credit decision, including credit history, income, and total debt burden. If those standards appear not to have been used, or not to have been used consistently, the matter would be discussed with lending personnel discuss the matter, and a more intensive investigation would typically be made. Finally, an overall analysis of the bank's treatment of applications from minorities, women, and others who have the characteristics described in the laws is conducted to determine whether there are any patterns or individual instances in which such applicants were treated less favorably than other loan applicants.

Another regular part of the examination includes conversations with persons in the community who are knowledgeable about local credit needs. The examiners will routinely ask about public perceptions of the availability of credit to minorities and low- and moderate-income persons. This information may suggest that a particular area of the bank needs additional scrutiny and may provide insights into how the bank is serving the credit needs of its local community, particularly those protected by the antidiscrimination statutes.

The Board believes that expecting a bank examiner to master both the "safety and soundness" and consumer affairs–civil rights aspects of bank examinations is not practical given the existing complexities of both areas. Consequently, the Federal Reserve has developed a separate career path for consumer affairs examiners equivalent to that of our commercial examiners. The Board provides them with special training, including instruction on the CRA and fair lending laws. New examiners attend a three-week basic consumer compliance school. Examiners who have eighteen to twenty-four months of field experience attend a weeklong advanced compliance school and the one-week advanced CRA class. Special training sessions at the Reserve Banks supplement this training as necessary. For example, last week, the San Francisco Federal Reserve sponsored a conference for all the agencies, which focused on issues relating to credit discrimination.

The examination procedures for detecting loan discrimination are set forth in the Board's *Consumer Compliance Handbook*. These procedures take, on average, twenty-nine hours per examination to complete and result in a comprehensive assessment of the institution's lending practices. Assessing a bank's performance under the Community Reinvestment Act takes, on average, an additional thirty-nine hours to complete.

Although much of the Board's recent effort to improve its fair lending examination procedures has been in concert with the FFIEC, we have under way several individual initiatives that we believe will strengthen our own consumer compliance examination program. They represent a continuation of our ongoing efforts to improve our examination techniques and are indicative of our commitment in this area.

The Board has authorized its Division of Consumer and Community Affairs to hire a person whose primary job responsibility will be to work in the area of fair lending enforcement. This person will help coordinate our efforts in this area and assist our examiners in analyzing the complex issues associated with detection of credit discrimination.

The Federal Reserve is also developing the capability to map the geographic location of a bank's lending products, including mortgage loans, with computer programs. This mapping will include demographic information for the bank's local community. We believe that this type of analysis and presentation will enhance our ability to assess a bank's CRA performance in meeting the credit needs of its local community, including minority areas. It should also be helpful in evaluating a bank's geographic delineation of its local CRA service area to ensure that it does not exclude low- and moderate-income neighborhoods.

Finally, Federal Reserve examiners have begun testing a system that will use a statistical model, much like the model used in the Boston study, to analyze the HMDA data and information drawn from loan files from individual institutions for purposes of helping to determine compliance with fair lending laws. Notwithstanding the usefulness of the HMDA data, the data alone are not sufficient to determine whether a lender is discriminating unlawfully. Specifically, the data do not reflect the wide range of financial and property-related factors that lenders consider in evaluating loan applications. Consequently, our use of a statistical model will include detailed information from specific application files. We hope, and expect, that use of such a model will enable our examiners to more effectively identify any questionable application files.

CONSUMER COMPLAINT PROGRAM

The Federal Reserve's consumer complaint program is an important element in our overall efforts to enforce fair lending laws. The investigation procedures in this regard provide special guidance with respect to complaints involving loan discrimination. Such complaints, given appropriate circumstances, will prompt an on-site investigation by Reserve Bank personnel at the state member bank accused of discrimination. As mentioned previously, we have a referral agreement with HUD for mortgage complaints. I should note that the Federal Reserve System receives few complaints alleging loan discrimination, and few of these, after investigation, have been resolved in favor of the complainant.

COMMUNITY AFFAIRS PROGRAM

The Board believes that ensuring fair access to credit can, in addition to enforcement of fair lending laws, be advanced by focusing on positive actions that a lender may take to address such concerns. Consequently, through its Community Affairs program, the Federal Reserve conducts outreach, education, and technical assistance activities to help financial institutions and the public understand and address community development and reinvestment issues. During 1992, resources devoted to Community Affairs activities at the Reserve Banks were increased to enable the Federal Reserve System to respond to the growing number of requests for information and assistance from banks and others on the Community Reinvestment Act, fair lending, and community development topics. Efforts were expanded to work with financial institutions, banking associations, governmental entities, business, and community groups to develop community lending programs that help finance affordable housing, small and minority business, and other revitalization projects. For example, the Federal Reserve Bank of Kansas City sponsored a conference for bankers on "Credit and the Economically Disadvantaged," focusing on barriers faced by minority borrowers and steps banks can institute to ensure that credit is offered on an equitable basis. The Boston and New York Reserve Banks cosponsored a conference on credit issues affecting economic development programs for Native Americans, especially those living on reservations. These programs are but an example of a comprehensive community affairs program at work throughout the Federal Reserve System.

CONCLUSION

In my view, we are beyond the point of debating whether disparate treatment of minorities is occurring in credit markets. We have known for some time that certain segments of our society, particularly minority consumers and minority small business owners, have difficulty obtaining credit. This difficulty has had an impact on the ability of minorities to build businesses, own homes, accumulate wealth, and, generally, participate in our economy on an equal footing. We now know that this difficulty may not be justified by economic factors alone.

The process of fully integrating the minority community into the economic mainstream of our country as quickly as possible should be the ultimate goal of efforts to strengthen enforcement of fair lending laws. I have concentrated today on agency initiatives. But it is important not to overlook those positive actions that lenders have taken to help improve access to credit. Many lenders have undertaken critical self-analysis of their activities, and this has resulted in positive programs like reexamination of credit criteria, second reviews of lending decisions affecting minority applicants, and specialized consumer credit education on qualifying for credit. These initiatives are only a few of those recently undertaken by some lenders.

In conclusion, I appreciate the opportunity to appear before you today to testify on the important and complex issues regarding credit discrimination. The Board and the FFIEC share your concerns about this issue, and we look forward to working with the Congress and others to address this important topic. □

Statement by Richard F. Syron, President, Federal Reserve Bank of Boston, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, February 24, 1993

Thank you for this opportunity to discuss the Federal Reserve Bank of Boston's recent study of mortgage lending patterns and the report's implications for combatting discrimination in mortgage lending.

As the committee knows, the Home Mortgage Disclosure Act (HMDA) data for 1990 showed substantially higher denial rates for black and Hispanic applicants than for white applicants. This was true in all the major metropolitan statistical areas, and it was certainly true in Boston. Approximately 30 percent of black and Hispanic mortgage applicants were denied loans in the Boston metropolitan statistical area in 1990, compared with only 11 percent of white applicants. The 1991 data for Boston, which became available in fall 1992, show a narrower but still sizable gap, with 24 percent of black and Hispanic applicants denied loans, compared with 11 percent of white applicants.

When the 1990 HMDA were released, the implications of the racial disparities in denial rates were unclear. Although the HMDA data included information on applicant income, no information was collected on applicants' credit histories, loan-to-value ratios, debt-to-income or so called obligation ratios, and other factors that lenders commonly consider when they make mortgage loan decisions. Some felt that this missing information could explain the high denial rates experienced by minorities. Others argued that even if all relevant information were included, substantial bias in mortgage lending still existed. This disagreement has made it difficult to formulate solutions to improve credit flows to poor and minority neighborhoods.

The Federal Reserve Bank of Boston, with the support of the Federal Reserve Board and other supervisory agencies and the cooperation of mortgage lenders in the Boston area, undertook a major study of mortgage lending in an effort to clarify this issue. Racial disparities in mortgage lending patterns have been a concern in Boston for some years, and in 1989 the Boston Fed had undertaken a study of mortgage lending within the city of Boston. Although that study had found that housing and mortgage markets were functioning in a way that hurt black neighborhoods, the data available at that time could not distinguish the role played by lenders from the actions of buyers, sellers, realtors, and other market participants. After the 1990 HMDA data on applications were released, the Boston Fed was able to improve upon its earlier research and focus on the activities of the mortgage lending industry. I would like to submit for the record a copy of the Boston Fed's study, "Mortgage Lending in Boston: Interpreting HMDA Data."

The 131 financial institutions that had been the most active mortgage lenders in the Boston metropolitan area were asked to provide additional information on thirty-eight financial, credit history, and employment variables for all 1,143 of their black and Hispanic mortgage applicants and for a random sample of 3,300 white applicants. To protect the confidentiality of borrowers, we assured the lenders that all information collected would remain with the Federal Reserve and other bank regulatory agencies. The response from lenders was excellent, although missing information, errors in recording the original data, and withdrawn applications resulted in a final sample of 722 black and Hispanic applicants and 2,340 white applicants.

The additional variables collected were chosen after numerous conversations with underwriters, examiners, and others familiar with the mortgage lending process. We attempted to include all the variables that lenders view as relevant to their mortgage decisions. The information collected from the financial institutions was then combined with information on neighborhood characteristics from the 1990 Census and used to develop a model of mortgage lending decisions in the Boston area. Using this model, it was possible to test whether race was a significant factor in the lending decision once financial, credit history, employment, and neighborhood characteristics were taken into account.

The analysis revealed that the additional information about each applicant substantially reduced the disparity in denial rates but did not eliminate the gap. Black and Hispanic mortgage applicants in Boston, on average, had larger debt burdens, higher loan-to-value ratios, and weaker credit histories, and in other respects did not fare as well according to the evaluation criteria used by mortgage lenders. But after having taken all these factors into account, black and Hispanic mortgage applicants were still more likely to be turned down than white applicants. Minority applicants with the same financial, credit history, employment, and neighborhood characteristics as the white applicants in Boston would have experienced a denial rate of 17 percent rather than the actual white denial of 11 percent.

The information gathered in this study provides some insight into how this outcome occurs. Many observers have difficulty accepting that discrimination exists because they do not believe that rational lenders would turn down a perfectly good application simply because the applicant was black or Hispanic. The problem is that few applications fit a narrow definition of perfect. Most applicants, white as well as minority, exceed some guideline for obligation or loan-to-value ratios or credit history; or some possess a characteristic that requires additional documentation, such as self-employment or the fact that they are purchasing a two- to four-family home. As a consequence, the mortgage decision is not a purely mechanical process. Loan originators must exercise judgment, and they have considerable discretion in the way they evaluate these deviations from perfection and in the degree to which they take compensating factors into consideration.

On balance, this discretion is both necessary and desirable. Historically, residential mortgages have been very safe investments. And applicants need not be perfect to be creditworthy. However, discrimination may enter into the decision-making process. Precisely how this happens is not something that can be answered by this study. It could be as simple as loan officers being more willing to exercise discretion and put their own reputations at risk for people who look or talk like themselves than for others. However the discrimination occurs, black and Hispanic applicants are more likely to be turned down for mortgages than white applicants who have the same economic and other characteristics.

What can be done to address the problem of discrimination in mortgage lending?

In my judgment, the most critical step is for mortgage lenders to acknowledge at least the possibility that the results of their lending process are discriminatory. As long as lenders sincerely believe that their procedures are beyond reproach, efforts to get them to change will have limited success. This area is one in which we hope that we have made a contribution. At least in Boston, our study seems to have ended the debate over how to interpret the HMDA data. Economic factors do explain some of the disparity in denial rates, but race also plays a role. Lenders' reactions to the study suggest that they are now questioning what they have always taken for granted. They are starting to recognize that simply having a policy that prohibits discrimination does not prevent discrimination.

Consumer advocates, government agencies, and lending institutions have developed several strategies to help lenders ensure that they are treating all prospective borrowers fairly. The Federal Reserve Bank of Boston is in the process of compiling these strategies in a guide that will soon be available for distribution to lenders. I suspect that the members of this committee have heard many of these ideas. They include the following: (1) ensuring that all employees involved with the loan process are thoroughly familiar with laws related to fair lending, (2) having a staff that reflects the racial and ethnic composition of the communities served by the lending institutions, (3) ensuring that compensation structures for employees do not deter them from serving low-income and minority markets, (4) using carefully designed second review processes for denied applications, and (5) taking several other approaches.

Although the guide does not present something totally new, it makes a contribution by tailoring each recommendation to the lender's board of directors and senior management as well as to loan originators. The commitment to eliminating discrimination must start at the top and continue right through the organization to those who meet the public face to face.

The efforts of financial institutions will have to be reinforced by enhanced regulatory methods. Because so many mortgage applications violate some guideline or in some way require that the lender exercise judgment, most denials can appear appropriate by objective standards. Thus, discrimination can be difficult to prove when one looks case by case. It is also necessary to examine broad patterns and an institution's entire loan-making process. The Federal Financial Institutions Examination Council is aware of this problem and is working on improving its examination procedures.

Finally, I would like to emphasize that although lending discretion may permit discrimination to occur, removing the discretionary element would be a major mistake. If current guidelines were to become rules to be applied with no exceptions, then even if these rules were not as tight as the guidelines are today, many creditworthy applicants would be denied loans and, thus, the opportunity to own a home. And if the Boston experience is representative of that nationally, black and Hispanic applicants would fare worse than white applicants because they have higher obligation and loan-to-value ratios and weaker credit histories.

In conclusion, the Federal Reserve Bank of Boston's study of mortgage lending patterns in the Boston metropolitan statistical area shows that the large disparities in denial rates revealed by the HMDA data are partially attributable to the fact that black and Hispanic applicants have greater debt burdens, higher loan-too-value ratios, weaker credit histories, and other economic characteristics that lenders view with disfavor. However, even after having taken account of all these factors, a statistically significant and economically important gap remains in denial rates for white and minority applicants. Eliminating this gap requires that regulators, lenders, and community groups understand the nature and likely causes of that gap, stop arguing about whether a problem exists, and work more effectively together for the future. □

Announcements

ISSUANCE OF FINAL RULE TO REVISE CAPITAL ADEQUACY GUIDELINES

The Federal Reserve Board on February 4, 1993, issued a final rule revising its capital adequacy guidelines for bank holding companies and state member banks to provide explicit guidance on the types of intangible assets that may be included in the tier 1 capital calculation for risk-based and leverage capital purposes. The rule is effective March 9, 1993.

The revised guidelines also include limits and discounts that are applicable to those intangible assets included in capital.

The revision was formulated in a coordinated effort by the staffs of the four federal regulatory agencies for financial institutions and, when made final by the other agencies, will achieve greater consistency among the agencies with respect to the capital treatment of intangible assets. Certain aspects of the final rule also implement provisions of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA).

PROPOSED ACTIONS

The Federal Reserve Board on February 8, 1993, issued for public comment a proposal to extend the provisions of Regulation E (Electronic Fund Transfers) to electronic benefit transfer (EBT) programs. Comments should be received by May 21, 1993.

The Federal Reserve Board on February 11, 1993, also issued for public comment proposed amendments to its capital adequacy guidelines for state member banks and bank holding companies to establish a limitation on the amount of certain deferred tax assets that may be included in the tier 1 capital calculation for risk-based and leverage capital purposes. Comments should be received by March 6, 1993.

REVISIONS TO THE MONEY STOCK DATA

Measures of the money stock were revised in February of this year as a result of the annual benchmark and seasonal factor review. Data in tables 1.10 and 1.21 in the statistical appendix to the *Bulletin* reflect these changes beginning with this issue.

Data for the monetary aggregates were benchmarked using data from Call Reports through September 1992 and other sources. The benchmark incorporated a change in the type of data used to measure large time deposits held by domestic banks. Reports from issuing banks on holdings of their certificates of deposit (CDs) by other banks had previously been used; reports from banks of CDs they hold are now used, as reports on these holdings have been found to be more accurate. (This item is one of several that are subtracted from gross large time deposits to measure the quantity of such time deposits held by the nonbank public). The benchmark also incorporates corrections for the previous misreporting by banks of some brokered time deposits. Initially, these deposits had been misclassified as large time deposits, rather than as small time deposits. In addition, the benchmark folded in historical data for several money market mutual funds that began reporting for the first time in 1992.

Seasonal factors for the monetary aggregates have been revised using the X-11-ARIMA procedure that was applied to data through preliminary estimates for January 1993. The components of the monetary aggregates that are seasonally adjusted this year are identical to those of last year.

More detail on the revisions is available in the Board's H.6 statistical release, "Money Stock, Liquid Assets, and Debt Measures," dated February 4, 1993. Complete historical data are available from the Money and Reserves Projections Section, Division of Monetary Affairs, mail stop 72, Board of Governors of the Federal Reserve System, Washington, DC 20551, or telephone

(202) 452-3062. The historical data are also available on floppy diskette for a fee of $25 per diskette from the Federal Reserve Board's Publications Section, mail stop 138, Board of Governors of the Federal Reserve System, Washington, DC 20551, (202) 452-3245. Revised monthly historical data for M1, M2, M3, and total nonfinancial debt also are available from the Economic Bulletin Board of the U.S. Department of Commerce. Call (202) 482-1986 for information on how to gain access to the Economic Bulletin Board.

1. Monthly seasonal factors used to construct M1, M2, and M3, January 1992–March 1994

Year and month	Currency	Nonbank travelers checks	Demand deposits	Other checkable deposits [1]		Nontransaction components	
				Total	Held at banks	In M2	In M3 only
1992—January	.9955	.9661	1.0124	1.0106	1.0198	.9997	.9957
February	.9949	.9708	.9770	.9953	1.0022	1.0019	1.0042
March	.9967	.9663	.9825	1.0056	1.0081	1.0046	1.0046
April	.9989	.9545	1.0096	1.0320	1.0311	1.0032	.9936
May	1.0019	.9669	.9798	.9938	.9883	.9973	1.0033
June	1.0022	1.0197	.9968	.9989	.9946	.9983	.9997
July	1.0046	1.0753	1.0004	.9924	.9869	.9993	.9960
August	1.0016	1.0863	.9917	.9903	.9876	.9998	1.0075
September	.9941	1.0539	.9912	.9916	.9905	.9979	1.0012
October	.9963	1.0128	1.0023	.9870	.9861	.9997	.9939
November	1.0008	.9686	1.0130	.9949	.9940	1.0002	1.0036
December	1.0091	.9571	1.0422	1.0063	1.0098	.9980	.9968
1993—January	.9960	.9698	1.0124	1.0105	1.0198	.9995	.9952
February	.9949	.9727	.9778	.9960	1.0029	1.0020	1.0051
March	.9964	.9671	.9835	1.0064	1.0086	1.0047	1.0047
April	.9999	.9538	1.0096	1.0318	1.0307	1.0034	.9934
May	1.0013	.9656	.9802	.9943	.9887	.9974	1.0032
June	1.0022	1.0185	.9970	.9992	.9948	.9984	.9993
July	1.0047	1.0731	.9993	.9924	.9869	.9991	.9954
August	1.0008	1.0838	.9910	.9902	.9875	.9997	1.0079
September	.9949	1.0539	.9907	.9913	.9903	.9978	1.0014
October	.9973	1.0136	1.0023	.9868	.9862	.9997	.9939
November	.9997	.9689	1.0136	.9947	.9939	1.0002	1.0040
December	1.0106	.9586	1.0419	1.0057	1.0091	.9981	.9966
1994—January	.9957	.9716	1.0126	1.0106	1.0199	.9995	.9946
February	.9953	.9734	.9783	.9966	1.0034	1.0020	1.0055
March	.9965	.9672	.9839	1.0068	1.0089	1.0047	1.0049

1. Seasonally adjusted other checkable deposits at thrift institutions are derived as the difference between total other checkable deposits, seasonally adjusted, and seasonally adjusted other checkable deposits at commercial banks.

Additional tables on seasonal factors follow.

2. Monthly seasonal factors for selected components of the monetary aggregates, January 1992–March 1994

Year and month	Deposits[1]			Money market mutual funds	
	Savings and MMDAs	Small-denomination time	Large-denomination time	In M2	In M3 only
1992—January	.9943	1.0033	.9933	.9991	1.0252
February	.9963	1.0014	.9980	1.0178	1.0419
March	1.0043	.9989	1.0028	1.0271	1.0144
April	1.0058	.9978	.9970	1.0187	.9952
May	1.0009	.9958	1.0057	.9942	1.0004
June	1.0040	.9966	1.0051	.9899	.9809
July	1.0033	1.0001	.9989	.9870	.9836
August	1.0009	1.0004	1.0041	.9923	.9987
September	.9975	1.0012	1.0013	.9927	.9815
October	.9977	1.0023	.9972	.9916	.9784
November	.9992	1.0013	.9996	.9950	1.0014
December	.9950	1.0015	.9963	.9933	1.0004
1993—January	.9939	1.0036	.9931	.9987	1.0229
February	.9965	1.0013	.9984	1.0186	1.0420
March	1.0047	.9986	1.0031	1.0275	1.0135
April	1.0063	.9976	.9971	1.0189	.9951
May	1.0014	.9954	1.0060	.9950	1.0009
June	1.0043	.9962	1.0055	.9906	.9804
July	1.0035	.9999	.9988	.9872	.9834
August	1.0008	1.0003	1.0041	.9918	.9998
September	.9972	1.0015	1.0014	.9920	.9823
October	.9975	1.0025	.9969	.9912	.9787
November	.9989	1.0015	.9993	.9947	1.0023
December	.9946	1.0018	.9961	.9935	1.0002
1994—January	.9937	1.0037	.9931	.9985	1.0214
February	.9967	1.0012	.9986	1.0189	1.0421
March	1.0050	.9984	1.0032	1.0277	1.0124

1. These seasonal factors are applied to deposits data at both commercial banks and thrift institutions.

3. Weekly seasonal factors used to construct M1, M2, and M3, December 7, 1992–April 4, 1994

Week ending	Currency	Nonbank travelers checks	Demand deposits	Other checkable deposits[1]		Nontransaction components	
				Total	Held at banks	In M2	In M3 only
1992—December 7	1.0049	.9483	1.0310	1.0176	1.0142	1.0012	.9918
14	1.0055	.9534	1.0420	1.0022	1.0038	1.0007	.9975
21	1.0114	.9585	1.0376	1.0021	1.0095	.9968	.9966
28	1.0155	.9634	1.0464	.9970	1.0054	.9937	1.0082
1993—January 4	1.0061	.9678	1.0743	1.0405	1.0406	.9974	.9805
11	1.0022	.9688	1.0448	1.0390	1.0481	1.0018	.9907
18	.9977	.9697	1.0146	1.0150	1.0281	.9996	.9961
25	.9907	.9707	.9771	.9841	.9964	.9985	1.0007
February 1	.9861	.9717	.9767	.9802	.9866	.9994	1.0028
8	1.0004	.9722	.9836	1.0089	1.0139	1.0010	1.0018
15	.9996	.9726	.9862	.9968	1.0034	1.0022	1.0067
22	.9918	.9730	.9687	.9885	.9978	1.0024	1.0035
March 1	.9878	.9733	.9719	.9931	.9989	1.0029	1.0095
8	1.0013	.9715	.9889	1.0248	1.0258	1.0039	1.0058
15	.9982	.9687	.9953	1.0099	1.0121	1.0057	1.0105
22	.9955	.9660	.9716	.9989	1.0042	1.0046	1.0036
29	.9905	.9632	.9709	.9931	.9932	1.0041	1.0029
April 5	1.0004	.9603	1.0151	1.0353	1.0296	1.0068	.9888
12	1.0056	.9570	1.0205	1.0440	1.0408	1.0088	.9969
19	1.0004	.9536	1.0282	1.0500	1.0525	1.0035	.9919
26	.9946	.9502	.9874	1.0116	1.0155	.9992	.9938
May 3	.9970	.9469	.9896	1.0041	.9999	.9969	.9947
10	1.0069	.9552	.9859	1.0074	.9991	.9977	1.0005
17	1.0011	.9635	.9916	.9935	.9863	.9976	1.0003
24	.9988	.9718	.9575	.9824	.9778	.9967	1.0068
31	1.0001	.9800	.9766	.9847	.9799	.9977	1.0089

3. Continued

Week ending	Currency	Nonbank travelers checks	Demand deposits	Other checkable deposits[1]		Nontransaction components	
				Total	Held at banks	In M2	In M3 only
June 7	1.0080	.9925	1.0059	1.0222	1.0127	.9996	1.0055
14	1.0043	1.0082	1.0122	1.0121	1.0090	1.0003	1.0064
21	1.0002	1.0238	.9849	.9965	.9936	.9976	.9988
28	.9937	1.0392	.9776	.9722	.9701	.9966	.9927
July 5	1.0100	1.0531	1.0284	1.0109	1.0009	.9976	.9775
12	1.0096	1.0631	1.0146	1.0063	.9980	1.0017	.9913
19	1.0056	1.0731	1.0023	.9887	.9832	.9991	.9981
26	.9994	1.0831	.9716	.9721	.9708	.9979	1.0016
August 2	.9985	1.0931	.9901	.9851	.9809	.9987	1.0067
9	1.0103	1.0906	1.0020	1.0088	1.0029	1.0006	1.0052
16	1.0048	1.0860	1.0032	.9941	.9893	1.0001	1.0092
23	.9986	1.0814	.9731	.9805	.9810	.9995	1.0063
30	.9894	1.0768	.9787	.9739	.9740	.9989	1.0112
September 6	1.0036	1.0703	1.0014	1.0146	1.0099	.9989	1.0069
13	.9976	1.0612	1.0135	1.0096	1.0091	.9997	1.0061
20	.9930	1.0521	.9864	.9868	.9916	.9973	1.0022
27	.9869	1.0429	.9634	.9556	.9610	.9957	1.0017
October 4	.9936	1.0337	1.0030	.9938	.9903	.9973	.9769
11	1.0061	1.0243	1.0086	.9964	.9941	1.0003	.9947
18	.9997	1.0148	1.0126	.9892	.9867	1.0006	.9939
25	.9947	1.0053	.9836	.9732	.9710	.9992	.9988
November 1	.9896	.9958	1.0025	.9891	.9829	1.0002	.9989
8	1.0034	.9852	1.0149	1.0160	1.0046	1.0015	1.0027
15	1.0010	.9741	1.0230	1.0099	.9992	1.0021	1.0010
22	.9972	.9631	.9989	.9927	.9892	1.0000	1.0020
29	.9980	.9522	1.0120	.9838	.9814	.9973	1.0118
December 6	1.0033	.9483	1.0333	1.0153	1.0093	1.0008	.9995
13	1.0076	.9538	1.0403	1.0021	1.0056	1.0015	1.0047
20	1.0122	.9593	1.0386	.9916	1.0068	.9977	.9942
27	1.0207	.9649	1.0438	.9848	1.0013	.9945	1.0012
1994—January 3	1.0058	.9704	1.0763	1.0179	1.0295	.9950	.9742
10	1.0033	.9709	1.0535	1.0397	1.0459	1.0009	.9902
17	.9975	.9714	1.0191	1.0193	1.0303	1.0006	.9990
24	.9915	.9719	.9760	.9973	1.0094	.9997	.9976
31	.9858	.9724	.9652	.9796	.9894	.9988	1.0004
February 7	.9982	.9729	.9866	1.0131	1.0163	1.0008	1.0023
14	.9985	.9732	.9833	.9973	1.0042	1.0018	1.0101
21	.9966	.9735	.9708	.9901	.9984	1.0024	1.0056
28	.9874	.9739	.9725	.9867	.9948	1.0030	1.0041
March 7	1.0002	.9723	.9934	1.0214	1.0233	1.0039	1.0057
14	.9986	.9694	.9932	1.0117	1.0127	1.0056	1.0045
21	.9956	.9665	.9788	1.0049	1.0064	1.0044	1.0084
28	.9900	.9636	.9680	.9916	.9959	1.0041	1.0103
April 4	.9999	.9606	1.0142	1.0263	1.0232	1.0061	.9828

1. Seasonally adjusted other checkable deposits at thrift institutions are derived as the difference between total other checkable deposits, seasonally adjusted, and seasonally adjusted other checkable deposits at commercial banks.

4. Weekly seasonal factors for selected components of the monetary aggregates, December 7, 1992–April 4, 1994

Week ending	Deposits[1]			Money market mutual funds	
	Savings and MMDAs	Small-denomination time	Large-denomination time	In M2	In M3 only
1992—December 7	.9996	1.0016	.9967	.9953	1.0044
14	1.0001	1.0014	.9979	.9992	1.0190
21	.9927	1.0011	.9954	.9954	1.0105
28	.9882	1.0016	.9987	.9891	.9971
1993—January 4	.9931	1.0036	.9874	.9793	.9295
11	.9990	1.0041	.9956	.9949	.9736
18	.9945	1.0038	.9958	1.0050	1.0470
25	.9905	1.0033	.9932	1.0060	1.0412
February 1	.9917	1.0033	.9909	1.0005	1.0945
8	.9965	1.0029	.9953	1.0112	1.0465
15	.9980	1.0017	.9997	1.0171	1.0493
22	.9958	1.0005	.9988	1.0237	1.0252
March 1	.9965	.9998	1.0011	1.0261	1.0389
8	1.0030	.9995	1.0029	1.0270	1.0164
15	1.0070	.9985	1.0039	1.0278	1.0299
22	1.0047	.9979	1.0021	1.0275	1.0109
29	1.0034	.9984	1.0040	1.0306	1.0201
April 5	1.0112	1.0000	1.0019	1.0183	.9186
12	1.0160	.9984	1.0007	1.0291	1.0220
19	1.0074	.9976	.9962	1.0233	.9988
26	.9975	.9963	.9917	1.0153	1.0169
May 3	.9971	.9961	.9960	1.0003	.9997
10	1.0023	.9957	1.0026	.9927	1.0025
17	1.0034	.9954	1.0041	.9929	.9971
24	1.0008	.9957	1.0108	.9960	1.0061
31	1.0009	.9949	1.0110	.9959	.9983
June 7	1.0071	.9953	1.0108	.9933	.9908
14	1.0088	.9960	1.0128	.9937	.9816
21	1.0032	.9956	1.0021	.9914	.9916
28	.9981	.9972	.9988	.9888	.9791
July 5	1.0037	1.0002	.9967	.9736	.9059
12	1.0070	1.0004	1.0000	.9885	.9731
19	1.0046	.9999	.9980	.9907	1.0117
26	1.0008	.9997	.9982	.9907	.9998
August 2	1.0009	.9998	1.0011	.9893	1.0125
9	1.0050	1.0012	1.0017	.9886	.9941
16	1.0041	1.0003	1.0041	.9903	1.0046
23	.9987	.9998	1.0048	.9943	.9938
30	.9952	1.0001	1.0066	.9947	1.0057
September 6	1.0001	1.0011	1.0048	.9921	.9826
13	1.0022	1.0012	1.0045	.9941	1.0024
20	.9966	1.0013	1.0021	.9935	.9894
27	.9915	1.0018	.9969	.9910	.9771
October 4	.9949	1.0031	.9961	.9859	.9310
11	1.0011	1.0034	.9998	.9928	.9872
18	.9993	1.0026	.9962	.9919	.9738
25	.9954	1.0022	.9960	.9909	.9962
November 1	.9954	1.0017	.9958	.9923	.9854
8	1.0013	1.0017	.9980	.9918	.9982
15	1.0023	1.0021	.9993	.9946	.9908
22	.9974	1.0006	1.0008	.9942	1.0133
29	.9951	1.0017	.9998	.9979	1.0076
December 6	.9993	1.0021	.9985	.9980	1.0118
13	1.0002	1.0020	1.0001	1.0005	1.0174
20	.9936	1.0020	.9958	.9977	1.0168
27	.9879	1.0016	.9939	.9892	.9932
1994—January 3	.9915	1.0017	.9894	.9751	.9364
10	.9987	1.0044	.9944	.9897	.9764
17	.9965	1.0047	.9925	1.0028	1.0519
24	.9908	1.0038	.9932	1.0057	1.0482
31	.9900	1.0031	.9938	1.0058	1.0449

4. Continued

Week ending	Deposits[1]			Money market mutual funds	
	Savings and MMDAs	Small-denomination time	Large-denomination time	In M2	In M3 only
February 7	.9968	1.0024	.9960	1.0110	1.0318
14	.9992	1.0016	.9986	1.0159	1.0528
21	.9957	1.0006	.9994	1.0219	1.0374
28	.9952	1.0004	1.0003	1.0266	1.0465
March 7	1.0031	.9994	1.0021	1.0265	1.0214
14	1.0076	.9979	1.0026	1.0269	1.0280
21	1.0052	.9975	1.0025	1.0296	1.0082
28	1.0025	.9987	1.0056	1.0287	1.0131
April 4	1.0083	.9994	1.0027	1.0261	.9636

1. These seasonal factors are applied to deposits data at both commercial banks and thrift institutions.

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON DECEMBER 22, 1992

The information reviewed at this meeting suggested that economic activity was rising appreciably in the fourth quarter. Consumer spending, in association with an apparent upturn in wage income and a surge in confidence, had improved considerably; sizable gains were being registered in the sales and starts of single-family homes; and business spending for capital equipment remained strong. There also had been solid advances in industrial output, and private payroll employment had turned up. Data on wages and prices had been slightly less favorable recently, and on balance they raised the possibility that the trend toward lower inflation might be slowing a little.

Total nonfarm payroll employment expanded for the third consecutive month in November, and the average workweek increased further. A sizable rise in government employment largely reflected temporary hiring to staff polling places during the general election. Private employment also picked up somewhat, despite a decline in construction jobs and weaker-than-usual seasonal hiring in the retail trade sector. A range of service industries recorded further gains in employment, and the number of jobs in manufacturing increased after three months of sizable declines. The civilian unemployment rate fell further in November, to 7.2 percent.

Industrial production recorded another advance in November. Motor vehicle assemblies were about unchanged, but significant gains were evident elsewhere, notably in the production of business equipment, construction supplies, and industrial materials. The output of consumer goods rose slightly further in November; all of the increase was in the production of nondurable goods. Reflecting the higher level of output, total utilization of industrial capacity edged higher in November to a level slightly above that at the end of 1991.

Retail sales, buoyed by strong gains in disposable income and a marked improvement in consumer attitudes, rose sharply in October and posted a further increase in November. Sales of light trucks were up substantially in the October–November period, and sales of a wide variety of other goods, both durable and nondurable, also advanced considerably. Single-family starts rose over October and November to their highest level since February, but starts of multifamily units remained at depressed levels. Sales of new and existing homes continued on an upward trend, although the preliminary estimate for new home sales was down in October.

The limited data available suggested that real business fixed investment was continuing to expand at a brisk pace. Shipments of nondefense capital goods were up on balance over September and October. A decline in shipments of office and computing equipment, which had accounted for most of the gains in shipments since early 1991, was more than offset by a considerable rise in shipments of other items. Among other indicators of spending for durable equipment over the September–October period, sales of heavy trucks rose sharply, and business purchases likely accounted for some of the recent sizable increase in sales of light trucks; on the other hand, shipments of complete aircraft were weak. Nonresidential construction activity turned up on balance in September and October, partly reflecting a steadying of expenditures for office buildings, which had plunged during the summer. At the same time, construction of other commercial structures recovered from a sharp decline in August, while outlays for industrial structures remained weak. A sharp increase in drilling activity occurred in October, apparently in response to higher natural gas prices and the expiration at year-end of a drilling subsidy.

Business inventories were drawn down appreciably further in October. In manufacturing, reductions in stocks were smaller in October than in September. The ratios of stocks to shipments in most industries were at or near the bottom of their recent ranges. In the trade sector, a sharp drop in stocks held by auto dealers more than accounted for an overall decline in retail inventories in October. Aside from auto dealers, a slight increase in retail stocks coupled with a strong increase in sales produced a small decline in inventory-to-sales ratios. Wholesale inventories fell again in October, and the inventory-to-sales ratio for this sector was near the low end of the range observed over the past two years.

The nominal U.S. merchandise trade deficit narrowed somewhat in October from its average rate in the third quarter, reflecting both a considerable increase in the value of exports and a decline in the value of imports. Most of the expansion in exports was in capital goods, notably aircraft and industrial machinery, and consumer goods. The reduction in imports was primarily in consumer goods and in passenger cars imported from Canada. Recent indicators generally pointed to continued weakness in the economies of the major foreign industrial countries. During the third quarter, economic activity contracted further in Japan and western Germany and expanded slowly in France and Canada. In the United Kingdom, activity appeared to have changed little.

Producer prices of finished goods fell slightly in November, reflecting sharp declines in the prices of food, gasoline, and fuel oil. Excluding the finished food and energy components, producer prices edged higher and, for the twelve months ended in November, rose at a considerably slower pace than in the comparable year-earlier period. By contrast, at the consumer level, prices of nonfood, nonenergy goods increased over October and November at a faster rate than in the previous several months. Consumer prices of apparel, tobacco, and used cars rose sharply in October, and airfares surged in October and November as domestic airlines sought to restore profit margins that had been squeezed by promotions over the summer. Even with these upticks, however, the index of consumer prices excluding food and energy increased considerably more slowly in the twelve months ended in November than in the year-earlier period. Average hourly earnings of private production or nonsupervisory workers also rose more rapidly in November; the strongest gains were in the finance, insurance, and real estate category, but sizable increases were recorded in several other sectors as well. Nevertheless, average hourly earnings rose more slowly over the twelve months ended in November than over the year-earlier period.

At its meeting on November 17, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions and that included some bias toward possible easing during the intermeeting period. Accordingly, the directive indicated that in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly greater reserve restraint might be acceptable or slightly lesser reserve restraint would be acceptable during the intermeeting period. The contemplated reserve conditions were expected to be consistent with growth of M2 and M3 at annual rates of about 3½ and 1 percent respectively over the three-month period from September through December.

Open market operations during the intermeeting period were directed toward maintaining the existing degree of pressure on reserve positions. One small technical decrease was made during the period to expected levels of adjustment plus seasonal borrowing to reflect the usual pattern of diminishing needs for seasonal credit. Because of settlement-day pressures, actual borrowing along with the federal funds rate tended to average a little above expected levels.

Changes in other short-term interest rates were mixed over the intermeeting period. In the market for Treasury securities, bill rates were essentially unchanged while bond yields fell despite the emergence of a more robust economic picture. Tending to offset the effects of the latter on long-term rates was the tenor of statements emanating from the incoming Administration, which were viewed by market participants as reducing the likelihood of a large fiscal stimulus package. The recent step-up in the size of bill auctions and the potential for some shortening of the maturity of Treasury debt issues under the new Administration also might have contributed to the flattening of the Treasury yield curve. Market expectations of year-end pressures sharply boosted interest rates on very short-term private paper for a time; however, concerns about year-end pressures subsequently abated, and much of the rise in rates was retraced. Most three- to six-month private rates fell on balance over the period; the lower rates likely were associated with lessened expectations of year-end pressures but also might have reflected perceptions of reduced credit risks in a strengthening economy. Buoyed by the prospects for a stronger economy and the declines that had occurred in bond yields, most major indexes of stock prices reached record highs.

In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies was essentially unchanged on balance over the intermeeting period. The dollar moved moderately higher over the first half of the period in response to incoming data suggesting that the prospects for sustained economic growth in the United States were improving while the economic outlook for Japan and Germany was deteriorating somewhat. Later in the period, the dollar gave up its gains, partly as a result of strong anti-inflationary statements from Bundesbank officials that damped market expectations of near-term monetary easing in Germany. The relative stability of the dollar contrasted sharply with the rekindling of exchange rate pressures among a number of European currencies.

The growth of M2 slowed in November, and on average it had expanded at a moderate pace in recent months; the limited available data indicated a further reduction in growth of this aggregate in December. The recent behavior of M2 largely reflected a sharp falloff in the expansion of demand deposits associated with a backup in money market rates in previous months and a likely slowing in the rate of increase in mortgage refinancing activity. M3 expanded at a relatively slow rate in November and appeared to be declining in December. For the year, both M2 and M3 apparently grew at rates a little below the lower ends of the annual ranges established by the Committee.

The staff projection prepared for this meeting suggested a continuing expansion in economic activity that would be associated with gradual reductions in the margins of unemployed or underutilized labor and capital resources. The pickup in economic activity in recent months, through its positive effects on confidence and incomes, was expected to provide greater momentum to the economy in the near term. However, this impetus would in part be offset by weaker export demand as a result of slower growth abroad and the higher level of the dollar; the earlier backup in long-term interest rates, only part of which was retraced in recent weeks, also would have a restraining effect. Consumer spending, which had outpaced income growth in the second half of 1992, was projected to expand more in line with incomes in coming quarters. Residential construction was expected to strengthen gradually as concerns about employment security receded and incomes improved. Spending increases on business equipment were expected to be sustained in part by continuing efforts to improve productivity, and investment in industrial building and in commercial structures other than office buildings would begin to pick up in 1993. While recognizing the possibility of a stimulative fiscal initiative in 1993, the staff retained for this forecast the assumption in several recent forecasts that fiscal policy would be mildly restrictive. The persisting, though diminishing, slack in resource utilization over the forecast period was expected to be associated with additional progress in reducing inflation.

In the Committee's discussion of current and prospective economic developments, the members cited growing indications of a somewhat stronger expansion than had seemed to be under way earlier and a marked improvement in business and consumer confidence, especially over the past month or two. Although substantial uncertainties still surrounded the outlook, these developments provided encouraging support for forecasts of continued economic growth at a pace sufficient to reduce gradually margins of unutilized resources. The expansion now seemed to have gathered fairly broad-based momentum that might be reinforced over the quarters ahead by business efforts to build up inventories in the context of generally low inventory-to-sales ratios. Moreover, the improving financial condition of many households and business firms, notably banking institutions, was a promising development that should reduce constraints on economic growth over coming quarters. The possibility of expansionary fiscal measures was another source of potential short-term stimulus to the economy, though one surrounded by substantial uncertainty with respect to the nature, size, and timing of any fiscal initiatives and the longer-run consequences. On the negative side, many of the members stressed what they regarded as a worsening outlook for U.S. exports; they also noted the continuing weakness in commercial construction, defense spending, and the retarding effects on employment of ongoing downsizing and restructuring by many business and financial firms. With regard to the outlook for inflation, some of the recent reports on prices and wages had been less favorable than earlier. However, against the background of continuing though diminishing slack in production resources, favorable trends in productivity, and restrained growth in the broad measures of money, the members generally continued to anticipate further progress toward price stability over the forecast horizon.

The statistical evidence of a stronger expansion was bolstered by anecdotal reports of improving business conditions across much of the nation. Confidence appeared to be rising in most areas and indeed seemed to be leading the statistics. Some members observed, however, that representatives of many larger business firms did not seem to share the ebullient mood of their smaller business counterparts, possibly reflecting the still active retrenchment efforts of many large firms and growing indications for some of weakening markets abroad. There also were significant geographic exceptions to the improving business climate, notably in areas that were substantially affected by cutbacks in defense spending, business consolidation and cost-cutting activities, and underlying weakness in the energy industry. On balance, regional weakness in parts of the country such as southern California tended to be masked in the overall economic statistics by what were increasingly robust business conditions in the rest of the nation.

Personal consumption expenditures had posted relatively good gains over the past several months, and retail sales were displaying considerable strength in the ongoing holiday season according to anecdotal reports from around the country. Further growth in consumer expenditures was expected to provide a key underpinning for continuing economic expansion. A development that might well be buttressing consumer spending was the improvement in existing home sales and the related capital gains that were tending to supplement the recent strengthening in disposable incomes. Nonetheless, the contribution of the consumer sector was likely to be constrained by a number of factors despite the recent surge in consumer confidence. In particular, an already low saving rate and still substantial household debt burdens would tend to restrain the growth in consumption expenditures. Moreover, it seemed likely that gains in employment would continue to be relatively limited, owing to further business restructuring activities and related improvements in productivity that would tend to hold down the demand for new workers. Even so, the pace of business hiring could be expected to quicken as existing workers were utilized more fully and the practical limits to increasing output through overtime work were reached.

Continuing efforts to improve productivity were seen as likely to stimulate appreciable further expansion in business fixed investment. Much of that expansion was expected to take the form of substantial further growth in outlays for business equipment, especially if an investment tax credit were to be enacted. At the same time, investment in nonresidential structures was projected to stabilize for the nation as a whole next year after declining in recent years. In this connection, members drew some encouragement from anecdotal reports that prices, rental rates, and other terms relating to the value of commercial real estate seemed to be bottoming out in several depressed markets, though a turnaround involving significant new construction was unlikely for an extended period in many of those markets. The outlook for housing construction was more promising, especially for the single-family sector. Housing activity had strengthened at least marginally in recent months in many parts of the country, and the conjunction of reduced mortgage rates and some projected increase in incomes was expected to support at least a gradual uptrend in housing construction.

With regard to fiscal policy, members noted that the bond markets had responded favorably in recent weeks to indications that the incoming Administration would give emphasis to reducing the federal budget deficit over time. Indeed, the prompt enactment of legislation to achieve that objective undoubtedly would bolster business and consumer confidence as well as bond markets, with favorable effects on the economy. Some members cautioned, however, that those effects would tend to be negated to the extent that lower federal spending was offset by legislated increases in required spending by business firms to finance worker benefits and other programs; such spending would reduce profits and incentives to expand and ultimately would boost costs and prices. In any event, the course of fiscal legislation remained highly uncertain in terms of its size, structure, and timing and thus its near- and longer-term effects on the economy.

Many of the members saw a substantial risk that lagging exports could exert a significant constraint on the domestic expansion. There were increasing indications of a weaker economic performance in many foreign countries, which were reinforced by recent anecdotal reports from contacts at domestic firms engaged in international business activities. However, while the risks for prospective economic activity abroad seemed to be tilted to the downside, stimulative policy responses by foreign authorities—some of which had already been initiated—might well alter developing trends. For now, though, diverging business trends in the United States and foreign nations in association with the rise that had occurred in the dollar over the course of recent months pointed to a worsening trade balance for the United States.

The members generally anticipated further progress toward price stability, although some now expected somewhat less improvement than they had earlier. In the view of many members, key factors underlying a favorable inflation outlook included the persisting, though decreasing, slack in the utilization of production resources associated with the moderate expansion expected in overall economic activity and the slow growth that had occurred for an extended period in the broad measures of money. While recent data on consumer prices and wages had a somewhat less favorable tenor, price competition remained vigorous in markets for many goods and developments in long-term debt markets suggested some shift in expectations toward lower inflation. It also was noted that ongoing cutbacks in work forces by many employers, including widely publicized reductions by some major corporations, were tending to limit demands for higher wages. Another important influence was the strong competition from foreign suppliers in the context of sluggish demands in their own markets and the rise in the foreign exchange value of the dollar. Rapid increases in the narrow measures of money and reserves also were cited as possibly signifying a risk on the other side if such increases persisted—that is, that monetary policy might soon be accommodating renewed inflationary pressures.

In the Committee's discussion of short-run policy for the period until the next meeting, all of the members expressed a preference for maintaining an unchanged degree of pressure on reserve positions; all also indicated that they could support a shift from the tilt toward ease incorporated in recent directives to a symmetrical directive that would not include any bias with regard to possible adjustments to the degree of reserve restraint during the intermeeting period. Improved prospects for moderate economic growth argued for maintaining the Committee's current stance in reserve markets, and they also warranted a shift toward a more balanced approach to possible intermeeting changes in policy. At the same time, the still considerable uncertainties surrounding the economic outlook, including some lingering questions about the sustainability of the expansion, indicated the desirability of a cautious approach to any policy changes. In this connection, several members referred to the swings in the outlook that had characterized the current expansion, including the recent reversal of sentiment regarding the strength of the expansion, and the associated risks of premature or misdirected policy moves.

The members observed that the next policy move might be in either direction. For example, the need for some easing could not be ruled out should the expansion again appear to be faltering. Substantial weakness in the monetary aggregates over coming months would be one factor to be weighed in assessing the economic outlook, though velocity developments also would have to be taken into account. On the other hand, a stronger economic performance might raise questions as to the need for a tightening move at some point during the year ahead as a means of maintaining progress toward price stability while continuing to encourage maximum sustainable economic expansion. If a tightening move were to be needed, it would be desirable to implement such a move before inflation pressures showed through in the actual price statistics in order to avoid sharp and potentially disruptive tightening actions later. One member expressed concern about the risk of maintaining an overly stimulative monetary policy for too long, with adverse consequences for inflation; while not prepared to tighten policy at this point, he indicated a preference for biasing the directive toward restraint.

In the course of this discussion, the members took account of a staff analysis that pointed to quite sluggish growth in M2 and M3 over the months ahead and to a marked slowing in the expansion of M1. The broader monetary aggregates were expected to continue to be affected by the various factors that had inhibited their growth over the past two years and that had induced a substantial diversion of credit flows from banking institutions into capital market instruments. Moreover, some special factors that had boosted the growth of the broader aggregates in recent months, such as the enlarged volume of mortgage refinancing activity, would tend to dissipate in the months immediately ahead, assuming no significant change in mortgage interest rates. While the atypically slow growth of the broader aggregates during the current economic recovery did not under prevailing circumstances have the usual implications for the performance of the economy, given the concomitant and unusual rise in their velocities, several members nonetheless expressed concern about the persistence of the lagging growth. A few were more concerned about the behavior of the narrower measures of money such as M1 or the monetary base whose growth had been unsustainably rapid over much of 1992, though these now gave some indications of moderating. There was general agreement that the performance of the various monetary aggregates should continue to be monitored with special care.

At the conclusion of the Committee's discussion, all of the members indicated their support of a directive that called for maintaining the existing degree of pressure on reserve positions and that did not include a presumption about the likely direction of any adjustments to policy during the intermeeting period. Accordingly, in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, the Committee decided that slightly greater or slightly lesser monetary restraint would be acceptable during the intermeeting period. The reserve conditions contemplated at this meeting were expected to be consistent with M2 growth at an annual rate of about 1½ percent and with M3 about unchanged over the four-month period from November through March.

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

The information reviewed at this meeting suggests that economic activity has been rising appreciably in the current quarter. Total nonfarm payroll employment has increased slightly since September, and the average workweek has moved higher. The civilian unemployment rate fell further in November to 7.2 percent. Industrial production posted solid gains in October and November. Retail sales increased sharply in October and rose further in November. Residential construction activity appears to have increased from the third-quarter pace. Indicators of business fixed investment have been mixed recently, but on balance they suggest further growth. The nominal U.S. merchandise trade deficit narrowed somewhat in October from its average rate in the third quarter. Recent data on wages and prices suggest on balance a possible slowing in the trend toward lower inflation.

Changes in short-term interest rates have been mixed since the Committee meeting on November 17 while bond yields have edged lower. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies was essentially unchanged on balance over the intermeeting period.

Over the course of recent months, M2 has expanded at a moderate pace, while M3 has continued to expand at a very slow rate. More recently, both aggregates have weakened somewhat. Both appear to have grown at rates a little below the lower ends of the ranges established by the Committee for 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 on June 30–July 1 reaffirmed the ranges it had established in February for growth of M2 and M3 of 2½ to 6½ percent and 1 to 5 percent respectively, measured from the fourth quarter of 1991 to the fourth quarter of 1992. The Committee anticipated that developments contributing to unusual velocity increases could persist in the second half of the year. The monitoring range for growth of total domestic nonfinancial debt also was maintained at 4½ to 8½ percent for the year. For 1993, the Committee on a tentative basis set the same ranges as in 1992 for growth of the monetary aggregates and debt measured from the fourth quarter of 1992 to the fourth quarter of 1993. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly greater reserve restraint or slightly lesser reserve restraint would be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with M2 growing at a rate of around 1½ percent and M3 about unchanged in the period from November through March.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Hoenig, Jordan, Kelley, LaWare, Lindsey, Melzer, Mullins, Ms. Phillips, and Mr. Syron. Votes against this action: None. □

Legal Developments

FINAL RULE—AMENDMENTS TO REGULATIONS H AND Y

The Board of Governors is amending 12 C.F.R. Parts 208 and 225, Regulations H and Y, its capital adequacy guidelines for bank holding companies and state member banks to provide explicit guidance on the types of intangible assets that may be included in (that is, not deducted from) the Tier 1 capital calculation for risk-based and leverage capital purposes. The revision also includes limits and discounts that are applicable to those intangible assets included in capital. The revision was formulated in conjunction with the staffs of the four federal financial institutions regulatory agencies [the Federal Reserve, Federal Deposit Insurance Corporation (FDIC), Office of the Comptroller of the Currency (OCC), and Office of Thrift Supervision (OTS)] and, when made final by the other agencies, will achieve greater consistency among the agencies with respect to the capital treatment of intangible assets. In addition, certain aspects of the final rule implement provisions of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA).

Effective March 9, 1993, 12 C.F.R. Parts 208 and 225 are amended as follows:

Part 208—Membership of State Banking Institutions in the Federal Reserve System

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

Authority: 12 U.S.C. 321–338, 248(a), 248(c), 461, 481–486, 601, and 611; 12 U.S.C. 1814 and 1823(j); 12 U.S.C. 3105; 12 U.S.C. 3906-3909; 15 U.S.C. 78b, 78*l*(b), 78*l*(g), 78*l*(i), 78o-4(c) (5), 78q, 78q-1, and 78w; 12 U.S.C. 36; 12 U.S.C. 3310 and 3331-3351.

APPENDIX A—[AMENDED]

2. Appendix A to Part 208 is amended by revising the first sentence and by removing the second sentence of the first undesignated paragraph of section II.A.1.; by revising the first undesignated paragraph of section II.A.2.; by revising the first sentence of section II.A.2.d.; by revising paragraph (i) of section II.B.; by revising section II.B.1.b.; by revising footnote 14 in section II.B.1.b.; and by revising footnote 16 of section II.B.2., to read as follows:

* * * * *

II. Definition of Qualifying Capital for the Risk-Based Capital Ratio

* * *

A. * * *

1. * * * Tier 1 capital is generally defined as the sum of core capital elements[5] less goodwill and other intangible assets required to be deducted in accordance with section II.B.1.b. of this appendix. * * *

* * * * *

2. * * * The maximum amount of Tier 2 capital that may be included in a bank's qualifying total capital is limited to 100 percent of Tier 1 capital (net of goodwill and other intangible assets required to be deducted in accordance with section II.B.1.b. of this appendix). * * *

* * * * *

d. * * * The aggregate amount of term subordinated debt (excluding mandatory convertible debt) and intermediate-term preferred stock that may be treated as supplementary capital is limited to 50 percent of Tier 1 capital (net of goodwill and other intangible assets required to be deducted in accordance with section II.B.1.b. of this appendix). * * *

* * * * *

B. * * *

(i) (a) Goodwill—deducted from the sum of core capital elements.

(b) Certain identifiable intangible assets, that is, intangible assets other than goodwill—deducted from the sum of core capital elements in accordance with section II.B.1.b. of this appendix.

* * *

5. During the transition period and subject to certain limitations set forth in section IV below, Tier 1 capital may also include items defined as supplementary capital elements.

1. * * *

a. * * *

b. *Other intangible assets*. The only types of identifiable intangible assets that may be included in, that is, not deducted from, a bank's capital are readily marketable purchased mortgage servicing rights and purchased credit card relationships, provided that, in the aggregate, the total amount of these assets included in capital does not exceed 50 percent of Tier 1 capital. Purchased credit card relationships are subject to a separate sublimit of 25 percent of Tier 1 capital.[14]

For purposes of calculating these limitations on purchased mortgage servicing rights and purchased credit card relationships, Tier 1 capital is defined as the sum of core capital elements, net of goodwill and all identifiable intangible assets other than purchased mortgage servicing rights and purchased credit card relationships, regardless of the date acquired. This method of calculation could result in purchased mortgage servicing rights and purchased credit card relationships being included in capital in an amount greater than 50 percent—or in purchased credit card relationships being included in an amount greater than 25 percent—of the amount of Tier 1 capital used to calculate an institution's capital ratios. In such instances, the Federal Reserve may determine that a bank is operating in an unsafe and unsound manner because of overreliance on intangible assets in Tier 1 capital.

Banks must review the book value of all intangible assets at least quarterly and make adjustments to these values as necessary. The fair market value of purchased mortgage servicing rights and purchased credit card relationships also must be determined at least quarterly. The fair market value generally shall be determined by applying an appropriate market discount rate to the expected future net cash flows. This determination shall include adjustments for any significant changes in original valuation assumptions, including changes in prepayment estimates or account attrition rates.

Examiners will review both the book value and the fair market value assigned to these assets, together with supporting documentation, during the examination process. In addition, the Federal Reserve may require, on a case-by-case basis, an independent valuation of a bank's intangible assets.

The amount of purchased mortgage servicing rights and purchased credit card relationships that a bank may include in capital shall be the *lesser* of 90 percent of their fair market value, as determined in accordance with this section, or 100 percent of their book value, as adjusted for capital purposes in accordance with the instructions in the commercial bank Consolidated Reports of Condition and Income (Call Report). If both the application of the limits on purchased mortgage servicing rights and purchased credit card relationships and the adjustment of the balance sheet amount for these intangibles would result in an amount being deducted from capital, the bank would deduct only the greater of the two amounts from its core capital elements in determining Tier 1 capital.

The treatment of identifiable intangible assets set forth in this section generally will be used in the calculation of a bank's capital ratios for supervisory and applications purposes. However, in making an overall assessment of a bank's capital adequacy for applications purposes, the Board may, if it deems appropriate, take into account the quality and composition of a bank's capital, together with the quality and value of its tangible and intangible assets. * * *

2. [16] An exception to this deduction would be made in the case of shares acquired in the regular course of securing or collecting a debt previously contracted in good faith. The requirements for consolidation are spelled out in the instructions to the Call Report.

3. Appendix A to Part 208 is amended by revising the third undesignated paragraph of section III.C.4. to read as follows:

III. Procedures for Computing Weighted-Risk Assets and Off-Balance-Sheet Items

* * * * *

C. * * *

4. * * * The following assets also are assigned a risk weight of 100 percent if they have not been deducted from capital: investments in unconsolidated companies, joint ventures, or associated companies; instruments that qualify as capital issued by other banking organizations; and any intangibles, including those that may have been grandfathered into capital.

4. Appendix A to Part 208 is amended by revising the first, second, and third sentences of the first undesignated paragraph of section IV.A. to read as follows:

14. Amounts of purchased mortgage servicing rights and purchased credit card relationships in excess of these limitations, as well as all other identifiable intangible assets, including core deposit intangibles and favorable leaseholds, are to be deducted from a bank's core capital elements in determining Tier 1 capital. However, identifiable intangible assets (other than purchased mortgage servicing rights and purchased credit card relationships) acquire on or before February 19, 1992, generally will not be deducted from capital for supervisory purposes, although they will continue to be deducted for applications purposes.

IV. Minimum Supervisory Ratios and Standards

* * * * *

A. * * * As reflected in Attachment VI, by year-end 1992, all state member banks should meet a minimum ratio of qualifying total capital to weighted risk assets of 8 percent, of which at least 4.0 percentage points should be in the form of Tier 1 capital. For purposes of section IV.A., Tier 1 capital is defined as the sum of core capital elements less goodwill and other intangible assets required to be deducted in accordance with section II.B.1.b. of this appendix. The maximum amount of supplementary capital elements that qualifies as Tier 2 capital is limited to 100 percent of Tier 1 capital. * * *

5. In Appendix A to Part 208, the table in Attachment II is amended by revising the fifth entry of the left column and by revising footnote 1 of the fifth entry of the left column to read as follows:

Attachment II—Summary Definition of Qualifying Capital for State Member Banks* Using the Year-End 1992 Standards

Components

* * * * *

Less: Goodwill and other intangible assets required to be deducted from capital.[1]

* * * * *

*See discussion in section II of the guidelines for a complete description of the requirements for, and the limitations on, the components of qualifying capital.

[1] Requirements for the deduction of other intangible assets are set forth in section II.B.1.b. of this appendix.

6. In Appendix A to Part 208, the table in Attachment VI is amended by revising the second entry of the fourth column and by adding a new footnote number 3 to the second entry of the fourth column to read as follows:

Attachment VI—Summary of:

Final Arrangement—Year End 1992

* * * * *

Common equity, qualifying noncumulative perpetual preferred stock, and minority interest less goodwill and other intangible assets required to be deducted from capital. [3]

* * * * *

[3] Requirements for the deduction of other intangible assets are set forth in section II.B.1.b. of this appendix.

APPENDIX B—[AMENDED]

7. Appendix B to Part 208 is amended by revising footnote 2 and by revising the last sentence of the second undesignated paragraph of section II to read as follows:

* * * * *

II. THE TIER 1 LEVERAGE RATIO

* * * * *

[2] At the end of 1992, Tier 1 capital for state member banks includes common equity, minority interest in equity accounts of consolidated subsidiaries, and qualifying noncumulative perpetual preferred stock. In addition, as a general matter, Tier 1 capital excludes goodwill; amounts of purchased mortgage servicing rights and purchased credit card relationships that, in the aggregate, exceed 50 percent of Tier 1 capital; amounts of purchased credit card relationships that exceed 25 percent of Tier 1 capital; and all other intangible assets. The Federal Reserve may exclude certain investments in subsidiaries or associated companies as appropriate.

* * * * *

* * * As a general matter, average total consolidated assets are defined as the quarterly average total assets (defined net of the allowance for loan and lease losses) reported on the bank's Reports of Condition and Income (Call Report), less goodwill; amounts of purchased mortgage servicing rights and purchased credit card relationships that, in the aggregate, are in excess of 50 percent of Tier 1 capital; amounts of purchased credit card relationships in excess of 25 percent of Tier 1 capital; all other intangible assets; and any investments in subsidiaries or associated companies that the Federal Reserve determines should be deducted from Tier 1 capital.[3]

3. Deductions from Tier 1 capital and other adjustments are discussed more fully in section II.B. of Appendix A to this Part.

* * * * *

Part 225—Bank Holding Companies and Change in Bank Control

1. The authority citation for Part 225 continues to read as follows:

Authority: 12 U.S.C. 1817(j) (13), 1818, 1831i, 1843(c) (8), 1844(b), 3106, 3108, 3907, 3909, 3310, and 3331-3351.

APPENDIX A—[AMENDED]

2. Appendix A to Part 225 is amended by revising the first sentence and by removing the second sentence of the first undesignated paragraph of section II.A.1.; by revising the first undesignated paragraph of section II.A.2.; by revising the first sentence of section II.A.2.d.; by revising paragraph (i) of section II.B.; by revising section II.B.1.b.; by revising footnote 15 in section II.B.1.b.; and by revising footnote 17 of section II.B.2. to read as follows:

* * * * *

II. DEFINITION OF QUALIFYING CAPITAL FOR THE RISK-BASED CAPITAL RATIO

* * * * *

A. * * *

1. * * * Tier 1 capital is generally defined as the sum of core capital elements[6] less goodwill and other intangible assets required to be deducted in accordance with section II.B.1.b. of this appendix. * * *

* * * * *

2. * * * The maximum amount of Tier 2 capital that may be included in an organization's qualifying total capital is limited to 100 percent of Tier 1 capital (net of goodwill and other intangible assets required to be deducted in accordance with section II.B.1.b. of this appendix). * * *

* * * * *

d. * * * The aggregate amount of term subordinated debt (excluding mandatory convertible debt) and intermediate-term preferred stock that may be treated as supplementary capital is limited to 50 percent of Tier 1 capital (net of goodwill and other intangible assets required to be deducted in accordance with section II.B.1.b. of this appendix). * * *

6. During the transition period and subject to certain limitations set forth in section IV below, Tier 1 capital may also include items defined as supplementary capital elements.

* * * * *

B. * * *

(i) (a) Goodwill—deducted from the sum of core capital elements.

(b) Certain identifiable intangible assets, that is, intangible assets other than goodwill—deducted from the sum of core capital elements in accordance with section II.B.1.b. of this appendix.

1. * * *

a. * * *

b. *Other intangible assets.* The only types of identifiable intangible assets that may be included in, that is, not deducted from, an organization's capital are readily marketable purchased mortgage servicing rights and purchased credit card relationships, provided that, in the aggregate, the total amount of these assets included in capital does not exceed 50 percent of Tier 1 capital. Purchased credit card relationships are subject to a separate sublimit of 25 percent of Tier 1 capital.[15]

For purposes of calculating these limitations on purchased mortgage servicing rights and purchased credit card relationships, Tier 1 capital is defined as the sum of core capital elements, net of goodwill and all identifiable intangible assets other than purchased mortgage servicing rights and purchased credit card relationships, regardless of the date acquired. This method of calculation could result in purchased mortgage servicing rights and purchased credit card relationships being included in capital in an amount greater than 50 percent—or in purchased credit card relationships being included in an amount greater than 25 percent—of the amount of Tier 1 capital used to calculate an institution's capital ratios. In such instances, the Federal Reserve may determine that an organization is operating in an unsafe and unsound manner because of overreliance on intangible assets in Tier 1 capital.

Bank holding companies must review the book value of all intangible assets at least quarterly and

15. Amounts of purchased mortgage servicing rights and purchased credit card relationships in excess of these limitations, as well as all other identifiable intangible assets, including core deposit intangibles and favorable leaseholds, are to be deducted from an organization's core capital elements in determining Tier 1 capital. However, identifiable intangible assets (other than purchased mortgage servicing rights and purchased credit card relationships) acquired on or before February 19, 1992, generally will not be deducted from capital for supervisory purposes, although they will continue to be deducted for applications purposes.

make adjustments to these values as necessary. The fair market value of purchased mortgage servicing rights and purchased credit card relationships also must be determined at least quarterly. The fair market value generally shall be determined by applying an appropriate market discount rate to the expected future net cash flows. This determination shall include adjustments for any significant changes in original valuation assumptions, including changes in prepayment estimates or account attrition rates.

Examiners will review both the book value and the fair market value assigned to these assets, together with supporting documentation, during the inspection process. In addition, the Federal Reserve may require, on a case-by-case basis, an independent valuation of an organization's intangible assets.

The amount of purchased mortgage servicing rights and purchased credit card relationships that a bank holding company may include in capital shall be the *lesser* of 90 percent of their fair market value, as determined in accordance with this section, or 100 percent of their book value, as adjusted for capital purposes in accordance with the instructions to the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C Report). If both the application of the limits on purchased mortgage servicing rights and purchased credit card relationships and the adjustment of the balance sheet amount for these intangibles would result in an amount being deducted from capital, the bank holding company would deduct only the greater of the two amounts from its core capital elements in determining Tier 1 capital.

The treatment of identifiable intangible assets set forth in this section generally will be used in the calculation of a bank holding company's capital ratios for supervisory and applications purposes. However, in making an overall assessment of an organization's capital adequacy for applications purposes, the Board may, if it deems appropriate, take into account the quality and composition of an organization's capital, together with the quality and value of its tangible and intangible assets. * * *

2. [17] An exception to this deduction would be made in the case of shares acquired in the regular course of securing or collecting a debt previously contracted in good faith. The requirements for consolidation are spelled out in the instructions to the FR Y-9C Report.

3. Appendix A to Part 225 is amended by revising the third undesignated paragraph of section III.C.4. to read as follows:

III. Procedures for Computing Weighted-Risk Assets and Off-Balance-Sheet Items

* * * * *

C. * * *

4. * * * The following assets also are assigned a risk weight of 100 percent if they have not been deducted from capital: investments in unconsolidated companies, joint ventures, or associated companies; instruments that qualify as capital issued by other banking organizations; and any intangibles, including those that may have been grandfathered into capital.

4. Appendix A to Part 225 is amended by revising the first, second, third, and fourth sentences of the first undesignated paragraph of section IV.A. to read as follows:

IV. Minimum Supervisory Ratios and Standards

* * * * *

A. * * * As reflected in Attachment VI, by year-end 1992, all bank holding companies[56] should meet a minimum ratio of qualifying total capital to weighted risk assets of 8 percent, of which at least 4.0 percentage points should be in the form of Tier 1 capital. For purposes of section IV.A., Tier 1 capital is defined as the sum of core capital elements less goodwill and other intangible assets required to be deducted in accordance with section II.B.1.b. of this appendix. The maximum amount of supplementary capital elements that qualifies as Tier 2 capital is limited to 100 percent of Tier 1 capital. In addition, the combined maximum amount of subordinated debt and intermediate-term preferred stock that qualifies as Tier 2 capital is limited to 50 percent of Tier 1 capital. * * *

5. In Appendix A to Part 225, the table in Attachment II is amended by revising the fifth entry of the left column and by revising footnote 1 of the fifth entry of the left column to read as follows:

56. As noted in section I above, bank holding companies with less than $150 million in consolidated assets would generally be exempt from the calculation and analysis of risk-based ratios on a consolidated holding company basis, subject to certain terms and conditions.

Attachment II—Summary Definition of Qualifying Capital for Bank Holding Companies* (Using the Year-End 1992 Standards)

Components

* * * * *

Less: Goodwill and other intangible assets required to be deducted from capital.[1]

* * * * *

* See discussion in section II of the guidelines for a complete description of the requirements for, and the limitations on, the components of qualifying capital.

