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Daylight Overdraft Fees and the Federal Reserve's Payment System Risk Policy

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In April 1994 the Federal Reserve began charging fees for daylight overdrafts incurred in accounts at Federal Reserve Banks. The event was an important step in the Federal Reserve's ten-year program to control daylight overdrafts and their associated payment system risk. The fees produced a dramatic decline in overdrafts and led to significant changes in market practices, particularly in the government securities market. This article summarizes the results to date of the implementation of the Federal Reserve's daylight overdraft program, focusing on the effect of fees. It also highlights related policies for large-value payment systems in the private sector.

BACKGROUND

Daylight overdrafts are a form of intraday credit in which a holder of a deposit account at a bank or other depository institution runs a negative balance in its account during the day but ends the day with a balance equal to or greater than zero. An example of a daylight overdraft is the case in which a deposit account holder (1) makes withdrawals from the account in the early part of the day that exceed the account's opening cash balance and (2) does not make deposits sufficient to cover the withdrawals until later in the day. When the customer's withdrawals require its bank to send payments through Federal Reserve systems, this type of customer activity can, in turn, cause daylight overdrafts in the Federal Reserve account of the customer's bank. In addition, the bank's own activity, such as federal funds borrowing and lending and the associated payment activity, can also cause daylight overdrafts.

Historically, intraday credit extensions went largely unmeasured because attention within the banking industry was focused mainly on processing payments rather than on managing associated intraday risks. In addition, nearly unlimited intraday credit was available from the Federal Reserve at no cost. Banks normally accumulated payment instructions during the day and posted them to customers' accounts at the close of the banking day, a practice that can be viewed as reasonable and cost-effective given the operational and legal infrastructure at that time. As a result, however, settlement conventions related to the transactions most often characterized by same-day settlement—such as financing in the markets for federal funds and repurchase agreements—came to be based upon the availability of unlimited, free intraday overdraft credit from the Federal Reserve.

Daylight overdrafts in accounts at Federal Reserve Banks in fact arise from a variety of causes. The Federal Reserve's original overdraft policies were focused on intraday credit resulting from the transfer of funds through Fedwire, the Federal Reserve's electronic, real-time funds transfer system often used for large-value interbank payments. Overdrafts are, however, also caused by payments of banks and their customers that arise from transfers of government securities via Fedwire as well as from non-Fedwire transactions such as automated clearinghouse (ACH) payments, checks, and other payment activity posted directly to depository institution accounts at the Federal Reserve.

For many institutions, payments made on a given day may exceed that day's opening balance (the previous day's overnight balance) with the Federal Reserve. Indeed, in 1994, the total value of funds and securities transfers through Fedwire, ACH payments processed by the Federal Reserve, and checks cleared through the Federal Reserve averaged $1.5 trillion per day; in contrast, the average daily opening balance of all depository institution accounts at the Federal Reserve that year was $32 billion (depository institutions maintain balances to satisfy reserve requirements as well as to clear payments). Many of these payments were covered by funds in the accounts, but a significant portion were not. In 1994, for example, direct measures of daylight overdrafts show that the Federal Reserve extended about $50 billion in intraday overdraft credit on average during the day (table 1); and on any given day an average of about 2,400 institutions incurred daylight overdrafts in their accounts at the Federal Reserve out of a total of nearly 11,000 institutions with such accounts.

Private payment systems such as the Clearing House Interbank Payment System (CHIPS) also involve extensions of intraday credit.[1] Owned and operated by the private New York Clearing House, CHIPS currently has a membership of more than 100 banks, a large number of which are branches and agencies of foreign banks. Through CHIPS, members can send electronic payment messages to one another during the day. The value of the payment messages is settled on a multilateral net basis at the end of the business day. No accounts analogous to those at the Federal Reserve exist in CHIPS, but members are exposed to credit risk associated with payment messages they have received until settlement has been successfully completed each day. CHIPS currently handles a greater dollar value of payments than does Fedwire—in 1994, about $1.2 trillion per day for CHIPS, and more than $800 billion per day for Fedwire funds transfers.

1. For more information about CHIPS, see Bank for International Settlements, *Payment Systems in the Group of Ten Countries* (December 1993), pp. 449–51; and Federal Reserve Bank of New York, "The Clearing House Interbank Payments System" (January 1991).

1. Daylight overdrafts of depository institutions at Federal Reserve Banks, 1986–94

Millions of dollars

Year	Average per-minute daylight overdraft	Peak daylight overdraft
1986	30,170	62,940
1987	32,373	65,203
1988	31,945	63,228
1989	36,118	72,984
1990	44,047	91,170
1991	52,918	106,185
1992	63,347	121,427
1993	70,204	128,523
1994	49,846	84,449

NOTE. Annual averages of daily figures. See text note 7 for definitions of average per-minute and peak daylight overdrafts.

Origins and Development of the Payment System Risk Policy

The Federal Reserve's efforts to measure and control daylight overdrafts and other risks in the payment system date from the late 1970s and early 1980s.[2] During that period, public policy concerns were first raised about the size and growth of intraday credit related to large-value payment systems.

Because Fedwire payments are final and irrevocable, the Federal Reserve bears some degree of intraday credit risk when such payments are processed without sufficient funds in the sending bank's account.[3] Daylight overdrafts, if not repaid by the end of the day, could readily become unsecured overnight overdrafts. The Federal Reserve strongly discourages overnight overdrafts by imposing high monetary penalties on them and by taking administrative action against institutions that incur them repeatedly.

Concerns about the magnitude of the credit risk borne by the Federal Reserve in regard to daylight overdrafts were heightened in the early 1980s. During that time, the Reserve Banks began to monitor the intraday account balances of institutions routinely and to collect data on institutions with the largest daylight overdrafts. These data indicated that aggregate daylight overdrafts on any given day often ran into the billions of dollars; furthermore, overdrafts for a small group of institutions often exceeded their capital by several times.

Also during the early 1980s, intraday credit risk exposures in private systems, such as CHIPS, drew the attention of the Federal Reserve and private participants. Under the rules then in effect, the

2. A summary of daylight overdraft issues and the Federal Reserve's policies is in Terrence M. Belton, Matthew D. Gelfand, David B. Humphrey, and Jeffrey C. Marquardt, "Daylight Overdrafts and Payments System Risk," *Federal Reserve Bulletin*, vol. 73 (November 1987), pp. 839–52.

3. Under the Federal Reserve's Regulation J, Fedwire funds tranfers are final and irrevocable when the Reserve Bank credits the account of the receiving bank or sends the advice of payment to the bank, whichever occurs first (12 CFR 210.31).

default of a large participant in CHIPS before end-of-day settlement could have caused the unwinding of that day's net settlement on CHIPS, leaving some other participants with a large, sudden shortage of funds.[4] The potential systemic repercussions of such a scenario were substantial given the increasing volumes of large-value interbank transactions being processed over CHIPS.

Prompted by these concerns, the Federal Reserve Board and private-sector groups began studies of the causes and potential means of controlling payment system risk, including the risk arising from daylight overdrafts in Federal Reserve accounts. Between 1982 and 1988, they produced a series of reports that analyzed a variety of potential means of reducing overdrafts.[5] Such measures included quantitative limits on daylight overdrafts (caps), fees, collateral, and increases in minimum required account balances.

In April 1984 the Federal Reserve Board issued for public comment a proposed policy statement on reducing risk in large-dollar transfer systems. The stated objectives of the policy at that time were to contain the effects of a settlement failure, reduce the volume of intraday credit exposures, control the remaining credit risk, and promote the smooth operation of the payment system. The 1988 study by the Federal Reserve, *Controlling Risk in the Payments System,* also included objectives of rapid final payments, low operating expense for making payments, equitable treatment of payment system participants, and effective tools for implementing monetary policy. Although the Fedwire system is capable of automatically blocking funds transfers that would create an overdraft (and is currently used to do so in certain circumstances), the Federal Reserve did not endorse an outright prohibition of daylight overdrafts as a necessary or desirable policy outcome. Indeed, concerns expressed then as well as now are that the prohibition of all overdrafts could seriously disrupt the U.S. money markets, especially the markets for federal funds and government securities.

As a result of these efforts, the Board in 1985 adopted a program of maximum limits, or net debit caps, for each institution on the combined intraday credit provided both by the Federal Reserve and by participants in CHIPS. These net debit caps were based on an institution's own assessment of its capacity to absorb and control daylight credit risks, including its financial condition and liquidity resources, controls on intraday credit extensions to customers, and its ability to monitor payments on an intraday basis.

Under the 1985 initiative, the level of the cap could be as high as three times an institution's regulatory capital. The Federal Reserve monitored daylight overdrafts daily as well as on average over each two-week reserve maintenance period, and the Reserve Banks took administrative measures aimed at reducing the overdrafts of institutions that repeatedly exceeded their caps. The Reserve Banks also retained the flexibility to deal with troubled institutions as circumstances required. The Federal Reserve has modified its policy on caps several times, most recently by incorporating a streamlined approach to assessing an institution's creditworthiness and by including an assessment of its operating controls and contingency procedures.

In 1989 the Federal Reserve issued a policy statement aimed at reducing systemic risk in private, large-dollar payment systems. In part, this policy addressed concerns that efforts to reduce the intraday credit risk borne by the Federal Reserve, such as by reducing net debit caps or charging fees for the use of Federal Reserve daylight credit, would cause risks to be shifted to private networks. By 1984 the New York Clearing House had implemented bilateral credit limits among participants in CHIPS, and by 1986 it had implemented net debit caps. In 1990, the New York Clearing House adopted explicit arrangements for loss sharing and took other steps to strengthen settlement procedures in CHIPS. As a result, the Federal Reserve eliminated its net debit caps on CHIPS positions as of early 1991; the CHIPS caps

4. A discussion of settlement failure scenarios in netting arrangements is in David B. Humphrey, "Payments Finality and Risk of Settlement Failure," in Anthony Saunders and Lawrence White, eds., *Technology and the Regulation of Financial Markets* (Lexington Books, 1986), pp. 97–120.

5. Among the studies on controlling payment system risk were Association of Reserve City Bankers, *Issues and Needs in the Nation's Payments System* (Washington, 1982) and *Risks in the Electronic Payments Systems* (1983); Large-Dollar Payments System Advisory Group, *A Strategic Plan for Managing Risk in the Payments System: Report . . . to the Payments System Policy Committee of the Federal Reserve System* (Board of Governors of the Federal Reserve System for the . . . Advisory Group, 1988); and Task Force on Controlling Payments System Risk, *Controlling Risk in the Payments System: Report . . . to the Payments System Policy Committee of the Federal Reserve System* (Board of Governors of the Federal Reserve System, 1988).

were thereafter monitored automatically within the CHIPS system.

Fee Policy on Daylight Overdrafts

Studies conducted by the private sector and by the Federal Reserve in the late 1980s concluded that charging fees to reduce daylight overdrafts and their associated risk would be preferable to other means, such as collateralization and more restrictive net debit caps. The Federal Reserve also expected fees on daylight overdrafts to provide market-oriented incentives that would distribute Federal Reserve intraday credit more efficiently, that is, to those institutions that value it most highly at a given time. In 1992, after considering public comments, the Federal Reserve Board announced its intention to charge fees for overdrafts, beginning in April 1994, as a supplement to the existing net debit cap policy, which the Board decided to retain in addition to fees. In effect, this decision left institutions with two moderating influences on their use of Federal Reserve credit: a credit limit (the net debit cap) and an explicit price on the use of that credit (the daylight overdraft fee).

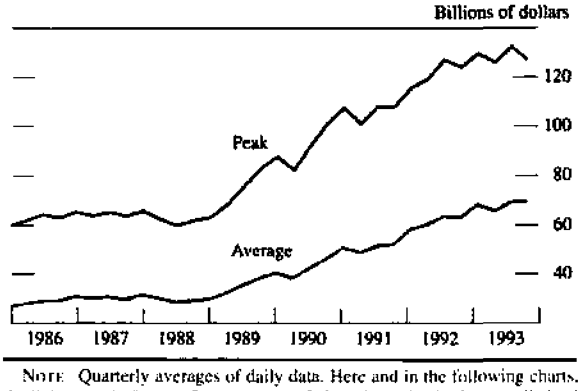
The fee was set at a level intended to be comparable to the cost of measures institutions could take to avoid daylight overdrafts. The Board set the initial fee at an annual rate of 10 basis points (0.10 percent) of chargeable daily daylight overdrafts, effective April 14, 1994. The chargeable overdraft is the institution's average per-minute daylight overdraft for a given day, less a deductible amount equal to 10 percent of its risk-based capital. The Board also scheduled increases in the fee, to 20 basis points in April 1995 and 25 basis points in April 1996, while reserving the right to change the the level of these fees or the timetable for their implementation in light of experience with the program.[6]

In early 1995, the Board determined that a smaller fee increase for April 1995, to 15 basis points, would be more appropriate than the doubling, to 20 basis points, originally planned. At that time, the Board stated that, rather than increase the fee again in April 1996, it intended to wait two years before evaluating the results of the April 1995 increase. The Board's decision to moderate, but not eliminate, the scheduled fee increase was based on three considerations. First, as discussed in greater detail below, the response by depository institutions and their customers to the 10 basis point fee had significantly reduced the use of Federal Reserve daylight credit. Second, the Board believed that some increase would provide a significant incentive for depository institutions and their customers to further evaluate and modify payment practices that create daylight overdrafts. Third, the Board was concerned that the more rapid increase in fees originally planned could cause a substantial volume of large-value payments to be shifted to less secure payment systems and thereby increase payment system risk.

EXPERIENCE WITH THE PAYMENT SYSTEM RISK POLICY: 1986–93

During the period between the imposition of caps in March 1986 and the implementation of fees in April 1994, daylight overdrafts in Federal Reserve accounts increased almost continuously. The increase is evident in two measures of aggregate daylight overdrafts, the peak and the per-minute average (chart 1). The peak daylight overdraft can be viewed as the Federal Reserve's maximum intraday credit exposure to all institutions com-

1. Peak and average daylight overdrafts, 1986–93



NOTE. Quarterly averages of daily data. Here and in the following charts, daylight overdrafts are for accounts of depository institutions at Federal Reserve Banks. For definitions of peak and average, see text note 7.

6. These rates are quoted on a ten-hour basis, which is the current length of the operating day of the Fedwire funds transfer system. On a twenty-four-hour basis, the measure employed in the Federal Reserve's policy statement, the initial fee was 24 basis points, to be increased, in phases, to 60 basis points.

bined, at any particular time during the day; and the average per-minute daylight overdraft is the Federal Reserve's average exposure to all institutions over the course of the day (and is the base upon which daylight overdraft fees are assessed).[7] During the 1986–93 period, peak and average overdrafts both grew at an average annual rate of about 12 percent; in fact, beginning in 1989, overdrafts increased dramatically despite the fact that cap levels had been reduced the year before.

Securities activity on Fedwire appears to have generated much of the rise in overdrafts. Overdrafts related to securities transfers were monitored separately because they were afforded special treatment under the net debt cap policy (as discussed below). Although the method of allocating total daylight overdrafts into a securities-related portion and a funds-related portion is based on an accounting procedure that can be viewed as somewhat arbitrary, the distinction between the two is important to an understanding of the major trends in overdrafts during this period.

Securities-Related Overdrafts

Concerns that caps on securities-related overdrafts might disrupt the government securities market led the Federal Reserve to apply net debit caps at the outset to only the portion of daylight overdrafts not related to transfers of securities through Fedwire. Between 1986 and 1993, the size of securities-related daylight overdrafts more than doubled (chart 2), and their proportion of total overdrafts swelled from about one-half to about two-thirds. In early 1988, the Federal Reserve adopted a $50 million limit on the size of securities transfers to discourage "position building" by dealers, a practice that had contributed to overdrafts.[8] Securities-related overdrafts continued to rise, however. In 1991, the Federal Reserve began including securities-related overdrafts within the measure of overdrafts subject to a cap. But the Federal Reserve allowed financially healthy institutions to exclude securities-related overdrafts from the cap by pledging collateral against those overdrafts, and it mandated pledging of collateral for institutions that breached their cap as a result of frequent and material securities-related overdrafts. Indeed, pledging collateral became standard practice among the small group of securities clearing banks whose customers' activity generated substantial daylight overdrafts. Thus, even after 1991, net debit caps did not have a significant effect on the majority of overdrafts related to securities transfers.

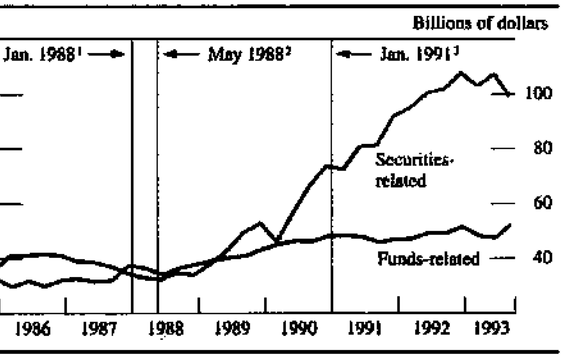
The most likely cause of the sharp rise in securities-related daylight overdrafts during the

7. The aggregate peak daylight overdraft for a given day is the greatest value reached by the sum of daylight overdrafts in Federal Reserve accounts for all depository institutions at the end of each minute during the day. (This measure is not to be confused with the composite peak daylight overdraft, a measure that aggregates all institutions' peak daily daylight overdrafts regardless of their timing.)

The aggregate average per-minute daylight overdraft for a given day is the sum of average per-minute daylight overdrafts for all institutions on that day. An institution's average per-minute overdraft for a given day is the sum of its overdrafts at the end of each minute in the standard operating day of the Fedwire funds transfer system divided by the number of such minutes.

8. Securities dealers would hold securities until near the close of the Fedwire securities transfer system (2:30 p.m. or later) to make sure that they could complete large deliveries first and avoid costly failures to deliver. This practice delayed the receipt of funds into the dealers' accounts and exacerbated daylight overdrafts at major securities clearing banks.

2. Securities-related and funds-related peak daylight overdrafts, 1986–93



NOTE. Quarterly averages of daily data. An institution's securities-related daylight overdraft at any minute during the day is defined as a negative securities-related balance in its Federal Reserve account plus any funds-related positive balance at that minute. The securities-related balance is defined as the sum of all credits and debits from Fedwire securities transfers up until the given minute of the day. The funds-related balance is defined as the sum of each institution's opening balance plus debits and credits for Fedwire funds transfers up to that minute, plus debits and credits for non-Fedwire payments posted according to the daylight overdraft measurement rules in effect at the time (see text).

The Federal Reserve initiated net debit caps in March 1986.

1. First reduction in net debit caps
2. Second reduction in net debit caps.
3. Securities-related overdrafts included in net debit caps.

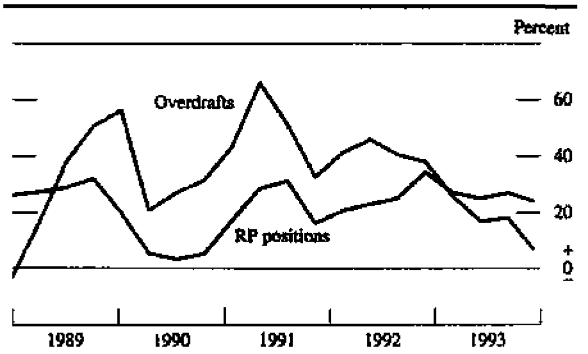
1989–93 period was increased activity in the market for repurchase agreements (RPs). Securities dealers commonly use RPs for overnight or very short term financing of the securities they hold. In the case of overnight RPs, the borrower of funds (or the borrower's clearing bank in the case of nonbank dealers) typically delivers securities used as collateral to the lender in the afternoon and at the same time receives funds in return. In the morning the lender of funds returns the securities (collateral) to the borrower (or its bank) and receives its funds in exchange. When the borrower and the lender do not use the same clearing bank, this process involves tranfers of securities against payment via the Fedwire securities transfer system and typically generates overdrafts in the Federal Reserve accounts of the clearing banks. These overdrafts start in the morning and extend into the afternoon, when new RPs are arranged and settled.

No comprehensive measures of RP market activity are available, but data collected by the Federal Reserve on RP positions of primary dealers in U.S. government securities provides an approximate picture of trends in this market. Indeed, the correlation between the growth in dealer RP positions and securities-related daylight overdrafts over the 1989–93 period has been fairly close (chart 3).

Funds-Related Overdrafts

During the 1986–93 period, net debit caps appear to have been successful in restraining the growth of

3. Changes in average securities-related daylight overdrafts and in repurchase agreement positions of primary dealers, 1989–93



NOTE. See note to chart 2. Data on repurchase agreements are reported monthly in table 1.43 of the *Federal Reserve Bulletin*.

funds overdrafts (those related to Fedwire funds transfers as well as ACH payments, checks, and miscellaneous other payments posted to Federal Reserve accounts). Although not always binding for all institutions, caps provide an incentive to control intraday account balances. For example, to reduce the probability of breaching caps, some institutions have installed automated systems for managing and queuing payments they send.

Moreover, because net debit caps are proportional to each institution's capital base, the growth of funds-related overdrafts, if controlled, is likely to be limited by the overall increase in the capital of institutions that typically incur overdrafts. In fact, during the 1986–93 period, daylight overdrafts related to Fedwire funds transfers and other payments grew at 7 percent annually, on average, roughly in line with growth in aggregate equity capital at all U.S. commercial banks. In turn, that rate was less than the 8 percent growth rate of overall Fedwire funds transfer activity during this period.

The level of funds overdrafts (as well as of total overdrafts) was further affected by an October 1993 change in the method of measuring daylight overdrafts. The Federal Reserve's original method tended to create additional intraday credit ("float") because credits for certain types of non-Fedwire payments were posted before corresponding debits. This float tends to reduce measured overdrafts by providing an implicit source of intraday credit.

The new method of measuring daylight overdrafts was designed to satisfy four basic principles: the measurement method should (1) not provide intraday credit through float, (2) reflect the legal rights and obligations of parties to a payment, (3) allow institutions to control their use of intraday credit, and (4) not give a competitive advantage to the payment services offered by the Reserve Banks. The new method measured daylight overdrafts comprehensively by posting non-Fedwire payments, such as checks and ACH payments, according to a predetermined schedule based on the type of payment and the time it was processed. Fedwire payments continued to be posted to accounts at the time they were executed.

At the time it was implemented, the 1993 change in the method of measurement reduced average net intraday float about $25 billion (as reflected in the level of average net intraday balances—aggregate positive balances less aggregate negative balances). The reduction in float reduced the implicit credit available to cover daylight overdrafts and therefore caused such overdrafts to increase, as measured, roughly $10 billion.[9]

EFFECT OF FEES ON OVERDRAFTS

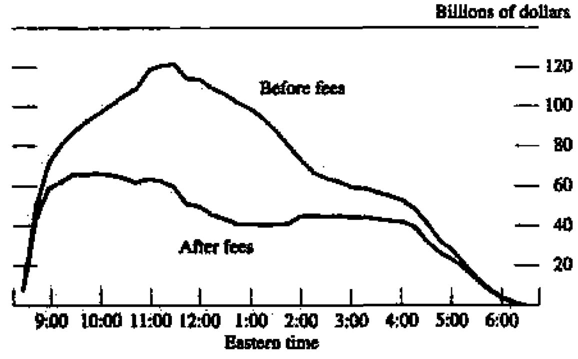
The results of the initial implementation of daylight overdraft fees has constituted the most significant aspect of recent experience under the Federal Reserve's daylight overdraft program. The implementation of the 10 basis point fee on April 14, 1994, had an immediate and dramatic effect on daylight overdraft levels as well as on their typical intraday pattern (chart 4).

All measures of intraday overdrafts declined significantly beginning on April 14, 1994. Indeed, aggregate intraday peak overdrafts fell approximately 40 percent, from nearly $125 billion per day, on average, during the six months preceding April 14, to about $70 billion in the six months following April 14 (chart 5). Average per-minute overdrafts, the base measure upon which fees are assessed, also declined 40 percent, from $70 billion, on average, to $43 billion. Although these data are not adjusted for seasonality and other factors affecting longer-term trends in overdrafts, the direction and general magnitude of the shift is unmistakable. The effect has been proportionally larger for securities-related overdrafts: Over the six months following April 14, securities-related daylight overdrafts decreased about 45 percent, and funds overdrafts decreased about 25 percent.

Preliminary evidence from the April 1995 increase in the fee, to 15 basis points, does not, to date, show a significant additional effect on the level of daylight overdrafts (chart 5 and table 2). Per-minute overdrafts have averaged $43 billion in the six months since the increase in the fee, the same level as during the analogous period in 1994.

9. Although the dollar amount of increased overdrafts was not large relative to peak overdrafts of $130 billion at the time, the new measurement method made compliance with net debit caps difficult for those institutions, mostly smaller, whose payment activity consists primarily of checks or ACH payments. In 1994, the Federal Reserve modified its net debit cap classes and procedures somewhat to avoid undue burden on these institutions.

4. Intraday pattern of daylight overdrafts before and after fees



NOTE. Average at each fifteen-minute interval of the day for the six-month periods before (Oct. 14, 1993, to April 3, 1994) and after (April 14 to Oct. 12, 1994) the implementation of daylight overdraft fees on April 14, 1994.

2. Daylight overdrafts of depository institutions at Federal Reserve Banks and assessed fees, 1994–95

Millions of dollars except as noted

Date	Daylight overdraft fees (dollars)[1]	Biweekly average of daily figures	
		Average per-minute daylight overdraft[2]	Peak daylight overdraft[2]
1994			
Oct. 26	696,804	41,106	66,946
Nov. 9	680,195	40,448	68,574
Nov. 23	660,652	43,247	71,137
Dec. 7	645,067	42,006	65,546
Dec. 21	715,900	42,408	66,675
1995			
Jan. 4	553,912	41,539	61,999
Jan. 18	630,555	42,001	60,822
Feb. 1	716,532	42,430	59,699
Feb. 15	726,262	42,173	59,281
Mar. 1	685,962	44,079	64,789
Mar. 15	746,700	42,896	67,457
Mar. 29	640,989	38,888	62,882
Apr. 12	760,791	44,178	69,180
Apr. 26	855,770	36,635	54,986
May 10	981,653	40,222	62,328
May 24	1,060,085	42,619	67,885
June 7	1,090,718	46,875	74,623
June 21	1,079,596	43,087	72,674
July 5	1,029,200	44,797	69,979
July 19	1,074,798	44,052	68,698
Aug. 2	1,089,331	44,171	68,903
Aug. 16	1,017,343	41,899	70,194
Aug. 30	985,850	41,328	66,648
Sept. 13	1,010,447	44,799	72,925
Sept. 27	1,096,635	44,669	71,770
Oct. 11	1,090,043	46,948	72,932

NOTE. Data for the period Oct. 27, 1993, to Nov. 23, 1994, were reported in the *Federal Reserve Bulletin*, vol. 81 (January 1995), p. 31.

1. For the two-week period ending on the date shown; see text and text note 6 for definition of rate. Two-week fees of $25 or less are waived; neither waived fees nor daylight overdraft penalty fees are included in these totals.

2. See text note 7 for definition.

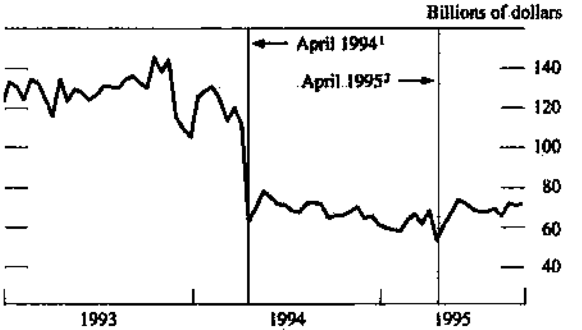
Institutions may have already implemented new systems and procedures in the period leading up to April 1994 based on an expectation that fees would eventually increase to 25 basis points. Alternatively, daylight overdraft levels may not be especially sensitive to relatively small changes in the level of the fee, or other factors may have offset any observable effect from the fee increase.