[1] Requirements for the deduction of other intangible assets are set forth in section II.B.1.b. of this appendix.

6. In Appendix A to Part 225, the table in Attachment VI is amended by revising the second entry of the fourth column; by revising footnote 1; and by revising footnote 3, which is referenced in the second entries of the second, third, and fourth columns, to read as follows:

Attachment VI—Summary of:

Final Arrangement—Year-End 1992

* * * * *

Common equity, qualifying noncumulative and cumulative perpetual preferred stock,[1] and minority interest less goodwill and other intangible assets required to be deducted from capital. [3]

* * * * *

[1] Cumulative perpetual preferred stock is limited within Tier 1 to 25% of the sum of common stockholders' equity, qualifying perpetual preferred stock, and minority interest.

[2] * * *

[3] Requirements for the deduction of other intangible assets are set forth in section II.B.1.b. of this appendix.

APPENDIX D—[AMENDED]

2. Appendix D to Part 225 is amended by revising footnote 3 and by revising the last sentence of the second undesignated paragraph of section II to read as follows:

* * * * *

II. THE TIER 1 LEVERAGE RATIO

* * * * *

[3] At the end of 1992, Tier 1 capital for bank holding companies includes common equity, minority interest in equity accounts of consolidated subsidiaries, qualifying noncumulative perpetual preferred stock, and qualifying cumulative perpetual preferred stock. (Cumulative perpetual preferred stock is limited to 25 percent of Tier 1 capital.) In addition, as a general matter, Tier 1 capital excludes goodwill; amounts of purchased mortgage servicing rights and purchased credit card relationships that, in the aggregate, exceed 50 percent of Tier 1 capital; amounts of purchased credit card relationships that exceed 25 percent of Tier 1 capital; and all other intangible assets. The Federal Reserve may exclude certain investments in subsidiaries or associated companies as appropriate.

* * * * *

* * * As a general matter, average total consolidated assets are defined as the quarterly average total assets (defined net of the allowance for loan and lease losses) reported on the banking organization's Consolidated Financial Statements (FR Y-9C Report), less goodwill; amounts of purchased mortgage servicing rights and purchased credit card relationships that, in the aggregate, are in excess of 50 percent of Tier 1 capital; amounts of purchased credit card relationships in excess of 25 percent of Tier 1 capital; all other intangible assets; and any investments in subsidiaries or associated companies that the Federal Reserve determines should be deducted from Tier 1 capital.[4]

* * * * *

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

Broadstreet, Inc., Atlanta, Georgia

AmTrade International Bank of Georgia Atlanta, Georgia

Order Approving Application to Acquire a Bank, and Applications to Become a Member of the Federal Reserve System and to Establish an Agreement Corporation

Broadstreet, Inc., Atlanta, Georgia ("Broadstreet"), has applied pursuant to section 3 of the Bank Holding

4. Deductions from Tier 1 capital and other adjustments are discussed more fully in section II.B. of Appendix A to this Part.

Company Act (12 U.S.C. § 1842) ("BHC Act") to acquire 94 percent of the shares of AmTrade International Bank of Georgia, Atlanta, Georgia ("Bank"), and thereby become a bank holding company within the meaning of the BHC Act. Bank, a *de novo* bank chartered under the laws of Georgia,[1] has applied pursuant to section 9 of the Federal Act (12 U.S.C. § 321) and section 208.4 of the Board's Regulation H (12 C.F.R. 208.4) to become a member of the Federal Reserve System. Bank also has applied pursuant to section 25 of the Federal Reserve Act (12 U.S.C. §§ 601–604a) to establish AmTrade International Bank of Florida, Miami, Florida ("AmTrade International Bank"), an agreement corporation within the meaning of the Federal Reserve Act.[2]

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (57 *Federal Register* 54,081 (1992)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the BHC Act and in the Federal Reserve Act.

In reviewing Broadstreet's application under section 3 of the BHC Act, the Board is required to consider various supervisory and other factors, including the financial and managerial resources and future prospects of Broadstreet and Bank, the effects of the transaction on competition, and the convenience and needs of the community to be served.

The record in this case indicates that Broadstreet and Bank will be managed by individuals with banking experience, and that both Broadstreet and Bank will be capitalized in excess of minimum capital requirements upon consummation of this transaction. The *de novo* entry of Bank into the market for international banking services should provide added competition for these services. Additionally, Bank has devised a business plan that includes methods for meeting the convenience and needs of its community, including a plan for meeting its responsibilities under the Community Reinvestment Act (12 U.S.C. §§ 2901 *et seq.*) For these reasons, and based on all the facts of record, the Board concludes that the factors it must consider under section 3 of the BHC Act are consistent with approval of Broadstreet's application to acquire Bank.

The Board also has considered the factors it is required to consider when reviewing applications for membership pursuant to section 9 of the Federal Reserve Act and section 208.4 of the Board's Regulation H,[3] and finds those factors to be consistent with approval. Bank appears to meet all the criteria in the Federal Reserve Act for admission to membership, including capital requirements and considerations related to management character and quality.[4]

The Board also has considered all the factors it must consider under section 25 of the Federal Reserve Act and section 211.4 of the Board's Regulation K in considering Bank's application to establish AmTrade International Bank, and finds that this application is consistent with approval and with the purposes of the Federal Reserve Act.[5] Bank has agreed to conform the activities of Amtrade International Bank to the requirements of section 25A of the Federal Reserve Act and the Board's Regulation K.[6]

On the basis of the foregoing and all the facts of record, including all commitments made by Broadstreet and Bank in the applications and in related correspondence, the Board has determined that the applications should be, and hereby are, approved. The Board's determination also is subject to all of the conditions set forth in Regulation Y and Regulation K, and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these commitments and conditions are both considered conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law. The Board's approval of these applications is also conditioned upon Broadstreet's and Bank's receiving all necessary Federal and state regulatory approvals. The acquisition by Broadstreet of the voting shares of Bank may not be consummated before the fifth calendar day following the effective date of this Order.

By order of the Board of Governors, effective February 19, 1993.

1. Bank has received approval from the Georgia Department of Banking and Finance to be chartered as a "special purpose" bank which, under Georgia law, may be organized for the purpose of "conducting a limited banking business which facilitates the economic, commercial, and export-import trade growth" of Georgia. Ga. Code Ann. § 7-1-394(c). In this capacity, Bank will accept deposits, make loans, and otherwise provide credit and banking services primarily to firms and individuals in Georgia and other southeastern states that are engaged in foreign trade and export activities.

2. These applications comprise the proposal by a group of investors to acquire First American International Bank, Miami, Florida, the agreement corporation subsidiary of First American Bank of Georgia, N.A. (In Liquidation), Marietta, Georgia ("First American-Georgia").

3. See 12 U.S.C. §§ 322 and 1816; 12 C.F.R. 208.4.

4. *See id.*

5. *See* 12 U.S.C. §§ 601–604a; 12 C.F.R. 211.4. An agreement corporation is a company formed to engage in international banking and financial operations. A member bank may invest in such a company if the company enters into an agreement with the Board to limit its activities to those permissible for an Edge Act corporation. *See* 12 U.S.C. §§ 603, 611–631.

6. *See* 12 U.S.C. § 611–631; 12 C.F.R. 211, Subpart A.

Voting for this action: Chairman Greenspan and Governors Kelley, Lindsey, and Phillips. Voting against this action: Governors Mullins and Angell. Absent and not voting: Governor LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Dissenting Statement of Governors Mullins and Angell

In our view, the structure of the proposed transaction is not clearly consistent with the requirements or purposes of the Federal Reserve Act. The Federal Reserve Act imposes limits on the amount that a bank may invest in a so-called agreement corporation. As a result of these limits, proposals to establish or acquire agreement corporations have involved well-established banks.

In this case, a newly chartered bank proposes to acquire an established agreement corporation. The business of this newly chartered bank, at least over the foreseeable future, will involve primarily business that is generated by the agreement corporation. We note that the shareholders in this case could have structured the proposal in a manner that we believe would be consistent with the Federal Reserve Act, for example, by acquiring the assets of the agreement corporation through a bank in Florida or by acquiring the agreement corporation through an established bank. We do not believe that the structure chosen by the shareholders in this case is clearly consistent with the Federal Reserve Act. We would, therefore, deny these applications.

February 19, 1993

First Commercial Corporation
Little Rock, Arkansas

Order Approving the Acquisition of Banks and Formation of a Bank Holding Company

First Commercial Corporation, Little Rock, Arkansas ("FCC"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire all the voting shares of Citizens First National Bank of Tyler, Tyler, Texas ("Tyler Bank") and Lufkin National Bank, Lufkin, Texas ("Lufkin Bank") (collectively, "Banks") through its wholly owned subsidiary, FCC Texas, Inc., Little Rock, Arkansas ("FCC Texas"). In connection with this application, FCC Texas has applied under section 3(a)(1) of the BHC Act (12 U.S.C. § 1842(a)(1)) to become a bank holding company by acquiring Banks directly.

Notice of these applications, affording interested persons an opportunity to submit comments, has been given in accordance with the BHC Act and the Board's Rules of Procedure, 12 C.F.R. 262.3. The time for filing comments has expired, and the Secretary of the Board of Governors ("Secretary"), acting pursuant to authority delegated by the Board, has considered the applications and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

On October 30, 1992, the twenty subsidiary banks of First City Bancorporation were declared insolvent and the FDIC was appointed receiver of each of the banks. Pursuant to section 11(n) of the Federal Deposit Insurance Act (12 U.S.C. § 1821(n)) ("FDI Act"), the FDIC established twenty bridge banks to acquire the assets and to assume the liabilities and deposits of the closed banks. The FDIC solicited offers for the acquisition of the bridge banks from qualified bidders pursuant to sections 11(n) and 13(c) of the FDI Act (12 U.S.C. §§ 1821(n) and 1823(c)). On January 26, 1993, the FDIC selected First Commercial's bid for the bridge banks in Lufkin and Tyler, Texas. Tyler Bank and Lufkin Bank will each engage in a purchase and assumption transaction with the bridge banks in Tyler and Lufkin, respectively, subject to OCC approval under the Bank Merger Act (12 U.S.C. § 1828(c)). The FDIC has requested that the Board process this application expeditiously due to the condition of the bridge banks and to minimize the cost of the transaction to the FDIC.

Section 3(d) of the BHC Act, the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire any bank located outside of the bank holding company's home state, unless such acquisition is "specifically authorized by the statute laws of the State in which such bank is located, by language to that effect and not merely by implication."[1] FCC, whose home state is Arkansas for purposes of the Douglas Amendment, seeks to acquire two banks in Texas. The Texas Banking Code expressly authorizes the acquisition by an out-of-state bank holding company of Texas banks that have been in existence for at least five years,[2] and the Board previously has determined that the inter-

1. 12 U.S.C. § 1842(d).

2. Tyler Bank and Lufkin Bank will each purchase the assets and assume the liabilities of a New First City bridge bank established by the FDIC in connection with the resolution of the First City Bancorporation of Texas, Inc., The First City bridge banks are, and Banks will be, the successors to the First City Banks, which were in existence for more than five years and are therefore eligible to be acquired by an out-of-state bank holding company under Texas law. Tex. Rev. Civ. Stat. Ann. art. 342–916, § 2(b) (West 1992).

state banking statutes of Texas permit the acquisition of Texas banking organizations by Arkansas banking organizations.[3] Based on all the facts of record, the Secretary concludes that approval of this proposal is not prohibited by the Douglas Amendment.

In connection with this application, the Secretary has taken into consideration the competitive effects of the proposed transaction and concludes that consummation of this proposal under the BHC Act would not have a significantly adverse effect on competition in any relevant banking market. The Secretary also concludes that the financial and managerial resources and future prospects of FCC and Banks are consistent with approval. Supervisory factors and factors relating to the convenience and needs of the communities to be served are also consistent with approval.

On the basis of the information in the record, the Secretary finds that an emergency situation exists so as to require that the Secretary act expeditiously pursuant to the provisions of section 3(b) of the BHC Act (12 U.S.C. § 1842(b)). Based on all the facts of record, the Secretary has determined that the applications should be, and hereby are, approved. The Secretary's decision is specifically conditioned on compliance with all of the commitments made in this application. For the purpose of this action, these commitments and conditions are deemed to be conditions imposed in writing by the Secretary in connection with his findings and decision, and, as such, may be enforced in proceedings under applicable laws.

This transaction may not be consummated before the fifth day following the effective date of this Order or later than three months after the effective date of this Order, unless such period is extended by the Federal Reserve Bank of St. Louis, acting pursuant to delegated authority.

By order of the Secretary of the Board, acting pursuant to delegated authority for the Board of Governors, effective February 8, 1993.

JENNIFER J. JOHNSON
Associate Secretary of the Board

3. *State First Financial Corporation*, 73 *Federal Reserve Bulletin* 307 (1987).

Overton Financial Corporation Overton, Texas

Order Approving Acquisition of a Bank Holding Company

Overton Financial Corporation, Overton, Texas, and its subsidiary, Overton Delaware Corporation, Dover, Delaware (together "Overton"), both bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied for the Board's approval under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire up to 20 percent of the outstanding shares of Longview Financial Corporation, Longview, Texas ("Longview"), and thereby indirectly acquire Longview's subsidiary bank, Longview Bank & Trust Company, Longview, Texas ("Longview Bank"). Following consummation of this acquisition, Overton would own approximately 20 percent of the voting shares of Longview, and certain management officials of Overton, who also hold management positions with Longview, would collectively control an additional 19 percent of the shares of Longview.[1] Thus, as a result of this acquisition, Longview would be considered a subsidiary of Overton.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (57 *Federal Register* 59,352 (1992)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

Overton is the 277th largest commercial banking organization in Texas, controlling deposits of \$79.8 million, representing less than 1 percent of the total deposits in commercial banking organizations in the state.[2] Longview is the 80th largest commercial banking organization in Texas, controlling deposits of \$217.6 million, representing less than 1 percent of the total deposits in commercial banking organizations in the state.

Overton and Longview do not compete directly in any relevant banking market. Based on all the facts of record, the Board concludes that consummation of this proposal will not result in significantly adverse effects on competition in any relevant banking market. Overton proposes to inject additional capital into Longview Bank, and Overton has demonstrated that it has the resources to act as a source of financial and managerial strength to Longview Bank. Thus, based on all of the facts of the record, the Board concludes that the financial and managerial resources and future prospects of Overton, Longview, and their subsidiaries, and other supervisory factors the Board is re-

1. Overton currently owns approximately 4.8 percent of the shares of Longview, and this proposal represents the acquisition of additional shares. Members of one family hold a total of 64 percent of the shares of Overton and a total of 19 percent of the shares of Longview, and this family has significant representation in the management of both organizations.

2. Deposit data are as of June 30, 1991.

quired to consider under section 3 of the BHC Act, are also consistent with approval of this proposal.

Convenience and Needs Considerations

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

In this regard, the Board has received comments from the Black State Employees Association of Texas, Inc., ("Protestant"), alleging generally that Overton and Longview and their subsidiary banks have not complied with the spirit of CRA and other consumer lending laws in conducting their lending and outreach activities. In particular, Protestant alleges, on the basis of data collected under the Home Mortgage Disclosure Act ("HMDA"), that the subsidiary banks of Overton and Longview discriminate against African-Americans and other ethnic minorities in their lending activities.[4] The Board has carefully reviewed the CRA performance records of Overton, Longview, and their subsidiary banks, the comments received and responses to those comments, and all other relevant facts, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[5]

3. 12 U.S.C. § 2903.

4. Protestant also alleges that Overton and Longview engage in discriminatory employment practices. Overton disputes this allegation and maintains that both organizations follow a policy of equal employment opportunity throughout their respective organizations. While the Board fully supports affirmative programs designed to promote equal opportunity in every aspect of a bank's personnel policies and practices in the employment, development, advancement, and treatment of employees and applicants for employment, the Board believes that the banks' general personnel practices are beyond the scope of factors that may be assessed under the CRA.

5. 54 *Federal Register* 13,742 (1989).

Records of Performance Under the CRA

A. CRA Performance Examinations

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record, and that these reports will be given great weight in the application process.[6] In this case, both of Overton's subsidiary banks—First State Bank, Overton, Texas ("Overton Bank"), and Lindale State Bank, Lindale, Texas ("Lindale Bank")—have received satisfactory ratings from their primary regulator in their most recent examinations for CRA performance.[7] In addition, Longview Bank also received a satisfactory rating in its most recent examination for CRA performance.[8]

B. Community Outreach Efforts

Overton Bank, Lindale Bank and Longview Bank all have engaged in various activities to ascertain and meet the credit needs of their delineated communities, including low- and moderate-income areas. For example, the most recent CRA examination of Overton Bank noted that the involvement of its directorate and senior management in local civic, social and religious organizations has enabled bank management to better discern community credit needs. As a result of these activities, Overton Bank has made contributions to area churches, including predominately minority member churches, and the bank has extended an unsecured loan to a predominately minority member church in the bank's community.

In the case of Longview Bank, examiners have commended its ascertainment efforts, including the participation of bank management and personnel in civic and charitable groups, as well as its sponsoring of various credit education seminars, including home-buying seminars and seminars in managing personal finances. A community focus group, comprised of individuals from various ethnic and racial backgrounds, meets regularly to provide Longview Bank with information on the loan and deposit needs of its delineated community. Additionally, Longview Bank has sought to ascertain the credit needs of minorities in its community by meeting with various individuals and groups representing minority neighborhoods.

6. *Id.* at 13,745.

7. Overton Bank received a "satisfactory" rating from the Federal Deposit Insurance Corporation ("FDIC") on February 18, 1991; Lindale Bank received a "satisfactory" rating from the FDIC on February 22, 1991.

8. Longview Bank received a "satisfactory" rating from the FDIC on February 1, 1991.

Longview Bank also trains bank employees in practices designed to afford equal treatment to credit applicants. Lindale Bank also has sought to ascertain and meet community credit needs through the direct involvement of the bank's management and employees in various community and civic groups. As a result of these outreach efforts, Lindale Bank has provided financing for several years to minority owned businesses and companies whose employees are predominantly minorities.

C. HMDA Data and Lending Practices

The Board has carefully reviewed the 1990 and 1991 HMDA data reported by Lindale Bank and Longview Bank, in light of Protestant's comments.[9] Because all banks are obligated to ensure that their lending practices are based on criteria that assure not only safe and sound lending, but also assure equal access to credit by creditworthy applicants regardless of race, the Board is concerned when the record of an institution indicates disparities in lending to minority applicants. The Board recognizes, however, that HMDA data alone provide only a limited measure of any given institution's lending in its community. The Board also recognizes that HMDA data have limitations that make the data an inadequate basis, absent other information, for conclusively determining whether an institution has engaged in illegal discrimination on the basis of race or ethnicity in making lending decisions. In this case, an analysis of the relevant HMDA data does not indicate that there are disparities in the rates of housing-related loan applications, and in approvals and denials that vary by racial or ethnic group in the areas served by these banks. Moreover, the most recent examinations for CRA performance conducted by bank supervisory agencies found no evidence of illegal discrimination or other illegal credit practices at the subsidiary banks of Overton and Longview.

The Board also notes that Overton and Longview have taken certain measures to make the housing-related financing activities of their subsidiary banks more responsive to the credit needs of low- and moderate-income communities within their delineated service areas. For example, the president of Overton Bank serves as the chairman of the Neighborhood Improvement Committee, a newly formed organization that aims to identify substandard housing in the low- and moderate-income areas within Overton Bank's delineated community and distribute funds to the property owners. To date, this committee has identified 15 residences that could receive low interest loans for home-improvement from a fund that Overton Bank has agreed to establish. Additionally, Overton Bank reports that 132 (or approximately 21 percent) of its 643 installment loans currently outstanding are to minorities.

In the most recent CRA examination of Lindale Bank, examiners noted that this bank is committed to funding construction of low-income housing. For example, Lindale Bank has provided interim financing to Amy House, Inc., for the construction of low-income homes, and the bank is also providing financing for the purchase of vacant lots upon which several low-income homes will be constructed. Examiners also noted that Lindale Bank participates in loan programs sponsored by the Farmers Home Administration and the Small Business Administration ("SBA").

In an effort to provide financing to potential homebuyers in low- and moderate-income areas, Longview Bank has worked closely with the City of Longview to develop a program that:

(1) Provides grants of up to $2,500 to cover closing costs;

(2) Offers below-market interest rates and requires only a 5 percent down payment; and

(3) Allows applicants to establish a favorable credit history through non-traditional credit references such as statements from previous landlords and utility companies.

Longview Bank has closed several loans under this program since introducing it in August 1992. In addition, Longview Bank has been active in making SBA-guaranteed loans, and the bank was recently authorized to offer Federal Housing Administration loans to first-time homebuyers. In its most recent CRA examination, examiners also found that the geographic distribution of the bank's credit applications, extensions and denials demonstrates a reasonable penetration of all segments of its local community, including low- and moderate-income neighborhoods.

D. Conclusion Regarding Convenience and Needs Factors

The Board has carefully considered the entire record of this application, including the comments submitted by Protestant, in reviewing the convenience and needs factor under the BHC Act. Based on a review of the entire record of performance of Overton and Longview and their subsidiary banks, including the performance examinations by the banks' primary regulator, the Board believes that the efforts of Overton and Longview and their subsidiary banks to help meet the credit needs of all segments of their delineated

9. Because Overton Bank does not operate in a Metropolitan Statistical Area, it is not subject to HMDA reporting requirements.

communities, including low- and moderate-income neighborhoods, are consistent with approval of this application. Thus, based on all of the facts of record, the Board concludes that convenience and needs considerations are consistent with approval of this application.

Based on the foregoing, including the conditions and commitments described in this Order and those made in this application, and all the facts of record, the Board has determined that this application should be, and hereby is, approved.[10] The Board's approval is specifically conditioned upon compliance by Overton with all the commitments made in connection with this application. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and as such may be enforced in proceedings under applicable law. This approval is also conditioned upon Overton receiving all necessary Federal and state approvals.

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

By order of the Board of Governors, effective February 22, 1993.

Voting for this action: Chairman Greenspan and Governors Mullins, Angell, LaWare, Lindsey, and Phillips. Absent and not voting: Governor Kelley.

JENNIFER J. JOHNSON
Associate Secretary of the Board

10. Protestant has requested a public hearing or meeting on the issues raised in its comments. Section 3(b) of the BHC Act does not require the Board to hold a hearing or meeting on an application unless the appropriate supervisory authority of the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the Board has not received such a recommendation.

Generally, under the Board's rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered this request. In the Board's view, Protestant has had ample opportunity to present written submissions, and Protestant has submitted substantial written comments that have been considered by the Board. In light of these facts, the Board has determined that a public hearing or meeting is not necessary to clarify the factual record in this application, or otherwise warranted in this case. Accordingly, Protestant's request for a public hearing or meeting on this application is denied.

Orders Issued Under Section 4 of the Bank Holding Company Act

BB&T Financial Corporation
Wilson, North Carolina

Order Approving Applications to Acquire a Savings Association and to Engage in Consumer Lending Activities

BB&T Financial Corporation, Wilson, North Carolina ("BB&T"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), to acquire indirectly First Financial Savings Bank, Inc., Kinston, North Carolina ("Savings Bank"),[1] a state chartered savings association, and also to engage in consumer lending activities through a subsidiary of Savings Bank.[2] BB&T also has requested Board approval pursuant to section 5(d)(3) of the Federal Deposit Insurance Act, 12 U.S.C. § 1815(d)(3)(A)(ii) (the "FDI Act"), as amended by the Federal Deposit Insurance Corporation Improvement Act of 1991, Pub. L. No. 102–242, § 501, 105 Stat. 2236, 2388 (1991), to merge Savings Bank with and into Bank. Section 5(d)(3) of the FDI Act requires the Board to follow the procedures and consider the factors set forth in the Bank Merger Act, 12 U.S.C. § 1828(c), in its evaluation of applications under section 5(d)(3) of the FDI Act.[3]

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (57 *Federal Register* 43,229 (1992)). As required by the Bank Merger Act, reports on the competitive effects of the mergers were requested

1. BB&T has proposed a two-step transaction to acquire Savings Bank. Savings Bank's parent company, First Fincorp, Inc., Kinston, North Carolina ("Fincorp"), a unitary savings and loan holding company, would merge with and into BB&T. BB&T proposes to operate Savings Bank as a savings association for a short period of time, and then merge Savings Bank with and into its subsidiary bank, Branch Banking and Trust Company, Wilson, North Carolina ("Bank"). The merger of Savings Bank into Bank is subject to approval by the Federal Deposit Insurance Corporation ("FDIC") under the Federal Deposit Insurance Act and the Bank Merger Act. 12 U.S.C. §§ 1815(d)(3)(A)(i) and 1828(c).

In connection with this proposal, Fincorp has issued to BB&T an option to purchase, under certain circumstances, up to 24.9 percent of the outstanding common stock of Fincorp. The option will terminate upon the occurrence of certain events.

2. Savings Bank engages in consumer lending activities through City Finance Company, Inc., Kinston, North Carolina.

3. These factors include considerations relating to competition, financial and managerial resources, future prospects of the existing and proposed institutions, and the convenience and needs of the communities to be served. 12 U.S.C. § 1828(c).

from the United States Attorney General, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act and in the Bank Merger Act.

The Board has determined that the operation of a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act.[4] In making this determination, the Board required that savings associations acquired by bank holding companies conform their direct and indirect activities to those permissible for bank holding companies under section 4(c)(8) of the BHC Act. BB&T has committed to conform all activities of Savings Bank to the requirements of section 4 of the BHC Act and Regulation Y.[5] The Board previously has determined by regulation that the consumer lending activities that BB&T proposes to conduct are closely related to banking for purposes of section 4(c)(8) of the BHC Act.[6] BB&T proposes to conduct these activities through Savings Bank in accordance with the Board's regulations.

Competitive Considerations

Under section 4(c)(8) of the BHC Act and under the Bank Merger Act, the Board is required to consider the competitive effects of this transaction. BB&T and Savings Bank compete directly in the following banking markets in North Carolina: Kinston, Goldsboro, Winston-Salem, and Carteret.[7] Upon consummation of this proposal, BB&T would become the largest depository institution[8] in the Kinston banking market, controlling deposits of approximately $151.4 million, representing approximately 31.1 percent of total deposits in depository institutions in the market ("market deposits").[9] The Herfindahl–Hirschman Index ("HHI") would increase 357 points to 2392 in the Kinston banking market.[10]

In order to mitigate the adverse competitive effects that would otherwise result from consummation of this proposal, BB&T has committed to divest a branch of Savings Bank with deposits of approximately $11.7 million located in the Kinston banking market.[11] Accounting for this divestiture, the HHI would increase 219 points to 2254 in the Kinston banking market.

In the Goldsboro banking market, BB&T would also become the largest depository institution, controlling deposits of approximately $215.6 million, representing approximately 29.6 percent of total market deposits. The HHI would increase by 204 points to 1823. Nine depository institutions would remain in the market, including the six largest commercial banking organizations in North Carolina, and numerous potential competitors may enter the market due to North Carolina statutes permitting statewide branching and reciprocal regionwide interstate acquisitions. In the Winston-

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

5. Savings Bank engages through subsidiaries in insurance agency activities and real estate activities that would not be permissible for a bank holding company under the BHC Act. BB&T has committed to terminate all impermissible insurance and real estate activities within two years of consummation of the proposal. During this two-year period, BB&T has also committed to limit Savings Bank's insurance activities to renewals of existing policies and not to begin or enter into any new real estate activities or projects. Savings Bank's remaining nonbanking subsidiaries, First Fin, Inc., (which engages in disposition of property acquired by Savings Bank through foreclosure) and Forsyth Financial Services, Inc., (which formerly engaged in real estate activities and is currently inactive), both located in Kinston, North Carolina will be dissolved shortly after consummation.

6. *See* 12 C.F.R. 225.25(b)(1).

7. The Kinston banking market is approximated by Lenoir County (excluding the town of LaGrange), the southern portion of Greene County (including the towns of Hookerton and Snow Hill), and the western half of Jones County; the Goldsboro Ranally Metro Area ("RMA") banking market is approximated by Wayne County and the town of LaGrange; the Winston-Salem RMA banking market is approximated by Forsyth County, the southern half of Stokes County, the northeastern corner of Davie County, and the northwest portion of Davidson County; and the Carteret banking market is approximated by Carteret County, Craven County, Jones County, and Pamlico County, all in North Carolina.

8. In this context, depository institutions include commercial banks, savings banks, and savings associations. Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Because the deposits of Savings Bank will be transferred to a commercial bank under this proposal, those deposits are included at 100 percent in the calculation of *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669, 670 n.9 (1990).

9. Market deposit data are as of June 30, 1991.

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

11. BB&T has entered into a binding agreement with a third party purchaser of the branch to be divested, and has committed to complete the divestiture within six months after consummation of the proposal. If BB&T is unable to complete the divestiture within this time, BB&T will transfer the branch to an independent trustee with instructions to sell the branch promptly. *See, e.g., Integra Financial Corporation*, 78 *Federal Reserve Bulletin* 623, 624 n.9 (1992); *First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

Salem and Carteret banking markets, the HHI increase would not exceed Department of Justice guidelines.[12]

In light of the relatively small increases in concentration, the divestiture proposed in this case, the competition offered by other depository institutions, the number of competitors remaining in these markets, and the ease of entry into these markets through interstate regional acquisitions and statewide branching under North Carolina law, and all of the facts of record, the Board concludes that consummation of this proposal would not result in any significantly adverse effect on competition in the Kinston, Goldsboro, Winston-Salem, or Carteret banking markets, or in any other relevant banking market.

Other Considerations

The record does not indicate that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that are not likely to be outweighed by the public benefits of this proposal. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of BB&T's application to acquire Savings Bank and to engage in consumer lending activities.

Additionally, the financial and managerial resources and future prospects of BB&T and its bank subsidiaries and Savings Bank are consistent with approval. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval of this application under the factors considered under the Bank Merger Act.

The Board has also considered the special factors it must review under section 5(d)(3) of the FDI Act. In this regard, the record in this case reflects that:

(1) The transaction will not result in the transfer of any federally insured depository institution's federal deposit insurance from one federal deposit insurance fund to the other;

(2) BB&T and Bank currently meet and upon consummation of the proposed transaction will continue to meet, all applicable capital standards; and

(3) Since Savings Bank is located in North Carolina and is merging with a North Carolina savings association, the proposed transaction would comply with the Douglas Amendment if Savings Bank were a state bank that BB&T was applying to acquire directly. *See* 12 U.S.C. § 1815(d)(3).

Based on the foregoing and all the facts of record, the Board has determined that the applications should be, and hereby are, approved. The Board's approval of this proposal is specifically conditioned on compliance by BB&T with the commitments made in connection with its applications, as supplemented, including compliance with BB&T's divestiture commitments within the prescribed time periods. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and as such may be enforced in proceedings under applicable law. This approval is also conditioned upon BB&T's receiving all necessary federal and state approvals.

The Board's determination also is subject to all of the conditions set forth in Regulation Y, including those in sections 225.4(d) and 225.23(b)(3), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and Orders issued thereunder.

The merger of Savings Bank with and into Bank shall not be consummated before the thirtieth calendar day following the effective date of this Order, and the acquisition of Savings Bank and the nonbanking companies of Savings Bank shall not be consummated later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Richmond, pursuant to delegated authority.

By order of the Board of Governors, effective February 22, 1993.

Voting for this action: Chairman Greenspan and Governors Mullins, Angell, LaWare, Lindsey, and Phillips. Absent and not voting: Governor Kelley.

JENNIFER J. JOHNSON
Associate Secretary of the Board

12. BB&T would become the ninth largest depository institution in the Winston-Salem banking market, controlling approximately $117.8 million in deposits, representing approximately 2.1 percent of market deposits, and the third largest depository institution in the Carteret banking market, controlling approximately $82.5 million in deposits, representing approximately 20.8 percent of market deposits. The HHI would decrease by 42 points to 3973 in the Winston-Salem banking market, and would increase by 47 points to 2618 in the Carteret banking market.

The Long-Term Credit Bank of Japan, Limited
Tokyo, Japan

Order Approving Application to Engage in Various Interest Rate and Currency Swap Activities

The Long-Term Credit Bank of Japan, Limited, Tokyo, Japan ("LTCB"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) to engage *de novo* through its subsidiaries, Greenwich Capital Derivatives, Inc., and Greenwich Capital Markets, Inc., both of Greenwich, Connecticut ("Companies"), in the following activities:

(1) Intermediating in the international swap markets by acting as an originator and principal in interest rate swap and currency swap transactions;

(2) Acting as an originator and principal with respect to certain interest rate and currency risk-management products such as caps, floors and collars, as well as options on swaps, caps, floors and collars ("swap derivative products");

(3) Acting as a broker or agent with respect to the foregoing transactions or instruments; and

(4) Acting as adviser to institutional customers regarding financial strategies involving interest rate and currency swaps and swap derivative products.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (54 *Federal Register* 7030 (1990)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4 of the BHC Act.

With total consolidated assets equivalent to approximately $290.8 billion, LTCB is the 21st largest banking organization in the world.[1] In the United States, LTCB owns a bank subsidiary in New York, New York; an agency in Los Angeles, California; and branches in New York, New York; and Chicago, Illinois. Companies engage in a variety of nonbanking activities, including underwriting and dealing in certain bank-ineligible securities to a limited extent.

The Board previously has determined by order or regulation that the proposed activities are closely related to banking and permissible for bank holding companies within the meaning of section 4(c)(8) of the BHC Act.[2] LTCB has committed to engage in these swap activities in accordance with all of the provisions and conditions set forth in these orders and the Board's regulations.

In order to approve this application, the Board is required to determine that the performance of the proposed activities by LTCB "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." 12 U.S.C. § 1843(c)(8).

Companies appear to be capable of managing the risks associated with the proposed activities. LTCB, which has extensive experience in lending and financing services worldwide, has undertaken to provide credit screening for all potential counterparties of Companies. In appropriate cases, Companies will obtain a letter of credit on behalf of, or collateral from, a counterparty. In addition, Companies will establish separate credit risk exposure limits for each swap counterparty. Companies will monitor this exposure on an ongoing basis, in the aggregate and with respect to each counterparty. Senior management will be periodically informed of the potential risk to which Companies are exposed.

In order to manage the risk associated with adverse changes in interest or currency exchange rates ("price risk"), Companies will seek to match all the swaps and related instruments in which it is principal and will hedge any unmatched positions pending a suitable match. Companies will not enter into unmatched or unhedged swaps for its own account for speculative purposes. Companies' managements will set absolute limits on the level of risk to which their swap portfolios may be exposed. Companies' exposure to price risk will be monitored by both business management and internal auditing personnel to guarantee compliance with the risk limitations imposed by management. Auditing personnel will report directly to senior management to ensure that any violations of portfolio risk limitations are reported and corrected. With respect to the risk associated with the potential for differences between the floating rate indices on two matched or hedged swaps ("basis risk"), Companies' managements will impose absolute limits on the aggregate basis risk to which Companies' swaps portfolios may be exposed. If the level of risk threatens to exceed the limits at any time, Companies will actively seek to enter into matching transactions for its unmatched, hedged positions. Companies' internal auditing staff, together with management, will monitor compliance

1. Asset and ranking data are as of September 30, 1992.

2. *See, e.g., The Sanwa Bank, Limited, 77 Federal Reserve Bulletin* 64 (1991); *The Fuji Bank, Limited, 76 Federal Reserve Bulletin* 768 (1990); *The Sumitomo Bank, Limited, 75 Federal Reserve Bulletin* 582 (1989). *See also* 12 C.F.R. 225.25(b)(4).

with the management-imposed basis risk limits.[3] In addition, Companies intend to minimize operations risk through the recruitment and training of an experienced back-office support staff and the use of a separate operational and data processing structure for processing swap and hedging transactions.

In order to minimize any possible conflicts of interests between Companies' roles as a principal or broker in swap transactions and their roles as advisor to potential counterparties, Companies will disclose to each customer the fact that Companies may have an interest as a counterparty principal or broker in the course of action ultimately chosen by the customer. Also, in any case in which Companies have an interest in a specific transaction as an intermediary or principal, Companies will advise its customer of that fact before recommending participation in that transaction.[4] In addition, Companies' advisory services will be offered only to sophisticated institutional customers who would be unlikely to place undue reliance on investment advice received and better able to detect investment advice motivated by self-interest.[5] LTCB has committed to conduct its financial advisory activities in accordance with Regulation Y.[6]

In every case involving a nonbanking acquisition by a bank holding company under section 4 of the BHC Act, the Board considers the financial condition and resources of the applicant and its subsidiaries and the effect of the transaction on these resources.[7] LTCB's consolidated tier 1 and total risk-based capital ratios meet applicable risk-based capital standards under the Basle Accord. The Board has also considered that this proposal requires a *de minimis* capital investment. Based on all the facts of record, the Board concludes that financial considerations are consistent with approval of this application. The managerial resources of LTCB are also consistent with approval.

Consummation of the proposal would provide added convenience to LTCB's customers. In addition, the Board expects that the *de novo* entry of LTCB into the market for these activities would increase the level of competition among providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by LTCB can reasonably be expected to produce benefits to the public. Under the framework established in this and prior decisions, consummation of this proposal is not likely to result in any significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that are not outweighed by these benefits.

Based on the above and all the facts of record, the Board has determined that the balance of public interest factors it must consider weigh in favor of approval of this proposal. On this basis, the Board has determined to, and hereby does, approve the application subject to the commitments made by LTCB, as well as all the terms and conditions set forth in this order and in the above-noted Board orders that relate to these activities. The Board's determination is also subject to all the conditions set forth in Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on by the Board in this case are conditions imposed in writing by the Board in connection with its findings and decisions and may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective February 16, 1993.

Voting for this action: Chairman Greenspan and Governors Mullins, Angell, Kelley, LaWare, Lindsey, and Phillips.

JENNIFER J. JOHNSON
Associate Secretary of the Board

3. In addition to price and basis risk, the value of a swap option is subject to market expectations of the future direction and rate of change in interest rates, or volatility risk. Company's management will impose absolute limits on the level of volatility risk to which Company's swap portfolio may be exposed.

4. In any transaction in which Company arranges a swap transaction between an affiliate and a third party, the third party will be informed that Company is acting on behalf of an affiliate.

5. LTCB defines an institutional customer as:

(A) A bank (acting in an individual or fiduciary capacity), a savings and loan association, an insurance company, a registered investment company under the Investment Company Act of 1940, or a corporation, partnership, trust, proprietorship, organization or institutional entity that regularly engages in swaps or swap derivative products transactions;

(B) An employee benefit plan with assets exceeding $1 million or whose investment decisions are made by a bank, insurance company or investment advisor registered under the Investment Advisers Act of 1940;

(C) A natural person whose individual net worth (or joint net worth with his or her spouse) at the time of receipt of Company's services exceeds $1 million;

(D) A broker-dealer or options trader registered under the Securities Exchange Act of 1934; or other securities, investment or banking professional;

(E) Any government or government entity; or

(F) An entity all of the equity owners of which are institutional customers.

6. *See e.g.* 12 C.F.R. 225.25(b)(4)(vi)(C).

7. 12 C.F.R. 225.24; *The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

The Long-Term Credit Bank of Japan, Limited Tokyo, Japan

Order Approving an Application to Engage in Various Securities-Related Activities, Including Private Placement, "Riskless Principal", Full-Service Brokerage, and Futures Commission Merchant Activities, and Trading Foreign Exchange Related Products

The Long-Term Credit Bank of Japan, Tokyo, Japan ("Applicant"), a foreign bank subject to the provisions of the Bank Holding Company Act ("BHC Act"), has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)), and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), to engage *de novo* through its wholly owned subsidiaries, Greenwich Capital Markets, Inc., Greenwich, Connecticut ("Company"), and Greenwich Asset Management, Inc. ("Management Inc."), in the following securities-related activities:

(1) Acting as agent in the private placement of all types of securities, including providing related advisory services;

(2) Buying and selling all types of securities on the order of investors as a "riskless principal";

(3) Providing securities brokerage and related investment advisory services on a combined basis ("full-service brokerage activities") pursuant to section 225.25(b)(15) of the Board's Regulation Y (12 C.F.R. 225.25(b)(15)) to institutional and retail customers, in conjunction with Company's previously approved portfolio investment advisory activities.

(4) Trading foreign exchange forward, futures, options, and options on futures transactions for Company's own account for purposes other than hedging, in combination with Company's previously approved trading and investment advisory activities in foreign exchange-related products for non-affiliated customers; and

(5) Acting as a futures commission merchant ("FCM") in the execution and clearance on major commodity exchanges of the futures contracts and options on futures contracts set forth in the Appendix, and providing investment advice as an FCM or a commodity trading advisor ("CTA") with respect to such contracts.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (57 *Federal Register* 19,623 (1992)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with total consolidated assets equivalent to approximately $290.8 billion, is the 21st largest bank in the world, and the 13th largest bank in Japan.[1] Applicant is a registered bank holding company by virtue of its ownership of LTCB Trust Company, New York, New York, a state-chartered trust company whose deposits are insured by the Federal Deposit Insurance Corporation. In addition, Applicant maintains branches in New York, New York, and Chicago, Illinois, and an agency in Los Angeles, California. Applicant has received approval from the Federal Reserve System to engage directly and through subsidiaries in a broad range of nonbanking activities.

Company is engaged in limited bank-ineligible securities underwriting and dealing activities permissible under section 20 of the Glass–Steagall Act (12 U.S.C. § 377).[2] In addition, Company has been designated a primary dealer in United States government securities by the Federal Reserve Bank of New York. Company also is, and will continue to be, a broker-dealer registered with the Securities and Exchange Commission ("SEC"), an FCM registered with the Commodity Futures Trading Commission ("CFTC"), and a member of the National Association of Securities Dealers ("NASD"). Accordingly, Company is subject to the record-keeping, reporting, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 (15 U.S.C. § 78c *et seq.*), the Commodity Exchange Act (7 U.S.C. § 1 *et seq.*), the SEC, the CFTC, and the NASD. Management Inc. is an investment advisor registered under the Investment Advisors Act of 1940 (15 U.S.C. § 80b-1 *et seq.*), and a CTA registered under the Commodity Exchange Act.[3] Management Inc. provides investment advice with respect to the purchase and sale of futures contracts and options on futures contracts in accordance with section 225.25(b)(19) of the Board's Regulation Y (12 C.F.R. 225.25(b)(19)).

Private Placement and "Riskless Principal" Activities

Private placement involves the placement of new issues of securities with a limited number of sophisticated purchasers in a non-public offering. A financial

1. Data are as of September 30, 1992.
2. Company may underwrite and deal in municipal revenue bonds, 1–4 family mortgage-related securities, commercial paper, and consumer-receivable-related securities.
3. Both Company and Management Inc. are wholly owned subsidiaries of Greenwich Capital Holdings, a non-operating Delaware holding company that is a direct, wholly owned subsidiary of Applicant.

intermediary in a private placement transaction acts solely as an agent of the issuer in soliciting purchasers, and does not purchase the securities and attempt to resell them. Securities that are privately placed are not subject to the registration requirements of the Securities Act of 1933, and are offered only to financially sophisticated institutions and individuals and not to the public generally. Applicant has committed that Company will not privately place registered securities, and will only place securities with "institutional customers" as that term is defined in section 225.2(g) of the Board's Regulation Y (12 C.F.R. 225.2(g)).

"Riskless principal" is the term used in the securities business to refer to a transaction in which a broker-dealer, after receiving an order to buy (or sell) a security from a customer, purchases (or sells) the security for its own account to offset a contemporaneous sale to (or purchase from) the customer.[4] "Riskless principal" transactions are understood in the industry to include only transactions in the secondary market. Thus, Applicant proposes that Company would not act as a "riskless principal" in selling securities at the order of a customer that is the issuer of the securities to be sold, or in any transaction where Company has a contractual agreement to place the securities as agent of the issuer. Company also would not act as a "riskless principal" in any transaction involving a security for which it makes a market.

The Board previously has determined that, subject to a number of prudential limitations that address the potential for conflicts of interests, unsound banking practices, and other adverse effects, the proposed private placement and riskless principal activities are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[5] In those orders, the Board also found that acting as agent in the private placement of securities, and purchasing and selling securities on the order of investors as a "riskless principal", do not constitute underwriting and dealing in securities for purposes of section 20 of the Glass-Steagall Act (12 U.S.C. § 377), and that revenue derived from such activities is not subject to the 10 percent revenue limitation on underwriting and dealing in ineligible securities.[6] In order to address the potential for conflicts of interests, unsound banking practices, or other adverse effects, Applicant has committed that Company will conduct its private placement and "riskless principal" activities in a manner consistent with the limitations, methods, and procedures established by the Board in prior orders,[7] as modified to reflect Applicant's status as a foreign bank.[8]

Full-Service Brokerage Activities

The Board recently amended its Regulation Y to permit bank holding companies, subject to certain restrictions, to engage in full-service brokerage activities for institutional and retail customers, having previously determined, by order, that these activities are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[9] Applicant has committed to conduct its proposed full-service brokerage activities in accordance with Regulation Y. Moreover, in any transaction in which Company provides full-service brokerage services with respect to securities that Company may hold as a principal in connection with its authorized underwriting and dealing activities, Company will provide full and appropriate disclosure of its interest in the transaction, as required by the securities laws, NASD, and fiduciary principles.[10]

4. *See* Securities and Exchange Commission Rule 10b-10. 17 C.F.R. 240.10b-10(a)(8)(i).

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

6. *Id.*

7. *Id.*

8. *See Sumitomo Bank, Limited*, 77 *Federal Reserve Bulletin* 339 (1991); *Creditanstalt-Bankverein*, 77 *Federal Reserve Bulletin* 183 (1991); *The Royal Bank of Scotland Group PLC*, 76 *Federal Reserve Bulletin* 866 (1990).

As detailed more fully in these orders, in addition to the commitments imposed by the Board in connection with underwriting and dealing in securties, Applicant has made a number of commitments regarding the conduct of this activity. In particular, Applicant has committed that Company will maintain specific records that will clearly identify all "riskless principal" transactions, and that Company will not engage in any "riskless principal" transactions for any securities carried in its inventory. When acting as a "riskless principal", Company will only engage in transactions in the secondary market, and not at the order of a customer that is the issuer of the securities to be sold; will not act as "riskless principal" in any transaction involving a security for which it makes a market; and will not hold itself out as making a market in the securities that it buys and sells as a "riskless principal". Moreover, Company will not engage in "riskless principal" transactions on behalf of its foreign affiliates that engage in securities dealing activities outside the United States and will not act as "riskless principal" for registered investment company securities. In addition, Company will not act as a "riskless principal" with respect to any securities of investment companies that are advised by Applicant or any of its affiliates.

With regard to private placement activities, Applicant has committed that Company will not privately place registered investment company securities or securities of investment companies that are advised by Applicant or any of its affiliates, and will abide by the other restrictions discussed in the above orders.

9. *See* 12 C.F.R. 225.25(b)(15).

10. In this regard, Applicant has committed that Company will inform its customers at the commencement of the relationship that, as a general matter, Company may be a principal or may be engaged in underwriting with respect to, or may purchase from an affiliate, those securities for which brokerage and advisory services are provided. At the time any brokerage order is taken, or any advisory services are provided, the customer will be informed (usually orally) whether

Trading in Foreign Exchange Related Products

Applicant proposes that Company engage in trading for its own account in foreign exchange forward, futures, options, and options on futures transactions for purposes other than hedging, in combination with Company's previously approved trading and investment advisory activities in foreign exchange-related products for non-affiliated customers.[11] The Board previously has determined that an FCM trading foreign exchange-related products for its own account for purposes other than hedging is an activity closely related to banking for purposes of section 4(c)(8) of the BHC Act.[12] Applicant also proposes that Management Inc. provide investment advisory services to non-affiliated customers with respect to the foreign exchange-related products that Company would trade for its own account for purposes other than hedging.[13]

Company's broad experience in foreign exchange-related activities indicates that Company would have the expertise to engage in the proposed activities. As a primary dealer and a registered FCM, Company has developed broad experience in the execution of foreign exchange futures transactions, including the trading and monitoring of futures and options positions. Company maintains internal financial and audit controls, reporting personnel, experienced management and support staff, and sophisticated computer support and operational procedures in order to facilitate the processing, reporting, and supervision of foreign exchange transactions. Company also has the operational, accounting, and control systems in place to monitor positions resulting from trading in the proposed foreign exchange-related contracts. Applicant also has indicated that the proposed activities will be monitored in connection with the overall risk management and monitoring of Company's primary business activities, that the proposed foreign exchange activities would bear a reasonable relationship to the size of Company's securities portfolio, and that revenues generated from Company's present and proposed foreign exchange-related futures activities are expected to represent less than one percent of Company's total gross revenues.

As a primary dealer, Company also is subject to the regular review and reporting requirements of the Federal Reserve Bank of New York. Moreover, in order to address the potential for conflicts of interests, unsound banking practices, or other adverse effects, Applicant has committed that Company will conduct these trading activities in a manner consistent with the limitations, methods, and procedures previously established by the Board.[14] Accordingly, the Board finds that these controls and limitations should ensure prudent operations, minimize any potential financial risks, and lessen the possibility of

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Company is acting as agent or principal with respect to a security. Confirmations sent to customers also will state whether Company is acting as agent or principal. *See PNC Financial Corp.*, 75 *Federal Reserve Bulletin* 396 (1989).

11. Company also trades for its own account in foreign exchange and foreign exchange forward, options, futures, and options on futures contracts for risk-reduction purposes in accordance with section 225.142 of the Board's Regulation Y (12 C.F.R. 225.142). Company proposes to provide certain advisory services to non-affiliated customers with respect to the foreign exchange-related contracts that Company proposes to trade for its own account for purposes other than hedging. These advisory services, however, will be limited to discussions regarding current market conditions, and will not be provided on a separate fee basis. Moreover, Company will not recommend that a customer purchase or sell particular instruments or contracts.

12. *See The Bank of Tokyo, Ltd.*, 76 *Federal Reserve Bulletin* 654 (1990); *The Hongkong and Shanghai Banking Corporation*, 75 *Federal Reserve Bulletin* 217 (1989).

13. The Board previously has determined that an affiliate of an FCM engaged in trading foreign exchange-related products for its own account for purposes other than hedging may provide investment advisory services to non-affiliated customers with respect to those same exchange-related products. *See The Sanwa Bank, Limited*, 77 *Federal Reserve Bulletin* 64 (1991). Applicant has committed that Management Inc. will make prior disclosure of the fact that Company trades foreign exchange and foreign exchange-related products for its own account before advising customers to purchase or sell foreign exchange or foreign exchange-related contracts. This disclosure will occur both at the beginning of the relationship with the customer, and upon confirmation by Management Inc. of any order.

14. In this regard, Applicant has made the following commitments:
(1) Company will adopt and periodically review and revise written policies, position limits, internal review procedures and financial controls regarding its trading of foreign exchange forward, futures, options, and options on futures contracts for its own account;
(2) Management of Company will review its foreign exchange-related futures activities on a regular basis, and the internal audit department will review such activities regularly to ensure conformity with established policies and position limits;
(3) Company will not engage in pit arbitrage activities;
(4) Floor traders will not have discretion to execute trades other than in accordance with Company's instructions, and will be authorized to trade only within position limits established by senior management;
(5) Company will not engage, without prior Board approval, in market-making or specialist activities; and
(6) Company will submit quarterly reports to the Federal Reserve Bank of New York indicating:
 (i) the total revenue derived from, and the trading volume of, its foreign exchange activities,
 (ii) foreign exchange risk position limits relative to overall risk position limits, and
 (iii) the value of open foreign exchange trading positions (Company may use existing management reports to provide such information);
(7) Applicant and Company will not, without prior Board approval, advise third parties regarding foreign exchange forward, futures, options, and options on futures transactions; and
(8) Company will make prior disclosure of the fact that Company trades foreign exchange for its own account before executing foreign exchange contracts on behalf of customers; this disclosure will occur both at the beginning of the relationship with the customer and upon confirmation of each order.
See The Sanwa Bank, Limited, 77 *Federal Reserve Bulletin* 64 (1991); *The Hongkong and Shanghai Banking Corporation*, 75 *Federal Reserve Bulletin* 217 (1989).

any conflicts of interest involved in the proposed activities.

Futures Commission Merchant Activities

Applicant has applied to provide, through Company, FCM execution, clearance, and advisory services for affiliated and non-affiliated customers with respect to the futures contracts and options on futures contracts set forth in the Appendix.[15] Applicant also has applied to act, through Management Inc., as a CTA for affiliated and non-affiliated customers with respect to those contracts.

The Board previously has determined, by regulation and order, that the execution and clearance of futures contracts and options on futures contracts for a variety of financial instruments, and the provision of investment advisory services with respect to such contracts, are activities that are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[16] Applicant seeks to engage in FCM execution, clearance and advisory activities with respect to 55 proposed futures contracts and options on futures contracts. The Board previously has approved such FCM activities in seven of these contracts,[17] but has not previously approved these activities in the other 48 contracts.

Each of these proposed contracts are related to financial instruments that are broad-based, widely traded, and comparable to the contracts previously approved by the Board. Moreover, the execution and clearance of these proposed contracts will be governed by the same operations and procedures applicable to other previously approved contracts.[18]

The Board believes that Company has the skills and experience necessary to engage in providing execution, clearance, and investment advisory services in the proposed contracts. In addition, the proposed FCM activities involve comparable techniques, operations, and risks, and serve very similar purposes, as the FCM activities that previously have been approved for Company.

Applicant has committed to conduct its proposed FCM and CTA activities so as to be consistent with the conditions and restrictions on FCM activities set forth in Regulation Y.[19] The Board has taken into account and has relied upon these commitments, as well as the regulatory framework established pursuant to law by the CFTC for the trading of futures, and the conditions set forth in sections 225.25(b)(18) and (b)(19) of the Board's Regulation Y (12 C.F.R. 225.25(b)(18) and (b)(19)) with respect to the execution, clearance, and provision of investment advice as an FCM or CTA as to futures or options on futures contracts.

Other Considerations

In every case involving a nonbanking acquisition under section 4 of the BHC Act, the Board considers the financial condition and resources of Applicant and its subsidiaries and the effect of the proposal on these resources.[20] Applicant's consolidated tier 1 and total risk-based capital ratios meet applicable risk-based capital standards under the Basle Accord. In view of these and other facts of record, the Board has determined that the financial factors are consistent with approval of this application. The managerial resources of Applicant and its subsidiaries also are consistent with approval.

Consummation of the proposal would provide added convenience to Applicant's customers. In addition, the Board expects that the *de novo* entry of Applicant into the market for these services in the United States would increase the level of competition among providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by Applicant can reasonably be expected to produce public benefits. Under the

15. Company is currently engaged in providing FCM execution, clearance and investment advisory services to non-affiliated customers in accordance with sections 225.25(b)(18) and (19) of the Board's Regulations Y (12 C.F.R. 225.25(18) and (19)), and in providing such FCM services to affiliates in accordance with section 4(c)(1)(C) of the BHC Act.

16. *See, e.g.*,12 C.F.R. 225.25(b)(18) and (19); *Manufacturers Hanover Corporation, 76 Federal Reserve Bulletin* 774 (1990); *The Hongkong and Shanghai Banking Corporation, 76 Federal Reserve Bulletin* 770 (1990); *Republic New York Corporation*,63 *Federal Reserve Bulletin 951 (1977).*

17. *See National Westminster Bank PLC*, 78 *Federal Reserve Bulletin* 953 (1992) (Long UK Government Bond Futures, 10-Year and 3-Year Australian Government Bond Futures, Australian All Ordinary Share Index Futures, 20-Year and 10-Year Japanese Government Bond Futures, and Tokyo Stock Price Index Futures).

18. In considering Applicant's proposal to execute and clear contracts on 10-Year Canadian Government Bond Futures on the Montreal Stock Exchange ("MSE"), and contracts on U.S. Dollar Index Futures and Options on U.S. Dollar Index Futures on the Financial Futures Exchange ("FNX"), the Board also has taken into account the rules of these exchanges, information provided by the SEC regarding the MSE, and information provided by the CFTC regarding the FNX. The Board also has noted that neither the MSE nor the FNX would require Applicant to provide a parent company guarantee if Company were to seek to become a clearing member of either exchange.

19. The requirement in sections 225.25(b)(18)(ii) and (b)(19)(i) of Regulation Y (12 C.F.R. 225.25(b)(18)(ii) and (b)(19)(i)) that Company not engage in trading for its own account except for hedging purposes has been modified consistent with the authority granted above to permit Company to trade foreign exchange for its own account for purposes other than hedging, subject to the limits discussed above.

20. 12 C.F.R. 225.24; *The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

framework established in this and prior Board decisions, consummation of this proposal is not likely to result in any significantly adverse effects, such as an undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that are not outweighed by these benefits.

Based on the foregoing and all the facts of record, the Board has determined to, and hereby does, approve the application subject to all of the terms and conditions set forth in this order, and in the above-noted Board regulations and orders that relate to these activities. The Board's determination is also subject to all of the terms and conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act, and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all of the commitments made in this application, including the commitments discussed in this order and the conditions set forth in the above-noted Board regulations and orders. These commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions, and may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective February 16, 1993.

Voting for this action: Chairman Greenspan and Governors Mullins, Angell, Kelley, LaWare, Lindsey, and Phillips.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Appendix

Chicago Board of Trade

10-Year Japanese Government Bond Futures
Options on 10-Year Japanese Government Bond Futures
5-Year Interest Rate Swap Futures
Options on 5-Year Interest Rate Swap Futures
3-Year Interest Rate Swap Futures
Options on 3-Year Interest Rate Swap Futures

Financial Futures Exchange

U.S. Dollar Index Futures
Options on U.S. Dollar Index Futures

London International Financial Futures and Options Exchange

ECU-CD Interest Rate Futures
ECU Bond Futures
Eurotrak 100 Stock Index Futures
3-Month Euro Swiss Franc CD Futures
Options on 3-Month Euro Swiss Franc CD Futures
3-Month Sterling Euro-CD Futures
Options on 3-Month Sterling Euro-CD Futures
3-Month Deutschemark Euro-CD Futures
Options on 3-Month Deutschemark Euro-CD Futures
10-Year Japanese Government Bond Futures
Options on 10-Year Japanese Government Bond Futures
10-Year German Government Bond Futures
Options on 10-Year German Government Bond Futures
Long UK Government Bond Futures
Options on Long UK Government Bond Futures

Marche a Terme d'Instruments Financiers

French Franc PIBOR-CD Futures
ECU Bond Futures
MATIF French Stock Index Futures
3-Month Deutschemark Euro-CD Futures
Options on 3-Month Deutschemark Euro-CD Futures
10-Year French Government Bond Futures
Options on 10-Year French Government Bond Futures

Montreal Stock Exchange

10-Year Canadian Government Bond Futures

New York Futures Exchange

Commodity Research Bureau Index Futures
Options on Commodity Research Bureau Index Futures

New Zealand Futures Exchange

5-Year New Zealand Government Bond Futures
Options on 5-Year New Zealand Government Bond Futures
10-Year New Zealand Government Bond Futures

Options on 10-Year New Zealand Government Bond Futures
3-Month New Zealand Government Bill Futures
Options on 3-Month New Zealand Government Bill Futures
Barclay's Stock Index Futures
Options on Barclay's Stock Index Futures

Osaka Stock Exchange

Osaka 50 Stock Index Futures

Sydney Futures Exchange

10-Year Australian Government Bond Futures
Options on 10-Year Australian Government Bond Futures
3-Year Australian Government Bond Futures
Options on 3-Year Australian Government Bond Futures
3-Month Australian Government Bill Futures
Options on 3-Month Australian Government Bill Futures
Australian All Ordinary Share Index Futures
Options on Australian All Ordinary Share Index Futures

Singapore International Monetary Exchange

3-Month Euro-Yen CD Futures

Tokyo Stock Exchange

20-Year Japanese Government Bond Futures
Tokyo Stock Price Index (TOPIX) Futures
10-Year Japanese Government Bond Futures
Options on 10-Year Japanese Government Bond Futures

Metrocorp, Inc.
East Moline, Illinois

Metro Armored Courier, Inc.
East Moline, Illinois

Order Denying Application to Engage in Armored Car Services

Metrocorp, Inc., East Moline, Illinois ("Metrocorp"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied, pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(3) of the Board's Regulation Y (12 C.F.R. 225.23(a)(3)), for permission for its subsidiary, to be known as Metro Armored Courier, Inc., East Moline, Illinois ("MAC"), to engage in the following armored car activities:

(i) Fully-insured transportation of cash, negotiable instruments, securities, and valuables; collecting currency and checks from commercial customers and nonbank financial institutions and transporting and depositing these collections at financial institutions; and delivering cash, negotiable instruments, securities, and valuables to commercial customers and nonbank financial institutions;
(ii) Providing related services such as interbank transfers, coin wrapping, change delivery, mail delivery, and payroll check cashing; and
(iii) Providing incidental courier services as permitted under section 225.25(b)(10) of Regulation Y.

These activities would be performed in the Quad Cities market, comprising Rock Island County, Illinois and Scott County, Iowa. With the exception of the proposed incidental courier services, these activities have not previously been approved by the Board for bank holding companies.

I. Background

In order for the Board to approve an application under section 4(c)(8), the Board must find that two separate tests are met. The Board must first determine that, as a general matter, the proposed activity is "closely related to banking." Second, the Board must determine that the performance of the activity by the applicant bank holding company would be a "proper incident" to banking, *i.e.*, that the activity is likely to produce public benefits that outweigh possible adverse effects.

A. The Application

Metrocorp owns 100 percent of the common stock of Metrobank, a state-chartered nonmember bank located in East Moline, Illinois, with assets of $232 million.[1] Metrobank operates a number of automatic teller machines ("ATMs") throughout the Illinois side of the Quad Cities market area.

In February 1983, Metrobank purchased and began using an armored van to service its expanding network of ATMs. The van made daily stops at each ATM location, collecting deposits, replenishing cash supplies, and performing maintenance. These activities did not use the full capacity of the van, so Metrobank began providing for-hire service of cash delivery and

1. Data are as of September 30, 1992.

pick-up for several credit unions and other commercial accounts. In May 1984, the Illinois Commissioner of Banks and Trust Companies informed Metrobank that its activities for third parties were inconsistent with the Illinois Banking Act, because they constituted unauthorized branch banking, and the for-hire activities ceased.[2] Although the Bank's ATM network has grown since that time, the armored van is in service only about 60 percent of the time.

In order to better utilize its armored van, Metrocorp proposes to transfer ownership of the armored van to a *de novo* subsidiary, MAC, and to make armored car services available to the public on an explicit-fee basis. In its application, Metrocorp made certain commitments aimed at minimizing possible conflicts of interest and anti-competitive practices, similar to those required of bank holding company-owned courier services. *See* 12 C.F.R. 225.129. Included among those commitments was a representation that the armored car subsidiary would operate as a separate profit center, and would not be subsidized in any way by the bank holding company or its banking subsidiaries.

B. Initial Board Order

Notice of Metrocorp's application, affording interested persons the opportunity to submit comments, was duly published in the *Federal Register* (53 *Federal Register* 50,292 (1988)). Following publication of notice of the application, the National Armored Car Association ("Protestant") submitted comments in opposition to the application, and asked the Board to order a formal hearing.

On May 10, 1989, the Board published an Order requiring a public formal administrative hearing on Metrocorp's proposal (54 *Federal Register* 20,200 (1989)). The Board directed that the issues to be considered at the hearing were whether the proposed armored car services are "so closely related to banking or managing or controlling banks as to be a proper incident thereto," within the meaning of section 225.4(a) of Regulation Y and section 4(c)(8) of the BHC Act, and whether the proposed activities can reasonably be expected to produce benefits to the public that outweigh the possible adverse effects. In addition, the Board requested evidence on the risks involved in conducting the activity, the availability of insurance against such risks, and the issue of state branching restrictions.

A formal public administrative hearing, conducted in accordance with the then-applicable Board Rules of Practice for Hearings (12 C.F.R. Part 263 (1990)), was held on June 16 and July 11, 1989, before an Administrative Law Judge ("ALJ") appointed at the request of the Board.[3] In a Recommended Decision dated January 23, 1990, the ALJ concluded that the proposed armored car activities were not "closely related to banking" within the meaning of section 4(c)(8) of the BHC Act, and recommended that the Board deny the application. In light of his conclusion regarding the "closely related" issue, the ALJ declined to make any factual or legal determinations concerning the "proper incident" test or state branching laws.

Following the receipt of exceptions to the Recommended Decision, the Board reviewed the entire record of the proceeding, and determined that the ALJ erred in concluding that armored car services are not "closely related to banking" under the relevant statute, case law, and prior Board determinations. Accordingly, by Order dated June 18, 1990 (the "Remand Order"),[4] the Board determined that the provision of armored car services to the general public on a for-hire basis is an activity that is "closely related to banking or managing or controlling banks" within the meaning of section 4(c)(8) of the BHC Act. The Board remanded the case to the ALJ for a recommended decision on the "proper incident" standard and other unresolved issues, including the effect of state branching laws on the proposed activities.[5] In view of the passage of time since the application was filed, and certain deficiencies then existing in the record, the ALJ was ordered to address and, to the extent necessary, reopen the record regarding, certain issues relevant to the "proper incident" test.[6]

2. The Illinois Commissioner determined that the provision of armored car services for the bank's own operations was not prohibited by law.

3. At the hearing, the ALJ granted motions to intervene in opposition to the application by Brink's Inc., Federal Armored Express, Inc., and Independent Armored Car Operators Association (hereafter, with the National Armored Car Association, collectively referred to as "Protestants"). Federal Armored Express, Inc., subsequently withdrew its protest by letter dated October 26, 1990.

4. *Metrocorp, Inc.*, 76 *Federal Reserve Bulletin* 676 (1990).

5. Under the Board's regulations then applicable to this case, an administrative law judge was required to provide a recommended decision with regard to these unresolved issues prior to a final determination by the Board. *See* 12 C.F.R. 263.11 (1990). Thus, a final disposition of Metrocorp's application was not possible at that juncture.

6. The areas listed by the Board for which additional information was necessary included, among others, further information on pricing in order to comply with Metrocorp's commitment not to subsidize the operations of MAC (the pricing information then part of the record suggested that Metrobank would pay more per pick-up than new customers on the existing route); projections that included marketing and advertising expenses, if any; and a precise breakdown of the services MAC would purchase from Metrobank and the projected costs of these services. 76 *Federal Reserve Bulletin* at 681 n.34 (1990).

C. The Supplemental Decision

In accordance with the Remand Order, a formal hearing (the "Remand Hearing") was held before the ALJ. Additional evidence was received on the "proper incident" test and the state branching law issues, through the submission of exhibits and testimony and through the participation of Metrocorp, Protestants, and Board Counsel.[7] Following submission of post-hearing briefs and additional evidence in connection with the state branching law issue, the ALJ issued his Supplemental Decision—On Remand ("Supplemental Decision"). The Supplemental Decision again recommended denial of the application, and also denied Protestants' request for partial attorneys' fees and expenses. Metrocorp, Board Counsel, and the Protestants filed exceptions to various aspects of the Supplemental Decision, and Metrocorp and Protestants filed replies to the exceptions.

II. The Proper Incident Test

In order to find that the activity is a "proper incident" to banking, section 4(c)(8) requires the Board to consider whether performance of an activity by a bank holding company affiliate can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, or unsound banking practices.[8] These examples of benefits and adverse effects are "nonexhaustive,"[9] and serve as illustrations of the kinds of factors Congress has instructed the Board to consider.

The burden of proof is upon the applicant in connection with section 4(c)(8) to establish that the nonbanking activity it proposes to conduct is not only closely related to banking, but that it is a proper incident thereto. *E.g.*, *Citicorp* v. *Board of Governors*, 589 F.2d 1182, 1190 (2d Cir.), *cert. denied*, 442 U.S. 929 (1979).

In his Supplemental Decision, the ALJ first found that under Regulation Y an applicant must submit evidence that the proposed activity meets the standards of section 4(c)(8) of the BHC Act and that in this case Metrocorp's application and the record fail to provide a definitive proposal on the basis of which the Board could make a determination under the proper incident test. The ALJ found that Metrocorp had offered only a skeletal structure and operating plan that was fleshed out only to a limited extent at the hearings. The ALJ stated that Metrocorp's response to possible adverse effects was simply to commit to operate MAC in conformance with any restrictions the Board might require to avoid such effects.

The ALJ further determined that on the record as developed, Metrocorp had failed to show that the performance of the proposed armored car services can reasonably be expected to produce benefits to the public that outweigh possible adverse effects. With respect to possible public benefits, the ALJ concluded that the proposal would produce internal gains in efficiency for Metrocorp, but determined that on the record no presumption of increased competition resulting from MAC's *de novo* entry into the activity could be supported on this record.