When viewed over the longer term, the overall reduction in overdrafts has been particularly striking. In constant-dollar terms, the implementation of fees has brought peak daylight overdrafts down below the levels of the mid-1980s (chart 6). Another useful scale by which to analyze long-term trends in overdrafts is the dollar value of payments made over the Fedwire funds and securities transfer system. Relative to the total dollar value of such payments, funds- and securities-related overdrafts have now fallen to about the levels of 1988 (chart 7). This pattern suggests that the explicit charges for the use of Federal Reserve daylight credit has resulted in a significantly more efficient use of such credit for a given volume of payments relative to most of the experience of the last decade.

Distribution of Daylight Overdrafts and Daylight Reserves

In addition to reducing daylight overdrafts in the aggregate, fees have also led to some extent to a redistribution of daylight overdrafts across institutions. Historically, overdrafts have been highly concentrated among a few institutions. In the six months preceding the implementation of fees, for example, the ten institutions with the largest overdrafts accounted for 80 percent of total average overdrafts. The reduction in daylight overdrafts has been similarly concentrated: More than 90 percent of the Systemwide reduction in average overdrafts has come from the six institutions that typically incur average per-minute daylight overdrafts of more than $1 billion; overdrafts among these banks have fallen $25 billion overall, or 45 percent, over the six months before and after the implementation of fees. As a result, the ten institutions with the largest overdrafts now account for about 70 percent of overdrafts.

5. Peak daylight overdrafts, 1993–95

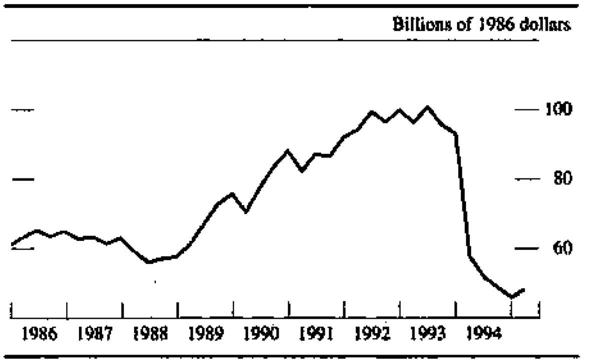


Note. Biweekly averages of daily data, Jan. 6, 1993, to Oct. 11, 1995. See text note 7 for definition of peak daylight overdraft.

1. 10 basis point daylight overdraft fee implemented.

2. 15 basis point daylight overdraft fee implemented.

6. Real peak daylight overdrafts, 1986–95



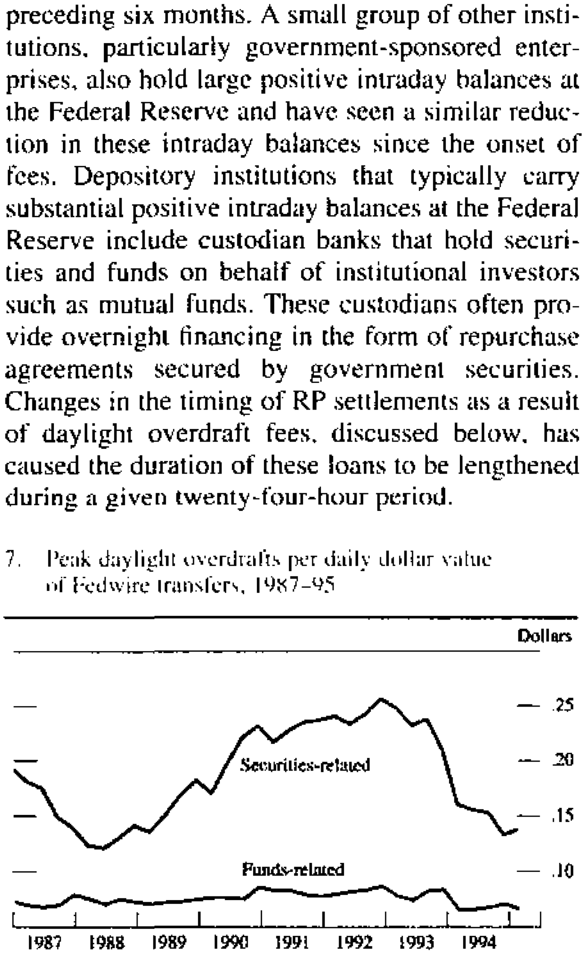
Note. Quarterly averages of daily data adjusted to 1986 dollars using the consumer price index. See text note 7 for definition of peak daylight overdraft.

Under the daylight overdraft fee policy, net debit caps have remained in effect and are not related to the assessment of fees. For all but the largest institutions, net debit caps have continued to act as the more relevant factor constraining daylight overdrafts. For example, even after the 1995 fee increase, only about 90 institutions typically incurred fees of more than $100 in any two-week period. In contrast, caps seemed to be the effective boundary for management of daylight overdrafts for an average of more than 700 institutions (those with peak overdrafts of at least 75 percent of their net debit caps in any given two-week reserve maintenance period and who tended to incur zero or very low fees).

Another important aspect of reduced daylight overdrafts has been the effect on institutions that do not typically incur overdrafts but rather hold positive intraday balances. With the exception of activity that adds or removes intraday reserves from the entire banking system, such as open market operations, changes in intraday float, or changes in Treasury cash balances, Federal Reserve accounts constitute a "closed" system. Thus, in general, for each dollar of a negative balance, or overdraft, in one institution's account, one or more other institutions must hold a corresponding dollar of positive balances. Consequently, with the reduction in daylight overdrafts has come an overall reduction in positive intraday balances in accounts held at the Federal Reserve.

In the six months after the implementation of fees, positive intraday balances held by depository institutions in Federal Reserve accounts averaged about $70 billion, compared with $90 billion in the preceding six months. A small group of other institutions, particularly government-sponsored enterprises, also hold large positive intraday balances at the Federal Reserve and have seen a similar reduction in these intraday balances since the onset of fees. Depository institutions that typically carry substantial positive intraday balances at the Federal Reserve include custodian banks that hold securities and funds on behalf of institutional investors such as mutual funds. These custodians often provide overnight financing in the form of repurchase agreements secured by government securities. Changes in the timing of RP settlements as a result of daylight overdraft fees, discussed below, has caused the duration of these loans to be lengthened during a given twenty-four-hour period.

7. Peak daylight overdrafts per daily dollar value of Fedwire transfers, 1987–95



NOTE. Quarterly averages of daily data. Securities-related overdrafts are shown relative to value of securities transfers originated (excluding reversals). Funds-related overdrafts are shown relative to value of funds transfers originated. See text note 7 and note to chart 2.

EFFECT ON MARKETS

The most noticeable market response to the implementation of fees on daylight overdrafts has been reflected in daily movements of government securities. In response to daylight overdraft fees, U.S. government securities dealers began arranging their financing transactions earlier in the morning and delivering securities used as collateral for RPs more quickly to their counterparties to cover overdrafts caused by early-morning repayment of maturing RPs. Traders reportedly facilitated faster back-office processing by pricing the securities to be used as collateral at the time of the trade rather than later in the morning, as had been the practice. Dealers also completed settlement of many secondary market trades in government securities earlier in the day. These activities not only reduced securities-related overdrafts but shifted the overall intraday peak overdraft to earlier in the day (chart 4).[10]

The anecdotal evidence on the earlier shift in trading and settlement practices in the government securities market is supported by data on the timing of securities transfers over Fedwire. Before April 1994, approximately 30 percent of the total daily value of securities transfers was processed by 10:00 a.m. eastern time, 40 percent by 12 noon, and 90 percent by 2:30 p.m. (chart 8), and Fedwire securities transfer operations were frequently extended to 4:00 p.m. or later because of surges in transfer volume in the early afternoon. These proportions began to rise significantly with the April 1994 implementation of overdraft fees and continued to rise with the April 1995 increase in fees. As a result, the Fedwire securities transfer system has been able to close, on average, within

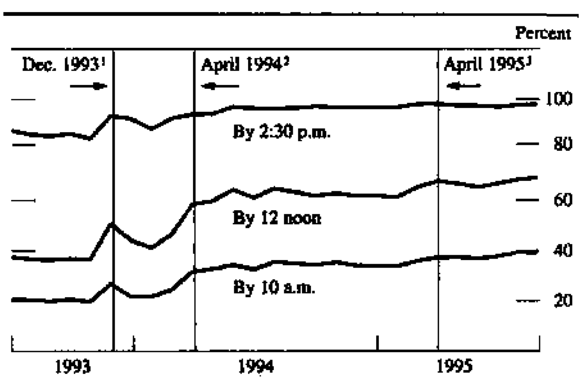
10. To encourage efforts to reduce overdrafts in the months leading up to the implementation of fees in April 1994, the Public Securities Association designated the week of December 6–10, 1993, as "Daylight Overdraft Prevention Week."

The earlier trading in the RP market has not had an adverse effect on implementation of monetary policy. However, to reduce the impact of its own activity on daylight overdrafts, the New York Reserve Bank's Open Market Desk adopted a policy of returning securities held under repurchase agreements later in the morning, at 11 a.m., thereby delaying the receipt of funds from the banking sector. For a discussion of daylight overdraft fees in the context of RP market activity and open market operations, see "Monetary Policy and Open Market Operations during 1994," *Federal Reserve Bulletin* (June 1995), pp. 579–81.

approximately fifteen minutes of its designated final closing time of 3:00 p.m. In part because of this development, the Federal Reserve has now established a firm final closing time of 3:30 p.m., effective January 1996, for the Fedwire book-entry securities transfer system.

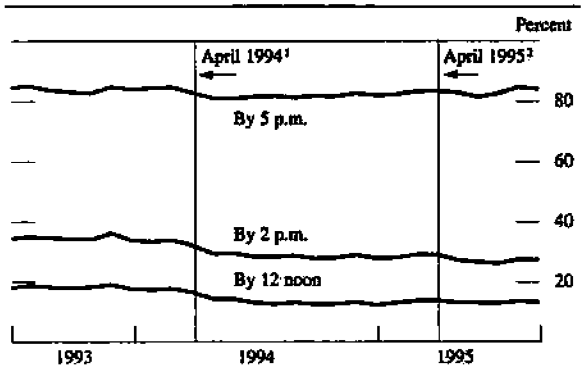
The timing of Fedwire funds transfers, however, has moved in the opposite direction, though in a much less dramatic fashion than securities transfers. After the implementation of daylight overdraft fees, the portion of the total daily value of Fedwire funds transfers originated by noon decreased approximately 5 percent, or roughly $40 billion, relative to the period six months before fees were implemented (chart 9). This pattern is not surprising given that the Federal Reserve account of an institution initiating a Fedwire funds transfer is debited (rather than credited as in the case of a securities transfer). As a result, institutions naturally have an incentive to delay less time-critical payments in order to reduce potential daylight overdrafts. The intraday pattern of funds-related overdrafts has likewise shifted to later in the day as a result of the later average transfer pattern. According to discussions with banks, this shift appears to have been caused more by increased use of their existing funds-transfer queuing capabilities rather than by more explicit measures, such as charging customers higher fees to send payments earlier in the day.

8. Distribution of daily dollar value of Fedwire securities transfers, by time of day, July 1993–Sept. 1995



NOTE. Monthly averages of daily data.
1. Public Securities Association test week; see text note 10.
2. 10 basis point daylight overdraft fee implemented.
3. 15 basis point daylight overdraft fee implemented.

9. Distribution of daily dollar value of Fedwire funds transfers, by time of day, July 1993–Sept. 1995



NOTE. Monthly averages of daily data.
1. 10 basis point daylight overdraft fee implemented.
2. 15 basis point daylight overdraft fee implemented.

Incidence of Fees

In the first twelve months of the daylight overdraft fee program, the Federal Reserve collected a total of $18.5 million in fees from 280 depository institutions. Of these institutions, approximately 110 have incurred charges in at least one of every two reserve maintenance periods. Since the 50 percent increase in the fee in April 1995, overdraft charges have averaged $27 million at an annual rate, and about 120 institutions have incurred fees regularly.

Like daylight overdrafts, daylight overdraft charges have been highly concentrated among a few institutions. In fact, the concentration of fees is even greater than that of overdrafts because of the overdraft deductible and the waiving of fees of less than $25; these features effectively exempt many smaller-overdrafting institutions from daylight overdraft fees in most periods. The ten institutions with the largest charges accounted for 86 percent of the total. The largest U.S. banks (those with assets of more than $10 billion) paid, on average, 92 percent of total charges.

Discussions with larger banks indicate that those incurring the highest charges pass them on to those customers whose activity generates much of the banks' overdrafts. In particular, the securities clearing banks, who have experienced the largest reductions in overdrafts, have charged fees to their securities-dealer customers whose market activity, particularly RP transactions, creates overdrafts in the Federal Reserve accounts of the clearing banks. These customer fees are assessed against measures of the overdrafts in customer accounts. Of course, increases in costs to securities dealers could ultimately be passed on to dealers' customers or to the Treasury in the form of higher borrowing costs; given the amount of fees assessed for securities-related overdrafts relative to the volume of U.S. Treasury and federal agency securities transferred via Fedwire each year, however (roughly $14 million in charges at the current 15 basis point fee versus $145 trillion of securities transfers in 1994), the incremental effect of any fees ultimately passed on to the securities market would be small.

Indirect costs associated with daylight overdraft fees include costs incurred by institutions to reduce overdrafts and avoid fees. Such costs could include the investments by banks in systems to assess fees on customers, automate clearing procedures, or improve control over their cash balances. In addition, some government securities dealers have also reportedly made investments to improve their back-office processing of government securities transactions. Institutions are generally reluctant to provide proprietary information about such costs; a reasonable assumption is that institutions are not likely to have spent more to avoid overdrafts than they would have paid in daylight overdraft fees. An upper bound on this amount is the additional amount of fees that institutions would hypothetically have been assessed in the absence of the dramatic reductions in overdrafts in April 1994. Based on the experience in the six months before the implementation of fees, this amount could have ranged roughly between $15 million and $40 million annually based on daylight overdraft fees of 10–25 basis points.

Private Networks

Since it implemented daylight overdraft fees, the Federal Reserve has taken additional steps to help control risks in the payment system, most recently in the area of multilateral netting systems. The November 1990 *Report of the Committee on Interbank Netting Schemes of the Central Banks of the Group of Ten Countries* (commonly referred to as the "Lamfalussy Report," after the committee's chairman, Alexandre Lamfalussy) identified six minimum standards that should be met by multilateral netting systems. In December 1994 the Federal Reserve Board adopted a revised policy statement on risks in large-value multilateral netting systems, which incorporated the minimum standards in the Lamfalussy report. The Board also stated that it would work with each netting system separately to determine whether higher risk management standards would be appropriate for those systems presenting a potentially higher degree of systemic risk.

Shortly thereafter, in July 1995, the New York Clearing House announced changes to CHIPS rules with the goal of reducing risk while maintaining cost effectiveness and system efficiency.[11] The changes included a 20 percent reduction in CHIPS net debit caps to be implemented in three stages through early January 1997, an increase in the minimum amount of collateral pledged by a participant, a modification to loss-sharing procedures in the event of a multibank default, and certain additional procedures for liquidating collateral pledged by participants. These changes, when implemented, are expected to result in a further increase in the certainty of settlement for payments made via CHIPS.

Potential Future Developments Affecting Daylight Overdrafts

Further changes in market practices, greater use of private payment systems, and further consolidation in the banking system all might affect the volume and distribution of daylight overdrafts in the future.

Changes in Market Practices

Additional changes in market practices, such as increased netting of securities transactions, may have the potential to further reduce daylight overdrafts. For example, the Government Securities Clearing Corporation (GSCC) has recently begun accepting RPs into its trade matching system, and it plans to begin netting RPs in the near future. Netting of RPs would reduce overdrafts to the extent

11. New York Clearing House Association, *CHIPS: Settlement Finality Improvements, Rules and Documents* (July 1995).

that they are caused by movements of securities across Fedwire between GSCC members or their customers.

Some private-sector participants have suggested another potential change—the establishment of settlement "windows" in which the settlement of federal funds transfers would be more closely synchronized, thus reducing the duration of associated overdrafts. Other potential changes in market practices, such as increased use of "rollovers," or continuing contracts, in the federal funds market do not appear to have been implemented widely to date, and the prospects for adoption are unclear.

The development of an intraday funds market, in which institutions engage in explicit lending transactions for periods of several hours, may also be a potential means of reducing overdrafts in Federal Reserve accounts; however, institutions have suggested that such a development may not be cost-effective at the current fee level. Institutions may find other means of charging their counterparties for the use of intraday credit, however, such as by negotiating differential transaction prices based on the timing of settlements for federal funds or RP transactions. Such practices require the ability to monitor closely and to enforce precise settlement times, capabilities that do not currently exist at many institutions.

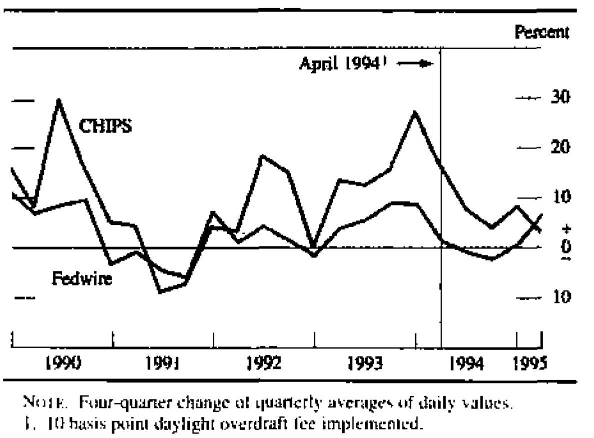
Greater Use of Alternative Payment Systems

Greater use of private payment systems could further trim daylight overdrafts in Federal Reserve accounts by reducing the volume of funds transfers through the Federal Reserve. Whether daylight overdraft fees will drive such a process is unclear, as fees are only one of a large number of factors—including service pricing and other associated costs, risks, and patterns of usage—that may influence choices among payment and settlement systems. For example, although CHIPS has historically been used primarily to settle international transactions, for some purposes market participants may consider CHIPS and Fedwire to be fairly close substitutes. Although the growth in dollar volume on CHIPS has outpaced that on Fedwire over the past few years, the differential does not appear to have become more pronounced since the imposition of fees (chart 10).

Greater use of private systems for securities transfers could also reduce use of daylight credit in Federal Reserve accounts. Participants in such systems would have to weigh costs—such as those of posting additional collateral to support additional clearing activity, as well as differences in settlement timing and finality—against any benefits to be realized from reduced daylight overdrafts in Federal Reserve accounts. Several proposals have been made to clear Fedwire-eligible securities on existing private securities-clearing networks, but no such service has yet been implemented. Some anecdotal reports also cite greater use of "book" transfers of government securities, those in which securities are transferred on the books of a bank rather than through the Fedwire system. This practice may be feasible when, for example, two RP counterparties agree to use the same custodian bank (a "tri-party RP").

In addition, some reports have suggested greater use of what are primarily retail payment systems, such as the ACH system, to settle interbank money market transactions. These systems are not, however, designed with the high levels of security and control over the timing of payments that characterize large-value payment systems. Moreover, their use in large-value transfers would not necessarily reduce daylight overdrafts in Federal Reserve accounts relative to current methods because of differences in the intraday timing of payments posted to Federal Reserve accounts.

10. Change in dollar values of Fedwire and CHIPS funds transfers, 1990–95



NOTE. Four-quarter change of quarterly averages of daily values.
1. 10 basis point daylight overdraft fee implemented.

Increased Consolidation in the Banking Industry

The current trend toward greater consolidation in the banking industry may well continue. Moreover, in July 1997, nationwide interstate branch banking will become effective in states that have not explicitly "opted out." As a result, holding companies may convert some or all of their banks into branch banking organizations. Thus, many payments that are currently settled between two banks within a holding company may become transactions processed on the books of a single interstate bank. This may, in turn, result in fewer payments and associated daylight overdrafts being recorded on the books of the Federal Reserve Banks.

CONCLUSION

The introduction of daylight overdraft fees has reduced the level of daylight overdrafts in Federal Reserve accounts, the aggregate amount of daylight credit provided by the Federal Reserve, and the associated direct credit risk, with little evidence of disruption in the payment system or in the financial sector generally. That such a large reduction in overdrafts was the result of a relatively small fee suggests that the economic inefficiencies created by the provision of free daylight credit by the Federal Reserve were substantial. To date, the response to the fees has been largely reflected in changes in practices in the government securities market, and the incidence of fees has fallen primarily on the largest depository institutions and dealers in government securities.

When the Federal Reserve Board in April 1995 increased the daylight overdraft fee to 15 basis points, it recognized that significant progress had been made in reducing overdrafts. Additional time would be needed, however, to encourage the study and evaluation of further changes in practices and market conventions that could help reduce overdrafts. Thus, the Board stated that it will evaluate the desirability of any additional changes in the fee after two years in light of experience with the current fee and the overall objectives of the payment system risk program. □

Treasury and Federal Reserve Foreign Exchange Operations

This quarterly report describes Treasury and System foreign exchange operations for the period from July 1995 through September 1995. It was presented by Peter R. Fisher, Executive Vice President, Federal Reserve Bank of New York, and Manager for Foreign Operations, System Open Market Account. Soo J. Shin was primarily responsible for preparation of the report.[1]

During the third quarter of 1995, the dollar rose 17.6 percent against the Japanese yen, 3.3 percent against the German mark, 2.1 percent against the Mexican peso, and 3.2 percent on a trade-weighted basis against other G-10 currencies, but it fell 2.3 percent against the Canadian dollar.[2] The dollar's appreciation reflected relative changes in market participants' expectations of economic performance and of the associated monetary policy reactions of Japan, Germany, and the United States. Exchange market cooperation among the monetary authorities also contributed to the dollar's upward trend.

The U.S. monetary authorities intervened in the foreign exchange markets on three occasions during the quarter—July 7, August 2, and August 15—purchasing a total of $1.533 billion against the German mark and the Japanese yen. On each occasion, the dollar purchases by the U.S. monetary authorities were divided evenly between the Federal Reserve System and the U.S. Treasury Department's Exchange Stabilization Fund (ESF). In other operations, Mexico drew a total of $2.5 billion on its medium-term swap facility with the ESF. The ESF and the Federal Reserve also renewed short-term swap facilities for Mexico, each in the amount of $1 billion, for an additional ninety days.

CHANGING GLOBAL ECONOMIC OUTLOOK

Even though the dollar had previously risen from the historic lows against the yen and the mark recorded in March and April, many market participants still perceived the dollar as undervalued at the beginning of the third quarter, but they remained unsure of factors or conditions that might prompt a sustained upward trend in the dollar's value. Moreover, as suggested by implied yields on interest rate futures contracts, market participants had come to expect that the Federal Reserve would ease the federal funds rate as much as 50 basis points by year-end and that the Bank of Japan might ease call rates again but by a smaller increment (roughly 25 basis points). Meanwhile, market participants held disparate views on the outlook for Bundesbank monetary policy, with some expecting an interest rate easing and others expecting no change. Expectations among market participants reflected concerns that (1) the U.S. economy might slip into recession, (2) the Japanese economy was unlikely to react to further monetary easing, and (3) the German economy would moderately grow.

In July, however, soon after the Federal Reserve's widely anticipated reduction in the federal funds rate of 25 basis points, different expectations about the three major industrial economies began to emerge. In Japan, monetary, fiscal, and regulatory actions undertaken by the Japanese authorities increased confidence among market participants that the authorities were prepared to actively address the economy's weakness. The perception of softness in the German economy became more pronounced. In the United States, however,

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

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

fears of a material economic slowdown abated as the likelihood of achieving steady growth increased while hints of an economic rebound emerged later in the quarter. Supported by these developments, the dollar rose 15.4 percent against the Japanese yen and 7.0 percent against the German mark by mid-August to reach ¥97.65 and DM 1.4775 respectively. From the historical lows of ¥79.75 and DM 1.3438 that had been reached on April 19 and March 8 respectively, the dollar had risen 22.4 percent against the Japanese yen and 9.9 percent against the German mark.

Beginning in mid-August, the mark's downward trend halted while the yen continued to depreciate against most other currencies. Then in late September, the mark appreciated sharply against most other European currencies as concerns grew about Europe's political and fiscal prospects and the achievability of European monetary union (EMU) as scheduled. Doubts about France and Italy, in particular, prompted a general flight to German marks from French francs, Italian lira, and other currencies from European countries where high unemployment and concerns about fiscal consolidation persisted.

This sharp rise in the mark negatively affected the dollar. Having reached a fifteen-month high of ¥104.68 and a seven-month high of DM 1.5045 by mid-September, the dollar gave up some of its gains in the third week of September as a combination of events initiated a bout of profit-taking on long-dollar positions. The dollar consolidated at the end of the month, however, and closed the quarter at ¥99.55 and DM 1.4273.

Japanese Policy Measures Contribute to the Dollar's Rally

At the start of the quarter, market participants remained wary of further risks of deflation in Japan, associated deterioration in the Japanese financial system, and persistent, large trade and current account surpluses. Without immediately apparent

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

Item	Balance, June 30, 1995	Quarterly changes in balances by source				Balance, Sept. 30, 1995
		Net purchases and sales[1]	Impact of sales[2]	Investment income	Currency valuation adjustments[3]	
FEDERAL RESERVE						
Deutsche marks	13,936.0	−200.0	−11.9	147.7	−442.0	13,429.8
Japanese yen	8,931.4	−566.7	−24.8	33.6	−1,220.7	7,152.9
Mexican pesos[4]	967.5	−14.1	.0	14.1	−11.3[5]	956.2
Interest receivables[6]	126.0	...	...	...	...	114.1
Total	23,960.8	...	...	...	...	21,653.0
U.S. TREASURY EXCHANGE STABILIZATION FUND						
Deutsche marks	7,153.2	−200.0	−11.9	77.6	−223.7	6,795.1
Japanese yen	12,843.9	−566.7	−24.8	40.8	−1,784.0	10,509.3
Mexican pesos[4]	9,000.0	2,485.9	.0	14.1	.0[5]	11,500.0
Interest receivables[6]	72.8	...	...	...	...	304.0
Total	29,069.9	...	...	...	...	29,108.5

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

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

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

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

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

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

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

remedies for these problems, market participants anticipated a renewed ascent in the Japanese yen.

Several policy actions taken by the Japanese authorities in July and August, however, prompted a shift in expectations. These policy actions were perceived as enhancing the prospects for Japan's economic recovery, and they sparked a sharp rally in the dollar against the yen. On July 7 the Bank of Japan guided the overnight call money rate to a historic low of 0.75 percent, below the official discount rate (ODR). Market participants immediately began to anticipate a near-term reduction in the ODR, which would further reduce Japanese interest rates and weaken the yen.

On August 2 the Ministry of Finance announced a series of deregulatory measures aimed at encouraging Japanese investment abroad, including changes that would allow Japanese financial institutions to participate fully in longer-maturity, non-yen-denominated loan facilities. The measures were well received by market participants as deliberate steps to weaken the yen and address domestic deflationary pressures. Although a surge in Japanese purchases of overseas assets was not observed immediately after the announcement of the deregulatory package, market participants noted broad-based sales of yen against a variety of currencies and unwinding of currency hedges by Japanese investors on their existing foreign assets. On August 15, following the release of a lower-than-expected Japanese trade surplus, the dollar rose above ¥94.50 in Tokyo trading; for technical traders, the breach of this important level signified a change in the dollar's five-year downward trend against the yen.

In addition, confidence in Japan's resolve to deal with the problems of nonperforming loans and a weak financial sector increased following the authorities' swift response to the failure of three Japanese financial institutions. The closure of Cosmo Credit Corporation, Japan's fifth largest credit union, was announced on July 31. Subsequently, on August 30, the Japanese authorities announced the failures of Hyogo Bank and Kizu Shinyo Kumiai ("Kizu") credit union, Japan's largest second-tier regional bank and largest credit union respectively. On August 28 the resolution of the Cosmo case was announced jointly by the Ministry of Finance and the Tokyo metropolitan authorities. This announcement was followed promptly by (1) the August 30 announcement by Governor Matsushita, of the Bank of Japan, of the plan to reconstruct Hyogo bank and (2) the Osaka Prefecture's decision to suspend Kizu's operations. On August 30 the dollar surged to a seven-month high of ¥99.40 as anticipation began to mount that the Japanese authorities would announce broad-based measures to strengthen the banking system.

Over the subsequent three weeks, the yen continued to depreciate, particularly after the Bank of Japan on September 8 lowered the ODR 50 basis points, to 0.50 percent, and guided the call money rate below the ODR. Increasingly, market participants turned their attention toward the economic stimulus package scheduled to be unveiled on September 20. In the run-up to the package, the dollar rose to ¥104.68, as market participants anticipated another clear effort by the Japanese authorities to weaken the yen.

The German Economy Appears to Slow while U.S. Economy Shows Signs of Quickening Activity

At the start of the quarter, market participants generally expected German economic growth to remain moderate, prices to stabilize, and official interest rates to remain unchanged. Over the course of July and August, however, expectations of German economic growth shifted perceptibly lower. The lack of reliable official data, as government agencies were in the process of recalibrating several key statistics, caused some confusion among market participants. Available data and surveys of the industrial sectors suggested low inflation and weak current activity, which, coupled with weak M3 money supply growth, contributed to lower economic growth forecasts and increased expectations for monetary easing in Germany. Indeed, on August 9, the Bundesbank guided the repo rate lower by 5 basis points to 4.45 percent. This was the first appreciable cut since early April 1995, and it gave rise to expectations that the Bundesbank had begun a process of gradual monetary easing. As anticipated, the Bundesbank lowered the repo rate six more times in the following weeks, bringing the cumulative repo rate reductions during the quarter to 42 basis points, down 4.08 percent. In addition, on August 24 the Bundesbank reduced both its discount and Lombard rates 50 basis points, to 3.5 percent and 5.5 percent respectively. After the reduction in official German interest rates, the dollar rose as high as DM 1.4990 in late August.

As perceptions of a slowing German economy became increasingly widespread, the notion that the U.S. growth rate may have hit a trough became more prevalent in August. Within a few days after the U.S. monetary easing on July 6, market participants substantially scaled back their expectations for further easing, as reflected in the rise in implied yields on interest rate futures contracts. Implied yields moved gradually upward throughout July and most of August after a series of stronger-than-expected data releases—particularly June nonfarm employment, June retail sales, and second-quarter growth of gross domestic product—all of which were released in July. These releases were followed by the Philadelphia Federal Reserve Bank's diffusion index in late September, which similarly pointed to better-than-expected economic conditions in the United States.

Notwithstanding the diverging economic outlooks for Germany and the United States, participants in the foreign exchange market appeared to lack sufficient confidence in forecasts that called for improving U.S. economic activity and for slowing German economic growth. In July the dollar moved only slightly higher against the German mark, hovering near DM 1.3900. Although the dollar appreciated against the mark in the first two weeks of August, its move upward appeared to follow in sympathy with the dollar's move against the yen rather than to reflect the shifting U.S. and German economic outlooks.

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

Millions of dollars

Period and item	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
Valuation profits and losses on outstanding assets and liabilities, June 30, 1995		
Deutsche marks	3,433.5	1,342.0
Japanese yen	3,454.8	4,966.4
Total	**6,888.3**	**6,308.5**
Realized profits and losses from foreign currency sales,[1] June 30–Sept. 30, 1995		
Deutsche marks	39.8	27.4
Japanese yen	192.9	193.0
Total	**232.7**	**220.4**
Valuation profits and losses on outstanding assets and liabilities, Sept. 30, 1995[2]		
Deutsche marks	2,939.8	1,079.0
Japanese yen	2,016.4	2,964.7
Total	**4,956.3**	**4,043.7**

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

1. As indicated in table 1, foreign currency sales totaled $400 million against German marks and $1,133.3 million against Japanese yen.

2. Valuation profits or losses are not affected by peso holdings, which are canceled by forward contracts.

The U.S. Monetary Authorities Intervene on Three Occasions

The first intervention operation of the quarter was undertaken on July 7, when the dollar reached a high of ¥86.20 after the monetary easing by the Japanese authorities. The Federal Reserve Bank of New York's Foreign Exchange Desk entered the New York market on behalf of the U.S. monetary authorities and purchased $333.3 million against the yen. This operation was coordinated with the Japanese monetary authorities. The dollar reached a high of ¥87.15 after the intervention and before closing the New York trading session at ¥86.70.

On August 2 the Desk again entered the New York market after the dollar had risen to ¥90.15 following the announcement of Japanese measures to promote overseas investment and loans. The Desk purchased $500 million against the yen on behalf of the U.S. monetary authorities. This operation was also coordinated with the Japanese monetary authorities. The dollar strengthened after the intervention and closed the New York trading session at ¥90.99, near the day's high.

On both occasions, the U.S. Treasury confirmed the operation. As the intervention began on August 2, Treasury Secretary, Robert E. Rubin, issued the following statement:

> We welcome the actions taken by the Japanese authorities to remove impediments to capital movements. These actions and our joint operations are consistent with the April 25 G-7 communiqué.

In the subsequent weeks, shifting economic expectations combined with the concerted official intervention contributed to the dollar's appreciation against the yen. In addition, natural buyers of dollars, who in previous months had lagged their purchase requirements in anticipation of more advantageous levels, hastened to buy as the dollar rose. In the first weeks of August, natural sellers of dollars, including Japanese exporters, stayed on the sidelines, thereby allowing the dollar to rise. Many natural sellers, motivated by their concerns about the future depreciation of the dollar, had accelerated their selling efforts in the earlier months and had already largely fulfilled their then-current selling needs.

The third operation, on August 15, was coordinated with the Japanese monetary authorities and the Bundesbank. The Desk entered the markets in London, Frankfurt, and New York and purchased $300 million against the Japanese yen and $400 million against the German mark. The dollar was trading near ¥95.02 and DM 1.4476 as the operation began. After the intervention, the dollar rose to highs of ¥96.98 and DM 1.4795 before declining modestly to close at ¥96.81 and DM 1.4765. In the next few days, market participants gained confidence in the view that the U.S. Administration supported a stronger dollar not only against the yen but also against other currencies.

Market Reexamines European Political and Fiscal Prospects

In July and August the French franc, Italian lira, and other major European currencies strengthened against the mark, benefiting from a combination of factors, including expectations of gradual monetary easing in Germany, continued investment shifts into higher-yielding markets, greater seasonal tourism flows into southern European countries, and modest optimism of fiscal tightening in most European countries. By mid-August, the French franc and Italian lira strengthened against the German mark, reaching a thirteen-month high of FRF 3.4014 and a six-month high of ITL 1084.70 respectively. Against the background of continuing positive performance in high-yielding markets and positive comments from local government officials, market participants became more confident that fiscal deficits in several European countries would improve sufficiently to meet the targets established for EMU.

In late August, however, upward momentum of major European currencies against the German mark began to dissipate as concerns surrounding the process of EMU reemerged. The unexpected resignation on August 25 of French Finance Minister Madelin cast doubts on the prospects of fiscal contraction in Europe, particularly after reports that Madelin had been forced to resign because of his support for cuts in aggressive public spending. In this context, the German mark appreciated against other European currencies from mid-August to mid-September, and, in turn, as the mark strengthened, the dollar's upward trend began to encounter some resistance.

Dollar Retraces its Gains Late in the Period

Toward the end of the quarter, the dollar retraced some of its earlier gains as a confluence of events in Japan, Europe, and the United States triggered dollar selling. Early on September 20, after the release of Japan's much-awaited economic stimulus package, the dollar came under pressure against the yen. In the days before the release of the package, comments from Japanese government officials led to heightened expectations of a significant stimulus package that would help revive the Japanese economy. Some market participants even began to speculate that the package would encompass not only fiscal measures but also significant regulatory changes and financial sector support, despite earlier indications from Japanese officials that the package would not include such measures. Although the ¥14.2 trillion package was somewhat larger than originally anticipated, the measures were generally as expected and did not include any new deregulatory or banking initiatives. In the event, speculative players began to unwind their long-dollar and short-yen positions that were established in anticipation of the release of the stimulus package.

Also on September 20, European financial markets came under sharp selling pressure after reports of comments by several German officials sparked intensified skepticism about the viability of EMU. German Finance Minister Waigel reportedly stated that Italy was unlikely to qualify for the initial group of states forming a single currency. In addition, news reports indicated that Bundesbank Council member Jochimsen had emphasized the importance of member states' strict adherance to the Maastricht Treaty and suggested that France and Belgium might not meet EMU entry criteria. Earlier on the same day, the official presentation of France's 1996 budget had elicited little initial reaction among market participants, though some analysts voiced skepticism about the budget's targets; following reports of the German officials' comments, however, skepticism escalated concerning the fiscal situations in various European countries. Market participants became more nervous as they began to focus more closely on the forthcoming presentation of Italy's 1996 budget. During the week of September 18, the German mark rose 4.6 percent against the Italian lira, to ITL 1130.73, and 0.7 percent against the French franc, to FRF 3.4645. This upward pressure on the mark within Europe placed downward pressure on the dollar in the subsequent days.

3. Currency arrangements
Millions of dollars

Institution	Amount of facility	Outstanding, Sept. 30, 1995
FEDERAL RESERVE RECIPROCAL ARRANGEMENTS		
Austrian National Bank	250	0
National Bank of Belgium	1,000	
Bank of Canada	2,000	
National Bank of Denmark	250	
Bank of England	3,000	
Bank of France	2,000	
Deutsche Bundesbank	6,000	
Bank of Italy	3,000	
Bank of Japan	5,000	0
Bank of Mexico [1]		
Regular swaps	3,000	1,000
Temporary swaps	3,000	
Netherlands Bank	500	
Bank of Norway	250	
Bank of Sweden	300	
Swiss National Bank	4,000	
Bank for International Settlements		
Dollars against Swiss francs	600	
Dollars against other authorized European currencies	1,250	
Total	35,400	1,000
U.S. TREASURY EXCHANGE STABILIZATION FUND		
Deutsche Bundesbank	1,000	0
Bank of Mexico [1]		
Regular swaps	3,000	1,000
United Mexican States [1]		
Medium-term swaps	...	10,500
Total [1]	...	11,500

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

The dollar's decline was aided by the September 20 release of worse-than-expected U.S. trade data for July, which disappointed some market participants who had been hoping for evidence of an improvement in the U.S. trade and current account balances. In the background, some market participants noted growing concern about the debate between the Administration and the Congress regarding the budget process and debt limit extension, which triggered some concerns of possible disruptions to the upcoming Treasury auctions.

Between September 20 and 22, the combination of events outlined above prompted severe selling pressure on the dollar. The dollar fell 4.7 percent against the German mark and 4.4 percent against the Japanese yen to close at DM 1.4225 and ¥99.90 respectively on September 22. Market participants, many of whom had reportedly established long positions in European currencies and short positions in the German mark during the summer, began to sell European currencies against the mark. The effect on the dollar was accentuated by investors' sales of dollars for marks as a proxy for the less liquid cross exchange rates between the European currencies and the German mark.

DOLLAR STABILIZES IN A NARROW RANGE

In the final week of September, after the adjustment of long-dollar positions had tapered off, the dollar recovered partially and consolidated in trading ranges of DM 1.42 to DM 1.44 and ¥99 to ¥101. The dollar closed the quarter at DM 1.4273 and ¥99.55.

CANADA

Over the quarter, the Canadian dollar was buffeted by shifting prospects concerning Quebec sovereignty and Quebec's relationship with the rest of Canada. Early in the quarter, the Canadian dollar traded with a firmer tone as several polls showed dwindling support for separation. As the currency firmed, the Bank of Canada lowered short-term interest rates. Specifically, on July 6, immediately following the FOMC's decision, the Bank of Canada reduced its overnight call target range 25 basis points. In the following weeks the Bank of Canada lowered interest rates three more times to arrive at the end-of-quarter overnight range of 6.00 percent to 6.50 percent, 175 basis points below the recent peak in early May.

In late August the Canadian dollar rallied to a nineteen-month high of Can$1.3345. In early September, however, the Canadian dollar came under pressure after the official launch of the Quebec referendum campaign. The referendum, set for October 30, proposed sovereignty in conjunction with economic and political links with the rest of Canada.[3] Following the release of the official referendum question, the Canadian currency declined almost 2.4 percent as polls indicated growing support for Quebec sovereignty. In the final weeks of the quarter, however, polls began to indicate an improved outlook for a "no" outcome in the referendum. The Canadian dollar recovered much of its losses of the earlier weeks and consolidated in a narrower range, ending the quarter at Can$1.3416.

MEXICO

Over the quarter, the peso declined 2.1 percent against the dollar to close at NP 6.377, from its second-quarter close of NP 6.245. At the outset of the quarter, the perception became more widespread that the Mexican authorities were conducting appropriately tight monetary and fiscal policies as inflation and interest rates declined from April highs, that the government would be able to meet heavy *tesobono* maturities in July and August, and that official transparency was improving.

Given these improvements, and against the backdrop of an easing of U.S. interest rates, Mexican markets rallied, and the peso traded to a 1995 high against the dollar of NP 5.98. In this environment, Mexico returned to the international capital markets, successfully launching several international bond issues during the period. At the same time, Mexican authorities took steps to reduce the peso's volatility in the context of a floating exchange rate. In particular, the Bank of Mexico encouraged the early redemption of maturing dollar-indexed *tesobonos* directly through the central bank to minimize spikes in dollar demand during a period of heavy *tesobono* maturities. During the quarter, maturing *tesobonos* totaled $7.4 billion, reducing the outstanding balance to $2.6 billion from $29.2 billion at the beginning of the year. In addition, dollar borrowings from the central bank's Fondo Bancario de Protección al Ahorro lending facility were reduced to zero, as local banks continued to find alternative sources of dollar funding.

For most of the quarter, the peso traded in a range of approximately NP 6.00 to NP 6.30 against the dollar. As concern about default dissipated, many market participants shifted their focus to Mexico's longer-term prospects, cautiously assessing the timing and sources of a return to economic growth and the effect of banking system problems. In the past few weeks of the period, amid several uncertainties on the domestic front, spillover from events elsewhere in Latin America, and usual quarter-end pressures, the peso's decline accelerated slightly to close at NP 6.3770.

The Mexican authorities drew $2.5 billion on July 5 on their medium-term facility with the ESF, bringing the total amount drawn by Mexico under the Medium-Term Stabilization Agreement to

4. Drawings and repayments (−) by Mexican monetary authorities

Millions of dollars

Item	Outstanding, June 30, 1995	July	Aug.	Sept.	Outstanding, Sept. 30, 1995
Reciprocal currency arrangements with the Federal Reserve					
Bank of Mexico (regular)	1,000	0	1,000[1] −1,000[1]	0	1,000
Currency arrangements with the U.S. Treasury Exchange Stabilization Fund					
Bank of Mexico (regular)	1,000	0	1,000[1] −1,000[1]	0	1,000
Medium-term	8,000	2,500	0	0	10,500

NOTE. Data are on a value-date basis.

1. Drawing of February 2 was renewed on August 1 for an additional three months.

3. The referendum question was introduced in the Quebec National Assembly on September 7, 1995. It reads as follows. "Do you agree that Quebec should become sovereign, after having made a formal offer to Canada for a new economic and political partnership, within the scope of the bill respecting the future of Quebec and the agreement signed on June 12, 1995?"

$10.5 billion. In addition, on August 1 the ESF and the Federal Reserve System renewed the Bank of Mexico's short-term swaps, each for $1 billion, for an additional three months.

Treasury and Federal Reserve Foreign Exchange Reserves

The U.S. monetary authorities intervened three times during the period, buying a total of $1.133 billion against the Japanese yen and $400 million against the German mark. On all three occasions, intervention operations were divided equally by the Federal Reserve System and the ESF. On July 3 the Treasury issued $2.5 billion of special drawing rights certificates to Federal Reserve Banks.

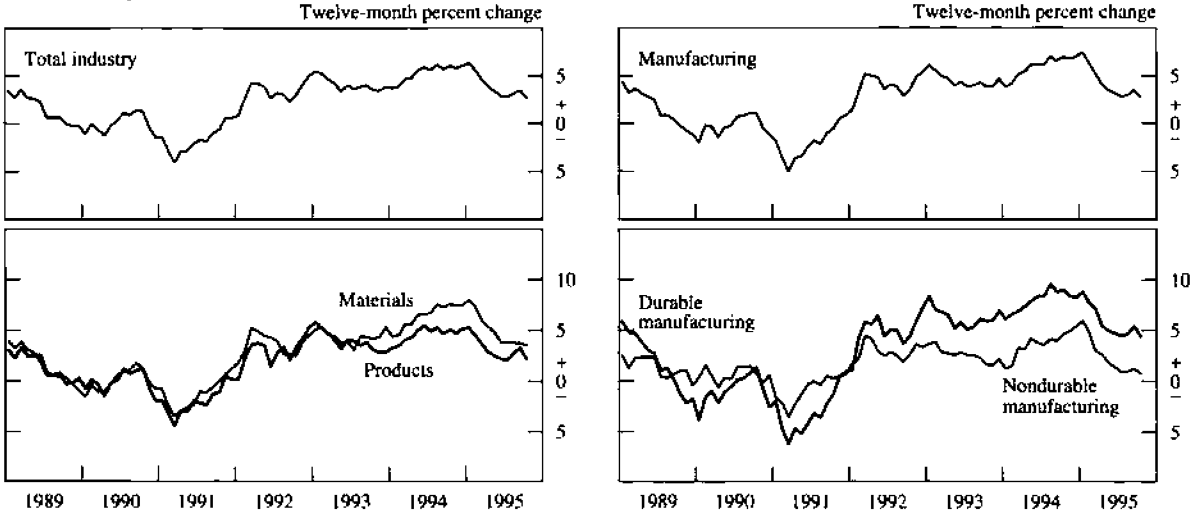
At the end of the period, the current values of the foreign exchange reserve holdings of the Federal Reserve System and the ESF were $21.7 billion and $29.1 billion respectively. The U.S. monetary authorities regularly invest their foreign currency balances in a variety of official instruments that yield market-related rates of return and have a high degree of liquidity and credit quality. A significant portion of the balances is invested in foreign government-issued securities. As of September 30 the Federal Reserve and the ESF held, either directly or under repurchase agreement, $7.7 billion and $11.2 billion respectively in foreign government securities. □

Industrial Production and Capacity Utilization for October 1995

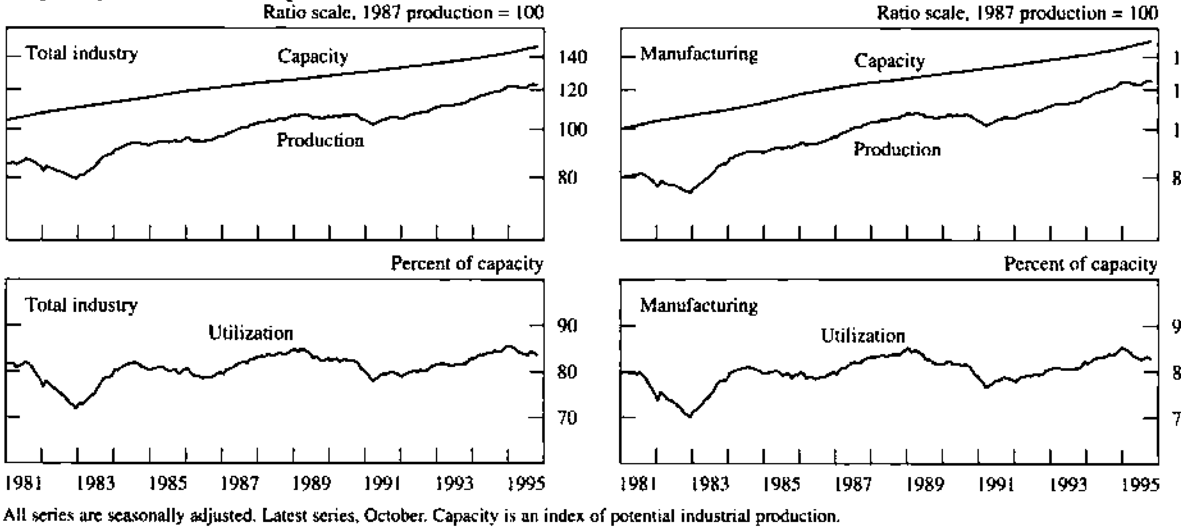
Released for publication November 15

Total industrial production declined 0.3 percent in October after having edged up a revised 0.1 percent in September. Overall industrial production was held down by a strike at a major aircraft manufacturer, which sharply curtailed the output of business equipment. Excluding the effects of the aircraft strike, industrial production decreased 0.1 percent. A decline in motor vehicle assemblies

Industrial production indexes



Capacity and industrial production



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

Industrial production and capacity utilization, October 1995

Category	Industrial production, index, 1987 = 100								
	1995				Percentage change				
					1995 [1]				Oct. 1994 to Oct. 1995
	July r	Aug. r	Sept. r	Oct. p	July r	Aug. r	Sept. r	Oct. p	
Total	**121.5**	**122.9**	**123.1**	**122.7**	**.1**	**1.2**	**.1**	**–.3**	**2.7**
Previous estimate	121.5	122.9	122.6	...	.2	1.1	–.2	...	...
Major market groups									
Products, total [2]	118.6	120.0	120.2	119.4	.1	1.2	.1	–.6	2.2
Consumer goods	114.4	116.0	115.7	115.2	–.5	1.5	–.3	–.5	1.9
Business equipment	157.0	159.3	160.9	159.6	.9	1.5	.9	–.8	5.8
Construction supplies	107.8	108.1	109.3	108.7	.6	.3	1.1	–.6	–1.0
Materials	126.1	127.4	127.5	127.7	.2	1.1	.1	.2	3.5
Major industry groups									
Manufacturing	123.2	124.5	125.1	124.8	.0	1.0	.5	–.2	2.8
Durable	130.8	132.8	134.1	133.6	.2	1.6	.9	–.3	4.4
Nondurable	114.7	115.1	115.1	115.1	–.3	.4	.0	–.1	.8
Mining	100.9	100.2	100.5	98.7	.5	–.7	.3	–1.8	–.4
Utilities	123.7	128.5	122.9	122.4	1.4	3.9	–4.4	–.4	4.5

Category	Capacity utilization, percent								MEMO Capacity, percentage change, Oct. 1994 to Oct. 1995
	Average, 1967–94	Low, 1982	High, 1988–89	1994	1995				
				Oct.	July r	Aug. r	Sept. r	Oct. p	
Total	**82.0**	**71.8**	**84.9**	**84.4**	**83.6**	**84.3**	**84.1**	**83.6**	**3.6**
Previous estimate	...	...	...	...	83.6	84.2	83.8	...	...
Manufacturing	81.3	70.0	85.2	83.8	82.5	83.1	83.3	82.8	4.1
Advanced processing	80.7	71.4	83.5	82.1	81.1	82.0	82.1	81.7	4.6
Primary processing	82.5	66.8	89.0	88.3	86.2	86.1	86.3	85.8	2.8
Mining	87.4	80.6	86.5	89.0	90.6	90.0	90.3	88.7	–.1
Utilities	86.7	76.2	92.6	86.4	90.2	93.6	89.4	88.9	1.5

NOTE. Data seasonally adjusted or calculated from seasonally adjusted monthly data.

1. Change from preceding month.

2. Contains components in addition to those shown.

r Revised.

p Preliminary.

was the largest factor in the overall weakening in the production of consumer goods. In addition, the output of construction supplies declined. Apart from the effects of the aircraft strike, however, the output of materials and business equipment posted small gains. At 122.7 percent of its 1987 average, industrial production in October was 2.7 percent higher than a year ago. Capacity utilization declined 0.5 percentage point, to 83.6 percent.

When analyzed by market group, the data show that the output of consumer goods declined 0.5 percent in October. A drop in motor vehicle assemblies accounted for nearly half of the decline. The production of nondurable consumer goods edged down as the output of clothing and of energy products, such as gasoline, fell sharply and more than offset a further rise in the production of consumer chemical products; the production of other consumer nondurables was little changed. The production of business equipment fell 0.8 percent; however, excluding the effects of the aircraft strike, output in this sector rose about 0.3 percent. The production of information processing equipment, which includes computers and communication equipment, rose sharply further. However, the production of industrial equipment, which had grown rapidly earlier this year, was about unchanged in both September and October; in addition, the output of transit equipment other than aircraft fell sharply.

The output of materials edged up for a second successive month, mainly reflecting gains in the production of durables; the output of components for high-technology equipment has been particularly strong. The output of nondurable materials, which had weakened over the third quarter, was little changed; the production of textiles and paper remained weak. The output of energy materials fell, mainly because of a decline in coal mining.

When analyzed by industry group, the data show that the output of manufacturing decreased 0.2 percent in October after an upward revised gain of 0.5 percent in September; the aircraft strike accounted for all of the October decline. Excluding the aircraft strike, the output of durable manufacturing was about flat. Among the other major industries, the production of motor vehicles and parts, primary metals, and lumber products fell; however, the output of both industrial and electrical machinery rose sharply. The output of nondurable manufacturing remained sluggish, with ongoing weakness in apparel, textiles, and paper; over the past few months, only chemical products and rubber and plastic products have shown signs of strength.

Capacity utilization in manufacturing declined 0.5 percentage point, to 82.8 percent; the strike-related plunge in aircraft production accounted for about half of this overall drop. Utilization in both the primary- and advanced-processing industries also declined about ½ percentage point, with the effects of the aircraft strike concentrated in the advanced-processing aggregate. Even with the flattening in manufacturing output, operating rates for most major industries were still noticeably above their 1967–94 averages, with the gains in industrial and electrical machinery the most pronounced. The operating rates in mining and at utilities both declined.

NOTICE

An annual revision to the measures of industrial production, capacity, and capacity utilization is scheduled to be published on November 30, 1995. The revisions to the production indexes begin with January 1991 and will incorporate updated figures from the 1992 *Census of Manufactures*, new results from the 1993 *Annual Survey of Manufactures*, more comprehensive physical data on mining and utilities for 1994, and updated monthly source data, seasonal factors, and productivity relationships.