With regard to possible adverse effects, the ALJ ruled that the proposal would likely undermine the solvency of Metrobank. Finding that MAC would be "a hollow corporate entity" that would rely on Metrobank as the "sole basis for funding the armored car service," the ALJ concluded that Metrobank would be the "sole source of funds to offset potential losses and liabilities that may result from MAC's operations." Supp. Dec. at 24. According to the ALJ, therefore, it would be the bank, and not the bank holding company, whose assets would be at risk in the armored car operation.

Finally, the ALJ determined that the record is convincing that Metrocorp has not shown that the proposed activity, as currently structured, would be lawful under the branch banking laws of Illinois and Iowa, the states in which MAC proposes to operate.

Metrocorp and Board Counsel have excepted to the ALJ's Supplemental Decision. Board Counsel and Metrocorp argue that the record is sufficient to show that increases in efficiency, added convenience of service to armored car customers, and increased competition would likely result from MAC's operations. With respect to possible adverse effects and the state branching laws, Board Counsel and Metrocorp argue that MAC could operate within sufficient commitments and restrictions, both as provided in the application and as would be required by the Board in its Order, so as to eliminate the risk of adverse effects and render its operations acceptable to state authorities.[10]

7. At the Remand Hearing, all parties incorporated by reference their earlier submissions and testimony. As the Board noted in its Remand Order, "a substantial portion of the record is devoted to matters related to the 'proper incident' test." 76 *Federal Reserve Bulletin* at 680 (1990).

8. 12 U.S.C. § 1843(c)(8).

9. *Alabama Ass'n of Ins. Agents* v. *Board of Governors*, 533 F.2d 224, 246 (5th Cir. 1976), *modified on other grounds*, 558 F.2d 729 (1977), *cert. denied*, 435 U.S. 904 (1978).

10. Protestants filed exceptions to two aspects of the ALJ's Supplemental Decision. First, they argued that because the activities as proposed would violate state branching laws in Iowa and Illinois, they *cannot* be found to be a "proper incident" to banking. Second, they

Based on its review of the entire record of this proceeding, including the transcript, exhibits, written testimony, rulings, and briefs filed in connection with the hearing, the Recommended Decision and the Supplemental Decision filed by the ALJ, the exceptions thereto and the responses to the exceptions, the Board has determined that the record with respect to this application fails to support a finding, in this instance, that the performance of the proposed armored car activities by Metrocorp is a "proper incident" to banking or to managing or controlling banks. The Board therefore adopts the ALJ's recommendation to deny the application. However, because the Board's decision is based on the narrow grounds explained below, the Board is not addressing all of the issues raised in the Supplemental Decision and the exceptions to that decision. Accordingly, to the extent they are expressly incorporated in this Order, the Board adopts the findings, conclusions and recommendations of the Supplemental Decision as supported by the evidence of record.

A. Violation of Section 23B

The entire record in this proceeding has been reviewed to determine whether there is sufficient evidence to support a finding that Metrocorp's proposal would result in net benefits to the public. Based on this review, it is evident that certain aspects of the present application would on their face violate the arm's-length transaction requirement of section 23B of the Federal Reserve Act (12 U.S.C. § 371c-1) and that therefore the Board would be precluded on that basis from approving Metrocorp's application as currently structured.

Section 23B of the Federal Reserve Act requires that certain transactions between an insured bank, such as Metrobank, and its affiliates, such as MAC, be conducted on an arm's-length basis. Section 23B governs any transaction in which an affiliate receives a fee for its services to the bank or in which the bank furnishes services to the affiliate. Accordingly, any such transaction is permissible only if it is furnished:

(A) On terms and under circumstances . . . that are substantially the same, or at least as favorable to such bank . . . , as those prevailing at the time for comparable transactions with or involving other nonaffiliated companies, or

(B) In the absence of comparable transactions, on terms and under circumstances . . . that in good faith would be offered to, or would apply to, nonaffiliated companies. 12 U.S.C. § 371c-1(a)(1).

1. MAC's Pricing Structure Violates Section 23B

First, the record shows that the proposed service by MAC would cost Metrobank more than it is now paying for similar armored car services by an unaffiliated provider. Under the proposal, Metrobank would pay MAC a flat per-stop fee, and an additional mileage fee based on the number of miles travelled to the branch or ATM being serviced. The record demonstrates, however, that Metrobank currently pays an unaffiliated armored car service a per-stop fee that is lower than that proposed to be paid to MAC. In addition, the record indicates that Metrobank pays no mileage fee to the unaffiliated carrier. Although MAC's higher fee would at times include additional services (such as ATM servicing) not now provided by the contract carrier, the record indicates that at other times MAC would simply substitute for the pick-up and delivery services currently provided by the unaffiliated entity at a lower cost. It is evident, therefore, that in the case of these services Metrobank would not be obtaining services from MAC "on terms . . . at least as favorable to such bank . . . as those prevailing for comparable transactions with or involving other nonaffiliated companies," as required by section 23B. While there may be explanations for MAC's higher price that would justify it under the standards set forth in section 23B, no such explanations appear in this record, and the Board is constrained on this record to conclude that the higher price results in a violation of section 23B.

2. Metrobank's Provision of Back-Office Services Violates Section 23B

Under Metrocorp's proposal, the bulk of MAC's operations, other than the armored car itself and its drivers, would be provided by Metrobank and its employees. MAC would lease a desk from Metrobank for use by the armored car guards and would use Metrobank's office equipment for its operations. MAC would use Metrobank's employees for its billing and accounting, auditing, recordkeeping, street inspections, compliance, and customer service functions. A Metrobank employee would act as dispatcher and determine MAC's route. All of MAC's officers and directors would be officers and directors of Metrobank. All of MAC's operations, except the physical pick-ups and deliveries by the armored car, would be handled by employees of Metrobank.

In its prior Order in this matter, the Board specifically called for additional information concerning

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excepted to the ALJ's denial of their costs and fees incurred in connection with the branching law issue. The fees issue is considered in the Appendix to this Order.

"precise breakdown of the services MAC will purchase from Metrobank and the projected costs of these services."[11] Despite the fact that Metrobank has been operating its armored car for a number of years and thus has a basis on which to determine the costs of at least some of the services to be provided, Metrocorp has provided no detailed cost figures for the wide variety of services Metrobank will provide to MAC. Instead, Metrocorp proposes that MAC pay Metrobank a fee of 15 percent of MAC's direct operating expenses to cover all of the services provided by Metrobank to MAC.[12] Metrobank's Vice President of Operations, who would be the *de facto* manager of MAC, testified that there was no "factual basis" for the 15 percent figure, but that it was "just an estimate" of the value of services provided by Metrobank. Rem. Tr. at 57.

Under section 23B, the provision of services by a bank to an affiliate must be paid for on an arm's-length basis. This requires, where there are no comparable transactions between a bank and a nonaffiliate, that the bank's provision of services to its affiliate must be on terms that in good faith would be offered to or would apply to nonaffiliated companies. The Board finds that Metrobank would not in good faith provide back office services to an unaffiliated armored car company by charging a flat fee that had no factual basis and without determining the relationship of the fee to the actual costs of providing the services.

3. The Violations of Section 23B Requires Denial of the Application as Currently Structured

Because the proposal would be inconsistent with the requirements of section 23B, the Board believes that it is constrained to deny the application as currently structured. In the Board's view, a proposal to engage in nonbanking activities pursuant to section 4(c)(8) will not produce net benefits to the public if it violates the kind of statutory requirement, such as section 23B, that was specifically intended to prevent unsafe or unsound banking practices when a bank affiliate engages in nonbanking activities. Although section 23B was not explicitly addressed by the ALJ or by the parties in this proceeding, the issue of the cost of the services to be provided by Metrobank to MAC was expressly raised by the Board in its Remand Order and questions concerning the overall pricing structure of MAC's services were specifically considered during the Remand Hearing. Moreover, the facts of record showing the violations of section 23B are not disputed.

The Board notes that Metrocorp has committed to operate MAC in a manner that complies with all applicable laws, including section 23B. In a number of cases that involved transactions subject to section 23B, the Board has approved applications based in part on the applicants' commitments to comply with that section.[13] Those cases, however, did not present proposals that on their face violate section 23B. In view of the clear concern expressed by the Board over the very matters that remain unresolved on the present record, the Board does not believe that mere commitments to operate in accordance with section 23B will suffice in this case.

The Board is also reluctant to impose conditions covering the costs and pricing of proposed services where, as here, the evidence submitted by Metrocorp in the record before the Board with regard to the specifics of the proposed operations of MAC, especially the projections of MAC's expected costs and revenues, is exceptionally general and indefinite.

Metrocorp introduced projections of MAC's expected costs and revenues, based on "full capacity," showing only a slight profit before taxes. Furthermore, as the ALJ found, the projections are unusually vague and speculative.

Moreover, the credibility of those projections is significantly undermined by the fact that compliance with state bank branching laws is likely to increase costs substantially without resulting in a corresponding increase in revenue. The ALJ found that MAC's operations, as currently proposed, would violate state branching laws in the two states, Illinois and Iowa, in which MAC proposes to operate. The Board agrees with Metrocorp and Board Counsel that nothing in the record shows that MAC is absolutely precluded by law from engaging in armored car activities in those states. However, the structural changes required to permit operation would undoubtedly increase MAC's costs.

Metrocorp's bank subsidiary is a state-chartered nonmember bank subject to the laws of Illinois. Illinois law limits the number and location of branches by state-chartered banks. Illinois Banking Act § 5(15), Ill. Ann. Stat. ch. 17, para. 311(15) (Smith–Hurd 1981 & Supp. 1992). Mobile branches are not authorized.

Illinois law defines a "branch," with certain exceptions not relevant here, as "any place of business of a bank at which deposits are received, checks paid, or loans made."[14] Illinois Banking Act § 2, Ill. Ann. Stat. ch. 17, ¶ 302. It is clear that Metrocorp intends

11. 76 *Federal Reserve Bulletin* at 681 n.34 (1990).

12. The desk and telephone would be subject to a separate lease payment to Metrobank.

13. *See, e.g., The Sumitomo Bank, Limited, 77 Federal Reserve Bulletin* 339 (1991); *The Dai-Ichi Kangyo Bank, Limited, 77 Federal Reserve Bulletin* 184 (1991).

14. The definition is thus similar to that contained in the National Bank Act, 12 U.S.C. § 36(f).

that MAC will pick up funds from Metrobank customers to be deposited at Metrobank.[15]

As noted earlier, the Illinois Commissioner of Banks and Trust Companies informed Metrobank in the 1980s that its armored car activities for third parties were inconsistent with the Illinois Banking Act, apparently since the armored car would provide banking services at locations where Metrobank was not permitted to have a branch. The current application is premised on the assumption that the separate corporate status of MAC as a subsidiary of Metrobank's holding company would alter that result.

Prior to the Initial Hearing, the Illinois Commissioner was requested to comment on the application. He concluded that he would not consider MAC's operation to be a branch, based on the proposed operation described in the application and commitments made by Metrocorp to operate MAC as a "separate and bona fide armored car subsidiary rather than as an agent" of a bank.

Following the Remand Hearing, at which a representative of the Illinois Commissioner testified and was apprised of additional information concerning the proposed operation, the General Counsel to the Illinois Commissioner submitted a second letter concerning the application. The letter stated that the Commissioner's office "does not have sufficient information to draw a conclusion as to whether the operation of [MAC] would violate branching restrictions." The letter set forth a number of areas of additional information needed to make such a determination, including the extent to which bank personnel are involved in MAC's operation, the manner in which MAC's route is established, the extent to which bank assets, equipment and services are available to MAC, and the method of compensation for those assets, equipment, services, and personnel.

The General Counsel of the Iowa Division of Banking has expressed even more serious reservations about MAC's operations in that state. Iowa law prohibits persons from "engag[ing] in this state in the business of receiving money for deposit, [or] transact[ing] Iowa law. Iowa Code Ann. § 524.107. Moreover, branching by Iowa banks is strictly limited in terms of location and number of offices. Iowa Code Ann. §§ 524.1102, 524.1202. In a letter submitted after the Remand Hearing, the General Counsel opined that "due to the extreme dependency on and interrelationship of Metro Armored Courier, Inc., and Metrobank, Metro Armored Courier, Inc., and Metrobank are, in reality, one and the same corporation, which indirectly allows Metrobank to establish interstate branches, which would be violative of Iowa law."

While the Illinois Commissioner has not made a final determination as to the permissibility of MAC's planned operations, it is clear that both the Commissioner and the Iowa Banking Department have focused on the issue of the degree of connection between the bank and the affiliate in determining whether MAC operates as an agent of the bank when it offers off-premises banking services such as deposit taking and check cashing.[16] Thus, it would appear that in order to satisfy the concerns of Illinois and Iowa authorities, MAC would have to revise its operations substantially to assure a more complete separation of MAC's operations from those of the bank.

Metrocorp does not contest the opinions of the Illinois and Iowa authorities. Rather, Metrocorp suggests that the Board grant conditional approval of the application subject to commitments and restrictions designed to enforce the separation required by those authorities. For example, Metrocorp has suggested that the Board require that the majority of the Board of Directors of MAC not be officers or directors of the Bank; that no officers, managers, employees or other personnel of MAC be employed by or leased from the Bank; and that Bank assets, equipment, and services may be provided to MAC only on terms available to the general public or on the basis of explicit, arm's-length, commercially reasonable terms. Metrocorp's Proposed Findings of Fact Nos. 75–79.

These structural changes proposed by Metrocorp, and any others required by Illinois or Iowa authorities, will necessarily increase the costs of MAC's operations. There is no suggestion in the record, however, that MAC's revenues will increase to cover these costs. The existing revenue projections already include customers in areas where branching laws might preclude operations absent resort to expensive structural changes. This uncertainty counsels against a conditional approval on the existing record.

B. Other Adverse Effects and Possible Public Benefits

In view of the narrow grounds for decision in this case, the Board need not reach the other factors listed in section 4(c)(8). Many of the findings and conclusions of the ALJ regarding these factors have been excepted

15. According to the application, MAC will also "provid[e] related services such as . . . payroll check cashing."

16. The same considerations have guided the Board in previous determinations of whether a bank affiliate is operating as a branch. *See, e.g., Grandview Bank & Trust Co.* v. *Board of Governors*, 550 F.2d 415, 417 (8th Cir. 1977); *First State Bank of Clute* v. *Board of Governors*, 553 F.2d 950 (5th Cir. 1977); *Commercial Nat'l Bank* v. *Board of Governors*, 451 F.2d 86, 90 (8th Cir. 1971).

to by the parties. The Board need not reach these issues in order to decide this case. Thus, as stated above, the Board does not adopt any of the findings and conclusions of the ALJ except as reflected in this Order.

III. Conclusion

On the basis of the record as a whole, the Board finds that Metrocorp has not met its burden of showing that the public benefits resulting from its proposal would outweigh the likely adverse effects of the proposal as currently structured.

This denial does not affect the Board's prior ruling in this case that armored car services are closely related to banking and permissible for bank holding companies, and is without prejudice to the filing of a new proposal by this (or any other) applicant to establish a record based on substantial evidence from which a favorable determination could be made with respect to the conduct of this activity under the "proper incident" test, as well as the resolution of all other issues relevant to a particular proposal.

By order of the Board of Governors, effective February 10, 1993.

Voting for this action: Chairman Greenspan and Governors Mullins, Angell, Kelley, LaWare, Lindsey, and Phillips.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Appendix

Denial of Protestants' Application for Reimbursement of Certain Costs and Fees

Protestants have excepted to the Supplemental Decision's finding that they are not entitled to reimbursement of some of their costs and attorneys' fees associated with the Remand Hearing. After the Remand Hearing, Protestants submitted a joint request to the ALJ seeking reimbursement from the Board and from Metrocorp for fees Protestants incurred in producing representatives of the Illinois and Iowa state bank regulators as witnesses at the Remand Hearing. Protestants asserted that these two witnesses would not have had to testify except for alleged misconduct by Board Counsel and by counsel for Metrocorp.

In the Supplemental Decision, the ALJ denied the request, finding no legal support for granting such an award and stating that the request was not a matter encompassed in the Remand Order. In their exceptions, Protestants assert that an award of fees and costs to them jointly is authorized under the Equal Access to Justice Act ("EAJA") and under certain principles applicable in judicial proceedings.[1]

Upon a careful review of the entire record, the Board agrees with the ALJ that Protestants' request for partial reimbursement of their fees and costs should be denied.[2]

I. Protestants' EAJA Claim

With respect to Protestants' claim for reimbursement under the EAJA, it is clear that the Act precludes such an award to Protestants on the current record. The EAJA provides that an agency that conducts an adversary adjudication shall award to a prevailing party other than the United States fees and other expenses incurred by that party in connection with the proceeding. Such an award is not required if, among other things, the agency determines that the position of the agency was substantially justified.[3] The EAJA further provides that a party seeking such an award must, "within thirty days of a final disposition in the adversary adjudication," submit to the agency an application showing that the party is a prevailing party and is eligible to receive an award under the Act.[4] In general, a partnership, corporation, or other organization is eligible for an award under the Act only if its net worth did not exceed $7 million and it had fewer than 500 employees at the time the adversary adjudication was initiated.[5]

Because the EAJA's authorization for making awards of fees or other expenses is by its terms limited to agencies, the statute provides no basis for requiring Metrocorp to reimburse Protestants for any expenses. Moreover, because Protestants' claim for reimbursement from the Board took the form of a motion submitted to the ALJ during the hearing prior to the Board's final disposition of this proceeding, their claim was premature under the terms of the Act and failed to show how they are a prevailing party for purposes of the Act in light of that disposition. In addition, Protestants' motion failed to make any showing whatever that any of

1. Protestants submitted a claim for $12,713.50 in attorneys' fees and $781.48 in witness travel expenses related to the testimony of state regulatory officials on the branching issue.

2. Counsel for Metrocorp has also requested that should the Board determine it has authority to award such expenses and fees under the arguments advanced by Protestants, that it be awarded expenses and costs related to its opposition to Protestants' request for reimbursement, based on the conduct of counsel for Protestants in this matter. Counsel for Metrocorp has submitted an affidavit listing those expenses for which it seeks reimbursement. In view of the Board's disposition of Protestants' request, however, and in light of its consideration of the entire record, the Board denies Metrocorp's request.

3. 5 U.S.C. § 504(a)(1).

4. 5 U.S.C. § 504(a)(2).

5. 5 U.S.C. § 504(b)(1)(B).

the Protestants met the minimum net worth and number-of-employee eligibility requirements for an award under the EAJA.[6] Accordingly, to the extent Protestants' claim for reimbursement is based on the EAJA, that claim is denied based on the existing record.

Although it is possible that one or more of the Protestants, if eligible, might within thirty days of this Order seek to renew a claim for an EAJA award, the Board believes that there is serious doubt that Act would authorize any such award in connection with this proceeding. By its terms, the EAJA does not apply in an adjudication for the purpose of "granting or renewing a license."[7] This proceeding, an application by a bank holding company for prior Board approval to acquire a nonbank company, appears to fall squarely within the definition of a licensing proceeding for which no EAJA award is authorized.[8]

II. Reimbursement of Fees Under Principles Applicable in Judicial Proceedings

The Board also finds that, to the extent Protestants' reimbursement claim is grounded on principles governing fee awards in judicial proceedings, the claim must also be denied. Recognizing that, apart from the EAJA, there is no statute or regulation that would authorize the Board to award fees or costs to Protestants in connection with this proceeding, Protestants assert that the Board may order reimbursement of fees and expenses in the same circumstances in which courts would make such awards without an explicit grant of authority.

Even if it is assumed that an administrative agency like the Board may rely on these judicially-created principles governing fee awards, in the Board's view, these would not provide for such an award on the record in this case. The fundamental rule applicable in judicial proceedings in this country is that a prevailing litigant is not entitled to collect attorneys' fees or other general costs from the loser, except in limited circumstances.[9] Although courts may award attorneys' fees and costs against a party that has acted in bad faith or "vexatiously, wantonly, or for oppressive reasons,"[10] this exception to the general rule applies only in extraordinary circumstances. Awards for bad faith conduct are limited to circumstances where a party, by acting without any reasonable basis, violates a clearly imposed duty that requires the injured party to undertake unnecessary litigation to vindicate its rights.[11]

Protestants have failed to make any showing that would meet this very heavy burden of proof. Aside from a bare assertion of bad faith, Protestants cannot point to, and indeed the record is wholly devoid of, any evidence of unreasonable or oppressive conduct on the part of counsel for Metrocorp or Board Counsel that would have required unnecessary litigation by the Protestants.

Upon a review of the undisputed representations of counsel, the Board finds no evidentiary basis whatever to support a conclusion that either Metrocorp's counsel or Board Counsel acted in bad faith when seeking opinions of the Illinois and Iowa bank regulators on the branch banking issue prior to the initial hearing in this case. The mere fact that both state regulators revised their initial conclusions after reviewing testimony at the Remand Hearing in no way supports an inference of any improper conduct by counsel with regard to the initial opinion letters. In addition, the Board cannot find that Board Counsel's actions in unsuccessfully opposing the taking of testimony on the branching issue at the Remand Hearing were unreasonable or beyond the bounds of their proper role, given the fact that the branching issue had been raised at the initial hearing and Protestants could have sought the introduction of any relevant evidence on this point at that hearing.[12]

6. On the current record, it is far from clear whether any of the Protestants is eligible for an EAJA award. One Protestant apparently is a major business enterprise. The other two Protestants, which are trade associations, may be required to aggregate the net worth and employees of their member businesses for purposes of EAJA eligibility. *See National Truck Equipment Ass'n* v. *National Highway Traffic Safety Admin.*, 972 F.2d 669, 671–74 (6th Cir. 1992).

7. 5 U.S.C. § 504(b)(1)(C).

8. For purposes of the EAJA, a licensing proceeding includes any agency process respecting the granting of an agency "permit, certificate, approval, . . . or other form of permission." 5 U.S.C. § 551(9), (8). Agency approvals for a business to engage in specific activities are uniformly viewed as licenses within this definition. *E.g.*, *Air North America* v. *Department of Transportation*, 937 F.2d 1427, 1437 (9th Cir. 1991) (certificates of authority to provide air transportation); *Atlantic Richfield Co.* v. *United States*, 774 F.2d 1193, 1200 (D.C. Cir. 1985) (approvals to enter Alaskan-Panama domestic oil trade). The Board's Rules of Practice and Procedure for Hearings refer to proceedings with respect to applications for "initial licenses" as including, but not limited to, applications for Board approval under section 3 of the BHC Act. 12 C.F.R. 263.56. For purposes of the definition of a licensing proceeding, an application under section 4(c)(8) of the BHC Act is essentially the same as an application under section 3.

9. *E.g.*, *Alyeska Pipeline Serv. Co.* v. *Wilderness Soc'y*, 421 U.S. 240, 247, 257–60 (1975); *F.D. Rich Co.* v. *United States*, 417 U.S. 116, 129–30 (1974).

10. *Alyeska Pipeline Serv. Co.*, *supra*, 420 U.S. at 257; *F.D. Rich Co.*, *supra*, 417 U.S. at 129.

11. *E.g.*, *American Hospital Ass'n* v. *Sullivan*, 938 F.2d 216, 220 (D.C. Cir. 1991); *Sierra Club* v. *United States Corps of Engineers*, 776 F.2d 383, 390 (2d Cir. 1985), *cert. denied*, 475 U.S. 1084 (1986).

12. Courts may also allow a successful litigant who has preserved or recovered a fund for the benefit of others as well as the litigant to recover fees and other expenses from the members of the benefitted class. *E.g.*, *Alyeska Pipeline Serv. Co.*, *supra*, 421 U.S. at 257–58. This rationale has no applicability here, since Protestants' participation in this proceeding to oppose approval of this application did not preserve or recover any fund for the benefit of either Metrocorp or the Board.

For these reasons, the Board adopts the ALJ's recommendation that Protestants' request for partial attorneys' fees be denied.

Supplement to Order Approving Modifications to Section 20 Orders

Supplement to Order Approving Modifications to Section 20 Orders to Allow Use of Alternative Indexed Revenue Test to Measure Compliance with the 10 Percent Limit on Bank-Ineligible Securities Activities

On January 26, 1993, the Board adopted an alternative indexed revenue test pursuant to which a section 20 subsidiary could choose to adjust its revenue by a series of factors supplied by the Board that vary according to the average duration of the securities portfolio of the section 20 subsidiary. The Board has received a request for an interpretation of that part of the January 26 Order regarding the operation of the indexed revenue test. The request asks whether a section 20 subsidiary may, consistent with the January 26 Order, immediately begin measuring compliance with the indexed test on an eight-quarter rolling average basis using revenue figures from the seven quarters prior to 1993 adjusted according to the average duration of its securities portfolio during these quarters.

The Board implemented the indexed revenue test on a prospective basis to allow a section 20 subsidiary that may not have data regarding the average duration of its securities portfolio prior to 1993 to adopt the indexed method nevertheless. If a section 20 subsidiary has the duration data available to begin measuring compliance with the test on an eight-quarter rolling average basis immediately, it may do so after notifying the relevant Federal Reserve Bank.[1]

By order of the Board of Governors, effective February 23, 1993.

Voting for this action: Chairman Greenspan and Governors Mullins, Angell, LaWare, Lindsey, and Phillips. Absent and not voting: Governor Kelley.

JENNIFER J. JOHNSON
Associate Secretary of the Board

1. Tables of adjustment factors for each of the seven quarters prior to the first quarter of 1993 will be published in the near future.

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

First Insurance Finance Company
Des Moines, Iowa

Order Approving the Formation of a Bank Holding Company

First Insurance Finance Company, Des Moines, Iowa ("FIFCO"), has applied under section 3(a)(1) of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842(a)(1)) to become a bank holding company by acquiring all the voting shares of Farmers and Miners State Bank, Lucas, Iowa ("Bank"). FIFCO also has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) to continue to make and service loans and other extensions of credit pursuant to the Board's Regulation Y (12 C.F.R. 225.25(b)(1)).

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (57 *Federal Register* 57,461 (1992)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3(c) and 4(c)(8) of the BHC Act.

FIFCO, an Iowa corporation licensed by the Iowa Division of Banking as an industrial loan company, does not operate any commercial banks in Iowa.[1] Bank controls deposits of $2.8 million and is the smallest commercial banking organization in Iowa, representing less than 1 percent of total deposits in commercial banking deposits in the state.[2] Based on all the facts of record, the Board concludes that consummation of the proposed transaction would not result in any significantly adverse effects on competition in any relevant banking market, and concludes that competitive considerations are consistent with approval of the application.

As part of this proposal, FIFCO proposes to relocate the main office of Bank to Indianola, Iowa, which is located approximately 26 miles from Lucas, and maintain a bank office at the former location of its main office in Lucas. Bank has been chartered by the state for approximately nine years to conduct a banking business in Lucas, Iowa.

The Board has received comments from a bank in Indianola, Iowa ("Protestant"), contending that

1. FIFCO is engaged currently in the business of making loans to commercial borrowers to finance insurance premiums. FIFCO does not accept deposits and is not insured by the Federal Deposit Insurance Corporation ("FDIC").

2. State data are as of June 30, 1992.

Bank's small amount of deposits and loans make this proposal, in effect, the establishment of a *de novo* bank in Indianola that does not meet the minimum capital requirements imposed on *de novo* banks.[3]

In addition to establishing a *de novo* bank or a bank office, Iowa law generally authorizes a bank, with the prior approval of the Iowa Superintendent of Banking ("Superintendent"), to relocate its main office to another community and retain its former main office as a bank office.[4] In this case, Bank has been in existence for approximately nine years, and the Superintendent concluded that the proposal was properly subject to the Iowa relocation statute. In approving the proposal under the relocation law, the Superintendent found that the proposal to relocate Bank's main office and to establish a bank office at its former main office was consistent with all of the requirements of Iowa law.[5] The Office of the Iowa Attorney General also reviewed the Iowa statute and concluded that this proposal is consistent with requirements of state law and properly governed under the relocation statute.[6] The FDIC also approved this proposal under the relocation provisions of the Federal Deposit Insurance Act.[7] The Board believes that these interpretations of Iowa law are reasonable, and that the proposal represents a permissible relocation of Bank's main office consistent with applicable law.[8] On the basis of all the facts of record, the Board concludes that the proposed relocation of Bank's main office to Indianola and the establishment of a bank office at its former location in Lucas is consistent with applicable state and federal law. The Board also concludes that the financial and managerial resources and future prospects of FIFCO and Bank, and the other supervisory factors that the Board must consider under section 3 of the BHC Act, are consistent with approval.

Protestant also asserts that Bank has a poor record of performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The Board notes that the Bank will be under new ownership and management that has initiated affirmative steps to substantially improve the performance of Bank under the CRA, and to correct deficiencies in Bank's performance identified in Bank's last examination report.[9] In general, the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act indicates that commitments for future corrective actions offered in the application process will not be sufficient to overcome a seriously deficient CRA record.[10] In this case, however, the inadequate CRA record reflected the actions of previous owners, and the proposed new owners have committed to take steps to correct deficiencies in CRA performance in a timely fashion and to report to the Federal Reserve Bank of Chicago on their progress within six months of consummation of the proposal.[11]

FIFCO has committed to ascertain the credit needs of its communities through various outreach activities. For example, Bank's new management will meet with local community groups quarterly to discuss the credit needs of the community, and to discuss products and services the bank should offer. Information gained from these meetings will be presented directly to Bank's board of directors and used to develop products and services. Bank will distribute in its lobby questionnaires to its customers to further assess which products and services individuals believe are needed in Bank's communities. Bank will also make ongoing needs ascertainment calls on businesses, business leaders, and elected officials of its communities to document any bank services and loan programs that need to be implemented. Bank intends to advertise its credit services in community newspapers, free shopper guides and, where appropriate, on the radio. The board of directors and Bank's employees will also be responsible

3. Upon consummation of this proposal, Bank would have $842,000 in capital. The FDIC requires a *de novo* bank to operate with at least $2 million in capital. FDIC Statement of Policy, "Applications for Deposit Insurance," 57 *Federal Register* 12,822 (April 13, 1992). The minimum capital requirement for a bank under Iowa law is $100,000 or such higher amount as the Superintendent deems necessary. Iowa Code Ann. § 524.401 (Supp. 1992).

4. *Id.* § 524.312(2). Relocations are limited geographically and FIFCO's proposal complies with these limitations. *De novo* banks and bank offices are authorized by §§ 524.305 and 524.1201, respectively.

5. *See* Order dated January 26, 1993, by R.H. Buenneke, Superintendent of Banking, State of Iowa. In granting this approval, the Superintendent is required by statute to consider the capital structure of the proposed institution, the ability of the community to support a bank, the character and fitness of the bank's directors, and the sufficiency of the proposed bank's personnel. Iowa Code Ann. §§ 524.1507(2) and 524.305(1)(c)-(f). *See also id.* § 524.305.

6. Opinion dated February 4, 1993, by Donald E. Senneff, Assistant Attorney General, State of Iowa Department of Justice.

7. 12 U.S.C. § 1828(d). *See* Letter dated February 8, 1993, from James O. Leese, to Board of Directors, Farmers & Miners State Bank.

8. In previously considering the effect of a state law, the Board has examined the statute itself, judicial interpretations of that law and, in the absence of judicial interpretations, the opinions of the state's Attorney General or the state's relevant administrative agency. *See The Jackson State Bank*, 79 *Federal Reserve Bulletin* 240 (1993). When the Board has concluded that the opinion of the state authority is well reasoned, consistent with the statutory language and not inconsistent with the apparent intent of the statute or its legislative history, the Board has accorded deference to the state authority. *See Bancorp of Mississippi*, 72 *Federal Reserve Bulletin* 257 (1986).

9. In its November 1991 compliance examination, Bank received a "substantial noncompliance" CRA rating from the FDIC.

10. 54 *Federal Register* 13,742 (1989).

11. Bank's proposed new president is currently president of another bank in Iowa that received a "satisfactory" CRA rating in its most recent CRA compliance examination conducted by the FDIC in April 1991.

for marketing Bank's credit, loan, and deposit services.

Bank will also offer a variety of credit products and services to its customers. For example, Bank will originate residential mortgage loans, home improvement loans, housing rehabilitation loans, small business loans, and agricultural loans. In addition, Bank will use the secondary mortgage market to provide customers with long-term real estate mortgage loans, and will lend under a variety of government-sponsored lending programs, including the Small Business Administration, the Farmers Home Administration, the Iowa Finance Authority, the Young Farmers Loan Program, and the Iowa Business Development Corporation.

Bank has proposed to establish a geocoding system to ensure even distribution of credit throughout its delineated area. In addition, Bank intends to provide funds for community development through real estate loans, and the acquisition of general obligation bonds and industrial development bonds.

FIFCO has committed to maintain a full service bank office in Lucas for at least one year. During this period, FIFCO will evaluate the office's operations and report to the Reserve Bank within six months of consummation on its financial condition and CRA-related activities.[12]

In light of all the facts of record, including the CRA programs to be implemented by Bank's new management, the Board believes that considerations relating to the convenience and needs of the communities to be served are consistent with approval.

FIFCO also has applied, pursuant to section 4(c)(8) of the BHC Act, to continue to engage directly in making and servicing loans. The Board has determined by regulation that this activity is closely related to banking and generally permissible for bank holding companies, and FIFCO proposes to conduct this activity in accordance with the Board's regulations.

Numerous companies provide similar nonbanking services, and this proposal would not have a significantly adverse competitive effect on the markets for this nonbanking service. In addition, there is no evidence in the record to indicate that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practice. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of FIFCO's application.

12. The Federal Deposit Insurance Corporation Improvement Act of 1992 requires 90-day's notice before closure of a branch bank. 12 U.S.C. § 1831p.

Based on the foregoing, including the conditions and commitments described in this Order and those made in these applications, and all of the facts of record, the Board has determined that these applications should be, and hereby are, approved. The Board's approval is specifically conditioned upon compliance by FIFCO with all the commitments made in connection with these applications. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and as such may be enforced in proceedings under applicable law.

The determinations as to the nonbanking activity are subject to all the conditions in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasions of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder.

The banking acquisition should not be consummated before the thirtieth calendar day following the effective date of this Order, and the banking and nonbanking acquisitions 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 Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 17, 1993.

Voting for this action: Chairman Greenspan and Governors Mullins, Angell, Kelley, Lindsey, and Phillips. Absent and not voting: Governor LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Orders Issued Under Bank Merger Act

Alice Bank of Texas
Alice, Texas

Order Approving the Merger of Banks and Establishment of Bank Branch

Alice Bank of Texas, Alice, Texas ("Alice Bank"), a state member bank, has applied under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act") to purchase the assets and assume the liabilities of New First City, Texas-Alice, Alice, Texas ("NFC Bank"). Alice Bank also has applied under sections 9 and 24A of the Federal Reserve Act (12 U.S.C. §§ 321 and 371d) to establish a branch and make an additional investment in bank premises at the location of NFC Bank.

Notice of the applications, affording interested persons an opportunity to submit comments, has been given in accordance with the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. 262.3(b)). As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency ("OCC"), and the Federal Deposit Insurance Corporation ("FDIC"). The time for filing comments has expired, and the Board has considered the applications and all comments received, as well as Alice Bank's response to those comments, in light of the factors set forth in the Bank Merger Act and in section 9 of the Federal Reserve Act.

On October 30, 1992, the 20 subsidiary banks of First City Bancorporation were declared insolvent and the FDIC was appointed receiver of each of the banks. Pursuant to section 11(n) of the Federal Deposit Insurance Act ("FDI Act") (12 U.S.C. § 1821(n)), the FDIC established 20 bridge banks to acquire the assets and to assume the liabilities and deposits of the closed banks, and NFC Bank was established to acquire the assets and to assume the liabilities and deposits of First City, Texas-Alice, N.A. The FDIC solicited offers for the acquisition of NFC Bank as well as the other subsidiaries of First City Bancorporation from qualified bidders pursuant to sections 11(n) and 13(c) of the FDI Act (12 U.S.C. §§ 1821(n) and 1823(c)). On January 26, 1993, the FDIC selected Alice Bank's bid for NFC Bank. The FDIC also has requested that the Board process this application expeditiously due to the condition of the bridge banks and to minimize the cost of the transaction to the FDIC.

Alice Bancshares, Inc., Alice Bank's parent bank holding company, is the 145th largest commercial banking organization in Texas, controlling deposits of $110.9 million, representing less than 1 percent of total deposits in commercial banking organizations in the state. NFC Bank controls deposits of $149.3 million, representing less than 1 percent of total deposits in commercial banking organizations in the state. Upon consummation of the proposal, Alice Bancshares would become the 64th largest commercial banking organization in Texas, controlling $260.2 million in deposits, representing less than 1 percent of the total deposits in commercial banking organizations in the state.[1]

1. State deposit data are as of June 30, 1991.

Definition of Relevant Banking Market

The Bank Merger Act provides that the Board may not approve a proposal submitted under the Bank Merger Act if the proposal would result in a monopoly or the effect of the proposal may be substantially to lessen competition in any relevant market unless the Board finds "that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served." 12 U.S.C. § 1828(c)(5).

In evaluating the competitive factors in this case, the Board has carefully considered the comments of First National Bank of South Texas, San Antonio, Texas ("FNB") and other commenters.[2] FNB argues that the relevant geographic market for analyzing the competitive effects of this proposal should be limited to Jim Wells County, Texas, and that consummation of this proposal would substantially lessen competition for banking services in this banking market. FNB relies principally on data relating to the geographic distribution of deposits and loans, commuting times, newspaper circulation and other means of commercial advertising, and other data regarding the employment and services available in Jim Wells County.

The Board and the courts have found that the relevant banking market for analyzing the competitive effects of a proposal must reflect commercial and banking realities and must consist of the local area where the banks involved offer their services and where local customers can practicably turn for alternatives.[3] The Board has considered all the facts in this case, including the comments and information provided by FNB and other commenters, and an on-site study conducted by the Federal Reserve Bank of Dallas ("Reserve Bank"), and concludes that the relevant geographic market within which to evaluate the competitive effects of this proposal is defined as: Nueces and San Patricio Counties, Alice and Orange Grove in Jim Wells County, and San Diego in Duvall County, all in Texas (the "Corpus Christi banking market").

Alice, Texas ("Alice"), is the county seat of Jim Wells County and is located 44 miles west of Corpus

2. One commenter alleges that this proposal will result in an increase in unemployment in Alice. The Board has considered these comments in light of all the facts of record, including the response by Alice Bank and the condition of NFC Bank, and does not believe that these comments warrant denial of the applications.

3. *See CB Financial Corporation*, 79 *Federal Reserve Bulletin* 118 (1993); *St. Joseph Valley Bank*, 68 *Federal Reserve Bulletin* 673, 674 (1982).

Christi, with access by means of a major highway.[4] In recent years, Corpus Christi has become a hub in south Texas for retail trade, health care and recreation facilities. For example, the record indicates that Corpus Christi provides a wide range of medical services and commercial retail stores that are used by Alice area residents.[5] In this regard, Corpus Christi has been designated as a Rand McNally Basic Trading Center for the area that includes Alice, because Corpus Christi serves as a center for goods purchased by residents of that area.[6] Residents in the Alice area are exposed to substantial advertising by Corpus Christi retailers in newspapers and on radio and television stations.

Corpus Christi also is the location of the area's largest employers and offers a variety of employment opportunities to the residents of Alice. Census data indicate that commuting from Jim Wells County to the Corpus Christi MSA increased substantially from 1980 to 1990, and the Alice Chamber of Commerce estimates that approximately 20 percent of the workers residing in Alice commute to the Corpus Christi area for jobs.

The Reserve Bank conducted a survey of Corpus Christi area financial institutions and found that bankers consider their market area to cover a 50-mile radius, which includes Alice, and financial institutions in both areas have comparable deposit rates and hours of operation. Alice bankers surveyed also indicated that they consider deposit rates of Corpus Christi banks in pricing their products, and deposit data for Alice Bank and NFC Bank indicate that these institutions compete with Corpus Christi financial institutions for customers in Nueces County.

After review of these data and the other facts of record, the Board believes that the record indicates that customers in Alice reasonably can and do turn to providers of banking services throughout the Corpus Christi banking market. On this basis, the Board disagrees with the contention of FNB that the geographic market in this case should be limited to Jim Wells County. Instead, based on all of the facts of record, the Board finds that the relevant geographic market in this case is the Corpus Christi banking market as defined above.

Competitive Effects in the Corpus Christi Banking Market

Alice Bank is the 12th largest depository institution in the market, controlling deposits of $95.8 million, representing 2.9 percent of the total deposits in depository institutions in the market.[7] NFC Bank controls deposits of $149.3 million, representing approximately 4.5 percent of total deposits in depository institutions in the market.[8] Upon consummation, Alice Bank would become the fifth largest depository institution in the market, controlling total deposits of $245 million, representing approximately 7.4 percent of total deposits in depository institutions in the market. The Herfindahl–Hirschman Index ("HHI") would decrease 117 points from a level of 955 to a level of 838.[9] Accordingly, in light of the decrease in market concentration, the unconcentrated nature of the market and all other facts of record, the Board concludes that consummation of the proposal is not likely to result in any significantly adverse effect on competition in any relevant market. In addition, the Department of Justice has advised the Board that the proposed acquisition will not have a significantly adverse effect on competition.

The financial and managerial resources and future prospects of Alice Bank and Alice Bancshares are consistent with approval. In addition, the Board also finds that considerations relating to the convenience and needs of the community to be served are consistent with approval. The Board also has considered the factors it is required to

4. State Highway 44 is a four-lane, divided highway that connects Alice with downtown Corpus Christi, and traffic flow is not impeded by the few small towns located along this highway. Traffic count data indicate substantial local travel between Corpus Christi and Alice, and between Alice and San Diego.

5. A Reserve Bank survey employing a small random sample of Alice residents suggested that a majority of the surveyed residents travel to Corpus Christi for medical services and shopping. In addition, check clearing data from Alice Bank indicate that a substantial portion of the checks were negotiated to purchase goods and services in Nueces County.

6. Basic Trading Centers such as Corpus Christi are also viewed as serving their surrounding areas with various specialized services, such as medical care, entertainment, higher education, and a daily newspaper.

7. Market data are as of June 30, 1991. In this context, depository institutions include commercial banks and savings associations. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

8. These data do not account for deposit run-off that may have occurred since June 30, 1991.

9. The First City organization, which operated two banks in the Corpus Christi market, ranked first among depository institutions in total deposits in the market, and Alice Bank is purchasing only one of those First City banks. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is less than 1000 points is considered to be unconcentrated. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers and acquisitions for anticompetitive effects implicitly recognizes the competitive effect of limited-purpose lenders and other non-depository financial entities.

consider when approving applications for establishment of and investment in branches pursuant to sections 9 and 24A of the Federal Reserve Act and finds those factors to be consistent with approval.

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

This transaction may not be consummated before the fifth day following the effective date of this Order or later than three months after the effective date of this Order, unless such period is extended by the Federal Reserve Bank of Dallas, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 8, 1993.

Voting for this action: Vice Chairman Mullins and Governors Angell, Kelley, LaWare, Lindsey, and Phillips. Absent and not voting: Chairman Greenspan.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Orders Issued Under Federal Reserve Act

Farmers & Merchants Bank of Long Beach
Long Beach, California

Order Denying Establishment of a Branch and Investment in Bank Premises

Farmers & Merchants Bank of Long Beach, Long Beach, California ("Bank"), a state member bank, has applied pursuant to sections 9 and 24A of the Federal Reserve Act (12 U.S.C. §§ 321 and 371(d)), to establish a branch office at 3233 Park Center Drive, Costa Mesa, California, and to make an additional investment in bank premises.

Notice of these applications, affording interested persons an opportunity to submit comments, has been duly published. The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors contained in the Federal Reserve Act.

Bank, with approximately $1.4 billion in deposits, has 16 branches located throughout Los Angeles and Orange Counties, California.[1] This proposal would increase to eight the number of branches Bank would operate in Orange County.

In considering an application by a state member bank to establish an additional branch, the Board is required to consider the convenience and needs of the community to be served, and to take into account the institution's record of performance under the Community Reinvestment Act ("CRA").[2] In this regard, examinations of Bank conducted by the Federal Reserve Bank of San Francisco ("Reserve Bank") reveal chronic deficiencies in Bank's regulatory compliance[3] and CRA performance efforts[4] that have continued over a prolonged period of time. In March 1992, the Board issued a cease and desist order regarding Bank's violations of laws and regulations relating to Bank's consumer lending and credit activities and the Bank's responsibilities under the CRA, which continues in effect.[5] The Board also assessed civil money penalties against Bank in December 1992 in connection with Bank's violations of consumer lending and credit laws.[6]

During the processing of these applications, Bank has provided numerous submissions relating to its efforts to improve its regulatory compliance and CRA performance records, including comments from individuals and organizations in support of Bank's lending and community development activities. The Board has carefully considered these submissions, as well as Bank's record of regulatory compliance and CRA performance, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial

1. Deposit data are as of June 30, 1992.

2. *See e.g., First of America Bank - Ann Arbor,*, 78 *Federal Reserve Bulletin* 450 (1992); *see also* 12 U.S.C. § 321; 12 C.F.R. 209, 208.5; 12 U.S.C. §§ 2902(3)(C), 2903(2).

3. Examiners noted in compliance examinations as of February 22, 1988, January 23, 1989, November 6, 1989, August 6, 1990, and April 22, 1991, that Bank had violated numerous provisions of various consumer lending and credit laws and regulations. In particular, examiners have cited violations of the following provisions:

(1) Regulation B (12 C.F.R. part 202) (relating to the Equal Credit Opportunity Act (15 U.S.C. § 1691 *et seq.*));

(2) The Fair Credit Reporting Act (15 U.S.C. § 1681 *et seq.*);

(3) Regulation Z (12 C.F.R. part 226) (relating to Truth in Lending and Fair Credit Billing Acts, Title I of the Consumer Credit Protection Act (15 U.S.C. § 1601 *et seq.*));

(4) Regulation CC (12 C.F.R. part 229) (relating to the Expedited Funds Availability Act (12 U.S.C. §§ 4001-4010)); and

(5) Regulation C (12 C.F.R. part 203) (relating to amendments to the Home Mortgage Disclosure Act that require banks to report publicly data on the race, sex, and income of loan applicants).

4. In recent CRA examinations, the Reserve Bank identified deficiencies in Bank's CRA program in the following areas:

(1) Ascertainment of community credit needs;

(2) Geographic distribution of lending activities; and

(3) Marketing and types of credit products offered and extended.

5. Docket No. 91-080-B-SM, 78 *Federal Reserve Bulletin* 384 (1992) ("F&M Cease and Desist Order"). Under this order, Bank is required to institute specific steps to remedy past violations and report regularly to the Reserve Bank on its progress in complying with the requirements of this enforcement action.

6. 79 *Federal Reserve Bulletin* 165 (1993).

Supervisory Agencies Regarding the Community Reinvestment Act.[7]

Bank's repeated violations of consumer lending laws and record of performance under the CRA are indicative of a record that is not consistent with approval of these applications. Bank has undertaken efforts during the processing of these applications to address the long-standing concerns noted in multiple examinations by the Reserve Bank. However, in light of Bank's prolonged compliance problems,[8] its deficient CRA program, and the relatively short period of time since its implementation of corrective measures, the Board is unable to conclude on this record that Bank's compliance policies and CRA programs are in place and working well.

Accordingly, the Board believes that convenience and needs considerations are not consistent with approval of this proposal.[9] Other factors the Board is required to consider under the Federal Reserve Act do not lend sufficient weight to warrant approval of these applications.[10] It is therefore the judgment of the Board that approval of these applications would not be in the public interest and that these applications should be, and hereby are, denied.[11] The Board notes that this denial is without prejudice to future applications when Bank is in compliance with all applicable consumer lending laws and Bank's CRA program is in place and working well.

7. 54 *Federal Register* 13,742 (1989).

8. The F&M Cease and Desist Order is based on repeated violations of consumer lending and credit laws and regulations, including some violations that Bank has failed to correct since 1988. Of particular concern is Bank's repeated violations of the Equal Credit Opportunity Act and the Board's Regulation B.

9. The Board has previously stated that disregard for consumer compliance laws provides a separate basis for concluding that convenience and needs considerations do not warrant approval of an application, even if an applicant has a satisfactory record of performance under the CRA. *See First State Holding Company, Inc.*, 67 *Federal Reserve Bulletin* 802 (1981).

10. *See* 12 U.S.C. § 322; 12 C.F.R. 208.5.

11. Bank has requested a public hearing on its CRA examination report. The Uniform Interagency Community Reinvestment Act Final Guidelines for Disclosure of Written Evaluations and Revised Assessment Rating System (55 *Federal Register* 18,163 (1990)) do not provide for a formal appeals process under the revised examination ratings system. Additionally, the Board is not required under the Federal Reserve Act to hold a public hearing or meeting in this case. However, under the Board's rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d).

The Board has carefully considered the hearing requests made by Bank and by other commenters. In the Board's view, Bank and these commenters have had ample opportunity to present submissions, and Bank and these commenters have in fact submitted substantial written comments that have been considered by the Board. In light of these facts, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in these applications, or otherwise warranted in this case. Accordingly, all requests for a public meeting or hearing on these applications, including Bank's request, are hereby denied.

By order of the Board of Governors, effective February 9, 1993.

Voting for this action: Vice Chairman Mullins and Governors Angell, Kelley, LaWare, Lindsey, and Phillips. Absent and not voting: Chairman Greenspan.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Orders Issued Under International Banking Act

Banco de Sabadell, S.A.
Sabadell, Spain

Order Approving Establishment of an Agency

Banco de Sabadell, S.A., Sabadell, Spain ("Bank"), a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 7(d) of the IBA (12 U.S.C. § 3105(d)) to establish a state-licensed agency in Miami, Florida. A foreign bank must obtain the approval of the Board to establish a branch, agency, commercial lending company, or representative office in the United States under the Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"), which amended the IBA.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in Miami, Florida (*Miami Herald*, May 1, 1992). The time for filing comments has expired and no public comments were received.

Bank was established in 1881 and operates as a private bank under Spanish law.[1] Bank, with total assets of $11.8 billion as of June 30, 1992, was the eighth largest bank in Spain as of December 31, 1991. Bank owns 29 subsidiaries that operate in the banking, financial services, and insurance fields in Spain, Singapore, Switzerland, Portugal, the Netherlands, Luxembourg, and the United States. Bank also operates one branch in London, five branches in France, and representative offices in New York, Italy, Singapore, Mexico and Switzerland.

Bank engages in nonbanking activities in the United States through five subsidiaries.[2] Bank will become

1. The shares of Bank are widely held with no single shareholder owning 1 percent or more of these shares.

2. These subsidiaries are: PRS International Consulting Inc., Miami, Florida; PRS International Brokerage, Inc., Miami, Florida; PRS International Advisory Services, Inc., Miami, Florida; PRS International Real Estate Services, Inc., Miami, Florida; and MB Trade Promotion, Inc., New York, New York. These companies

subject to the nonbanking restrictions of section 4 of the Bank Holding Company Act upon establishment of the proposed agency. In accordance with this provision, Bank has committed to bring its nonbanking activities in the United States into compliance with these restrictions within two years after establishing the proposed agency. Bank also will become a qualifying foreign banking organization under Regulation K after establishing the proposed agency (12 C.F.R. 211.23(b)).

Under the IBA, in order to approve an application by a foreign bank to establish an agency in the United States, the Board must determine that the foreign bank:

(1) Engages directly in the business of banking outside of the United States;

(2) Has furnished to the Board the information it needs to assess adequately the application; and

(3) Is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3105(d)(2)).

The Board may also take into account additional standards as set forth in the IBA (12 U.S.C. § 3105(d)(3)-(4)) and Regulation K (12 C.F.R. 211.24(c)).

Bank engages directly in the business of banking outside of the United States through its extensive banking operations in Spain. Bank also has provided the Board with the information necessary to assess the application through submissions that address the relevant issues.

The Banco de España generally conducts the direct supervision and regulation of credit entities, such as Bank, in Spain and functions as Bank's home country supervisor.[3] The Banco de España monitors compliance by credit entities with Spanish laws, regulations, and prudential measures, sets reporting requirements, conducts periodic and special examinations, sets prudential and financial standards and limits, and may take action to enforce such measures.

Regulation K provides that a foreign bank will be considered to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised and regulated in such a manner that its home country supervisor receives sufficient information on the bank's worldwide operations, including its relationship to any affiliate, to assess the bank's overall financial condition and its compliance with law and regulation (12 C.F.R. 211.24(c)(1)).[4] In making its determination on this application, the Board considered the following information.

The Banco de España ensures that Bank has adequate procedures for monitoring and controlling its worldwide operations through required periodic reports, internal controls, accounting requirements and sanctions for noncompliance. The Banco de España imposes reporting requirements on credit entities that require establishing internal controls for compliance. Bank has implemented internal control procedures to facilitate compliance with these requirements.

The Banco de España requires Bank to maintain annual accounts and to commission independent audits of Bank's separate and consolidated accounts each year. In accordance with the procedures and standards governing the accounting practices of a credit entity prescribed by the Banco de España, Bank must consolidate for accounting purposes any branch and any credit and financial subsidiary that has more than 50 percent of its capital owned by Bank.[5] A credit entity, such as Bank, must provide consolidated balance sheets and income statements every six months. The Banco de España also exercises supervisory powers over any subsidiary of Bank that is majority-owned or controlled, and may impose sanctions on Bank or its management for not complying with any Spanish law or regulation, including laws designed to ensure oversight of a credit entity's overall condition.

The Banco de España regularly receives financial reports from Bank that permit analysis of Bank's

provide brokerage, investment advisory, investment management, organization, and administration services with respect to certain offshore mutual funds and to non-U.S. resident customers. PRS Real Estate also engages in real estate brokerage activities, as an incidental service for clients of the PRS companies. MB Trade provides sales, liaison, and trade services to non-U.S. customers in the international trade business.

3. The Ministry of Economy and Finance of Spain ("Ministry") has overall responsibility for the Spanish banking system and monetary policy. It develops regulations and issues orders to ensure the efficiency and solvency of the Spanish banking system, and has delegated authority to the Banco de España regarding the supervision and inspection of credit entities in Spain. The Ministry may also establish minimum capital levels and ratios and impose sanctions for violations of rules and regulations.

4. In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisor:

(i) ensures that the bank has adequate procedures for monitoring and controlling its activities worldwide;

(ii) obtains information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;

(iii) obtains information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;

(iv) receives from the bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis;

(v) evaluates prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis.

These are indicia of comprehensive, consolidated supervision. No single factor is essential, and other elements may inform the Board's determination.

5. The Banco de España generally does not require consolidation of insurance subsidiaries.

worldwide condition on a consolidated basis, and obtains similar information through periodic meetings with management and on-site examinations. The Banco de España also may request any additional information needed to address any issues presented in the reports, meetings, or examinations. The Banco de España may conduct special examinations regarding any supervisory matter.

Information on the dealings and relationship between Bank and its subsidiaries is obtained through reports to and examinations by the Banco de España and through the requirement that the Ministry approve investments in other companies. These reports provide information on subsidiaries that Bank need not include in its consolidated statements, as well as information on transactions between Bank and its subsidiaries. The Banco de España evaluates prudential standards, such as capital adequacy and risk asset exposure, for Bank on a worldwide basis. The Spanish government adopted risk-based capital standards, as required by the European Community, into law in July 1992.

Based on all the facts of record, which include the information described above, the Board concludes that Bank is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.

In considering this application, the Board has also taken into account the additional standards set forth in section 7 of the IBA (12 U.S.C. § 3105(d)(3)-(4)). Bank has received the consent of its home country supervisor to establish the proposed agency. In addition, the Banco de España may share information on Bank's operations with other supervisors, including the Board.

Bank must comply with risk-based capital standards adopted by Spain. Bank's capital is in excess of the minimum levels that would be required by the Basle Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Bank are also considered consistent with approval. Bank, which has a number of branches and subsidiaries outside Spain, appears to have the experience and capacity to conduct banking operations in the United States through the proposed agency. In addition, Bank has established controls and procedures for its U.S. offices to ensure compliance with U.S. law. Under the IBA, the proposed state-licensed agency may not engage in any type of activity that is not permissible for a federally-licensed branch without the Board's approval.

Finally, Bank has committed that it will make available to the Board such information on the operations of Bank and any affiliate of Bank that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable Federal law. The Board has reviewed relevant provisions of Spanish law and has communicated with the appropriate government authorities concerning access to information. Bank also has committed to cooperate with the Board to obtain any approvals or consents that may be needed to gain access to information that may be requested by the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all of the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this Order, the Board has determined that Bank's application to establish an agency should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank and any of its affiliates subsequently interfere with the Board's ability to determine the safety and soundness of Bank's U.S. operations or the compliance by Bank or its affiliates with applicable Federal banking statutes, the Board may require termination of any of the Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on compliance by Bank with the commitments made in connection with this application, and with the conditions contained in this Order.[6] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 or 12 U.S.C. § 1847 against Bank, its offices and its affiliates.

By order of the Board of Governors, effective February 10, 1993.

Voting for this action: Chairman Greenspan and Governors Mullins, Angell, Kelley, LaWare, Lindsey, and Phillips.

JENNIFER J. JOHNSON
Associate Secretary of the Board

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

Actions Taken Under the Federal Deposit Insurance Corporation Improvement Act of 1991

By the Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board

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.

Bank Holding Company	Acquired Thrift	Surviving Bank(s)	Approval Date
First Interstate Bancorp, Los Angeles, California	HomeFed Bank, F.A., San Diego, California	First Interstate Bank of California, Los Angeles, California	February 25, 1993

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 Bank System, Inc., Minneapolis, Minnesota	Bank Western, F.S.B., Denver, Colorado	February 22, 1993
Liberty National Bancorp Inc., Louisville, Kentucky LNB Acquisition Corp., Louisville, Kentucky	Financial Dominion of Kentucky Corporation, Radcliff, Kentucky	February 26, 1993
Old National Bancorp, Evansville, Indiana	DCB Corporation, Jasper, Indiana	February 25, 1993
SunTrust Banks, Inc., Atlanta, Georgia	The Flagler Bank Corporation, West Palm Beach, Florida	February 2, 1993

Section 4

Applicant(s)	Nonbanking Activity/Company	Effective Date
Northern Trust Corporation, Chicago, Illinois	to engage *de novo* in executing and clearing futures contracts and options on those futures contracts for customers with respect to NIKKEI 225 Stock Average contracts to be traded on the Chicago Mercantile Exchange	February 10, 1993

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT

By Federal Reserve Banks

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

Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
CCB Financial Corporation, Durham, North Carolina	Mutual Savings Bank, Lenoir, North Carolina	Richmond	February 25, 1993
Citizens Bancshares Company, Chillicothe, Missouri	Blackwater Bancshares, Inc., Blackwater, Missouri	Kansas City	February 11, 1993
Citizens Bancshares Company, Chillicothe, Missouri	First Security Bank of Brookfield/Keytesville, Brookfield, Missouri	Kansas City	February 11, 1993
Commerce Bank Corporation, Winter Haven, Florida	Commerce Bank of Central Florida, Winter Haven, Florida	Atlanta	February 1, 1993
Dairyland Bank Holding Corporation, La Crosse, Wisconsin	Bank of Alma, Alma, Wisconsin La Farge State Bank, La Farge, Wisconsin	Minneapolis	January 29, 1993
FBOP Corporation, Oak Park, Illinois	Drovers Bank, Madisonville, Texas	Chicago	February 8, 1993
Fidelity Bancorp, Inc., Pittsburgh, Pennsylvania	The Fidelity Savings Bank, Pittsburgh, Pennsylvania	Cleveland	February 24, 1993
Horizon Bancorp, Inc., Beckley, West Virginia	Allegheny Bankshares Corporation, Lewisburg, West Virginia	Richmond	February 11, 1993
Raton Capital Corporation, Raton, New Mexico	International State Bank, Raton, New Mexico	Kansas City	January 29, 1993

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Snyder Holding Corporation, Kittanning, Pennsylvania F&A Financial Company, Kittanning, Pennsylvania	The Armstrong County Trust Company, Kittanning, Pennsylvania The Farmers National Bank of Kittanning, Kittanning, Pennsylvania	Cleveland	January 29, 1993
Van Diest Investment Company, Ankeny, Iowa	Hamilton County Bancshares, Inc., Webster City, Iowa	Chicago	February 2, 1993

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Banterra Corp, Eldorado, Illinois	Blankenship Insurance Agency, Inc., Eldorado, Illinois	St. Louis	February 1, 1993
BB&T Financial Corporation, Wilson, North Carolina	Security Financial Holding Company, Durham, North Carolina	Richmond	February 4, 1993
Dunn County Bankshares, Inc., Menomonie, Wisconsin	Premium Finance Corporation Inc., Eau Claire, Wisconsin	Minneapolis	February 12, 1993
First Abilene Bankshares, Inc., Abilene, Texas	First Financial Investments, Inc., Abilene, Texas	Dallas	February 3, 1993
First Union Corporation, Charlotte, North Carolina	City Finance Company, Big Spring, Texas	Richmond	February 16, 1993
Garwin Bancorporation, Garwin, Iowa	Garwin Insurance Agency, Garwin, Iowa	Chicago	February 2, 1993
The Long-Term Credit Bank of Japan, Limited, Tokyo, Japan	Peers Holdings, Inc., New York, New York	New York	February 19, 1993
Old Kent Financial Corporation, Grand Rapids, Michigan	Gladeshire L.D.H.A., Limited Partnership, Kalamazoo, Michigan	Chicago	January 28, 1993
UJB Financial Corp., Princeton, New Jersey	Richard Blackman & Co., Inc., Paramus, New Jersey	New York	February 4, 1993
Union Planters Corporation, Pemphis, Tennessee	First Federal Savings Bank of Maryville, Maryville, Tennessee	St. Louis	February 11, 1993

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.

Adams v. Greenspan, No. 93–0167 (D.D.C., filed January 27, 1993). Action by former employee under the Civil Rights Act of 1964 concerning termination of employment.

Sisti v. Board of Governors, No. 93–0033 (D.D.C., filed January 6, 1993). Challenge to Board staff interpretation with respect to margin accounts.

U.S. Check v. Board of Governors, No 92–2892 (D.D.C., filed December 30, 1992). Challenge to partial denial of request for information under the Freedom of Information Act.

UCBC, Inc. v. Board of Governors, No. 92–9572 (10th Cir., filed December 2, 1992). Petition for review of civil money penalty assessment against a bank holding company and three of its officers and directors for failure to comply with reporting requirements.

DLG Financial Corporation v. Board of Governors, No. 392 Civ. 2086-G (N.D. Texas, filed October 9, 1992). Action to enjoin the Board and the Federal Reserve Bank of Dallas from taking certain enforcement actions, and seeking money damages on a variety of tort and contract theories. On October 9, 1992, the court denied plaintiffs' motion for a temporary restraining order. On November 20, 1992, the Board filed a motion to dismiss. On December 17, 1992, plaintiffs filed an amended complaint.

Zemel v. Board of Governors, No. 92–1056 (D. District of Columbia, filed May 4, 1992). Age Discrimination in Employment Act case.

State of Idaho, Department of Finance v. Board of Governors, No. 92-70107 (9th Cir., filed February 24, 1992). Petition for review of Board order returning without action a bank holding company application to relocate its subsidiary bank from Washington to Idaho. The Board's brief was filed on June 29, 1992. Oral argument was held October 6, 1992.

In re Subpoena Served on the Board of Governors, Nos. 91–5427, 91–5428 (D.C. Cir., filed December 27, 1991). Appeal of order of district court, dated December 3, 1991, requiring the Board and the Office of the Comptroller of the Currency to produce confidential examination material to a private litigant. On June 26, 1992, the court of appeals affirmed the district court order in part, but held that the bank examination privilege was not waived by the agencies' provision of examination materials to the examined institution, and remanded for further consideration of the privilege issue. On August 6, 1992, the district court ordered the matter held in abeyance pending settlement of the underlying action.

Board of Governors v. Kemal Shoaib, No. CV 91–5152 (C.D. California, filed September 24, 1991). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On October 15, 1991, the court issued a preliminary injunction restraining the transfer or disposition of the individual's assets.

Board of Governors v. Ghaith R. Pharaon, No. 91-CIV-6250 (S.D. New York, filed September 17, 1991). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On September 17, 1991, the court issued an order temporarily restraining the transfer or disposition of the individual's assets.

FINAL ENFORCEMENT DECISIONS ISSUED BY THE BOARD OF GOVERNORS

On Certification of the Department of the Treasury—Office of the Comptroller of the Currency

In the Matter of a Notice to Prohibit Further Participation Against

Wesley Godfrey, Jr., Former Chairman and Director
Security National Bank
Shreveport, Louisiana

OCC No. AA-EC-91–189

Final Decision

This is an administrative proceeding pursuant to the Federal Deposit Insurance Act ("FDI Act") in which the Office of Comptroller of the Currency of the United States of America ("OCC") seeks to prohibit the Respondent, Wesley Godfrey, Jr., from further participation in the affairs of any financial institution as a result of his conduct as chairman of the board of directors, and acting chief executive officer of Security National Bank, Shreveport, Louisiana (the "Bank"). The proceeding comes to the Board of Governors of the Federal Reserve System (the "Board") in the form of a Recommended Decision by Administrative Law Judge ("ALJ") Walter J. Alprin recommending that the Board issue an Order of Prohibition against Godfrey by default pursuant to the provisions of 12 U.S.C. § 1818(e)(4) and 12 C.F.R. 19.23(d)(2).

Upon review of the administrative record, the Board issues this Final Decision adopting the ALJ's Recommended Decision and orders that the attached Order of Prohibition issue against Godfrey.

I. Statement of the Case

A. Procedural History

On October 17, 1991, the OCC issued a Notice of Intention to Prohibit Further Participation against Godfrey pursuant to the provisions of 12 U.S.C. § 1818(e)(1), based on allegations that Godfrey had engaged in misconduct during his tenure as chairman and acting chief executive officer of the Bank. The OCC charged that Godfrey's misconduct included: writing approximately 70 overdrafts upon his demand deposit account at the Bank; commingling personal funds with a bank escrow account; failing to secure fire and automobile insurance for bank property; making an improper capital injection into the Bank; and causing the Bank to make numerous extensions of credit in violation of the legal lending limit for the Bank. The OCC alleged that this conduct violated the law (12 U.S.C. §§ 57, 84 and 375b(4); 12 C.F.R. 215.4(d) and 32.5(a)(1)(i)), and constituted unsafe and unsound banking practices and breaches of Godfrey's fiduciary duty. The OCC also alleged that the conduct caused substantial financial loss to the Bank, and evidenced Godfrey's personal dishonesty and willful or continuing disregard for the Bank's safety or soundness. The Notice required that Godfrey file an answer to the charges within 20 days of service of the Notice. The OCC issued a second Notice of Intention to Prohibit against Godfrey, identical to the first, on November 20, 1991, after Godfrey contended that he never received the original Notice.

A lawyer who had been Godfrey's counsel in unrelated proceedings accepted service of the Notice on Godfrey's behalf. Then, by agreement of the parties, the proceeding was stayed for sixty days by ALJ Alprin to permit the parties to attempt to reach a settlement.

On March 28, 1992, after settlement negotiations had concluded unsuccessfully, and after Godfrey's lawyer had submitted notice that he would not appear for Godfrey in this proceeding,[1] Godfrey *pro se* submitted a request for a hearing and a conclusory one-sentence answer to the charges in the notice.[2] On April 16, 1992, the ALJ issued an order convening a scheduling conference and establishing a provisional hearing schedule. On the day designated for the conference, April 27, 1992, counsel for the OCC participated in a telephonic scheduling conference with the ALJ's attorney-advisor, but Godfrey did not participate.

On May 21, 1992, counsel for the OCC filed a motion to require Godfrey to supply more definite answers to the OCC's charges. OCC Counsel argued that Godfrey's conclusory denial did not meet the standards set by the Uniform Rules of Practice and Procedure ("Uniform Rules")[3] applicable to this proceeding, which do not permit general denials to suffice as an answer. 12 C.F.R. 19.19(b). On June 9, 1992, ALJ Alprin *sua sponte* issued an order striking Godfrey's answers as failing to provide a specific response to each paragraph of the Notice. Godfrey was granted until July 2, 1992 — twenty days, plus three days for mail delivery — to file his answer.

When Godfrey failed to file the required answer within the designated time, OCC Counsel filed a motion for entry of an order of default. Under the Uniform Rules of Practice and Procedure applicable to the proceeding, a failure to file an answer constitutes a waiver of a respondent's right to appear and contest the allegations in the notices. 12 C.F.R. 19.19(c). OCC Counsel argued that Godfrey's failure to file a responsive answer, after his initial general denial had been stricken as non-responsive, constituted a waiver of Godfrey's right to a hearing, and warranted the entry of a recommended order of default. Godfrey did not file any opposition to the motion for default.