The revision to capacity and utilization will reflect the revised production indexes and the incorporation of preliminary results of the Census Bureau's 1994 *Survey of Plant Capacity*, updated manufacturing capital stocks, and new data on physical capacity and utilization for selected industries. The estimates of capital stocks incorporate data on manufacturing investment in 1993 from the *Annual Survey of Manufactures* as well as investment plans for 1994 and 1995 reported in the Census Bureau's *Investment Plans Survey*. □

Statements to the Congress

Statement by Alan S. Blinder, Vice Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic and International Monetary Policy of the Committee on Banking and Financial Services, U.S. House of Representatives, October 11, 1995

I appreciate this opportunity to present the views of the Federal Reserve Board on issues raised by various emerging electronic payment technologies that go under such names as "digital cash" or "electronic money." Spurred by recent advances in computing, communications, and cryptography, this nascent industry holds the promise of improving the efficiency of the payment system, particularly for consumers.

While the potential for exciting developments in this field is certainly there, we should all keep the latest round of innovations in historical perspective. First, the concept of "electronic money" is not new; electronic transfer of bank balances has been with us for years. Indeed, some of the new proposals simply make available to consumers and smaller businesses capabilities that large corporations and banks have had for many years. Second, no one knows how this industry will evolve—either qualitatively or quantitatively. Some of us, for example, can recall predictions made a generation ago that the United States would soon be a cashless, checkless society.

This last point reminds us that, at present, we do not know which, if any, of the many potential electronic innovations will succeed commercially. In this testimony, I will concentrate on stored-value cards and other types of so-called "electronic cash" because they seem to raise the most challenging public policy issues. In particular, depending on their design, they could amount to a new financial instrument—an electronic version of privately issued currency. But even the concept of private currency is not entirely new. Travelers checks are, of course, familiar to everyone. And in the nineteenth century the United States had considerable experience—not always happy—with private bank notes. But widespread use of private electronic currency would certainly raise a number of policy questions.

On behalf of the entire Board, I want to state clearly at the outset that the Federal Reserve has not the slightest desire to inhibit the evolution of this emerging industry by regulation, or to constrain its growth. On the contrary, the Board has encouraged, and will continue to encourage, innovations in payments technologies that benefit consumers and businesses. I am here today to raise questions and to bring some issues to the attention of the Congress, not to provide answers. Given the considerable uncertainties surrounding the design and ultimate usage of these products, it is far too soon for answers.

Nonetheless, it is not too early to begin thinking about a number of interesting and complex issues that may be raised by electronic currency. These issues include the impact on federal revenues, the legal and financial structure for these products, risks to participants, the application of consumer protection and anti-money laundering laws, and some issues related to monetary policy. Some of these issues may need to be addressed by the Federal Reserve and other regulatory agencies and some by the Congress. Some may need prompt attention, while others can wait. The present is, we believe, an appropriate time for public debate and discussion but a poor time for regulation and legislation.

SEIGNIORAGE AND THE BUDGET

Let me start with a potential revenue issue that will arise if the stored-value industry grows large. The federal government currently earns substantial revenue from what is sometimes referred to as "seigniorage" on its currency issue. In effect, holders of the roughly $400 billion of U.S. currency are lending interest-free to the government. In 1994, for example, the Federal Reserve turned over about $20 billion of its earnings to the Treasury, most of which was derived from seigniorage on Federal Reserve notes.

Should some U.S. currency get replaced by stored-value products—which are private monies—this source of government revenue would decline. Indeed, one of the major economic motives for institutions to issue prepaid payment instruments is to capture part of this seigniorage, just as issuers of travelers checks do now. Because the demand for stored-value products and the degree to which they will substitute for U.S. currency is totally unknown at present, the loss of seigniorage revenue is impossible to estimate. It is likely to be small. But it is something that the Congress should keep an eye on.

We should not, by the way, jump to the conclusion that the government's lost seigniorage will go to the companies that issue stored value—though that will probably happen at first. It may be technically feasible to pay interest on stored-value products. To the extent that competition forces issuers of these products to pay interest, the lost seigniorage will accrue to holders rather than to issuers.

This discussion raises the question of whether the federal government should issue electronic currency in some form. (In posing this question, I refer to general-purpose, stored-value cards, not to special-purpose instruments such as government benefit cards, which, in our view, do not raise major issues.) Government-issued electronic currency would probably stem seigniorage losses and provide a riskless electronic payment product to consumers. In addition, should the industry turn out to be a "natural monopoly" dominated by a single provider, either regulation or government provision of electronic money might be an appropriate response.

But such a conclusion seems quite premature. And the availability of alternative payment mechanisms would mitigate any potential exercise of market power. Further, government issuance might preempt private-sector developments and stifle important innovations. Finally, the government's entry into this new and risky business might prove unsuccessful, costing the taxpayer money. So, while we would not rule out an official electronic currency product in the future, the Federal Reserve would urge caution.

LEGAL AND REGULATORY STRUCTURES

One area that may need prompt attention from both policymakers and the industry is clarification of the legal and regulatory structure that will govern electronic money products. In this case, failure of the government to act may, ironically, impede rather than facilitate private-sector developments.

As with other payment mechanisms, issuers and holders of electronic currency take on some degree of ongoing credit, liquidity, and operational risks. The risk to a consumer using a stored-value card for small "convenience" purchases may be inconsequential. But such risks can become significant when larger amounts of money become involved—for example, when merchants and banks accumulate and exchange significant amounts of stored-value obligations during the business day.

Risks to participants arise from a number of sources. Cards might malfunction or be counterfeited. Issuers might invest the funds they receive in exchange for card balances in risky assets so as to increase their earnings. But riskier investments can turn sour, possibly impairing the issuer's ability to redeem stored-value balances at par and imposing losses on consumers and other holders (if the obligations are not insured). Further, the clearing and settlement mechanisms for stored-value cards and similar products—if they become widely used—could generate significant credit and other settlement risks.

We believe that both the industry and the government should focus on answering several mundane questions that seem to be receiving little attention amid the continuing publicity about these products. Some examples follow:

- Whose monetary liability is the particular form of electronic money?
- If an issuer were to become bankrupt or insolvent, what would be the status of the claim represented by a balance on a card or other device?
- In such a situation, when and how would funds be made available to the holder?
- Who is responsible for the clearing and settlement mechanism?

Developers of these products have discussed a variety of possible options, but the industry does not appear to be converging on one or more models that would be transparent and readily understood by users. In addition, there is no specialized legal framework for stored-value transactions as there is for checks and other common retail payment mechanisms. For example, state or federal law specifies when an obligation is discharged by cash, check, or wire transfer—but not if payment is by stored value.

From the Federal Reserve's perspective, new and exciting technological developments in payments mechanisms should not overshadow the conventional and ongoing need for clear and soundly based legal and financial arrangements. It is essential that developers and issuers clarify the rights, obligations, and risks borne by consumers, merchants, and other participants in new systems *before* these products are widely introduced.

The need to attract and retain customers will naturally drive developers and issuers of electronic money products toward investment policies and operational controls that make their products useful and safe. So, to some extent, the market will be self-policing. Nevertheless, it could be costly and difficult for consumers and merchants to monitor and evaluate the safety of electronic money products, especially given their technological complexity. So the government is likely to become involved as well.

To guard against financial instability and to protect individual consumers, the government has, in the past, mandated a range of regulatory measures for private financial instruments. Three principal approaches are used.

1. *Disclosure and surveillance.* In the case of mutual funds, securities laws generally require disclosures about asset holdings. Audits and examinations of investment funds also help ensure that reported assets are actually held.

2. *Portfolio restrictions.* In some cases, standards or restrictions on portfolios help limit the riskiness of the assets. Money market mutual funds, travelers checks in some states, and, historically, privately issued bank notes are familiar examples.

3. *Government insurance.* Balances in depository institutions, of course, receive the most comprehensive protection mechanism available: federal deposit insurance.

At some point, though certainly not now, the Congress will have to decide which, if any, of these protection mechanisms should be applied to stored-value products.

For example, if stored-value obligations of banks are treated as insured deposits—which is, by the way, another legal question that needs to be cleared up—then credit risk is effectively transferred from consumers to the government. In fact, the European central banks have gone so far as to recommend that *only* banking institutions be permitted to issue prepaid cards, presumably because that gives such cards the same degree of protection and financial oversight as traditional bank deposits.

The Federal Reserve Board has not viewed such a restrictive policy as appropriate. But the regulatory structure for electronic money products does merit further analysis. At a minimum, we believe that issuers of stored-value cards and similar products should clearly disclose the various risks that holders bear, including their coverage, if any, by deposit insurance.

Consumer Protection and Law Enforcement

The question of whether and how to apply the Electronic Fund Transfer Act (EFTA) and the Federal Reserve's Regulation E to these products has received considerable attention from industry participants, at the Federal Reserve, and in the Congress. Among other things, Regulation E limits consumers' liability for unauthorized electronic withdrawals from their accounts, provides procedures for resolving errors, and requires institutions to provide disclosures, terminal receipts, and account statements. Uncertainty regarding the application of Regulation E may be holding back the development of the industry, and resolving this question would help clarify some of the major risks that consumers may bear.

H.R.1858 would exempt all stored-value cards and a potentially wide range of other products, including transactions through the Internet, from the EFTA and Regulation E. The industry seems worried that without such an exemption, the Federal Reserve will apply Regulation E in a heavy-handed manner. On behalf of the Board, I would like to assure industry participants and this committee that we have no such intention. The Board recognizes that some of the requirements of Regulation E should not be applied to certain of these new payment products. For example, it makes little sense to require either printed receipts at ordinary vending machines or periodic statements detailing small transactions.

It seems premature, however, to legislate a blanket exemption from the EFTA without first exploring some of the basic issues raised by these new payments mechanisms. Disclosure policy is a good example. If a consumer who loses a stored-value card with a balance of several hundred dollars is not entitled to a refund, he or she should know this fact when the card is purchased. In this case at least, Regulation E requirements could be beneficial at minimal additional expense. The Federal Reserve would like to develop, and then put out for public comment, proposals for applying parts of the EFTA, such as appropriate disclosures, to stored-value cards—and for exempting them from the remainder. We would hope to be able to accomplish this within a few months.

Another issue related to consumer protection is privacy. While physical cash leaves no audit trail, many electronic currency products would. Such a trail may be desirable for certain purposes. But consumers would almost certainly be concerned if each purchase from a vending machine was recorded for possible reporting to marketers and others. Privacy is not a traditional Federal Reserve issue, but we do think it should be of concern to members of the Congress.

The mention of privacy leads naturally to some potential, future law-enforcement concerns. While we would caution against establishing restrictive rules that could stifle innovation, the eventual opportunities for money laundering using electronic products may be serious. At present, the menu of new products proposed for distribution in the United States holds little appeal for illicit activities because of their relatively low balance limits, the potential audit trail, and their limited acceptability as a means of payment—at least in the near term. In fact, most of the proposed stored-value products are not designed to circulate freely like currency and thus should be of limited concern to law-enforcement authorities. Over the longer term, however, it seems possible that electronic mechanisms that can hold large balances and make large untraceable transfers over communications networks could become attractive vehicles for money laundering and other illicit activities—especially if they are widely used and bypass the banking system. Existing anti-money laundering regulations may then need modification.

A related side issue is the possibility that non-bank entities could offer banking services illegally over the Internet. Using the term "bank" to market banking services without an appropriate license is generally a violation of federal or state laws. But new electronic technologies may challenge both traditional definitions of "banking services" and the ability to enforce existing laws. At some point, therefore, the Congress and the state legislatures may want to review the basic legal concepts that define banking and their methods for preventing fraud and unlicensed banking activity. Because electronic messages show little respect for national borders, these issues will likely require the coordinated attention of the banking authorities in various countries.

MONETARY POLICY ISSUES

Finally, let me say a few words about monetary policy. Concerns have been expressed that introducing what amounts to a form of private currency might damage the Federal Reserve's control of the money supply and lead to inflationary pressures. I can assure you that this is most unlikely. The Federal Reserve currently issues or withdraws currency passively to meet demand, adjusting open market operations accordingly to keep monetary and credit conditions on track. We would presumably continue to do this if private parties began issuing electronic currency that reduced the demand for paper currency.

In any event, electronic currency, if it grows large, will be only one of several changes in financial markets in the years ahead. Some of these may change the *details* of how monetary policy is implemented, just as financial innovations have in the past. We believe we have the capability of adjusting to these changing circumstances while continuing to meet our traditional responsibilities for economic stability.

However, there is a technical issue relating to our reserve requirements. Depository institutions are required to maintain reserves, either in cash or on deposit with Federal Reserve Banks, in proportion to their outstanding transaction accounts. Under current regulations, stored-value balances issued by depository institutions would be treated as transaction accounts and hence subjected to reserve requirements; the Board will need to review this treatment as stored-value devices come into use. But the Federal Reserve does not currently have the authority to impose reserve requirements on nondepository institutions. Thus there is a potential issue of disparate treatment of bank and nonbank issuers.

Depository institutions benefit from their access to the federal safety net; but they pay for this privilege by being subject to reporting obligations, reserve requirements, regulation, and supervision by the banking agencies. Nonbank issuers are free of most such burdens and hence may have a competitive advantage over banks in certain product lines. The Federal Reserve has often expressed concern in the past about potential competitive inequities that disadvantage banks. But because of the pervasive uncertainties that I emphasized at the outset, it is far too early to have any useful insights into the implications of this disparity. We simply want to call it to your attention.

CONCLUSION

In summary, it is clear that new electronic payment products raise a number of diverse policy issues, both for the Congress and for the Federal Reserve. I have not had time to mention all of them here. But, at this point, the uncertainties regarding the future of "electronic money" are so overwhelming that we mainly suggest patience and study rather than regulatory restrictions. We do believe, however, that certain rules need to be clarified and that future developments should be monitored closely. We look forward to working with the Congress and other regulatory agencies in this regard.

Statement by Janet L. Yellen, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions and Consumer Credit of the Committee on Banking and Financial Services, U.S. House of Representatives, October 17, 1995

I am pleased to appear before this subcommittee on behalf of the Federal Reserve Board to discuss issues related to mergers among U.S. banking organizations. The past fifteen years have seen considerable consolidation of our banking system, a process that probably will continue for some time. This ongoing consolidation is in many ways a natural response to the changing banking environment. However, the very large bank mergers that have been consummated or announced in recent years, and particularly in recent months, have raised a number of public policy questions and concerns. In the Board's view, the primary objectives of public policy in this area should be to help manage the evolution of the banking industry in ways that preserve the benefits of competition for the consumers of banking services and to ensure a safe and sound banking system. My statement today will focus on how, within the context of existing law, the Federal Reserve is pursuing these goals and will review the potential economic effects of bank mergers.

TRENDS IN MERGERS AND BANKING STRUCTURE

It is useful to begin a discussion of the public policy and other implications of bank mergers with a brief description of recent trends in merger activity and overall U.S. banking structure. The statistical tables in the appendix of my statement provide some detail that may be of interest to the subcommittee.[1]

Bank Mergers

From a variety of perspectives, the pace of bank mergers (including mergers of banks and bank holding companies and acquisitions of banks by

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

bank holding companies) has accelerated since 1980. For example, *excluding* acquisitions of failed or failing banks by healthy banks and bank holding companies, in 1980 there were less than 200 bank mergers involving about $10 billion in acquired assets; by 1987 the annual number of mergers reached about 650 with almost $125 billion of acquired assets. In 1989, the number of mergers dropped back to 350, involving about $43 billion of bank assets acquired. In the 1990s, however, the number of mergers began to rise again, to nearly 450 in 1994 with about $110 billion of acquired assets. Through September 1995, the pace of merger activity has remained high, and there has been an exceptional number of very large bank merger announcements including Chase–Chemical, First Union–First Fidelity, NBD–First Chicago, Fleet–Shawmut, and PNC–Midlantic. Very large mergers occurred with growing frequency after 1980. In 1980, there were no mergers or acquisitions of commercial banking organizations in which both parties had more than $1.0 billion in total assets. The years 1987 through 1994 averaged fourteen such transactions per year and—reflecting changes in state law—an increasing number of these reflected interstate acquisitions by bank holding companies. Three of the largest mergers in U.S. banking history took place during 1990–94—Chemical–Manufacturers Hanover, NCNB–C&S Sovran, and BankAmerica–Security Pacific. These mergers would all be surpassed by the recently announced proposal to merge Chemical and Chase Manhattan.

National Banking Structure

The high level of merger activity since 1980, along with a large number of bank failures, is reflected in a steady decline in the number of U.S. banking organizations from 1980 through 1994. In 1980, there were more than 12,000 banking organizations, defined as bank holding companies and independent banks; the independent banks and banks owned by bank holding companies numbered nearly 14,500 banks. By 1990 there were about 9,200 banking organizations, and in 1995 the number of organizations had fallen to about 7,700 (including more than 10,000 banks)—declines of more than one-third in organizations and more than one-fourth in numbers of banks from 1980. These trends have also been accompanied by a substantial increase in the share of total banking assets controlled by the largest banking organizations. For example, the proportion of domestic banking assets accounted for by the 100 largest banking organizations went from just more than one-half in 1980, to nearly two-thirds in 1990, to more than 70 percent in June 1995.

The trends I have just described must be placed in perspective because taken by themselves they hide some of the key dynamics of the banking industry. Although there was a large decline in the number of banking organizations over the period 1980–94, reflecting about 1,500 bank failures and more than 6,300 bank acquisitions, about 3,200 new banks were formed, in spite of a sharp decline in formations after 1989. Similarly, although during the period more than 13,000 bank branches were closed, the same period saw the opening of well over 28,000 new branches. Perhaps even more important, the total number of banking offices increased sharply from about 53,000 in 1980 to more than 65,000 in 1994, a 23 percent rise, and the population per banking office declined. Fewer banking organizations clearly has not meant fewer banking offices serving the public.

Data on the nationwide concentration of U.S. banking assets must also be viewed in perspective. The increases in nationwide concentration and mergers reflect to a large degree a response by the larger banking organizations to the removal of legal restrictions on geographic expansion both within and across states. That is, the industry is moving from many separate state banking structures imposed by legal barriers toward more of a nationwide banking structure that long would have been in existence if legal restrictions had not stood in the way. The sudden adjustment to a new legal environment should not be a surprise, nor is the large adjustment necessarily one that will continue for an extended period.

The removal of legal restrictions on geographic diversification began in earnest during the mid-1980s, as did the merger movement. For example, twenty-two states during the 1980s reduced branching restrictions compared with only six states during the 1970s. Also during the 1980s, most states passed laws allowing the acquisition of in-state banks by out-of-state organizations. As a result, although in 1987 only about 11 percent of banking assets were owned by out-of-state organizations, by mid-1995 that figure had risen to more than one-fourth. Looked at another way, even by 1987 almost 92 percent of U.S. banking assets were open to access by at least some out-of-state bank holding companies, and by September 1995 that proportion had risen to more than 99 percent. Passage of the Interstate Banking and Branching Efficiency Act in September 1994 further expanded geographic diversification opportunities—opening up interstate *branching* by *banks* and all interstate banking to common rules. It is undoubtedly a major factor behind the several large bank mergers and announcements of mergers during 1995 as firms expand into new areas or respond to the potential for major firms entering their markets.

Other forces have also been transforming the banking landscape, and the resulting acceleration of competitive pressures has encouraged many banks to seek merger partners. Chief among these is technological change: the rapid growth of computers and telecommunications, which has allowed a scale of operations that would not have been manageable previously. Technological change has also encouraged financial globalization, with expanded cross-border asset holdings, trading, and credit flows, and, in response, foreign and domestic banks and other financial institutions have increased their cross-border operations. The resulting increase in domestic competition, especially for larger banking organizations, has been intense. Today, for example, more than 40 percent of the domestic commercial and industrial bank loan market is accounted for by foreign banks.

Local Market Banking Structure

Given the Board's statutory responsibility to ensure competitive banking markets by applying antitrust standards, it is critical to understand that nationwide concentration statistics are not the appropriate metric for assessing competitive effects. Virtually all observers agree that in the vast majority of cases the relevant issue is competition in local banking markets. From 1980 through 1994 the average percentage of bank deposits accounted for by the three largest firms in both urban and rural markets has remained steady or actually declined slightly even as nationwide concentration has increased substantially. This trend has continued since the mid-1970s. Essentially similar trends are apparent when local market bank concentration is measured by the Herfindahl–Hirschman Index (HHI). Because of the importance of local banking markets, I would like to provide somewhat more detail on the implications of bank mergers for local market concentration.

Metropolitan statistical areas (MSAs) and non-MSA counties are often used as proxies for urban and rural banking markets. The average three-firm deposit concentration ratio for urban markets increased only two-tenths of a percentage point between 1980 and 1994. Average concentration in rural counties actually declined six-tenths of a point. Similarly, the average bank deposit-based HHI for both urban and rural markets fell between 1980 and 1994. When thrift deposits are given a 50 percent weight in these calculations, average HHIs are sharply lower than the bank-only HHIs, but the trend becomes somewhat positive. On balance, the three-firm concentration ratios and the HHI data strongly suggest that despite the fact that there were more than 6,300 bank mergers between 1980 and 1994, local banking market concentration has remained about the same.

Why have not all of these mergers increased local market concentration? There are several reasons. First, many mergers are between firms operating primarily in different local banking markets. Although these mergers may increase national or state concentration, they do not tend to increase concentration in local banking markets and thus do not reduce competition.

Second, as I have already pointed out, there is new entry into banking markets. In most markets new banks can be formed fairly easily, and some key regulatory barriers, such as restrictions on interstate banking, have been all but eliminated. New banks continue to be formed in states throughout the country, although the number of new bank formations has declined sharply during the 1990s.

Third, the evidence overwhelmingly indicates that banks from outside a market usually do not increase their market share after entering a new market by acquisition. An oft-mentioned example here is the inability of the New York City banks to gain significant market share in upstate New York. More general studies indicate that, when a local bank is acquired by a large out-of-market bank, there is normally some loss of market share. The new owners are not able to retain all of the customers of the acquired bank.

Fourth, it is important to emphasize that small banks have been, and continue to be, able to retain their market share and profitability in competition with larger banks. Our staff members have done repeated studies of small banks; all these studies indicate that small banks continue to perform as well as, or better than, their large counterparts, even in the banking markets dominated by the major banks. Indeed, size is *not* an important determining factor even for international competition. The United States has not had any banks among the largest twenty in the world since 1989 and even if all of the proposed mergers were consummated, U.S. banks would still not rank among the largest twenty. Yet those U.S. banks that compete in world markets are consistently among the most profitable in the world and include those that are ranked as the most innovative. It is notable that U.S. banks, besides being among the most profitable, have in the 1990s demonstrated their ability to attract capital. When measured by equity, two of the largest ten banks in the world are U.S. banks and the number will be three of the largest ten if the Chemical–Chase merger is consummated.

Finally, administration of the antitrust laws has almost surely played a role. At a minimum, banking organizations have been deterred from proposing seriously anticompetitive mergers. And in some cases, to obtain merger approval, banks have divested banking assets and deposits in certain local markets in which the merger would have otherwise resulted in substantially more concentrated markets.

Overall, then, the picture that emerges is that of a dynamic U.S. banking structure adjusting to the removal of longstanding legal restrictions on geographic expansion, technological change, and greatly increased domestic and international competition. Even as the number of banking organizations has declined, the number of banking offices has continued to increase in response to the demands of consumers, and measures of local banking structure have remained quite stable. In such an environment, it is potentially very misleading to make broad generalizations without looking more deeply into what lies below the surface. In part for the same reasons that make generalizations difficult, the Federal Reserve devotes considerable care and substantial resources to analyzing individual merger applications.

Federal Reserve Methodology for Analyzing Proposed Bank Mergers

The Federal Reserve Board is required by the Bank Holding Company Act (1956) and the Bank Merger Act (1960) to assess the effects when (1) a holding company acquires a bank or merges with another holding company, or (2) the bank resulting from a merger is a state-chartered member bank. The Board must evaluate the likely effects of such mergers on competition, the financial and managerial resources and future prospects of the firms involved, the convenience and needs of the communities to be served, and Community Reinvestment Act requirements.

This section of my statement briefly discusses the methodology the Board uses in assessing a proposed merger. In light of the subcommittee's interests, emphasis is placed on competitive factors.

Competitive Criteria

In considering the competitive effects of a proposed bank acquisition, the Board is required to apply the same competitive standards contained in the Sherman and Clayton Antitrust Acts. The Bank Holding Company (BHC) Act and the Bank Merger Act do contain a special provision, applicable primarily in troubled-bank cases, that permits the Board to balance public benefits from proposed mergers against potential adverse competitive effects.

The Board's analysis of competition begins with defining the geographic areas that are likely to be affected by a merger. Under procedures established by the Board, these areas are defined by staff members at the local Reserve Bank in whose District the merger would occur, with oversight by staff members in Washington. In mergers in which one or both parties are in two Federal Reserve Districts, the Reserve Banks cooperate, as required. To ensure that market definition criteria remain current, and in an effort to better understand the dynamics of the banking industry, the Board has recently sponsored several surveys, including the 1988 and 1993 National Surveys of Small Business Finances, a triennial national Survey of Consumer Finances, and telephone surveys in specific merger cases, to assist it in defining geographic markets in banking. These surveys and other evidence continue to suggest that small businesses and households tend to obtain their financial services in their local area. This local geographic market definition would, of course, be less important for the financial services obtained by large businesses.

With this basic local market orientation of households and small businesses in mind, the staff constructs a local market index of concentration, the HHI, which is widely accepted as a sensitive measure of market concentration, to conduct a preliminary screen of a proposed merger. The HHI is calculated based on local bank and thrift deposits. The merger would not be regarded as anticompetitive if the resulting market share, the HHI, and the change in that index do not exceed the criteria in the Justice Department's merger guidelines for banking. However, while the HHI is an important indicator of competition, it is not a comprehensive one. In addition to statistics on market share and bank concentration, economic theory and evidence suggest that other factors, such as potential competition, the strength of the target, and the market environment may have important influences on bank behavior. These other factors have become increasingly important as a result of many recent procompetitive changes in the financial sector. Thus, if the resulting market share and the level and change in the HHI are within Justice Department guidelines, there is a presumption that the merger is acceptable, but if they are not, a more thorough economic analysis is required.

Because the importance of the other factors that may influence competition often varies from case to case and market to market, an in-depth economic analysis of competition is required in each of those merger proposals when the Justice Department guidelines are exceeded. To conduct such an analysis of competition, the Board uses information from its own major national surveys noted above, from telephone surveys of households and small businesses in the market being studied, from on-site investigations by staff members, and from various standard databases with information on market income, population, deposits, and other variables. These data, along with results of general empirical research by Federal Reserve System staff members, academics, and others, are used to assess the importance of various factors that may affect competition. To provide the subcommittee with an indication of the range of other factors the Board may consider in evaluating competition in local markets, I shall briefly outline these considerations.

Potential competition, or the possibility that other firms may enter the market, may be regarded as a significant procompetitive factor. It is most relevant in markets that are attractive for entry and when barriers to entry, legal or otherwise, are low. Thus, for example, potential competition is of relatively little importance in markets in which entry is unlikely for economic reasons, such as in smaller markets. For potential competition to be a significant factor, it will generally be necessary for there to be potential acquisition targets as well as meaningful potential entrants. These conditions are most likely to be relevant in urban markets.

Thrift institution deposits are now typically accorded 50 percent weight in calculating statistical measures of the effect of a merger on market structure for the Board's analysis of competition. In some instances, however, a higher percentage may be included if thrift institutions in the relevant market look very much like banks, as indicated by the substantial exercise of their transactions account, commercial lending, and consumer lending powers.

Competition from other depository and nonbank financial institutions may also be given weight if such entities clearly provide substitutes for the basic banking services used by most households and small businesses. In this context, credit unions and finance companies may be particularly important, and over time, nonbank competition has become substantially more important.

The competitive significance of the target firm can be a factor in some cases. For example, if the bank being acquired is not a reasonably active competitor in a market, its market share might be given a smaller weight in the analysis of competition than otherwise.