On August 13, 1992, the ALJ granted the OCC's motion for default, noting that Godfrey had not responded to the motion for default in the three weeks that had elapsed since the motion was filed. The recommended decision on default was referred to the Board for final decision on September 30, 1992. Godfrey has filed no exceptions to the recommended decision.

1. On February 28, 1992, Godfrey's lawyer wrote Godfrey, with a copy to OCC Counsel, advising him that he would no longer represent Godfrey in any matter because Godfrey had not paid legal fees. The lawyer also advised Godfrey to contact the OCC to request a continuance or to perfect his right to a hearing, and not to ignore the existence of the proceeding. The letter indicated that Godfrey had been given all the original documents relating to this proceeding.

2. Godfrey's response to the charges read in its entirety: "All articles except Article I are denied and all issues were explained and corrective actions were taken to avoid violations." Article I of the Notice consisted entirely of jurisdictional allegations.

3. The Uniform Rules, adopted concurrently by each of the financial institution regulatory agencies, including the Board and the OCC, constitute a materially identical set of procedural rules that control most aspects of those agencies' enforcement proceedings. *Compare* 12 C.F.R. Part 19, Subpart A (OCC) *with* 12 C.F.R. Part 263, Subpart A (Board).

B. Statutory Framework

The FDI Act sets forth the basis upon which a federal banking agency may issue against a bank official an order of removal from office or 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) There must be a specified type of *misconduct* — violation of law, unsound practice, or breach of fiduciary duty;

(2) The misconduct must have a prescribed *effect* — financial gain to the respondent or financial harm or other damage to the institution; and

(3) The misconduct must involve *culpability* of a certain degree—personal dishonesty or willful or continuing disregard for the safety or soundness of the institution. 12 U.S.C. § 1818(e)(1).

In prohibition cases brought by the OCC with respect to a party affiliated with a national bank, the findings and conclusions of the ALJ are certified to the Board to determine whether any order shall issue. 12 U.S.C. § 1818(e)(4).

The Uniform Rules state that an answer must specifically respond to each paragraph or allegation of fact contained in the notice and must admit, deny, or state that the party lacks sufficient information to admit or deny each allegation of fact. 12 C.F.R. 19.19(b). Denials must fairly meet the substance of each allegation of fact denied; general denials are not permitted. *Id.*

The Uniform Rules provide that, following the issue of a notice of intention to prohibit an institution-affiliated party, a Respondent's failure to file an answer within the time provided constitutes a waiver of his or her right to appear and to contest the allegations in the notice. 12 C.F.R. 19.19(c). If no timely answer is filed, Enforcement Counsel is authorized to file a motion for entry of an order of default. *Id.* Upon a finding that no good cause has been shown for the failure to file a timely answer, the ALJ is directed to file a recommended decision containing the findings and relief sought by the agency. *Id.*

II. Discussion

In the circumstances of this case, it is clear that the OCC has established the basis for a default order of prohibition under the terms of the Uniform Rules. The fact that Godfrey was duly served with notice of the proceeding is supported by the letter from his counsel attesting to that service, and by Godfrey's letter requesting a hearing and generally denying the allegations. The OCC and the ALJ provided Godfrey with repeated opportunities to appear and contest the charges, and there is no basis for any inference that Godfrey's default is the result of any mischance or inadvertence.[4] The ALJ acted reasonably and in accordance with the Uniform Rules in refusing to accept Godfrey's general denials as an answer and in finding that no good cause existed for relieving Godfrey from the consequences of his failure to submit an answer to the Notice that complied with the requirements of the Uniform Rules.

Conclusion

For these reasons, the Board orders that the attached Order of Prohibition issue.

Order of Removal and 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 Removal and Prohibition should issue against WESLEY GODFREY, JR.

NOW, THEREFORE, IT IS HEREBY ORDERED, pursuant to sections 8(b)(3), 8(e), and 8(j) of the Act, (12 U.S.C. §§ 1818(b)(3), 1818(e) and 1818(j)), that:

1. WESLEY GODFREY, JR. is removed from all offices he holds with Security National Bank, Shreveport, Louisiana, and any other insured depository institution or bank holding company;

2. 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)), WESLEY GODFREY, JR. is hereby prohibited:

   (a) From participating in the conduct of the affairs of any bank holding company, any insured depository institution or any other 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));

4. Indeed, the fact that Godfrey's lawyer felt it necessary to warn him not to ignore this proceeding suggests that Godfrey's failure to appear was a deliberate choice on Godfrey's part.

(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.

3. 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 upon the expiration of thirty days after service is made.

By Order of the Board of Governors, this 1st day of February, 1993.

Board of Governors of the
Federal Reserve System

WILLIAM W. WILES
Secretary of the Board

On Certification of the Department of the Treasury—Office of the Comptroller of the Currency

In the Matter of a Notice to Prohibit Further Participation Against

Tommie J. Owen, Former President and
Chairman of Board of Directors
Everman National Bank
Fort Forth, Texas

OCC No. AA-EC-92-143

Final Decision

This is an administrative proceeding pursuant to the Federal Deposit Insurance Act ("FDI Act") in which the Office of Comptroller of the Currency of the United States of America ("OCC") seeks to prohibit the Respondent, Tommie J. Owen, from further participation in the affairs of any financial institution as a result of his conduct as president and chairman of the board of directors of Everman National Bank, Fort Worth, Texas, (the "Bank"). The proceeding comes to the Board of Governors of the Federal Reserve System (the "Board") in the form of a Recommended Decision by Administrative Law Judge ("ALJ") Arthur L. Shipe recommending that the Board issue an Order of Prohibition against Owen by default pursuant to the provisions of 12 U.S.C. § 1818(e) and 12 C.F.R. 19.19(c).

Upon review of the administrative record, the Board issues this Final Decision adopting the ALJ's Recommended Decision and orders that the attached Order of Prohibition issue against Owen.

I. Statement of the Case

A. Procedural History

On May 11, 1992, the OCC issued a Notice of Intention to Prohibit Further Participation against Owen pursuant to the provisions of 12 U.S.C. § 1818(e)(1), based on allegations that Owen had engaged in misconduct during his tenure as chairman of the board of directors and president of the Bank, which subsequently failed. The OCC charged that Owen's misconduct included: causing the Bank to file materially inaccurate regulatory reports for three years by failing to record $600,000 in letters of credit that Owen had caused to be issued; participating in violations of a consent cease and desist order requiring the Bank to correct unsafe and unsound practices; and concealing losses on extensions of credit by, among other things, altering the loan due dates on loan documents. The OCC alleged that this conduct violated laws and regulations applicable to national banks and constituted unsafe and unsound banking practices and breaches of Owen's fiduciary duty. The OCC also alleged that the conduct caused substantial financial loss or other damage to the Bank, and evidenced Owen's personal dishonesty or a willful or continuing disregard for the Bank's safety or soundness. The Notice required that Owen file an answer to the charges within 20 days of service of the Notice.

For reasons that do not appear in the record, the Notice was not served until June 30, 1992, when it was sent to Owen's address by certified mail. Under the Uniform Rules of Practice and Procedure ("Uniform Rules")[1] applicable to this proceeding, Owen's answer was due to be filed on July 23, 1992—20 days from June 30 plus three extra days for service by mail. 12 C.F.R. 19.12(c)(1). The record contains a certified mail return receipt signed by Joan Owen as Agent for Owen dated July 3, 1992. The record also contains a certificate from OCC Docket Clerk Lisa Chase, dated September 9, 1992, certifying that the OCC had received no answer to the Notice, no entry of appear-

1. The Uniform Rules, adopted concurrently by each of the financial institution regulatory agencies, including the Board and the OCC, constitute a materially identical set of procedural rules that control most aspects of those agencies' enforcement proceedings. *Compare* 12 C.F.R. Part 19, Subpart A (OCC) *with* 12 C.F.R. Part 263, Subpart A (Board).

ance by counsel on Owen's behalf, and no notice of self-representation by Owen.

On September 9, 1992, OCC Enforcement Counsel filed with the ALJ a motion for entry of an order of default pursuant to the Uniform Rules, which provide that a failure to file an answer constitutes a waiver of a respondent's right to appear and contest the allegations in the notice. 12 C.F.R. 19.19(c). Owen did not file any opposition to the motion for default.

On October 1, 1992, ALJ Shipe issued a Show Cause Order, directing that Owen show cause within ten days of receipt of the order why the ALJ should not file a recommended decision containing the findings and relief sought in the OCC's Notice. The Show Cause Order was personally served upon Owen on October 17, 1992. Owen filed no response to the Order.

On November 18, 1992, the ALJ granted the OCC's motion for default, finding that the Notice had been duly served upon Owen and that Owen had never filed an answer. The ALJ further noted that Owen had not responded either to the OCC's motion or to the ALJ's Show Cause Order. Accordingly, the ALJ found that the record satisfied all of the requisites for default pursuant to 12 C.F.R. 19.19 and that no good cause had been shown as to why an Order of Default should not be entered.

The Recommended Decision on Default was referred to the Board for final decision on January 22, 1993. Owen has filed no exceptions to the Recommended Decision.

B. Statutory Framework

The FDI Act sets forth the basis upon which a federal banking agency may issue against a bank official an order of removal from office or 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) There must be a specified type of *misconduct* — violation of law, unsound practice, or breach of fiduciary duty;

(2) The misconduct must have a prescribed *effect* — financial gain to the respondent or financial harm or other damage to the institution; and

(3) The misconduct must involve *culpability* of a certain degree—personal dishonesty or willful or continuing disregard for the safety or soundness of the institution. 12 U.S.C. § 1818(e)(1).

In prohibition cases brought by the OCC with respect to a party affiliated with a national bank, the findings and conclusions of the ALJ are certified to the Board to determine whether any order shall issue. 12 U.S.C. § 1818(e)(4).

The Uniform Rules provide that, following the issue of a notice of intention to prohibit an institution-affiliated party, a Respondent's failure to file an answer within the time provided constitutes a waiver of his or her right to appear and to contest the allegations in the notice. 12 C.F.R. 19.19(c). If no timely answer is filed, Enforcement Counsel is authorized to file a motion for entry of an order of default. *Id.* Upon a finding that no good cause has been shown for the failure to file a timely answer, the ALJ is directed to file a recommended decision containing the findings and relief sought by the agency. *Id.*

II. Discussion

In the circumstances of this case, it is clear that the OCC has established the basis for a default order of prohibition under the terms of the Uniform Rules. The fact that Owen was duly served with notice of the proceeding and of his obligation to answer is supported by the signed certified mail return receipt. The OCC and the ALJ provided Owen with repeated opportunities to respond to the charges, and there is no basis for any inference that Owen's default is the result of any mischance or inadvertence. The ALJ acted reasonably and in accordance with the Uniform Rules in finding that no good cause existed for relieving Owen from the consequences of his failure to submit an answer to the Notice.

Conclusion

For these reasons, the Board orders that the attached Order of Prohibition issue.

In the Matter of a Notice to Prohibit Further Participation Against

Tommie J. Owen, Former President and
Chairman of Board
Everman National Bank
Fort Worth, Texas

OCC No. AA-EC-92-143

Order of Removal and 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 Removal and Prohibition should issue against TOMMIE J. OWEN.

NOW, THEREFORE, IT IS HEREBY ORDERED, pursuant to sections 8(b)(3), 8(e), and 8(j) of the Act, (12 U.S.C. §§ 1818(b)(3), 1818(e) and 1818(j)), that:

1. TOMMIE J. OWEN is removed from all offices he holds with Everman National Bank, Fort Worth, Texas, and any other insured depository institution or bank holding company;
2. 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)), TOMMIE J. OWEN is hereby prohibited:
   (a) From participating in the conduct of the affairs of any bank holding company, any insured depository institution or any other 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.
3. 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 upon the expiration of thirty days after service is made.

By Order of the Board of Governors, this 11th day of February, 1993.

Board of Governors of the
Federal Reserve System

WILLIAM W. WILES
Secretary of the Board

Final Enforcement Orders Issued by the Board of Governors

Donald E. Stuwe
Hugo, Colorado

The Federal Reserve Board announced on February 17, 1993, the issuance of an Order of Assessment of a Civil Money Penalty against Donald E. Stuwe, an institution-affiliated party of First Liberty Capital Corporation, Hugo, Colorado.

Written Agreements Approved by Federal Reserve Banks

BSD Bancorp, Inc.
San Diego, California

The Federal Reserve Board announced on February 9, 1993, the execution of a Written Agreement between the Federal Reserve Bank of San Francisco, and BSD Bancorp, Inc., San Diego, California.

Carney Bank
Boynton Beach, Florida

The Federal Reserve Board announced on February 11, 1993, the execution of a Written Agreement among the Federal Reserve Bank of Atlanta, the State Comptroller and Banking Commissioner of the State of Florida, and the Carney Bank, Boynton Beach, Florida.

Union State Bank
Upton, Wyoming

The Federal Reserve Board announced on February 24, 1993, the execution of a Written Agreement among the Federal Reserve Bank of Kansas City, the Wyoming State Banking Commissioner, Division of Banking, and the Union State Bank, Upton, Wyoming.

Financial and Business Statistics

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SYMBOLS AND ABBREVIATIONS

c	Corrected
e	Estimated
n.a.	Not available
n.e.c.	Not elsewhere classified
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
. . .	Cell not applicable
ATS	Automatic transfer service
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
NOW	Negotiable order of withdrawal
OCD	Other checkable deposit
OPEC	Organization of Petroleum Exporting Countries
OTS	Office of Thrift Supervision
PO	Principal only
REIT	Real estate investment trust
REMIC	Real estate mortgage investment conduit
RP	Repurchase agreement
RTC	Resolution Trust Corporation
SAIF	Savings Association Insurance Fund
SCO	Securitized credit obligation
SDR	Special drawing right
SIC	Standard Industrial Classification
SMSA	Standard metropolitan statistical area
VA	Veterans Administration

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 and credit aggregate	1992[r]				1992[r]				1993
	Q1	Q2	Q3	Q4	Sept.	Oct.	Nov.	Dec.	Jan.
Reserves of depository institutions[2]									
1 Total	23.4	14.9	9.3	27.9	24.4	42.0	20.9	9.1	2.6
2 Required	23.5	15.4	9.9	27.4	23.4	40.9	22.1	6.7	.4
3 Nonborrowed	24.0	14.8	8.4	29.2	23.7	45.6	21.8	8.7	1.7
4 Monetary base[3]	9.1	7.8	10.5	12.9	17.2	12.2	10.3	9.8	7.7
Concepts of money, liquid assets, and debt[4]									
5 M1	15.4	10.6	11.7	16.8	18.0	19.1	15.7	8.8	7.8
6 M2	3.3	.6	.8	3.1	2.7	4.6	3.0	−.7	−4.1
7 M3	2.0	−.3	.1	.2	1.2	.0	.6	−4.3	−8.3
8 L	1.4	1.5	1.1	2.3	2.7	2.0	3.9	−1.4	n.a.
9 Debt	4.3	5.4	4.2	4.2	3.3	2.6	6.2	6.6	n.a.
Nontransaction components									
10 In M2[5]	−1.0	−3.0	−3.2	−2.3	−3.3	−1.3	−2.2	−4.6	−9.1
11 In M3 only[6]	−4.2	−4.9	−3.6	−13.6	−6.3	−22.7	−11.1	−22.7	−29.9
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	18.8	12.6	10.9	12.9	15.8	14.5	10.3	5.7	−3.3
13 Small time[7]	−19.6	−13.4	−17.4	−17.1	−18.1	−17.3	−18.5	−11.5	−12.3
14 Large time[8,9]	−15.2	−13.3	−18.6	−18.3	−16.8	−26.5	−16.2	−9.8	−32.2
Thrift institutions									
15 Savings, including MMDAs	20.2	18.1	9.2	8.7	10.0	7.7	9.9	5.6	.8
16 Small time[7]	−24.0	−29.8	−18.6	−21.6	−18.7	−26.8	−21.0	−21.1	−15.8
17 Large time[8,9]	−26.8	−31.9	−14.9	−11.3	−1.7	.0	−29.1	−21.0	−5.3
Money market mutual funds									
18 General purpose and broker-dealer	−2.4	−3.3	−7.3	−.9	−17.4	14.5	−2.4	−7.2	−10.0
19 Institution-only	33.0	23.9	32.9	−19.4	−1.1	−53.3	−9.7	−39.6	−27.3
Debt components[4]									
20 Federal	10.0	14.4	10.8	5.9	5.0	−1.4	10.5	16.3	n.a.
21 Nonfederal	2.5	2.5	1.9	3.6	2.7	4.0	4.7	3.2	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. 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 Treasury, Federal Reserve Banks, and the vaults of depository institutions; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float; and (4) other checkable deposits (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) overnight (and continuing-contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, (2) savings (including MMDAs) and small time deposits (time deposits—including retail repurchase agreements (RPs)—in amounts of less than $100,000), and (3) balances in both taxable and tax-exempt general-purpose and broker–dealer money market funds. Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker–dealer), foreign governments and commercial banks, and the U.S. government. Seasonally adjusted M2 is computed by adjusting its non-M1 component as a whole and then adding this result to seasonally adjusted M1.

M3: M2 plus (1) large time deposits and term RP liabilities (in amounts of $100,000 or more) issued by all depository institutions, (2) term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and (3) balances in both taxable and tax-exempt, institution-only money market funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also excluded is the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. Seasonally adjusted M3 is computed by adjusting its non-M2 component as a whole and then 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: Debt of domestic nonfinancial sectors consists of outstanding credit-market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. Data are derived from the Federal Reserve Board's flow of funds accounts. Data on debt of domestic nonfinancial sectors are monthly averages, derived by averaging adjacent month-end levels. Growth rates for debt reflect adjustments for discontinuities over time in the levels of debt presented in other tables.

5. Sum of (1) overnight RPs and Eurodollars, (2) money market fund balances (general purpose and broker–dealer), (3) MMDAs, and (4) savings and small time deposits.

6. Sum of (1) large time deposits, (2) term RPs, (3) term Eurodollars of U.S. residents, and (4) money market fund balances (institution-only), less (5) a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. This sum is seasonally adjusted as a whole.

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, and foreign banks and official institutions.

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						
	1992		1993	1992			1993			
	Nov.	Dec.	Jan.	Dec. 16	Dec. 23	Dec. 30	Jan. 6	Jan. 13	Jan. 20	Jan. 27
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	327,923	335,874[r]	336,825	333,627	338,688	342,155[r]	344,234	336,140	337,363	332,703
U.S. government securities[2]										
2 *Bought outright—System account*	288,434	295,258	297,541	294,929	296,138	297,076	295,539	299,052	298,631	296,880
3 Held under repurchase agreements	2,640	3,780	2,582	1,865	6,119	6,432	9,348	864	2,290	0
Federal agency obligations										
4 Bought outright	5,534	5,477	5,379	5,485	5,450	5,434	5,413	5,413	5,403	5,331
5 Held under repurchase agreements	145	174	189	0	103	546	728	32	168	0
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	81	62	182	20	59	78	435	40	341	71
8 Seasonal credit	39	18	10	18	20	18	6	6	15	10
9 Extended credit	0	1	1	2	1	0	0	0	1	3
10 Float	575	1,310[r]	1,028	1,592	831	2,384[r]	2,628	1,132	741	527
11 Other Federal Reserve assets	30,474	29,795	29,913	29,717	29,969	30,187	30,136	29,601	29,773	29,879
12 Gold stock	11,059	11,057	11,055	11,057	11,057	11,056	11,056	11,056	11,055	11,055
13 *Special drawing rights certificate account*	10,018	8,663	8,018	8,304	8,018	8,018	8,018	8,018	8,018	8,018
14 Treasury currency outstanding	21,396	21,447	21,509	21,441	21,455	21,469	21,483	21,497	21,511	21,525
ABSORBING RESERVE FUNDS										
15 Currency *in circulation*	324,505	330,563	330,373	329,149	331,166	334,120	334,533	331,912	329,782	327,958
16 Treasury cash holdings	504	515	505	517	512	510	507	505	502	502
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,617	6,011	7,693	5,002	7,764	6,320	8,360	5,492	6,988	8,761
18 Foreign	284	201	215	203	220	207	218	196	212	215
19 Service-related balances and adjustments	5,898	5,953	6,428	5,845	5,780	6,333[r]	6,179	6,539	6,969	6,228
20 Other	293	295	285	293	313	290	342	255	282	276
21 Other Federal Reserve liabilities and capital	7,834	8,109	8,523	8,052	8,399	8,402	8,027	8,262	8,692	8,739
22 Reserve balances with Federal Reserve Banks[3]	25,460	25,394	23,388	25,369	25,063	26,518	26,624	23,550	24,520	20,622

Factor	End-of-month figures			Wednesday figures						
	Nov.	Dec.	Jan.	Dec. 16	Dec. 23	Dec. 30	Jan. 6	Jan. 13	Jan. 20	Jan. 27
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	331,113	342,512[r]	333,085	334,709	347,401	343,646[r]	350,590	334,532	348,010	332,652
U.S. government securities[2]										
2 Bought outright—System account	292,696	295,011	296,977	297,995	296,066	296,212	296,363	296,764	296,550	297,426
3 Held under repurchase agreements	3,256	7,463	0	0	13,132	5,130	16,076	0	10,128	0
Federal agency obligations										
4 Bought outright	5,534	5,413	5,310	5,450	5,450	5,413	5,413	5,413	5,348	5,310
5 Held under repurchase agreements	254	631	0	0	277	646	920	0	1,027	0
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	10	671	21	15	87	39	162	36	2,233	251
8 *Seasonal credit*	25	4	10	22	19	16	4	4	5	15
9 Extended credit	0	0	4	2	0	1	0	0	2	4
10 Float	20	3,253[r]	234	1,501	2,181	5,904[r]	1,108	2,558	2,196	−335
11 Other Federal Reserve assets	29,358	30,067	30,529	29,724	30,190	30,286	30,544	29,757	30,521	29,982
12 Gold stock	11,059	11,056	11,055	11,057	11,056	11,056	11,056	11,056	11,055	11,055
13 Special drawing rights certificate account	10,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
14 Treasury currency outstanding	21,413	21,483	21,539	21,441	21,455	21,469	21,483	21,497	21,511	21,525
ABSORBING RESERVE FUNDS										
15 Currency in circulation	327,261	334,737	326,623	329,863	333,200	335,001	333,619	330,872	329,352	327,185
16 Treasury cash holdings	525	508	508	513	510	508	506	502	501	508
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	6,985	7,492	9,572	6,958	6,568	7,270	7,840	5,080	17,577	10,750
18 Foreign	229	206	244	221	178	254	175	203	226	274
19 Service-related balances and adjustments	6,066	6,179[r]	6,009	5,845	5,780	6,333[r]	6,179	6,539	6,969	6,228
20 Other	296	372	282	266	305	266	228	282	279	273
21 Other Federal Reserve liabilities and capital	7,759	7,984	9,141	8,069	8,344	8,278	8,143	8,360	8,649	8,624
22 Reserve balances with Federal Reserve Banks[3]	24,481	25,592[r]	21,318	23,490	33,045	26,279	34,457	23,265	25,042	19,408

1. For amounts of cash held as reserves, see table 1.12.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes any securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. 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									
	1990	1991	1992	1992						1993
	Dec.	Dec.	Dec.[r]	July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.
1 Reserve balances with Reserve Banks[2]	30,237	26,659	25,368	21,206	21,272	22,627	23,626	25,462	25,368	23,636
2 Total vault cash[3]	31,786	32,510[r]	34,535	32,145	32,458[r]	32,342[r]	32,987[r]	32,457	34,535	35,991
3 Applied vault cash[4]	28,884	28,872	31,172	28,617	28,890	28,894	29,510	29,205	31,172	32,367
4 Surplus vault cash[5]	2,903	3,638[r]	3,364	3,528	3,568[r]	3,448	3,477[r]	3,252	3,364	3,624
5 Total reserves[6]	59,120	55,532	56,540	49,823	50,162	51,521	53,136	54,666	56,540	56,003
6 Required reserves	57,456	54,553	55,385	48,857	49,227	50,527	52,062	53,624	55,385	54,746
7 Excess reserve balances at Reserve Banks[7]	1,664	979	1,155	965	935	994	1,074	1,043	1,155	1,257
8 Total borrowings at Reserve Banks[8]	326	192	124	284	251	287	143	104	124	165
9 Seasonal borrowings	76	38	18	203	223	193	114	40	18	11
10 Extended credit[9]	23	1	1	0	0	0	0	0	1	1
	Biweekly averages of daily figures for weeks ending									
	1992							1993		
	Sept. 30	Oct. 14	Oct. 28	Nov. 11	Nov. 25	Dec. 9	Dec. 23	Jan. 6[r]	Jan. 20	Feb. 3
1 Reserve balances with Reserve Banks[2]	22,048	23,810	23,031	25,535	25,730	24,548	25,209	26,569	24,057	21,500
2 Total vault cash[3]	33,033	32,928[r]	33,324[r]	31,688[r]	32,398	34,315	34,770	34,374	36,389	36,369
3 Applied vault cash[4]	29,351	29,438	29,790	28,539	29,117	30,918	31,373	31,105	32,829	32,468
4 Surplus vault cash[5]	3,682	3,490[r]	3,534[r]	3,150[r]	3,281	3,397	3,397	3,269	3,560	3,901
5 Total reserves[6]	51,399	53,248	52,821	54,074	54,846	55,466	56,582	57,674	56,886	53,968
6 Required reserves	50,217	52,099	51,750	53,346	53,485	54,625	55,357	56,289	55,657	52,744
7 Excess reserve balances at Reserve Banks[7]	1,182	1,149	1,071	728	1,361	841	1,225	1,385	1,229	1,224
8 Total borrowings at Reserve Banks[8]	259	185	118	66	138	95	60	269	202	64
9 Seasonal borrowings	196	146	95	53	37	22	19	12	11	11
10 Extended credit[9]	0	0	0	0	0	0	2	0	1	3

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover.
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 can be used to satisfy reserve requirements. Under contemporaneous reserve requirements, maintenance periods end thirty days after the lagged computation periods during which the balances are held.
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 there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.

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

Millions of dollars, averages of daily figures

Source and maturity	1992, week ending Monday								
	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30	Dec. 7	Dec. 14	Dec. 21	Dec. 28
Federal funds purchased, repurchase agreements, and other selected borrowings									
From commercial banks in the United States									
1 For one day or under continuing contract	67,659[r]	73,216[r]	72,722[r]	72,006[r]	73,294[r]	78,107	79,155	74,281	71,828
2 For all other maturities	15,148	15,385	16,007	15,626	16,355	15,108	14,754	14,242	13,825
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 For one day or under continuing contract	19,074	18,264	18,965	22,633	17,881	16,203	18,475	19,157	20,597
4 For all other maturities	17,575[r]	18,399[r]	19,538[r]	20,914[r]	19,369[r]	18,294	19,201	19,013	18,783
Repurchase agreements on U.S. government and federal agency securities									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	15,647	14,849	12,884	13,790	11,784	12,150	11,568	11,118	10,237
6 For all other maturities	20,699	20,852	20,203	21,173	20,397	20,577	22,850	18,899	18,183
All other customers									
7 For one day or under continuing contract	23,464	22,855	22,846	23,570	20,912	23,747	23,883	23,265	22,808
8 For all other maturities	13,206	12,731	12,882	12,860	15,722	13,102	13,173	12,897	14,151
MEMO									
Federal funds loans and resale agreements in immediately available funds in maturities of one day or under continuing contract									
9 To commercial banks in the United States	39,535[r]	38,369[r]	39,813[r]	34,462[r]	36,849[r]	40,002	38,196	38,439	37,991
10 To all other specified customers[2]	17,793	18,799	21,181	21,060	20,546	22,053	22,097	20,570	18,270

1. Banks with assets of $4 billion or more as of Dec. 31, 1988.
Data in this table also appear in the Board's H.5 (507) weekly statistical release. For ordering address, see inside front cover.

2. Brokers and nonbank dealers in securities, other depository institutions, foreign banks and official institutions, and U.S. government agencies.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit[1]			Seasonal credit[2]			Extended credit[3]		
	On 2/26/93	Effective date	Previous rate	On 2/26/93	Effective date	Previous rate	On 2/26/93	Effective date	Previous rate
Boston	3	7/2/92	3.5	3.05	2/18/93	3.10	3.55	2/18/93	3.60
New York		7/2/92			2/18/93			2/18/93	
Philadelphia		7/2/92			2/18/93			2/18/93	
Cleveland		7/6/92			2/18/93			2/18/93	
Richmond		7/2/92			2/18/93			2/18/93	
Atlanta		7/2/92			2/18/93			2/18/93	
Chicago		7/2/92			2/18/93			2/18/93	
St. Louis		7/7/92			2/18/93			2/18/93	
Minneapolis		7/2/92			2/18/93			2/18/93	
Kansas City		7/2/92			2/18/93			2/18/93	
Dallas		7/2/92			2/18/93			2/18/93	
San Francisco	3	7/2/92	3.5	3.05	2/18/93	3.10	3.55	2/18/93	3.60

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
29	10	10
July 28	10–11	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1981—May 5	13–14	14
8	14	14
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
July 11	6	6

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1986—Aug. 21	5.5–6	5.5
22	5.5	5.5
1987—Sept. 4	5.5–6	6
11	6	6
1988—Aug. 9	6–6.5	6.5
11		
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
Sept. 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
In effect Feb. 26, 1993	3	3

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 on 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 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[2]	Requirements	
	Percent of deposits	Effective date
Net transaction accounts[3]		
1 $0 million–$46.8 million	3	12/15/92
2 More than $46.8 million[4]	10	12/15/92
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 provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge corporations.

2. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97–320) requires that $2 million of reservable liabilities of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 15, 1992, the exemption was raised from $3.6 million to $3.8 million. The exemption applies in the following order: (1) net negotiable order of withdrawal (NOW) accounts (NOW accounts less allowable deductions); and (2) net other transaction accounts. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement.

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

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 each year. Effective Dec. 15, 1992, for institutions reporting quarterly, and Dec. 24, 1992, for institutions reporting weekly, the amount was increased from $42.2 million to $46.8 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. The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

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.

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as were the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 4).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction	1990	1991	1992	1992						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.
U.S. TREASURY SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	24,739	20,158	14,714	306	0	271	595	4,072	1,064	3,669
2 Gross sales	7,291	120	1,628	0	0	0	0	0	0	0
3 Exchanges	241,086	277,314	308,699	22,028[r]	30,755[r]	25,041	22,277[r]	28,907	25,468	29,562
4 Redemptions	4,400	1,000	1,600	0	0	0	0	0	0	0
Others within one year										
5 Gross purchases	425	3,043	1,096	285[r]	0	0	350[r]	0	461[r]	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shifts	25,638	24,454	36,662	3,447[r]	985[r]	4,448[r]	2,753	2,010	7,160	2,777
8 Exchanges	−27,424	−28,090	−30,543	−1,854	−1,669	−4,617	−1,905	−982	−4,615	−1,570
9 Redemptions	0	1,000	0	0	0	0	0	0	0	0
One to five years										
10 Gross purchases	250	6,583	13,118	1,993[r]	0	400	3,500[r]	200	4,172[r]	200
11 Gross sales	200	0	0	0	0	0	0	0	0	0
12 Maturity shifts	−21,770	−21,211	−34,478	−3,447	−514[r]	−4,036	−2,753	−1,762	−6,800	−2,777
13 Exchanges	25,410	24,594	25,811	1,854	1,478	3,567	1,905	884	3,415	1,570
Five to ten years										
14 Gross purchases	0	1,280	2,818	597	0	195[r]	750[r]	0	1,176	100
15 Gross sales	100	0	0	0	0	0	0	0	0	0
16 Maturity shifts	−2,186	−2,037	−1,915	0	−471	−412	0	−248	−187	0
17 Exchanges	789	2,894	3,532	0	191	700	0	97	800	0
More than ten years										
18 Gross purchases	0	375	2,333	655	0	0[r]	731	0	947	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shifts	−1,681	−1,209	−269	0	0	0	0	0	−173	0
21 Exchanges	1,226	600	1,200	0	0	350	0	0	400	0
All maturities										
22 Gross purchases	25,414	31,439	34,079	3,836	0	866	5,927	4,272	7,820	3,969
23 Gross sales	7,591	120	1,628	0	0	0	0	0	0	0
24 Redemptions	4,400	1,000	1,600	0	0	0	0	0	0	0
Matched transactions										
25 Gross sales	1,369,052	1,570,456	1,482,467	126,977	127,051	103,708[r]	116,331	116,024	115,020	144,232
26 Gross purchases	1,363,434	1,571,534	1,480,140	129,216	126,137	101,410[r]	115,579	114,917	117,020	142,578
Repurchase agreements[2]										
27 Gross purchases	219,632	310,084	378,374	10,792	12,224	39,484	68,697	18,698	42,373	48,904
28 Gross sales	202,551	311,752	386,257	11,036	12,224	31,868	59,628	35,383	39,117	44,697
29 Net change in U.S. government securities	24,886	29,729	20,642	5,831	−914	6,184	14,244	−13,520	13,075	6,521
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	5	0	0	0	0	0	0	0	0
32 Redemptions	183	292	632	40	85	54	37	0	0	121
Repurchase agreements[2]										
33 Gross purchases	41,836	22,807	14,565	402	94	601	3,222	1,778	2,760	1,601
34 Gross sales	40,461	23,595	14,486	402	94	548	1,800	3,253	2,506	1,224
35 Net change in federal agency obligations	1,192	−1,085	−554	−40	−85	−1	1,385	−1,475	254	256
36 Total net change in System Open Market Account	**26,078**	**28,644**	**20,089**	**5,791**	**−1,000**	**6,183**	**15,629**	**−14,995**	**13,329**	**6,777**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

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

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

Millions of dollars

Account	Wednesday					End of month		
	1992	1993				1992		1993
	Dec. 30	Jan. 6	Jan. 13	Jan. 20	Jan. 27	Nov. 30	Dec. 31	Jan. 31
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,056	11,056	11,056	11,055	11,055	11,059	11,056	11,055
2 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	10,018	8,018	8,018
3 Coin	455	449	462	483	508	491	446	519
Loans								
4 To depository institutions	56	166	40	2,241	269	35	675	35
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	5,413	5,413	5,413	5,348	5,310	5,534	5,413	5,310
8 Held under repurchase agreements	646	920	0	1,027	0	254	631	0
9 **Total U.S. Treasury securities**	**301,342**	**312,439**	**296,764**	**306,678**	**297,426**	**295,952**	**302,474**	**296,977**
10 Bought outright[2]	296,212	296,363	296,764	296,550	297,426	292,696	295,011	296,977
11 Bills	142,996	143,147	143,548	143,334	144,210	139,780	141,794	143,761
12 Notes	118,179	118,179	118,179	118,179	118,179	117,879	118,179	118,179
13 Bonds	35,037	35,037	35,037	35,037	35,037	35,037	35,037	35,037
14 Held under repurchase agreements	5,130	16,076	0	10,128	0	3,256	7,463	0
15 **Total loans and securities**	**307,456**	**318,938**	**302,217**	**315,293**	**303,005**	**301,775**	**309,192**	**302,321**
16 Items in process of collection	11,756	7,923	7,394	11,280	5,337	1,912	8,378	4,565
17 Bank premises	1,028	1,026	1,026	1,026	1,026	1,029	1,026	1,026
Other assets								
18 Denominated in foreign currencies[3]	21,852	21,522	21,543	21,587	21,609	22,150	21,514	21,980
19 All other[4]	7,468	7,995	7,179	8,024	7,373	6,245	7,738	7,572
20 **Total assets**	**369,089**	**376,927**	**358,894**	**376,767**	**357,932**	**354,679**	**367,368**	**357,057**
LIABILITIES								
21 Federal Reserve notes	314,494	313,091	310,339	308,826	306,675	306,863	314,208	306,110
22 **Total deposits**	**40,960**	**49,325**	**35,183**	**50,256**	**38,052**	**37,840**	**40,148**	**37,632**
23 Depository institutions	33,170	41,083	29,619	32,175	26,753	30,348	32,079	27,533
24 U.S. Treasury—General account	7,270	7,840	5,080	17,577	10,750	6,985	7,492	9,572
25 Foreign—Official accounts	254	175	203	226	274	229	206	244
26 Other	266	228	282	279	273	296	372	282
27 Deferred credit items	5,356	6,367	5,011	9,036	4,580	2,216	5,028	4,174
28 Other liabilities and accrued dividends[5]	1,873	2,337	2,242	2,366	2,281	1,894	1,876	2,288
29 **Total liabilities**	**362,683**	**371,120**	**352,775**	**370,484**	**351,589**	**348,814**	**361,260**	**350,204**
CAPITAL ACCOUNTS								
30 Capital paid in	3,054	3,064	3,065	3,069	3,069	3,028	3,054	3,074
31 Surplus	2,649	2,716	2,866	2,924	2,967	2,546	3,054	2,974
32 Other capital accounts	702	27	188	290	307	291	0	806
33 **Total liabilities and capital accounts**	**369,089**	**376,927**	**358,894**	**376,767**	**357,932**	**354,679**	**367,368**	**357,057**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	290,166	289,250	292,767	296,251	300,586	285,765	291,393	297,501
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Bank)	363,714	362,922	364,076	364,614	366,095	359,274	363,479	366,486
36 LESS: Held by Federal Reserve Bank	49,220	49,832	53,736	55,788	59,420	52,410	49,271	60,376
37 Federal Reserve notes, net	314,494	313,091	310,339	308,826	306,675	306,863	314,208	306,110
Collateral held against notes, net:								
38 Gold certificate account	11,056	11,056	11,056	11,055	11,055	11,059	11,056	11,055
39 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	10,018	8,018	8,018
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	295,420	294,017	291,266	289,752	287,602	285,787	295,134	287,037
42 **Total collateral**	**314,494**	**313,091**	**310,339**	**308,826**	**306,675**	**306,863**	**314,208**	**306,110**

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

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

Millions of dollars

Type and maturity grouping	Wednesday					End of month		
	1992	1993				1992		1993
	Dec. 30	Jan. 6	Jan. 13	Jan. 20	Jan. 27	Nov. 30	Dec. 31	Jan. 31
1 **Total loans**	**56**	**166**	**40**	**2,241**	**269**	**35**	**675**	**35**
2 Within fifteen days	55	165	39	2,240	268	23	673	33
3 Sixteen days to ninety days	1	1	1	1	1	12	1	1
4 Ninety-one days to one year	0	0	0	0	0	0	0	0
5 **Total acceptances**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
6 Within fifteen days	0	0	0	0	0	0	0	0
7 Sixteen days to ninety days	0	0	0	0	0	0	0	0
8 Ninety-one days to one year	0	0	0	0	0	0	0	0
9 **Total U.S. Treasury securities**	**308,435**	**312,439**	**296,764**	**306,678**	**297,426**	**295,952**	**302,474**	**296,977**
10 Within fifteen days[2]	18,785	28,631	12,914	21,160	14,844	8,620	12,824	9,160
11 Sixteen days to ninety days	70,610	70,208	73,285	71,940	68,910	75,398	70,610	74,289
12 Ninety-one days to one year	103,582	98,142	95,106	98,361	98,456	95,569	103,582	98,311
13 One year to five years	68,750	68,750	68,750	68,686	68,686	69,757	68,750	68,686
14 Five years to ten years	18,903	18,903	18,903	18,726	18,726	18,803	18,903	18,726
15 More than ten years	27,805	27,805	27,805	27,805	27,805	27,805	27,805	27,805
16 **Total federal agency obligations**	**6,059**	**6,333**	**5,413**	**6,375**	**5,310**	**5,788**	**6,044**	**5,310**
17 Within fifteen days[2]	836	985	103	1,173	183	647	821	183
18 Sixteen days to ninety days	810	975	995	887	840	548	810	840
19 Ninety-one days to one year	1,064	1,024	966	966	1,023	1,109	1,064	1,023
20 One year to five years	2,511	2,511	2,511	2,511	2,426	2,608	2,511	2,426
21 Five years to ten years	696	696	696	696	696	722	696	696
22 More than ten years	142	142	142	142	142	154	142	142

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

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

Billions of dollars, averages of daily figures

Item	1989 Dec.	1990 Dec.	1991 Dec.	1992 Dec.	1992 June	1992 July	1992 Aug.	1992 Sept.	1992 Oct.	1992 Nov.	1992 Dec.	1993 Jan.
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]	Seasonally adjusted											
1 Total reserves[3]	40.56	41.83	45.60	54.48	49.23	49.49	50.32	51.35	53.14	54.07	54.48	54.60
2 Nonborrowed reserves[4]	40.29	41.51	45.41	54.36[r]	49.01	49.21	50.07	51.06	53.00	53.97	54.36[r]	54.43
3 Nonborrowed reserves plus extended credit[5]	40.31	41.53	45.41	54.36[r]	49.01	49.21	50.07	51.06	53.00	53.97	54.36[r]	54.43
4 Required reserves	39.64	40.17	44.62	53.32[r]	48.32	48.52	49.39	50.35	52.07	53.03	53.32[r]	53.34
5 Monetary base[6]	267.77	293.29	317.24[r]	350.93[r]	330.14[r]	333.02[r]	336.80[r]	341.64[r]	345.12[r]	348.09[r]	350.93[r]	353.19
	Not seasonally adjusted											
6 Total reserves[7]	41.77	43.07	46.98	56.10	49.25	49.52	49.81	51.11	52.66	54.13	56.10	55.97
7 Nonborrowed reserves	41.51	42.74	46.78	55.98	49.02	49.24	49.56	50.83	52.52	54.03	55.98	55.80
8 Nonborrowed reserves plus extended credit[5]	41.53	42.77	46.78	55.98	49.02	49.24	49.56	50.83	52.52	54.03	55.98	55.80
9 Required reserves[8]	40.85	41.40	46.00	54.95	48.33	48.56	48.88	50.12	51.59	53.09	54.95	54.71
10 Monetary base[9]	271.18	296.68	321.07	354.59	330.94	334.09	336.59	340.11	343.66	347.92	354.59	354.46
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	62.81	59.12	55.53	56.54	49.50	49.82	50.16	51.52	53.14	54.67	56.54	56.00
12 Nonborrowed reserves	62.54	58.80	55.34	56.42	49.27	49.54	49.91	51.23	52.99	54.56	56.42	55.84
13 Nonborrowed reserves plus extended credit[5]	62.56	58.82	55.34	56.42	49.27	49.54	49.91	51.23	52.99	54.56	56.42	55.84
14 Required reserves	61.89	57.46	54.55	55.39	48.58	48.86	49.23	50.53	52.06	53.62	55.39	54.75
15 Monetary base[12]	292.55	313.70	333.61	360.91	336.43	339.87	342.49	346.21	349.81	354.25	360.91	360.92
16 Excess reserves[13]	.92	1.66	.98	1.16[r]	.91	.97	.94	.99	1.07	1.04	1.16[r]	1.26
17 Borrowings from the Federal Reserve	.27	.33	.19	.12	.23	.28	.25	.29	.14	.10	.12	.17

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data and estimates of the impact on required reserves of changes in reserve requirements are available from the Monetary and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, 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 there is with traditional short-term adjustment credit, the money market impact 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 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 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 changes in reserve requirements (CRR), 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	1989 Dec.	1990 Dec.	1991 Dec.[r]	1992 Dec.[r]	1992[r] Oct.	1992[r] Nov.	1992[r] Dec.	1993 Jan.
				Seasonally adjusted				
Measures[2]								
1 M1	794.1	826.1	899.3	1,026.6	1,005.9	1,019.1	1,026.6	1,033.3
2 M2	3,227.3	3,339.0	3,445.8	3,503.5	3,496.9	3,505.6	3,503.5	3,491.5
3 M3	4,059.8	4,114.6	4,168.1	4,173.5	4,186.2	4,188.4	4,173.5	4,144.7
4 L	4,890.6	4,965.2	4,982.2	5,059.2	5,048.5	5,065.0	5,059.2	n.a.
5 Debt	10,076.7	10,751.3	11,201.3	11,746.0	11,621.8	11,681.7	11,746.0	n.a.
M1 components								
6 Currency[3]	222.6	246.8	267.2	292.4	288.0	289.8	292.4	294.8
7 Travelers checks[4]	7.4	8.3	7.8	8.1	8.3	8.2	8.1	8.0
8 Demand deposits[5]	279.0	277.1	290.5	340.9	336.0	339.5	340.9	342.0
9 Other checkable deposits[6]	285.1	293.9	333.8	385.2	373.7	381.6	385.2	388.5
Nontransaction components								
10 In M2[7]	2,433.2	2,512.9	2,546.6	2,476.9	2,490.9	2,486.4	2,476.9	2,458.2
11 In M3[8]	832.5	775.6	722.3	670.0	689.3	682.9	670.0	653.3
Commercial banks								
12 Savings deposits, including MMDAs	541.5	581.9	666.2	756.1	746.1	752.5	756.1	754.0
13 Small time deposits[9]	531.0	606.4	601.5	507.0	519.9	511.9	507.0	501.8
14 Large time deposits[10, 11]	398.2	374.0	341.3	290.4	296.8	292.8	290.4	282.6
Thrift institutions								
15 Savings deposits, including MMDAs	349.7	338.8	376.3	429.9	424.4	427.9	429.9	430.2
16 Small time deposits[9]	617.5	562.3	463.2	363.5	376.6	370.0	363.5	358.7
17 Large time deposits[10]	161.1	120.9	83.4	67.3	70.2	68.5	67.3	67.0
Money market mutual funds								
18 General purpose and broker–dealer	316.3	348.9	363.9	348.8	351.6	350.9	348.8	345.9
19 Institution-only	107.2	133.7	182.1	202.3	210.9	209.2	202.3	197.7
Debt components								
20 Federal debt	2,249.5	2,493.4	2,764.8	3,068.9	3,001.4	3,027.7	3,068.9	n.a.
21 Nonfederal debt	7,827.2	8,258.0	8,436.5	8,677.2	8,620.4	8,654.1	8,677.2	n.a.
				Not seasonally adjusted				
Measures[2]								
22 M1	811.9	844.1	916.4	1,045.8	1,000.9	1,021.5	1,045.8	1,040.2
23 M2	3,240.0	3,351.9	3,457.9	3,517.7	3,491.1	3,508.4	3,517.7	3,497.2
24 M3	4,070.3	4,124.7	4,178.1	4,185.6	4,176.2	4,193.7	4,185.6	4,147.4
25 L	4,909.9	4,984.9	5,004.2	5,084.0	5,037.7	5,077.9	5,084.0	n.a.
26 Debt	10,063.6	10,739.9	11,191.4	11,737.4	11,599.9	11,662.7	11,737.4	n.a.
M1 components								
27 Currency[3]	225.3	249.5	269.9	295.0	287.0	290.0	295.0	293.6
28 Travelers checks[4]	6.9	7.8	7.4	7.8	8.4	7.9	7.8	7.8
29 Demand deposits[5]	291.5	289.9	302.9	355.3	336.7	343.9	355.3	346.2
30 Other checkable deposits[6]	288.1	296.9	336.3	387.6	368.8	379.7	387.6	392.6
Nontransaction components								
31 In M2[7]	2,428.1	2,507.8	2,541.5	2,472.0	2,490.2	2,486.9	2,472.0	2,457.0
32 In M3[8]	830.3	772.8	720.1	667.9	685.1	685.3	667.9	650.2
Commercial banks								
33 Savings deposits, including MMDAs	543.0	580.0	663.3	752.3	744.4	751.9	752.3	749.4
34 Small time deposits[9]	529.5	606.3	602.0	507.8	521.1	512.5	507.8	503.5
35 Large time deposits[10, 11]	397.1	373.0	340.1	289.3	296.0	292.7	289.3	280.6
Thrift institutions								
36 Savings deposits, including MMDAs	347.6	337.7	374.7	427.8	423.4	427.5	427.8	427.5
37 Small time deposits[9]	616.0	562.2	463.6	364.1	377.5	370.5	364.1	360.0
38 Large time deposits[10]	162.0	120.6	83.1	67.1	70.0	68.5	67.1	66.6
Money market mutual funds								
39 General purpose and broker–dealer	314.6	346.8	361.5	346.5	348.7	349.1	346.5	345.5
40 Institution-only	107.8	134.4	182.4	202.4	206.3	209.5	202.4	202.3
Repurchase agreements and eurodollars								
41 Overnight	77.5	74.7	76.3	73.6	75.1	75.4	73.6	71.1
42 Term	178.5	158.3	130.1	128.8	128.5	131.0	128.8	124.4
Debt components								
43 Federal debt	2,247.5	2,491.3	2,765.0	3,069.8	2,998.1	3,028.3	3,069.8	n.a.
44 Nonfederal debt	7,816.2	8,248.6	8,426.4	8,667.6	8,601.9	8,634.4	8,667.6	n.a.

For notes see following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data are available from the Money and Reserves Projection 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 Treasury, Federal Reserve Banks, and the vaults of depository institutions; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float; and (4), other checkable deposits (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) overnight (and continuing-contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, (2) savings (including MMDAs) and small time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in both taxable and tax-exempt general purpose and broker–dealer money market funds. Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker–dealer), foreign governments and commercial banks, and the U.S. government. Seasonally adjusted M2 is computed by adjusting its non-M1 component as a whole and then adding this result to seasonally adjusted M1.

M3: M2 plus (1) large time deposits and term RP liabilities (in amounts of $100,000 or more) issued by all depository institutions, (2) term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and (3) balances in both taxable and tax-exempt, institution-only money market funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also excluded is the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. Seasonally adjusted M3 is computed by adjusting its non-M2 component as a whole and then 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: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. Data are derived from the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages. This sum is seasonally adjusted as a whole.

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) overnight RPs and overnight Eurodollars, (2) money market fund balances (general purpose and broker–dealer), (3) MMDAs, and (4) savings and small time deposits.

8. Sum of (1) large time deposits, (2) term RPs, (3) term Eurodollars of U.S. residents, and (4) money market fund balances (institution-only), less a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds.

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, and foreign banks and official institutions.

1.22 BANK DEBITS AND DEPOSIT TURNOVER[1]

Debits are in billions of dollars; turnover is ratio of debits to deposits; monthly data are at annual rates

Bank group, or type of customer	1989[2]	1990[2]	1991[2]	1992 June	July	Aug.	Sept.	Oct.	Nov.
DEBITS TO	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	255,953.4	277,157.5	277,758.0	323,630.8	339,216.4	306,923.0	346,658.3	327,148.1	322,541.8
2 Major New York City banks	129,509.7	131,699.1	137,352.3	166,773.7	177,296.3	157,221.1	184,740.9	176,369.8	173,388.8
3 Other banks	126,443.7	145,458.4	140,405.7	156,857.1	161,920.1	149,702.0	161,917.4	150,778.3	149,153.0
4 Other checkable deposits[4]	2,918.4	3,349.0	3,645.5	4,020.0	4,078.7	3,763.9	3,942.1	3,687.7	3,618.4
5 Savings deposits including MMDAs[5]	3,233.4	3,483.3	3,266.1	3,355.3	3,513.7	3,139.8	3,559.1	3,476.6	3,522.9
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	733.0	797.8	803.5	870.7	916.6	800.0	892.4	818.0	793.8
7 Major New York City banks	3,428.0	3,819.8	4,270.8	4,922.2	5,349.6	4,550.9	5,254.5	4,855.4	4,623.6
8 Other banks	406.1	464.9	447.9	464.3	480.6	428.8	458.3	414.6	404.4
9 Other checkable deposits[4]	15.2	16.5	16.2	15.4	15.6	14.2	14.7	13.5	12.9
10 Savings deposits including MMDAs[5]	6.2	6.2	5.3	4.7	4.9	4.4	4.9	4.7	4.7
DEBITS TO	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	255,975.7	277,290.5	277,715.4	333,406.4	341,278.3	315,724.4	334,831.5	335,550.6	308,354.7
12 Major New York City banks	129,582.2	131,784.7	137,307.2	173,392.8	178,555.6	162,973.3	178,998.2	182,584.2	167,578.4
13 Other banks	126,393.4	145,505.8	140,408.3	160,013.6	162,722.7	152,751.0	155,833.4	152,966.5	140,776.3
14 Other checkable deposits[4]	2,916.2	3,346.7	3,645.6	4,048.4	3,987.9	3,696.9	3,945.7	3,677.0	3,359.1
15 Savings deposits including MMDAs[5]	3,233.0	3,483.0	3,267.7	3,467.1	3,523.9	3,173.5	3,374.3	3,411.5	3,264.2
DEPOSIT TURNOVER									
Demand deposits[3]									
16 All insured banks	733.4	798.2	803.4	900.4	916.2	836.5	864.2	838.3	752.1
17 Major New York City banks	3,433.6	3,825.9	4,274.3	5,174.3	5,317.6	4,870.2	5,180.1	5,025.6	4,494.4
18 Other banks	405.9	465.0	447.9	475.1	480.2	444.1	441.6	420.3	377.7
19 Other checkable deposits[4]	15.2	16.4	16.2	15.6	15.4	14.1	14.9	13.6	12.0
20 Savings deposits including MMDAs[5]	6.2	6.2	5.3	4.9	4.9	4.4	4.6	4.6	4.4

1. Historical tables containing revised data for earlier periods can be obtained from the Banking and Money Market Statistics Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.
Data in this table also appear on the Board's G.6 (406) monthly statistical release. For ordering address, see inside front cover.
2. Annual averages of monthly figures.
3. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.
4. Accounts authorized for negotiable orders of withdrawal (NOWs) and accounts authorized for automatic transfer to demand deposits (ATSs).
5. Money market deposit accounts.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars, averages of Wednesday figures

Item	1992[r]											1993
	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
	Seasonally adjusted											
1 **Total loans and securities[1]**	**2,855.4**	**2,862.7**	**2,874.3**	**2,875.3**	**2,882.8**	**2,886.9**	**2,902.2**	**2,916.5**	**2,925.7**	**2,932.8**	**2,938.9**	**2,935.3**
2 U.S. government securities	570.9	579.6	590.8	600.2	610.7	619.2	632.6	639.9	647.1	651.8	657.9	657.4
3 Other securities	180.3	178.5	178.5	176.9	175.8	177.9	178.2	178.4	179.4	177.6	176.3	174.4
4 Total loans and leases[1]	2,104.3	2,104.5	2,104.9	2,098.2	2,096.2	2,089.8	2,091.4	2,098.2	2,099.1	2,103.4	2,104.6	2,103.6
5 Commercial and industrial	613.5	610.8	609.0	607.6	604.6	602.5	601.4	601.7	600.6	600.9	598.8	601.3
6 Bankers acceptances held[2]	7.0	6.8	6.5	6.7	6.3	6.5	6.5	6.3	7.3	7.5	7.1	6.9
7 Other commercial and industrial	606.5	604.0	602.6	600.9	598.4	596.0	594.9	595.4	593.3	593.4	591.7	594.4
8 U.S. addressees[3]	597.5	594.9	593.2	590.8	588.3	585.3	584.3	584.1	582.1	582.1	580.6	582.9
9 Non-U.S. addressees[3]	9.0	9.1	9.4	10.1	10.1	10.7	10.6	11.3	11.1	11.3	11.1	11.5
10 Real estate	876.7	879.1	881.8	883.3	881.8	881.5	883.1	886.7	890.6	892.2	892.1	888.7
11 Individual	363.8	362.3	360.8	359.2	359.0	358.6	357.4	357.0	355.5	355.1	355.0	357.6
12 Security	58.9	60.7	63.4	60.9	63.3	60.5	61.6	63.8	64.7	64.3	64.9	63.1
13 Nonbank financial institutions	43.0	43.6	43.2	43.3	42.4	41.5	42.0	43.7	43.9	44.8	43.7	44.8
14 Agricultural	34.1	34.3	34.3	34.3	34.6	34.9	35.3	35.2	35.1	35.1	34.9	34.5
15 State and political subdivisions	28.3	28.0	27.6	27.3	26.8	26.2	25.9	25.8	25.5	25.2	24.9	24.3
16 Foreign banks	6.9	6.6	6.7	7.0	7.5	7.7	7.2	7.9	7.3	7.0	7.0	6.8
17 Foreign official institutions	2.2	2.1	2.0	2.0	2.0	2.2	2.3	2.4	2.4	2.8	2.9	2.9
18 Lease-financing receivables	31.5	31.4	31.1	30.9	31.0	30.8	30.8	30.9	30.8	30.7	30.6	30.0
19 All other loans	45.5	45.5	45.1	42.4	43.3	43.2	44.3	43.1	42.8	45.3	49.9	49.7
	Not seasonally adjusted											
20 **Total loans and securities[1]**	**2,857.4**	**2,864.9**	**2,875.8**	**2,870.7**	**2,882.9**	**2,876.1**	**2,894.5**	**2,913.9**	**2,924.9**	**2,939.4**	**2,948.7**	**2,937.4**
21 U.S. government securities	574.0	584.0	592.6	599.4	608.9	615.3	631.3	638.0	644.9	654.4	656.6	657.8
22 Other securities	180.5	178.2	178.0	176.5	175.4	176.8	178.1	178.1	179.8	178.7	176.6	174.9
23 Total loans and leases[1]	2,102.9	2,102.6	2,105.2	2,094.8	2,098.7	2,084.0	2,085.0	2,097.9	2,100.2	2,106.3	2,115.5	2,104.7
24 Commercial and industrial	612.7	614.0	612.1	609.4	606.5	601.5	597.6	598.1	598.2	601.2	601.8	599.7
25 Bankers acceptances held[2]	7.3	6.9	6.3	6.6	6.2	6.3	6.3	6.2	7.2	7.8	7.4	7.1
26 Other commercial and industrial	605.4	607.2	605.8	602.7	600.3	595.2	591.4	591.9	591.0	593.4	594.4	592.7
27 U.S. addressees[3]	596.2	598.2	596.3	592.7	589.5	584.2	580.5	580.8	580.3	582.7	583.4	581.2
28 Non-U.S. addressees[3]	9.2	9.0	9.5	10.0	10.8	11.0	10.8	11.1	10.8	10.7	11.0	11.4
29 Real estate	875.1	876.7	880.7	883.4	882.0	881.6	883.7	887.5	891.4	893.6	893.4	888.4
30 Individual	363.8	359.8	358.1	357.4	357.2	356.4	356.9	358.6	355.9	355.9	359.4	361.7
31 Security	61.3	62.6	66.9	58.4	63.5	58.0	59.4	62.4	64.2	63.6	65.7	64.6
32 Nonbank financial institutions	42.8	43.2	42.6	42.8	42.9	41.3	41.8	43.1	43.5	45.1	45.7	45.0
33 Agricultural	32.8	33.0	33.5	34.0	35.1	35.8	36.5	36.7	36.1	35.2	34.7	33.6
34 State and political subdivisions	28.2	28.0	27.6	27.3	26.8	26.1	25.9	25.9	25.6	25.3	24.9	24.1
35 Foreign banks	6.7	6.4	6.4	6.8	7.3	7.8	7.0	8.1	7.6	7.3	7.4	6.9
36 Foreign official institutions	2.2	2.1	2.0	2.0	2.0	2.2	2.3	2.4	2.4	2.8	2.9	2.9
37 Lease-financing receivables	31.7	31.6	31.2	30.9	31.0	30.6	30.6	30.7	30.7	30.5	30.5	30.3
38 All other loans	45.8	45.2	44.1	42.5	44.4	42.6	43.2	44.5	44.6	45.7	49.1	47.5

1. Adjusted to exclude loans to commercial banks in the United States.
2. Includes nonfinancial commercial paper held.
3. United States includes the fifty states and the District of Columbia.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Billions of dollars, monthly averages

Source of funds	1992[r]											1993
	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
	Seasonally adjusted											
1 Total nondeposit funds[2]	285.1	287.2	291.9	292.4	295.9	297.0	302.4	309.2	305.3	309.6	312.9	313.0
2 Net balances due to related foreign offices[3]	41.4	44.8	50.9	53.7	61.2	61.7	61.4	64.0	64.1	68.5	71.1	74.2
3 Borrowings from other than commercial banks in United States[4]	243.8	242.4	241.0	238.7	234.7	235.3	241.1	245.2	241.1	241.2	241.7	238.8
4 Domestically chartered banks	159.7	157.3	154.6	151.8	147.6	147.2	151.5	153.4	154.5	153.7	154.3	155.1
5 Foreign-related banks	84.1	85.0	86.5	86.9	87.2	88.1	89.6	91.8	86.6	87.5	87.4	83.7
	Not seasonally adjusted											
6 Total nondeposit funds[2]	289.6	292.2	288.4	297.1	295.2	291.5	297.5	303.7	307.5	314.9	312.7	311.8
7 Net balances due to related foreign offices[3]	43.2	45.6	47.9	55.9	59.2	58.4	57.6	61.6	65.3	70.1	75.2	76.7
8 Domestically chartered banks	.1	.2	−4.6	−4.5	−6.3	−7.0	−9.3	−11.0	−12.8	−11.7	−15.1	−15.9
9 Foreign-related banks	43.1	45.4	52.6	60.4	65.6	65.4	66.9	72.6	78.1	81.8	90.3	92.6
10 Borrowings from other than commercial banks in United States[4]	246.3	246.6	240.5	241.2	236.0	233.1	239.9	242.1	242.3	244.8	237.5	235.1
11 Domestically chartered banks	161.5	160.2	152.7	153.3	147.4	144.1	150.4	152.2	155.7	158.1	153.4	152.1
12 Federal funds and security RP borrowings[5]	158.0	156.9	149.2	149.4	143.3	139.9	146.5	148.4	152.1	154.0	149.4	148.4
13 Other[6]	3.5	3.3	3.4	3.9	4.1	4.2	3.9	3.8	3.6	4.1	4.0	3.6
14 Foreign-related banks[6]	84.9	86.4	87.8	87.9	88.6	89.0	89.5	89.9	86.6	86.6	84.1	83.0
MEMO												
Gross large time deposits[7]												
15 Seasonally adjusted	413.7	407.2	401.5	397.5	393.3	387.7	385.8	383.2	375.7	371.3	366.6	360.2
16 Not seasonally adjusted	413.1	408.1	400.5	399.4	394.9	387.4	387.1	383.6	374.9	371.1	365.5	358.2
U.S. Treasury demand balances at commercial banks[8]												
17 Seasonally adjusted	20.2	21.9	20.8	19.2	24.7	23.1	28.0	24.1	21.5	20.7	20.4	25.6
18 Not seasonally adjusted	25.2	20.1	17.7	21.0	25.2	19.6	22.4	28.6	21.9	16.5	19.5	33.0

1. Commercial banks are nationally and state-chartered banks in the fifty states and the District of Columbia, agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

Data in this table also appear in the Board's G.10 (411) release. For ordering address, see inside front cover.

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

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

4. Borrowings through any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, loan RPs, and sales of participations in pooled loans.

5. Figures are based on averages of daily data reported weekly by approximately 120 large banks and quarterly or annual data reported by other banks.

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

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

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

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1] Wednesday figures

Millions of dollars

Account	1992[r]					1993			
	Dec. 2	Dec. 9	Dec. 16	Dec. 23	Dec. 30	Jan. 6	Jan. 13	Jan. 20	Jan. 27
ALL COMMERCIAL BANKING INSTITUTIONS[2]									
Assets									
1 Loans and securities	3,121,974	3,127,535	3,125,019	3,114,488	3,115,506	3,123,753	3,105,158	3,099,118	3,076,522
2 Investment securities	796,035	794,499	793,052	795,473	798,542	797,211	798,865	793,944	792,223
3 U.S. government securities	633,704	632,519	631,237	633,168	635,246	635,703	637,834	633,085	630,995
4 Other	162,331	161,979	161,815	162,304	163,296	161,507	161,031	160,859	161,228
5 Trading account assets	42,665	39,995	38,146	36,014	35,612	35,901	33,519	37,291	36,896
6 U.S. government securities	27,832	25,930	24,576	21,569	21,030	20,619	19,881	23,947	23,233
7 Other securities	2,969	2,949	2,958	3,285	3,029	2,870	2,496	2,596	2,472
8 Other trading account assets	11,864	11,115	10,612	11,160	11,554	12,411	11,141	10,748	11,192
9 Total loans	2,283,274	2,293,042	2,293,821	2,283,001	2,281,352	2,290,642	2,272,774	2,267,883	2,247,403
10 Interbank loans	172,020	179,588	179,598	169,284	160,909	178,271	163,713	163,870	154,468
11 Loans excluding interbank	2,111,254	2,113,455	2,114,224	2,113,717	2,120,444	2,112,371	2,109,061	2,104,013	2,092,935
12 Commercial and industrial	602,531	599,002	601,669	601,941	604,287	599,719	597,593	599,585	600,167
13 Real estate	892,449	894,770	894,630	892,089	891,816	890,071	891,464	887,915	884,632
14 Revolving home equity	73,403	73,448	73,386	73,143	73,246	73,386	73,309	73,305	73,296
15 Other	819,046	821,323	821,244	818,946	818,570	816,685	818,155	814,611	811,335
16 Individual	357,021	357,071	358,059	360,711	361,929	362,679	361,565	361,322	361,345
17 All other	259,253	262,612	259,866	258,975	262,412	259,901	258,439	255,191	246,791
18 Total cash assets	223,842	204,843	219,833	234,179	236,533	226,212	209,488	233,235	197,836
19 Balances with Federal Reserve Banks	28,460	25,614	26,535	35,183	29,199	36,922	26,325	28,090	24,089
20 Cash in vault	33,225	32,613	32,529	31,445	36,439	34,755	34,227	33,376	32,550
21 Demand balances at U.S. depository institutions	31,733	30,289	32,010	34,729	35,730	32,662	30,134	35,307	29,984
22 Cash items	85,881	72,575	87,121	91,864	93,335	82,686	78,784	94,736	69,934
23 Other cash assets	44,643	43,851	41,738	41,058	41,930	39,287	40,104	41,812	41,279
24 Other assets	296,598	295,191	302,200	297,291	300,678	295,722	287,150	288,191	281,492
25 **Total assets**	**3,642,414**	**3,627,570**	**3,647,052**	**3,645,958**	**3,652,717**	**3,645,686**	**3,601,795**	**3,620,545**	**3,555,850**
Liabilities									
26 Total deposits	2,530,396	2,512,986	2,537,670	2,528,716	2,542,338	2,532,159	2,510,487	2,504,461	2,452,864
27 Transaction accounts	768,816	748,012	776,197	780,351	799,456	783,345	759,838	763,116	717,572
28 Demand, U.S. government	3,520	2,922	5,910	5,217	5,926	4,663	3,287	5,582	3,202
29 Demand, depository institutions	41,123	38,467	41,979	43,211	43,530	40,915	38,516	45,833	37,652
30 Other demand and all checkable deposits	724,174	706,622	728,308	731,923	750,001	737,767	718,036	711,700	676,717
31 Savings deposits (excluding checkable)	748,886	753,091	753,416	742,933	742,140	750,756	750,603	741,100	737,741
32 Small time deposits	638,246	637,441	637,619	636,105	634,767	636,765	634,436	635,101	633,294
33 Time deposits over $100,000	374,449	374,442	370,438	369,327	365,975	361,294	365,610	365,145	364,258
34 Borrowings	501,004	506,242	497,161	498,297	495,834	498,810	477,939	506,598	485,812
35 Treasury tax and loan notes	13,481	6,016	23,348	18,020	29,773	14,886	22,771	34,561	34,921
36 Other	487,523	500,226	473,813	480,277	466,061	483,924	455,168	472,037	450,891
37 Other liabilities	342,475	339,156	344,414	351,293	343,378	343,282	341,819	339,151	346,152
38 **Total liabilities**	**3,373,875**	**3,358,384**	**3,379,245**	**3,378,306**	**3,381,549**	**3,374,251**	**3,330,245**	**3,350,211**	**3,284,828**
39 Residual (assets less liabilities)[3]	268,539	269,186	267,807	267,652	271,168	271,436	271,550	270,334	271,022

Footnotes appear on the following page.

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1] Wednesday figures—Continued

Millions of dollars

Account	1992[r]					1993			
	Dec. 2	Dec. 9	Dec. 16	Dec. 23	Dec. 30	Jan. 6	Jan. 13	Jan. 20	Jan. 27
DOMESTICALLY CHARTERED COMMERCIAL BANKS[4]									
Assets									
40 Loans and securities	2,763,847	2,762,841	2,762,668	2,745,952	2,749,785	2,754,991	2,739,722	2,736,266	2,717,220
41 Investment securities	731,295	730,287	727,870	730,402	731,627	731,221	732,672	728,036	727,449
42 U.S. government securities	590,850	590,227	587,789	590,205	591,313	592,364	593,701	589,198	587,891
43 Other	140,445	140,059	140,081	140,197	140,314	138,857	138,971	138,838	139,558
44 Trading account assets	42,665	39,995	38,146	36,014	35,612	35,901	33,519	37,291	36,896
45 U.S. government securities	27,832	25,930	24,576	21,569	21,030	20,619	19,881	23,947	23,233
46 Other securities	2,969	2,949	2,958	3,285	3,029	2,870	2,496	2,596	2,472
47 Other trading account assets	11,864	11,115	10,612	11,160	11,554	12,411	11,141	10,748	11,192
48 Total loans	1,989,888	1,992,559	1,996,652	1,979,536	1,982,545	1,987,870	1,973,531	1,970,940	1,952,874
49 Interbank loans	144,237	147,785	151,120	138,961	137,720	148,030	137,989	136,799	130,445
50 Loans excluding interbank	1,845,651	1,844,774	1,845,532	1,840,575	1,844,826	1,839,840	1,835,542	1,834,141	1,822,430
51 Commercial and industrial	440,366	437,044	438,214	437,045	438,683	436,652	433,961	436,562	435,601
52 Real estate	839,661	841,847	841,532	839,030	839,129	838,160	839,238	835,966	832,482
53 Revolving home equity	73,403	73,448	73,386	73,143	73,246	73,386	73,309	73,305	73,296
54 Other	766,258	768,400	768,147	765,887	765,883	764,774	765,928	762,662	759,186
55 Individual	357,021	357,071	358,059	360,711	361,929	362,679	361,565	361,322	361,345
56 All other	208,602	208,812	207,727	203,789	205,085	202,348	200,778	200,291	193,001
57 Total cash assets	196,159	177,948	193,109	207,160	210,163	200,082	182,905	205,660	170,438
58 Balances with Federal Reserve Banks	27,886	24,783	25,973	34,235	28,649	35,944	25,783	27,025	23,574
59 Cash in vault	33,190	32,579	32,490	31,407	36,402	34,717	34,191	33,336	32,514
60 Demand balances at U.S. depository institutions	30,203	28,758	30,382	32,975	34,023	30,989	28,527	33,578	28,319
61 Cash items	83,676	70,430	84,750	89,700	91,131	80,292	75,891	92,193	67,610
62 Other cash assets	21,303	21,498	19,614	18,943	20,058	18,240	18,597	19,614	18,422
63 Other assets	176,534	177,529	180,152	175,738	178,449	182,942	178,496	176,140	171,179
64 Total assets	**3,136,540**	**3,118,318**	**3,135,930**	**3,128,850**	**3,138,397**	**3,138,015**	**3,101,122**	**3,118,067**	**3,058,838**
Liabilities									
65 Total deposits	2,370,795	2,351,994	2,376,536	2,367,287	2,381,434	2,375,352	2,352,008	2,345,104	2,294,577
66 Transaction accounts	758,901	738,514	765,699	770,342	789,040	773,036	749,448	752,419	708,083
67 Demand, U.S. government	3,520	2,922	5,900	5,216	5,925	4,662	3,287	5,582	3,202
68 Demand, depository institutions	38,751	36,225	39,635	40,821	41,139	38,483	36,099	43,112	35,394
69 Other demand and all checkable deposits	716,630	699,367	720,164	724,306	741,976	729,891	710,063	703,726	669,487
70 Savings deposits (excluding checkable)	744,149	748,217	748,643	738,352	737,581	746,211	746,062	736,514	733,203
71 Small time deposits	635,748	634,919	635,111	633,618	632,289	634,284	631,958	632,627	630,820
72 Time deposits over $100,000	231,998	230,344	227,082	224,975	222,524	221,821	224,540	223,543	222,472
73 Borrowings	365,810	369,110	363,760	366,232	361,745	365,144	349,393	375,989	365,173
74 Treasury tax and loan notes	13,481	6,016	23,348	18,020	29,773	14,886	22,771	34,561	34,921
75 Other	352,329	363,094	340,412	348,212	331,972	350,258	326,622	341,428	330,252
76 Other liabilities	135,004	131,636	131,435	131,288	127,657	129,692	131,779	130,248	131,673
77 Total liabilities	**2,871,609**	**2,852,740**	**2,871,731**	**2,864,807**	**2,870,837**	**2,870,188**	**2,833,180**	**2,851,341**	**2,791,424**
78 Residual (assets less liabilities)[3]	264,931	265,578	264,199	264,044	267,560	267,828	267,942	266,726	267,414

1. Excludes assets and liabilities of International Banking Facilities.
2. Includes insured domestically chartered commercial banks, agencies and branches of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations. Data are estimates for the last Wednesday of the month based on a sample of weekly reporting foreign-related and domestic institutions and quarter-end condition reports.
3. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis.
4. Includes all member banks and insured nonmember banks. Loans and securities data are estimates for the last Wednesday of the month based on a sample of weekly reporting banks and quarter-end condition reports.

1.26 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS

Millions of dollars, Wednesday figures

Account	1992					1993			
	Dec. 2	Dec. 9	Dec. 16	Dec. 23	Dec. 30	Jan. 6	Jan. 13	Jan. 20	Jan. 27
ASSETS									
1 Cash and balances due from depository institutions	117,222	104,315	116,290	126,937	126,270	119,096	109,305	124,065	99,378
2 U.S. Treasury and government securities	276,786	273,052	269,717	265,790	266,081	270,738	269,585	269,192	269,307
3 Trading account	25,006	22,307	21,564	18,676	18,471	18,036	17,404	21,290	20,575
4 Investment account	251,780	250,745	248,153	247,114	247,610	252,702	252,181	247,902	248,732
5 Mortgage-backed securities[1]	83,138	82,916	81,847	81,511	81,298	83,234	82,416	78,596	79,652
All others, by maturity									
6 One year or less	29,718	30,531	29,702	29,922	31,017	33,943	35,624	34,984	34,079
7 One year through five years	77,345	75,653	75,612	75,804	74,844	75,829	73,959	74,658	74,783
8 More than five years	61,579	61,645	60,992	59,877	60,450	59,696	60,182	59,663	60,218
9 Other securities	55,844	55,810	55,905	56,423	56,060	55,926	55,209	55,176	55,172
10 Trading account	2,594	2,595	2,684	3,131	2,875	2,720	2,345	2,445	2,321
11 Investment account	53,250	53,215	53,221	53,291	53,185	53,206	52,864	52,731	52,851
12 State and political subdivisions, by maturity	20,474	20,486	20,460	20,448	20,398	20,443	20,344	20,343	20,320
13 One year or less	3,214	3,274	3,269	3,264	3,258	3,249	3,211	3,201	3,253
14 More than one year	17,260	17,212	17,191	17,184	17,139	17,194	17,133	17,142	17,067
15 Other bonds, corporate stocks, and securities	32,776	32,730	32,761	32,844	32,787	32,763	32,520	32,389	32,531
16 Other trading account assets	11,603	10,857	10,349	10,887	11,280	12,166	10,895	10,501	10,935
17 Federal funds sold[2]	86,492	89,244	92,013	79,033	80,080	84,717	82,811	80,110	75,962
18 To commercial banks in the United States	55,827	57,321	63,043	54,734	54,599	58,728	54,333	55,521	52,439
19 To nonbank brokers and dealers	25,152	26,261	23,932	19,412	20,781	21,693	23,432	20,024	19,694
20 To others[3]	5,513	5,661	5,037	4,888	4,701	4,296	5,046	4,566	3,829
21 Other loans and leases, gross	981,910	979,646	984,443	984,143	986,437	990,449	985,587	988,844	980,299
22 Commercial and industrial	279,986	276,828	278,248	277,113	278,235	277,766	275,227	277,713	277,209
23 Bankers acceptances and commercial paper	2,447	2,500	2,440	2,227	2,046	1,885	1,859	2,190	2,372
24 All other	277,540	274,328	275,808	274,886	276,189	275,881	273,368	275,523	274,837
25 U.S. addressees	275,687	272,504	274,024	273,203	274,566	274,249	271,716	273,778	273,159
26 Non-U.S. addressees	1,852	1,823	1,784	1,683	1,623	1,632	1,652	1,745	1,679
27 Real estate loans	399,755	401,747	401,794	399,331	399,120	403,186	404,073	401,351	398,013
28 Revolving, home equity	43,004	43,050	43,012	42,769	42,772	43,370	43,312	43,336	43,293
29 All other	356,750	358,697	358,782	356,562	356,348	359,816	360,762	358,015	354,720
30 To individuals for personal expenditures	177,426	177,874	180,279	181,976	182,635	185,938	185,458	185,176	185,206
31 To financial institutions	40,610	38,780	37,551	37,441	38,296	38,055	35,931	36,408	35,836
32 Commercial banks in the United States	15,400	14,929	13,879	13,839	14,514	14,377	13,814	13,686	13,922
33 Banks in foreign countries	2,517	2,245	2,424	2,381	2,159	2,210	1,930	2,225	2,016
34 Nonbank financial institutions	22,693	21,607	21,248	21,221	21,623	21,468	20,188	20,497	19,898
35 For purchasing and carrying securities	13,556	15,944	15,205	16,938	15,603	14,944	15,381	16,604	14,479
36 To finance agricultural production	5,845	5,794	5,887	5,805	5,961	5,875	5,733	5,690	5,661
37 To states and political subdivisions	14,818	14,737	14,688	14,676	14,620	14,522	14,458	14,443	14,402
38 To foreign governments and official institutions	1,447	1,299	1,421	1,342	1,384	1,451	1,353	1,408	1,518
39 All other loans[4]	24,310	22,528	25,247	25,371	26,141	23,920	23,301	25,622	23,704
40 Lease-financing receivables	24,157	24,114	24,124	24,149	24,441	24,793	24,671	24,430	24,270
41 LESS: Unearned income	2,293	2,259	2,286	2,289	2,290	2,289	2,293	2,282	2,272
42 Loan and lease reserve[5]	37,495	37,688	37,641	37,328	36,494	36,462	36,594	36,534	36,323
43 Other loans and leases, net	942,121	939,698	944,517	944,525	947,654	951,698	946,700	950,028	941,704
44 Other assets	161,224	164,994	167,454	163,158	162,306	170,206	166,716	162,553	158,831
45 **Total assets**	**1,651,293**	**1,637,969**	**1,656,244**	**1,646,753**	**1,649,730**	**1,664,547**	**1,641,222**	**1,651,626**	**1,611,290**

Footnotes appear on the following page.

1.26 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS—Continued

Millions of dollars, Wednesday figures

Account	1992					1993			
	Dec. 2	Dec. 9	Dec. 16	Dec. 23	Dec. 30	Jan. 6	Jan. 13	Jan. 20	Jan. 27
LIABILITIES									
46 Deposits	1,136,181	1,120,538	1,143,030	1,132,889	1,142,809	1,142,823	1,132,291	1,123,951	1,091,588
47 Demand deposits	282,192	265,679	287,073	287,876	300,030	281,350	273,228	276,669	253,220
48 Individuals, partnerships, and corporations	228,485	216,634	230,753	230,310	241,191	227,633	221,183	217,992	203,499
49 Other holders	53,707	49,044	56,320	57,566	58,839	53,717	52,045	58,677	49,721
50 States and political subdivisions	10,754	9,611	10,466	10,129	9,847	10,740	9,138	10,572	9,487
51 U.S. government	2,129	1,824	3,623	3,318	3,816	2,874	2,263	4,307	2,077
52 Depository institutions in the United States	23,526	21,674	24,084	25,133	25,721	23,885	22,403	27,015	22,118
53 Banks in foreign countries	5,927	5,578	5,876	6,096	6,036	5,628	5,348	6,090	5,194
54 Foreign governments and official institutions	907	861	619	653	558	495	483	579	765
55 Certified and officers' checks	10,464	9,497	11,652	12,236	12,861	10,095	12,410	10,113	10,079
56 Transaction balances other than demand deposits[4]	117,007	116,446	117,184	118,457	119,813	125,271	121,263	118,325	114,177
57 Nontransaction balances	736,981	738,414	738,774	726,557	722,965	736,202	737,800	728,956	724,191
58 Individuals, partnerships, and corporations	710,708	711,972	712,697	701,259	698,923	712,918	712,705	704,328	699,405
59 Other holders	26,273	26,442	26,077	25,297	24,043	23,285	25,095	24,629	24,786
60 States and political subdivisions	21,633	21,789	21,415	20,681	20,610	20,499	20,825	20,413	20,394
61 U.S. government	2,346	2,348	2,353	2,342	1,247	690	2,031	1,980	1,989
62 Depository institutions in the United States	1,986	1,979	1,976	1,952	1,873	1,775	1,913	1,908	2,075
63 Foreign governments, official institutions, and banks	308	326	332	322	312	320	326	328	327
64 Liabilities for borrowed money[5]	274,938	280,461	276,785	276,995	272,360	281,739	266,678	286,934	277,701
65 Borrowings from Federal Reserve Banks	0	0	0	0	0	40	0	2,100	200
66 Treasury tax and loan notes	11,146	4,426	19,878	14,530	24,934	12,122	18,783	29,045	29,923
67 Other liabilities for borrowed money[6]	263,792	276,035	256,907	262,465	247,426	269,577	247,895	255,789	247,578
68 Other liabilities (including subordinated notes and debentures)	104,638	101,061	100,945	101,132	97,202	100,048	101,713	100,363	101,440
69 **Total liabilities**	**1,515,757**	**1,502,061**	**1,520,760**	**1,511,016**	**1,512,371**	**1,524,610**	**1,500,682**	**1,511,247**	**1,470,729**
70 Residual (total assets less total liabilities)[7]	135,536	135,909	135,483	135,736	137,359	139,937	140,540	140,379	140,561
MEMO									
71 Total loans and leases, gross, adjusted, plus securities[8]	1,341,407	1,336,358	1,335,505	1,327,702	1,330,826	1,340,891	1,335,941	1,334,617	1,325,315
72 Time deposits in amounts of $100,000 or more	121,573	120,149	117,534	115,759	113,791	113,972	116,737	115,798	114,532
73 Loans sold outright to affiliates[9]	1,007	999	970	962	954	921	929	926	917
74 Commercial and industrial	460	457	457	456	452	454	454	453	453
75 Other	547	542	513	506	502	467	474	473	464
76 Foreign branch credit extended to U.S. residents[10]	24,813	24,939	24,799	24,614	24,318	24,534	24,627	24,640	24,327
77 Net due to related institutions abroad	−15,407	−19,739	−17,005	−16,476	−17,685	−19,937	−19,467	−16,439	−10,010

1. Includes certificates of participation, issued or guaranteed by agencies of the U.S. government, in pools of residential mortgages.
2. Includes securities purchased under agreements to resell.
3. Includes allocated transfer risk reserve.
4. Includes negotiable order of withdrawal accounts (NOWs), automatic transfer service (ATS), and telephone and preauthorized transfers of savings deposits.
5. Includes borrowings only from other than directly related institutions.
6. Includes federal funds purchased and securities sold under agreements to repurchase.
7. This balancing item is not intended as a measure of equity capital for use in capital-adequacy analysis.
8. Excludes loans to and federal funds transactions with commercial banks in the United States.
9. Affiliates include a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.
10. Credit extended by foreign branches of domestically chartered weekly reporting banks to nonbank U.S. residents. Consists mainly of commercial and industrial loans, but includes an unknown amount of credit extended to other than nonfinancial businesses.

NOTE. Data that formerly appeared in table 1.28, Assets and Liabilities of Large Weekly Reporting Commercial Banks in New York City, can be obtained from the Board's H.4.2 (504) weekly statistical release. For ordering address, see inside front cover.

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

Millions of dollars, Wednesday figures

Account	1992					1993			
	Dec. 2	Dec. 9	Dec. 16	Dec. 23	Dec. 30	Jan. 6	Jan. 13	Jan. 20	Jan. 27
1 Cash and balances due from depository institutions	18,367	17,815	17,671[r]	17,875[r]	17,329[r]	17,330	17,586	18,356	18,209
2 U.S. Treasury and government agency securities	26,565	26,216	26,904	26,596	27,064	26,759	27,159	27,121	26,598
3 Other securities	8,242	8,257	8,172	8,318	8,618	8,583	8,322	8,342	8,193
4 Federal funds sold[1]	22,902	27,300	22,244	25,954	22,331	27,446	27,398	24,642	23,692
5 To commercial banks in the United States	7,081	8,734	6,995	8,111	4,940	7,860	6,392	7,046	6,062
6 To others[2]	15,820	18,566	15,249	17,844	17,391	19,586	21,007	17,596	17,630
7 Other loans and leases, gross	163,965[r]	164,125[r]	167,227	167,695	169,255	166,171	164,084	165,030	164,360
8 *Commercial and industrial*	99,213[r]	98,995[r]	99,827[r]	100,742[r]	100,576[r]	99,406	99,256	99,352	100,018
9 Bankers acceptances and commercial paper	2,697	2,513	2,494	2,540	2,449[r]	2,589	2,367	2,528	2,509
10 All other	96,516[r]	96,482[r]	97,333[r]	98,202[r]	98,127[r]	96,818	96,890	96,824	97,510
11 U.S. addressees	93,543[r]	93,418[r]	94,306[r]	95,203[r]	95,033[r]	93,771	93,695	93,649	94,098
12 Non-U.S. addressees	2,973[r]	3,065[r]	3,027[r]	2,999[r]	3,094[r]	3,046	3,195	3,175	3,412
13 Loans secured by real estate	34,540	34,632	34,701	34,669	34,249	33,826	33,913	33,877	33,964
14 To financial institutions	23,866[r]	23,738[r]	24,950[r]	24,567[r]	26,343[r]	25,524	24,174	25,101	24,060
15 Commercial banks in the United States	5,892	5,923	6,457	5,908	6,164	6,269	5,586	5,502	5,048
16 Banks in foreign countries	2,158	2,200	2,075	2,101	2,119	2,105	1,834	1,959	1,854
17 Nonbank financial institutions	15,815[r]	15,615[r]	16,417[r]	16,558[r]	18,061[r]	17,149	16,754	17,639	17,158
18 For purchasing and carrying securities	3,656	4,269	5,163	5,122	5,219	4,799	4,144	4,118	3,807
19 To foreign governments and official institutions	376	366	365	375	364	354	356	360	352
20 All other	2,315	2,124	2,221	2,221	2,503	2,261	2,242	2,223	2,159
21 Other assets (claims on nonrelated parties)	30,840[r]	30,469[r]	31,224	30,712	30,730	31,075	30,955	30,177	30,716
22 **Total assets**[3]	**312,983**	**315,145**	**316,341**[r]	**320,171**[r]	**318,388**[r]	**314,573**	**310,095**	**311,250**	**307,752**
23 Deposits or credit balances due to other than directly related institutions	103,964	104,911[r]	105,747[r]	105,565[r]	104,983	102,342	103,374	103,617	103,426
24 Demand deposits[4]	3,794	3,561[r]	4,150[r]	3,860[r]	4,079	4,024	4,068	4,224	3,569
25 Individuals, partnerships, and corporations	2,948	2,803	3,096	2,977[r]	3,252	3,214	2,976	3,189	2,792
26 Other	847	758[r]	1,054[r]	883	827	810	1,092	1,036	777
27 Nontransaction accounts	100,170	101,350	101,597	101,705	100,904	98,318	99,306	99,393	99,857
28 Individuals, partnerships, and corporations	70,872	70,850	71,241	71,315	71,043	69,719	71,403	71,074	70,955
29 Other	29,298	30,499	30,356	30,390	29,861	28,598	27,902	28,318	28,902
30 Borrowings from other than directly related institutions	92,880	94,150	90,755	91,148	92,318	92,368	88,813	90,684	83,756
31 Federal funds purchased[5]	46,626	46,602	46,244	44,625	49,349	48,858	45,482	50,730	45,776
32 From commercial banks in the United States	16,271	15,867	18,926	12,891	14,748	15,045	12,185	14,764	12,134
33 From others	30,354	30,734	27,319	31,733	34,601	33,813	33,297	35,966	33,642
34 Other liabilities for borrowed money	46,254	47,549	44,511	46,523	42,969	43,510	43,331	39,954	37,980
35 To commercial banks in the United States	9,635	9,982	10,184	10,427	10,357	10,054	10,345	9,191	9,319
36 To others	36,619	37,567	34,327	36,096	32,611	33,456	32,986	30,763	28,661
37 Other liabilities to nonrelated parties	30,847	30,708[r]	29,999[r]	30,987[r]	31,772	30,151	30,529	30,533	31,193
38 **Total liabilities**[6]	**312,983**	**315,145**	**316,341**[r]	**320,171**[r]	**318,388**[r]	**314,573**	**310,095**	**311,250**	**307,752**
MEMO									
39 Total loans (gross) and securities, adjusted[7]	208,700[r]	211,240[r]	211,095	214,545	216,164	214,830	214,985	212,586	211,733
40 Net due to related institutions abroad	43,190	44,412	46,941[r]	49,450[r]	46,254[r]	52,504	52,788	48,835	53,393

1. Includes securities purchased under agreements to resell.
2. Includes transactions with nonbank brokers and dealers in securities.
3. Includes net due from related institutions abroad for U.S. branches and agencies of foreign banks having a net "due from" position.
4. Includes other transaction deposits.
5. Includes securities sold under agreements to repurchase.
6. Includes net to related institutions abroad for U.S. branches and agencies of foreign banks having a net "due to" position.
7. Excludes loans to and federal funds transactions with commercial banks in the United States.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1992					
	1988	1989	1990	1991	1992	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**458,464**	**525,831**	**561,142**	**530,300**	**547,480**	**547,268r**	**546,042r**	**549,969r**	**558,708r**	**561,909**	**547,480**
Financial companies[1]											
Dealer-placed paper[2]											
2 Total	159,777	183,622	215,123	214,445	227,566	226,943	231,586	233,977	231,132	231,384	227,566
3 Bank-related (not seasonally adjusted)[3]	1,248	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Directly placed paper[4]											
4 Total	194,931	210,930	199,835	183,195	172,639	179,751r	174,013r	179,969r	182,299r	180,177	172,639
5 Bank-related (not seasonally adjusted)[3]	43,155	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
6 Nonfinancial companies[5]	103,756	131,279	146,184	132,660	147,275	140,574	140,443	136,023	145,277	150,348	147,275
	Bankers dollar acceptances (not seasonally adjusted)[6]										
7 **Total**	**66,631**	**62,972**	**54,771**	**43,770**	**38,194**	**37,733**	**37,090**	**37,814**	**37,599**	**37,651**	**38,194**
Holder											
8 Accepting banks	9,086	9,433	9,017	11,017	10,555	9,225	9,372	10,436	10,236	10,301	10,555
9 Own bills	8,022	8,510	7,930	9,347	9,097	7,808	7,927	9,073	8,764	9,156	9,097
10 Bills bought from other banks	1,064	924	1,087	1,670	1,458	1,417	1,446	1,363	1,472	1,145	1,458
Federal Reserve Banks[7]											
11 *Foreign correspondents*	1,493	1,066	918	1,739	1,276	1,269	1,851	1,803	1,204	1,289	1,276
12 Others	56,052	52,473	44,836	31,014	26,364	27,239	25,866	25,575	26,159	26,061	26,364
Basis											
13 Imports into United States	14,984	15,651	13,095	12,843	12,209	11,825	11,600	12,227	12,116	12,133	12,209
14 Exports from United States	14,410	13,683	12,703	10,351	8,096	9,015	7,861	8,051	7,849	7,673	8,096
15 All other	37,237	33,638	28,973	20,577	17,890	16,893	17,628	17,536	17,633	17,846	17,890

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. Bank-related series were discontinued in January 1989.
4. As reported by financial companies that place their paper directly with investors.
5. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
6. Data on bankers acceptances are gathered from approximately 100 institutions. The reporting group is revised every January.
7. In 1977 the Federal Reserve discontinued operations in bankers acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS on Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1990—Jan. 1	10.50	1990	10.01	1991—Jan.	9.52	1992—Jan.	6.50
8	10.00	1991	8.46	Feb.	9.05	Feb.	6.50
		1992	6.25	Mar.	9.00	Mar.	6.50
1991—Jan. 2	9.50			Apr.	9.00	Apr.	6.50
Feb. 4	9.00	1990—Jan.	10.11	May	8.50	May	6.50
May 1	8.50	Feb.	10.00	June	8.50	June	6.50
Sept. 13	8.00	Mar.	10.00	July	8.50	July	6.02
Nov. 6	7.50	Apr.	10.00	Aug.	8.50	Aug.	6.00
Dec. 23	6.50	May	10.00	Sept.	8.20	Sept.	6.00
		June	10.00	Oct.	8.00	Oct.	6.00
1992—July 2	6.00	July	10.00	Nov.	7.58	Nov.	6.00
		Aug.	10.00	Dec.	7.21	Dec.	6.00
		Sept.	10.00				
		Oct.	10.00			1993—Jan.	6.00
		Nov.	10.00			Feb.	6.00
		Dec.	10.00				

1. 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

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

Item	1990	1991	1992	1992			1993	1993, week ending				
				Oct.	Nov.	Dec.	Jan.	Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	8.10	5.69	3.52	3.10	3.09	2.92	3.02	2.86	3.03	2.98	3.10	2.94
2 Discount window borrowing[2,4]	6.98	5.45	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Commercial paper[3,5,6]												
3 1-month	8.15	5.89	3.71	3.22	3.25	3.71	3.21	3.56	3.34	3.20	3.16	3.14
4 3-month	8.06	5.87	3.75	3.33	3.66	3.67	3.25	3.51	3.35	3.25	3.21	3.18
5 6-month	7.95	5.85	3.80	3.33	3.67	3.70	3.35	3.57	3.44	3.36	3.32	3.29
Finance paper, directly placed[3,5,7]												
6 1-month	8.00	5.73	3.62	3.14	3.20	3.68	3.25	3.56	3.34	3.25	3.21	3.18
7 3-month	7.87	5.71	3.65	3.24	3.59	3.58	3.32	3.51	3.40	3.32	3.30	3.27
8 6-month	7.53	5.60	3.63	3.23	3.56	3.52	3.29	3.39	3.36	3.30	3.26	3.23
Bankers acceptances[3,5,8]												
9 3-month	7.93	5.70	3.62	3.19	3.51	3.44	3.14	3.31	3.21	3.14	3.12	3.08
10 6-month	7.80	5.67	3.67	3.19	3.51	3.47	3.23	3.39	3.32	3.24	3.20	3.15
Certificates of deposit, secondary market[3,9]												
11 1-month	8.15	5.82	3.64	3.11	3.23	3.57	3.14	3.30	3.20	3.15	3.12	3.08
12 3-month	8.15	5.83	3.68	3.26	3.58	3.48	3.19	3.34	3.27	3.20	3.17	3.13
13 6-month	8.17	5.91	3.76	3.27	3.60	3.55	3.33	3.47	3.44	3.33	3.30	3.26
14 Eurodollar deposits, 3-month[3,10]	8.16	5.86	3.70	3.30	3.67	3.50	3.22	3.34	3.29	3.24	3.16	3.18
U.S. Treasury bills[5]												
Secondary market[3,5]												
15 3-month	7.50	5.38	3.43	2.86	3.13	3.22	3.00	3.15	3.09	3.00	2.99	2.92
16 6-month	7.46	5.44	3.54	3.04	3.34	3.36	3.14	3.32	3.25	3.14	3.11	3.07
17 1-year	7.35	5.52	3.71	3.17	3.52	3.55	3.35	3.46	3.44	3.36	3.33	3.26
Auction average[3,5,11]												
18 3-month	7.51	5.42	3.45	2.84	3.14	3.25	3.06	3.22	3.15	3.07	3.03	2.98
19 6-month	7.47	5.49	3.57	2.98	3.35	3.39	3.17	3.38	3.28	3.19	3.13	3.09
20 1-year	7.36	5.54	3.75	3.12	3.61	3.57	3.52	n.a.	n.a.	3.52	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	7.89	5.86	3.89	3.30	3.68	3.71	3.50	3.62	3.60	3.50	3.47	3.41
22 2-year	8.16	6.49	4.77	4.08	4.58	4.67	4.39	4.59	4.52	4.43	4.37	4.24
23 3-year	8.26	6.82	5.30	4.64	5.14	5.21	4.93	5.13	5.06	4.98	4.91	4.78
24 5-year	8.37	7.37	6.19	5.60	6.04	6.08	5.83	6.03	5.95	5.90	5.82	5.66
25 7-year	8.52	7.68	6.63	6.15	6.49	6.46	6.26	6.42	6.39	6.34	6.23	6.08
26 10-year	8.55	7.86	7.01	6.59	6.87	6.77	6.60	6.70	6.67	6.68	6.59	6.46
27 30-year	8.61	8.14	7.67	7.53	7.61	7.44	7.34	7.39	7.38	7.43	7.31	7.23
Composite												
28 More than 10 years (long-term)	8.74	8.16	7.52	7.26	7.43	7.30	7.17	7.24	7.24	7.27	7.15	7.03
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
29 Aaa	6.96	6.56	6.09	6.10	6.05	5.91	n.a.	5.94	5.85	5.97	n.a.	n.a.
30 Baa	7.29	6.99	6.48	6.51	6.46	6.27	n.a.	6.30	6.19	6.33	n.a.	n.a.
31 *Bond Buyer* series[14]	7.27	6.92	6.44	6.41	6.36	6.22	6.16	6.17	6.17	6.19	6.16	6.10
CORPORATE BONDS												
32 Seasoned issues, all industries[15]	9.77	9.23	8.55	8.41	8.51	8.35	8.24	8.31	8.29	8.30	8.22	8.14
Rating group												
33 Aaa	9.32	8.77	8.14	7.99	8.10	7.98	7.91	7.90	7.92	7.96	7.90	7.84
34 Aa	9.56	9.05	8.46	8.32	8.40	8.24	8.11	8.18	8.19	8.16	8.09	8.02
35 A	9.82	9.30	8.62	8.49	8.58	8.37	8.26	8.32	8.31	8.33	8.24	8.15
36 Baa	10.36	9.80	8.98	8.84	8.96	8.81	8.67	8.75	8.74	8.73	8.65	8.55
37 A-rated, recently offered utility bonds[16]	10.01	9.32	8.52	8.40	8.51	8.27	8.13	8.21	8.28	8.13	8.05	7.95
MEMO												
Dividend-price ratio[17]												
38 Preferred stocks	8.96	8.17	7.46	7.22	7.43	7.45	7.25	7.44	7.30	7.34	7.37	7.39
39 Common stocks	3.61	3.25	2.99	3.07	2.98	2.90	2.88	2.87	2.89	2.90	2.90	2.83

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year or bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.
7. An average of offering rates on paper directly placed by finance companies.
8. Representative closing yields for acceptances of the highest-rated money center banks.
9. An average of dealer offering rates on nationally traded certificates of deposit.
10. Bid rates for Eurodollar deposits at 11 a.m. London time. Data are for indication purposes only.
11. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Treasury.
13. General obligations based on Thursday figures; Moody's Investors Service.
14. General obligations only, with twenty years to maturity, issued by twenty state and local governmental units of mixed quality. Based on figures for Thursday.
15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
16. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
17. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

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

1.36 STOCK MARKET Selected Statistics

Indicator	1990	1991	1992	1992 May	1992 June	1992 July	1992 Aug.	1992 Sept.	1992 Oct.	1992 Nov.	1992 Dec.	1993 Jan.
	Prices and trading volume (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	183.66	206.35	229.00	228.55	224.68	228.17	230.07	230.13	226.97	232.84	239.47	239.67
2 Industrial	226.06	258.16	284.26	285.17	279.54	281.90	284.44	285.76	279.70	287.80	290.77	292.11
3 Transportation	158.80	173.97	201.02	207.88	202.02	198.36	191.31	191.61	192.30	204.63	212.35	221.00
4 Utility	90.72	92.64	99.48	98.24	97.23	101.18	103.41	102.26	101.62	101.13	103.85	105.52
5 Finance	133.21	150.84	179.29	175.89	174.82	180.96	180.47	178.27	181.36	189.27	196.87	203.38
6 Standard & Poor's Corporation (1941–43 = 10)[1]	335.01	376.20	415.75	414.81	408.27	415.05	417.93	418.48	412.50	422.84	435.64	435.40
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	338.32	360.32	391.28	392.63	385.56	384.07	385.80	382.67	371.27	387.75	392.69	402.75
Volume of trading (thousands of shares)												
8 New York Stock Exchange	156,359	179,411	202,558	182,027	195,089	194,138	174,003	191,774	204,787	208,221	222,736	266,011
9 American Stock Exchange	13,155	12,486	14,171	13,455	11,216	10,722	11,875	11,198	11,966	14,925	16,523	17,184
	Customer financing (millions of dollars, end-of-period balances)											
10 Margin credit at broker-dealers[3]	**28,210**	**36,660**	**43,990**	**39,890**	**39,690**	**39,640**	**39,940**	**41,250**	**41,590**	**43,630**	**43,990**	**44,020**
Free credit balances at brokers[4]												
11 Margin accounts[5]	8,050	8,290	8,970	7,700	7,780	7,920	8,060	8,060	8,355	8,500	8,970	9,080
12 Cash accounts	19,285	19,255	22,510	18,695	19,610	18,775	18,305	19,650	18,700	19,310	22,510	21,525

Margin requirements (percent of market value and effective date)[6]

Indicator	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

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

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

Effective June 8, 1988, margins were set to be the price of the option plus 20 percent of the market value of the stock underlying the option (or 15 percent in the case of stock-index options).

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1990	1991	1992 Feb.	Mar.	Apr.	May	June[r]	July	Aug.	Sept.[r]	Oct.[r]	Nov.
	SAIF-insured institutions											
1 **Assets**	**1,084,821**	**919,979**	**906,142**	**883,407**	**872,026**	**870,334**	**861,517**	**856,390[r]**	**856,165[r]**	**847,235**	**846,730**	**840,605**
2 Mortgages	633,385	551,322	541,734	529,158	524,954	521,911	516,654	512,264	512,077	508,815	502,863	496,974
3 Mortgage-backed securities	155,228	129,461	127,766	125,272	124,763	124,225	123,282	122,385[r]	120,438[r]	119,715	120,715	120,292
4 Contra-assets to mortgage assets[1]	16,897	12,307	11,608	10,979	10,959	11,120	11,282	11,044	11,164	11,073	11,207	10,509
5 Commercial loans	24,125	17,139	16,050	15,400	15,075	14,607	14,020	13,929	13,525	13,419	13,630	13,180
6 Consumer loans	48,753	41,775	39,908	38,717	37,999	37,868	37,403	37,230	37,123[r]	36,732	35,938	36,019
7 Contra-assets to nonmortgage loans[1]	1,939	1,239	1,115	−1,008	980	949	944	910	932[r]	982	931	845
8 Cash and investment securities	146,644	120,077	121,969	119,543	116,462	120,763	119,539	120,220	124,140	120,684	126,719	127,893
9 Other[2]	95,522	73,751	71,637	67,387	64,711	63,030[r]	62,844	62,317[r]	60,958[r]	59,925	59,002	57,600
10 **Liabilities and net worth**	**1,084,821**	**919,979**	**906,142**	**883,407**	**872,026**	**870,334**	**861,517**	**856,390[r]**	**856,165[r]**	**847,235**	**846,730**	**840,605**
11 Deposits	835,496	731,937	717,026	703,811	689,777	688,199	682,535	676,141	672,354	667,027	660,906	654,047
12 Borrowed money	197,353	121,923	118,554	110,031	111,262	110,126	108,943	109,036	110,109	110,022	114,123	114,354
13 FHLBB	100,391	65,842	63,138	62,628	62,268	61,439	62,760	62,359	62,225	64,105	63,065	64,742
14 Other	96,962	56,081	55,416	47,403	48,994	48,687	46,183	46,677	47,884	45,917	51,058	49,612
15 Other	21,332	17,560	21,329	18,295	18,883	19,626	17,740	18,570	20,523	18,017	19,853	20,406
16 Net worth	30,640	48,559	49,233	51,271	52,103	52,383	52,299	52,642[r]	53,178[r]	52,169	51,846	51,798

1. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to mortgage assets, mortgage loans, contracts, and pass-through securities—include loans in process, unearned discounts and deferred loan fees, valuation allowances for mortgages "held for sale," and specific reserves and other valuation allowances. Contra-assets to nonmortgage loans include loans in process, unearned discounts and deferred loan fees, and specific reserves and valuation allowances.

2. Includes holding of stock in Federal Home Loan Bank and finance leases plus interest.

NOTE. Components do not sum to totals because of rounding. Data for credit unions and life insurance companies have been deleted from this table. Starting in *the December 1991 issue, data for life insurance companies are shown in a special* table of quarterly data.

SOURCE. Office of Thrift Supevision (OTS), insured by the Savings Association Insurance Fund (SAIF) and regulated by the OTS.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1990	Fiscal year 1991	Fiscal year 1992[r]	Calendar year 1992 Aug.	1992 Sept.	1992 Oct.	1992 Nov.	1992 Dec.	1993 Jan.
U.S. budget[1]									
1 Receipts, total	1,031,308	1,054,265	1,091,200[r]	78,216[r]	118,338[r]	76,832[r]	74,633[r]	113,756[r]	112,809
2 On-budget	749,654	760,382	788,774[r]	55,432[r]	92,807[r]	55,056[r]	51,219[r]	89,660[r]	90,220
3 Off-budget	281,654	293,883	302,426	22,784	25,531	21,776	23,414	24,096	22,589
4 Outlays, total	1,251,766	1,323,757	1,381,404[r]	102,918[r]	112,918[r]	125,620[r]	107,363[r]	152,701[r]	82,996
5 On-budget	1,026,701	1,082,072	1,129,044[r]	79,126[r]	86,703[r]	103,780[r]	83,444[r]	116,640[r]	85,022
6 Off-budget	225,064	241,685	252,316	23,792	26,235	21,841	23,919	36,061	−2,025
7 Surplus or deficit (−), total	−220,458	−269,492	−290,160	−24,702	5,400	−48,788[r]	−32,730	−38,945	29,812
8 On-budget	−277,047	−321,690	−340,270	−23,694	6,104	−48,724[r]	−32,225	−26,980	24,614
9 Off-budget	56,590	52,198	50,110	−1,008	−704	−65	−505	−11,965	24,614
Source of financing (total)									
10 Borrowing from the public	220,101	276,802	310,918	38,841	9,853	−1,552	61,969	21,078	−8,355
11 Operating cash (decrease, or increase (−))	818	−1,329	−17,305	1,523	−22,807	39,420	−7,346	−3,175	−16,436
12 Other[2]	−461	−5,981	−3,453	−15,662	7,554	10,920[r]	−21,893	21,042	−5,021
MEMO									
13 Treasury operating balance (level, end of period)	40,155	41,484	58,789	35,982	58,789	19,369	26,715	29,890	46,326
14 Federal Reserve Banks	7,638	7,928	24,586	6,232	24,586	4,413	6,985	7,492	9,572
15 Tax and loan accounts	32,517	33,556	34,203	29,749	34,203	14,956	19,729	22,399	36,754

1. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, all former off-budget entries are now presented on-budget. Federal Financing Bank (FFB) activities are now shown as separate accounts under the agencies that use the FFB to finance their programs. The act also moved two social security trust funds (federal old-age survivors insurance and federal disability insurance) off budget. The Postal Service is included as an off-budget item in the *Monthly Treasury Statement* beginning in 1990.

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.

SOURCES. *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government* (MTS) and the *Budget of the U.S. Government*.

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

Millions of dollars

Source or type	Fiscal year		Calendar year						
	1991	1992	1991		1992		1992		1993
			H1	H2	H1[r]	H2	Nov.	Dec.	Jan.
RECEIPTS									
1 **All sources**	**1,054,265**	**1,091,200[r]**	**540,504**	**519,293[r]**	**560,647**	**540,849[r]**	**74,633[r]**	**113,756[r]**	**112,809**
2 Individual income taxes, net	467,827	476,465	232,389	234,949	237,049	246,961[r]	33,097[r]	51,171[r]	73,704
3 Withheld	404,152	408,352	193,440	210,552	198,868	215,591	33,085	48,189	36,255
4 Presidential Election Campaign Fund	32	30	31	1	19	10	0	0	0
5 Nonwithheld	142,693	149,342	109,405	33,296	112,032	39,371[r]	1,772[r]	3,665[r]	38,452
6 Refunds	79,050	81,259	70,487	8,900	73,869	8,011	1,760	683	1,003
Corporation income taxes									
7 Gross receipts	113,599	117,951	58,903	54,016	61,682	58,022	2,312	23,721	3,969
8 Refunds	15,513	17,680	7,904	8,649	9,402	7,219	833	772	758
9 Social insurance taxes and contributions, net	396,011	413,689	214,303	186,839[r]	224,569	192,599	32,900	31,918	29,416
10 Employment taxes and contributions[2]	370,526	385,491	199,727	175,802	208,110	180,758	30,264	31,252	28,209
11 Self-employment taxes and contributions[3]	25,457	24,421	22,150	3,306	20,433	3,988	0	0	−3,032
12 Unemployment insurance	20,922	23,410	12,296	8,721[r]	14,070	9,397	2,270	245	844
13 Other net receipts[4]	4,563	4,788	2,279	2,317	2,389	2,445	366	421	363
14 Excise taxes	42,430	45,570	20,703	24,429[r]	22,388	23,456	4,082	4,014	3,307
15 Customs deposits	15,921	17,359	7,488	8,694[r]	8,145	9,497	1,503	1,539	1,310
16 Estate and gift taxes	11,138	11,143	5,631	5,507[r]	5,701	5,733	954	959	888
17 Miscellaneous receipts[5]	22,852	27,195	8,991	13,508	10,992	11,815	618	1,206	971
OUTLAYS									
18 **All types**	**1,323,757**	**1,381,404[r]**	**632,153**	**694,474**	**704,590**	**723,760[r]**	**107,363[r]**	**152,701[r]**	**82,996**
19 National defense	272,514	298,361	122,089	147,669	147,015	155,501	20,819	30,010	19,683
20 International affairs	16,167	16,106	7,592	7,691	8,544	9,911	4,018	1,170	1,161
21 General science, space, and technology	15,946	16,409	7,496	8,472	7,952	8,521	1,612	1,571	1,395
22 Energy	2,511	4,509	1,235	1,698	1,442	3,109	529	525	15
23 Natural resources and environment	18,708	20,017	8,324	11,130	8,617	11,617	1,801	1,540	1,372
24 Agriculture	14,864	14,997	7,684	7,418	7,527	8,881	2,139	3,428	1,206
25 Commerce and housing credit	75,639	9,514	17,992	36,534	15,565	−7,843	−2,417	−1,874	−1,832
26 Transportation	31,531	33,337	14,748	17,093	15,678	18,477	2,981	2,983	2,363
27 Community and regional development	7,432	7,411	3,552	3,783	3,902	4,540	728	774	650
28 Education, training, employment, and social services	41,479	45,248	21,234	21,114	23,224	20,922	3,882	4,393	4,360
29 Health	71,183	89,570	35,608	41,459	43,702	47,223	7,420	8,191	7,828
30 Social security and medicare	373,495	406,585[r]	190,247	193,098	205,516	232,109	33,346	59,837	10,376
31 Income security	171,618	198,073	88,778	87,805	105,928	99,272	14,188	18,689	16,225
32 Veterans benefits and services	31,344	34,133	14,326	17,425	15,597	18,561	1,743	4,148	1,641
33 Administration of justice	12,295	14,450	6,187	6,574	7,432	7,283	1,277	1,236	1,222
34 General government	11,358	12,939	5,212	6,794	5,465	8,138	106	2,306	133
35 Net interest[6]	195,012	199,429	98,556	99,149	100,188	98,549	16,148	16,559	17,858
36 Undistributed offsetting receipts[7]	−39,356	−39,280	−18,702	−20,436	−18,228	−20,914	−2,954	−2,783	−2,660

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

SOURCES. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*, and the U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1993*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1990	1991				1992			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
1 **Federal debt outstanding**	**3,397**	**3,492**	**3,563**	**3,683**	**3,820**	**3,897**	**4,001**	**4,083**	n.a.
2 Public debt securities	3,365	3,465	3,538	3,665	3,802	3,881	3,985	4,065	4,177
3 Held by public	2,537	2,598	2,643	2,746	2,833	2,918	2,977	3,048	n.a.
4 Held by agencies	828	867	895	920	969	964	1,008	1,016	n.a.
5 Agency securities	33	27	25	18	19	16	16	18	n.a.
6 Held by public	32	26	25	18	19	16	16	18	n.a.
7 Held by agencies	0	0	0	0	0	0	0	0	n.a.
8 **Debt subject to statutory limit**	**3,282**	**3,377**	**3,450**	**3,569**	**3,707**	**3,784**	**3,891**	**3,973**	**4,086**
9 Public debt securities	3,281	3,377	3,450	3,569	3,706	3,783	3,890	3,972	4,085
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,145	4,145	4,145	4,145	4,145	4,145	4,145	4,145	4,145

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

SOURCES. U.S. Treasury Department, *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	1989	1990	1991	1992	1992			
					Q1	Q2	Q3	Q4
1 **Total gross public debt**	**2,953.0**	**3,364.8**	**3,801.7**	**4,177.0**	**3,881.3**	**3,984.7**	**4,064.6**	**4,177.0**
By type								
2 Interest-bearing	2,931.8	3,362.0	3,798.9	4,173.9	3,878.5	3,981.8	4,061.8	4,173.9
3 Marketable	1,945.4	2,195.8	2,471.6	2,754.1	2,552.3	2,605.1	2,677.5	2,754.1
4 Bills	430.6	527.4	590.4	657.7	615.8	618.2	634.3	657.7
5 Notes	1,151.5	1,265.2	1,430.8	1,608.9	1,477.7	1,517.6	1,566.4	1,608.9
6 Bonds	348.2	388.2	435.5	472.5	443.8	454.3	461.8	472.5
7 Nonmarketable[1]	986.4	1,166.2	1,327.2	1,419.8	1,326.2	1,376.7	1,384.3	1,419.8
8 State and local government series	163.3	160.8	159.7	153.5	157.8	161.9	157.6	153.5
9 Foreign issues[2]	6.8	43.5	41.9	37.4	42.0	38.7	37.0	37.4
10 Government	6.8	43.5	41.9	37.4	42.0	38.7	37.0	37.4
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	115.7	124.1	135.9	155.0	139.9	143.2	148.3	155.0
13 Government account series[3]	695.6	813.8	959.2	1,043.5	956.1	1,002.5	1,011.0	1,043.5
14 Non-interest-bearing	21.2	2.8	2.8	3.1	2.8	2.9	2.8	3.1
By holder[4]								
15 U.S. Treasury and other federal agencies and trust funds	707.8	828.3	968.7	n.a.	963.7	1,007.9	1,016.3	n.a.
16 Federal Reserve Banks	228.4	259.8	281.8	n.a.	267.6	276.9	296.4	n.a.
17 Private investors	2,015.8	2,288.3	2,563.2	n.a.	2,664.0	2,712.4	2,765.5	n.a.
18 Commercial banks	164.9	171.5	233.4	n.a.	256.6	267.2	270.0	n.a.
19 Money market funds	14.9	45.4	80.0	n.a.	84.0	79.4	79.4	n.a.
20 Insurance companies	125.1	142.0	168.7	n.a.	176.9	181.3	185.0	n.a.
21 Other companies	93.4	108.9	150.8	n.a.	166.0	175.0	180.8	n.a.
22 State and local treasuries	487.5	490.4	520.3	n.a.	521.8	528.5	530.0	n.a.
Individuals								
23 Savings bonds	117.7	126.2	138.1	n.a.	142.0	145.4	150.3	n.a.
24 Other securities	98.7	107.6	125.8	n.a.	126.1	129.7	130.9	n.a.
25 Foreign and international[5]	392.9	421.7	455.0	n.a.	471.2	492.9	499.0	n.a.
26 Other miscellaneous investors[6]	520.7	674.5	691.1	n.a.	719.5	713.1	740.0	n.a.

1. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.
3. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Consists of investments of foreign balances and international accounts in the United States.
6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally sponsored agencies.

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

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

Millions of dollars, daily averages

Item	1992			1992, week ending					1993, week ending			
	Oct.	Nov.	Dec.	Dec. 2	Dec. 9	Dec. 16	Dec. 23	Dec. 30	Jan. 6	Jan. 13	Jan. 20	Jan. 27
IMMEDIATE TRANSACTIONS[2]												
By type of security												
U.S. Treasury securities												
1 Bills	46,769r	43,954r	42,358r	39,909r	48,336	44,201	37,314	38,654	48,188	52,807	50,836	42,636
Coupon securities, by maturity												
2 Less than 3.5 years	49,540r	52,682r	36,143r	41,655r	43,175	36,669	39,085	21,267	32,120	45,550	51,024	58,100
3 3.5 to 7.5 years	45,744r	39,524r	28,723r	29,538r	35,628r	30,726	29,754	15,626	29,778	49,463	45,958	56,318
4 7.5 to 15 years	20,425	18,196r	13,054r	15,279r	18,501r	12,126	12,070	7,503	13,123	19,853	20,257	21,395
5 15 years or more	14,672	13,855r	11,093r	10,000r	14,807r	10,468	10,792	8,143	11,132	15,387	19,152	18,220
Federal agency securities												
Debt, by maturity												
6 Less than 3.5 years	4,824	5,451	5,635	4,960	6,356	5,431	5,674	5,229	5,824	6,884	5,018	6,526
7 3.5 to 7.5 years	718	471	552	286	901	494	502	345	700	888	792	873
8 7.5 years or more	1,040	751	827	671	775	774	827	932	1,252	1,079	1,225	1,230
Mortgage-backed												
9 Pass-throughs	16,051r	17,254	14,208	13,217	19,565	14,763	13,252	8,435	14,506	26,941	22,744	16,675
10 All others[3]	3,069r	3,551r	3,122	6,457	2,753	2,119	3,438	3,007	2,201	3,150	4,680	4,211
By type of counterparty												
Primary dealers and brokers												
11 U.S. Treasury securities	115,221r	106,377r	80,472r	86,834r	100,047r	81,542	78,631	54,359	78,175	115,030	115,525	122,359
Federal agency securities												
12 Debt	1,697	1,191	1,276	1,271	1,527	1,366	1,201	805	1,834	1,840	1,524	1,869
13 Mortgage-backed	8,254	9,765r	7,917	9,023	10,366	7,995	7,679	4,532	7,809	13,082	12,034	9,111
Customers												
14 U.S. Treasury securities	61,929r	61,832r	50,898r	49,547r	60,400r	52,648	50,384	36,833	56,166	68,028	71,701	74,310
Federal agency securities												
15 Debt	4,885	5,483	5,738	4,645	6,505	5,333	5,802	5,700	5,942	7,011	5,511	6,760
16 Mortgage-backed	10,866r	11,040r	9,413	10,651	11,952	8,887	9,011	6,910	8,898	17,009	15,390	11,775
FUTURES AND FORWARD TRANSACTIONS[4]												
By type of deliverable security												
U.S. Treasury securities												
17 Bills	3,689	3,242r	2,464r	2,462r	4,923	2,421	1,004	1,087	3,189	2,856	2,345	1,860
Coupon securities, by maturity												
18 Less than 3.5 years	2,253	2,221r	1,637r	1,549r	1,960	1,548	1,840	1,219	1,290	2,036	2,600	2,540
19 3.5 to 7.5 years	1,309	1,969	1,179r	2,490	1,484r	1,150	995	480	903	1,475	1,758	1,614
20 7.5 to 15 years	3,050	3,548	2,336r	3,719	3,156r	2,262	2,277	1,028	1,369	3,060	2,745	3,059
21 15 years or more	10,612	8,782	6,427r	7,315	8,642r	6,455	5,984	3,928	5,653	9,391	11,224	9,673
Federal agency securities												
Debt, by maturity												
22 Less than 3.5 years	67	161	97	58	25	108	198	86	20	15	109	28
23 3.5 to 7.5 years	66	117	48	235	38	37	4	n.a	5	160	138	91
24 7.5 years or more	20	16	18	23	31	16	17	7	12	64	192	62
Mortgage-backed												
25 Pass-throughs	18,011r	15,801	11,895r	11,124	17,052r	15,581	9,145	3,811	15,297	18,847	17,297	15,700
26 Others[3]	1,613r	1,132	829	444	843	1,152	1,070	365	562	638	1,767	2,181
OPTIONS TRANSACTIONS[5]												
By type of underlying security												
U.S. Treasury, coupon securities, by maturity												
27 Less than 3.5 years	1,317	1,663r	1,401r	1,981r	2,640	1,192	945	478	1,058	1,735	1,628	1,817
28 3.5 to 7.5 years	837	824	378	305	717	214	313	72	1,194	732	836	545
29 7.5 to 15 years	742	817	341	493	309	313	363	227	672	676	441	596
30 15 years or more	1,623	1,607	820	975	1,191	726	922	253	876	846	1,431	1,890
Federal agency, mortgage-backed securities												
31 Pass-throughs	299	344	338	243	523	328	279	173	617	472	577	644

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Averages are based on the number of trading days in the period. 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. Transactions for immediate delivery include purchases or sales of securities (other than mortgage-backed 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 days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

3. Includes such securities as collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), interest-only securities (IOs), and principal-only securities (POs).

4. Futures transactions are standardized agreements arranged on an exchange. Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. All futures transactions are included regardless of time to 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 days.

5. 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. In tables 1.42 and 1.43, "n.a." indicates that data are not published because of insufficient activity.

Data for several types of options transactions—U.S. Treasury securities, bills; Federal agency securities, debt; and mortgage-backed securities, other than pass-throughs—are no longer available because activity is insufficient.

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

Millions of dollars

Item	1992			1992, week ending					1993, week ending		
	Oct.	Nov.	Dec.	Dec. 2	Dec. 9	Dec. 16	Dec. 23	Dec. 30	Jan. 6	Jan. 13	Jan. 20
	Positions[2]										
NET IMMEDIATE POSITIONS[3]											
By type of security											
U.S. Treasury securities											
1 Bills	11,475	17,896	15,994	29,725	21,574	19,434	14,136	5,897	9,069	12,746	7,028
Coupon securities, by maturity											
2 Less than 3.5 years	804	1,755	25	3,131	2,369	−3,290	2,760	−2,284	−2,385	−4,343	−9,699
3 3.5 to 7.5 years	−13,685	−12,280	−7,221	−11,515	−8,953	−8,366	−4,713	−5,630	−7,193	−8,986	−8,902
4 7.5 to 15 years	−13,207	−9,567	−10,158	−9,643	−10,755	−9,477	−9,475	−10,760	−12,355	−14,007	−14,080
5 15 years or more	6,617	5,028[r]	7,071	5,295	7,865	6,647	6,870	7,390	7,216	5,863	8,024
Federal agency securities											
Debt, by maturity											
6 Less than 3.5 years	6,724	6,384	4,299	6,325	4,854	4,271	4,339	3,086	4,756	3,214	6,195
7 3.5 to 7.5 years	2,955	3,119[r]	3,282[r]	3,180[r]	3,434	3,338	3,270	3,166	2,924	2,779	2,542
8 7.5 years or more	4,190	3,418	3,331	3,173	3,186	2,891	3,561	3,682	3,681	3,809	3,707
Mortgage-backed											
9 Pass-throughs	32,278	27,626	24,575	15,923	25,614	31,688	26,285	17,272	23,951	39,588	39,619
10 All others[4]	26,555[r]	25,617[r]	24,932	25,614	24,948	23,931	24,951	25,783	24,367	24,215	25,127
Other money market instruments											
11 Certificates of deposit	3,501	3,006	2,743[r]	2,886	2,335	2,510	2,865	3,249	2,563	2,372	2,978
12 Commercial paper	6,374	6,930	7,368[r]	7,603	7,745	8,120	6,963	6,459	8,198	5,310	6,836
13 Bankers acceptances	790	864	758	737	633	745	737	921	766	505	638
FUTURES AND FORWARD POSITIONS[5]											
By type of deliverable security											
U.S. Treasury securities											
14 Bills	−2,336	2,797	−1,820	2,825	−3,416	−2,250	−1,839	−1,060	−2,120	−4,844	−5,943
Coupon securities, by maturity											
15 Less than 3.5 years	731	2,105	612	1,455	213	676	805	509	630	1,998	1,109
16 3.5 to 7.5 years	2,286	1,206	609	113	−475	164	653	1,953	2,593	3,153	2,394
17 7.5 to 15 years	2,882	2,614	2,138	2,908	3,005	1,207	679	3,217	3,700	4,124	2,503
18 15 years or more	−4,237	−5,164	−7,258	−7,107	−8,435	−7,225	−7,320	−6,180	−6,670	−4,733	−7,642
Federal agency securities											
Debt, by maturity											
19 Less than 3.5 years	134	1	−123	52	−25	−48	−107	−378	−18	−1	−85
20 3.5 to 7.5 years	−21	91	−115	184	−42	−150	−186	−177	−42	31	109
21 7.5 years or more	−1	−6	−16	22	48	−72	2	−51	−42	−55	113
Mortgage-backed											
22 Pass-throughs	−14,399	−7,047	−1,280	5,258	−3,089	−8,007	−2,167	6,223	−909	−14,631	−16,701
23 All others[4]	5,757	1,911	366	−291	301	270	1,059	37	257	1,025	1,964
24 Certificates of deposit	−172,555	−125,734	−71,895[r]	−103,656	−98,120	−61,896	−60,445	−59,719	−60,181	−66,521	−65,954
	Financing[6]										
Reverse repurchase agreements											
25 Overnight and continuing	214,066	212,187[r]	208,771[r]	217,381[r]	212,837	210,357	196,211	209,641	233,811	226,031	232,592
26 Term	341,487	335,351[r]	331,994[r]	315,985[r]	341,254	332,175	343,399	320,130	301,147	346,177	340,163
Repurchase agreements											
27 Overnight and continuing	383,324	362,381[r]	358,179[r]	380,700[r]	367,605	384,686	331,356	339,421	380,668	373,457	401,407
28 Term	317,708	329,318[r]	325,323[r]	294,098[r]	330,268	314,312	364,181	307,859	280,463	321,782	323,946
Securities borrowed											
29 Overnight and continuing	101,102	104,281[r]	99,940[r]	101,330[r]	102,144	101,411	103,225	92,882	97,859	98,389	101,843
30 Term	44,031	44,260[r]	46,934[r]	43,250[r]	45,754	47,141	47,816	47,689	49,658	52,757	51,220
Securities loaned											
31 Overnight and continuing	4,603[r]	4,158[r]	4,274[r]	3,897[r]	3,882	4,419	4,895	4,087	3,721	3,418	4,725
32 Term	422[r]	314[r]	603[r]	215[r]	223	224	446	1,687	211	200	359
Collateralized loans											
33 Overnight and continuing	17,160	15,142[r]	16,800[r]	13,348[r]	17,483	16,128	18,419	15,998	17,896	16,345	17,015
MEMO: Matched book[7]											
Reverse repurchase agreements											
34 Overnight and continuing	146,398	153,453[r]	157,388[r]	159,110[r]	160,780	159,562	151,038	155,374	173,522	163,772	167,627
35 Term	295,545	287,013[r]	289,381[r]	271,004[r]	298,724	290,223	298,406	278,344	268,933	305,960	297,287
Repurchase agreements											
36 Overnight and continuing	196,777	188,840[r]	192,187[r]	202,575[r]	194,390	205,239	173,178	190,112	212,201	217,569	227,036
37 Term	240,478	244,397[r]	243,025[r]	221,247[r]	248,227	233,949	268,752	231,648	213,245	248,413	246,276

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; monthly figures are averages of weekly data.
2. Securities positions are reported at market value.
3. 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 of mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty days or less.
4. Includes such securities as collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), interest-only securities (IOs), and principal-only securities (POs).
5. Futures positions reflect standardized agreements arranged on an exchange. Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. All futures positions are included regardless of time to 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 days.
6. 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.
7. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched-book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or different types of collateralization.

NOTE. Data for futures and forward commercial paper and bankers acceptances and for term financing of collateralized loans are no longer available because of insufficient activity.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1988	1989	1990	1991	1992				
					July	Aug.	Sept.	Oct.	Nov.
1 **Federal and federally sponsored agencies**	**381,498**	**411,805**	**434,668**	**442,772**	**457,369**	**464,773**	**475,606**	**479,978**	**481,050**
2 Federal agencies	35,668	35,664	42,159	41,035	39,773	40,034	41,319	41,470	42,081
3 Defense Department[1]	8	7	7	7	7	7	7	7	7
4 Export-Import Bank[2,3]	11,033	10,985	11,376	9,809	8,156	8,156	7,698	7,698	7,698
5 Federal Housing Administration[4]	150	328	393	397	194	229	301	309	344
6 Government National Mortgage Association certificates of participation[5]	0	0	0	0	0	0	0	0	0
7 Postal Service[6]	6,142	6,445	6,948	8,421	10,123	10,123	10,123	10,123	10,660
8 Tennessee Valley Authority	18,335	17,899	23,435	22,401	21,293	21,519	23,190	23,333	23,372
9 United States Railway Association[6]	0	0	0	0	0	0	0	0	0
10 Federally sponsored agencies[7]	345,832	375,428	392,509	401,737	417,596	424,739	434,287	438,508	438,969
11 Federal Home Loan Banks	135,836	136,108	117,895	107,543	107,343	108,564	110,830	112,436	114,364
12 Federal Home Loan Mortgage Corporation	22,797	26,148	30,941	30,262	33,959	34,295	36,750	34,108	30,914
13 Federal National Mortgage Association	105,459	116,064	123,403	133,937	147,377	150,280	155,232	159,764	161,308
14 Farm Credit Banks[8]	53,127	54,864	53,590	52,199	49,241	52,137	52,734	52,510	52,728
15 Student Loan Marketing Association[9]	22,073	28,705	34,194	38,319	39,765	39,552	38,830	39,766	39,737
16 Financing Corporation[10]	5,850	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	690	847	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	0	4,522	23,055	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt[13]**	**142,850**	**134,873**	**179,083**	**185,576**	**177,700**	**174,003**	**164,422**	**159,899**	**156,579**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	11,027	10,979	11,370	9,803	8,150	8,150	7,692	7,692	7,692
21 Postal Service[6]	5,892	6,195	6,698	8,201	9,903	9,903	9,903	9,903	10,440
22 Student Loan Marketing Association	4,910	4,880	4,850	4,820	4,820	4,820	4,820	4,790	4,790
23 Tennessee Valley Authority	16,955	16,519	14,055	10,725	8,475	7,275	7,175	7,175	6,975
24 United States Railway Association[6]	0	0	0	0	0	0	0	0	0
Other lending[14]									
25 Farmers Home Administration	58,496	53,311	52,324	48,534	43,209	43,009	42,979	42,979	42,979
26 Rural Electrification Administration	19,246	19,265	18,890	18,562	18,227	18,238	18,143	18,172	18,172
27 Other	26,324	23,724	70,896	84,931	84,916	82,608	73,710	69,188	65,531

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. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, 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 in order 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, while 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	1990	1991	1992	1992 June	1992 July	1992 Aug.	1992 Sept.	1992 Oct.	1992 Nov.	1992 Dec.	1993 Jan.
1 **All issues, new and refunding**[1]	**120,339**	**154,402**	**215,191**	**24,084**	**17,386**	**19,774**	**18,698**	**21,092**	**14,133**	**19,577**	**17,580**
By type of issue											
2 General obligation	39,610	55,100	78,611	8,806	7,136	7,005	7,461	7,733	5,203	6,024	4,650
3 Revenue	81,295	99,302	136,580	15,278	10,250	12,769	11,237	13,359	8,930	13,553	12,930
By type of issuer											
4 State	15,149	24,939	25,295	2,063	2,836	2,933	1,710	2,742	1,688	2,339	1,339
5 Special district or statutory authority[2]	72,661	80,614	127,618	16,477	10,040	11,203	11,054	13,113	8,197	11,159	12,556
6 Municipality, county, or township	32,510	48,849	73,178	5,544	4,510	n.a.	5,934	5,237	4,248	6,079	3,685
7 **Issues for new capital**	**103,235**	**116,953**	**120,272**	**14,096**	**7,565**	**11,993**	**10,496**	**13,760**	**8,028**	**8,010**	**4,878**
By use of proceeds											
8 Education	17,042	21,121	22,071	2,132	1,747	1,737	1,237	2,083	1,800	1,658	1,005
9 Transportation	11,650	13,395	17,334	2,618	571	2,130	1,977	1,364	531	831	848
10 Utilities and conservation	11,739	21,039	20,058	1,851	629	2,604	2,265	3,340	960	1,258	891
11 Social welfare	23,099	25,648	n.a.	4,266	887	767	1,869	2,365	1,070	1,121	540
12 Industrial aid	6,117	8,376	n.a.	724	91	503	1,176	367	581	339	178
13 Other purposes	34,607	30,275	n.a.	2,505	3,640	4,252	1,972	4,241	3,086	2,803	1,416

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

SOURCES. Securities Data Company beginning January 1993. *Investment Dealer's Digest* for earlier data.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1989	1990	1991	1992 Apr.	1992 May	1992 June	1992 July	1992 Aug.	1992 Sept.	1992 Oct.	1992 Nov.
1 **All issues**[1]	**377,855**	**340,049**	**465,483**	**29,064**	**44,977**	**48,136**	**46,235**	**37,091**	**42,849**	**39,123**	**35,679**
2 **Bonds**[2]	**319,985**	**299,884**	**390,018**	**23,726**	**38,061**	**39,113**	**39,758**	**31,815**	**37,539**	**32,157**	**31,180**
By type of offering											
3 Public, domestic	179,714	188,848	287,125	22,352	35,089	36,085	37,833	28,561	36,185	30,249	29,000
4 Private placement, domestic[3]	117,420	86,982	74,930	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	22,851	23,054	27,962	1,373	2,972	3,027	1,924	3,254	1,355	1,909	2,409
By industry group											
6 Manufacturing	74,736	51,779	86,628	4,170	6,046	7,338	5,509	4,720	5,974	7,975	3,467
7 Commercial and miscellaneous	50,268	40,733	36,666	2,381	2,492	1,665	3,488	2,159	2,374	2,813	2,393
8 Transportation	10,221	12,776	13,598	140	621	899	766	393	677	290	0
9 Public utility	18,611	17,621	23,945	3,548	3,051	4,266	6,902	4,509	5,230	3,700	1,289
10 Communication	9,276	6,687	9,431	1,205	1,590	1,028	2,081	1,053	1,191	427	374
11 Real estate and financial	156,873	170,288	219,750	12,282	24,261	23,916	21,011	18,982	22,093	16,953	23,656
12 **Stocks**[2]	**57,870**	**40,165**	**75,467**	**5,338**	**6,916**	**9,023**	**6,477**	**5,276**	**5,310**	**6,966**	**4,499**
By type of offering											
13 Public preferred	6,194	n.a.	17,408	334	1,552	2,933	2,413	1,148	1,233	2,901	1,540
14 Common	26,030	n.a.	47,860	5,004	5,364	6,090	4,064	4,129	4,077	4,065	2,958
15 Private placement[3]	25,647	16,736	10,109	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
16 Manufacturing	9,308	5,649	24,154	1,586	2,499	3,000	857	713	307	1,779	288
17 Commercial and miscellaneous	7,446	10,171	19,418	1,099	2,080	1,079	1,599	1,315	602	940	1,366
18 Transportation	1,929	369	2,439	122	176	1,064	n.a.	n.a.	59	53	304
19 Public utility	3,090	416	3,474	577	826	610	564	921	595	359	150
20 Communication	1,904	3,822	475	211	12	n.a.	n.a.	n.a.	1,051	99	22
21 Real estate and financial	34,028	19,738	25,507	1,743	1,324	3,271	3,457	2,327	2,695	3,735	2,369

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data cover only public offerings.
3. Monthly data are not available.