Adverse structural effects may be offset somewhat if the firm to be acquired is located in a declining market. This factor would apply when a weak or declining market is clearly a fundamental and long-term trend, and there are indications that exit by merger would be appropriate because exit by closing offices is not desirable and shrinkage would lead to diseconomies of scale. This factor is most likely to be relevant in rural markets.

Competitive issues may be reduced in importance if the bank to be acquired has failed or is about to fail. In such a case, it may be desirable to allow some adverse competitive effects if this means that banking services will continue to be made available to local customers rather than be severely restricted or perhaps eliminated.

A very high level of the HHI could raise questions about the competitive effects of a merger even if the *change* in the HHI is less than the Justice Department criteria. This factor would be given additional weight if there has been a clear trend toward increasing concentration in the market.

Finally, other factors unique to a market or firm would be considered if they are relevant to the analysis of competition. These factors might include evidence on the nature and degree of competition in a market, information on pricing behavior, and the quality of services provided.

Some merger applications are approved only after the applicant proposes the divestiture of offices in local markets, retention of which would otherwise violate Justice Department guidelines, and when the merger cannot be justified using any of the criteria I have just discussed. We believe that such divestitures have provided a useful vehicle for eliminating the potentially anticompetitive effects of a merger in specific local markets while allowing the bulk of the merger to proceed.

Safety and Soundness Criteria

In acting upon merger applications, the Board is required to consider financial and managerial resources and the future prospects of the firm. In doing so, the Board's goal is to promote and protect the safety and soundness of the banking system and to encourage prudent acquisition behavior by applicant banking organizations. Indeed, except in very special circumstances, usually involving failing banks, the Board will not approve a merger or acquisition unless the resulting organization is expected to be strong and viable.

The Board expects that holding company parents will be a source of strength to their bank subsidiaries. In doing so, the Board generally requires that the holding company applicant and its subsidiaries be in at least satisfactory overall condition and that any weaknesses be addressed before Board action on a proposal. The holding company applicant must be able to demonstrate the ability to make the proposed acquisition without unduly diverting financial and managerial resources from the needs of its existing subsidiary banks.

These general principles apply regardless of the size or type of acquisition—banking or nonbanking. The financial and managerial analysis of an application includes an evaluation of the existing organization, including bank and nonbank subsidiaries, the parent company, and the consolidated organization, as well as an evaluation of the entity to be acquired. Also included in this analysis are the financial and accounting effects of the transaction, that is, the purchase price, the funding and sources thereof, and any purchase accounting adjustments. Numerous factors are analyzed for strengths and weaknesses, including earnings, asset quality, cash flow, capital, risk management, internal controls, and compliance with law and regulation. As the size of the applicant or resulting organization increases because of mergers or internal growth, so generally does the complexity of this analysis. Additionally, areas in which weaknesses or potential issues are identified receive more intense scrutiny. The financial condition and management of the resulting organization are expected to be satisfactory and financial and managerial resources to be sufficient in relation to the risk of the transaction; thus, significant problems or issues must be resolved for favorable action.

Community Reinvestment Act Criteria

The Community Reinvestment Act (CRA) performance of banking organizations that seek the Board's approval to acquire a bank or thrift institution is a major component of the "convenience and needs" criteria that must be considered by the Board. In making its judgments, the Board pays particular attention to CRA examination findings. In addition, any comments received from the public regarding an applicant's CRA performance become part of the official record, and such comments are reviewed carefully. The Board has developed a substantial record in this area.

Banks supervised by the Federal Reserve System—regardless of the size or the geographic scope of a bank's operations—are examined for CRA purposes generally every eighteen months. Banking organizations with identified weaknesses in their consumer compliance are examined even more frequently. Our practice is to review the performance of banks with large intrastate branching systems by examining a sample of branches, which consists of all major branches plus one-tenth of all small branches selected on a rotating basis. The agencies will need to develop a similar procedure for large interstate branch systems as well. Some adjustments may be necessary, though, to ensure that the CRA examination process continues to work well for banking organizations that span several states.

The Board expects that banking organizations will have policies and procedures in place and working well to address and implement their CRA responsibilities before Board consideration of bank expansion proposals. The Board generally does not accept promises for future action in this area as a substitute for a demonstrated record of performance. Instead, the Board has accepted commitments for future action as a means of addressing areas of weakness in an otherwise satisfactory record. When commitments have been accepted, the Board monitors progress in implementing the proposed actions, both through reports and through the application process.

Potential Implications of Bank Mergers

The increased rate of bank mergers has raised a number of concerns regarding the potential effects of banking consolidation on those consumers whose demands for banking services are primarily local in nature and on the performance of the merged banks (including prices paid by consumers at those banks).

Effects of Mergers on Locally Limited Customers

The current merger wave in the banking industry is likely to have only modest effects on the availability of services to households and small businesses that rely primarily on local providers for their financial services and often have few convenient alternatives for such services. There are two reasons for this: (1) to date, most mergers have not been between banks operating primarily in the same local banking markets; and (2) the effects of intramarket mergers can be, and thus far have been, limited by both market forces and antitrust constraints on such mergers.

Even in those places in which in-market mergers have occurred, the effect on competition has, on average, not been substantial. This, of course, does not mean that users of bank services will never be harmed by mergers. No policy can guarantee that result. But, the trends in local market concentration I discussed earlier indicate that the Board's application of antitrust standards to within-market merger applications generally has preserved competition. In addition, the Board's policies have almost certainly discouraged some potential bank mergers before an application was ever filed. Moreover, considerable intramarket consolidation could occur without significant anticompetitive effects. Many urban markets could see a relatively large number of in-market mergers before antitrust guidelines would be violated. Furthermore, legislation passed during the 1980s made thrift institutions more important competitors for banking services, and this has helped to reduce concerns about anticompetitive effects from intramarket bank mergers. Proposed legislation before this subcommittee may make thrift institutions even more bank-like, encouraging even greater competition.

Although many small banks remain viable competitors in markets after larger bank mergers, some research suggests that large banks may adopt new banking technologies—such as automated teller machines and bank credit cards—more rapidly than small banks. Thus, bank mergers may enhance consumer convenience. On the other hand, in-market bank mergers often lead to some branch closings, raising concerns that consumer convenience may be harmed. Indeed, one of the factors reviewed in a CRA examination is the bank's record of opening and closing offices. However, as I pointed out earlier, there has been a substantial increase in the number of bank offices in the United States in recent years, and the number of ATMs has increased dramatically (from almost 14,000 in 1980 to almost 110,000 in 1994). More important, there is no reason to suspect that the market factors that have led to this increase in the number of offices and ATMs have changed. Indeed, the abolition of constraints on interstate branches will greatly facilitate this process. That is, if merging banks should close branches, the opening of branches by existing competitors or by new entrants to the market is likely to occur as new profit opportunities arise. Such opportunities should become even easier with full interstate branching, which will take effect in June 1997 under the Interstate Banking and Branching Efficiency Act of 1994. If consumers demand locational convenience, banks of all sizes will need to be responsive if they expect to remain viable competitors for retail customers.

Effects of Mergers on Bank Performance

Federal Reserve System staff members and others have conducted numerous studies over many years on the effects of bank mergers and acquisitions. Some of these studies have focused on the effect of mergers on bank profits and prices, while others have looked at the potential for cost savings and efficiencies derived from mergers.

Of those studies concerned with profits and prices, some have looked directly at the effects of mergers, while a majority have approached this issue more indirectly by examining how bank profits and prices differ across banking markets. Each type of study is relevant to an assessment of the impact of bank mergers on performance.

Studies of differences in bank profitability across markets with varying degrees of concentration represent the oldest type of study relevant to the issue. Typically, such studies have found that banks operating in more concentrated markets exhibit somewhat higher profits than do banks in less concentrated markets. These higher profits may reflect the lesser degree of competition in more concentrated markets. Many have argued, however, that they are simply an indication of the greater efficiency and lower costs of the largest firms in such markets. This challenge is suspect because if a market is competitive, above-normal profits, whatever their origin, should be driven down to a competitive level.

Other studies have looked across banking markets for differences in the prices that banks charge their loan and deposit customers. For the most part, such studies have found that banks located in relatively concentrated markets tend to charge higher interest rates for certain types of loans, particularly small business loans, and tend to offer lower interest rates on certain types of deposits, particularly transactions accounts, than do banks in less concentrated markets. These studies have been less subject to question than profit studies and therefore tend to be clearer in terms of their implications for merger policy. In particular, they suggest that mergers resulting in relatively high levels of local banking market concentration can adversely affect local bank customers. That is, these studies support the need to maintain antitrust constraints if locally limited bank customers are to continue to receive competitively priced banking services.

A related issue relevant to the effect of mergers concerns the prospect that, through merger, greater bank efficiency can be achieved, thus yielding a healthier, more competitive banking firm. Studies that are relevant to the effect of mergers on bank efficiency may be divided into those that do and those that do not look directly at the effects of mergers.

A large number of studies have sought to determine whether larger banking organizations exhibit lower average costs than do smaller organizations. In general, these studies of "scale economies" find that cost advantages of large firms either do not exist or are quite small and that most do not find scale economies to exist beyond the range of a small- to medium-sized bank. Thus, simply by achieving larger size, mergers seem unlikely to yield greater efficiency.

Another strand of research has attempted to discover whether there are important differences in the efficiency with which banks use inputs to produce a given level of services. These studies, which essentially focus on the efficiency effects of management skills, suggest that some banks, both large and small, are just a lot better than others at using their inputs, such as labor and capital, in a productive way. Indeed, estimates of these so-called cost efficiencies suggest that management skills dominate any benefits from economies of scale. In addition, there is some evidence that these differences in management efficiencies play a role in the incidence of bank failure. It is estimated that more than 50 percent of the bank failures in the 1980s came from the highest (noninterest) cost quartile of banks, while fewer than 10 percent are estimated to have occurred in the lowest cost quartile.

In the past several years, numerous researchers have sought to determine whether past mergers have resulted in cost savings. Many such studies examine the changes in noninterest expenses observed before and after the merger and, in some cases, compare them to the same changes observed concurrently in banks that did not participate in mergers. Other research has used the event study methodology to examine how the stock market reacted to merger announcements. The great majority of these studies have not found evidence of substantial efficiency gains from mergers. Evidence on the relative efficiency of acquiring and acquired firms is mixed.

Let me emphasize that most of these studies are based on many mergers and thus provide the basis for statistically valid generalizations. However, in some individual merger cases, cost savings and improved efficiency have been reported. Furthermore, the previously noted evidence indicating substantial differences in the relative efficiency of banks suggests that substantial cost savings are theoretically possible for many banks. For example, a study done at the Board a few years ago estimated that annual cost savings of about $17 billion would result if the lowest cost banks in the country were to acquire the highest cost banks, *and* if the costs of the acquired banking organizations were subsequently reduced to the level of the acquiring banks. While some of these cost differences may simply reflect differences in the level and types of services offered to the public, such results are nevertheless suggestive of potential gains from acquisitions of inefficient firms by efficient ones. In addition, it appears that in the evolving world of high technology and global markets for corporate banking, there is greater emphasis on efficiency to survive. This has probably played a role in the efficiency gains noted in some of the individual recent large mergers. On balance, a possible future scenario is that it may become increasingly common for relatively efficient banks to take over relatively inefficient ones and convert the more poorly performing institutions into viable, low-cost competitors. Surely consumers of financial services could only be better off if such a future occurs and competitive markets are maintained.

CONCLUSION

The recent wave of large mergers and merger announcements reflects to a large degree a natural response to new opportunities for geographic expansion as legal restraints are removed. The industry is moving away from a legally fragmented banking structure toward a nationwide banking structure. Rapid technological changes and global competition in corporate banking are almost certainly a motivating factor for the very large banks.

The increased pace of bank mergers since the early 1980s has greatly reduced the number of U.S. banking organizations and resulted in a substantially higher nationwide concentration of banking assets at the 100 largest banks. However, concentration in local banking markets, which is normally considered most important for the analysis of possible competitive effects, has remained virtually unchanged. In addition, there continues to be new bank entry and there is a continuing increase in the number of banking offices. This illustrates that the U.S. banking structure is highly dynamic and that sweeping generalizations are extremely difficult to make.

The dynamic nature of U.S. banking means that analysis of the potential competitive and other effects of individual bank mergers must be done on a case-by-case, market-by-market basis. The Federal Reserve devotes considerable resources to this end. Many factors are considered in the analysis, including actual competition from bank and nonbank sources, potential competition, the general economic health of the market, and a variety of other factors unique to a given market. In addition, safety and soundness and CRA concerns are highly relevant.

To date, the available evidence suggests that recent mergers have not resulted in adverse effects on the vast majority of consumers of banking services. It is certainly possible that some customers have been disadvantaged by some mergers. And mergers can no doubt be very disruptive to bank employees as functions are consolidated and reorganized. But these disruptions do not appear to differ substantively from similar disruptions in other industries that have experienced or are undergoing fundamental change.

It is also clear that substantial harm to consumers would occur if mergers were allowed to decrease competitive pressures significantly. However, market developments and the removal of geographic restrictions on banks have significantly lessened the chances for anticompetitive effects. In addition, the antitrust standards enforced by the bank regulatory agencies and the Department of Justice have helped to ensure the maintenance of competition.

The evidence to date does not indicate that, on average, substantial efficiency improvements have resulted from bank mergers. However, in recent years, there appear to have been some cases of improvements in efficiency, and our staff work does suggest the potential for such savings if well-managed entities acquire and modify the operations of high-cost organizations. Given the continuing pressures for cost minimization in banking, it certainly seems possible that some of this potential will be realized in the future.

In sum, law, regulation, and market forces have so far kept banking markets competitive, and the same forces should continue to do so as banks adjust to a new legal and more competitive environment. Bank consolidation to date has not reduced competition in any meaningful way, and we see no reason why it should begin to do so. While there have been only a few cases of demonstrable efficiency gains from past mergers, there is reason to expect that there may be a higher incidence of such gains in the future. Given that potential and the antitrust laws protecting competition, the Board sees no reason to be concerned if a banking organization's management and stockholders choose to respond to the changing environment by consolidating with other such organizations. □

Announcements

Meeting of Consumer Advisory Council

The Federal Reserve Board announced on October 12, 1995, that the Consumer Advisory Council would hold its next meeting on Thursday, November 2, and that the session would be open to the public. The council's function is to advise the Board on the exercise of the Board's responsibilities under the Consumer Credit Protection Act and on other matters on which the Board seeks its advice.

Development of New Software for Institutions Offering Mortgage Loans

The Federal Reserve announced on October 19, 1995, the development of a computer software program designed to serve as an analytic tool for financial institutions in offering affordable mortgage loans to low- and moderate-income applicants.

The software program, entitled *Partners*, was developed by Ron Zimmerman, a vice president of the Federal Reserve Bank of Atlanta. The program can determine within seconds if potential homebuyers can qualify, mathematically, for a home purchase loan, given the underwriting criteria and financial information provided.

The program assists in breaking down the barriers between the loan officer and the potential applicant by offering new and innovative ways to look at home purchase financing. It identifies ten qualifying alternatives, from self-help actions to loan subsidies or grants, to help those applicants interested in obtaining a mortgage loan who may not qualify for the loan based on their current financing criteria.

Besides determining loan eligibility, *Partners* offers loan amortization schedules, equity buildup calculations, and secondary market considerations and can instantly recognize the opportunities and risks to financing safe and sound, affordable home mortgage loans.

The *Partners* program can also be used by community groups, government agencies, and other community development practitioners who offer home purchase loans.

The software can be installed on a stand-alone, IBM compatible computer and operates in a Microsoft Windows environment. Copies of the program will be distributed free of charge to all member banks (Federal Reserve state member banks and national banks). A copy of the program may be ordered from the Federal Reserve Community Affairs Office in each Federal Reserve District: Atlanta, 404-589-7226; Boston, 617-973-3095; Chicago, 312-322-5910; Cleveland, 216-579-2891; Dallas, 214-922-5266; Kansas City, 816-881-2476; Minneapolis, 612-340-6913; New York, 212-720-5921; Philadephia, 215-574-6482; Richmond, 804-697-8448; St. Louis, 314-444-8644; and San Francisco, 415-974-3314.

Schedule for Review of Major Federal Reserve Regulations

The Federal Reserve Board issued on October 11, 1995, a schedule for review of its major regulations, policy statements, and other regulatory guidance, pursuant to the requirements of section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994.

The timetable should enable interested parties to comment meaningfully at various points in the review process, including providing suggestions for the development of regulatory proposals. Several major regulatory reviews are currently under way: Regulation T (Credit by Brokers and Dealers); Regulation E (Electronic Funds Transfers); Regulation M (Consumer Leasing); and Regulation K (International Banking Operations), subpart A (Investments by Foreign Banking Organizations in U.S. Subsidiaries). Copies of the timetable are available from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551.

PUBLICATION OF THE REVISED LISTS OF OTC STOCKS AND OF FOREIGN STOCKS SUBJECT TO MARGIN REGULATIONS

The Federal Reserve Board on October 27, 1995, published a revised list of over-the-counter stocks that are subject to its margin regulations (OTC list). Also published was a revised list of foreign equity securities (foreign list) that meet the margin criteria in Regulation T (Credit by Brokers and Dealers). These lists are published quarterly for the information of lenders and the general public.

The lists became effective November 13, 1995, and supersede the previous lists that were effective August 14, 1995. The next revision of the lists is scheduled to be effective February 1996.

The changes that were made to the revised OTC list, which now contains 4,252 OTC stocks, are as follows:

- One hundred ninety-eight stocks have been included for the first time, 172 under National Market System (NMS) designation.
- Forty-eight stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing.
- Fifty-three stocks have been removed for reasons such as listing on a national securities exchange or involvement in an acquisition.

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

The foreign list specifies those foreign equity securities that are eligible for margin treatment at broker–dealers. There was one addition to and one deletion from the foreign list; it now contains 701 foreign equity securities.

FEDERAL RESERVE STATISTICAL RELEASES NOW AVAILABLE BY FAX

Subscriptions to some of the Board's statistical releases may now be ordered via fax. The list of releases and their prices appears on pages A76–A77 of this issue. To order a subscription to a release, contact Publications Services, Board of Governors of the Federal Reserve System, Washington, DC 20551; telephone (202) 452-3244 or by fax (202) 728-5886. □

Legal Developments

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

NationsBank Corporation
Charlotte, North Carolina

NB Holdings, Inc.
Charlotte, North Carolina

Order Approving the Acquisition of a Bank

NationsBank Corporation and its wholly owned subsidiary, NB Holdings, Inc. (together, "NationsBank"), both of Charlotte, North Carolina, bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842), to acquire Intercontinental Bank, Miami, Florida ("Intercontinental").[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 44,891 (1995)). 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.

NationsBank, with total consolidated assets of $184.2 billion, is the fourth largest commercial banking organization in the United States, and operates subsidiary banks in nine states and the District of Columbia.[2] NationsBank is the fourth largest depository institution in Florida, controlling deposits of approximately $17.1 billion, representing 10.8 percent of total deposits in depository institutions in the state.[3] Intercontinental is the ninth largest depository institution in Florida, controlling deposits of approximately $952 million, representing less than 1 percent of total deposits in depository institutions in the state. Upon consummation of this proposal, NationsBank would remain the fourth largest depository institution in Florida, controlling deposits of approximately $18 billion, representing 11.5 percent of total deposits in depository institutions in the state.

NationsBank and Intercontinental compete directly in the Miami-Ft. Lauderdale and West Palm Beach banking markets in Florida. The Board has carefully considered the effects that consummation of this proposal would have on competition in these banking markets in light of all the facts of record, including the characteristics of the markets, the competition offered by other depository institutions in the markets, and the increase in the concentration of total deposits in depository institutions[4] in the markets as measured by the Herfindahl–Hirschman Index ("HHI").[5] Consummation of this proposal would not exceed Justice Department guidelines in either of the markets, and numerous competitors would remain in each market. Based on all the facts of record, the Board has concluded that consummation of this proposal would not result in any significantly adverse effect on competi-

1. NationsBank has established a *de novo* national bank subsidiary into which Intercontinental would be merged. Subsequent to consummation of this proposal, NationsBank anticipates that the surviving bank would be merged into its Florida banking subsidiary, NationsBank of Florida, N.A., Tampa, Florida.

2. Asset data are as of June 30, 1995. NationsBank also operates a limited-purpose credit card bank in Delaware.

3. State deposit data are as of June 30, 1995. In this context, depository institutions include commercial banks, savings banks, and savings associations.

4. Market data are as of June 30, 1994. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculations of market share on a 50 percent basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

5. 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 below 1000 is considered to be unconcentrated, and a market in which the post-merger is between 1000 and 1800 is considered to be moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating 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 effects of limited-purpose and other non-depository financial entities. Upon consummation of this proposal, the HHI would increase by 44 points to 841 in the Miami-Ft. Lauderdale banking market, and would increase by 11 points to 1149 in the West Palm Beach banking market.

tion or the concentration of banking resources in any relevant banking market.

Interstate Analysis

Section 3(d) of the BHC Act, as amended by Section 101 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, allows the Board to approve an application by a bank holding company to acquire control of a bank located in a State other than the home State of such bank holding company, if certain conditions are met.[6] These conditions are met in this case.[7] In view of all the facts of record, the Board is permitted to approve this proposal under section 3(d) of the BHC Act.

Convenience and Needs Considerations

In acting upon an application to acquire a depository institution under 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 their safe and sound operation. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of bank holding company applications.[8]

The Board has received comments on this proposal from the International Brotherhood of Teamsters, Warehousemen and Helpers ("Protestant") alleging that NationsBank's subsidiary banks and NationsBanc Mortgage Corporation, Dallas, Texas ("NationsBanc Mortgage"), its nonbanking mortgage lending subsidiary, discriminate against African Americans in home mortgage lending. In particular, Protestant asserts that data filed under the Home Mortgage Disclosure Act ("HMDA") for 1993 show that NationsBank denied a higher percentage of loan applications from African Americans than from non-minorities in the cities of Miami, Dallas, Baltimore, and the District of Columbia.[9] In addition, Protestant contends that both NationsBank and Intercontinental made a disproportionately small number of loans to African Americans in the Miami market. Protestant also argues that NationsBank's ascertainment and marketing efforts are not directed toward providing products and services related to the needs of African-American members of the communities it serves, and that this proposal may result in a reduction of branches, branch personnel and banking services in the markets currently served by Intercontinental.[10]

The comments submitted by Protestant in the context of this application also were filed in connection with NationBank's proposal to acquire CSF Holdings, Inc., Miami, Florida. The Board has fully addressed these comments in its order approving that proposal.[11] For the reasons explained in the Board's order in that case, which are incorporated by reference in this order, and based on all the facts of record in these cases, the Board believes that convenience and needs factors, including CRA performance records, are consistent with approval

6. Pub. L. No. 103-328, 108 Stat. 2338 (1994). A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. For purposes of the BHC Act, the home state of NationsBank is North Carolina.

7. 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). NationsBank's subsidiary banks are adequately capitalized and adequately managed. Intercontinental has been in existence and continuously operated for the minimum period of time required under Florida law. In addition, upon consummation of this proposal, NationsBank and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and less than 30 percent of the total amount of deposits of insured depository institutions in Florida. All other requirements of section 3(d) of the BHC Act also would be met upon consummation of this proposal.

8. 12 U.S.C. § 2903.

9. Protestant supports these allegations by citing several studies and compilations of mortgage lending data by *The Wall Street Journal* (1993), the National Community Reinvestment Coalition (1995), the Washington Lawyers' Committee for Civil Rights and Urban Affairs (1994), and an individual researcher at the University of Texas (1992).

10. In addition, Protestant reiterates criticisms of NationsBank's record of CRA performance that were considered by the Board in connection with a 1994 application to acquire branches of California Federal Bank, F.S.B., Los Angeles, California. Protestant alleges, for example, that NationsBank illegally discriminates against African Americans in mortgage lending in Florida, and, in particular, the Tampa Bay area. Protestant also contends that NationsBank reneged on a commitment to support the Florida Community Development Assistance Corporation. Based on all the facts of record, and for the reasons discussed in this order and the 1994 order (which are incorporated herein), the Board does not believe that these allegations warrant denial of this proposal. *See NationsBank Corporation*, 80 *Federal Reserve Bulletin* 747 (1994). Protestant also cites a 1994 civil judgment against NationsBank, which ordered it to honor the commitment of an acquired banking organization to purchase a Georgia federal savings bank, as additional evidence of NationsBank's failure to comply with its commitments. Based on all the facts of record, the Board does not believe that this incident reflects so adversely on NationsBank as to warrant denial of this proposal.

11. *See NationsBank Corporation*, 81 *Federal Reserve Bulletin* 1121 (1995).

of this application. In particular, the Board notes that all of NationsBank's subsidiary banks received either a "satisfactory" or "outstanding" rating from the Office of the Comptroller of the Currency ("OCC"), their primary federal supervisor, in their most recent public examinations for CRA performance. Intercontinental received a "satisfactory" CRA performance rating from the Federal Deposit Insurance Corporation, its primary federal supervisor, as of September 1994. NationsBank has indicated that it would implement its CRA policies and procedures at Intercontinental following consummation of this proposal.

In addition, the Board notes NationsBank's progress under its Community Investment Program ("CIP"), a 10-year commitment to make a minimum of $10 billion of community investment loans.[12] Under this program, NationsBank loaned $2.2 billion in 1992, $2.9 billion in 1993, and $3.4 billion in 1994. During 1993, NationsBank made CIP loans totalling $91.9 million in the Miami market; $358 million in the Dallas market; $38.2 million in the Baltimore market; and $346.1 million in the District of Columbia market.

Other Considerations

The Board also has concluded that the financial and managerial resources and future prospects of NationsBank and its subsidiaries and of Intercontinental, and the other supervisory factors the Board must consider under section 3 of the BHC Act, are consistent with approval.[13]

Based on the foregoing, and in light of all the facts of record, the Board has determined that this application should be, and hereby is, approved.[14] The Board's approval is specifically conditioned upon compliance by NationsBank with all commitments made in connection with this application as well as the conditions discussed in this order. 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 NationsBank receiving all necessary Federal and state approvals.

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

By order of the Board of Governors, effective October 17, 1995.

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

WILLIAM W. WILES
Secretary of the Board

The Shorebank Corporation
Chicago, Illinois

Order Approving Acquisition of a Bank Holding Company

The Shorebank Corporation, Chicago, Illinois ("Shorebank"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire all the voting shares of Indecorp, Inc., Chicago, Illinois ("Indecorp"), and thereby indirectly acquire Indecorp's subsidiary banks,

12. CIP is a collection of special products and services, such as home mortgage loans, student loans, and loans to public/private partnerships, designed to benefit low- and moderate-income individuals and small businesses.

13. Protestant notes published accounts regarding an alleged violation of the anti-tying restrictions enacted by the BHC Act amendments of 1970 by NationsBank's South Carolina banking subsidiary and alleged improper marketing practices in the sale of retail nondeposit investments by NationsBank's securities brokerage subsidiary. Both of these activities were reviewed by the OCC, and the Board has carefully considered the information from this review. In addition, the Board has considered the anti-tying policies adopted by NationsBank and steps it has taken relating to the sale of retail nondeposit investments. In response to an internal audit, for example, NationsBank has adopted a revised Code of Ethics, increased disclosure requirements, and expanded its audit procedures, to ensure that its retail nondeposit investment sales practices are in compliance with all supervisory guidelines. The OCC has indicated that NationsBank's progress in this regard is generally satisfactory. In view of all the facts of record, including supervisory information provided by the OCC, the Board does not believe that these matters warrant denial of this proposal.