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

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets

Millions of dollars

Item[1]	1991	1992	1992 May	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.
1 **Sales of own shares[2]**	**463,645**	**647,055**	**48,127**	**51,457**	**54,915**	**50,627**	**50,039**	**52,214**	**52,019**	**70,618**
2 Redemptions of own shares	342,547	447,140	31,409	37,457	34,384	35,223	37,862	37,134	34,126	51,993
3 Net sales[3]	121,098	199,915	16,718	14,000	20,703	15,404	12,177	15,080	17,893	18,625
4 **Assets[4]**	**808,582**	**1,056,310**	**897,211**	**911,218**	**951,806**	**957,145**	**978,507**	**983,151**	**1,019,618**	**1,056,310**
5 Cash[5]	60,292	73,999	67,270	69,508	72,732	77,245	76,498	75,808	80,247	73,999
6 Other	748,290	982,311	829,941	841,710	879,074	879,900	902,009	907,343	939,371	982,311

1. Data on sales and redemptions exclude money market mutual funds but include limited-maturity municipal bond funds. Data on assets exclude both money market mutual funds and limited-maturity municipal bond funds.
2. Includes reinvestment of dividends. Excludes reinvestment of capital gains distributions.
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 new companies.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1990	1991	1992	1991 Q1	1991 Q2	1991 Q3	1991 Q4	1992 Q1	1992 Q2	1992 Q3	1992 Q4
1 Profits with inventory valuation and capital consumption adjustment	361.7	346.3	n.a.	349.6	347.3	341.2	347.1	384.0	388.4	374.1	n.a.
2 Profits before taxes	355.4	334.7	n.a.	337.6	332.3	336.7	332.3	366.1	376.8	354.1	n.a.
3 Profits tax liability	136.7	124.0	n.a.	121.3	122.9	127.0	125.0	136.4	144.1	131.8	n.a.
4 Profits after taxes	218.7	210.7	n.a.	216.3	209.4	209.6	207.4	229.7	232.7	222.2	n.a.
5 Dividends	149.3	146.5	149.4	150.6	146.2	145.1	143.9	143.6	146.6	151.1	156.2
6 Undistributed profits	69.4	64.2	n.a.	65.7	63.2	64.5	63.4	86.2	86.1	71.1	n.a.
7 Inventory valuation	−14.2	3.1	−8.3	6.7	9.9	−4.8	.7	−5.4	−15.5	−9.7	−2.7
8 Capital consumption adjustment	20.5	8.4	29.3	5.3	5.1	9.3	14.1	23.3	27.0	29.7	37.3

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.50 NONFARM BUSINESS EXPENDITURES on New Plant and Equipment

Billions of dollars; quarterly data at seasonally adjusted annual rates

Industry	1991	1992	1993[1]	1991 Q2	1991 Q3	1991 Q4	1992 Q1	1992 Q2	1992 Q3	1992 Q4[1]	1993[1] Q1[1]
1 **Total nonfarm business**	**528.39**	**547.39**	**576.55**	**525.02**	**526.59**	**529.87**	**535.72**	**540.91**	**547.53**	**565.40**	**576.07**
Manufacturing											
2 Durable goods industries	77.64	74.07	76.08	79.31	74.94	76.40	74.19	74.26	71.84	75.98	77.30
3 Nondurable goods industries	105.17	99.41	106.49	107.20	102.55	102.66	99.79	97.52	100.39	99.95	106.63
Nonmanufacturing											
4 Mining	10.02	9.25	9.97	10.08	10.09	9.99	8.87	9.18	9.09	9.87	10.97
Transportation											
5 Railroad	5.95	6.91	7.43	6.25	6.32	5.44	6.65	6.50	6.87	7.64	6.71
6 Air	10.17	9.69	8.63	9.95	9.61	10.41	8.86	9.75	10.13	10.00	8.80
7 Other	6.54	7.06	7.69	6.67	6.63	6.45	6.37	7.27	7.69	6.90	7.96
Public utilities											
8 Electric	43.76	48.10	54.23	43.09	43.27	44.75	46.06	48.45	47.73	50.15	52.96
9 Gas and other	22.82	24.09	25.59	22.00	23.25	22.67	22.75	24.19	23.92	25.51	24.74
10 Commercial and other[2]	246.32	268.81	280.43	240.46	249.94	251.11	262.17	263.80	269.86	279.42	280.00

1. Figures are amounts anticipated by business.
2. "Other" consists of construction, wholesale and retail trade, finance and insurance, personal and business services, and communication.

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	1989	1990	1991	1991 Q1	1991 Q2	1991 Q3	1991 Q4	1992 Q1	1992 Q2	1992 Q3[r]
ASSETS										
1 Accounts receivable, gross[2]	462.9	492.9	480.3	482.9	488.5	484.7	480.3	475.7	477.0	475.8
2 Consumer	138.9	133.9	121.9	127.1	127.5	125.3	121.9	118.4	116.7	116.6
3 Business	270.2	293.5	292.6	291.7	295.2	293.2	292.6	291.6	293.9	291.1
4 Real estate	53.8	65.5	65.8	64.1	65.7	66.2	65.8	65.8	66.4	68.1
5 LESS: Reserves for unearned income	54.7	57.6	55.1	57.2	58.0	57.6	55.1	53.6	51.2	50.8
6 Reserves for losses	8.4	9.6	12.9	10.7	11.1	13.1	12.9	13.0	12.3	12.0
7 Accounts receivable, net	399.8	425.7	412.3	415.0	419.3	414.1	412.3	409.1	413.6	412.9
8 All other	102.6	113.9	149.0	118.7	122.8	136.4	149.0	145.5	139.4	146.5
9 **Total assets**	**502.4**	**539.6**	**561.2**	**533.7**	**542.1**	**550.5**	**561.2**	**554.6**	**553.0**	**559.4**
LIABILITIES AND CAPITAL										
10 Bank loans	27.0	31.0	42.3	35.6	36.9	39.6	42.3	38.0	37.8	38.1
11 Commercial paper	160.7	165.3	159.5	155.5	156.1	156.8	159.5	154.4	147.7	153.2
Debt										
12 Other short-term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Long-term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 Owed to parent	35.2	37.5	34.5	32.4	34.2	36.5	34.5	34.5	34.8	34.9
15 Not elsewhere classified	162.7	178.2	191.3	182.4	184.5	185.0	191.3	189.8	191.9	191.4
16 All other liabilities	61.5	63.9	69.0	64.3	67.1	68.8	69.0	72.0	73.4	73.7
17 Capital, surplus, and undivided profits	55.2	63.7	64.8	63.4	63.3	63.8	64.8	66.0	67.1	68.1
18 ***Total liabilities and capital***	**502.4**	**539.6**	**561.2**	**533.7**	**542.1**	**550.5**	**561.2**	**554.6**	**548.4**	**559.4**

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 since they are not on the books.
2. Before deduction for unearned income and losses.

1.52 DOMESTIC FINANCE COMPANIES[1]

Millions of dollars, amounts outstanding, end of period

Type of credit	1990	1991	1992	1992 July	1992 Aug.	1992 Sept.	1992 Oct.	1992 Nov.	1992 Dec.
	Seasonally adjusted								
1 **Total**	**523,023**	**519,573**	**534,045**	**522,834**	**528,117**	**527,858**	**527,323**	**529,232[r]**	**534,045**
2 Consumer	161,070	154,786	157,623	153,588	154,729	155,618	154,501	156,593[r]	157,623
3 Real estate[2]	65,147	65,388	67,284	66,843	67,753	67,717	68,035	67,838	67,284
4 Business	296,807	299,400	309,138	302,403	305,634	304,523	304,787	304,801	309,138
	Not seasonally adjusted								
5 **Total**	**526,441**	**522,853**	**537,354**	**522,686**	**523,448**	**524,999**	**526,874**	**528,895[r]**	**537,354**
6 Consumer	161,965	155,677	158,546	154,099	155,529	156,416	155,505	157,005[r]	158,546
7 Motor vehicles	75,045	63,413	57,604	60,400	60,393	59,806	59,290	58,286	57,604
8 Other consumer[3]	58,818	58,488	59,437	56,568	56,782	56,808	57,013	58,128	59,437
9 Securitized motor vehicles[4]	19,837	23,166	29,775	25,392	26,852	28,204	27,823	28,964[r]	29,775
10 Securitized other consumer[4]	8,265	10,610	11,729	11,739	11,503	11,598	11,379	11,626[r]	11,729
11 Real estate[2]	65,509	65,764	67,678	67,065	68,104	68,064	68,477	68,016	67,678
12 Business	298,967	301,412	311,130	301,522	299,815	300,519	302,892	303,875	311,130
13 Motor vehicles	92,072	90,319	87,454	87,686	85,745	85,261	86,747	85,621	87,454
14 Retail[5]	26,401	22,507	19,301	21,086	20,743	20,407	20,763	19,708	19,301
15 Wholesale[6]	33,573	31,216	27,158	27,158	n.a.	n.a.	n.a.	n.a.	n.a.
16 Leasing	32,098	36,596	38,191	39,443	39,889	39,506	39,536	39,020	38,191
17 Equipment	137,654	141,399	151,683	145,787	145,790	147,319	147,146	148,202	151,683
18 Retail	31,968	30,962	32,212	32,370	32,250	31,571	31,475	31,427	32,212
19 Wholesale[6]	11,101	9,671	8,669	9,128	9,084	8,994	8,928	8,824	8,669
20 Leasing	94,585	100,766	110,802	104,289	104,455	106,754	106,743	107,952	110,802
21 Other business[7]	63,774	60,887	60,403	59,099	59,013	58,493	58,898	59,269	60,403
22 Securitized business assets[4]	5,467	8,807	11,590	8,951	9,268	9,447	10,101	10,782	11,590
23 Retail	667	576	1,118	170	158	152	634	607	1,118
24 Wholesale	3,281	5,285	5,756	4,649	5,193	5,378	5,593	5,813	5,756
25 Leasing	1,519	2,946	4,716	4,132	3,917	3,917	3,874	4,362	4,716

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are before deductions for unearned income and losses. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.
2. Includes all loans secured by liens on any type of real estate, for example, first and junior mortgages and home equity loans.
3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, general merchandise, and recreation vehicles.
4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.
5. Passenger car fleets and commercial land vehicles for which licenses are required.
6. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.
7. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Conventional Mortgages on New Homes

Millions of dollars except as noted

Item	1990	1991	1992	1992						1993
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	153.2	155.0	158.1	173.5	148.4	146.0	159.2	165.4	154.0	158.6
2 Amount of loan (thousands of dollars)	112.4	114.0	118.1	132.6	113.6	109.3	119.7	117.3	117.7	119.5
3 Loan-price ratio (percent)	74.8	75.0	76.6	77.5	78.7	77.0	77.3	75.3	77.7	76.8
4 Maturity (years)	27.3	26.8	25.6	26.4	24.8	25.7	25.2	24.9	26.1	25.7
5 Fees and charges (percent of loan amount)[2]	1.93	1.71	1.60	1.19	1.62	1.52	1.42	1.54	1.31	1.49
6 Contract rate (percent per year)	9.68	9.02	7.98	7.81	7.72	7.68	7.65	7.81	7.65	7.57
Yield (percent per year)										
7 OTS series[3]	10.01	9.30	8.25	8.00	8.00	7.93	7.90	8.07	7.88	7.82
8 HUD series[4]	10.08	9.20	8.43	8.14	8.01	7.95	8.29	8.38	8.19	7.93
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (HUD series)[5]	10.17	9.25	8.46	8.12	8.08	8.06	8.29	8.54	8.12	8.04
10 GNMA securities[6]	9.51	8.59	7.77	7.63	7.28	7.31	7.53	7.90	7.57	7.39
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	113,329	122,837	142,833	142,465	142,246	144,904	149,133	153,306	158,119	159,204
12 FHA/VA-insured	21,028	21,702	22,168	22,263	22,199	22,275	22,399	22,372	22,593	22,640
13 Conventional	92,302	101,135	120,664	120,202	120,047	122,629	126,734	130,934	135,526	136,564
Mortgage transactions (during period)										
14 Purchases	23,959	37,202	75,905	4,191	3,651	6,779	8,380	7,980	8,832	4,993
Mortgage commitments (during period)[7]										
15 Issued[8]	23,689	40,010	74,970	4,663	6,053	8,880	8,195	6,084	6,185	4,189
16 To sell[9]	5,270	7,608	10,493	807	10	148	0	237	1,811	1,159
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[9]										
17 Total	20,419	24,131	29,959	28,510	29,367	31,629	32,995	32,703	33,665	n.a.
18 FHA/VA-insured	547	484	408	419	376	371	365	359	352	n.a.
19 Conventional	19,871	23,283	29,552	28,091	28,990	31,259	32,630	32,343	33,313	n.a.
Mortgage transactions (during period)										
20 Purchases	75,517	97,727	191,125	12,172	13,562	16,391	20,199	19,607	20,792	n.a.
21 Sales	73,817	92,478	179,208[r]	11,849	12,314	14,267	18,771	19,154[r]	19,602[r]	16,536
Mortgage commitments (during period)[10]										
22 Contracted	102,401	114,031	261,637	26,488	14,212	17,132	27,380	29,717	32,453	n.a.

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; 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 rates on loans closed, assuming prepayment at the end of ten years; from Office of Thrift Supervision (OTS).
4. Average contract rates on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD).
5. Average gross yields 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. Large monthly movements of average yields may reflect market adjustments to changes in maximum permissible contract rates.
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 carrying the prevailing ceiling rate. Monthly figures are averages of Friday figures from the *Wall Street Journal*.
7. Includes some multifamily and nonprofit hospital loan commitments in addition to one- to four-family loan commitments accepted in the Federal National Mortgage Association's (FNMA's) free market auction system, and through the FNMA-GNMA tandem plans.
8. Does not include standby commitments issued, but includes standby commitments converted.
9. Includes participation loans as well as whole loans.
10. 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, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1988	1989	1990	1991 Q3	1991 Q4	1992 Q1	1992 Q2	1992 Q3
1 **All holders**	**3,288,064**	**3,574,975**	**3,797,727**	**3,904,394**	**3,919,465**	**3,966,775**	**3,992,878**	**4,008,590**
By type of property								
2 One- to four-family residences	2,208,192	2,435,158	2,644,652	2,755,381	2,777,876	2,831,195	2,870,724	2,900,748
3 Multifamily residences	296,585	306,762	310,311	307,846	308,648	308,398	300,509	297,840
4 Commercial	698,040	749,031	758,795	758,002	749,767	744,271	738,066	726,150
5 Farm	85,247	84,025	83,969	83,165	83,173	82,910	83,579	83,853
By type of holder								
6 Major financial institutions	1,831,472	1,931,537	1,914,315	1,860,710	1,846,910	1,825,983	1,806,122	1,794,455
7 Commercial banks[2]	674,003	767,069	844,826	870,937	876,284	880,377	884,598	886,453
8 One- to four-family	334,367	389,632	455,931	478,851	486,572	492,910	496,518	502,935
9 Multifamily	33,912	38,876	37,015	36,398	37,424	37,710	38,314	38,761
10 Commercial	290,254	321,906	334,648	337,365	333,852	330,837	330,229	324,857
11 Farm	15,470	16,656	17,231	18,323	18,436	18,919	19,538	19,900
12 Savings institutions[3]	924,606	910,254	801,628	719,679	705,367	682,338	659,624	648,082
13 One- to four-family	671,722	669,220	600,154	547,799	538,358	524,536	508,545	501,518
14 Multifamily	110,775	106,014	91,806	81,883	79,881	77,166	74,788	73,722
15 Commercial	141,433	134,370	109,168	89,595	86,741	80,278	75,947	72,508
16 Farm	676	650	500	402	388	358	345	334
17 Life insurance companies	232,863	254,214	267,861	270,094	265,258	263,269	261,900	259,920
18 One- to four-family	11,164	12,231	13,005	11,720	11,547	11,214	11,087	11,007
19 Multifamily	24,560	26,907	28,979	29,962	29,562	29,693	29,745	29,525
20 Commercial	187,549	205,472	215,121	218,179	214,105	212,865	211,913	210,293
21 Farm	9,590	9,604	10,756	10,233	10,044	9,497	9,155	9,095
22 Federal and related agencies	200,570	209,498	250,761	282,115	282,856	296,664	297,300	295,874
23 Government National Mortgage Association	26	23	20	20	19	19	23	27
24 One- to four-family	26	23	20	20	19	19	23	27
25 Multifamily	0	0	0	0	0	0	0	0
26 Farmers Home Administration[4]	42,018	41,176	41,439	41,566	41,713	41,791	41,628	41,671
27 One- to four-family	18,347	18,422	18,527	18,598	18,496	18,488	17,718	17,292
28 Multifamily	8,513	9,054	9,640	9,990	10,141	10,270	10,356	10,468
29 Commercial	5,343	4,443	4,690	4,829	4,905	4,961	4,998	5,072
30 Farm	9,815	9,257	8,582	8,149	8,171	8,072	8,557	8,839
31 Federal Housing and Veterans' Administrations	5,973	6,087	8,801	10,057	10,733	11,332	11,480	11,768
32 One- to four-family	2,672	2,875	3,593	3,649	4,036	4,254	4,403	4,531
33 Multifamily	3,301	3,212	5,208	6,408	6,697	7,078	7,077	7,236
34 Resolution Trust Corporation	0	0	32,600	52,063	45,822	49,345	44,624	37,099
35 One- to four-family	0	0	15,800	21,957	14,535	15,458	15,032	12,614
36 Multifamily	0	0	8,064	14,451	15,018	16,266	13,316	11,130
37 Commercial	0	0	8,736	15,655	16,269	17,621	16,276	13,356
38 Farm	0	0	0	0	0	0	0	0
39 Federal National Mortgage Association	103,013	110,721	116,628	125,451	128,983	136,506	142,148	144,904
40 One- to four-family	95,833	102,295	106,081	113,696	117,087	124,137	129,392	131,835
41 Multifamily	7,180	8,426	10,547	11,755	11,896	12,369	12,756	13,069
42 Federal Land Banks	32,115	29,640	29,416	29,053	28,777	28,776	28,775	28,775
43 One- to four-family	1,890	1,210	1,838	2,124	1,693	1,693	1,693	1,693
44 Farm	30,225	28,430	27,577	26,929	27,084	27,083	27,082	27,082
45 Federal Home Loan Mortgage Corporation	17,425	21,851	21,857	23,906	26,809	28,895	28,621	31,629
46 One- to four-family	15,077	18,248	19,185	21,489	24,125	26,182	26,001	29,039
47 Multifamily	2,348	3,603	2,672	2,417	2,684	2,713	2,620	2,591
48 Mortgage pools or trusts[5]	811,847	946,766	1,110,555	1,229,836	1,262,685	1,302,217	1,339,172	1,364,537
49 Government National Mortgage Association	340,527	368,367	403,613	422,500	425,295	421,977	422,922	422,255
50 One- to four-family	331,257	358,142	391,505	412,715	415,767	412,574	413,828	413,063
51 Multifamily	9,270	10,225	12,108	9,785	9,528	9,404	9,094	9,192
52 Federal Home Loan Mortgage Corporation	226,406	272,870	316,359	348,843	359,163	367,878	382,797	391,762
53 One- to four-family	219,988	266,060	308,369	341,183	351,906	360,887	376,177	385,400
54 Multifamily	6,418	6,810	7,990	7,660	7,257	6,991	6,620	6,362
55 Federal National Mortgage Association	178,250	228,232	299,833	351,917	371,984	389,853	413,226	429,935
56 One- to four-family	172,331	219,577	291,194	343,430	362,667	380,617	403,940	420,835
57 Multifamily	5,919	8,655	8,639	8,487	9,317	9,236	9,286	9,100
58 Farmers Home Administration[4]	104	80	66	52	47	43	43	41
59 One- to four-family	26	21	17	12	11	10	9	9
60 Multifamily	0	0	0	0	0	0	0	0
61 Commercial	38	26	24	20	19	18	18	18
62 Farm	40	33	26	20	17	16	15	14
63 Private mortgage conduits	66,560	77,217	90,684	106,523	106,196	122,465	120,184	120,545
64 One- to four-family	66,560	77,217	90,684	105,023	104,196	119,825	120,184	120,545
65 Multifamily	0	0	0	1,500	2,000	2,640	0	0
66 Commercial	0	0	0	0	0	0	0	0
67 Farm	0	0	0	0	0	0	0	0
68 Individuals and others[6]	444,175	487,174	522,096	531,734	527,013	541,911	550,284	553,724
69 One- to four-family	266,933	299,986	328,748	333,116	326,860	338,392	346,173	348,405
70 Multifamily	84,389	84,980	87,643	87,149	87,244	86,863	86,538	86,684
71 Commercial	73,423	82,814	86,408	92,360	93,876	97,690	98,687	100,047
72 Farm	19,431	19,395	19,298	19,109	19,034	18,966	18,887	18,588

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

1.55 CONSUMER INSTALLMENT CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1990	1991	1992	1992 July	1992 Aug.	1992 Sept.	1992 Oct.	1992 Nov.[r]	1992 Dec.
	Seasonally adjusted								
1 **Total**	**735,338**	**727,799**	**725,908**	**721,820**	**720,664**	**722,104**	**722,372[r]**	**723,448**	**725,908**
2 Automobile	284,993	263,003	259,298	257,743	256,944	257,384	256,846[r]	257,740	259,298
3 Revolving	222,950	242,785	250,966	247,332	248,043	250,017	250,454[r]	250,620	250,966
4 Other	227,395	222,012	215,643	216,744	215,677	214,703	215,071[r]	215,088	215,643
	Not seasonally adjusted								
5 **Total**	**748,524**	**742,058**	**740,621**	**718,599**	**721,985**	**724,198**	**722,760[r]**	**725,178**	**740,621**
By major holder									
6 Commercial banks	347,087	339,565	329,896	323,899	323,866	324,046	324,697	324,529	329,896
7 Finance companies	133,863	121,901	116,482	117,002	117,175	116,650	116,304	116,414	116,482
8 Credit unions	93,057	92,254	92,199	91,778	92,270	92,698	92,228[r]	91,838	92,199
9 Retailers	44,822	44,030	44,952	37,219	38,791	38,778	39,299	39,539	44,952
10 Savings institutions	46,969	40,315	33,861	35,552	35,378	35,069	34,148[r]	34,171	33,861
11 Gasoline companies	4,822	4,362	4,365	4,506	4,542	4,499	4,452	4,365	4,365
12 Pools of securitized assets[2]	77,904	99,631	118,866	108,643	109,963	112,458	111,632[r]	114,322	118,866
By major type of credit[3]									
13 Automobile	285,050	263,108	259,428	258,104	259,128	260,395	259,055[r]	258,539	259,428
14 Commercial banks	124,913	111,912	108,598	107,722	107,978	108,355	108,068	107,675	108,598
15 Finance companies	75,045	63,413	57,037	60,400	60,393	59,806	59,290	58,286	57,037
16 Pools of securitized assets[2]	24,428	28,057	33,593	30,454	30,826	31,971	31,757	32,672	33,593
17 Revolving	235,056	255,895	264,493	244,661	247,051	248,692	248,526[r]	251,422	264,493
18 Commercial banks	133,385	137,968	132,639	127,476	126,922	127,234	127,257	128,164	132,639
19 Retailers	40,003	39,352	40,064	32,617	34,167	34,148	34,654	34,857	40,064
20 Gasoline companies	4,822	4,362	4,365	4,506	4,542	4,499	4,452	4,365	4,365
21 Pools of securitized assets[2]	44,335	60,139	72,695	65,791	66,985	68,252	67,699	69,415	72,695
22 Other	228,418	223,055	216,700	215,834	215,806	215,111	215,179[r]	215,217	216,700
23 Commercial banks	88,789	89,685	88,659	88,701	88,966	88,457	89,372	88,690	88,659
24 Finance companies	58,818	58,488	59,445	56,602	56,782	56,844	57,014	58,128	59,445
25 Retailers	4,819	4,678	4,888	4,602	4,624	4,630	4,645	4,682	4,888
26 Pools of securitized assets[2]	9,141	11,435	12,578	12,398	12,152	12,235	12,176[r]	12,235	12,578

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments.
Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.
3. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent per year except as noted

Item	1990	1991	1992	1992 June	1992 July	1992 Aug.	1992 Sept.	1992 Oct.	1992 Nov.	1992 Dec.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	11.78	11.14	9.29	n.a.	n.a.	9.15	n.a.	n.a.	8.60	n.a.
2 24-month personal	15.46	15.18	14.04	n.a.	n.a.	13.94	n.a.	n.a.	13.55	n.a.
3 120-month mobile home	14.02	13.70	12.67	n.a.	n.a.	12.57	n.a.	n.a.	12.36	n.a.
4 Credit card	18.17	18.23	17.78	n.a.	n.a.	17.66	n.a.	n.a.	17.38	n.a.
Auto finance companies										
5 New car	12.54	12.41	9.93	10.24	9.94	8.88	8.65	9.51	9.65	9.65
6 Used car	15.99	15.60	13.79	13.89	13.67	13.49	13.44	13.37	13.37	13.53
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.6	55.1	54.0	54.4	54.4	53.6	53.3	54.1	54.1	53.6
8 Used car	46.0	47.2	48.0	48.0	48.0	47.9	47.7	47.9	47.8	48.0
Loan-to-value ratio										
9 New car	87	88	89	89	89	90	90	89	89	90
10 Used car	95	96	97	97	97	97	97	97	97	97
Amount financed (dollars)										
11 New car	12,071	12,494	13,592	13,369	13,570	13,745	13,889	13,885	14,043	14,408
12 Used car	8,289	8,884	9,121	9,201	9,293	9,238	8,402	9,373	9,475	9,495

1. 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	1987	1988	1989	1990	1991	1991				1992		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
						Nonfinancial sectors						
1 **Total net borrowing by domestic nonfinancial sectors**	**721.2**	**775.8**	**740.8**	**665.0**	**452.7**	**455.4**	**543.3**	**405.6**	**406.3**	**667.5**	**535.1**	**379.9**
By sector and instrument												
2 U.S. government	143.9	155.1	146.4	246.9	278.2	227.4	276.7	288.4	320.4	368.9	351.9	193.4
3 Treasury securities	142.4	137.7	144.7	238.7	292.0	251.4	282.9	317.2	316.6	380.1	351.5	184.4
4 Agency issues and mortgages	1.5	17.4	1.6	8.2	−13.8	−24.0	−6.2	−28.8	3.8	−11.2	.4	9.0
5 Private	577.3	620.7	594.4	418.2	174.4	228.0	266.6	117.2	85.9	298.6	183.2	186.5
By instrument												
6 Debt capital instruments	487.2	474.1	441.8	342.3	254.6	296.1	329.9	182.0	210.6	312.9	218.4	196.4
7 Tax-exempt obligations	83.5	53.7	65.0	51.2	45.8	35.6	48.5	53.5	45.5	52.0	73.0	52.3
8 Corporate bonds	78.8	103.1	73.8	47.1	78.8	76.7	96.5	81.7	60.3	76.3	77.5	61.3
9 Mortgages	325.0	317.3	303.0	244.0	130.0	183.8	184.8	46.8	104.8	184.7	67.9	82.8
10 Home mortgages	235.3	241.8	245.3	219.4	142.2	153.0	158.1	122.4	135.1	209.6	121.6	147.2
11 Multifamily residential	24.4	16.7	16.4	3.7	−2.0	6.3	12.5	−29.4	2.7	−1.3	−31.6	−10.7
12 Commercial	71.6	60.8	42.7	21.0	−9.4	24.6	14.9	−43.8	−33.1	−22.6	−24.9	−54.7
13 Farm	−6.4	−2.1	−1.5	−.1	−.8	−.1	−.7	−2.5	.0	−1.1	2.7	1.1
14 Other debt instruments	90.1	146.6	152.6	75.8	−80.2	−68.0	−63.3	−64.8	−124.7	−14.4	−35.2	−10.0
15 Consumer credit	32.9	50.1	41.7	17.5	−12.5	−10.4	−7.8	−24.0	−8.0	3.1	−12.4	.4
16 Bank loans n.e.c.	9.9	41.0	40.2	4.4	−33.4	−15.0	−34.5	−18.2	−66.1	−26.9	−21.5	−23.3
17 Open market paper	1.6	11.9	21.4	9.7	−18.4	−14.3	−15.9	−36.3	−7.0	12.6	−3.4	1.7
18 Other	45.7	43.6	49.3	44.2	−15.8	−28.3	−5.2	13.7	−43.6	−3.2	2.1	11.2
By borrowing sector												
19 State and local government	83.0	48.9	63.2	48.3	38.5	36.0	38.6	37.6	41.9	46.1	63.4	50.0
20 Household	296.4	318.6	305.6	254.2	158.0	160.8	188.8	136.1	146.3	217.1	143.3	148.1
21 Nonfinancial business	197.8	253.1	225.6	115.6	−22.1	31.2	39.2	−56.5	−102.4	35.4	−23.4	−11.7
22 Farm	−10.6	−7.5	1.6	2.5	.9	3.9	2.1	−.3	−2.2	−1.6	7.1	2.4
23 Nonfarm noncorporate	65.3	61.8	50.4	26.7	−23.6	13.2	9.8	−65.9	−51.5	−20.7	−65.6	−51.4
24 Corporate	143.1	198.8	173.6	86.4	.6	14.0	27.2	9.7	−48.7	57.7	35.2	37.4
25 Foreign net borrowing in United States	6.2	6.4	10.2	23.9	14.1	63.1	−63.2	15.6	41.0	9.9	55.9	30.1
26 Bonds	7.4	6.9	4.9	21.4	14.9	11.1	10.6	15.5	22.3	4.9	22.8	23.2
27 Bank loans n.e.c.	−3.6	−1.8	−.1	−2.9	3.1	8.1	−3.5	1.4	6.5	1.5	14.1	3.4
28 Open market paper	3.8	8.7	13.1	12.3	6.4	46.7	−51.9	16.0	14.9	−7.8	27.7	12.8
29 U.S. government loans	−1.4	−7.5	−7.6	−6.9	−10.2	−2.8	−18.3	−17.2	−2.7	11.4	−8.8	−9.3
30 **Total domestic plus foreign**	**727.4**	**782.2**	**750.9**	**688.9**	**466.8**	**518.5**	**480.1**	**421.2**	**447.3**	**677.3**	**591.0**	**410.1**
						Financial sectors						
31 **Total net borrowing by financial sectors**	**259.0**	**211.4**	**220.1**	**187.1**	**139.2**	**108.9**	**104.0**	**143.4**	**200.5**	**108.9**	**218.4**	**246.2**
By instrument												
32 U.S. government-related	171.8	119.8	151.0	167.4	147.7	154.6	127.4	156.3	152.7	126.8	199.5	152.9
33 Sponsored-credit-agency securities	30.2	44.9	25.2	17.1	9.2	13.1	−29.7	20.6	32.6	11.5	48.3	62.3
34 Mortgage pool securities	142.3	74.9	125.8	150.3	138.6	141.5	157.1	135.8	120.1	115.3	151.2	90.6
35 Loans from U.S. government	−.8	.0	.0	−.1	.0	.0	.0	.0	−.1	.0	.0	.0
36 Private	87.2	91.7	69.1	19.7	−8.6	−45.7	−23.4	−12.9	47.8	−17.9	18.9	93.2
37 Corporate bonds	39.1	16.2	46.8	34.4	57.7	41.4	72.4	29.5	87.5	−25.1	25.5	54.5
38 Mortgages	.4	.3	.0	.3	.6	.1	.9	−.2	1.5	.9	.1	.1
39 Bank loans n.e.c.	−3.6	.6	1.9	1.2	3.2	1.0	−2.9	10.2	4.5	8.2	3.9	5.5
40 Open market paper	26.9	54.8	31.3	8.6	−32.0	−52.5	−46.0	−16.7	−12.7	7.6	−16.3	11.8
41 Loans from Federal Home Loan Banks	24.4	19.7	−11.0	−24.7	−38.0	−35.8	−47.7	−35.7	−33.0	−9.5	5.7	21.3
By borrowing sector												
42 Sponsored credit agencies	29.5	44.9	25.2	17.0	9.1	13.1	−29.7	20.6	32.5	11.5	48.3	62.3
43 Mortgage pools	142.3	74.9	125.8	150.3	138.6	141.5	157.1	135.8	120.1	115.3	151.2	90.6
44 Private	87.2	91.7	69.1	19.7	−8.6	−45.7	−23.4	−12.9	47.8	−17.9	18.9	93.2
45 Commercial banks	6.2	−3.0	−1.4	−1.1	−13.3	−18.4	−11.7	−9.2	−14.1	7.2	.8	1.6
46 Bank affiliates	14.3	5.2	6.2	−27.7	−2.5	−9.3	−3.5	−6.8	9.6	2.7	−8.2	2.2
47 Savings and loan associations	19.6	19.9	−14.1	−29.9	−39.5	−42.9	−48.7	−41.1	−25.1	−20.3	2.7	10.1
48 Mutual savings banks	8.1	1.9	−1.4	−.5	−3.5	2.0	−1.7	−5.5	−8.7	4.3	.3	8.3
49 Finance companies	−.5	31.5	59.7	35.6	14.5	−10.3	3.4	12.2	52.9	−39.0	−20.9	34.6
50 Real estate investment trusts (REITs)	.4	3.6	−1.9	−1.9	.0	.1	.1	−.9	.8	4.6	.9	−.7
51 Securitized credit obligation (SCO) issuers	39.1	32.5	22.0	45.2	35.6	33.2	38.7	38.5	32.3	22.5	43.2	37.1

1.57—Continued

Transaction category or sector	1987	1988	1989	1990	1991	1991				1992		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
	All sectors											
52 **Total net borrowing, all sectors**	**986.4**	**993.6**	**971.0**	**876.0**	**606.0**	**627.4**	**584.1**	**564.6**	**647.7**	**786.2**	**809.4**	**656.2**
53 U.S. government securities	316.4	274.9	297.3	414.4	426.0	382.0	404.1	444.8	473.2	495.7	551.4	346.4
54 State and local obligations	83.5	53.7	65.0	51.2	45.8	35.6	48.5	53.5	45.5	52.0	73.0	52.3
55 Corporate and foreign bonds	125.2	126.3	125.5	102.9	151.4	129.2	179.5	126.6	170.1	56.0	125.9	139.0
56 Mortgages	325.4	317.5	303.0	244.3	130.6	183.9	185.8	46.5	106.2	185.6	67.9	82.9
57 Consumer credit	32.9	50.1	41.7	17.5	−12.5	−10.4	−7.8	−24.0	−8.0	3.1	−12.4	.4
58 Bank loans n.e.c.	2.7	39.9	41.9	2.8	−27.1	−5.9	−40.9	−6.7	−55.1	−17.2	−3.5	−14.3
59 Open market paper	32.3	75.4	65.9	30.7	−44.0	−20.2	−113.8	−37.0	−4.9	12.4	8.1	26.3
60 Other loans	68.0	55.8	30.6	12.4	−64.2	−66.9	−71.2	−39.1	−79.3	−1.3	−1.0	23.3
	External corporate equity funds raised in United States											
61 **Total net share issues**	**7.1**	**−118.4**	**−65.7**	**22.1**	**198.8**	**112.4**	**182.3**	**231.8**	**268.9**	**271.7**	**281.5**	**305.3**
62 Mutual funds	70.2	6.1	38.5	67.9	150.5	98.1	125.6	182.5	195.9	189.8	223.3	249.2
63 All other	−63.2	−124.5	−104.2	−45.8	48.3	14.3	56.7	49.3	72.9	81.9	58.2	56.2
64 Nonfinancial corporations	−75.5	−129.5	−124.2	−63.0	18.3	−6.0	12.0	19.0	48.0	46.0	36.0	11.0
65 Financial corporations	14.5	4.1	2.7	9.8	−.1	−6.7	8.1	−3.8	2.0	6.0	9.7	9.2
66 Foreign shares purchased in United States	−2.1	.9	17.2	7.4	30.2	27.0	36.6	34.1	22.9	29.9	12.5	36.0

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.5. For ordering address, see inside front cover.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

Billions of dollars except as noted; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1987	1988	1989	1990	1991	1991				1992		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**986.4**	**993.6**	**971.0**	**876.0**	**606.0**	**627.4**	**584.1**	**564.6**	**647.7**	**786.2**	**809.4**	**656.2**
2 Private domestic nonfinancial sectors	237.4	226.2	209.6	203.8	21.6	49.4	190.5	-135.3	-18.2	139.2	73.5	-252.7
3 Households	180.7	198.9	179.5	172.3	-13.7	13.3	174.1	-177.9	-64.4	160.0	47.6	-276.4
4 Nonfarm noncorporate business	-5.6	3.1	-.8	-1.4	-1.9	-1.8	-2.0	-1.6	-2.1	-1.9	-2.5	-1.9
5 Nonfinancial corporate business	18.5	5.7	12.9	6.6	20.9	-7.6	29.0	32.2	30.1	-2.9	21.4	38.0
6 State and local governments	43.9	18.6	17.9	26.2	16.3	45.4	-10.6	12.1	18.2	-16.1	7.1	-12.3
7 U.S. government	-7.9	-10.6	-3.1	33.7	10.0	35.2	24.8	-2.1	-17.9	13.9	-25.1	-27.8
8 Foreign	61.8	96.3	74.1	58.4	44.7	19.1	51.4	37.3	71.0	88.4	142.5	58.4
9 Financial sectors	695.0	681.8	690.4	580.2	529.7	523.8	317.4	664.7	612.9	544.7	618.4	878.3
10 Sponsored credit agencies	27.0	37.1	-.5	16.4	14.2	27.4	-22.3	33.7	17.8	93.0	39.9	73.9
11 Mortgage pools	142.3	74.9	125.8	150.3	138.6	141.5	157.1	135.8	120.1	115.3	151.2	90.6
12 Monetary authority	24.7	10.5	-7.3	8.1	31.1	58.1	-4.0	48.1	22.3	33.2	9.8	10.8
13 Commercial banking	135.3	157.1	176.8	125.4	84.0	114.4	34.7	82.4	104.3	98.9	58.4	101.5
14 U.S. commercial banks	99.1	127.1	145.7	95.2	38.9	77.0	6.4	26.5	45.6	91.9	.5	105.2
15 Foreign banking offices	34.2	29.4	26.7	28.4	48.5	42.2	33.7	56.7	61.3	.6	58.6	-2.7
16 Bank affiliates	2.0	-.1	2.8	-2.8	-1.5	-4.7	-2.6	2.4	-1.1	6.4	-.6	-1.4
17 Banks in U.S. possession	.1	.7	1.6	4.5	-1.9	-.1	-2.8	-3.3	-1.5	.0	-.1	.4
18 Private nonbank finance	365.8	402.2	395.7	279.9	261.8	182.3	152.0	364.7	348.3	204.4	359.2	601.5
19 Thrift institutions	136.9	119.0	-91.0	-151.9	-144.9	-188.3	-164.8	-176.8	-49.7	-113.3	-81.6	-21.8
20 Savings and loan associations	93.5	87.4	-93.9	-143.9	-140.9	-179.8	-144.0	-156.3	-83.3	-137.9	-92.4	-14.5
21 Mutual savings banks	25.6	15.3	-4.8	-16.5	-15.5	-11.7	-31.1	-30.8	11.5	7.6	-7.4	-17.5
22 Credit unions	17.8	16.3	7.7	8.5	11.5	3.3	10.2	10.3	22.2	17.0	18.3	10.2
23 Insurance	153.5	186.2	207.7	188.5	215.4	236.2	219.5	254.5	151.4	120.4	192.9	224.6
24 Life insurance companies	91.7	103.8	93.1	94.4	83.2	112.9	132.8	73.8	13.2	80.6	92.5	98.7
25 Other insurance companies	39.5	29.2	29.7	26.5	34.7	32.7	37.0	36.8	32.1	33.1	22.2	2.5
26 Private pension funds	-4.7	18.1	36.2	16.6	60.6	42.1	.7	110.5	89.2	-22.5	51.9	88.7
27 State and local government retirement funds	27.0	35.1	48.7	51.0	37.0	48.5	49.0	33.4	17.0	29.2	26.3	34.7
28 Finance n.e.c.	75.4	96.9	278.9	243.3	191.3	134.4	97.4	287.0	246.5	197.2	247.9	398.7
29 Finance companies	38.2	49.2	69.3	41.6	-13.1	-18.5	-14.5	-5.2	-14.1	.8	-23.0	18.9
30 Mutual funds	25.8	11.9	23.8	41.4	90.3	44.0	75.3	117.1	124.8	105.3	156.1	172.3
31 Money market funds	1.8	10.7	67.1	80.9	30.1	134.2	-68.9	1.1	53.9	61.8	-20.9	-16.3
32 Real estate investment trusts (REITs)	1.0	.9	.5	-.7	-.7	-1.6	-.1	-.3	-.9	-.7	2.6	2.6
33 Brokers and dealers	-30.6	-8.2	96.3	34.9	49.0	-56.9	66.8	135.8	50.5	7.5	89.8	184.0
34 Securitized credit obligation (SCOs) issuers	39.1	32.5	22.0	45.2	35.6	33.2	38.7	38.5	32.3	22.5	43.2	37.1
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
35 **Net flows through credit markets**	**986.4**	**993.6**	**971.0**	**876.0**	**606.0**	**627.4**	**584.1**	**564.6**	**647.7**	**786.2**	**809.4**	**656.2**
Other financial sources												
36 Official foreign exchange	-9.7	4.0	24.8	2.0	-5.9	1.5	-4.8	-15.5	-5.0	3.5	-6.5	2.5
37 Treasury currency and special drawing rights	.5	.5	4.1	2.5	.0	-1.2	.4	.4	.5	.1	.3	.2
38 Life insurance reserves	26.0	25.3	28.8	25.7	22.0	27.9	31.4	19.4	9.2	21.2	30.3	19.9
39 Pension fund reserves	104.5	193.6	221.4	186.8	263.5	284.1	197.9	339.6	232.5	145.9	185.5	312.2
40 Interbank claims	34.8	2.9	-16.5	34.2	-5.0	-3.0	-79.8	99.5	-36.8	48.8	27.4	120.8
41 Deposits at financial institutions	141.1	259.9	290.0	96.8	61.1	244.8	-75.4	27.3	47.8	93.2	-47.4	191.7
42 Checkable deposits and currency	4.1	43.2	6.1	44.2	75.8	76.2	7.9	104.5	114.4	89.0	93.2	202.2
43 Small time and savings deposits	76.3	120.8	96.7	59.9	16.7	97.3	-1.1	-42.4	13.0	-27.7	-88.5	-73.3
44 Large time deposits	50.6	53.6	17.6	-66.7	-60.9	15.1	-63.0	-78.1	-117.4	-81.3	-106.0	-63.5
45 Money market fund shares	24.0	21.9	90.1	70.3	41.3	193.0	-58.7	4.0	26.8	106.1	-38.3	-13.0
46 Security repurchase agreements	-10.9	23.5	78.3	-23.5	-16.4	-160.7	43.1	36.3	16.0	15.5	136.7	135.4
47 Foreign deposits	-3.1	-3.1	1.1	12.6	4.6	24.0	-3.6	3.0	-5.0	-8.3	-44.5	4.0
48 Mutual fund shares	70.2	6.1	38.5	67.9	150.5	98.1	125.6	182.5	195.9	189.8	223.3	249.2
49 Corporate equities	-63.2	-124.5	-104.2	-45.8	48.3	14.3	56.7	49.3	72.9	81.9	58.2	56.2
50 Security credit	-27.4	3.0	15.6	3.5	51.4	-17.5	20.1	82.4	120.7	-70.0	-4.3	73.6
51 Trade debt	57.7	89.2	60.0	44.1	10.3	-39.6	41.1	47.5	-7.7	82.6	45.5	42.1
52 Taxes payable	5.4	5.3	2.0	-.5	-9.1	-34.8	-11.5	13.0	-3.3	-4.4	14.2	-4.3
53 Noncorporate proprietors' equity	-60.9	-31.2	-32.5	-39.3	-1.4	-21.5	-34.1	44.9	5.1	-24.6	12.5	1.1
54 Miscellaneous	241.2	222.3	269.9	120.5	145.0	219.6	65.0	52.3	243.2	124.5	298.9	190.0
55 **Total financial sources**	**1,506.7**	**1,650.2**	**1,772.7**	**1,374.3**	**1,336.8**	**1,400.3**	**916.7**	**1,507.3**	**1,522.9**	**1,478.7**	**1,647.2**	**1,911.4**
Floats not included in assets (−)												
56 U.S. government checking deposits	.0	1.6	8.4	3.3	-13.1	-18.8	15.6	23.9	-73.1	4.4	-11.7	.4
57 Other checkable deposits	.4	.8	-3.2	2.5	2.0	13.3	3.0	-2.1	-6.1	-13.3	-17.5	-23.9
58 Trade credit	-8.5	-.9	.6	21.5	18.3	9.8	40.5	27.1	-4.0	14.7	-12.1	-6.5
Liabilities not identified as assets (−)												
59 Treasury currency	-.1	-.1	-.2	.2	-.6	-1.9	-.3	-.2	-.1	-.4	-.1	-.3
60 Interbank claims	-4.0	-3.0	-4.4	1.6	26.2	55.3	20.8	28.4	.2	13.4	-15.1	-8.4
61 Security repurchase agreements	-21.2	-29.8	23.9	-34.8	10.4	-115.4	76.2	36.9	44.0	-41.1	101.5	67.7
62 Taxes payable	6.7	6.3	2.3	6.5	7.4	-14.4	2.0	23.4	18.5	-18.3	29.5	11.9
63 Miscellaneous	10.0	4.4	-95.6	-13.8	-29.9	-119.9	9.3	-194.2	185.0	-78.0	-64.4	36.3
64 **Totals identified to sectors as assets**	**1,523.4**	**1,670.7**	**1,841.0**	**1,387.5**	**1,316.1**	**1,592.2**	**749.5**	**1,564.2**	**1,358.6**	**1,597.2**	**1,637.2**	**1,834.3**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.6 and F.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

Transaction category or sector	1988	1989	1990	1991	1991 Q1	1991 Q2	1991 Q3	1991 Q4	1992 Q1	1992 Q2	1992 Q3
					Nonfinancial sectors						
1 **Total credit market debt owed by domestic nonfinancial sectors**	**9,316.3**	**10,087.1**	**10,760.8**	**11,210.8**	**10,832.3**	**10,960.3**	**11,082.5**	**11,210.8**	**11,336.7**	**11,464.8**	**11,583.6**
By lending sector and instrument											
2 U.S. government	2,104.9	2,251.2	2,498.1	2,776.4	2,548.8	2,591.9	2,687.2	2,776.4	2,859.7	2,923.3	2,998.9
3 Treasury securities	2,082.3	2,227.0	2,465.8	2,757.8	2,522.4	2,567.1	2,669.6	2,757.8	2,844.0	2,907.4	2,980.7
4 Agency issues and mortgages	22.6	24.2	32.4	18.6	26.4	24.8	17.6	18.6	15.8	15.9	18.1
5 Private	7,211.4	7,835.9	8,262.6	8,434.5	8,283.5	8,368.3	8,395.3	8,434.5	8,477.0	8,541.5	8,584.8
By instrument											
6 Debt capital instruments	5,119.0	5,577.9	5,936.0	6,190.6	5,997.7	6,087.5	6,138.4	6,190.6	6,256.9	6,319.4	6,373.9
7 Tax-exempt obligations	939.4	1,004.4	1,055.6	1,101.4	1,061.5	1,072.5	1,089.3	1,101.4	1,111.5	1,128.6	1,145.6
8 Corporate bonds	852.2	926.1	973.2	1,052.0	992.3	1,016.5	1,036.9	1,052.0	1,071.0	1,090.4	1,105.7
9 Mortgages	3,327.3	3,647.5	3,907.3	4,037.3	3,943.8	3,998.6	4,012.2	4,037.3	4,074.4	4,100.5	4,122.6
10 Home mortgages	2,257.5	2,515.1	2,760.0	2,902.1	2,788.9	2,836.9	2,869.5	2,902.1	2,945.5	2,985.0	3,023.2
11 Multifamily residential	286.7	304.4	305.8	303.8	307.3	310.4	303.1	303.8	303.5	295.6	292.9
12 Commercial	696.4	742.6	757.6	748.2	763.7	767.4	756.5	748.2	742.6	736.4	722.7
13 Farm	86.8	85.3	84.0	83.2	83.9	83.8	83.1	83.2	82.9	83.6	83.8
14 Other debt instruments	2,092.5	2,258.0	2,326.7	2,243.9	2,285.8	2,280.8	2,256.9	2,243.9	2,220.0	2,222.1	2,210.9
15 Consumer credit	742.1	791.8	809.3	796.7	785.3	786.7	785.9	796.7	775.7	775.8	781.1
16 Bank loans n.e.c.	710.6	760.7	758.0	724.6	748.3	742.0	734.1	724.6	712.5	709.4	699.6
17 Open market paper	85.7	107.1	116.9	98.5	120.8	119.4	107.0	98.5	110.3	111.7	108.3
18 Other	554.1	598.4	642.6	624.1	631.5	632.6	629.8	624.1	621.6	625.1	621.9
By borrowing sector											
19 State and local government	752.5	815.7	864.0	902.5	870.1	878.5	891.4	902.5	911.3	925.9	942.3
20 Household	3,177.3	3,508.2	3,780.6	3,938.6	3,788.3	3,848.3	3,888.7	3,938.6	3,960.8	4,009.9	4,051.6
21 Nonfinancial business	3,281.6	3,512.0	3,618.0	3,593.3	3,625.2	3,641.5	3,615.3	3,593.3	3,604.9	3,605.8	3,590.9
22 Farm	137.6	139.2	140.5	138.8	136.8	139.6	140.4	138.8	136.3	140.2	141.7
23 Nonfarm noncorporate	1,127.1	1,177.5	1,204.2	1,180.6	1,207.1	1,210.8	1,191.0	1,180.6	1,174.9	1,160.0	1,144.0
24 Corporate	2,016.9	2,195.3	2,273.4	2,273.9	2,281.3	2,291.1	2,283.9	2,273.9	2,293.7	2,305.6	2,305.2
25 **Foreign credit market debt held in United States**	**244.6**	**254.8**	**278.6**	**292.7**	**291.3**	**277.6**	**282.2**	**292.7**	**282.4**	**298.5**	**307.0**
26 Bonds	83.1	88.0	109.4	124.2	112.1	114.8	118.6	124.2	125.4	131.1	137.0
27 Bank loans n.e.c.	21.5	21.4	18.5	21.6	20.5	19.7	20.0	21.6	22.0	25.5	26.4
28 Open market paper	49.9	63.0	75.3	81.8	87.0	74.0	78.0	81.8	70.5	77.5	80.7
29 U.S. government loans	90.1	82.4	75.4	65.2	71.6	69.1	65.6	65.2	64.4	64.4	63.1
30 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**9,560.9**	**10,341.9**	**11,039.4**	**11,503.6**	**11,123.6**	**11,237.9**	**11,364.7**	**11,503.6**	**11,619.1**	**11,763.3**	**11,890.7**
					Financial sectors						
31 **Total credit market debt owed by financial sectors**	**2,082.9**	**2,333.0**	**2,524.2**	**2,667.8**	**2,546.3**	**2,571.4**	**2,608.2**	**2,667.8**	**2,686.9**	**2,739.9**	**2,802.6**
By instrument											
32 U.S. government-related	1,098.4	1,249.3	1,418.4	1,566.2	1,452.1	1,482.8	1,524.4	1,566.2	1,592.9	1,641.6	1,682.2
33 Sponsored credit-agency securities	348.1	373.3	393.7	402.9	397.0	389.6	394.7	402.9	405.7	417.8	433.4
34 Mortgage pool securities	745.3	871.0	1,019.9	1,158.5	1,050.3	1,088.4	1,124.8	1,158.5	1,182.4	1,219.0	1,244.0
35 Loans from U.S. government	5.0	5.0	4.9	4.8	4.9	4.9	4.9	4.8	4.8	4.8	4.8
36 Private	984.6	1,083.7	1,105.8	1,101.6	1,094.1	1,088.6	1,083.9	1,101.6	1,094.0	1,098.3	1,120.4
37 Corporate bonds	415.1	491.9	528.2	590.2	545.4	562.2	569.5	590.2	578.2	583.2	597.0
38 Mortgages	3.4	3.4	4.2	4.8	4.2	4.5	4.4	4.8	5.0	5.0	5.1
39 Bank loans n.e.c.	35.6	37.5	38.6	41.8	36.5	37.0	39.0	41.8	41.6	43.7	44.5
40 Open market paper	377.7	409.1	417.7	385.7	400.9	390.1	387.0	385.7	392.9	389.5	393.7
41 Loans from Federal Home Loan Banks	152.8	141.8	117.1	79.1	107.0	94.7	83.9	79.1	76.3	76.9	80.2
By borrowing sector											
42 Sponsored credit agencies	353.1	378.3	398.5	407.7	401.8	394.4	399.5	407.7	410.5	422.6	438.2
43 Mortgage pools	745.3	871.0	1,019.9	1,158.5	1,050.3	1,088.4	1,124.8	1,158.5	1,182.4	1,219.0	1,244.0
44 Private financial sectors	984.6	1,083.7	1,105.8	1,101.6	1,094.1	1,088.6	1,083.9	1,101.6	1,094.0	1,098.3	1,120.4
45 Commercial banks	78.8	77.4	76.3	63.0	68.1	65.9	64.6	63.0	60.8	61.7	63.3
46 Bank affiliates	136.2	142.5	114.8	112.3	114.4	113.3	110.6	112.3	115.0	112.7	112.3
47 Savings and loan associations	159.3	145.2	115.3	75.9	104.2	91.0	79.0	75.9	71.2	70.3	71.0
48 Mutual savings banks	18.6	17.2	16.7	13.2	16.4	16.6	15.2	13.2	13.5	14.3	16.2
49 Finance companies	444.6	504.2	539.8	557.9	539.6	540.4	543.7	557.9	547.1	541.8	550.8
50 Real estate investment trusts (REITs)	11.4	10.1	10.6	11.4	10.8	11.0	11.0	11.4	12.7	13.2	13.2
51 Securitized credit obligation (SCO) issuers	135.7	187.1	232.3	268.0	240.6	250.3	259.9	268.0	273.6	284.4	293.7
					All sectors						
52 **Total credit market debt, domestic and foreign**	**11,643.9**	**12,674.9**	**13,563.6**	**14,171.3**	**13,669.9**	**13,809.2**	**13,973.0**	**14,171.3**	**14,306.0**	**14,503.3**	**14,693.3**
53 U.S. government securities	3,198.3	3,495.6	3,911.7	4,337.7	3,996.1	4,069.8	4,206.7	4,337.7	4,447.8	4,560.1	4,676.2
54 State and local obligations	939.4	1,004.4	1,055.6	1,101.4	1,061.5	1,072.5	1,089.3	1,101.4	1,111.5	1,128.6	1,145.6
55 Corporate and foreign bonds	1,350.4	1,506.0	1,610.7	1,766.4	1,649.9	1,693.5	1,725.0	1,766.4	1,774.6	1,804.7	1,839.7
56 Mortgages	3,330.7	3,650.9	3,911.5	4,042.1	3,948.1	4,003.1	4,016.7	4,042.1	4,079.4	4,105.5	4,127.6
57 Consumer credit	742.1	791.8	809.3	796.7	785.3	786.7	785.9	796.7	775.7	775.8	781.1
58 Bank loans n.e.c.	767.7	819.6	815.1	788.0	805.3	798.7	793.2	788.0	776.1	778.7	770.4
59 Open market paper	513.4	579.2	609.9	565.9	608.8	583.6	572.0	565.9	573.7	578.7	582.6
60 Other loans	801.9	827.5	839.9	773.2	814.9	801.4	784.2	773.2	767.1	771.2	770.0

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	1988	1989	1990	1991	1991				1992		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**11,643.9**	**12,674.9**	**13,563.6**	**14,171.3**	**13,669.9**	**13,809.2**	**13,973.0**	**14,171.3**	**14,306.0**	**14,503.3**	**14,693.3**
2 Private domestic nonfinancial sectors	2,185.5	2,440.5	2,644.2	2,490.8	2,634.3	2,653.8	2,648.2	2,490.8	2,496.1	2,487.1	2,456.8
3 Households	1,485.1	1,710.1	1,882.3	1,693.6	1,875.4	1,882.0	1,875.5	1,693.6	1,716.6	1,690.9	1,665.7
4 *Nonfarm noncorporate business*	57.2	56.4	55.0	53.1	53.8	53.3	52.9	53.1	51.9	51.3	50.8
5 Nonfinancial corporate business	167.4	180.3	186.9	207.9	174.5	189.7	189.9	207.9	196.2	210.7	211.0
6 State and local governments	475.8	493.7	519.9	536.2	530.6	528.8	530.0	536.2	531.4	534.2	529.4
7 U.S. government	213.2	205.1	238.7	246.2	245.5	252.9	252.0	246.2	250.2	245.2	237.8
8 Foreign	653.2	734.2	792.4	837.2	797.1	810.0	819.3	837.2	859.3	894.9	909.5
9 Financial sectors	8,592.0	9,295.1	9,888.3	10,597.2	9,992.9	10,092.6	10,253.3	10,597.2	10,700.4	10,876.1	11,089.1
10 Sponsored credit agencies	367.7	367.2	383.6	397.7	388.5	382.7	389.5	397.7	419.9	429.0	445.6
11 Mortgage pools	745.3	871.0	1,019.9	1,158.5	1,050.3	1,088.4	1,124.8	1,158.5	1,182.4	1,219.0	1,244.0
12 Monetary authority	240.6	233.3	241.4	272.5	247.3	253.7	264.7	272.5	271.8	282.6	285.2
13 Commercial banking	2,476.3	2,643.9	2,769.3	2,853.3	2,780.2	2,796.6	2,817.8	2,853.3	2,860.6	2,882.9	2,908.9
14 U.S. commercial banks	2,231.9	2,368.4	2,463.6	2,502.5	2,470.8	2,480.0	2,488.7	2,502.5	2,514.0	2,521.9	2,550.0
15 Foreign banking offices	215.6	242.3	270.8	319.2	275.6	284.4	297.5	319.2	313.3	328.2	326.6
16 Bank affiliates	13.4	16.2	13.4	11.9	12.3	11.3	11.6	11.9	13.6	13.1	12.5
17 Banks in U.S. possession	15.4	17.1	21.6	19.7	21.6	20.9	20.0	19.7	19.7	19.7	19.8
18 Private nonbank finance	4,762.1	5,179.7	5,474.1	5,915.1	5,526.7	5,571.2	5,656.5	5,915.1	5,965.8	6,062.6	6,205.3
19 Thrift institutions	1,572.0	1,484.9	1,335.5	1,190.6	1,287.8	1,248.4	1,205.1	1,190.6	1,161.8	1,143.0	1,137.5
20 Savings and loan associations	1,184.2	1,088.9	945.1	804.2	901.3	866.3	826.1	804.2	771.1	748.8	743.2
21 Mutual savings banks	240.6	241.1	227.1	211.5	224.1	216.4	208.7	211.5	213.4	211.6	207.2
22 Credit unions	147.2	154.9	163.4	174.9	162.3	165.7	170.2	174.9	177.2	182.6	187.1
23 Insurance	1,932.6	2,140.3	2,329.1	2,723.8	2,392.0	2,448.8	2,511.7	2,723.8	2,750.5	2,801.0	2,856.2
24 Life insurance companies	920.0	1,013.1	1,116.5	1,199.6	1,148.5	1,183.7	1,201.4	1,199.6	1,224.3	1,249.8	1,273.5
25 Other insurance companies	287.9	317.5	344.0	378.7	352.2	361.4	370.7	378.7	387.0	392.5	393.1
26 Private pension funds	358.5	394.7	431.3	671.1	441.8	442.0	469.6	671.1	657.6	670.5	692.7
27 State and local government retirement funds	366.2	414.9	437.4	474.3	449.5	461.7	470.1	474.3	481.6	488.2	496.9
28 Finance n.e.c.	1,257.5	1,554.5	1,809.4	2,000.7	1,846.9	1,874.0	1,939.7	2,000.7	2,053.6	2,118.6	2,211.6
29 Finance companies	559.2	617.1	658.7	645.6	649.4	651.7	647.4	645.6	641.0	641.6	642.5
30 Mutual funds	283.4	307.2	360.2	450.5	374.6	394.4	421.4	450.5	480.3	520.4	561.2
31 Money market funds	224.7	291.8	372.7	402.8	411.4	389.9	389.5	402.8	423.1	413.5	408.8
32 Real estate investment trusts (REITs)	7.8	8.4	7.7	7.0	7.3	7.3	7.2	7.0	6.8	7.5	8.1
33 Brokers and dealers	46.7	142.9	177.9	226.9	163.6	180.4	214.3	226.9	228.8	251.2	297.3
34 Securitized credit obligation (SCOs) issuers	135.7	187.1	232.3	268.0	240.6	250.3	259.9	268.0	273.6	284.4	293.7
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
35 **Total credit market debt**	**11,643.9**	**12,674.9**	**13,563.6**	**14,171.3**	**13,669.9**	**13,809.2**	**13,973.0**	**14,171.3**	**14,306.0**	**14,503.3**	**14,693.3**
Other liabilities											
36 Official foreign exchange	27.1	53.6	61.3	55.4	56.6	53.6	52.9	55.4	52.7	54.4	55.4
37 Treasury currency and special drawing rights certificates	19.8	23.8	26.3	26.3	26.0	26.1	26.2	26.3	26.3	26.4	26.5
38 Life insurance reserves	325.5	354.3	380.0	402.0	385.0	392.3	397.2	402.0	407.3	414.9	419.8
39 Pension fund reserves	2,755.0	3,210.5	3,303.0	4,235.9	3,520.6	3,555.8	3,720.8	4,235.9	4,251.2	4,304.4	4,439.7
40 Interbank claims	46.9	32.4	64.0	63.9	59.2	35.8	60.7	63.9	64.2	69.2	100.6
41 Deposits at financial institutions	4,354.7	4,644.6	4,741.4	4,802.5	4,776.4	4,765.7	4,769.5	4,802.5	4,801.4	4,797.5	4,841.7
42 Checkable deposits and currency	882.8	888.6	932.8	1,008.5	905.1	933.1	948.3	1,008.5	984.7	1,032.8	1,071.9
43 Small time and savings deposits	2,169.2	2,265.4	2,325.3	2,342.0	2,355.3	2,351.5	2,339.7	2,342.0	2,341.3	2,315.3	2,296.4
44 Large time deposits	596.9	615.4	548.7	487.9	553.1	532.6	517.1	487.9	468.8	437.5	425.5
45 Money market fund shares	338.0	428.1	498.4	539.6	551.7	532.8	533.1	539.6	571.0	557.2	553.2
46 Security repurchase agreements	325.0	403.2	379.7	363.4	348.6	354.0	368.9	363.4	376.4	406.8	445.7
47 Foreign deposits	42.8	43.9	56.6	61.2	62.6	61.7	62.4	61.2	59.1	47.9	48.9
48 Mutual fund shares	478.3	566.2	602.1	812.4	661.6	683.7	744.2	812.4	859.3	936.7	1,013.4
49 Security credit	118.3	133.9	137.4	188.9	132.5	137.5	158.1	188.9	195.1	194.1	212.4
50 Trade debt	838.4	903.9	938.0	940.8	903.5	909.4	935.3	940.8	942.6	949.4	976.2
51 Taxes payable	79.8	81.8	81.4	72.2	75.1	65.8	71.8	72.2	73.5	70.1	72.2
52 Miscellaneous	2,312.0	2,508.3	2,678.8	2,813.7	2,688.6	2,691.0	2,729.0	2,813.7	2,816.2	2,870.5	2,929.0
53 **Total liabilities**	**22,999.5**	**25,188.3**	**26,577.2**	**28,585.4**	**26,954.9**	**27,125.9**	**27,638.6**	**28,585.4**	**28,795.8**	**29,190.9**	**29,780.2**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	40.0	40.3	41.3	41.6	40.7	40.7	41.1	41.6	41.3	41.5	23.2
55 Corporate equities	3,141.6	3,819.7	3,506.6	4,630.0	4,047.2	4,104.7	4,338.5	4,630.0	4,739.7	4,678.8	4,832.4
56 Household equity in noncorporate business	2,373.1	2,524.9	2,449.4	2,372.5	2,478.4	2,509.4	2,495.9	2,372.5	2,381.4	2,362.6	2,335.6
Floats not included in assets (−)											
57 U.S. government checking deposits	5.9	6.1	15.0	3.8	5.2	8.3	19.8	3.8	.9	1.4	4.1
58 Other checkable deposits	29.6	26.5	28.9	30.9	26.7	29.9	23.6	30.9	22.0	20.1	8.3
59 Trade credit	−164.3	−159.7	−148.0	−134.1	−157.9	−157.7	−154.2	−134.1	−133.3	−148.6	−154.3
Liabilities not identified as assets (−)											
60 Treasury currency	−4.1	−4.3	−4.1	−4.8	−4.6	−4.7	−4.7	−4.8	−4.9	−4.9	−5.0
61 Interbank claims	−28.5	−31.0	−32.0	−4.2	−15.5	−9.9	−4.7	−4.2	−1.8	−4.0	−7.4
62 Security repurchase agreements	−12.4	11.5	−23.3	−12.9	−39.6	−25.8	−10.6	−12.9	−10.1	11.0	32.9
63 Taxes payable	21.4	20.6	21.8	18.8	21.4	11.7	17.5	18.8	16.6	12.4	9.4
64 Miscellaneous	−134.6	−253.3	−249.7	−451.6	−262.4	−244.5	−303.2	−451.6	−441.1	−441.2	−467.8
65 **Totals identified to sectors as assets**	**28,841.1**	**31,956.8**	**32,966.0**	**36,183.5**	**33,947.9**	**34,173.4**	**34,930.5**	**36,183.5**	**36,510.0**	**36,827.5**	**37,551.1**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.6 through L.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, 1987=100 except as noted

Measure	1990	1991	1992	1992 May	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.	1993 Jan.
1 **Industrial production**[1]	**109.2**	**107.1**	**108.7**	**108.9**	**108.5**	**109.4**	**109.1**	**108.9**	**109.7**	**110.3**	**110.5**	**111.0**
Market groupings												
2 Products, total	110.1	108.1	109.5[r]	109.7	109.0	109.6	109.8	109.6	110.7	111.3	111.9[r]	112.5
3 Final, total	110.9	109.6	111.1[r]	111.4	110.5	111.0	111.5	111.2	112.4	113.2	113.9[r]	114.6
4 Consumer goods	107.3	107.5	110.4[r]	110.8	109.6	110.4	110.8	110.7	111.9	112.6	113.2[r]	114.1
5 Equipment	115.5	112.2	111.9[r]	112.3	111.6	111.8	112.5	111.9	113.0	114.0	114.7[r]	115.2
6 Intermediate	107.7	103.4	104.6[r]	104.4	104.4	105.1	104.4	104.5	105.5[r]	105.5	105.9[r]	106.2
7 Materials	107.8	105.5	107.4[r]	107.7	107.6	109.0	108.1	107.9	108.2	108.6	108.4[r]	108.5
Industry groupings												
8 Manufacturing	109.9	107.4	109.7	109.9	109.6	110.2	110.1	109.8	110.6	111.2	111.7	112.4
9 Capacity utilization, manufacturing (percent)[2]	82.3	78.2	77.8	78.2	77.8	78.1	77.9	77.5	77.9	78.2	78.4	78.7
10 Construction contracts[3]	95.3	89.7[r]	92.8	86.0	90.0	89.0	90.0	89.0	104.0	92.0	90.0	n.a.
11 Nonagricultural employment, total[4]	107.4[r]	106.0	106.1	106.2	106.1	106.3	106.2	106.2	106.2	106.3	106.4	106.5
12 Goods-producing, total	101.0	96.4	94.8	95.3	95.0	94.9	94.6	94.3	94.2	94.2	94.1[r]	94.1
13 Manufacturing, total	100.5	97.0	95.6	96.1	95.9	95.9	95.4	95.2	94.9	95.0	94.9[r]	95.1
14 Manufacturing, production worker	100.1	96.1	95.2	95.7	95.4	95.5	94.9	94.6	94.3	94.6	94.7	95.1
15 Service-producing	109.5	109.0	109.7	109.6	109.6	109.9	109.9	110.0	110.1	110.2	110.3	110.5
16 Personal income, total	122.7	127.0	133.0	132.4	132.5	132.8	133.0	133.6	135.2	135.1	136.4	n.a.
17 Wages and salary disbursements	121.3	124.4	129.0	128.6	128.5	128.7	129.6	129.5	130.5[r]	131.1	132.1	n.a.
18 Manufacturing	113.5	113.6	115.4	115.5	115.1	115.5	115.3	115.3	116.5[r]	116.0	117.7	n.a.
19 Disposable personal income[5]	122.9	128.0	134.7	134.2	134.4	134.5	134.6	135.2	136.9[r]	136.6	138.0	n.a.
20 Retail sales[6]	118.7	119.8	125.6	124.1	124.0	125.4	125.5	126.5	129.2	129.0	130.1[r]	130.5
Prices[7]												
21 Consumer (1982–84=100)	130.7	136.2	140.3	139.7	140.2	140.5	140.9	141.3	141.8	142.0	141.9	142.6
22 Producer finished goods (1982=100)	119.2	121.7	123.2	123.2	123.9	123.7	123.6	123.3	124.3	123.9	123.8	124.0

1. A major revision of the industrial production index and the capacity utilization rates was released in April 1990. 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 Co., 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 from U.S. Bureau of the Census, *Survey of Current Business*.
7. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the Bureau of Labor Statistics, U.S. Department of Labor, *Monthly Labor Review*.

NOTE. Basic data (not indexes) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 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.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted except as noted

Category	1990	1991	1992	1992							1993
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**190,216**	**191,883**	**193,542**	**193,431**	**193,588**	**193,749**	**193,893**	**194,051**	**194,210**	**194,379**	**194,514**
2 Labor force (including Armed Forces)[1]	126,954	127,421	128,948	129,274	129,316	129,363	129,220	128,986	129,259	129,461	128,953
3 Civilian labor force	124,787	125,303	126,982	127,298	127,350	127,404	127,274	127,066	127,365	127,591	127,083
Employment											
4 Nonagricultural industries[2]	114,728	114,644	114,391	114,266	114,515	114,562	114,503	114,518	114,855	115,049	114,879
5 Agriculture	3,186	3,233	3,207	3,244	3,207	3,218	3,221	3,169	3,209	3,262	3,191
Unemployment											
6 Number	6,874	8,426	9,384	9,788	9,628	9,624	9,550	9,379	9,301	9,280	9,013
7 Rate (percent of civilian labor force)	5.5	6.7	7.4	7.7	7.6	7.6	7.5	7.4	7.3	7.3	7.1
8 Not in labor force	63,262	64,462	64,594	64,157	64,272	64,386	64,673	65,065	64,951	64,918	65,561
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**109,782**r	**108,310**	**108,434**	**108,423**	**108,594**	**108,485**	**108,497**	**108,571**	**108,646**r	**108,736**r	**108,842**
10 Manufacturing	19,117	18,455	18,192	18,236	18,242	18,145	18,102	18,046	18,068r	18,061r	18,095
11 Mining	710	691	635	634	633	626	620	623	622	619r	615
12 Contract construction	5,133	4,685	4,594	4,600	4,584	4,591	4,574	4,601	4,590r	4,581r	4,544
13 Transportation and public utilities	5,808	5,772	5,741	5,745	5,742	5,729	5,738	5,731	5,732r	5,740r	5,764
14 Trade	25,877	25,328	25,120	25,144	25,156	25,070	25,079	25,115	25,092r	25,127r	25,232
15 Finance	6,729	6,678	6,672	6,672	6,660	6,661	6,669	6,680	6,669	6,677	6,685
16 Service	28,130	28,323	28,903	28,854	28,971	28,981	29,065	29,152	29,188r	29,231r	29,212
17 Government	18,304	18,380	18,578	18,538	18,606	18,682	18,650	18,623	18,685r	18,700r	18,695

1. Persons sixteen years of age and older. 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.
2. Includes self-employed, unpaid family, and domestic service workers.
3. 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 1984 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	1992				1992				1992			
	Q1	Q2	Q3	Q4[r]	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4[r]
	Output (1987=100)				Capacity (percent of 1987 output)				Capacity utilization rate (percent)			
1 **Total industry**	**107.1**	**108.5**	**109.1**	**110.2**	**137.0**	**137.7**	**138.4**	**139.1**	**78.2**	**78.8**	**78.8**	**79.2**
2 Manufacturing	108.0	109.5	110.0	111.2	139.7	140.6	141.4	142.2	77.3	77.9	77.8	78.2
3 Primary processing	104.0	105.4	106.4	107.1	129.3	129.6	129.9	130.3	80.5	81.3	81.9	82.2
4 Advanced processing	109.9	111.4	111.7	113.1	144.6	145.6	146.7	147.7	76.0	76.5	76.2	76.6
5 Durable goods	106.6	108.4	108.8	110.1	143.7	144.4	145.2	146.0	74.2	75.0	74.9	75.4
6 Lumber and products	98.5	96.7	98.5	101.5	125.9	126.1	126.3	126.5	78.2	76.7	78.0	80.3
7 Primary metals	102.2	101.7	104.0	104.0	129.1	128.3	127.5	126.7	79.2	79.2	81.5	82.1
8 Iron and steel	103.8	101.6	104.6	105.9	134.1	132.7	131.2	129.8	77.4	76.6	79.7	81.6
9 Nonferrous	100.0	101.7	103.0	101.3	122.1	122.2	122.3	122.4	81.9	83.3	84.3	82.7
10 Nonelectrical machinery	122.1	125.7	128.8	131.9	164.3	165.9	167.4	168.9	74.3	75.8	76.9	78.1
11 Electrical machinery	110.5	111.8	112.6	113.0	147.9	149.1	150.4	151.6	74.7	75.0	74.9	74.5
12 Motor vehicles and parts	91.7	100.5	98.1	103.5	136.2	136.7	137.2	137.7	67.3	73.5	71.5	75.1
13 Aerospace and miscellaneous transportation equipment	99.3	96.8	94.9	93.3	140.4	140.9	141.5	142.1	70.8	68.7	67.1	65.7
14 Nondurable goods	109.8	110.9	111.6	112.5	134.8	135.6	136.5	137.4	81.5	81.7	81.8	81.9
15 Textile mill products	104.3	106.2	106.6	107.1	118.8	119.2	119.7	120.2	87.9	89.0	89.1	89.1
16 Paper and products	105.8	106.7	108.2	107.5	119.3	119.9	120.5	121.1	88.7	89.0	89.8	88.8
17 Chemicals and products	113.6	116.8	118.0	119.6	143.4	144.3	145.1	146.0	79.2	81.0	81.3	81.9
18 Plastics materials	124.4	129.7	132.4	...	148.7	150.5	152.2	...	83.7	86.2	87.0	...
19 Petroleum products	107.7	109.2	106.9	110.3	121.4	121.5	121.6	121.7	88.7	89.9	87.9	90.6
20 Mining	97.9	98.9	99.2	98.9	114.7	114.7	114.8	114.8	85.3	86.2	86.5	86.2
21 Utilities	107.0	107.4	109.4	110.5	129.5	129.8	130.1	130.4	82.6	82.7	84.1	84.8
22 Electric	109.7	110.3	113.2	113.4	125.6	126.0	126.4	126.8	87.3	87.6	89.5	89.5

Series	Previous cycle[2]		Latest cycle[3]		1992	1992							1993
	High	Low	High	Low	Jan.	June	July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.[r]	Jan.[p]
	Capacity utilization rate (percent)												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.8**	**78.0**	**78.6**	**79.1**	**78.8**	**78.6**	**79.0**	**79.3**	**79.3**	**79.5**
2 Manufacturing	88.9	70.8	87.3	70.0	77.0	77.8	78.1	77.9	77.5	77.9	78.2	78.4	78.7
3 Primary processing	92.2	68.9	89.7	66.8	80.2	81.4	82.7	81.7	81.3	81.9	82.3	82.4	82.5
4 Advanced processing	87.5	72.0	86.3	71.4	75.7	76.3	76.2	76.3	76.0	76.3	76.6	76.8	77.2
5 Durable goods	88.8	68.5	86.9	65.0	73.8	75.0	75.2	75.2	74.4	75.1	75.4	75.7	76.1
6 Lumber and products	90.1	62.2	87.6	60.9	77.4	75.6	79.1	78.3	76.6	79.7	80.6	80.5	80.5
7 Primary metals	100.6	66.2	102.4	46.8	79.2	79.7	82.6	81.8	80.1	82.0	83.0	81.2	82.4
8 Iron and steel	105.8	66.6	110.4	38.3	78.1	77.0	80.8	79.5	78.8	81.6	82.5	80.7	82.1
9 Nonferrous	92.9	61.3	90.5	62.2	81.0	83.9	85.4	85.2	82.2	82.7	83.7	81.8	82.8
10 Nonelectrical machinery	96.4	74.5	92.1	64.9	74.1	76.0	76.6	77.3	76.9	77.4	78.2	78.5	79.0
11 Electrical machinery	87.8	63.8	89.4	71.1	74.6	75.0	75.1	75.1	74.3	74.5	74.9	74.1	74.0
12 Motor vehicles and parts	93.4	51.1	93.0	44.5	64.0	73.3	71.3	72.5	70.8	73.6	74.1	77.7	81.3
13 Aerospace and miscellaneous transportation equipment	77.0	66.6	81.1	66.9	71.2	68.2	67.7	67.0	66.4	66.3	65.4	65.3	64.4
14 Nondurable goods	87.9	71.8	87.0	76.9	81.4	81.6	82.0	81.6	81.7	81.7	82.0	82.1	82.2
15 Textile mill products	92.0	60.4	91.7	73.8	86.9	88.2	89.6	88.7	88.9	88.4	89.2	89.6	90.1
16 Paper and products	96.9	69.0	94.2	82.0	89.9	89.3	91.1	88.2	90.0	87.8	88.9	89.6	88.8
17 Chemicals and products	87.9	69.9	85.1	70.1	78.7	81.3	81.5	81.1	81.4	81.4	82.0	82.3	82.5
18 Plastics materials	102.0	50.6	90.9	63.4	83.1	85.9	89.8	86.0	85.1	82.8	84.1	...	...
19 Petroleum products	96.7	81.1	89.5	68.2	87.8	89.6	89.8	85.8	88.3	91.5	91.0	89.4	90.5
20 Mining	94.4	88.4	96.6	80.6	85.3	85.4	87.6	86.1	85.6	86.1	86.9	85.6	85.9
21 Utilities	95.6	82.5	88.3	76.2	82.6	82.1	84.1	83.6	84.6	85.0	85.3	84.0	82.8
22 Electric	99.0	82.7	88.3	78.7	87.1	87.0	89.5	89.2	89.9	89.8	90.0	88.7	87.4

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For ordering address, see inside front cover. For a detailed description of the series, see "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35.

2. Monthly high, 1973; monthly low, 1975.

3. Monthly highs, 1978 through 1980; monthly lows, 1982.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1987 proportion	1992 avg.	1992 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.[r]	1993 Jan.[p]
			Index (1987 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**108.7**	**106.6**	**107.2**	**107.6**	**108.1**	**108.9**	**108.5**	**109.4**	**109.1**	**108.9**	**109.7**	**110.3**	**110.5**	**111.0**
2 Products	60.8	109.5	107.5	108.1	108.5	109.0	109.7	109.0	109.6	109.8	109.6	110.7	111.3	111.9	112.5
3 *Final products*	*46.0*	*111.1*	*108.7*	*109.4*	*109.8*	*110.6*	*111.4*	*110.5*	*111.0*	*111.5*	*111.2*	*112.4*	*113.2*	*113.9*	*114.6*
4 Consumer goods, total	26.0	110.4	108.1	108.8	109.3	110.1	110.8	109.6	110.4	110.8	110.7	111.9	112.6	113.2	114.1
5 Durable consumer goods	5.6	108.1	101.3	105.3	106.2	107.9	111.1	109.2	108.6	109.2	106.9	108.1	109.4	112.1	114.9
6 Automotive products	2.5	106.7	94.2	101.6	103.6	106.5	110.6	108.0	106.6	106.8	104.5	108.8	110.1	114.7	120.3
7 Autos and trucks	1.5	102.0	84.3	94.3	95.7	102.5	107.8	104.0	100.5	100.6	98.2	105.9	107.2	116.5	125.0
8 Autos, consumer	.9	90.0	79.1	84.8	81.9	93.1	98.6	97.6	92.3	87.2	88.1	88.5	89.4	97.7	103.9
9 Trucks, consumer	.6	122.1	93.0	110.2	118.8	118.3	123.3	114.8	114.3	123.1	115.1	135.1	137.1	148.1	160.3
10 Auto parts and allied goods	1.0	113.7	109.1	112.6	115.5	112.5	114.8	114.0	115.7	116.2	114.0	113.3	114.4	112.0	113.3
11 Other	3.1	109.2	106.9	108.3	108.3	109.1	111.5	110.2	110.3	111.1	108.9	107.6	108.9	110.0	110.6
12 Appliances, A/C, and TV	.8	104.7	99.6	102.9	103.5	103.4	107.4	106.2	102.3	110.6	108.5	103.8	103.8	104.2	103.0
13 Carpeting and furniture	.9	102.7	101.1	102.4	102.5	104.4	105.9	103.2	103.8	103.6	100.9	100.5	101.4	104.4	106.0
14 Miscellaneous home goods	1.4	115.8	114.7	115.0	114.7	115.2	117.3	116.9	118.8	116.1	114.2	114.3	116.5	116.7	117.8
15 *Nondurable consumer goods*	*20.4*	*111.1*	*110.0*	*109.8*	*110.2*	*110.7*	*110.7*	*109.7*	*110.8*	*111.2*	*111.7*	*112.9*	*113.5*	*113.5*	*113.9*
16 Foods and tobacco	9.1	108.5	107.3	107.4	107.8	107.6	107.7	107.2	108.6	110.1	108.9	109.8	109.8	109.6	110.0
17 Clothing	2.6	95.2	95.0	95.2	95.1	95.3	96.4	95.5	96.8	95.0	95.5	94.9	95.5	95.9	95.6
18 Chemical products	3.5	122.6	118.1	118.3	119.4	120.8	121.4	121.6	121.5	122.0	124.1	126.8	128.4	129.8	131.4
19 Paper products	2.5	124.3	126.8	124.7	124.6	125.1	124.3	121.7	121.9	121.8	124.2	124.1	126.1	126.5	127.4
20 Energy	2.7	107.5	106.8	106.4	107.0	108.9	107.2	104.8	107.4	106.2	108.1	111.5	111.9	109.7	108.7
21 Fuels	.7	104.7	103.8	103.5	103.7	105.1	104.0	104.4	105.3	99.0	103.5	110.3	107.6	105.8	107.6
22 Residential utilities	2.0	108.6	108.0	107.5	108.2	110.3	108.4	105.0	108.2	108.9	109.7	112.0	113.5	111.2	109.2
23 Equipment	20.0	111.9	109.4	110.2	110.4	111.3	112.3	111.6	111.8	112.5	111.9	113.0	114.0	114.7	115.2
24 Business equipment	13.9	124.5	119.9	121.0	121.5	123.0	124.5	124.1	124.4	125.9	125.4	126.8	128.2	129.1	130.1
25 Information processing and related	5.6	141.1	134.1	134.6	136.0	137.9	139.2	140.4	141.9	143.5	143.5	145.7	147.7	148.4	149.4
26 Office and computing	1.9	176.4	160.6	162.4	164.9	168.2	170.5	174.0	178.0	182.0	184.0	187.0	190.0	192.9	195.8
27 Industrial	4.0	102.2	100.7	101.3	101.3	101.7	103.4	102.9	103.4	102.7	101.6	102.0	103.4	103.2	103.7
28 Transit	2.5	131.4	124.2	129.2	128.9	131.7	133.3	131.8	128.7	132.6	130.4	133.0	133.8	137.2	139.8
29 Autos and trucks	1.2	101.2	84.9	94.7	95.0	101.3	105.6	101.7	98.1	101.3	99.1	105.2	107.7	114.4	122.3
30 Other	1.9	114.0	113.1	112.2	112.2	113.2	115.0	111.5	112.2	114.4	115.8	115.5	115.9	117.4	117.1
31 Defense and space equipment	5.4	83.0	86.7	86.2	85.6	84.7	84.2	83.6	82.7	81.8	81.1	80.5	79.8	79.3	78.7
32 Oil and gas well drilling	.6	78.3	71.8	73.9	76.2	79.2	79.2	74.6	78.6	75.0	74.4	80.2	85.2	88.5	84.7
33 Manufactured homes	.2	108.8	98.4	99.7	98.7	100.7	100.3	97.1	112.0	106.1	111.2	119.9	127.1	138.0	138.2
34 Intermediate products, total	14.7	104.6	103.9	104.0	104.4	103.9	104.4	104.4	105.1	104.4	104.5	105.5	105.5	105.9	106.2
35 Construction supplies	6.0	97.4	95.5	96.0	96.7	96.5	97.8	97.2	98.6	98.5	97.1	98.5	98.5	98.6	98.9
36 Business supplies	8.7	109.5	109.9	109.6	109.7	109.0	109.0	109.4	109.7	108.5	109.6	110.4	110.4	111.0	111.3
37 Materials	39.2	107.4	105.2	105.8	106.1	106.8	107.7	107.6	109.0	108.1	107.9	108.2	108.6	108.4	108.5
38 Durable goods materials	19.4	109.9	107.0	108.1	108.3	108.7	110.4	110.2	111.2	111.1	109.9	110.9	111.4	111.6	112.3
39 Durable consumer parts	4.2	100.9	95.3	97.1	97.9	99.3	102.5	102.9	101.8	103.9	102.3	103.5	103.1	103.2	105.2
40 Equipment parts	7.3	116.1	114.1	115.2	115.1	114.7	116.2	116.2	117.5	117.0	116.4	117.2	117.7	118.2	118.3
41 Other	7.9	108.8	106.7	107.5	107.5	108.1	109.2	108.7	110.2	109.5	108.1	109.1	110.0	109.9	110.5
42 Basic metal materials	2.8	108.2	105.1	107.3	106.3	106.3	108.3	107.7	111.5	110.9	108.1	108.5	110.8	108.1	108.9
43 Nondurable goods materials	9.0	109.7	107.3	107.1	108.9	109.4	109.7	110.4	111.7	110.3	110.5	109.7	110.6	111.0	110.2
44 Textile materials	1.2	102.7	98.9	101.5	102.0	103.2	102.9	102.3	103.9	102.9	103.9	103.3	103.9	103.7	104.3
45 Pulp and paper materials	1.9	109.8	107.4	106.8	107.8	109.2	107.8	110.8	111.8	108.9	112.7	109.6	111.0	113.2	110.7
46 Chemical materials	3.8	110.4	107.6	106.6	109.3	109.9	111.2	110.9	113.4	111.9	110.9	110.2	111.1	110.7	110.2
47 Other	2.1	112.4	111.2	111.2	112.7	112.2	112.4	113.4	112.8	112.6	111.5	112.6	113.0	113.7	113.1
48 Energy materials	10.9	101.2	100.4	100.5	100.1	101.3	101.3	100.6	102.9	100.9	102.0	102.0	102.0	100.5	100.4
49 *Primary energy*	7.2	100.3	100.5	100.6	98.2	99.8	99.7	99.6	102.3	101.4	101.8	102.1	101.3	99.4	99.6
50 Converted fuel materials	3.7	102.9	100.2	100.4	103.8	104.1	104.3	102.6	104.1	100.0	102.5	101.7	103.5	102.6	101.9
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.3	108.9	107.3	107.6	107.9	108.3	109.0	108.6	109.6	109.3	109.2	109.8	110.4	110.4	110.6
52 Total excluding motor vehicles and parts	95.3	109.2	107.6	107.8	108.2	108.6	109.2	108.8	109.9	109.6	109.5	110.1	110.7	110.7	110.9
53 Total excluding office and computing machines	97.5	107.0	105.3	105.8	106.1	106.6	107.4	106.8	107.6	107.3	107.0	107.8	108.3	108.5	108.8
54 Consumer goods excluding autos and trucks	24.5	111.0	109.6	109.7	110.2	110.6	110.9	109.9	111.0	111.4	111.4	112.2	112.9	113.0	113.4
55 Consumer goods excluding energy	23.3	110.8	108.3	109.1	109.6	110.3	111.2	110.1	110.7	111.3	111.0	111.9	112.7	113.6	114.7
56 Business equipment excluding autos and trucks	12.7	126.8	123.3	123.6	124.1	125.2	126.4	126.3	127.0	128.3	127.9	128.9	130.2	130.6	130.9
57 Business equipment excluding office and computing equipment	12.0	116.1	113.3	114.3	114.5	115.7	117.1	116.1	115.8	116.8	115.9	117.0	118.2	118.8	119.5
58 Materials excluding energy	28.4	109.8	107.1	107.8	108.5	108.9	110.2	110.3	111.3	110.8	110.1	110.5	111.2	111.4	111.6

2.13—Continued

Group	SIC code[2]	1987 proportion	1992 avg.	1992 Jan.	1992 Feb.	1992 Mar.	1992 Apr.	1992 May	1992 June	1992 July	1992 Aug.	1992 Sept.	1992 Oct.[r]	1992 Nov.[r]	1992 Dec.[r]	1993 Jan.[p]
				Index (1987 = 100)												
MAJOR INDUSTRIES																
1 **Total index**	...	**100.0**	**108.7**	**106.6**	**107.2**	**107.6**	**108.1**	**108.9**	**108.5**	**109.4**	**109.1**	**108.9**	**109.7**	**110.3**	**110.5**	**111.0**
2 Manufacturing	...	84.4	109.7	107.4	108.1	108.5	109.0	109.9	109.6	110.2	110.1	109.8	110.6	111.2	111.7	112.4
3 Primary processing	...	26.7	105.7	103.6	103.9	104.5	105.0	105.6	105.6	107.3	106.2	105.7	106.6	107.2	107.5	107.7
4 Advanced processing	...	57.7	111.5	109.2	110.0	110.3	110.8	111.9	111.4	111.6	112.0	111.7	112.5	113.1	113.7	114.6
5 Durable goods	...	47.3	108.4	105.8	107.0	107.0	107.6	109.1	108.5	109.0	109.2	108.2	109.5	110.1	110.7	111.5
6 Lumber and products	24	2.0	98.7	97.4	98.8	99.2	97.2	97.4	95.4	99.8	98.9	96.7	100.8	101.9	101.9	101.9
7 Furniture and fixtures	25	1.4	100.3	98.7	98.1	98.6	101.1	103.3	100.3	101.0	101.7	100.5	99.6	99.5	101.3	101.9
8 Clay, glass, and stone products	32	2.5	96.2	92.8	94.6	95.0	95.6	96.7	96.6	97.1	96.4	96.1	97.7	97.4	98.7	98.6
9 Primary metals	33	3.3	102.9	102.5	102.7	101.4	100.9	102.0	102.1	105.6	104.3	102.0	104.2	105.2	102.6	104.0
10 Iron and steel	331,2	1.9	103.9	105.0	103.7	102.5	100.9	102.2	101.8	106.4	104.4	103.0	106.3	107.1	104.4	105.8
11 Raw steel	...	.1	101.2	103.3	102.7	98.8	99.9	98.5	101.5	105.3	101.9	99.8	101.7	101.5	100.4	101.2
12 Nonferrous	333–6,9	1.4	101.5	98.9	101.2	99.9	100.9	101.8	102.5	104.4	104.2	100.5	101.2	102.5	100.2	101.3
13 Fabricated metal products	34	5.4	101.7	99.7	100.5	100.0	100.6	102.2	102.2	102.6	102.5	101.3	102.9	102.5	103.7	104.4
14 Nonelectrical machinery	35	8.6	127.2	121.4	121.9	122.9	124.1	126.7	126.4	127.8	129.3	129.1	130.4	132.1	133.1	134.3
15 Office and computing machines	357	2.5	176.5	160.5	162.4	164.9	168.2	170.5	174.0	178.0	182.0	184.0	187.0	190.0	192.9	195.8
16 Electrical machinery	36	8.6	111.8	110.0	110.7	110.9	111.0	112.3	112.2	112.6	113.0	112.1	112.7	113.6	112.7	112.9
17 Transportation equipment	37	9.8	97.3	93.8	96.8	96.5	98.0	99.6	98.2	96.7	97.0	95.6	97.5	97.3	99.6	101.5
18 Motor vehicles and parts	371	4.7	98.7	87.1	93.8	94.2	98.5	102.7	100.4	97.7	99.4	97.2	101.2	102.1	107.1	112.2
19 *Autos and light trucks*	...	2.3	100.2	83.5	92.9	93.7	101.1	106.5	103.0	99.3	98.6	96.7	103.1	104.6	113.7	121.9
20 Aerospace and miscellaneous transportation equipment	372–6,9	5.1	96.1	99.8	99.6	98.6	97.4	96.8	96.3	95.7	94.9	94.1	94.1	93.0	92.9	91.7
21 Instruments	38	3.3	118.3	118.3	118.6	118.6	119.0	119.8	118.5	118.5	118.2	118.1	117.8	117.8	118.0	118.4
22 Miscellaneous	39	1.2	120.0	121.2	120.0	120.0	118.9	118.4	117.8	120.4	118.2	118.6	119.7	123.0	124.5	125.6
23 Nondurable goods	...	37.2	111.2	109.5	109.6	110.4	110.7	110.9	111.0	111.7	111.3	111.8	112.0	112.6	113.1	113.4
24 Foods	20	8.8	110.1	109.2	109.6	110.2	109.6	109.3	109.0	109.8	110.6	110.2	111.2	111.1	110.7	111.1
25 Tobacco products	21	1.0	105.5	98.8	99.4	101.3	101.0	102.5	103.6	106.6	115.9	110.5	107.6	108.4	109.8	110.5
26 Textile mill products	22	1.8	106.0	103.1	104.7	105.3	106.3	106.8	105.3	107.1	106.1	106.6	106.1	107.2	107.9	108.6
27 Apparel products	23	2.4	97.7	97.5	97.7	97.8	98.0	99.0	98.1	99.4	97.6	97.6	97.2	98.1	97.7	97.7
28 Paper and products	26	3.6	107.1	107.1	104.6	105.8	107.0	105.8	107.3	109.6	106.3	108.6	106.2	107.6	108.7	107.9
29 Printing and publishing	27	6.4	113.3	114.8	114.4	113.8	113.7	113.4	113.0	112.3	111.4	113.2	113.4	113.7	114.8	115.5
30 Chemicals and products	28	8.6	117.2	112.7	113.4	114.8	115.8	117.0	117.5	118.0	117.6	118.3	118.7	119.7	120.5	121.0
31 Petroleum products	29	1.3	108.6	106.6	106.9	109.7	110.3	108.5	108.9	109.1	104.3	107.4	111.3	110.7	108.8	110.2
32 Rubber and plastic products	30	3.0	117.3	113.2	114.0	115.4	116.5	117.1	117.3	118.5	119.0	117.3	118.3	119.4	120.9	121.3
33 Leather and products	31	.3	85.5	83.0	81.4	82.9	84.1	86.2	86.2	87.1	84.8	86.4	87.0	87.5	87.4	87.4
34 Mining	...	7.9	98.7	97.8	98.4	97.5	99.1	99.7	98.0	100.6	98.8	98.3	98.8	99.8	98.3	98.6
35 Metal	10	.3	158.1	144.2	152.9	155.8	154.2	166.4	154.0	163.7	165.6	158.6	155.7	164.6	162.8	160.4
36 Coal	11,12	1.2	105.5	107.3	107.9	103.0	104.0	107.6	98.6	112.0	107.5	103.7	103.9	106.8	106.7	110.0
37 Oil and gas extraction	13	5.7	93.2	92.4	92.7	91.9	94.2	93.4	93.9	94.0	92.4	93.0	93.9	94.0	92.0	91.9
38 Stone and earth minerals	14	.7	105.9	104.8	103.5	107.4	105.9	108.0	105.6	106.2	106.4	105.2	104.9	105.9	105.8	106.6
39 Utilities	...	7.6	108.3	106.8	106.4	107.7	108.2	107.3	106.7	109.3	108.8	110.2	110.7	111.3	109.6	108.2
40 Electric	491,3PT	6.0	111.3	109.3	109.0	110.7	111.0	110.2	109.7	113.0	112.7	113.8	113.7	114.0	112.5	111.0
41 Gas	492,3PT	1.6	97.1	97.5	96.9	96.7	97.7	96.6	95.3	95.4	94.1	97.0	99.6	101.0	99.0	97.7
SPECIAL AGGREGATES																
42 *Manufacturing excluding motor vehicles and parts*	...	79.8	110.3	108.6	108.9	109.3	109.6	110.3	110.1	110.9	110.7	110.5	111.1	111.7	112.0	112.4
43 Manufacturing excluding office and computing machines	...	82.0	107.7	105.8	106.5	106.8	107.2	108.1	107.6	108.2	108.0	107.6	108.3	108.8	109.3	109.9
				Gross value (billions of 1982 dollars, annual rates)												
MAJOR MARKETS																
44 **Products, total**	...	**1,734.8**	**1,931.9**	**1,869.5**	**1,889.7**	**1,902.8**	**1,918.7**	**1,935.5**	**1,920.1**	**1,936.2**	**1,935.9**	**1,937.0**	**1,969.8**	**1,983.0**	**1,992.9**	**2,016.9**
45 Final	...	1,350.9	1,529.3	1,468.7	1,490.8	1,501.5	1,518.2	1,532.1	1,519.1	1,530.4	1,532.8	1,534.6	1,563.8	1,574.9	1,585.2	1,606.4
46 Consumer goods	...	833.4	907.7	877.6	890.2	896.2	905.6	912.4	901.3	909.3	905.3	907.1	928.2	932.0	934.4	948.7
47 Equipment	...	517.5	621.6	591.1	600.6	605.3	612.7	619.7	617.8	621.0	627.5	627.5	635.6	643.0	650.8	657.8
48 Intermediate	...	384.0	402.6	400.7	398.9	401.2	400.5	403.4	401.1	405.8	403.1	402.4	406.0	408.1	407.6	410.5

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For ordering address, see inside front cover.

A major revision of the industrial production index and the capacity utilization rates was released in April 1990. 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	1990	1991	1992	1992 Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,111	949	1,097	1,094	1,058	1,054	1,032	1,080	1,076	1,125	1,139	1,126	1,201
2 One-family	794	754	913	907	873	879	872	879	877	913	959	955	1,044
3 Two-or-more-family	317	195	184	187	185	175	160	201	199	212	180	171	157
4 Started	1,193	1,014	1,200	1,318[r]	1,095[r]	1,197[r]	1,141[r]	1,106[r]	1,229[r]	1,218[r]	1,226	1,226	1,285
5 One-family	895	840	1,030	1,050[r]	939[r]	1,019	994[r]	961[r]	1,038[r]	1,045[r]	1,079	1,089	1,133
6 Two-or-more-family	298	174	170	268[r]	156[r]	178[r]	147[r]	145[r]	191	173[r]	147	137	152
7 Under construction at end of period[1]	711	606	618	657	655	653	643	628	633	639	644	641	648
8 One-family	449	434	479	482	484	484	483	476	480	487	493	497	507
9 Two-or-more-family	262	173	139	175	171	169	160	152	153	152	151	144	141
10 Completed	1,308	1,091	1,155	1,127	1,067	1,204	1,184	1,229	1,144	1,125	1,140	1,241	1,184
11 One-family	966	838	961	975	889	1,011	982	1,019	955	937	965	1,007	986
12 Two-or-more-family	342	253	193	152	178	193	202	210	189	188	175	234	198
13 Mobile homes shipped	188	171	210	197	193[r]	194[r]	194	210[r]	202[r]	217[r]	228	244	266
Merchant builder activity in one-family units													
14 Number sold	535	507	607	555	546	554	583	616	627	671	618	617	656
15 Number for sale at end of period[1]	321	283	276	277	274	272	272	271	269	268	268	270	276
Price of units sold (thousands of dollars)[2]													
16 Median	122.3	120.0	120.3	120.0	120.0	113.0	124.5	118.0	123.5	119.5[r]	122.0	128.9	117.0
17 Average	149.0	147.0	144.3	144.8	145.0	146.0	146.6	137.7	145.3	142.2[r]	147.5	147.8	140.2
EXISTING UNITS (one-family)													
18 Number sold	3,211	3,219	3,500	3,510	3,490	3,460	3,350	3,450	3,310	3,300	3,640	3,830	4,020
Price of units sold (thousands of dollars)[2]													
19 Median	95.2	99.7	103.4	104.0	103.3	102.5	105.1	102.7	104.6	103.4	103.4	103.0	103.9
20 Average	118.3	127.4	130.7	130.2	130.6	130.6	133.7	132.2	132.2	131.0	129.4	129.0	130.4
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 Total put in place	**442,066**	**400,955**	**425,807**	**421,512**	**427,585**	**427,980**	**426,730**	**425,700**	**419,598**	**429,291**	**430,494**	**434,295**	**434,351**
22 Private	334,153	290,707	307,066	301,142	309,832	306,999	312,182	305,848	301,984	308,813	312,177	314,118	314,228
23 Residential	182,856	157,837	183,044	172,660	182,644	182,892	184,630	181,162	184,201	186,343	188,675	190,701	194,198
24 Nonresidential, total	151,297	132,870	124,022	128,482	127,188	124,107	127,552	124,686	117,783	122,470	123,502	123,417	120,030
25 Industrial buildings	23,849	22,281	20,155	23,721	21,335	21,008	20,285	20,594	17,862	19,019	18,594	19,046	18,572
26 Commercial buildings	62,866	48,482	40,231	42,108	40,712	39,643	43,310	39,988	37,010	39,333	40,003	40,537	35,915
27 Other buildings	21,591	20,797	21,573	21,479	21,409	21,993	21,991	22,228	21,518	22,068	21,648	21,582	21,942
28 Public utilities and other	42,991	41,310	42,063	41,174	43,732	41,463	41,966	41,876	41,393	42,050	43,257	42,252	43,601
29 Public	107,909	110,247	118,739	120,370	117,753	120,981	114,548	119,853	117,614	120,478	118,317	120,177	120,122
30 Military	2,664	1,837	2,490	2,548	2,329	2,668	2,503	2,372	2,438	3,172	2,299	2,705	2,604
31 Highway	31,154	29,918	32,882	30,895	31,447	32,633	31,496	32,682	33,451	34,651	32,200	34,834	32,911
32 Conservation and development	4,607	4,958	6,092	6,197	5,818	5,767	5,889	5,772	5,382	6,364	6,698	7,093	7,848
33 Other	69,484	73,534	77,275	80,730	78,159	79,913	74,660	79,027	76,343	76,291	77,120	75,545	76,759

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 Census Bureau 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. Census Bureau estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 17,000 jurisdictions beginning in 1984.

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, Jan. 1993[1]
	1992 Jan.	1993 Jan.	1992[r]				1992				1993[1]	
			Mar.	June	Sept.	Dec.	Sept.	Oct.	Nov.	Dec.	Jan.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**2.6**	**3.3**	**3.5**	**2.6**	**2.6**	**3.2**	**.1[r]**	**.4**	**.2**	**.1**	**.5**	**142.6**
2 Food	1.0	1.9	2.4	−1.2	3.2	1.4	.3[r]	.0	.1[r]	.3[r]	.4	139.8
3 Energy items	−6.5	3.3	−3.9	8.6	1.2	1.9	.0	.5	.2[r]	−.2[r]	.5	103.4
4 All items less food and energy	3.9	3.5	4.5	2.8	2.5	3.8	.1[r]	.5	.3	.2[r]	.5	149.9
5 Commodities	3.3	2.7	4.1	2.5	1.8	1.5	.0[r]	.3	.1	−.1[r]	.5	133.6
6 Services	4.3	3.8	4.5	3.1	2.9	4.7	.2[r]	.5[r]	.4[r]	.3	.4	159.3
PRODUCER PRICES (1982=100)												
7 Finished goods	−.4	1.8	2.0	3.3	1.3	−.3	.2[r]	−.1[r]	−.1[r]	.1[r]	.2	124.0
8 Consumer foods	−1.8	1.1	−.3	−.6	4.3	2.9	.4[r]	−.1[r]	−.5	1.3[r]	−.9	123.8
9 Consumer energy	−10.0	3.1	−1.0	16.6	−3.5	−9.8	.1[r]	.9[r]	−1.1[r]	−2.3[r]	.9	76.6
10 Other consumer goods	3.1	1.9	3.6	2.4	1.5	.9	.3	−.1	.2	.1[r]	.4	139.0
11 Capital equipment	2.1	1.4	3.5	.9	1.2	.3	.0	−.2	.1	.2	.3	130.4
Intermediate materials												
12 Excluding foods and feeds	−3.0	1.9	1.1	5.0	.7	−1.4	.1[r]	−.2[r]	−.1[r]	−.1[r]	.3	115.5
13 Excluding energy	−1.1	1.5	2.0	1.7	1.3	−.3	.1[r]	−.2	−.1[r]	.2	.3	122.9
Crude materials												
14 Foods	−3.3	1.4	8.4	2.7	−4.8	4.3	.1[r]	.7[r]	−.6	1.0[r]	.3	105.2
15 Energy	−23.8	6.5	−26.6	51.5	19.8	−20.2	5.1[r]	−1.2[r]	.6	−4.9	.0	79.2
16 Other	−7.9	8.9	15.8	4.8	2.2	1.5	−.4[r]	−1.2[r]	−.7[r]	2.3[r]	3.1	133.9

1. Not seasonally adjusted.
2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE. 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	1990	1991	1992	1991	1992			
				Q4	Q1	Q2	Q3	Q4
GROSS DOMESTIC PRODUCT								
1 **Total**	**5,522.2**	**5,677.5**	**5,945.7**	**5,753.3**	**5,840.2**	**5,902.2**	**5,978.5**	**6,061.9**
By source								
2 Personal consumption expenditures	3,748.4	3,887.7	4,093.9	3,942.9	4,022.8	4,057.1	4,108.7	4,187.1
3 Durable goods	464.3	446.1	479.9	450.4	469.4	470.6	482.5	497.3
4 Nondurable goods	1,224.5	1,251.5	1,289.5	1,251.4	1,274.1	1,277.5	1,292.8	1,313.4
5 Services	2,059.7	2,190.1	2,324.5	2,241.1	2,279.3	2,309.0	2,333.3	2,376.4
6 Gross private domestic investment	799.5	721.1	769.7	736.1	722.4	773.2	781.6	801.5
7 Fixed investment	793.2	731.3	766.3	726.9	738.2	765.1	766.6	795.1
8 Nonresidential	577.6	541.1	548.0	528.7	531.0	550.3	549.6	561.2
9 Structures	201.1	180.1	169.0	169.7	170.1	170.3	166.1	169.6
10 Producers' durable equipment	376.5	360.9	379.0	358.9	360.8	380.0	383.5	391.7
11 Residential structures	215.6	190.3	218.2	198.2	207.2	214.8	217.0	233.9
12 Change in business inventories	6.3	−10.2	3.4	9.2	−15.8	8.1	15.0	6.4
13 Nonfarm	3.3	−10.3	1.2	14.5	−13.3	6.4	9.7	2.2
14 Net exports of goods and services	−68.9	−21.8	−32.7	−16.0	−8.1	−37.1	−36.0	−49.7
15 Exports	557.0	598.2	634.3	622.9	628.1	625.4	639.0	644.8
16 Imports	625.9	620.0	667.0	638.9	636.2	662.5	675.0	694.5
17 Government purchases of goods and services	1,043.2	1,090.5	1,114.8	1,090.3	1,103.1	1,109.1	1,124.2	1,123.0
18 Federal	426.4	447.3	449.1	440.8	445.0	444.8	455.2	451.5
19 State and local	616.8	643.2	665.7	649.5	658.0	664.3	669.0	671.4
By major type of product								
20 Final sales, total	5,515.9	5,687.7	5,942.3	5,744.2	5,855.9	5,894.1	5,963.5	6,055.5
21 Goods	2,160.1	2,192.8	2,254.9	2,188.4	2,233.6	2,233.2	2,258.4	2,294.4
22 Durable	920.6	907.6	940.2	905.7	923.6	932.3	943.8	961.0
23 Nondurable	1,239.5	1,285.1	1,314.7	1,282.7	1,310.0	1,300.8	1,314.6	1,333.4
24 Services	2,846.4	3,030.3	3,197.1	3,090.3	3,142.2	3,173.4	3,217.8	3,254.9
25 Structures	509.4	464.7	490.3	465.5	480.1	487.6	487.3	506.1
26 Change in business inventories	6.3	−10.2	3.4	9.2	−15.8	8.1	15.0	6.4
27 Durable goods	−.9	−19.3	−2.3	−8.1	−19.3	9.5	2.7	−1.9
28 Nondurable goods	7.2	9.0	5.7	17.3	3.5	−1.4	12.3	8.3
MEMO								
29 **Total GDP in 1987 dollars**	**4,877.5**	**4,821.0**	**4,919.9**	**4,838.5**	**4,873.7**	**4,892.4**	**4,933.7**	**4,979.8**
NATIONAL INCOME								
30 **Total**	**4,468.3**	**4,544.2**	n.a.	**4,599.1**	**4,679.4**	**4,716.5**	**4,719.6**	n.a.
31 Compensation of employees	3,291.2	3,390.8	3,524.2	3,433.8	3,476.3	3,506.3	3,534.3	3,579.9
32 Wages and salaries	2,742.9	2,812.2	2,915.9	2,845.0	2,877.6	2,901.3	2,923.5	2,961.3
33 Government and government enterprises	514.8	543.5	562.2	546.4	554.6	561.4	564.3	568.4
34 Other	2,228.0	2,268.7	2,353.7	2,298.6	2,323.0	2,339.9	2,359.1	2,392.9
35 Supplement to wages and salaries	548.4	578.7	608.3	588.7	598.7	605.0	610.8	618.6
36 Employer contributions for social insurance	277.4	290.4	302.6	293.7	299.4	301.5	302.9	306.4
37 Other labor income	271.0	288.3	305.7	295.0	299.2	303.6	307.9	312.2
38 Proprietors' income[1]	366.9	368.0	404.2	377.9	393.6	398.4	397.4	427.2
39 Business and professional[1]	325.2	332.2	364.6	340.0	353.6	359.9	365.9	379.1
40 Farm[1]	41.7	35.8	39.6	37.9	40.1	38.5	31.5	48.1
41 Rental income of persons[2]	−12.3	−10.4	4.7	−6.6	−4.5	3.3	6.4	13.5
42 Corporate profits[1]	361.7	346.3	n.a.	347.1	384.0	388.4	374.1	n.a.
43 Profits before tax[3]	355.4	334.7	n.a.	332.3	366.1	376.8	354.1	n.a.
44 Inventory valuation adjustment	−14.2	3.1	−8.3	.7	−5.4	−15.5	−9.7	−2.7
45 Capital consumption adjustment	20.5	8.4	29.3	14.1	23.3	27.0	29.7	37.3
46 Net interest	460.7	449.5	n.a.	446.9	430.0	420.0	407.3	n.a.

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1990	1991	1992	1991	1992			
				Q4	Q1	Q2	Q3	Q4
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**4,664.2**	**4,828.3**	**5,056.8**	**4,907.2**	**4,980.5**	**5,028.9**	**5,062.0**	**5,155.7**
2 Wage and salary disbursements	2,742.8	2,812.2	2,917.4	2,845.0	2,877.6	2,901.3	2,923.5	2,967.3
3 Commodity-producing industries	745.6	737.4	743.1	741.5	736.8	743.1	742.4	750.0
4 *Manufacturing*	556.1	556.9	565.6	563.9	559.9	564.7	565.5	572.3
5 Distributive industries	634.6	647.4	666.7	652.9	660.9	662.9	667.7	675.4
6 Service industries	847.8	883.9	945.5	904.3	925.3	933.9	949.1	973.6
7 Government and government enterprises	514.8	543.6	562.2	546.4	554.6	561.4	564.3	568.4
8 Other labor income	271.0	288.3	305.7	295.0	299.2	303.6	307.9	312.2
9 Proprietors' income[1]	366.9	368.0	404.2	377.9	393.6	398.4	397.4	427.2
10 Business and professional[1]	325.2	332.2	364.6	340.0	353.6	359.9	365.9	379.1
11 Farm[1]	41.7	35.8	39.6	37.9	40.1	38.5	31.5	48.1
12 Rental income of persons[2]	−12.3	−10.4	4.7	−6.6	−4.5	3.3	6.4	13.5
13 Dividends	140.3	137.0	139.3	134.3	133.9	136.6	141.0	145.8
14 Personal interest income	694.5	700.6	669.7	703.3	684.8	675.2	663.2	655.7
15 Transfer payments	685.8	771.1	866.3	799.8	842.7	859.7	874.1	888.6
16 Old-age survivors, disability, and health insurance benefits	352.0	382.0	414.4	390.6	405.7	412.1	417.1	422.6
17 LESS: Personal contributions for social insurance	224.8	238.4	250.5	241.5	246.8	249.3	251.5	254.5
18 EQUALS: Personal income	4,664.2	4,828.3	5,056.8	4,907.2	4,980.5	5,028.9	5,062.0	5,155.7
19 LESS: Personal tax and nontax payments	621.3	618.7	627.2	622.3	619.6	617.1	628.8	643.1
20 EQUALS: Disposable personal income	4,042.9	4,209.6	4,429.6	4,284.9	4,360.9	4,411.8	4,433.2	4,512.5
21 LESS: Personal outlays	3,867.3	4,009.9	4,216.1	4,065.5	4,146.3	4,179.5	4,229.9	4,308.5
22 EQUALS: Personal saving	175.6	199.6	213.5	219.4	214.6	232.3	203.3	204.0
MEMO								
Per capita (1987 dollars)								
23 Gross domestic product	19,513.0	19,077.1	19,260.9	19,066.0	19,158.5	19,181.8	19,288.4	19,413.4
24 Personal consumption expenditures	13,043.6	12,824.1	12,967.7	12,802.6	12,930.2	12,893.3	12,973.3	13,073.8
25 Disposable personal income	14,068.0	13,886.0	14,032.0	13,913.0	14,017.0	14,021.0	13,998.0	14,090.0
26 Saving rate (percent)	4.3	4.7	4.8	5.1	4.9	5.3	4.6	4.5
GROSS SAVING								
27 **Gross saving**	**718.0**	**708.2**	n.a.	**698.2**	**677.5**	**682.9**	**696.9**	n.a.
28 Gross private saving	854.1	901.5	n.a.	934.8	950.1	968.1	992.1	n.a.
29 Personal saving	175.6	199.6	213.5	219.4	214.6	232.3	203.3	204.0
30 Undistributed corporate profits[1]	75.7	75.8	n.a.	78.3	104.0	97.7	91.2	n.a.
31 Corporate inventory valuation adjustment	−14.2	3.1	−8.3	.7	−5.4	−15.5	−9.7	−2.7
Capital consumption allowances								
32 Corporate	368.3	383.0	395.0	386.3	386.1	391.2	407.2	395.5
33 Noncorporate	234.6	243.1	258.6	250.7	245.3	247.0	290.4	251.8
34 Government surplus, or deficit (−), national income and product accounts	−136.1	−193.3	−281.0	−236.6	−272.6	−285.2	−295.2	n.a.
35 Federal	−166.2	−210.4	−295.3	−258.7	−289.2	−302.9	−304.4	n.a.
36 State and local	30.1	17.1	14.2	22.0	16.6	17.7	9.2	n.a.
37 **Gross investment**	**723.4**	**730.1**	**721.4**	**714.6**	**706.5**	**713.8**	**732.0**	**733.4**
38 Gross private domestic	799.5	721.1	769.7	736.1	722.4	773.2	781.6	801.5
39 Net foreign	−76.1	9.0	n.a.	−21.5	−16.0	−59.4	−49.6	n.a.
40 **Statistical discrepancy**	**5.4**	**21.9**	n.a.	**16.4**	**29.0**	**30.9**	**35.1**	n.a.

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted except as noted[1]

Item	1989	1990	1991	1991		1992		
				Q3	Q4	Q1	Q2	Q3[p]
1 Balance on current account	−101,142	−90,428	−3,682	−11,087	−7,218	−5,903	−17,802	−14,238
2 Merchandise trade balance[2]	−115,668	−108,853	−73,436	−20,174	−18,539	−17,222	−24,558	−26,538
3 Merchandise exports	361,697	388,705	415,962	104,151	107,851	107,946	107,464	110,812
4 Merchandise imports	−477,365	−497,558	−489,398	−124,325	−126,390	−125,168	−132,022	−137,350
5 Military transactions, net	−6,837	−7,818	−5,524	−995	−540	−624	−623	−548
6 Other service transactions, net	32,604	39,873	50,821	13,018	13,676	14,468	13,261	16,173
7 Investment income, net	14,366	19,287	16,429	3,076	2,458	4,474	1,930	3,551
8 U.S. government grants	−10,773	−17,597	24,487	−1,986	78	−2,620	−3,085	−2,490
9 U.S. government pensions and other transfers	−2,517	−2,945	−3,462	−793	−1,080	−858	−1,146	−969
10 Private remittances and other transfers	−12,316	−12,374	−12,996	−3,233	−3,271	−3,521	−3,581	−3,417
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	1,271	2,304	3,397	3,180	−437	−38	−277	−385
12 Change in U.S. official reserve assets (increase, −)	−25,293	−2,158	5,763	3,877	1,225	−1,057	1,464	1,952
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−535	−192	−177	6	−23	−172	−168	−173
15 Reserve position in International Monetary Fund	471	731	−367	−114	17	111	1	−118
16 Foreign currencies	−25,229	−2,697	6,307	3,986	1,232	−996	1,631	2,243
17 Change in U.S. private assets abroad (increase, −)	−90,923	−56,467	−71,379	−17,426	−44,947	−3,155	−1,150	−21,724
18 Bank-reported claims[3]	−51,255	7,469	−4,753	2,403	−23,219	15,859	10,943	−440
19 Nonbank-reported claims	11,398	−2,477	5,526	−298	1,269	4,764	3,137	...
20 U.S. purchases of foreign securities, net	−22,070	−28,765	−45,017	−12,403	−11,305	−8,703	−8,221	−14,103
21 U.S. direct investments abroad, net	−28,996	−32,694	−27,135	−7,128	−11,692	−15,075	−7,009	−7,181
22 Change in foreign official assets in United States (increase, +)	8,489	33,908	18,407	4,115	12,819	21,192	20,895	−7,738
23 U.S. Treasury securities	149	29,576	15,815	5,624	12,619	14,909	11,126	−323
24 Other U.S. government obligations	1,383	667	1,301	474	1,075	540	1,699	912
25 Other U.S. government liabilities[4]	146	1,866	1,600	654	−344	96	598	875
26 Other U.S. liabilities reported by U.S. banks[3]	4,976	3,385	−1,668	−2,732	−914	5,534	7,547	−8,202
27 Other foreign official assets[5]	1,835	−1,586	1,359	95	383	113	−75	−1,000
28 Change in foreign private assets in United States (increase, +)	205,205	65,471	48,573	18,818	36,110	−2,629	26,520	25,024
29 U.S. bank-reported liabilities[3]	63,382	16,370	−13,677	8,508	23,465	−4,474	−551	19,945
30 U.S. nonbank-reported liabilities	5,565	4,906	−405	1,575	725	1,942	1,141	...
31 Foreign private purchases of U.S. Treasury securities, net	29,618	−2,534	16,241	−1,306	1,408	−828	10,286	5,364
32 Foreign purchases of other U.S. securities, net	38,767	1,592	34,918	10,012	4,832	4,551	10,333	3,076
33 Foreign direct investments in United States, net	67,873	45,137	11,498	29	5,680	−3,820	5,311	−3,361
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	2,394	47,370	−1,078	−1,478	2,447	−8,410	−29,650	17,109
36 Due to seasonal adjustment	...	...	...	−6,137	613	4,023	410	−7,680
37 Before seasonal adjustment	2,394	47,370	−1,078	4,659	1,835	−12,433	−30,060	24,789
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−25,293	−2,158	5,763	3,877	1,225	−1,057	1,464	1,952
39 Foreign official assets in United States, excluding line 25 (increase, +)	8,343	32,042	16,807	3,461	13,163	21,096	20,297	−8,613
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	10,738	1,707	−5,604	−4,288	1,023	2,459	−2,125	3,061

1. Seasonal factors 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 6.
3. Reporting banks include all types of depository institution 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, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1990	1991	1992	1992 June	July[r]	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.[p]
1 Exports of domestic and foreign merchandise, excluding grant-aid shipments	393,592	421,730	448,156	38,165	37,806	35,799	37,882	39,072	38,187	39,728
2 General imports including merchandise for immediate consumption plus entries into bonded warehouses	495,311	487,129	532,498	44,957	45,170	44,974	46,551	46,324	45,535	46,681
3 **Trade balance**	**−101,718**	**−65,399**	**−84,341**	**−6,792**	**−7,364**	**−9,174**	**−8,669**	**−7,252**	**−7,348**	**−6,953**

1. Government and nongovernment shipments of merchandise between foreign countries and the fifty states, including the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and U.S. Foreign Trade Zones. Data exclude (1) shipments among the United States, Puerto Rico, the U.S. Virgin Islands, and other U.S. affiliated insular areas, (2) shipments to U.S. Armed Forces and diplomatic missions abroad for their own use, (3) U.S. goods returned to the United States by its Armed Forces, (4) personal and household effects of travelers, and (5) in-transit shipments. Data reflect the total arrival of merchandise from foreign countries that immediately entered consumption channels, warehouses, or U.S. Foreign Trade Zones (general imports). Import data are Customs value; export data are F.A.S. value. Beginning in 1990, data for U.S. exports to Canada are derived from import data compiled by Canada; similarly, in Canadian statistics, Canadian exports to the United States are derived from import data compiled by the United States. Since Jan. 1, 1987, merchandise trade data have been released forty-five days after the end of the month; the previous month is revised to reflect late documents.

Data in this table differ from figures for merchandise trade shown in the U.S. balance of payments accounts (table 3.10, lines 2 to 4) primarily for reasons of coverage. For both exports and imports a large part of the difference is the treatment of military sales and purchases. The military sales to foreigners (exports) and purchases from foreigners (imports) that are included in this table as merchandise trade are shifted, in the balance of payments accounts, from "merchandise trade" into the broader category "military transactions."

SOURCE. FT900, *U.S. Merchandise Trade,* (U.S. Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1989	1990	1991	1992 July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	1993 Jan.[p]
1 **Total**	**74,609**	**83,316**	**77,719**	**77,370**	**78,474**	**78,527**	**74,207**	**72,231**	**71,323**	**71,962**
2 Gold stock, including Exchange Stabilization Fund[1]	11,059	11,058	11,057	11,059	11,059	11,059	11,060	11,059	11,056	11,055
3 Special drawing rights[2,3]	9,951	10,989	11,240	11,702	12,193	12,111	11,561	11,495	8,503	8,546
4 Reserve position in International Monetary Fund[2]	9,048	9,076	9,488	9,625	9,762	9,778	9,261	8,781	11,759	12,079
5 Foreign currencies[4]	44,551	52,193	45,934	44,984	45,460	45,579	42,325	40,896	40,005	40,282

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, 16 currencies were used; since January 1981, 5 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	1989	1990	1991	1992 July	Aug.	Sept.	Oct.	Nov.	Dec.	1993 Jan.[p]
1 Deposits	589	369	968	264	297	546	415	229	205	325
Held in custody										
2 U.S. Treasury securities[2]	224,911	278,499	281,107	316,431	318,328	306,971	311,538	308,959	314,481	324,356
3 Earmarked gold[3]	13,456	13,387	13,303	13,261	13,261	13,241	13,201	13,192	13,686	13,077

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities payable at face value in dollars or foreign currencies.
3. Held for foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]

Millions of dollars, end of period

Account	1989	1990	1991	1992 June	July	Aug.	Sept.	Oct.	Nov.	Dec.
ASSETS	All foreign countries									
1 **Total payable in any currency**	**545,366**	**556,925**	**548,901**	**564,466**	**537,529**	**544,815**	**544,332r**	**554,042r**	**566,519r**	**541,871**
2 Claims on United States	198,835	188,496	176,301	183,933	171,911	163,039	167,258	175,019	177,417r	166,782
3 Parent bank	157,092	148,837	137,509	147,626	136,287	128,267	134,019	139,058	141,526	131,609
4 Other banks in United States	17,042	13,296	12,884	10,418	9,576	9,181	8,083	10,658	10,009	10,397
5 Nonbanks	24,701	26,363	25,908	25,889	26,048	25,591	25,156	25,303	25,882r	24,776
6 Claims on foreigners	300,575	312,449	303,934	311,990	311,578	321,631	319,115	318,901	328,417r	317,711
7 Other branches of parent bank	113,810	135,003	111,729	115,398	112,177	116,674	118,105	115,589	125,143	123,185
8 Banks	90,703	72,602	81,970	84,534	85,141	87,347	83,912	86,400	85,911	81,904
9 Public borrowers	16,456	17,555	18,652	20,162	19,645	20,423	20,485	20,783	20,378	20,727
10 Nonbank foreigners	79,606	87,289	91,583	91,896	94,615	97,187	96,613	96,129	96,985r	91,895
11 Other assets	45,956	55,980	68,666	68,543	54,040	60,145	57,959r	60,122r	60,685	57,378
12 **Total payable in U.S. dollars**	**382,498**	**379,479**	**363,941**	**369,561**	**349,145**	**340,819**	**346,633**	**363,787r**	**374,196r**	**365,429**
13 Claims on United States	191,184	180,174	169,662	177,638	166,507	157,405	161,302	169,323	171,912r	162,109
14 Parent bank	152,294	142,962	133,476	144,287	133,120	124,737	130,346	136,274	138,408	128,663
15 Other banks in United States	16,386	12,513	12,025	10,016	9,135	8,876	7,476	9,335	9,281	9,807
16 Nonbanks	22,504	24,699	24,161	23,335	24,252	23,792	23,480	23,714	24,223r	23,639
17 Claims on foreigners	169,690	174,451	167,010	168,586	162,843	161,500	166,360	173,138	182,172r	183,202
18 Other branches of parent bank	82,949	95,298	78,114	76,700	72,250	70,693	72,116	76,106	83,902	83,060
19 Banks	48,396	36,440	41,635	43,307	41,718	40,350	42,281	45,276	45,756	46,955
20 Public borrowers	10,961	12,298	13,685	13,723	13,320	13,661	13,965	13,941	13,995	14,313
21 Nonbank foreigners	27,384	30,415	33,576	34,856	35,555	36,796	37,998	37,815	38,519r	38,874
22 Other assets	21,624	24,854	27,269	23,337	19,795	21,914	18,971	21,326r	20,112	20,118
	United Kingdom									
23 **Total payable in any currency**	**161,947**	**184,818**	**175,599**	**171,027**	**159,317**	**165,832**	**161,157**	**168,063**	**168,333**	**165,591**
24 Claims on United States	39,212	45,560	35,257	38,096	38,763	37,511	35,891	39,558	38,358	36,403
25 Parent bank	35,847	42,413	31,931	35,343	35,542	34,593	32,929	36,413	35,027	32,889
26 Other banks in United States	1,058	792	1,267	756	1,065	744	1,067	1,400	925	1,869
27 Nonbanks	2,307	2,355	2,059	1,997	2,156	2,174	1,895	1,745	2,406	1,645
28 Claims on foreigners	107,657	115,536	109,692	104,270	105,990	108,895	106,758	109,919	113,193	111,623
29 Other branches of parent bank	37,728	46,367	35,735	36,952	35,359	37,732	37,977	40,594	45,092	46,165
30 Banks	36,159	31,604	36,394	34,783	36,777	37,711	36,196	36,701	34,559	33,399
31 Public borrowers	3,293	3,860	3,306	2,995	3,128	3,046	3,371	3,692	3,370	3,329
32 Nonbank foreigners	30,477	33,705	34,257	29,540	30,726	30,406	29,214	28,932	30,172	28,730
33 Other assets	15,078	23,722	30,650	28,661	14,564	19,426	18,508	18,586	16,782	17,565
34 **Total payable in U.S. dollars**	**103,208**	**116,762**	**105,974**	**102,737**	**98,828**	**99,610**	**100,449**	**107,342**	**109,479**	**109,449**
35 Claims on United States	36,404	41,259	32,418	35,376	36,133	34,948	33,618	37,359	35,956	34,508
36 Parent bank	34,329	39,609	30,370	33,751	33,936	32,786	31,578	35,299	33,765	31,615
37 Other banks in United States	843	334	822	627	785	625	711	769	438	1,593
38 Nonbanks	1,232	1,316	1,226	998	1,412	1,537	1,329	1,291	1,753	1,300
39 Claims on foreigners	59,062	63,701	58,791	56,888	56,264	55,812	59,099	61,658	65,164	66,335
40 Other branches of parent bank	29,872	37,142	28,667	28,541	26,751	26,825	27,986	30,217	34,434	34,124
41 Banks	16,579	13,135	15,219	15,380	15,930	15,565	16,808	17,269	16,848	17,089
42 Public borrowers	2,371	3,143	2,853	2,474	2,653	2,353	2,604	2,515	2,501	2,349
43 Nonbank foreigners	10,240	10,281	12,052	10,493	10,930	11,069	11,701	11,657	11,381	12,773
44 Other assets	7,742	11,802	14,765	10,473	6,431	8,850	7,732	8,325	8,359	8,606
	Bahamas and Cayman Islands									
45 **Total payable in any currency**	**176,006**	**162,316**	**168,326**	**168,963**	**153,691**	**144,089**	**145,450**	**153,853**	**155,974**	**147,087**
46 Claims on United States	124,205	112,989	115,244	114,467	102,850	94,595	96,750	102,619	104,219	96,242
47 Parent bank	87,882	77,873	81,520	83,316	72,107	64,454	68,209	72,185	73,840	66,600
48 Other banks in United States	15,071	11,869	10,907	9,118	8,045	8,060	6,562	8,174	8,272	7,798
49 Nonbanks	21,252	23,247	22,817	22,033	22,698	22,081	21,979	22,260	22,107	21,844
50 Claims on foreigners	44,168	41,356	45,229	45,600	41,886	41,315	41,712	42,514	43,981	44,214
51 Other branches of parent bank	11,309	13,416	11,098	9,392	8,678	8,596	7,753	7,287	8,238	7,293
52 Banks	22,611	16,310	20,174	21,548	18,837	17,570	18,412	19,680	19,947	20,917
53 Public borrowers	5,217	5,807	7,161	7,084	6,728	7,125	7,102	7,120	7,209	7,786
54 Nonbank foreigners	5,031	5,823	6,796	7,576	7,643	8,024	8,445	8,427	8,587	8,218
55 Other assets	7,633	7,971	7,853	8,896	8,955	8,179	6,988	8,720	7,774	6,631
56 **Total payable in U.S. dollars**	**170,780**	**158,390**	**163,771**	**163,313**	**147,905**	**138,348**	**139,769**	**148,865**	**151,234**	**142,526**

1. Since June 1984, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]—Continued

Account	1989	1990	1991	1992 June	1992 July	1992 Aug.	1992 Sept.	1992 Oct.	1992 Nov.	1992 Dec.
LIABILITIES	All foreign countries									
57 **Total payable in any currency**	**545,366**	**556,925**	**548,901**	**564,466**	**537,529**	**544,815**	**544,332[r]**	**554,042[r]**	**566,519[r]**	**541,871**
58 Negotiable certificates of deposit (CDs)	23,500	18,060	16,284	13,040	12,758	14,246	12,389	12,056	12,342	10,032
59 To United States	197,239	189,412	198,121	204,929	192,087	179,246	185,054	188,517	187,802[r]	188,926
60 Parent bank	138,412	138,748	136,431	143,474	133,051	126,794	127,573	132,630	131,620[r]	133,927
61 Other banks in United States	11,704	7,463	13,260	14,009	11,833	10,959	12,386	12,259	13,390	12,180
62 Nonbanks	47,123	43,201	48,430	47,446	47,203	41,493	45,095	43,628	42,792[r]	42,819
63 To foreigners	296,850	311,668	288,254	302,376	301,943	314,910	311,556	315,654	330,314[r]	309,498
64 Other branches of parent bank	119,591	139,113	112,033	116,760	114,226	120,349	119,634	118,019	126,018[r]	125,144
65 Banks	76,452	58,986	63,097	65,983	65,419	68,565	68,537	70,483	74,536	62,187
66 Official institutions	16,750	14,791	15,596	16,399	18,058	18,241	16,724	20,576	20,645	19,730
67 Nonbank foreigners	84,057	98,778	97,528	103,234	104,240	107,755	106,661	106,576	109,115	102,437
68 Other liabilities	27,777	37,785	46,242	44,121	30,741	36,413	35,333[r]	37,815[r]	36,061[r]	33,415
69 **Total payable in U.S. dollars**	**396,613**	**383,522**	**370,561**	**374,506**	**354,666**	**346,377**	**346,239[r]**	**364,674[r]**	**372,118[r]**	**367,317**
70 Negotiable CDs	19,619	14,094	11,909	8,475	8,531	8,755	7,628	6,710	7,503	6,238
71 To United States	187,286	175,654	185,286	192,792	179,395	166,377	170,757	175,548	175,655[r]	177,667
72 Parent bank	132,563	130,510	129,669	136,273	125,647	119,339	119,714	125,122	124,472	127,049
73 Other banks in United States	10,519	6,052	11,707	13,251	10,816	9,866	11,095	11,387	12,244	11,510
74 Nonbanks	44,204	39,092	43,910	43,268	42,932	37,172	39,948	39,039	38,939[r]	39,108
75 To foreigners	176,460	179,002	158,993	158,532	155,352	157,475	155,018	166,126	175,293[r]	171,624
76 Other branches of parent bank	87,636	98,128	76,601	77,604	73,699	74,037	72,947	77,353	82,957[r]	83,700
77 Banks	30,537	20,251	24,156	23,474	22,955	22,973	22,822	25,209	28,404	26,118
78 Official institutions	9,873	7,921	10,304	10,119	11,543	10,713	9,939	12,097	12,342	12,430
79 Nonbank foreigners	48,414	52,702	47,932	47,335	47,155	49,752	49,310	51,467	51,590	49,376
80 Other liabilities	13,248	14,772	14,373	14,707	11,388	13,770	12,836[r]	16,290[r]	13,667[r]	11,788
	United Kingdom									
81 **Total payable in any currency**	**161,947**	**184,818**	**175,599**	**171,027**	**159,317**	**165,832**	**161,157**	**168,063**	**168,333**	**165,591**
82 Negotiable CDs	20,056	14,256	11,333	7,612	7,731	8,083	7,266	6,064	5,636	4,517
83 To United States	36,036	39,928	37,720	36,660	37,164	35,527	35,885	35,399	34,532	39,172
84 Parent bank	29,726	31,806	29,834	28,201	29,104	27,695	27,528	27,427	26,471	31,196
85 Other banks in United States	1,256	1,505	1,438	1,326	1,315	1,632	1,670	1,341	1,689	1,065
86 Nonbanks	5,054	6,617	6,448	7,133	6,745	6,200	6,687	6,631	6,372	6,911
87 To foreigners	92,307	108,531	98,167	100,340	100,738	104,892	101,082	109,358	113,395	107,178
88 Other branches of parent bank	27,397	36,709	30,054	31,464	30,205	31,234	29,839	33,696	35,560	35,983
89 Banks	29,780	25,126	25,541	25,315	25,155	26,435	25,823	28,792	30,609	25,233
90 Official institutions	8,551	8,361	9,670	10,167	11,091	10,699	9,131	11,687	11,438	12,090
91 Nonbank foreigners	26,579	38,335	32,902	33,394	34,287	36,524	36,289	35,183	35,788	33,872
92 Other liabilities	13,548	22,103	28,379	26,415	13,684	17,330	16,924	17,242	14,770	14,724
93 **Total payable in U.S. dollars**	**108,178**	**116,094**	**108,755**	**101,901**	**97,565**	**99,092**	**95,642**	**104,521**	**105,699**	**107,610**
94 Negotiable CDs	18,143	12,710	10,076	5,750	6,139	5,890	5,689	4,213	4,494	3,894
95 To United States	33,056	34,697	33,003	32,300	32,178	30,357	30,330	31,266	30,204	34,857
96 Parent bank	28,812	29,955	28,260	26,720	27,351	25,873	25,700	26,021	25,160	29,497
97 Other banks in United States	1,065	1,156	1,177	1,084	857	1,088	992	866	906	709
98 Nonbanks	3,179	3,586	3,566	4,496	3,970	3,396	3,638	4,379	4,138	4,651
99 To foreigners	50,517	60,014	56,626	54,262	52,894	54,381	51,677	59,938	62,899	62,048
100 Other branches of parent bank	18,384	25,957	20,800	20,918	18,634	18,983	17,747	22,080	22,896	22,026
101 Banks	12,244	9,488	11,069	9,848	9,399	9,289	9,112	10,956	13,050	12,540
102 Official institutions	5,454	4,692	7,156	7,049	7,808	6,956	6,156	8,142	8,459	8,847
103 Nonbank foreigners	14,435	19,877	17,601	16,447	17,053	19,153	18,662	18,760	18,494	18,635
104 Other liabilities	6,462	8,673	9,050	9,589	6,354	8,464	7,946	9,104	8,102	6,811
	Bahamas and Cayman Islands									
105 **Total payable in any currency**	**176,006**	**162,316**	**168,326**	**168,963**	**153,691**	**144,089**	**145,450**	**153,853**	**155,974**	**147,087**
106 Negotiable CDs	678	646	1,173	1,894	1,330	1,814	872	1,394	1,939	1,350
107 To United States	124,859	114,738	129,872	130,815	115,589	105,816	108,966	113,894	116,385	111,414
108 Parent bank	75,188	74,941	79,394	80,998	67,356	64,008	63,057	69,201	71,083	66,908
109 Other banks in United States	8,883	4,526	10,231	11,708	9,641	8,522	9,779	10,281	10,942	10,443
110 Nonbanks	40,788	35,271	40,247	38,109	38,592	33,286	36,130	34,412	34,360	34,063
111 To foreigners	47,382	44,444	35,200	34,637	35,136	34,878	34,054	34,889	35,411	32,556
112 Other branches of parent bank	23,414	24,715	17,388	16,799	17,668	17,315	16,071	15,441	16,287	15,169
113 Banks	8,823	5,588	5,662	6,075	6,390	6,242	6,787	6,987	7,574	6,422
114 Official institutions	1,097	622	572	770	862	935	984	1,058	932	805
115 Nonbank foreigners	14,048	13,519	11,578	10,993	10,216	10,386	10,212	11,403	10,618	10,160
116 Other liabilities	3,087	2,488	2,081	1,617	1,636	1,581	1,558	3,676	2,239	1,767
117 **Total payable in U.S. dollars**	**171,250**	**157,132**	**163,603**	**163,951**	**148,744**	**138,864**	**139,963**	**148,881**	**151,325**	**142,815**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1990	1991	1992						
			June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[p]
1 **Total**[1]	**344,529**	**360,530**	**401,950**	**404,162**	**406,671**	**393,758**	**405,385**	**394,876**	**398,398**
By type									
2 Liabilities reported by banks in the United States[2]	39,880	38,396	51,462	48,879	52,078	43,675	60,853	54,038	54,549
3 U.S. Treasury bills and certificates[3]	79,424	92,692	109,278	114,781	113,307	113,634	104,286	100,702	104,598
U.S. Treasury bonds and notes									
4 Marketable	202,487	203,677	213,477	212,710	213,407	208,924	211,875	211,272	210,551
5 Nonmarketable[4]	4,491	4,858	4,625	4,582	4,476	4,505	4,473	4,503	4,532
6 U.S. securities other than U.S. Treasury securities[5]	18,247	20,907	23,108	23,210	23,403	23,020	23,898	24,361	24,168
By area									
7 Western Europe[1]	167,191	168,365	191,377	194,465	196,061	186,434	194,611	184,276	188,903
8 Canada	8,671	7,460	9,302	9,876	9,990	7,027	8,111	6,381	7,870
9 Latin America and Caribbean	21,184	33,554	39,433	39,146	38,356	37,703	38,538[r]	38,912	39,607
10 Asia	138,096	139,465	150,207	150,043	151,785	151,667	153,555	154,493	152,150
11 Africa	1,434	2,092	3,265	3,218	2,860	3,360	3,481	3,779	3,565
12 Other countries[6]	7,955	9,592	8,364	7,412	7,617	7,565	7,087[r]	7,033	6,301