14. Protestant references a newspaper account of an investigation by the Department of Labor of alleged illegal discriminatory employment practices by NationsBank. The Board notes that because NationsBank's subsidiary banks employ more than 50 people, serve as depositories of government funds, and act as agents in selling or redeeming U.S. savings bonds and notes, each bank is required by Department of Labor regulations to:

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

(2) Have in place a written affirmative action compliance program which states its efforts and plans to achieve equal opportunity in the employment, hiring, promotion, and separation of personnel.

See 41 C.F.R. 60–1.7(a), 60–1.40. The record also indicates that NationsBank and its other subsidiaries are subject to those equal opportunity and affirmative action requirements.

Independence Bank ("Independence") and Drexel National Bank, Chicago, Illinois ("Drexel").[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 37,448 (1995)). 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.[2]

Shorebank controls two banks and is the 73d largest commercial banking organization in Illinois, controlling deposits of $254.6 million, representing less than 1 percent of total deposits in commercial banking organizations in the state. Indecorp is the 84th largest commercial banking organization in Illinois, controlling deposits of $226.9 million, representing less than 1 percent of total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Shorebank would become the 45th largest commercial banking organization in the state, and control deposits of $481.5 million as of June 30, 1995, representing less than 1 percent of total deposits in commercial banking organizations in the state.

Shorebank and Indecorp compete directly in the Chicago, Illinois, banking market ("Chicago banking market").[3] The Board has carefully considered comments maintaining that this proposal would have a significant adverse effect on competition in this banking market.[4]

Shorebank is the 60th largest commercial banking organization in the market, controlling deposits of $241.1 million, representing less than 1 percent of total deposits in commercial banking organizations in the market ("market deposits"). Indecorp is the 58th largest commercial banking organization in the market, controlling deposits of $246.2 million, representing less than 1 percent of market deposits. After consummation of this proposal, Shorebank would become the 38th largest commercial banking organization in the market, controlling deposits of $487.3 million as of June 30, 1994, representing less than 1 percent of total deposits in commercial banking organizations in the market. The Chicago banking market would remain unconcentrated as measured by the Herfindahl–Hirschman Index ("HHI"),[5] and numerous competitors would remain in the market.

The record also indicates that the institutions involved in this application are among the smaller banking organizations in the Chicago banking market. Within this market, the combined share of market deposits for Shorebank and Indecorp (with savings associations weighted at 50 percent) would be less than 1 percent. Moreover, the market would remain unconcentrated following consummation and it would be served by more than 100 banking and thrift competitors. The Chicago banking market also is an attractive market for entry and interstate acquisitions are authorized under Illinois law. Based on all the facts of record, the Board concludes that consummation of this proposal is not likely to result in significantly adverse effects on competition or the concentration of banking resources in the Chicago banking market or any other relevant banking market.[6]

Convenience and Needs Considerations

In acting on an application to acquire a depository institution, 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 their safe and sound operation. To accomplish this end,

1. Shorebank would eventually merge both Drexel and Independence with and into Shorebank's lead bank subsidiary, South Shore Bank, Chicago, Illinois ("South Shore Bank"). Shorebank's other subsidiary, Shore Bank & Trust Company, Cleveland, Ohio, is a recently chartered commercial bank that commenced business in the first quarter of 1995.

2. The Board received 64 comments on this proposal during the public comment period. Sixty-one commenters supported the proposal and three opposed it. After the expiration of the public comment period, the Board received two additional comments opposing the proposal.

3. The Chicago banking market is approximated by Cook, Du Page, and Lake Counties, all in Illinois.

4. One commenter asserts that Shorebank would have a market share exceeding 25 percent in the Chicago banking market but does not provide the basis for his calculation.

5. The post-merger HHI for the Chicago banking market would remain unchanged at 546. 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 is considered to be unconcentrated. In such markets, the Justice Department is unlikely to challenge a merger. 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.

6. The Board also concludes that the proposed investment by other bank holding companies in Shorebank in connection with this transaction is not likely to have an adverse effect on competition in the market. Each of these proposed investments is limited to varying amounts of nonvoting equity of Shorebank, and is consistent with the Board's rules and precedents for noncontrolling investments. In addition, the Board notes that these investments would not have significantly adverse competitive effects in the Chicago banking market in light of the small share of market deposits controlled by Shorebank after consummation and the unconcentrated nature of the Chicago banking market.

the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institutions," and to take that record into account in its evaluation of bank expansion proposals.[7]

Numerous commenters expressed support for this proposal. These commenters cited personal experiences with Shorebank and lauded Shorebank's record of lending in the communities it serves. A member of Congress also commented that Shorebank's lead subsidiary bank, South Shore Bank, Chicago, Illinois ("South Shore Bank") has had a beneficial impact on the neighborhoods it serves through various community lending, real estate development and business investment efforts.

The Board also received comments that asserted that both Shorebank and Indecorp had poor records of helping to meet the credit needs of the African-American community. For example, the Community Banking Coalition ("Coalition") and the Chicago Southside Branch of the NAACP criticized the lending record of South Shore Bank and Indecorp to African-American borrowers.[8] These commenters also maintained that the proposed acquisition would significantly reduce the amount of credit that would be available to the communities served by Indecorp, substantially weaken the viability of the last remaining African-American-owned bank in Chicago, preclude entry of new minority-owned banks into the Chicago banking market, and result in a loss of jobs currently held by African Americans.

The Board has carefully reviewed the CRA performance records of the subsidiary banks of Shorebank and Indecorp, all comments received regarding this application, Shorebank's response to these comments, and all other relevant facts of record 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").[9]

Record 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 reports of these examinations will be given great weight in the applications process.[10] The Board notes that South Shore Bank received an "outstanding" rating from its primary federal supervisor, the Federal Deposit Insurance Corporation ("FDIC"), at its most recent examination for CRA performance, as of May 9, 1994. Indecorp's subsidiary bank, Independence, received "needs to improve" ratings from the FDIC at its two most recent CRA performance examinations, as of August 29, 1994, and May 7, 1993. Indecorp's other subsidiary bank, Drexel, received a "satisfactory" rating from its primary federal supervisor, the Office of the Comptroller of the Currency ("OCC"), at its most recent examination for CRA performance, as of April 2, 1992.

B. Shorebank's Record Serving Low- and Moderate-Income Communities

Shorebank became a bank holding company in 1972 through the acquisition of South Shore Bank, a commercial bank located in a deteriorating south side neighborhood of Chicago (the "South Shore community"). Shorebank's strategic plan has been to revitalize this distressed community of over 80,000 residents through a comprehensive neighborhood development approach that has involved equity and debt financing. From 1974 to 1994, South Shore Bank has made approximately $290 million in loans to individuals and entities in many of Chicago's low- and moderate-income and minority neighborhoods ("new development loans").[11] During this period, Shorebank has provided financial assistance for rehabilitating over 16,000 housing units. In 1994, Shorebank made more than 467 new development loans totalling $30.8 million.

Shorebank offers a variety of residential mortgage lending programs, including a single-family lending product that provides financing of up to 97 percent of the purchase price of the property. In 1994, South Shore Bank made 141 one-to-four unit single family new development loans totalling $8.4 million. Forty-four of these loans, totalling $3 million, were made to South Shore community residents. In the same year, the bank also made 68 multi-family new development loans totalling $11.6 million. Thirty-one of these loans, totalling

7. 12 U.S.C. § 2903.

8. The Coalition contends that South Shore approved only 411 loans in 1993, less than 1 percent of the loans made by banks in Chicago, and denied over 40 percent of the loan applications it received from African-American applicants. The Coalition also noted low levels of lending to African-American borrowers by Independence and Drexel.

9. 54 *Federal Register* 13,742 (1989).

10. *Id.* at 13,742.

11. In addition to the South Shore community's minority and low- and moderate-income communities of Chatham-Avalon, Auburn-Gresham and South Woodlawn, Shorebank has assisted in meeting the credit needs of Austin (Chicago's west side) and businesses owned by African Americans and Hispanics in Chicago. While South Shore Bank's lending in the South Shore community concentrates primarily on the acquisition and rehabilitation of multi-family housing, its lending in Austin is strongly focused on single-family mortgages and the financing of small manufacturers.

$6.1 million, were extended to residents of the South Shore community. Also in 1994, South Shore Bank made 85 home improvement new development loans totalling $1.1 million. Sixteen of these loans, totalling $236,000, were extended to South Shore community residents. For the first eight months of 1995, the bank has extended 93 housing-related loans totalling $8 million to South Shore community residents. The bank also underwrites loans through Federal Housing Administration ("FHA") and Veterans Administration ("VA") loan programs, and was recently approved as a qualified FHA lender. FHA loan originations will commence during the third quarter of 1995.

In addition, South Shore Bank is an active Small Business Administration ("SBA") lender in Chicago and participates in the Certified Lenders, Preferred Lenders, Low-Doc, and Cap Line programs offered by the SBA. Shorebank and South Shore Bank also actively engage in small business lending, with special programs focusing on minority-owned businesses in low- and moderate-income areas. For example, South Shore Bank made 17 small business new development loans totalling $2.7 million in 1994, which includes ten small business loans totalling $1.8 million to businesses in Chicago's South Shore community. For the first six months of June 1995, the bank made ten small business loans totalling $1.2 million to businesses in the South Shore community.

Shorebank also uses its nonbank subsidiaries to assist in community development activities. For example, City Lands Corporation ("CLC") is a for-profit real estate development company that was established by Shorebank to increase the number of rehabilitated residential and commercial properties for rent or sale in the South Shore community and Austin.[12] Since 1978, CLC has developed more than 1,800 residential units and 129,000 square feet of commercial space totalling approximately $122 million in fair market value. The Neighborhood Fund ("TNF") is a SBA-licensed small business investment company created by Shorebank that specializes in making equity and debt investments in minority-owned businesses in Chicago. With a total portfolio of nineteen investments totalling $1.9 million, TNF continues to provide venture capital for minority businesses. TNF also works closely with South Shore Bank by providing additional financing to small businesses that have a borrowing relationship with the bank.

Other Shorebank initiatives provide assistance to low- and moderate-income neighborhoods. For example, The Neighborhood Institute ("TNI") provides low- and moderate-income residents with a variety of services including job training and placement, remedial education, and housing and small business development assistance.[13] Shorebank Advisory Services was established in 1988 to meet the increasing demand by depository and non-depository institutions for Shorebank's expertise in community development lending.

C. CRA Performance Record of Indecorp

As previously noted, Independence has received two consecutive "needs to improve" CRA performance ratings from the FDIC. At the most recent examination, conducted in August, 1994, examiners noted that the bank's CRA performance had improved; however, examiners identified continued deficiencies in the bank's ascertainment and marketing activities, as well as limited lending within its delineated community and no lending within certain specific neighborhoods of the delineated service area.[14]

In light of all the facts of record, and for the reasons previously discussed, the Board believes that Shorebank has the types of policies and programs in place at South Shore Bank that are effective in helping meet the credit needs of its entire community, including low- and moderate-income and minority neighborhoods. Shorebank has committed that, following consummation of this proposal, it will implement policies and programs to improve the CRA performance records of the Indecorp banks. The Board expects Shorebank to improve the CRA performance records of both Indecorp banks and will review Shorebank's progress in future applications to establish or acquire depository institutions.[15]

12. CLC recently completed a complex subsidy and equity finance package for the renovation of 87 apartment units in five buildings in the South Shore community, and a 161-unit rental project in Austin.

13. TNI has also provided financing for the construction of the second phase of a 19-unit single-family housing project, and has assisted the City of Chicago's New Homes for Chicago Program in the construction of 12 new homes. In addition, TNI hosted six home buyers and homeowners seminars and a Home Improvement Fair in 1994. Moreover, 180 adults participated in TNI's literacy program during this year.

14. An individual commenter objects to the proposal because Shorebank intends to reduce the delineated service community of Independence and Drexel. Shorebank responds that after acquisition, it will substantially increase the lending activity of Independence, and concentrate on community development lending. Shorebank believes that this objective requires a reduction in the size of Independence's current delineated service community. Within one year after acquiring Indecorp and merging the banks with South Shore, Shorebank will reevaluate South Shore's community delineation. The Board notes that the proposed modification would be subject to review by Independence's primary federal supervisor, the FDIC. Based on all the facts of record, the Board believes that the decision to modify Independence's delineated service community is reasonable and does not warrant denial of the application.

15. The Board also has carefully considered the comments suggesting that this proposal should be denied, either because the purchaser of Indecorp should be an African-American-owned bank

D. HMDA Data

The Board has also carefully reviewed 1993 and 1994 data of Shorebank and Indecorp under the Home Mortgage Disclosure Act ("HMDA") in light of protestants' comments. An analysis of South Shore Bank's HMDA data indicate that African Americans constituted approximately 88 percent of the population in South Shore Bank's delineated community in 1993 and 87 percent in 1994. During 1994, African Americans furnished approximately 91 percent of the total applications received by South Shore Bank, a percentage that is significantly higher than the percentage of applications received from African Americans by the aggregate of all HMDA lenders in South Shore Bank's delineated community, which is approximately 61 percent. In addition, South Shore Bank's denial rate for African-American applicants was 13 percent in 1993, compared to a 16.7 percent denial rate for white applicants. In 1994, South Shore Bank's denial rate for African-American applicants increased to 25.8 percent, but its denial rate for white applicants increased to 27.3 percent. In both years, South Shore Bank's performance, as measured by either the percentage of applications received from, or loans originated to, African-American applicants, compared favorably to aggregate data for all banks in the delineated area. The data also show that South Shore Bank's percentage of applications and originations in minority census tracts was greater than the aggregate's percentage of applications and originations these tracts in 1993 and 1994.

An analysis of Indecorp's HMDA data indicate that African Americans furnished approximately 97.4 percent of the total applications received by Independence in its delineated community in 1993, and 94.2 percent of the total applications received by Independence in its delineated community in 1994. In addition, Independence's denial rate for African-American applicants was 47.4 percent in 1993, and 32.7 percent in 1994. African Americans furnished approximately 50.5 percent of the total applications received by Drexel in 1993, and 71.7 percent of the total applications received by Drexel in 1994. Drexel's denial rate for African-American applicants was 45.5 percent in 1993, and 47.4 percent in 1994. Data on denial rates for both banks in 1993 and 1994 compare unfavorably with data for the aggregate of all HMDA lenders in the delineated area.

The Board has recognized that HMDA data alone provide an incomplete measure of an institution's lending in its community, and that these data have limitations that make the data an inadequate basis, absent other information, for concluding that an institution has engaged in illegal discrimination in making lending decisions. The Board notes that reports of examination for all the subsidiary banks of Shorebank and Indecorp by their primary federal supervisors found the banks to be in compliance with the substantive provisions of fair housing and fair credit laws. Examiners also found no evidence of illegal discriminatory credit practices at any of the subsidiary banks.

E. Conclusion

The Board has carefully considered all the facts of record, including the comments received on all subsidiary banks of Shorebank and Indecorp, Shorebank's responses, and the banks' CRA performance examinations. Based on a review of the entire record, the Board concludes that convenience and needs considerations, including the CRA records of performance of Shorebank's subsidiary banks, are consistent with approval of this application.[16]

or bank holding company, or because the proposal would have an adverse effect on the provision of credit in the African-American community. Other commenters allege that the proposal would result in a loss of jobs that are currently held by African Americans. The CRA expresses Congress's intention that all communities receive access to banking and credit services, and requires the Board to carefully consider how banks making acquisitions have fulfilled their responsibilities under the CRA. In this instance, the Board's review indicates that South Shore is meeting the credit needs of the communities that it serves, most of which are predominately African-American communities. Moreover, there is no evidence in the record that the proposed acquisition would in any way prevent the establishment of any other bank to serve the African-American community, or impair the ability of existing banks to serve the African-American community. In addition, the Board is prohibited by law and the U.S. Constitution from requiring that a bank be purchased by members of a specific racial or ethnic group. Accordingly, the Board concludes, based on its review of all the facts of record, including South Shore's CRA performance examinations, and its plans to improve the lending performance of Independence and Drexel, that these comments do not warrant denial of the application.

16. A commenter has requested that the Board hold a public hearing or meeting on this proposal to clarify factual disputes and present certain facts as part of the record. Section 3(b) of the BHC Act does not require the Board to hold a public hearing or meeting on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. No supervisory agency has recommended denial of the proposal.

Generally, under its 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, the commenter has had ample opportunity to submit his views, and has presented written submissions to the Board. The commenter's request fails to demonstrate why its written submissions do not adequately present its allegations or why a public hearing or meeting is otherwise warranted in this case. For these reasons, and based on all the facts of record, 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.

Other Considerations

The Board also concludes that the financial and managerial resources[17] and future prospects of Shorebank, Indecorp, and their respective subsidiary banks, and other supervisory factors the Board must consider under section 3 of the BHC Act, are consistent with approval of this proposal.[18]

Based on the foregoing, and in light of all the facts of record and the commitments made in connection with this application, the Board has determined that this application should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by Shorebank with all 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 transaction shall not be consummated before the fifteenth calendar day following the effective date of this order, and shall not be consummated later than three months following the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective October 16, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Accordingly, the commenter's request for a public hearing or meeting on this application is denied.

17. Some comments have alleged that investments in Shorebank by several large non-minority-owned financial institutions would permit these investors to control Shorebank to the detriment of the African-American community, and represent an effort by large majority-owned banks to eliminate minority-owned financial institutions. The Board has carefully reviewed the current and proposed investments by bank holding companies in Shorebank. Shorebank currently has 46 shareholders, none of which owns more than 7.5 percent of the total number of voting shares. Five bank holding companies currently have investments in Shorebank, none of which control more than 5 percent of the total voting shares of Shorebank. As a part of this proposal, two additional bank holding companies would provide financing to Shorebank for this acquisition in the form of non-voting common stock and debt to Shorebank. Each of these bank holding companies has made commitments that the Board has previously relied upon to ensure that an investing bank holding company does not exercise a controlling influence over the institution it invests in and acquires shares as a passive investment. In light of the wide dispersal of Shorebank's voting shares, the commitments referred to above, and the public benefits that would accrue as a result of increased funding capabilities at Shorebank, the Board believes that the comments do not warrant denial of this proposal.

18. The Board has received comments from an individual alleging that Shorebank has exercised a controlling influence over the management and policies of Independence without prior Board approval in violation of the BHC Act and the Board's Rules, including the authorization by South Shore Bank's president to terminate the employment of an Indecorp employee. Shorebank responds that its representatives have not attended any meetings of the Independence board of directors or its executive committee. Shorebank notes that a representative has attended credit committee meetings, but that he had no vote at any such meetings, and no authority to approve or veto matters that came before the committee. Indecorp also has represented that Shorebank does not exercise control over the management, policies or operations of Independence or its subsidiaries. Finally, Indecorp and Shorebank deny that Shorebank exercised any influence or control in connection with the dismissal of the employee in question, noting that South Shore Bank's president did not attend the meeting at which the termination of employment was decided. The commenter has provided no evidence that contradict these statements, only allegations. Based on all the facts of record, the Board concludes that no controlling influence has been exercised by Shorebank and that these comments do not warrant denial of this proposal.

UB&T Financial Corporation
Dallas, Texas

UB&T Delaware Financial Corporation
Dover, Delaware

Order Approving Formation of Bank Holding Companies and Acquisition of a Bank Holding Company

UB&T Financial Corporation, Dallas, Texas, and its wholly owned subsidiary, UB&T Delaware Financial Corporation, Dover, Delaware (together, "Applicants"), have applied under section 3 of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) ("BHC Act") to become bank holding companies by acquiring all the voting shares of United Bank & Trust, N.A., Dallas, Texas ("United Bank"). Applicants also have applied under section 3 of the BHC Act to acquire all the voting shares of Southeast Bancshares, Inc. ("Southeast"), and thereby indirectly acquire its wholly owned subsidiary, Commercial National Bank ("Commercial Bank"), both of Dallas, Texas.[1]

Notice of these applications, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 26,436 and 37,897 (1995)). The time for filing comments has expired, and the Board has considered these applications and all comments re-

1. Applicants propose to dissolve Southeast immediately after its acquisition, merge Commercial Bank into United Bank, and retain Commercial Bank's sole office as a branch of United Bank.

ceived in light of the factors set forth in section 3 of the BHC Act.

Applicants are nonoperating companies formed for the purpose of acquiring United Bank and Southeast. United Bank is the 341st largest commercial banking organization in Texas, with deposits of $54.4 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.[2] Southeast is the 378th largest commercial banking organization in Texas, with deposits of $49 million, representing less than 1 percent of total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Applicants would become the 171st largest commercial banking organization in Texas, with deposits of $103.4 million, representing less than 1 percent of the state's banking deposits.

United Bank and Commercial Bank compete directly in the Dallas banking market.[3] United Bank and Commercial Bank are the 45th and 49th largest depository institutions, respectively, in the market.[4] Upon consummation of this proposal, the market would remain moderately concentrated, as measured by the Herfindahl–Hirschman Index ("HHI"), and this proposal would not exceed the Department of Justice merger guidelines.[5] In addition, numerous competitors would remain in the market. Accordingly, based on all the facts of record, the Board concludes that consummation of this proposal is not likely to result in significantly adverse effects on competition or the concentration of banking resources in the Dallas banking market or any other relevant banking market.

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

3. The Dallas banking market consists of Dallas County, the southwest quadrant of Collin County, the southeast quadrant of Denton County, the northern half of Rockwall County, and the communities of Forney and Terrell in Kaufman County, Midlothian, Waxahachie, and Ferris in Ellis County, and Grapevine and Arlington in Tarrant County, all in Texas.

4. All market data are as of June 30, 1994. In this context, depository institutions include commercial banks, savings 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, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

5. The HHI for the Dallas banking market would remain unchanged at 1281 as a result of this transaction. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

Convenience and Needs Considerations

In considering an application to acquire a depository institution, 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 their safe and sound operation. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institutions," and to take that record into account in its evaluation of these applications.[6]

The Board has received comments from the Black State Employees Association of Texas, Inc. ("Protestant"), criticizing the records of United Bank and Commercial Bank in making home mortgage loans to African Americans, and alleging that United Bank discriminates against African Americans in its lending practices. Protestant also alleges that neither bank has a program in place to ascertain the credit needs of the African-American community or engages in marketing and outreach activities directed to that community.[7]

6. 12 U.S.C. § 2903.

7. Protestant requested that the Board conduct an investigation of the lending activities and operations of United Bank and Commercial Bank and delay action and extend the public comment period on these applications until that investigation is complete. As noted below, the CRA performance records of both United Bank and Commercial Bank were recently examined by the Office of the Comptroller of the Currency ("OCC"), which is the federal agency charged under the CRA with responsibility for evaluating the lending performance of these banks. In addition, Protestant had more than 45 days to submit comments on these applications, which included two extensions of the comment period.

The Board is required by the BHC Act and the regulations thereunder to use the appropriate federal banking agency's report of examination to the greatest extent possible in administering the BHC Act, and to act on applications within specified time periods. In evaluating these applications, the Board has considered the OCC's examination reports for United Bank and Commercial Bank, the information and analysis submitted by Protestant, information submitted by Applicants regarding United Bank's record of lending, and other information. Based on all the facts of record, the Board concludes that an independent review of the lending activities and operations of United Bank and Commercial Bank by the

The Board has carefully reviewed the CRA performance records of United Bank and Commercial Bank, Protestant's comments, and all other relevant facts of record 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").[8]

Record of CRA Performance

A. Evaluation of CRA Performance

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 reports of these examinations will be given great weight in the applications process.[9] United Bank received a "satisfactory" rating from the OCC in its most recent examination for CRA performance as of December 1994 ("United Bank Examination"). Commercial Bank received a "needs to improve" rating from the OCC in its most recent examination for CRA performance as of January 1995 ("Commercial Bank Examination"). In response to the OCC's criticisms, Commercial Bank initiated a number of measures to improve its record of lending to low- and moderate-income and minority members of its community.[10] United Bank, which would acquire Commercial Bank as part of the proposed transaction, also has outlined initiatives it would implement after consummation of this proposal to address the OCC's criticisms of Commercial Bank's record of CRA performance.[11]

B. Ascertainment and Marketing

United Bank uses an officer calling program to identify the credit needs of its community. United Bank is primarily a commercial lender, and its ascertainment efforts are concentrated on establishing personal contacts with existing and prospective commercial customers, realtors, non-profit developers, local government officials, and community leaders and responding to the credit and other banking needs identified in this manner.[12] United Bank has sponsored a meeting of business owners to inform them about the Small Business Administration ("SBA") loan application process. United Bank also sponsored a meeting of residents of South Dallas, a predominantly low- and moderate-income area of the bank's community, to identify housing credit needs in this area. Based on information gathered at the housing program, United Bank developed a home improvement loan product for loans in amounts between $2500 and $5000.[13] In addition, United Bank conducts regular surveys of both existing and former customers and the general public to ascertain community credit needs. In response to survey results, the bank introduced a reduced interest rate credit card and an economy checking account for small businesses, and initiated the use of a credit card application mailer in low- and moderate-income areas of its community. United Bank further responded to survey results by testing extended hours of operation, opening one new branch, and negotiating to acquire a site for a drive-through banking facility.

United Bank adopts an annual advertising schedule that is reviewed by its Operations, Advertising, and Training Committee to ensure that the bank's products and services are promoted throughout its delineated community. United Bank advertises its products and services in metropolitan newspapers and in neighborhood newspapers that serve low- and moderate-income areas of United Bank's delineated community. Advertisements feature several loan products, including personal loans and credit cards.

C. Other Aspects of CRA Performance

United Bank's lending business has focused on commercial real estate and corporate lending. During the twelve months ending in May 1995, United Bank received 231 applications for small business loans and approved 215 of them, for a total of $21.1 million. The bank also is an approved SBA lender.

Federal Reserve System is not appropriate and that further delay in acting on these applications is not warranted.

8. 54 *Federal Register* 13,742 (1989).

9. *Id.* at 13,742.

10. For example, Commercial Bank introduced a home purchase mortgage program for households with incomes up to $30,000, featuring flexible underwriting guidelines and reduced closing costs, and home improvement loans for low- and moderate-income households. In addition, Commercial Bank increased its efforts to ascertain the credit needs of its community. The bank hired an independent firm to conduct a geographical analysis of its lending, and adopted procedures under which the loan committee of the bank's board of directors receives monthly reports geographically analyzing the number and dollar amount of loans approved and denied. Commercial Bank's marketing efforts also have increased. The bank uses various media, including newspapers and coupon packages, that advertise specific credit products and are directed to low- and moderate-income neighborhoods. Home loan applications and brochures in Spanish also have been introduced.

11. In addition to continuing Commercial Bank's recent CRA initiatives, United Bank would introduce its officer calling program, customer and community survey program, and sales program, featuring quantified production goals and incentive bonuses, to the former Commercial Bank office. United Bank also proposes to expand the role of its CRA officer to a full-time position reporting directly to the bank's president, and to develop a consumer loan department.

12. Bank officers made 422 calls during the first quarter of 1995.

13. The bank received 15 applications and approved 10 loans under this program in 1994.

The United Bank Examination report noted that the bank's officers are encouraged to become active members of community development organizations that provide direct benefit to United Bank's delineated community, and all officers report quarterly to the bank's CRA officer on their activities. During the period covered by the United Bank Examination, United Bank originated a $750,000 loan for the development of a Native American social services center, originated a $70,000 loan for purchase and renovation of a low- to moderate-income apartment facility in South Dallas, purchased $100,000 of a local municipal bond issue, and donated bank property in South Dallas valued at $35,000 to a shelter for homeless children. Examiners also noted that United Bank offered flexible credit terms to community development borrowers that could not qualify for loans under the bank's normal underwriting criteria.

United Bank also provides special products and services to its customers that are not credit related. For example, the bank offers low cost checking accounts with no minimum balance requirement and 20 free checks a month. These accounts constitute 19 percent of the bank's individual checking accounts. The bank also offers a reduced cost senior citizens account, cashes Social Security Administration checks without charge, and waives service charges for deposit accounts of nonprofit organizations.

D. HMDA Data

The Board has carefully reviewed data collected under the Home Mortgage Disclosure Act ("HMDA") for United Bank and Commercial Bank during 1993 and 1994, and for United Bank during the first six months of 1995, in light of Protestant's allegation that the number of home mortgage loans made to African Americans was insufficient for banks of their size. HMDA data indicate that housing-related loans at United Bank are increasing, although their number is relatively small.[14] Between 1993 and 1994, HMDA-reported loan applications increased from 12 to 18.[15] Nine of the 18 applications received in 1994 were from African Americans. Four applications were denied, two of which were from African Americans. During the first six months of 1995, United Bank received 14 HMDA-reported loan applications, of which five were from African Americans. Two applications were denied, one of which was from an African American.[16]

The Board recognizes that HMDA data alone provide an incomplete measure of an institution's lending in its community, and that they have limitations that make the data an inadequate basis, absent other information, for concluding that an institution has engaged in illegal discrimination in making lending decisions. The United Bank Examination did not find any evidence of practices that would discourage applications for any kind of credit or any evidence of discrimination or other illegal credit practices. The bank was in compliance with all fair lending laws and regulatory guidance in these areas. The United Bank Examination further noted that the bank's delineated community and the geographic distribution of its loan applications was reasonable. The Commercial Bank Examination also found no evidence of practices that would discourage applications for any kind of credit or any evidence of discrimination or other illegal credit practices. In addition, it found that the bank accepted credit applications from all segments of its community, including low- and moderate-income neighborhoods.[17]

E. Conclusion on Convenience and Needs Considerations

The Board has carefully considered all the facts of record, including Protestant's comments, in reviewing the CRA record of performance of United Bank and Commercial Bank. The record indicates that United Bank has achieved a satisfactory level of CRA performance, and Applicants have committed to implement United Bank's outreach, ascertainment, and lending programs at the Commercial Bank branch location after consummation of the proposed transaction. United Bank also will address weaknesses in Commercial Bank's CRA performance as noted by the OCC. Based on a review of the entire record, including information provided by Protestant, information provided by United Bank concerning its lending activities in its delineated community and its proposed efforts to improve Commercial Bank's record of CRA performance, and relevant reports of examination, the Board concludes that convenience and needs considerations, including United Bank's record of CRA performance, are consistent with approval of these applications. The Board expects Appli-

14. Residential mortgages constituted 22 percent of United Bank's loan portfolio in 1994.

15. In 1994, 20 other applicants who sought fixed-rate mortgages, which United Bank does not offer, were referred to other lenders.

16. Commercial Bank received 11 HMDA-reported loan applications from African Americans during 1994, of which 5, or 45 percent, were denied; 14 applications from Hispanics, of which 2, or 14 percent, were denied; and 17 applications from non-minority applicants, of which 6, or 35 percent, were denied.

17. The examiners noted technical violations of the Equal Credit Opportunity Act and HMDA, but found that these violations did not affect the substance of Commercial Bank's credit granting process. The examiners expressed concern, however, about the bank's low volume of total loans; the high percentage of HMDA-related loans and total loans outside the bank's delineated community; and the low percentage of total loans in low- and moderate-income neighborhoods within its delineated community.

cants to address fully the OCC's concerns about the CRA performance record of Commercial Bank.

Other Considerations

The financial and managerial resources[18] and future prospects of Applicants, Southeast, and their respective subsidiary banks are consistent with approval of this proposal, as are the other supervisory factors that the Board is required to consider under section 3 of the BHC Act.

Based on the foregoing and after a review of all the facts of record, the Board has determined that these applications should be, and hereby are, approved. The Board's approval is specifically conditioned on compliance with all the commitments made by Applicants and the principals of Applicants and related parties, in connection with these applications. For purposes of this action, the commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective October 23, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

18. Protestant also alleges that United Bank and Commercial Bank have not hired African Americans in numbers proportionate to their presence in the communities served and that United Bank has failed to abide by the terms of its December 1993 undertaking to use Protestant's assistance in its hiring decisions and selection of third party vendors. While the Board fully supports programs designed to stimulate and create economic opportunities for all members of society, the Board believes that the alleged deficiencies in the banks' hiring practices and in United Bank's third party contracting practices are beyond the scope of the CRA or the BHC Act.

Orders Issued Under Section 4 of the Bank Holding Company Act

Bank South Corporation
Atlanta, Georgia

Order Approving a Notice to Engage in Underwriting "Private Ownership" Industrial Development Bonds

Bank South Corporation, Atlanta, Georgia ("Bank South"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has provided notice 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) of its proposal to engage *de novo* through its section 20 subsidiary, Bank South Securities Corporation, Atlanta, Georgia ("Company"), in underwriting, to a limited extent, certain "private ownership" industrial development bonds, which are issued for the provision of the following governmental services: water facilities, sewer facilities, solid waste disposal facilities, electric energy and gas facilities, and local district heating or cooling facilities (collectively, "traditional governmental services").

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 31,309 (1995)). 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.[1]

Bank South, with total consolidated assets of approximately $7.7 billion, controls one bank subsidiary in Georgia.[2] Company currently is engaged in limited underwriting and dealing in certain municipal revenue bonds, activities permissible under section 20 of the Glass–Steagall Act (12 U.S.C. § 377).[3] Company is, and will continue to be, a broker-dealer registered with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*) and is a member of the National Association of Securities Dealers, Inc. ("NASD"). Accordingly, Company is subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934, the SEC, and the NASD. Bank South also engages directly and through subsidiaries in other permissible nonbanking activities.

The Board previously has determined that, subject to the prudential framework of limitations established in previous decisions to address the potential for conflicts

1. The only comment received by the Board on this application expressed support for the proposal.

2. Asset data are as of March 31, 1995.

3. *See Bank South Corporation*, 79 *Federal Reserve Bulletin* 716 (1993) ("*Bank South*").

of interests, unsound banking practices, or other adverse effects, the activities of underwriting and dealing in municipal revenue bonds, including industrial development bonds, are so closely related to banking as to be proper incidents thereto within the meaning of section 4(c)(8) of the BHC Act.[4] In previous cases in which bank holding companies have requested approval to underwrite and deal in only municipal revenue bonds, as opposed to a full range of debt securities, bank holding companies had limited their requests to underwriting and dealing in industrial development bonds that are "public ownership" industrial development bonds. Public ownership industrial development bonds are those "tax exempt bonds where the issuer, or the governmental unit on behalf of which the bonds are issued, is the sole owner for federal income tax purposes of the financed facility."[5]

Bank South now proposes to engage through Company in underwriting "private ownership" industrial development bonds issued solely for the provision of traditional governmental services. Bank South has committed to conduct this activity subject to the same limitations and other conditions that govern underwriting and dealing in public ownership industrial development bonds.[6]

The underwriting risk and the risk analysis required to underwrite "private ownership" industrial development bonds issued for traditional governmental services is essentially the same as the risk and analysis related to underwriting traditional "public ownership" bonds. In both cases, the source of repayment of the bonds is revenue generated by the financed facility, including revenue generated by a service contract between the owner/lessor of the financed facility and a state or local government or political subdivision, pursuant to which the state or local government or political subdivision agrees to purchase the output of the facility.[7] Bank South has committed that all the "private ownership" bonds that Company would underwrite would be rated "investment quality" by a nationally recognized rating agency to the same extent as are the municipal revenue bonds that Company currently underwrites.

Under these circumstances, the Board concludes that underwriting and dealing in private ownership bonds issued for the provision of traditional governmental services is a permissible activity if conducted subject to the conditions and prudential limitations set forth in *Citicorp/Morgan/Bankers Trust* and agreed to by Bank South in *Bank South.*

In every notice under section 4 of the BHC Act, the Board considers the financial condition and resources of the notificant and its subsidiaries and the effect of the transaction on these resources.[8] Based on the facts of this case, the Board concludes that financial considerations are consistent with approval of this notice. The managerial resources of Bank South also are consistent with approval.

In order to approve this notice, the Board also must determine that the performance of the proposed activities by Bank South can reasonably be expected to produce public benefits that would outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act. Under the framework established in this order and prior decisions, consummation of this proposal is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that are not outweighed by public benefits. The Board expects that the entry of Bank South into the market for the proposed activities would provide added convenience to Bank South's customers, and would increase the level of competition among existing providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by Bank South can

4. *Citicorp, J.P. Morgan & Co. Incorporated, and Bankers Trust New York Corporation*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir.), *cert. denied*, 486 U.S. 1059 (1988), as modified by *Order Approving Modifications to Section 20 Orders, 75 Federal Reserve Bulletin* 751 (1989) ("*Citicorp/Morgan/Bankers Trust*"). *See also J.P. Morgan & Co. Incorporated, et al.*, 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom. Securities Industries Ass'n v. Board of Governors of the Federal Reserve System*, 900 F.2d 360 (D.C. Cir. 1990).

5. *Citicorp/J.P. Morgan/Bankers Trust*, 73 *Federal Reserve Bulletin* at 502. Examples of financed facilities include airports and mass commuting facilities. *Id.*

6. *Citicorp/Morgan/Bankers Trust.* All the bonds that Bank South proposes that Company underwrite would qualify as "exempt facility bonds" under the Internal Revenue Code ("Code"). *See* 26 U.S.C. § 142. The types of exempt facility bonds that Company would underwrite may, subject to certain volume caps and other limitations, be tax-exempt under the Code even if the proceeds of the bonds are used to finance facilities that are privately owned. *See* 26 U.S.C. §§ 103, 141, 142, 146, 147.

7. Typically, in the case of "public ownership" bonds, the governmental unit that issues the bonds owns the financed facility and repays the bonds from the revenue generated by the facility and this service contract. The governmental unit may also enter into a contract with a third party to operate the financed facility. In the case of the "private ownership" bonds that Bank South proposes to underwrite, the governmental unit that issues the bonds either uses the proceeds of the bonds to acquire or construct a facility, which the governmental unit then leases to a third party, or lends the proceeds of the bonds to a third party to acquire or construct the facility. The third party agrees to make lease payments or loan repayments to the governmental unit that enable the governmental unit to pay debt service on the bonds. As security for the lease or loan agreement, the third party assigns and pledges the revenues generated by the facility and a service contract with a state or local government or political subdivision.

8. *See* 12 C.F.R. 225.24.

reasonably be expected to produce public benefits that outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on all the facts of record, and subject to the commitments made by Bank South, as well as all the terms and conditions set forth in this order and in the above-noted Board orders, the Board has determined that the notice should be, and hereby is, approved. Approval of this proposal is specifically conditioned on compliance by Bank South and Company with the commitments made in connection with its notice and with the conditions in this order and the other referenced orders. The Board's determination also is subject to all of the conditions set forth in Regulation Y, including those in sections 225.7 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. In approving this notice, the Board has relied on all the facts of record, and all the representations and commitments made by Bank South. For the purpose of this action, these commitments and conditions shall be deemed conditions imposed in writing and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective October 24, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

First Union Corporation
Charlotte, North Carolina

Order Approving Acquisition of a Savings Association

First Union Corporation, Charlotte, North Carolina ("First Union"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has given notice under section 4 of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) of its proposal to acquire all the voting shares of RS Financial Corporation ("RS Financial"), and thereby indirectly acquire RS Financial's savings association subsidiary, Raleigh Federal Savings Bank ("Raleigh FSB"), both of Raleigh, North Carolina.[1]

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 47,368 (1995)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.[2]

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.[3] The Board requires savings associations acquired by bank holding companies to conform their direct and indirect activities to those permissible for bank holding companies under section 4(c)(8) of the BHC Act and Regulation Y. First Union has committed to conform all activities of Raleigh FSB to those requirements.[4]

First Union, with total consolidated assets of $77.9 billion, operates subsidiary banks in Florida, North

1. First Union proposes to merge Raleigh FSB with and into its subsidiary bank, First Union National Bank of North Carolina, Charlotte, North Carolina ("FUNB-NC"). FUNB-NC has filed an application with the Office of the Comptroller of the Currency ("OCC") pursuant to section 5(d)(3) of the Federal Deposit Insurance Act (12 U.S.C. § 1815(d)(3)) ("FDI Act"), as amended, for approval of this merger.

2. Inner City Press/Community on the Move ("Protestant") maintains that public notice of this proposal was inadequate because First Union did not publish notice of the proposal three times in a local newspaper. The Board's Regulation Y requires notice of a proposed acquisition of a savings association in the *Federal Register*. (12 C.F.R. 225.23(c)). As a matter of policy, the Board also has required bank holding companies to publish notice in appropriate newspapers of a proposal to acquire a savings association under section 225.25(b)(9) of the Board's Regulation Y (12 C.F.R. 225.25(b)(9)). *See* Footnote 2 in the Board's notice of final rulemaking regarding applications processing, 57 *Federal Register* 41,641 (September 11, 1992). The Board's Rules of Procedure require that applications filed under the Bank Merger Act (12 U.S.C. § 1828(c)) be published three times in an appropriate newspaper. *See* 12 C.F.R. 262.3(b)(3). Notice of applications filed under the BHC Act, however, is only required to be published one time in appropriate newspapers under the Board's Regulation Y. *See* 12 C.F.R. 225.23(c). This is an application filed under the BHC Act. First Union published two notices in local newspapers stating that consideration of this proposal would include a review of the record of First Union in helping to meet local credit needs. Based on all the facts of record, the Board concludes that public notice of this proposal was sufficient.

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

4. First Union has committed that all impermissible real estate activities will be divested or terminated within two years of consummation of the proposal, that no new impermissible projects or investments will be undertaken during this period, and that capital adequacy guidelines will be met, excluding specified real estate investments. First Union also has committed that any impermissible securities or insurance activities conducted by Raleigh FSB will cease on or before consummation.

Carolina, Georgia, Tennessee, Maryland, Virginia, South Carolina, and the District of Columbia.[5] First Union is the fourth largest commercial banking organization in North Carolina, controlling $10.6 billion in deposits, representing approximately 13.9 percent of total deposits in depository institutions in the state.[6] RS Financial is the tenth largest depository institution in North Carolina, controlling $642.3 million in deposits, representing less than 1 percent of total deposits in depository institutions in North Carolina. Upon consummation of this proposal, First Union would become the second largest commercial banking organization in the state, controlling deposits of $11.2 billion, representing approximately 14.7 percent of total deposits in depository institutions in North Carolina.

Competitive Considerations

Under section 4(c)(8) of the BHC Act, the Board is required to consider whether a proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. First Union and Raleigh FSB compete directly in five banking markets in North Carolina.[7] Consummation of this proposal would not result in concentration levels in those markets that would exceed the threshold standards of market concentration as measured by the Herfindahl–Hirschman Index ("HHI") under the Department of Justice merger guidelines.[8] After considering the relatively small change in concentration as measured by the HHI, First Union's share of total deposits in depository institutions[9] in the market ("market share"),[10] the number of competitors that would remain in these markets, and all other facts of record, the Board concludes that consummation of this proposal would not result in any significantly adverse effects on competition or the concentration of banking resources in any relevant banking market.

Convenience and Needs Considerations

In acting on an application to acquire a savings association under section 4 of the BHC Act, the Board reviews the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C § 2901 *et seq.*) ("CRA").[11] 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 their safe and sound operation. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of bank holding company applications.[12]

5. Asset data are as of June 30, 1995.

6. State deposit data are as of June 30, 1995. In this context, depository institutions include commercial banks, savings banks, and savings associations.

7. The banking markets are the Durham/Chapel Hill Ranally Metro Area ("RMA"), the Goldsboro RMA, the Rocky Mount RMA, the Raleigh RMA, and Moore County markets, all in North Carolina.

8. Market data are as of June 30, 1994. 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 over 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.

9. 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* 743 (1984). Because the deposits of Raleigh FSB would be transferred to a commercial bank under this proposal, those deposits are included at 100 percent in the calculation of First Union's *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Bank, Inc.*, 76 *Federal Reserve Bulletin* 669, 670 n. 9 (1990).

10. Upon consummation of the proposal, the HHI for the five North Carolina banking markets would increase in the Durham/Chapel Hill RMA (1 point to 1574), Raleigh RMA (67 points to 1161), and Moore County (1 point to 1872); and decrease in the Goldsboro RMA (16 points to 2479) and Rocky Mount RMA (2 points to 2081). First Union's relative size by market share in each market would be as follows after consummation: Durham/Chapel Hill RMA (fifth largest with 8.7 percent market share); Goldsboro RMA (fourth largest with 7.7 percent market share); Rocky Mount RMA (third largest with 11 percent market share); Raleigh RMA (third largest with 14.3 percent market share); and Moore County (third largest with 10.7 percent market share).

11. The Board previously has determined that the CRA by its terms generally does not apply to applications by bank holding companies to acquire nonbanking companies under section 4(c)(8) of the BHC Act. *The Mitsui Bank, Ltd.*, 76 *Federal Reserve Bulletin* 381 (1990). The Board also has stated that, unlike other companies that may be acquired by bank holding companies under section 4(c)(8) of the BHC Act, savings associations are depository institutions, as that term is defined in the CRA, and thus acquisitions of savings associations are subject to review under the express terms of the CRA. *Norwest Corporation*, 76 *Federal Reserve Bulletin* 873 (1990).

12. 12 U.S.C. § 2903.

Protestant contends that First Union's record of performance under the CRA is deficient in a number of respects, including ascertainment, marketing and outreach activities; housing-related and small business lending; available banking services; and branch locations and closing policies. Protestant also maintains that data filed under the Home Mortgage Disclosure Act[13] indicate that First Union's subsidiary banks and mortgage company illegally discriminate in their lending activities.

The Board notes that First Union's lead bank subsidiary, FUNB-NC, received an "outstanding" rating from its primary federal supervisor, the OCC, at its most recent publicly available examination for CRA performance in April 1994. First Union's remaining seven subsidiary banks received "satisfactory" ratings from the OCC in the most recent examinations of their CRA performance.[14] Examiners also found that all of First Union's banks were in compliance with applicable antidiscrimination laws and regulations and that none of the banks engaged in practices that would discourage individuals from applying for credit.[15] Raleigh FSB received an "outstanding" CRA performance rating from the Office of Thrift Supervision, its primary federal supervisor, in July 1995. First Union has indicated that it would incorporate FUNB-NC's CRA policies and procedures at Raleigh FSB after consummation of this proposal.

Protestant's comments on this notice also were filed in connection with First Union's proposal to acquire First Fidelity Bancorporation, Newark, New Jersey, and Philadelphia, Pennsylvania. The Board fully addressed these comments in its order approving that proposal.[16] For the reasons explained in the Board's order in that case, which are incorporated by reference in this order, and based on all the facts of record in these cases, the Board believes that convenience and needs factors, including CRA performance records, are consistent with approval of this notice.

Other Considerations

The Board also concludes that the financial and managerial resources and future prospects of First Union, RS Financial, and their respective subsidiaries are consistent with approval of this proposal.[17]

The record also indicates that consummation of this proposal would result in increased economies of scale and a broader financial network through which First Union could serve customers in North Carolina. In addition, former RS Financial customers would have increased services, including special lending and leasing programs, corporate banking and cash management products, trust services, and investment management services, and access to First Union's entire banking network. The Board also finds that consummation of this proposal is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that would outweigh 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.

Based on all the facts of record, including the commitments made to the Board by First Union in connection with this notice, and for the reasons discussed in the *First Union/First Fidelity Order*, the Board has determined that this notice should be, and hereby is, approved.[18] The Board's approval is specifically condi-

13. 12 U.S.C. § 2801 *et seq.*

14. The OCC conducted a joint CRA examination of all First Union subsidiary banks, including FUNB-NC, in April 1994.

15. Based on all the facts of record, and for the reasons stated in the *First Union/First Fidelity Order*, the Board believes that the OCC's 1994 examinations sufficiently reviewed the fair lending performance of First Union's subsidiary banks.

16. *See First Union Corporation*, 81 *Federal Reserve Bulletin* 1143 (1995) ("*First Union/First Fidelity Order*").

17. Protestant makes unsupported allegations that the bidding process for RS Financial was flawed and that First Union has improperly entered into contracts to sell certain RS Financial branches before receiving regulatory approval. First Union denies any improper actions, and states that five potential purchasers submitted bids to acquire RS Financial, with First Union's being selected by RS Financial as the winning bidder. In addition, First Union notes that agreements to sell the RS Financial branches are contingent on receipt of regulatory approval. The Board has carefully reviewed these and other comments submitted by Protestant on First Union's application to acquire First Fidelity relating to managerial resources in light of all the facts of record, including reports of examination assessing the management and policies of First Union and its subsidiary banks, and other supervisory information from First Union's primary federal supervisors. Based on this review, and for the reasons stated above and in the *First Union/First Fidelity Order*, the Board does not believe that these comments warrant denial of the proposal.

18. Protestant has requested that the Board hold a public hearing or meeting on this notice. The Board's rules for processing applications provide that a hearing is required under section 4 of the BHC Act only if there are disputed issues of material fact that cannot be resolved in some other manner. 12 C.F.R. 225.23(g). In addition, 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). Protestant has had ample opportunity to present its views, and has submitted substantial written comments that have been considered by the Board. After careful review of all the facts of record, the Board believes that Protestant's request disputes the weight accorded to, and the conclusions that may be drawn from, the facts of record, and does not identify disputed issues of fact that are material to the Board's decision. Protestant also fails to show why a written presentation would not suffice and to summarize what evidence would be presented at a hearing or meeting. *See* 12 C.F.R. 262.3(e). In light of the record in this case, the Board does not believe that a hearing or meeting is

tioned on compliance by First Union with all commitments made in connection with this notice and on First Union and FUNB-NC receiving all necessary federal and state approvals, including approval of the OCC under the FDI Act.[19]

The Board's determination is subject to all the conditions in the Board's Regulation Y, including those in sections 225.7 and 225.23(b)(3) (12 C.F.R. 225.7 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 evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and as such may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective October 26, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

NationsBank Corporation
Charlotte, North Carolina

Order Approving the Acquisition of a Savings Association

NationsBank Corporation, Charlotte, North Carolina ("NationsBank"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has filed notice pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)) to acquire all the voting shares of CSF Holdings, Inc. ("CSF"), and thereby indirectly acquire its wholly owned subsidiary, Citizens Federal Bank, a Federal Savings Bank ("Citizens"), both of Miami, Florida.[1]

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 44,501 (1995)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

The Board has determined that the operation of a savings association is closely related to banking and permissible for bank holding companies. 12 C.F.R. 225.25(b)(9). In making this determination, the Board requires that savings associations acquired by bank holding companies conform their direct and indirect activities to those permissible for bank holding companies under section 4 of the BHC Act. NationsBank has committed to conform all activities of CSF to the requirements of section 4 of the BHC Act and Regulation Y.

NationsBank, with total consolidated assets of $184.2 billion, is the fourth largest commercial banking organization in the United States, and operates subsidiary banks in nine states and the District of Columbia.[2] NationsBank is the fourth largest depository institution in Florida, controlling deposits of approximately $17 billion, representing approximately 10.8 percent of total deposits in depository institutions in the state.[3] CSF is the sixth largest depository institution in Florida, controlling deposits of approximately $3.6 billion, representing approximately 2.3 percent of total deposits in depository institutions in the state. Upon consummation of this proposal, NationsBank would become the third largest depository institution in Florida, controlling deposits of approximately $20.7 billion, representing approximately 13.1 percent of total deposits in depository institutions in the state.

NationsBank and CSF compete directly in ten banking markets in Florida. The Board has carefully considered the effects that consummation of this proposal would have on competition in these banking markets in light of all the facts of record, including the characteristics of the markets, the competition offered by other depository institutions in the markets, and the increase in the con-

necessary to clarify the factual record or is otherwise required or warranted. Accordingly, the request for a public meeting or hearing on this notice is hereby denied.

19. For the reasons discussed in the *First Union/First Fidelity Order*, the Board does not believe that a delay in acting on this application, as requested by Protestant, is warranted.

1. Citizens currently operates branches in California and Virginia in addition to its main office and branches in Florida. Subsequent to consummation of this proposal, NationsBank anticipates that Citizens would sell its California and Virginia branches to third parties and, thereafter, that Citizens would merge into NationsBank's Florida banking subsidiary, NationsBank of Florida, N.A., Tampa, Florida. NationsBank also would retain Citizens' interest in Community Reinvestment Group, L.C., Ft. Lauderdale, Florida.

2. Asset data are as of June 30, 1995. NationsBank also operates a limited-purpose credit card bank in Delaware.

3. State deposit data are as of June 30, 1995. In this context, depository institutions include commercial banks, savings banks, and savings institutions.

centration of total deposits in depository institutions[4] in the markets as measured by the Herfindahl–Hirschman Index ("HHI").[5] Consummation of this proposal would not exceed Justice Department guidelines in any of the markets, and numerous competitors would remain in each market.[6] Based on all the facts of record, the Board has concluded that consummation of this proposal would not result in any significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

Convenience and Needs Considerations

In considering a notice to acquire a savings association under section 4 of the BHC Act, the Board reviews the records of performance of the relevant institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA").[7] 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 their safe and sound operation. 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 institutions," and to take that record into account in its evaluation of bank holding company applications.[8]

The Board has received comments on this notice from the International Brotherhood of Teamsters, Warehousemen and Helpers ("Protestant") alleging that NationsBank's subsidiary banks and NationsBanc Mortgage Corporation, Dallas, Texas ("NationsBanc Mortgage"), its nonbanking mortgage lending subsidiary, discriminate against African Americans in home mortgage lending. In particular, Protestant asserts that data filed under the Home Mortgage Disclosure Act ("HMDA") for 1993 show that NationsBank denied a higher percentage of loan applications from African Americans than from non-minorities in the cities of Miami, Florida; Dallas, Texas; Baltimore, Maryland; and Washington, D.C.[9] In addition, Protestant contends that both NationsBank and CSF made a disproportionately small number of loans to African Americans in the Miami market. Protestant also argues that NationsBank's ascertainment and marketing efforts are not directed toward providing products and services related to the needs of African-American members of the communities it serves, and that this proposal may result in a reduction of branches, branch personnel and banking services in the markets currently served by CSF.[10]

4. Market data are as of June 30, 1994. 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 CSF would be controlled by a bank holding company 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 (1990).

5. 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 effects of limited-purpose and other non-depository financial entities.

6. The changes in the HHI in the ten banking markets are set forth in the Appendix.

7. The Board previously has determined that the CRA by its terms generally does not apply to applications by bank holding companies to acquire nonbanking companies under section 4(c)(8) of the BHC Act. *See The Mitsui Bank, Ltd.*, 76 *Federal Reserve Bulletin* 381 (1990). The Board also has stated that, unlike other companies that may be acquired by bank holding companies under section 4(c)(8) of the BHC Act, savings associations are depository institutions, as that term is defined in the CRA, and thus acquisitions of savings associations are subject to review under the express terms of the CRA. *See Norwest Corporation*, 76 *Federal Reserve Bulletin* 873 (1990).