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies; zero coupon bonds are included at current value.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

SOURCE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States and on the 1984 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	1988	1989	1990	1991	1992[r]		
				Dec.	Mar.	June	Sept.
1 Banks' liabilities	74,980	67,835	70,477	75,129	68,071	70,842	85,278
2 Banks' claims	68,983	65,127	66,796	73,195	60,435	58,262	73,174
3 Deposits	25,100	20,491	29,672	26,192	23,270	23,462	29,412
4 Other claims	43,884	44,636	37,124	47,003	37,165	34,800	43,762
5 Claims of banks' domestic customers[2]	364	3,507	6,309	3,398	2,962	4,375	3,908

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	1990	1991	1992	1992 June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[p]
HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**759,634**	**756,066**	**806,132**	**786,700**	**777,058**	**768,819**	**793,159**	**793,149[r]**	**799,276**	**806,132**
2 Banks' own liabilities	577,229	575,374	602,550	587,899	571,516	564,071	585,806	590,768[r]	600,843	602,550
3 Demand deposits	21,723	20,321	22,008	20,930	19,739	21,698	22,474	21,288	21,916	22,008
4 Time deposits[2]	168,017	159,649	160,631	151,965	148,254	144,119	143,768	158,180[r]	157,401	160,631
5 Other[3]	65,822	66,305	93,553	85,656	82,953	86,611	82,484	91,673[r]	95,552	93,553
6 Own foreign offices[4]	321,667	329,099	326,358	329,348	320,570	311,643	337,080	319,627[r]	325,974	326,358
7 Banks' custodial liabilities[5]	182,405	180,692	203,582	198,801	205,542	204,748	207,353	202,381[r]	198,433	203,582
8 U.S. Treasury bills and certificates[6]	96,796	110,734	127,530	128,672	135,579	135,744	134,894	127,993	122,480	127,530
9 Other negotiable and readily transferable instruments[7]	17,578	18,664	21,960	18,020	19,339	18,541	19,341	19,954	21,699	21,960
10 Other	68,031	51,294	54,092	52,109	50,624	50,463	53,118	54,434[r]	54,254	54,092
11 Nonmonetary international and regional organizations[8]	5,918	8,981	9,056	12,851	11,321	12,874	10,810	10,736[r]	9,702	9,056
12 Banks' own liabilities	4,540	6,827	6,657	10,628	8,192	9,767	8,173	7,010[r]	6,769	6,657
13 Demand deposits	36	43	46	40	24	21	24	73	58	46
14 Time deposits[2]	1,050	2,714	3,328	3,788	3,008	2,630	2,527	1,908[r]	2,570	3,328
15 Other[3]	3,455	4,070	3,283	6,800	5,160	7,116	5,622	5,029[r]	4,141	3,283
16 Banks' custodial liabilities[5]	1,378	2,154	2,399	2,223	3,129	3,107	2,637	3,726	2,933	2,399
17 U.S. Treasury bills and certificates[6]	364	1,730	1,908	1,687	2,602	2,654	1,991	3,085	2,371	1,908
18 Other negotiable and readily transferable instruments[7]	1,014	424	486	534	527	453	646	641	561	486
19 Other	0	0	5	2	0	0	0	0	1	5
20 Official institutions[9]	119,303	131,088	159,147	160,740	163,660	165,385	157,309	165,139	154,740	159,147
21 Banks' own liabilities	34,910	34,411	50,784	47,574	45,334	48,526	40,524	57,145	50,058	50,784
22 Demand deposits	1,924	2,626	1,279	1,630	1,372	1,676	1,761	1,723	1,492	1,279
23 Time deposits[2]	14,359	16,504	17,267	17,570	18,129	18,098	16,238	19,703	17,901	17,267
24 Other[3]	18,628	15,281	32,238	28,374	25,833	28,752	22,525	35,719	30,665	32,238
25 Banks' custodial liabilities[5]	84,393	96,677	108,363	113,166	118,326	116,859	116,785	107,994	104,682	108,363
26 U.S. Treasury bills and certificates[6]	79,424	92,692	104,598	109,278	114,781	113,307	113,634	104,286	100,702	104,598
27 Other negotiable and readily transferable instruments[7]	4,766	3,879	3,726	3,602	3,459	3,466	2,922	3,595	3,784	3,726
28 Other	203	106	39	286	86	86	229	113	196	39
29 Banks[10]	540,805	522,265	543,208	526,453	514,526	501,804	536,759	525,448[r]	544,301	543,208
30 Banks' own liabilities	458,470	459,335	472,091	459,987	448,210	435,147	466,796	454,496[r]	473,354	472,091
31 Unaffiliated foreign banks	136,802	130,236	145,733	130,639	127,640	123,504	129,716	134,869[r]	147,380	145,733
32 Demand deposits	10,053	8,648	10,410	9,705	8,442	9,851	10,443	9,741	10,088	10,410
33 Time deposits[2]	88,541	82,857	90,773	80,118	77,229	73,175	74,447	86,312[r]	88,187	90,773
34 Other[3]	38,208	38,731	44,550	40,816	41,969	40,478	44,826	38,816	49,105	44,550
35 Own foreign offices[4]	321,667	329,099	326,358	329,348	320,570	311,643	337,080	319,627[r]	325,974	326,358
36 Banks' custodial liabilities[5]	82,335	62,930	71,117	66,466	66,316	66,657	69,963	70,952[r]	70,947	71,117
37 U.S. Treasury bills and certificates[6]	10,669	7,471	11,087	8,927	9,444	10,429	10,905	10,481	10,444	11,087
38 Other negotiable and readily transferable instruments[7]	5,341	5,694	7,561	6,647	7,129	6,920	7,373	7,276	7,516	7,561
39 Other	66,325	49,765	52,469	50,892	49,743	49,308	51,685	53,195[r]	52,987	52,469
40 Other foreigners	93,608	93,732	94,721	86,656	87,551	88,756	88,281	91,826[r]	90,533	94,721
41 Banks' own liabilities	79,309	74,801	73,018	69,710	69,780	70,631	70,313	72,117[r]	70,662	73,018
42 Demand deposits	9,711	9,004	10,273	9,555	9,901	10,150	10,246	9,751	10,278	10,273
43 Time deposits[2]	64,067	57,574	49,263	50,489	49,888	50,216	50,556	50,257[r]	48,743	49,263
44 Other[3]	5,530	8,223	13,482	9,666	9,991	10,265	9,511	12,109	11,641	13,482
45 Banks' custodial liabilities[5]	14,299	18,931	21,703	16,946	17,771	18,125	17,968	19,709	19,871	21,703
46 U.S. Treasury bills and certificates[6]	6,339	8,841	9,937	8,780	8,752	9,354	8,364	10,141	8,963	9,937
47 Other negotiable and readily transferable instruments[7]	6,457	8,667	10,187	7,237	8,224	7,702	8,400	8,442	9,838	10,187
48 Other	1,503	1,423	1,579	929	795	1,069	1,204	1,126	1,070	1,579
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	7,073	7,456	9,114	7,351	6,976	7,279	7,452	7,672	7,716	9,114

1. Reporting banks include all types of depository institution, as well as some brokers and dealers.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts due to own foreign branches and foreign subsidiaries consolidated in Consolidated Report of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due to head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, 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—Continued

Item	1990	1991	1992	1992						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.[p]
AREA										
1 **Total, all foreigners**	**759,634**	**756,066**	**806,132**	**786,700**	**777,058**	**768,819**	**793,159**	**793,149[r]**	**799,276[r]**	**806,132**
2 **Foreign countries**	**753,716**	**747,085**	**797,076**	**773,849**	**765,737**	**755,945**	**782,349**	**782,413[r]**	**789,574[r]**	**797,076**
3 Europe	254,452	249,097	309,037	279,569	283,144	289,388	290,344	306,499	311,821[r]	309,037
4 Austria	1,229	1,193	1,615	1,490	1,445	1,427	1,456	1,584	1,358	1,615
5 Belgium and Luxembourg	12,382	13,337	20,587	16,740	16,797	18,449	17,942	21,177	19,631	20,587
6 Denmark	1,399	937	3,059	1,263	1,348	1,329	1,760	1,788	1,481	3,059
7 Finland	602	1,341	1,300	843	720	976	685	949	1,144	1,300
8 France	30,946	31,808	41,371	30,132	28,900	29,456	32,153	34,876	39,963[r]	41,371
9 Germany	7,485	8,619	19,014	8,068	8,967	11,032	14,739	13,810	15,401[r]	19,014
10 Greece	934	765	910	1,374	998	934	1,069	872	749	910
11 Italy	17,735	13,541	10,414	10,362	10,164	10,992	12,236	11,104	12,494[r]	10,414
12 Netherlands	5,350	7,161	7,376	9,456	9,653	10,422	10,397	9,334	8,411[r]	7,376
13 Norway	2,357	1,866	3,319	1,359	1,421	1,341	1,851	1,577	2,014	3,319
14 Portugal	2,958	2,184	2,465	2,530	2,659	2,664	2,245	2,258	2,255	2,465
15 Spain	7,544	11,391	9,790	15,844	15,313	14,904	15,589	14,602	10,383[r]	9,790
16 Sweden	1,837	2,222	3,043	4,125	3,710	4,162	3,194	5,313	4,485[r]	3,043
17 Switzerland	36,690	37,238	39,531	35,987	39,568	40,569	39,314	37,867[r]	40,791[r]	39,531
18 Turkey	1,169	1,598	2,666	1,580	1,789	2,021	2,087	2,524	2,360	2,666
19 United Kingdom	109,555	100,292	112,358	111,712	111,913	111,521	115,747	114,668	117,335[r]	112,358
20 Yugoslavia	928	622	503	555	547	554	567	577	575	503
21 Others in Western Europe[11]	11,689	9,274	25,714	21,607	22,743	21,872	12,867	27,228[r]	26,691[r]	25,714
22 U.S.S.R.	119	241	581	440	609	525	499	450	601	581
23 Other Eastern Europe[12]	1,545	3,467	3,421	4,102	3,880	4,238	3,947	3,941	3,699	3,421
24 Canada	20,349	21,605	22,177	20,358	22,350	20,410	22,668	21,378	22,052	22,177
25 Latin America and Caribbean	332,997	345,529	312,763	339,161	325,397	310,989	315,512	309,963[r]	309,711[r]	312,763
26 Argentina	7,365	7,753	9,475	9,698	10,041	9,397	9,065	9,387	8,715	9,475
27 Bahamas	107,386	100,622	82,176	101,822	92,546	82,571	76,295	85,899[r]	86,159[r]	82,176
28 Bermuda	2,822	3,178	7,079	3,598	4,848	4,782	4,275	5,889	6,552[r]	7,079
29 Brazil	5,834	5,704	5,581	5,397	5,311	5,283	5,393	5,828	5,235[r]	5,581
30 British West Indies	147,321	163,620	148,871	156,525	151,591	148,164	159,703	143,240[r]	143,005[r]	148,871
31 Chile	3,145	3,283	3,030	3,701	3,605	3,393	3,440	3,253	2,925	3,030
32 Colombia	4,492	4,661	4,580	4,721	4,686	4,711	4,792	4,767	4,677	4,580
33 Cuba	11	2	3	3	12	9	33	10	11	3
34 Ecuador	1,379	1,232	987	1,137	1,074	1,214	1,073	1,026	1,016	987
35 Guatemala	1,541	1,594	1,375	1,447	1,420	1,432	1,416	1,376	1,323	1,375
36 Jamaica	257	231	371	309	271	272	309	274	271	371
37 Mexico	16,650	19,957	19,429	19,491	19,642	20,046	19,650	19,226	19,543[r]	19,429
38 Netherlands Antilles	7,357	5,592	5,208	5,313	5,085	4,825	4,751	4,708	6,101	5,208
39 Panama	4,574	4,695	3,982	4,286	4,457	4,302	4,595	4,115	3,975[r]	3,982
40 Peru	1,294	1,249	1,056	1,156	1,131	1,123	1,143	1,124	1,026[r]	1,056
41 Uruguay	2,520	2,096	1,954	2,169	2,163	2,182	2,019	2,087	2,092	1,954
42 Venezuela	12,271	13,181	11,370	11,448	11,080	10,802	11,101	11,504[r]	11,003[r]	11,370
43 Other	6,779	6,879	6,236	6,940	6,434	6,481	6,459	6,250	6,082[r]	6,236
44 Asia	136,844	120,462	143,077	124,553	124,905	125,215	144,145	134,327[r]	136,103[r]	143,077
China										
45 People's Republic of China	2,421	2,626	4,327	2,378	2,292	2,508	2,480	2,582	2,550	4,327
46 Republic of China (Taiwan)	11,246	11,491	7,221	9,985	10,277	10,362	9,430	8,617	8,721[r]	7,221
47 Hong Kong	12,754	14,269	18,365	16,980	16,840	17,775	17,991	17,513[r]	16,330[r]	18,365
48 India	1,233	2,418	1,369	1,715	1,567	1,480	1,372	1,234	1,213	1,369
49 Indonesia	1,238	1,463	1,465	1,387	1,256	958	1,507	1,249	1,232	1,465
50 Israel	2,767	2,015	3,746	2,976	2,850	2,620	2,613	2,208	3,691	3,746
51 Japan	67,076	47,069	58,208	44,269	45,826	45,683	64,651	56,070	55,374	58,208
52 Korea (South)	2,287	2,587	3,336	2,839	3,288	3,644	3,672	3,531	3,685	3,336
53 Philippines	1,585	2,449	2,266	1,813	1,994	1,920	2,028	2,275	2,222	2,266
54 Thailand	1,443	2,252	5,565	4,586	4,017	4,624	4,517	5,082	5,797	5,565
55 Middle Eastern oil-exporting countries[13]	15,829	15,752	21,445	18,983	19,828	18,938	19,977	19,040	20,266	21,445
56 Other	16,965	16,071	15,764	16,642	14,870	14,703	13,907	14,926	15,022	15,764
57 Africa	4,630	4,825	5,852	5,810	5,516	5,314	5,592	5,843	6,062[r]	5,852
58 Egypt	1,425	1,621	2,472	2,540	2,324	2,143	2,243	2,598	2,601[r]	2,472
59 Morocco	104	79	76	87	85	93	100	98	93	76
60 South Africa	228	228	189	248	269	275	190	240	214	189
61 Zaire	53	31	19	29	17	24	14	24	23	19
62 Oil-exporting countries[14]	1,110	1,082	1,344	1,232	1,211	1,090	1,339	1,201	1,402	1,344
63 Other	1,710	1,784	1,752	1,674	1,610	1,689	1,706	1,682	1,729	1,752
64 Other	4,444	5,567	4,170	4,398	4,425	4,629	4,088	4,403	3,825	4,170
65 Australia	3,807	4,464	3,047	3,192	3,066	3,322	2,927	2,987	2,654	3,047
66 Other	637	1,103	1,123	1,206	1,359	1,307	1,161	1,416	1,171	1,123
67 Nonmonetary international and regional organizations	5,918	8,981	9,056	12,851	11,321	12,874	10,810	10,736[r]	9,702[r]	9,056
68 International[15]	4,390	6,485	7,136	9,796	7,402	9,651	7,714	7,689[r]	6,542[r]	7,136
69 Latin American regional[16]	1,048	1,181	1,419	2,436	2,699	2,319	2,289	2,139	2,257	1,419
70 Other regional[17]	479	1,315	501	619	1,220	904	807	908	903	501

11. Includes the Bank for International Settlements and Eastern European countries not listed in line 23.
12. Comprises Bulgaria, Czechoslovakia, Hungary, Poland, and Romania.
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 Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1990	1991	1992	1992						
				June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[p]
1 **Total, all foreigners**	**511,543**	**514,339**	**495,312**	**511,801**	**502,941**	**479,705**	**485,349**	**493,411[r]**	**491,083**	**495,312**
2 **Foreign countries**	**506,750**	**508,056**	**490,168**	**505,807**	**499,520**	**475,316**	**481,178**	**490,939[r]**	**488,202**	**490,168**
3 Europe	113,093	114,310	124,052	126,187	124,453	119,126	117,235	126,109[r]	122,128	124,052
4 Austria	362	327	340	433	647	606	341	373	440	340
5 Belgium and Luxembourg	5,473	6,158	6,384	6,166	6,475	6,344	7,524	6,971	6,427	6,384
6 Denmark	497	686	707	1,436	951	901	1,007	825	1,056	707
7 Finland	1,047	1,907	1,414	1,516	1,269	1,081	1,299	817	1,230	1,414
8 France	14,468	15,112	14,847	14,440	14,154	13,011	15,004	16,081	15,698	14,847
9 Germany	3,343	3,371	4,229	3,311	3,870	4,707	4,074	5,628	5,327	4,229
10 Greece	727	553	717	506	590	619	606	601	598	717
11 Italy	6,052	8,242	9,050	10,621	10,508	9,876	9,487	9,754	9,443	9,050
12 Netherlands	1,761	2,546	2,490	2,272	2,042	2,075	1,980	2,334	3,006	2,490
13 Norway	782	669	356	722	731	707	639	666	435	356
14 Portugal	292	344	325	367	382	387	383	327	330	325
15 Spain	2,668	1,881	2,801	3,880	3,730	2,590	3,304	4,630	3,504	2,801
16 Sweden	2,094	2,335	4,982	6,720	5,967	6,567	5,494	6,698	5,786	4,982
17 Switzerland	4,202	4,540	4,670	3,974	3,683	3,934	3,112	3,698	3,590	4,670
18 Turkey	1,405	1,063	962	988	1,174	1,002	986	1,177	950	962
19 United Kingdom	65,151	60,395	63,889	63,917	62,800	58,861	56,456	60,191[r]	58,921	63,889
20 Yugoslavia	1,142	825	573	697	693	678	674	668	661	573
21 Others in Western Europe[2]	597	789	1,716	771	1,227	1,356	1,216	964	1,019	1,716
22 U.S.S.R.	530	1,970	3,148	3,035	3,153	3,280	3,199	3,190	3,174	3,148
23 Other Eastern Europe[3]	499	597	452	415	407	544	450	516	533	452
24 Canada	16,091	15,113	14,131	16,370	17,429	15,151	15,902	16,826	15,830	14,131
25 Latin America and Caribbean	231,506	246,137	213,344	243,472	234,066	217,582	210,329	213,340[r]	217,450	213,344
26 Argentina	6,967	5,869	4,878	5,396	5,614	4,789	4,560	4,568	4,601	4,878
27 Bahamas	76,525	87,138	60,560	83,101	74,806	62,615	58,502	64,848[r]	66,461	60,560
28 Bermuda	4,056	2,270	6,046	4,951	6,099	6,302	3,567	2,798	6,023	6,046
29 Brazil	17,995	11,894	10,818	12,020	12,186	12,286	11,308	11,558	11,583	10,818
30 British West Indies	88,565	107,846	97,023	106,631	104,133	99,775	99,294	96,741[r]	95,443	97,023
31 Chile	3,271	2,805	3,435	3,228	3,118	3,220	3,320	3,340	3,298	3,435
32 Colombia	2,587	2,425	2,750	2,304	2,398	2,322	2,475	2,595	2,698	2,750
33 Cuba	0	0	2	0	0	0	0	5	0	2
34 Ecuador	1,387	1,053	882	936	950	949	920	936	926	882
35 Guatemala	191	228	262	175	167	189	237	277	255	262
36 Jamaica	238	158	186	150	151	150	160	147	162	186
37 Mexico	14,851	16,567	15,043	16,464	16,341	16,564	17,313	16,666	16,492	15,043
38 Netherlands Antilles	7,998	1,207	1,379	920	941	966	1,045	1,080	1,529	1,379
39 Panama	1,471	1,560	4,481	2,208	2,025	2,053	1,945	1,988	2,087	4,481
40 Peru	663	739	730	720	708	708	732	721	723	730
41 Uruguay	786	599	936	765	749	799	921	882	877	936
42 Venezuela	2,571	2,516	2,528	2,216	2,360	2,585	2,654	2,702	2,880	2,528
43 Other	1,384	1,263	1,405	1,287	1,320	1,310	1,376	1,488	1,412	1,405
44 Asia	138,722	125,262	131,383	112,365	115,933	116,509	130,614	127,228[r]	126,114	131,383
China										
45 People's Republic of China	620	747	1,409	685	642	696	636	978[r]	624	1,409
46 Republic of China (Taiwan)	1,952	2,087	2,046	1,778	1,965	1,983	2,054	1,848	1,653	2,046
47 Hong Kong	10,648	9,617	9,645	8,272	9,103	8,015	10,087	9,127[r]	9,268	9,645
48 India	655	441	529	458	512	528	499	500	539	529
49 Indonesia	933	952	1,165	1,085	1,090	1,108	1,089	1,112	1,135	1,165
50 Israel	774	860	820	891	901	920	800	826	937	820
51 Japan	90,699	84,807	78,265	69,231	71,120	71,469	83,201	80,091[r]	77,666	78,265
52 Korea (South)	5,766	6,048	6,175	5,910	6,063	6,201	6,247	6,113	6,288	6,175
53 Philippines	1,247	1,910	2,145	1,648	1,635	1,775	1,852	2,181[r]	2,034	2,145
54 Thailand	1,573	1,713	1,860	1,767	1,716	1,691	1,795	1,764	1,873	1,860
55 Middle Eastern oil-exporting countries[4]	10,749	8,284	18,589	14,505	14,323	14,783	14,613	15,488	16,858	18,589
56 Other	13,106	7,796	8,735	6,135	6,863	7,340	7,741	7,200[r]	7,239	8,735
57 Africa	5,445	4,928	4,281	4,548	4,452	4,455	4,333	4,303	4,233	4,281
58 Egypt	380	294	194	256	261	243	256	229	214	194
59 Morocco	513	575	439	527	496	483	467	452	443	439
60 South Africa	1,525	1,235	1,041	1,070	1,047	1,066	1,055	1,036	1,063	1,041
61 Zaire	16	4	4	4	4	4	4	4	4	4
62 Oil-exporting countries[5]	1,486	1,298	1,003	1,159	1,157	1,130	1,067	1,056	1,029	1,003
63 Other	1,525	1,522	1,600	1,532	1,487	1,529	1,484	1,526	1,480	1,600
64 Other	1,892	2,306	2,977	2,865	3,187	2,493	2,765	3,133	2,447	2,977
65 Australia	1,413	1,665	2,264	1,727	1,937	1,463	1,765	1,951	1,601	2,264
66 Other	479	641	713	1,138	1,250	1,030	1,000	1,182	846	713
67 Nonmonetary international and regional organizations[6]	4,793	6,283	5,144	5,994	3,421	4,389	4,171	2,472	2,881	5,144

1. Reporting banks include all types of depository institutions, as well as some brokers and dealers.
2. *Includes the Bank for International Settlements and Eastern European countries not listed in line 23.*
3. Comprises Bulgaria, Czechoslovakia, Hungary, Poland, and Romania.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. *Comprises Algeria, Gabon, Libya, and Nigeria.*
6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

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

Claim	1990	1991	1992	1992 June	July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.[p]
1 **Total**	**579,044**	**579,683**	...	**565,321**	...	...	**552,135**	...	...	...
2 Banks' claims	511,543	514,339	495,312	511,801	502,941	479,705	485,349	493,411	491,083	495,312
3 Foreign public borrowers	41,900	37,126	31,468	35,950	32,940	32,263	31,426	32,062	30,851	31,468
4 Own foreign offices[2]	304,315	318,800	298,853	314,599	302,061	287,523	297,590	297,682	291,386	298,853
5 Unaffiliated foreign banks	117,272	116,602	110,272	111,971	113,963	105,987	105,796	112,508	113,815	110,272
6 Deposits	65,253	69,018	61,288	63,521	62,897	56,294	54,316	60,876	62,194	61,288
7 Other	52,019	47,584	48,984	48,450	51,066	49,693	51,480	51,632	51,621	48,984
8 All other foreigners	48,056	41,811	54,719	49,281	53,977	53,932	50,537	51,159	55,031	54,719
9 Claims of banks' domestic customers[3]	67,501	65,344	...	53,520	...	...	66,786	...	...	...
10 Deposits	14,375	15,280	...	17,098	...	...	15,348	...	...	...
11 Negotiable and readily transferable instruments[4]	41,333	37,125	...	24,114	...	...	38,258	...	...	...
12 Outstanding collections and other claims	11,792	12,939	...	12,308	...	...	13,180	...	...	...
MEMO										
13 Customer liability on acceptances	13,628	8,974	...	7,584	...	...	8,505	...	...	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	44,638	39,111	n.a.	33,440	34,712	33,223	34,091[r]	34,152	32,918	n.a.

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are quarterly.

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 Consolidated Report of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.

3. Assets held by reporting banks for the account of their domestic customers.

4. Principally negotiable time certificates of deposit and bankers acceptances.

5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see *Federal Reserve Bulletin*, vol. 65 (July 1979), p. 550.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area	1988[r]	1989[r]	1990[r]	1991 Dec.	1992 Mar.	June	Sept.[r]
1 **Total**	**233,184**	**238,123**	**206,903**	**195,302**	**194,455**	**196,874**	**187,422**
By borrower							
2 Maturity of one year or less[2]	172,634	178,346	165,985	162,573	161,456	162,402	155,135
3 Foreign public borrowers	26,562	23,916	19,305	21,050	20,231	20,492	17,837
4 All other foreigners	146,072	154,430	146,680	141,523	141,225	141,910	137,298
5 Maturity of more than one year[2]	60,550	59,776	40,918	32,729	32,999	34,472	32,287
6 Foreign public borrowers	35,291	36,014	22,269	15,859	16,189	15,147	13,303
7 All other foreigners	25,259	23,762	18,649	16,870	16,810	19,325	18,984
By area							
Maturity of one year or less[2]							
8 Europe	55,909	53,913	49,184	51,835	52,790	54,955	55,842
9 Canada	6,282	5,910	5,450	6,444	6,907	7,935	5,973
10 Latin America and Caribbean	57,991	53,003	49,782	43,597	48,582	49,138	45,300
11 Asia	46,224	57,755	53,258	51,059	43,645	41,412	40,754
12 Africa	3,337	3,225	3,040	2,549	2,486	2,142	2,195
13 All other[3]	2,891	4,541	5,272	7,089	7,046	6,820	5,071
Maturity of more than one year[2]							
14 Europe	4,666	4,121	3,859	3,878	4,360	6,793	6,663
15 Canada	1,922	2,353	3,290	3,595	3,284	3,153	3,243
16 Latin America and Caribbean	47,547	45,816	25,774	18,277	18,196	16,915	15,160
17 Asia	3,613	4,172	5,165	4,459	4,729	5,007	4,848
18 Africa	2,301	2,630	2,374	2,335	2,191	2,341	2,095
19 All other[3]	501	684	456	185	239	263	278

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.

2. Maturity is time remaining to maturity.

3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1]

Billions of dollars, end of period

Area or country	1988	1989	1990		1991				1992		
			Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.
1 **Total**	**346.2**	**338.8**	**331.5**	**317.8**	**325.3**	**320.4**	**335.7**	**341.5**	**347.6**	**355.2**	**345.3[r]**
2 G-10 countries and Switzerland	152.7	152.9	143.6	132.1	129.9	129.8	134.0	137.2	130.5	135.6	136.1[r]
3 Belgium and Luxembourg	9.0	6.3	6.5	5.9	6.2	6.1	5.8	6.0	5.3	6.2	6.2
4 France	10.5	11.7	11.1	10.4	9.7	10.5	11.1	11.0	10.0	11.9	15.4[r]
5 Germany	10.3	10.5	11.1	10.6	8.8	8.3	9.7	8.3	8.4	8.7	10.9
6 Italy	6.8	7.4	4.4	5.0	4.0	3.6	4.5	5.6	5.4	8.0	6.4
7 Netherlands	2.7	3.1	3.8	3.0	3.3	3.3	3.0	4.7	4.3	3.3	3.7
8 Sweden	1.8	2.0	2.3	2.2	2.0	2.5	2.1	1.9	2.0	1.9	2.2
9 Switzerland	5.4	7.1	5.6	4.4	3.7	3.3	3.9	3.4	3.2	4.6	5.0
10 United Kingdom	66.2	67.2	62.6	60.8	62.3	59.5	64.9	68.5	64.8	65.9	61.4[r]
11 Canada	5.0	5.4	5.0	5.9	6.8	8.2	5.8	5.8	6.5	6.7	6.7
12 Japan	34.9	32.2	31.3	23.9	23.2	24.6	23.2	22.2	20.7	18.3	18.3
13 Other industrialized countries	21.0	20.7	23.0	22.6	23.1	21.1	21.8	22.7	21.2	25.5	24.9
14 Austria	1.5	1.5	1.6	1.4	1.4	1.1	1.0	.6	.8	.8	.7
15 Denmark	1.1	1.1	1.1	1.1	.9	1.2	.9	.9	.8	1.3	1.5
16 Finland	1.1	1.0	.8	.7	1.0	.8	.6	.7	.8	.8	1.0
17 Greece	1.8	2.5	2.8	2.7	2.5	2.4	2.3	2.6	2.3	2.8	3.0
18 Norway	1.8	1.4	1.6	1.6	1.5	1.5	1.4	1.4	1.5	1.7	1.6
19 Portugal	.4	.4	.6	.6	.6	.6	.5	.6	.5	.5	.5
20 Spain	6.2	7.1	8.4	8.3	9.0	7.1	8.3	8.3	7.7	10.1	9.8
21 Turkey	1.5	1.2	1.6	1.7	1.7	1.9	1.6	1.4	1.2	1.5	1.5
22 Other Western Europe	1.3	.7	.7	.9	.8	.9	1.0	1.6	1.3	1.9	1.4
23 South Africa	2.4	2.0	1.9	1.8	1.8	1.8	1.6	1.9	1.8	1.7	1.7
24 Australia	1.8	1.6	2.0	1.8	1.9	2.0	2.4	2.7	2.3	2.3	2.3
25 OPEC[2]	16.6	17.1	14.2	12.8	17.1	14.0	15.6	14.6	15.8	16.2	15.9
26 Ecuador	1.7	1.3	1.1	1.0	.9	.9	.8	.7	.7	.7	.7
27 Venezuela	7.9	7.0	6.0	5.0	5.1	5.3	5.6	5.4	5.4	5.3	5.4
28 Indonesia	1.7	2.0	2.3	2.7	2.8	2.6	2.8	2.8	3.0	3.0	3.0
29 Middle East countries	3.4	5.0	3.1	2.5	6.6	3.7	5.0	4.2	5.3	5.9	5.4
30 African countries	1.9	1.7	1.7	1.7	1.6	1.5	1.5	1.5	1.4	1.4	1.4
31 Non-OPEC developing countries	85.3	77.5	67.1	65.4	66.4	65.0	65.0	64.3	70.6	68.9	73.2[r]
Latin America											
32 Argentina	9.0	6.3	5.0	5.0	4.7	4.6	4.5	4.8	5.0	5.1	6.2
33 Brazil	22.4	19.0	15.4	14.4	13.9	11.6	10.5	9.6	10.8	10.6	10.8
34 Chile	5.6	4.6	3.6	3.5	3.6	3.6	3.7	3.6	3.9	4.0	4.2
35 Colombia	2.1	1.8	1.8	1.8	1.7	1.6	1.6	1.7	1.6	1.6	1.7
36 Mexico	18.8	17.7	12.8	13.0	13.7	14.3	16.2	15.5	18.2	16.6	17.1[r]
37 Peru	.8	.6	.5	.5	.5	.5	.4	.4	.4	.4	.5
38 Other	2.6	2.8	2.4	2.3	2.2	2.0	1.9	2.1	2.2	2.2	2.5
Asia											
China											
39 Peoples Republic of China	.3	.3	.2	.2	.4	.6	.4	.3	.3	.3	.3
40 Republic of China (Taiwan)	3.7	4.5	4.0	3.5	3.6	4.1	4.1	4.1	4.8	4.6	5.0
41 India	2.1	3.1	3.6	3.3	3.5	3.0	2.8	3.0	3.6	3.8	3.6
42 Israel	1.2	.7	.6	.5	.5	.5	.5	.5	.4	.4	.4
43 Korea (South)	6.1	5.9	6.2	6.2	6.8	6.9	6.5	6.8	6.9	6.9	7.4
44 Malaysia	1.6	1.7	1.8	1.9	2.0	2.1	2.3	2.3	2.5	2.7	3.0
45 Philippines	4.5	4.1	3.9	3.8	3.7	3.7	3.6	3.7	3.6	3.0	3.3
46 Thailand	1.1	1.3	1.5	1.5	1.6	1.7	1.9	1.7	1.7	1.9	2.2
47 Other Asia[3]	.9	1.0	1.6	1.7	2.1	2.3	2.3	2.4	2.7	3.1	3.3
Africa											
48 Egypt	.4	.4	.4	.4	.4	.4	.4	.4	.3	.5	.3
49 Morocco	.9	.9	.9	.8	.8	.7	.7	.7	.7	.7	.6
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	1.1	1.0	.8	1.0	.8	.8	.8	.7	.7	.6	.9
52 Eastern Europe	3.6	3.5	2.7	2.3	2.1	2.1	1.8	2.4	2.9	3.0	3.1
53 U.S.S.R.	.7	.7	.4	.2	.3	.4	.4	.9	1.4	1.7	1.8
54 Yugoslavia	1.8	1.6	1.3	1.2	1.0	1.0	.8	.9	.8	.7	.7
55 Other	1.1	1.3	1.1	.9	.8	.7	.7	.7	.6	.6	.7
56 Offshore banking centers	44.2	36.6	42.6	42.5	50.0	48.3	52.7	52.0	58.5	56.9	53.5[r]
57 Bahamas	11.0	5.5	8.9	2.8	8.3	6.8	6.7	11.9	14.0	12.0	8.1[r]
58 Bermuda	.9	1.7	4.5	4.4	4.4	4.2	7.1	2.3	3.9	5.1	3.8
59 Cayman Islands and other British West Indies	12.9	9.0	9.3	11.5	14.1	14.9	13.8	15.8	17.4	18.0	16.1[r]
60 Netherlands Antilles	1.0	2.3	2.2	7.9	1.1	1.4	3.9	1.2	1.0	.8	.9[r]
61 Panama[4]	2.5	1.4	1.5	1.4	1.5	1.3	1.3	1.3	1.3	1.4	1.9[r]
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	9.6	9.7	8.7	7.7	11.6	12.4	12.1	12.2	12.2	13.0	15.2[r]
64 Singapore	6.1	7.0	7.5	6.6	8.9	7.2	7.7	7.1	8.5	6.4	7.3[r]
65 Other[5]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[6]	22.6	30.3	38.1	39.8	36.4	39.9	44.6	48.2	48.0	49.1	38.3

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

Since June 1984, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

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.

4. Includes Canal Zone beginning December 1979.

5. Foreign branch claims only.

6. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type and area or country	1988[r]	1989[r]	1990[r]	1991			1992		
				June	Sept.	Dec.	Mar.	June	Sept.
1 **Total**	**32,952**	**38,764**	**46,169**	**41,774**	**43,256**	**43,244**	**44,170**	**44,231**	**45,001**
2 Payable in dollars	27,335	33,973	40,912	37,258	38,520	37,852	38,719	37,536	36,571
3 Payable in foreign currencies	5,617	4,791	5,257	4,516	4,736	5,392	5,451	6,695	8,430
By type									
4 Financial liabilities	14,507	17,879	21,192	19,562	21,690	21,981	22,339	22,043	23,336
5 Payable in dollars	10,608	14,035	17,105	16,202	17,985	17,869	18,111	16,799	16,500
6 Payable in foreign currencies	3,900	3,844	4,087	3,360	3,705	4,112	4,228	5,244	6,836
7 Commercial liabilities	18,445	20,885	24,977	22,212	21,566	21,263	21,831	22,188	21,665
8 Trade payables	6,505	8,070	10,683	8,569	8,313	8,310	8,914	9,516	9,407
9 Advance receipts and other liabilities	11,940	12,815	14,294	13,644	13,253	12,953	12,917	12,672	12,258
10 Payable in dollars	16,727	19,938	23,807	21,056	20,535	19,983	20,608	20,737	20,071
11 Payable in foreign currencies	1,717	947	1,170	1,157	1,031	1,280	1,223	1,451	1,594
By area or country									
Financial liabilities									
12 Europe	9,962	11,660	11,086	10,503	12,343	12,002	12,539	13,091	14,083
13 Belgium and Luxembourg	289	340	394	355	397	217	174	194	256
14 France	359	258	975	937	2,164	2,106	1,997	2,324	2,830
15 Germany	699	464	621	658	682	682	666	836	956
16 Netherlands	880	941	1,081	1,026	1,050	1,056	1,025	979	951
17 Switzerland	1,033	541	545	513	497	408	355	490	525
18 United Kingdom	6,533	8,818	6,455	6,018	6,610	6,513	7,415	7,392	7,723
19 Canada	388	610	229	293	305	267	283	337	320
20 Latin America and Caribbean	839	1,357	4,153	3,808	3,883	4,307	4,047	3,308	3,257
21 Bahamas	184	157	371	375	314	537	396	343	192
22 Bermuda	0	17	0	12	0	114	114	114	115
23 Brazil	0	0	0	0	6	6	8	10	18
24 British West Indies	645	724	3,160	2,816	2,961	3,047	2,915	2,167	2,231
25 Mexico	1	6	5	6	6	7	7	8	12
26 Venezuela	0	0	4	4	4	4	4	4	5
27 Asia	3,312	4,151	5,313	4,947	5,155	5,347	5,375	5,218	5,586
28 Japan	2,563	3,299	4,077	3,771	4,006	4,108	4,113	4,122	4,553
29 Middle East oil-exporting countries[2]	3	2	5	4	19	13	13	10	17
30 Africa	2	2	2	9	3	6	7	0	5
31 Oil-exporting countries[3]	0	0	0	7	2	4	6	0	0
32 All other[4]	4	100	409	2	1	52	88	89	85
Commercial liabilities									
33 Europe	7,319	9,071	10,310	8,607	8,084	7,808	7,491	7,144	6,714
34 Belgium and Luxembourg	158	175	275	245	225	248	256	240	173
35 France	455	877	1,218	1,185	992	830	671	659	688
36 Germany	1,699	1,392	1,270	1,040	911	944	878	702	744
37 Netherlands	587	710	844	729	751	709	574	605	601
38 Switzerland	417	693	775	580	492	488	482	400	369
39 United Kingdom	2,079	2,620	2,792	2,289	2,217	2,310	2,444	2,404	2,262
40 Canada	1,217	1,124	1,261	1,208	1,011	990	1,094	1,077	1,055
41 Latin America and Caribbean	1,090	1,224	1,672	1,619	1,512	1,352	1,701	1,803	1,518
42 Bahamas	49	41	12	5	14	3	13	8	3
43 Bermuda	286	308	538	504	450	310	493	409	338
44 Brazil	95	100	145	180	211	219	230	212	115
45 British West Indies	34	27	30	49	46	107	108	73	85
46 Mexico	217	323	475	358	291	304	375	475	322
47 Venezuela	114	164	130	119	102	94	168	279	147
48 Asia	6,915	7,550	9,483	8,752	8,855	9,330	9,889	10,439	10,988
49 Japan	3,094	2,914	3,651	3,411	3,363	3,720	3,548	3,537	3,899
50 Middle Eastern oil-exporting countries[2,5]	1,385	1,632	2,016	1,657	1,780	1,498	1,591	1,778	1,813
51 Africa	576	886	844	596	836	713	644	775	674
52 Oil-exporting countries[3]	202	339	422	226	357	327	253	389	337
53 Other[4]	1,328	1,030	1,406	1,431	1,268	1,070	1,012	950	716

1. For a description of the changes in the international statistics tables, see *Federal Reserve Bulletin*, vol. 65, (July 1979), p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type, and area or country	1988[r]	1989[r]	1990[r]	1991		1992			
					June	Sept.	Dec.	Mar.	June	Sept.[p]
1	**Total**	**33,805**	**33,173**	**35,348**	**37,101**	**38,315**	**42,635**	**42,203**	**41,884**	**38,607[r]**
2	Payable in dollars	31,425	30,773	32,760	35,014	35,952	40,068	39,563	38,915	35,689[r]
3	Payable in foreign currencies	2,381	2,400	2,589	2,087	2,363	2,567	2,640	2,969	2,918
	By type									
4	Financial claims	21,640	19,297	19,874	20,881	22,536	25,463	25,355	24,640	21,347
5	Deposits	15,643	12,353	13,577	12,544	16,188	17,218	16,964	15,116	12,535
6	Payable in dollars	14,544	11,364	12,552	11,758	15,182	16,343	15,803	13,829	11,477
7	Payable in foreign currencies	1,099	989	1,025	786	1,006	875	1,161	1,287	1,058
8	Other financial claims	5,997	6,944	6,297	8,337	6,348	8,245	8,391	9,524	8,812
9	Payable in dollars	5,220	6,190	5,280	7,632	5,611	7,365	7,644	8,799	7,780
10	Payable in foreign currencies	777	754	1,017	704	737	880	747	725	1,032
11	Commercial claims	12,166	13,876	15,475	16,220	15,779	17,172	16,848	17,244	17,260[r]
12	Trade receivables	11,091	12,253	13,657	14,120	13,429	14,447	14,243	14,743	14,528
13	Advance payments and other claims	1,075	1,624	1,817	2,100	2,350	2,725	2,605	2,501	2,732[r]
14	Payable in dollars	11,660	13,219	14,927	15,623	15,159	16,360	16,116	16,287	16,432[r]
15	Payable in foreign currencies	505	657	548	597	620	812	732	957	828
	By area or country									
	Financial claims									
16	Europe	10,278	8,463	9,645	11,873	13,129	13,546	14,207	13,207	11,229
17	Belgium and Luxembourg	18	28	76	74	76	13	12	25	16
18	France	203	153	371	271	255	312	277	786	809
19	Germany	120	152	367	298	434	342	290	381	321
20	Netherlands	348	238	265	429	420	385	727	732	766
21	Switzerland	217	153	357	433	580	591	682	779	602
22	United Kingdom	9,039	7,496	7,971	10,222	10,997	11,251	11,631	8,773	7,707
23	Canada	2,325	1,904	2,934	2,015	2,163	2,679	2,755	2,534	2,256
24	Latin America and Caribbean	8,160	8,020	6,201	5,926	6,289	7,932	7,070	7,260	6,523
25	Bahamas	1,846	1,890	1,090	457	652	758	415	523	1,099
26	Bermuda	19	7	3	4	19	8	12	12	65
27	Brazil	47	224	68	127	137	192	191	181	135
28	British West Indies	5,763	5,486	4,635	4,957	5,106	6,384	5,912	6,018	4,792
29	Mexico	151	94	177	161	176	321	318	343	222
30	Venezuela	21	20	25	29	32	40	34	32	26
31	Asia	623	590	860	742	614	957	966	1,280	995
32	Japan	354	213	523	398	277	385	380	712	481
33	Middle East oil-exporting countries[2]	5	8	8	4	3	5	3	4	4
34	Africa	106	140	37	64	61	57	60	57	66
35	Oil-exporting countries[3]	10	12	0	1	1	1	0	0	1
36	*All other*[4]	148	180	195	261	280	292	297	302	278
	Commercial claims									
37	Europe	5,181	6,209	7,044	7,464	6,884	7,950	7,894	8,137	7,786[r]
38	Belgium and Luxembourg	189	242	212	220	190	192	181	255	170
39	France	672	964	1,240	1,402	1,330	1,544	1,562	1,563	1,738[r]
40	Germany	669	696	807	958	858	943	936	908	885
41	Netherlands	212	479	555	707	641	643	646	666	588
42	Switzerland	344	313	301	296	258	295	328	399	294[r]
43	United Kingdom	1,324	1,575	1,775	1,817	1,807	2,088	2,086	2,173	1,974[r]
44	Canada	983	1,091	1,074	1,241	1,232	1,174	1,176	1,131	1,168
45	Latin America and Caribbean	2,241	2,184	2,375	2,433	2,494	2,591	2,572	2,672	3,139
46	Bahamas	36	58	14	16	8	11	11	9	7
47	Bermuda	230	323	246	247	255	263	272	291	245
48	Brazil	299	297	326	309	385	418	364	438	395
49	British West Indies	22	36	40	43	37	41	45	32	43
50	Mexico	461	508	661	710	741	829	892	847	968
51	Venezuela	227	147	192	195	196	202	206	251	300
52	Asia	2,993	3,570	4,127	4,201	4,282	4,563	4,351	4,462	4,310
53	Japan	946	1,199	1,460	1,645	1,808	1,869	1,780	1,786	1,797
54	Middle Eastern oil-exporting countries[2]	453	518	460	501	496	621	635	609	512
55	Africa	435	429	488	428	431	418	418	422	427
56	*Oil-exporting countries*[3]	122	108	67	63	80	95	75	73	66
57	Other[4]	333	393	367	454	456	476	437	420	430[r]

1. For a description of the changes in the international statistics tables, see *Federal Reserve Bulletin*, vol. 65, (July 1979), p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction and area or country	1991	1992	1992							
			Jan.–Dec.	June	July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	211,207	221,251	221,251	16,525	18,547	13,174	13,884	18,830	17,885	22,616
2 Foreign sales	200,116	226,422	226,422	17,537	18,769	14,841	17,034	18,179	16,598	20,305
3 Net purchases or sales (−)	**11,091**	**−5,171**	**−5,171**	**−1,012**	**−222**	**−1,667**	**−3,150**	**651**	**1,287**	**2,311**
4 Foreign countries	**10,522**	**−5,204**	**−5,204**	**−1,170**	**−239**	**−1,622**	**−3,059**	**654**	**1,284**	**2,287**
5 Europe	53	−4,963	−4,963	−1,184	−965	−1,089	−1,683	75	371	1,476
6 France	9	−1,334	−1,334	−148	10	−46	−234	−92	−50	−157
7 Germany	−63	−69	−69	−4	−14	−26	−112	−52	47	157
8 Netherlands	−227	−284	−284	−217	−14	−54	−107	−24	−4	186
9 Switzerland	−131	131	131	−10	−55	−150	−189	−124	−40	209
10 United Kingdom	−352	−3,298	−3,298	−691	−742	−652	−869	362	361	701
11 Canada	3,845	1,402	1,402	74	130	−59	−278	−227	43	173
12 Latin America and Caribbean	2,177	2,210	2,210	−109	−24	−24	−90	236	649	422
13 Middle East[1]	−134	−88	−88	51	4	−14	136	−57	−219	70
14 Other Asia	4,255	−3,944	−3,944	141	370	−442	−1,064	767	373	122
15 Japan	1,179	−3,598	−3,598	35	172	−301	−97	184	220	215
16 Africa	153	10	10	−1	−7	−1	14	−21	−18	−7
17 Other countries	174	169	169	−142	253	7	−94	−119	85	31
18 Nonmonetary international and regional organizations	**568**	**33**	**33**	**158**	**17**	**−45**	**−91**	**−3**	**3**	**24**
BONDS[2]										
19 Foreign purchases	153,096	214,779	214,779	16,691	18,343	19,785	17,160	19,315	18,082	19,242
20 Foreign sales	125,637	175,342	175,342	12,407	16,311	16,620	14,452	15,224	16,317	15,582
21 Net purchases or sales (−)	**27,459**	**39,437**	**39,437**	**4,284**	**2,032**	**3,165**	**2,708**	**4,091**	**1,765**	**3,660**
22 Foreign countries	**27,590**	**38,321**	**38,321**	**4,205**	**2,153**	**3,150**	**2,573**	**4,045**	**1,600**	**3,115**
23 Europe	13,112	18,070	18,070	1,420	1,029	1,516	1,818	1,993	−491	1,948
24 France	847	1,221	1,221	364	161	−5	155	−4	−7	217
25 Germany	1,577	2,496	2,496	11	−37	−13	387	−34	−113	850
26 Netherlands	482	531	531	64	177	22	58	133	144	48
27 Switzerland	656	−514	−514	−53	−13	−94	−51	−23	−260	104
28 United Kingdom	8,931	12,990	12,990	847	760	1,447	1,319	1,568	−312	920
29 Canada	1,623	236	236	−111	67	−100	48	198	281	−38
30 Latin America and Caribbean	2,672	8,833	8,833	619	676	878	548	842	540	513
31 Middle East[1]	1,787	3,461	3,461	376	239	284	−5	273	515	655
32 Other Asia	8,459	7,736	7,736	1,904	231	593	171	790	692	76
33 Japan	5,767	−259	−259	740	−710	−1,229	−590	467	266	−34
34 Africa	52	58	58	−6	22	1	−7	−50	−5	7
35 Other countries	−116	−73	−73	3	−111	−22	0	−1	68	−46
36 Nonmonetary international and regional organizations	**−131**	**1,116**	**1,116**	**79**	**−121**	**15**	**135**	**46**	**165**	**545**
	Foreign securities									
37 Stocks, net purchases or sales (−)[3]	−31,967	−32,073	−32,073	68	−3,244	−2,959	−2,854	−4,269	−3,590	−4,358
38 Foreign purchases	120,598	149,742	149,742	14,638	13,496	9,759	13,580	12,420	11,633	12,720
39 Foreign sales[3]	152,565	181,815	181,815	14,570	16,740	12,718	16,434	16,689	15,223	17,078
40 Bonds, net purchases or sales (−)	−14,828	−19,075	−19,075	−1,681	−4,280	275	−1,561	−2,352	−1,036	−2,890
41 Foreign purchases	330,311	482,745	482,745	40,332	43,301	45,938	45,747	49,108	51,611	38,217
42 Foreign sales	345,139	501,820	501,820	42,013	47,581	45,663	47,308	51,460	52,647	41,107
43 Net purchases or sales (−), of stocks and bonds	**−46,795**	**−51,148**	**−51,148**	**−1,613**	**−7,524**	**−2,684**	**−4,415**	**−6,621**	**−4,626**	**−7,248**
44 Foreign countries	**−46,711**	**−54,684**	**−54,684**	**−1,997**	**−8,383**	**−2,771**	**−4,436**	**−6,648**	**−4,714**	**−7,387**
45 Europe	−34,452	−38,863	−38,863	−1,494	−5,333	−1,244	−3,282	−6,862	−5,215	−4,932
46 Canada	−7,004	−6,643	−6,643	−852	−2,212	207	−136	−1,014	570	−1,235
47 Latin America and Caribbean	759	−1,816	−1,816	−560	1,631	−430	308	1,091	−1,671	526
48 Asia	−7,350	−6,223	−6,223	374	−2,461	−1,376	−1,667	727	1,568	−1,357
49 Africa	−9	−57	−57	7	14	11	−14	−2	42	−11
50 Other countries	1,345	−1,082	−1,082	528	−22	61	355	−588	−8	−378
51 Nonmonetary international and regional organizations	**−84**	**3,536**	**3,536**	**384**	**859**	**87**	**21**	**27**	**88**	**139**

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. In a July 1989 merger, the former stockholders of a U.S. company received $5,453 million in shares of the new combined U.K. company. This transaction is not reflected in the data.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1991	1992	1992 Jan.–Dec.	June	July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.[p]
	Transactions, net purchases or sales (–) during period[1]									
1 **Estimated total**	**19,865**	**38,955**	**38,955**	**14,444**	**–1,862**	**6,458**	**–5,995**	**3,576**	**17,654**	**–392**
2 Foreign countries	19,687	37,602	37,602	11,754	–2,286	6,785	–6,204	4,381	17,667	–594
3 Europe	8,663	19,619	19,619	3,828	–2,445	3,450	–4,655	4,701	7,290	3,099
4 Belgium and Luxembourg	523	1,981	1,981	–49	331	80	–25	232	370	–32
5 Germany	–4,725	2,076	2,076	824	–829	255	900	–8	–1,584	898
6 Netherlands	–3,735	–2,923	–2,923	227	–1,046	367	–239	–40	1,827	–804
7 Sweden	–663	–804	–804	372	–26	–1,289	–843	202	668	–344
8 Switzerland	1,007	481	481	–111	–703	–87	292	769	1,334	213
9 United Kingdom	6,218	24,220	24,220	1,664	212	3,681	16	4,098	7,215	2,833
10 Other Western Europe	10,024	–6,066	–6,066	701	–581	428	–4,761	–551	–2,758	331
11 Eastern Europe	13	654	654	200	197	15	5	–1	218	4
12 Canada	–3,019	557	557	47	2,520	900	–4,281	458	–1,087	–104
13 Latin America and Caribbean	10,285	–3,223	–3,223	3,585	–2,869	–1,563	–1,479	–1,915	7,270	–4,519
14 Venezuela	10	539	539	–149	216	60	31	155	27	11
15 Other Latin America and Caribbean	4,179	–1,957	–1,957	1,791	–589	–758	–2,537	–3,233	2,385	415
16 Netherlands Antilles	6,097	–1,805	–1,805	1,943	–2,496	–865	1,027	1,163	4,858	–4,945
17 Asia	3,367	23,195	23,195	4,129	1,783	4,112	4,004	1,416	4,000	857
18 Japan	–4,081	9,484	9,484	1,638	2,221	1,887	2,448	–339	3,383	1,868
19 Africa	689	1,103	1,103	92	149	56	59	–37	119	0
20 Other	–298	–3,649	–3,649	73	–1,424	–170	148	–242	75	73
21 Nonmonetary international and regional organizations	178	1,353	1,353	2,690	424	–327	209	–805	–13	202
22 International	–358	1,018	1,018	2,421	365	–133	–31	–903	–38	76
23 Latin American regional	–72	533	533	127	–68	–75	201	219	–31	97
MEMO										
24 Foreign countries	19,687	37,602	37,602	11,754	–2,286	6,785	–6,204	4,381	17,667	–594
25 Official institutions	1,190	6,874	6,874	5,408	–767	697	–4,483	2,951	–603	–721
26 Other foreign[2]	18,496	30,728	30,728	6,346	–1,519	6,088	–1,721	1,430	18,270	127
Oil-exporting countries										
27 Middle East[2]	–6,822	4,323	4,323	947	856	1,093	750	–271	407	511
28 Africa[3]	239	11	11	–56	0	0	4	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

Country	Rate on Feb. 28, 1993		Country	Rate on Feb. 28, 1993		Country	Rate on Feb. 28, 1993	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	7.5	Feb. 1993	Germany	8.0	Feb. 1993	Norway	17.0	Nov. 1992
Belgium	7.5	Oct. 1992	Italy	11.5	Feb. 1993	Switzerland	5.5	Jan. 1993
Canada	6.09	Feb. 1993	Japan	2.5	Feb. 1993	United Kingdom	12.0	Sept. 1992
Denmark	10.5	Feb. 1993	Netherlands	7.5	Jan. 1993			
France[2]	9.0	Dec. 1992						

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 Feb. 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]

Averages of daily figures, percent per year

Type or country	1990	1991	1992	1992					1993	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 Eurodollars	8.16	5.86	3.70	3.33	3.15	3.30	3.67	3.50	3.22	3.12
2 United Kingdom	14.73	11.47	9.56	10.27	9.86	8.23	7.16	7.11	6.88	6.10
3 Canada	13.00	9.07	6.76	5.15	5.33	7.57	7.63	7.93	7.03	6.38
4 Germany	8.41	9.15	9.42	9.79	9.37	8.85	8.84	8.93	8.50	8.29
5 Switzerland	8.71	8.01	7.67	8.09	7.20	6.28	6.44	6.13	5.52	5.34
6 Netherlands	8.57	9.19	9.25	9.73	9.23	8.63	8.66	8.55	8.00	7.98
7 France	10.20	9.49	10.14	10.27	10.51	10.82	9.58	10.75	11.69	11.70
8 Italy	12.11	12.04	13.91	15.27	17.54	15.52	14.38	13.60	12.56	11.43
9 Belgium	9.70	9.30	9.31	9.71	9.44	8.70	8.64	8.65	8.19	8.75
10 Japan	7.75	7.33	4.39	3.87	3.89	3.85	3.77	3.76	3.70	3.27

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	1990	1991	1992	1992				1993	
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 Australia/dollar[2]	78.069	77.872	73.521	72.255	71.481	68.984	68.974	67.297	68.294
2 Austria/schilling	11.331	11.686	10.992	10.214	10.436	11.168	11.130	11.368	11.556
3 Belgium/franc	33.424	34.195	32.148	29.917	30.581	32.661	32.545	33.239	33.841
4 Canada/dollar	1.1668	1.1460	1.2085	1.2225	1.2453	1.2674	1.2725	1.2779	1.2602
5 China, P.R./yuan	4.7921	5.3337	5.5206	5.5048	5.5486	5.6134	5.8106	5.7796	5.7874
6 Denmark/krone	6.1899	6.4038	6.0372	5.6203	5.7278	6.1166	6.1206	6.2319	6.3019
7 Finland/markka	3.8300	4.0521	4.4865	4.4764	4.7096	5.0615	5.1444	5.4242	5.8534
8 France/franc	5.4467	5.6468	5.2935	4.9378	5.0370	5.3706	5.3974	5.4751	5.5594
9 Germany/deutsche mark	1.6166	1.6610	1.5618	1.4514	1.4851	1.5875	1.5822	1.6144	1.6414
10 Greece/drachma	158.59	182.63	190.81	182.70	192.50	206.48	209.48	215.97	220.60
11 Hong Kong/dollar	7.7899	7.7712	7.7402	7.7298	7.7298	7.7348	7.7416	7.7376	7.7335
12 India/rupee	17.492	22.712	28.156	28.476	28.477	28.474	28.979	29.043	30.042
13 Ireland/pound[2]	165.76	161.39	170.42	181.90	177.19	166.17	166.71	163.37	148.11
14 Italy/lira	1,198.27	1,241.28	1,232.17	1,176.21	1,309.64	1,364.45	1,412.38	1,491.07	1,550.43
15 Japan/yen	145.00	134.59	126.78	122.60	121.17	123.88	124.04	124.99	120.76
16 Malaysia/ringgit	2.7057	2.7503	2.5463	2.5029	2.5044	2.5227	2.5710	2.5985	2.6295
17 Netherlands/guilder	1.8215	1.8720	1.7587	1.6348	1.6717	1.7862	1.7788	1.8155	1.8473
18 New Zealand/dollar[2]	59.619	57.832	53.792	54.112	53.943	51.996	51.570	51.270	51.603
19 Norway/krone	6.2541	6.4912	6.2142	5.8116	6.0562	6.4714	6.6804	6.8721	6.9779
20 Portugal/escudo	142.70	144.77	135.07	127.86	132.33	141.71	142.05	145.36	149.89
21 Singapore/dollar	1.8134	1.7283	1.6294	1.5988	1.6081	1.6338	1.6397	1.6527	1.6463
22 South Africa/rand	2.5885	2.7633	2.8524	2.8037	2.8923	2.9959	3.0140	3.0713	3.1313
23 South Korea/won	710.64	736.73	784.58	788.76	786.79	787.09	791.75	794.87	799.25
24 Spain/peseta	101.96	104.01	102.38	98.19	105.74	113.83	112.95	114.62	117.51
25 Sri Lanka/rupee	40.078	41.200	44.013	44.159	44.276	44.404	45.046	46.307	46.351
26 Sweden/krona	5.9231	6.0521	5.8258	5.3685	5.6006	6.2528	6.8903	7.2536	7.5566
27 Switzerland/franc	1.3901	1.4356	1.4064	1.2780	1.3176	1.4291	1.4219	1.4774	1.5178
28 Taiwan/dollar	26.918	26.759	25.160	25.227	25.278	25.405	25.452	25.452	25.837
29 Thailand/baht	25.609	25.528	25.411	25.209	25.253	25.462	25.488	25.523	25.508
30 United Kingdom/pound[2]	178.41	176.74	176.63	184.65	165.29	152.68	155.10	153.25	143.95
MEMO									
31 United States/dollar[3]	89.09	89.84	86.61	81.98	85.03	90.04	90.50	92.36	93.82

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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SPECIAL TABLES—Quarterly Data Published Irregularly, with Latest BULLETIN *Reference*

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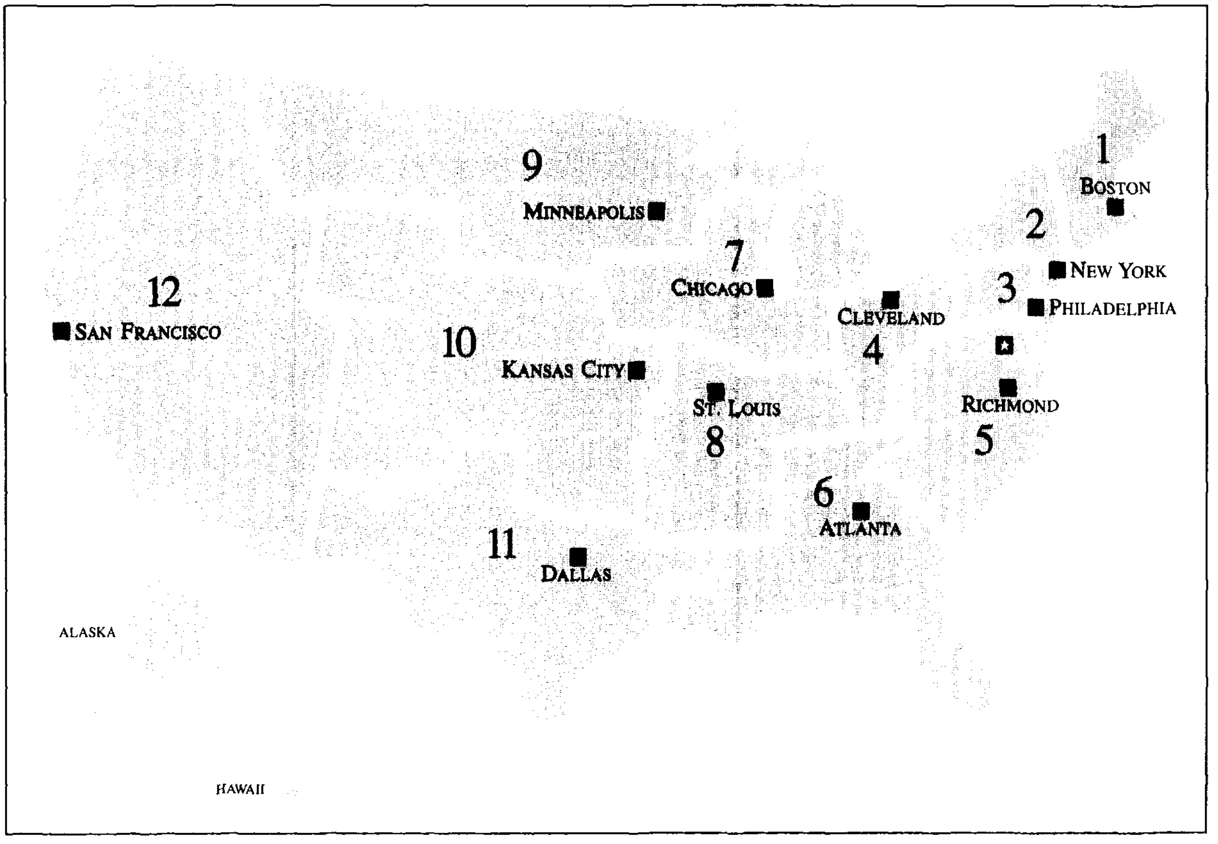

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Both pages

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Facing page

- • Federal Reserve Branch city
- — Branch boundary

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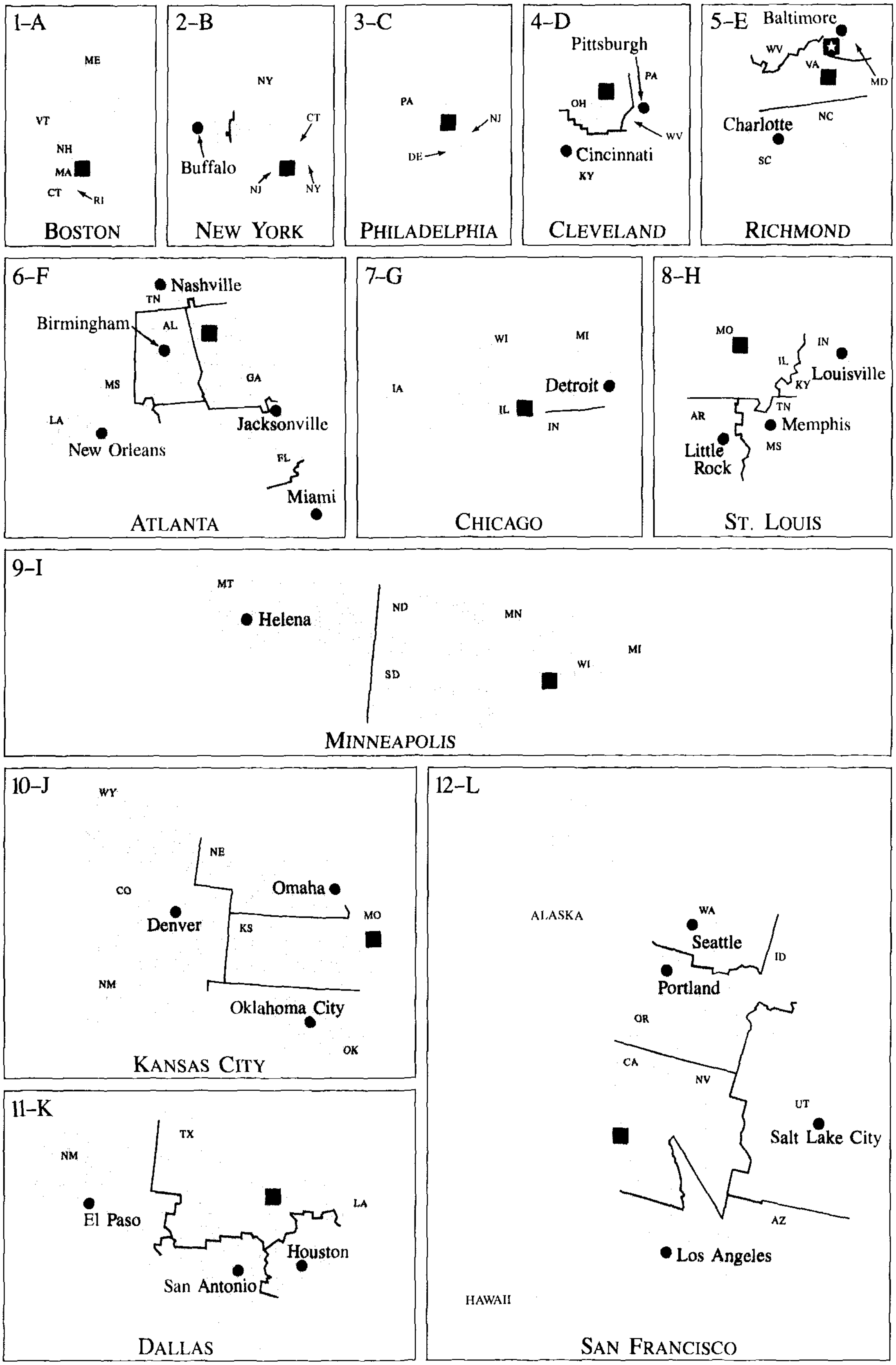
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1. Senior Vice President.