8. *See* 12 U.S.C. § 2903.

9. Protestant supports these allegations by citing several studies and compilations of mortgage lending data by *The Wall Street Journal* (1993), National Community Reinvestment Coalition (1995), Washington Lawyers' Committee for Civil Rights and Urban Affairs (1994), and an individual researcher at the University of Texas (1992).

10. In addition, Protestant reiterates criticisms of NationsBank's record of CRA performance that were considered by the Board in connection with a 1994 application to acquire branches of California Federal Bank, F.S.B., Los Angeles, California. Protestant alleges, for example, that NationsBank illegally discriminates against African Americans in mortgage lending in Florida, and, in particular, the Tampa Bay area. Protestant also contends that NationsBank reneged on a commitment to support the Florida Community Development Assistance Corporation. Based on all the facts of record, and for the reasons discussed in this order and the 1994 order (which are incorporated herein), the Board does not believe that these allegations warrant denial of this proposal. *See NationsBank Corporation*, 80 *Federal Reserve Bulletin* 747 (1994). Protestant also cites a 1994 civil judgment against NationsBank, which ordered it to honor the commitment of an acquired banking organization to purchase a Georgia federal savings bank, as additional evidence of NationsBank's failure to comply with its commitments. Based on all the facts of record, the Board does not believe that this incident reflects so adversely on NationsBank as to warrant denial of this proposal.

The Board has carefully reviewed the CRA performance records of NationsBank and its subsidiaries, the CRA performance records of CSF and Citizens, all comments received regarding these applications, NationsBank's responses to these comments, and all other relevant facts of record 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").[11]

Record 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 reports of these examinations will be given great weight in the applications process.[12] The Board notes that all NationsBank subsidiary banks received either a "satisfactory" or "outstanding" rating from the Office of the Comptroller of the Currency ("OCC"), their primary federal supervisor, in their most recent public examinations for CRA performance (collectively, the "OCC Examinations"). In particular, the NationsBank subsidiary banks serving the cities mentioned in Protestant's comments received the following performance ratings from the OCC: NationsBank of Florida, N.A., Tampa, Florida ("Florida Bank"), "satisfactory" as of September 1993; NationsBank of Texas, N.A., Dallas, Texas ("Texas Bank"), "outstanding" as of September 1993; NationsBank of Maryland, N.A., Bethesda, Maryland, "satisfactory" as of March 1993; and NationsBank of D.C., N.A., Washington, D.C., "outstanding" as of September 1993.[13] The Board also has considered the preliminary results of the CRA performance examinations recently completed by the OCC for all of NationsBank's subsidiary banks. Citizens received a "satisfactory" CRA performance rating from the Office of Thrift Supervision, its primary federal supervisor, as of December 1993. NationsBank has indicated that it would implement its CRA policies and procedures at CSF following consummation of this proposal.

11. 54 *Federal Register* 13,742 (1989).

12. *Id.* at 13,745.

13. Subsequent to these examinations, NationsBank merged its Maryland and District of Columbia banks into NationsBank of Virginia, N.A., Richmond, Virginia ("Virginia Bank"), which received an "outstanding" rating as of September 1993. In addition, NationsBank's subsidiary banks in North Carolina and South Carolina received "outstanding" ratings, and its subsidiary banks in Kentucky, Tennessee, and Delaware received "satisfactory" ratings, all as of September 1993.

B. HMDA Data

The Board has carefully considered Protestant's allegations regarding lending to African-American borrowers in Miami, Dallas, Baltimore, and Washington in light of 1993 and 1994 HMDA data for NationsBank's subsidiary banks serving these cities and for NationsBanc Mortgage.[14] A comparison of the 1993 and 1994 HMDA data indicate an increase in 1994 in the percentage of applications received by NationsBank from African Americans, applicants in minority census tracts, and applicants in low- and moderate-income census tracts in these MSAs. In addition, NationsBank received a higher percentage of its total applications from African Americans during 1994 than did financial institutions in these MSAs in the aggregate.[15] The disparity between NationsBank's denial rates for African-American applicants and non-minority applicants was reduced in each of these MSAs. These data also show, however, that, in some of these MSAs, this disparity rate exceeds the disparity rate among lenders in the aggregate; and NationsBank's denial rate for high-income African-American applicants exceeded its denial rate for low-income non-minority applicants.

The Board is concerned when the record of an institution indicates disparities in lending to minority applicants, and it believes that all banks are obligated to ensure that their lending practices are based on criteria that assure not only safe and sound lending, but also assure equal access to credit by creditworthy applicants regardless of race. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community. The Board also recognizes that HMDA data have limitations that make the data an inadequate basis, absent other information, for concluding that an institution has engaged in illegal discrimination in lending.

14. HMDA data for Citizens in 1993 show that the institution received 8.8 percent of its total applications from African Americans, while financial institutions in the Miami MSA in the aggregate received 8.3 percent of total applications from African Americans. In 1994, Citizens received 10.3 percent of its total applications from African Americans, compared to 11.6 percent for the aggregate. There was no disparity in its denial ratios for African-American applicants and non-minority applicants during 1994.

15. In the Dallas MSA, applications from African Americans increased from 652 to 1326 and from 11.3 percent to 19.2 percent of all applications, while African Americans constituted 15.6 percent of the population as a whole. By comparison, lenders in the Dallas MSA in the aggregate received 5.5 percent of all applications from African Americans in 1993 and 8.3 percent in 1994. In the District of Columbia MSA, while NationsBank's total applications decreased 27 percent between 1993 and 1994, applications from African Americans increased 27 percent and constituted 23.9 percent of all applications in 1994, compared to African American's 25.1 percent share of the total population.

The OCC Examinations found that all of NationsBank's subsidiary banks are in compliance with the substantive provisions of fair lending laws.[16] Examiners found no evidence of prohibited discriminatory practices or of practices intended to discourage applications for the types of products set forth in the banks's CRA statements. According to the examinations, each bank has adequate policies, procedures, and training programs in place to support nondiscrimination in lending activities, and conducts internal audits to evaluate compliance with fair lending laws. Moreover, the examinations found that these banks's community delineations were reasonable and did not arbitrarily exclude low- and moderate-income areas, and that the banks annually reviewed their delineations and the geographic distribution of their lending.

The Board also notes that NationsBank's Community Investment Group, which includes its Fair Lending Program, has developed internal and external second and third review programs for declined mortgage applications. In all the MSAs identified in Protestant's comments, NationsBank, in cooperation with the National Urban League, has established a Community Loan Review Board, which offers denied loan applicants the opportunity to appeal their loan decision. In addition, in Miami, Dallas, and the District of Columbia, all initially rejected loan applications from low- to moderate-income applicants are referred to a senior lending officer for a second review before the loan decision is made final.

C. Record of Lending Activities

The Board also has considered NationsBank's progress under its Community Investment Program ("CIP"), a 10-year commitment to make a minimum of $10 billion of community investment loans.[17] Under this program, NationsBank loaned $2.2 billion in 1992, $2.9 billion in 1993, and $3.4 billion in 1994. During 1993, NationsBank made CIP loans totalling $91.9 million in the Miami market; $358 million in the Dallas market; $38.2 million in the Baltimore market; and $346.1 million in the District of Columbia market.

As part of the CIP initiative, NationsBanc Mortgage developed two primary affordable home purchase loan programs. The first mortgage product permits qualified low- and moderate-income home purchasers to borrow up to 95 percent of the purchase price, pay 3 percent of the purchase price as a down payment, and finance the remaining 2 percent of the purchase price and all closing costs from a variety of non-traditional sources. The second mortgage product is similar to the first, but permits qualified low-income borrowers to provide as little as $500 toward the down payment. During 1994, NationsBanc Mortgage originated 4,895 loans for $308.9 million nationwide under these two programs. NationsBanc Mortgage has dedicated $75 million to these programs for 1995, including $2 million in Miami, $8 million in Dallas, $6 million in Baltimore, and $5 million in the District of Columbia. In addition, in 1995 NationsBanc Mortgage established loan officer positions in each of the markets dedicated solely to originating home mortgage loans to low-and moderate-income and minority borrowers.[18]

Miami. During 1993, NationsBank made 157 home purchase and home improvement loans for $7.2 million in low- and moderate-income census tracts, and 583 home purchase and home improvement loans for $46.4 million to minority borrowers.[19] Florida Bank also made 10 commercial real estate loans for $18 million related to community development, such as for low- and moderate-income single- and multi-family housing units and renovation of community and retail centers in underserved areas. In addition, Florida Bank supported the community development initiatives of other organizations designed to help to provide housing for low- and moderate-income families. Florida Bank, for example, committed $5 million to the Broward County Housing Finance Authority Lender's Program to fund mortgage loans for low- and moderate-income families, $3 million to the Dade County Bond Program to fund mortgage loans to first-time, low-income home buyers, and $5 million to the Florida Housing Finance Agency Hurricane Relief Mortgage Revenue Bond Program. The first project nationwide of NationsBank Community Development Corporation ("NationsBank CDC") was the development of 25 new, single-family homes for low- and moderate-income families at the former Augustine Quarters in Sarasota.[20] Florida Bank also cooperated

16. A separate examination of NationsBanc Mortgage also disclosed no violations of the Fair Housing Act or the Equal Credit Opportunity Act. The 1993 Examinations noted technical noncompliance with loan documentation requirements at Virginia Bank and at NationsBank's subsidiary banks in Georgia and Tennessee, but found no evidence that these exceptions resulted in the denial of credit to an applicant on a prohibited basis. Management has undertaken corrective actions, and the Board has considered these findings in light of preliminary examination reports by the OCC.

17. CIP is a collection of special products and services, such as home mortgage loans, student loans, and loans to public/private partnerships, designed to benefit low- and moderate-income individuals and small businesses.

18. During 1993, NationsBanc Mortgage made 5,290 home mortgage loans totalling $444 million to African Americans. It ranked second nationwide in the number of loans made to African Americans, compared to a 15th rank in the number of loans overall.

19. Refinancings are not included in these loans or in the affordable housing loans discussed below.

20. Outside Miami, Florida Bank committed $16 million to a $100 million loan pool established by ten banks and First Housing

with the Urban League of Broward County to provide 10 home buyer classes attended by 220 participants and with the Miami-Dade branch of the National Association for the Advancement of Colored People to establish the Overtown Homebuyers Club, a credit counseling and savings program for prospective low- and moderate-income home buyers.

Dallas. NationsBank made 529 home mortgage loans totalling $16 million in low- and moderate-income census tracts and 680 home mortgage loans totalling $216 million to minority borrowers during 1993. Bank also made 23 commercial real estate loans totalling $7.8 million in low- and moderate-income areas. In addition, Texas Bank cooperated with other organizations in several initiatives designed to promote community development and the production of affordable housing. Texas Bank, for example, invested $150,000 in the South Fair Community Development Corporation to finance the development of a master plan for the South Dallas/Fair Park area and committed to make $40 million of loans and equity investments in this area over 5 years, including the development of 100 single-family homes and 300 multi-family housing units for low- and moderate-income families, and two day care facilities. Texas Bank also committed $1 million to the Dallas Housing Finance Corporation to purchase revenue bonds to fund below-market rate mortgages for low- and moderate-income borrowers, and invested $600,000 in the Southern Dallas Development Fund, a multi-bank loan pool created to provide debt and equity investments in and management assistance to small and minority-owned businesses.

Baltimore. In the Baltimore market during 1993, NationsBank made 84 home mortgage loans totalling $4.5 million in low- and moderate-income census tracts and 161 home mortgage loans totalling $14.3 million to minority borrowers. Virginia Bank[21] also made 7 commercial real estate loans totalling $2.7 million related to community development in the market, such as low- and moderate-income single- and multi-family housing units and renovations of community and retail centers in under-served areas. During 1994, to assist the community development initiatives of other organizations, Virginia Bank made a $3.2 million loan for the construction of a 150 bed nursing home in west Baltimore that is expected to employ 100 neighborhood residents and generate approximately $2 million in annual wages.

Washington. During 1993, NationsBank made 572 home mortgage loans totalling $60 million in low- and moderate-income census tracts, and 956 home mortgage loans totalling $118.5 million to minority borrowers. Virginia Bank also made 24 commercial real estate loans totalling $19.8 million related to community development, such as loans to construct or rehabilitate affordable housing and renovate community and business centers in under-served areas. In addition, the bank supported the community development initiatives of other organizations designed to help to provide affordable housing. Virginia Bank committed $5.5 million to Luther Place Church, for example, to provide 93 single room occupancy and family units for homeless families, financed the construction of Woodridge Place, which constructed 37 new, single-family homes for low- and moderate-income families, and loaned $5.2 million to a non-profit housing developer to acquire and renovate 162 rental units for lower-income families in Arlington County, Virginia. In addition, NationsBank CDC invested $1.35 million and borrowed an additional $4 million to purchase and renovate an apartment building and produce 322 units of affordable housing in the District of Columbia.

D. Ascertainment and Marketing Activities

NationsBank has engaged in a variety of outreach efforts in order to ascertain the credit needs of and advertise its credit products to African Americans and low- and middle-income members of the banking markets it serves. The officer call program at Florida Bank, for example, has separate requirements for calling upon individuals and businesses in low- and moderate-income areas, and the results of all calls are reported to and reviewed by senior management. NationsBanc Mortgage also requires each of its account executives to make at least three calls per month on minority realtors, realtors located in low-and moderate-income census tracts, builders of affordable housing, and other persons familiar with the housing-related credit needs of minority and low- and moderate-income members of the community. In May 1993, Florida Bank held a statewide public meeting in Tampa to assess the needs of under-served areas and receive ideas on ways to address these needs, and throughout the year held several local meetings with community leaders to identify local credit needs and inform participants about NationsBank's available products and services. In the Miami area during 1993, Florida Bank officers held over 500 meetings with community leaders and made almost 700 calls on small- and minority-owned businesses. Florida Bank also maintains

Development Corporation to fund the development of multi-family low-income housing in Tampa. The bank also established the East Tampa Initiative and committed $5 million to housing and small business loans in that area, which has been joined by a $35 million commitment to investment in that area by state and local governmental entities. The first project nationwide of NationsBank Community Development Corporation ("NationsBank CDC") was the development of 25 new, affordable single-family homes at the former Augustine Quarters in Sarasota.

21. In this context, "Virginia Bank" also refers to its predecessor banks in Maryland and the District of Columbia.

a special advertising budget to promote lower-cost loan and deposit products, and uses newspapers that are oriented to African-American and Hispanic communities as well as newspapers of general circulation, radio, and direct mail in this effort.

Texas Bank conducts similar programs. In the Dallas banking market during 1993, the bank participated in more than 60 outreach programs to inform small businesses and residents of low- and moderate-income neighborhoods of available products and service. Texas Bank also employs Spanish-speaking tellers and customer service representatives, and its ATMs permit customers to conduct their transactions in Spanish.

In the Baltimore banking market, Virginia Bank conducted a public meeting during 1993 to ascertain community credit needs; and it meets with several organizations, including the Baltimore chapter of the NAACP and the State of Maryland Office of Minority Affairs, on at least a quarterly basis. Through these efforts, the bank has identified certain credit needs requiring additional efforts to be met, such as automobile refinancing loans, home improvement loans, and loans for child care facilities, and has developed additional products to meet these credit needs. In the District of Columbia, Virginia Bank has worked extensively with the District of Columbia Council, the Association of Community Organizations for Reform Now, and the D.C. Reinvestment Alliance to identify priority credit needs and locations for public/private partnership redevelopment efforts.

In 1993, the bank also established a business banking unit, to focus on small businesses with annual revenues under $4 million and seeking loan amounts between $25,000 and $500,000, and a government guaranteed lending unit, to facilitate the use of Small Business Administration and other government guarantee loan programs. Virginia Bank also has entered into partnerships with 7 community organizations in the District of Columbia to provide educational programs to the public, and has sponsored two "loan mobiles" to accept loan applications and provide technical assistance in underserved areas.

E. Branch Locations and Closings

NationsBank has a formal policy for all its subsidiary banks concerning branch closings, changes in hours, and service reductions. Decisions regarding these matters are reviewed by the bank's management. The bank also assesses several factors before closing a branch, including the potential impact on the level of banking services in the community served by the branch or branches affected, and seeks community input when appropriate. In the OCC Examinations, the examiners concluded that the branch closing records of all of NationsBank's subsidiary banks, including Florida Bank, Texas Bank, and Virginia Bank, were reasonable. NationsBank has indicated that it would implement this policy at CSF following consummation of this proposal. NationsBank also has indicated that it would offer a broader array of home mortgage and consumer loans at Citizens, and apply Florida Bank's underwriting and approval guidelines, and adjust deposit products and rates to respond to specific markets and consider establishing additional branches in order to attract additional deposits to replace deposits lost by the divestiture of out-of-state branches.

F. Conclusion Regarding Record of CRA Performance

The Board has carefully considered all the facts of record in reviewing NationsBank's record of CRA performance. For the reasons discussed above, the Board believes that NationsBank and its subsidiary banks have the types of policies and programs in place and working well that support an effective record of CRA performance. Following consummation of this proposal, NationsBank would introduce these CRA policies and procedures at Citizens before Citizens is eventually merged into Florida Bank. Based on a review of the entire record of performance, including information provided by Protestants and NationsBank, and the CRA performance examinations and other information from the OCC, the Board believes that NationsBank's record in assisting to meet the credit needs of all segments of the communities served by its subsidiary banks, including low- and moderate-income neighborhoods, are consistent with approval of this proposal.

Other Considerations

The Board also has concluded that the financial and managerial resources of NationsBank, CSF, and their respective subsidiaries are consistent with approval.[22]

22. Protestant notes published accounts regarding an alleged violation of the anti-tying restrictions enacted by the 1970 Amendments to the BHC Act by NationsBank's South Carolina banking subsidiary and alleged improper marketing practices in the sale of retail nondeposit investments by NationsBank's securities brokerage subsidiary. Both of these activities were reviewed by the OCC, and the Board has carefully considered the information from this review. In addition, the Board has considered the anti-tying policies adopted by NationsBank and steps it has taken relating to the sale of retail nondeposit investments. In response to an internal audit, for example, NationsBank has adopted a revised Code of Ethics, increased disclosure requirements, and expanded its audit procedures, to ensure that its retail nondeposit investment sales practices are in compliance with all supervisory guidelines. The OCC has indicated that NationsBank's progress in this regard is generally satisfactory. In view of all the facts of record, including supervisory information provided by the OCC, the Board does not believe that these matters warrant denial of this proposal.

The Board also finds that consummation of this proposal is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices that are not likely to be outweighed by the public benefits, such as increased competition and added convenience, that are expected from 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 the application.

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved.[23] The Board's approval is specifically conditioned on compliance by NationsBank with all the commitments made in connection with this application. The Board's determination also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b)(3) of Regulation Y (12 C.F.R. 225.25.7 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. For the purpose of this action, 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 transaction shall not be consummated later than three months after the effective date of this order, unless such period is extended by the Board or by the Federal Reserve Bank of Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective October 17, 1995.

23. Protestant references a newspaper account of an investigation by the Department of Labor of alleged illegal discriminatory employment practices by NationsBank. The Board notes that because NationsBank's subsidiary banks employ more than 50 people, serve as depositories of government funds, and act as agents in selling or redeeming U.S. savings bonds and notes, each bank is required by Department of Labor regulations to:

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

(2) Have in place a written affirmative action compliance program which states its efforts and plans to achieve equal opportunity in the employment, hiring, promotion, and separation of personnel.

See 41 C.F.R. 60–1.7(a), 60–1.40. The record also indicates that NationsBank and its other subsidiaries are subject to those equal opportunity and affirmative action requirements.

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

WILLIAM W. WILES
Secretary of the Board

Appendix

Florida Banking Markets in Which NationsBank and CSF Currently Compete and the Post-Merger Increase in HHI

(1) The Daytona Beach banking market consists of Allandale, Daytona Beach, Daytona Beach Shores, De Leon Springs, Edgewater, Holly Hill, New Smyrna Beach, Ormond Beach, Ormond-by-the-Sea, Port Orange, and South Daytona in Volusia County and the town of Astor in Lake County. The HHI would not increase.

(2) The Fort Myers banking market consists of Lee County, minus the town of Boca Grande, and the town of Immokalee in Collier County. The HHI would increase by 33 points to 1378.

(3) The Miami-Ft. Lauderdale banking market consists of Dade and Broward Counties. The HHI would increase by 37 points to 834.

(4) The Naples banking market consists of Collier County, minus the town of Immokalee. The HHI would increase by 7 points to 1486.

(5) The Ocala banking market consists of Marion County and the town of Citrus Springs in Citrus County. The HHI would increase by 42 points to 1679.

(6) The Orlando banking market consists of Orange, Osceola, and Seminole Counties, the western half of Volusia County, and the towns of Clermont and Groveland in Lake County. The HHI would increase by 4 points to 1663.

(7) The Punta Gorda banking market consists of Charlotte County, minus the towns of Englewood and Rotonda West, and the town of North Port in Sarasota County. The HHI would not increase.

(8) The Sarasota banking market consists of Manatee County, Sarasota County, minus the town of North Port, and the towns of Englewood and Rotonda West in Charlotte County and Boca Grande in Lee County. The HHI would increase by 66 points to 1599.

(9) The Tampa Bay banking market consists of Hernando, Hillsborough, Pasco, and Pinellas Counties. The HHI would increase by 60 points to 1735.

(10) The West Palm Beach banking market consists of Palm Beach County, minus the towns of Belle Glade, Pahotee, and South Bay. The HHI would increase by 13 points to 1151.

Norwest Corporation
Minneapolis, Minnesota

Order Approving a Notice to Engage in Asset-Based Lending and Management of Assets

Norwest Corporation, Minneapolis, Minnesota ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has given notice 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 The Foothill Group, Inc., Los Angeles, California ("Company"),[1] and thereby engage nationwide in asset-based commercial lending and management of assets.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 44,891 (1995)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with total consolidated assets of approximately $66.6 billion, controls bank subsidiaries in 15 states.[2] Applicant also engages directly and through subsidiaries in a broad range of permissible nonbanking activities. Company is registered as investment adviser with the Securities and Exchange Commission ("SEC") and, therefore, is subject to the recordkeeping, reporting, fiduciary standards, and other requirements of the Investment Advisers Act of 1940 (12 U.S.C. § 80b-1 *et seq.*) and the SEC.

Proposed Activities

The Board previously has determined by regulation that engaging in commercial lending is closely related to banking and permissible for bank holding companies under section 4(c)(8) of the BHC Act.[3] Applicant has committed that Company will engage in this activity in accordance with the limitations imposed by Regulation Y. In addition to this activity, Applicant proposes to engage through Company in managing certain assets as the corporate general partner in two limited partnerships ("Partnerships").[4] The Board previously has determined that some of the activities that Applicant proposes to conduct through Partnerships are permissible, and Applicant has committed to conduct these activities subject to the limitations previously established by the Board.[5]

Certain of the activities proposed by the Partnerships are new activities that the Board has not previously approved.[6] The Partnerships are engaged primarily in making, servicing and investing in discounted bank loans and other debt securities.[7] The Partnerships acquire debt that has been or that is in the process of being restructured, including secured and unsecured debt in the form

1. In connection with this proposal, Applicant also has requested approval to acquire an option to purchase up to 18.89 percent of the outstanding voting shares of Company. This option would terminate upon consummation of the proposal.

2. Asset data are as of June 30, 1995.

3. 12 C.F.R. 225.25(b)(1).

4. The 1 percent general partner interest in Foothill Partners L.P. ("Partners I") is 60 percent owned by Company and 40 percent owned by the managing general partners whereas the 1 percent general partner interest in Foothill Partners II., L.P. ("Partners II") is 49 percent owned by Company and 51 percent owned by the managing general partners. Partners I, by its terms, will terminate and must commence liquidation of its assets on December 31, 1995. Partners II will continue its investment activities until the end of 1999.

Institutional investors hold all the limited partnership interests. The Partnerships are exempt from registration as investment companies under the Investment Company Act of 1940. 12 U.S.C. § 80a-1 *et seq.* The Partnerships are limited to not more than 100 investors; both are fully subscribed, and no additional limited partners may be admitted. In addition, the Partnerships will not be engaged in issuing new shares or redeeming limited partnership interests. Because the Partnerships would be subsidiaries of Applicant, Applicant must, for regulatory purposes, hold capital and present financial information relating to Company and the Partnerships on a consolidated basis.

5. *See Meridian Bancorp, Inc.*, 80 *Federal Reserve Bulletin* 736 (1994) ("*Meridian*"). The Partnerships, together with Applicant and its affiliates, would hold not more than 5 percent of any class of voting securities of any issuer, and not more than 25 percent of the total equity, including subordinated debt, of any issuer. In addition, Applicant has committed that no directors, officers, or employees of Applicant or its affiliates will serve as directors, officers, or employees of any issuer of which Applicant and its affiliates hold more than 10 percent of the total equity. Applicant has committed that future limited partnerships would be structured in the same manner as the current Partnerships.

6. In order to approve a proposal under section 4(c)(8) of the BHC Act, the Board is required to determine that the proposed activity is "so closely related to banking or managing or controlling banks as to be a proper incident thereto." 12 U.S.C. § 1843(c)(8). Under the *National Courier* test, the Board may find that an activity is closely related to banking for purposes of section 4(c)(8) if it concludes that banks generally:

(1) Provide the proposed services;

(2) Provide services that are operationally or functionally so similar to the proposed services as to equip them particularly well to provide the proposed services; or

(3) Provide services that are so integrally related to the proposed services as to require their provision in a specialized form.

See National Courier Association v. Board of Governors, 516 F.2d 1229, 1237 (D.C. Cir. 1975) ("*National Courier*"). In addition, the Board may consider any other basis that may demonstrate that the proposed activity has a reasonable or close connection or relationship to banking or managing and controlling banks. *See* Board Statement Regarding Regulation Y, 49 *Federal Register* 794, 806 (1984); *Securities Association v. Board of Governors*, 468 U.S. 207, 210–211 n. 5 (1984).

7. The Partnerships are not leveraged, and Applicant has stated that they will not be leveraged. Applicant has committed that neither Applicant nor any of its subsidiaries would be permitted to make loans to Partnerships.

of bank loans, privately placed and publicly-traded debt instruments, bonds, notes, debentures, and discounted receivables.[8] Applicant has stated that the Partnerships will take an active role in the restructuring of the defaulted debt acquired by Partnerships, including participating on creditor committees. Applicant indicates that such discounted debt would be acquired for the purpose of restructuring the debt to achieve a higher yield and greater collateral protection.

Some of the debt that would be acquired by the Partnerships may be in default at the time of acquisition, and may be secured by voting shares or other assets that would be impermissible for a bank holding company to hold without Board approval.[9] Because the Partnerships would have the right in some cases to take title immediately to shares or assets securing defaulted debt that the Partnerships acquire, Applicant has committed that Partnerships would treat this collateral, as well as any other assets acquired in renegotiating this debt, as assets acquired in satisfaction of a debt previously contracted ("DPC"). Under the BHC Act, a bank holding company must divest any shares or assets acquired DPC within two years from the date the asset is acquired. For this purpose, Applicant has committed that it will consider shares or assets acquired in satisfaction of defaulted debt to have been acquired on the date the defaulted debt is acquired.[10]

The Board believes that the acquisition of defaulted debt under the circumstances and conditions proposed by Applicant is an activity that is "closely related to banking." Banks and bank holding companies provide services that are operationally or functionally so similar to the proposed services as to equip them particularly well to provide the proposed services. Lending is a core banking activity, and banks and bank holding companies routinely make and purchase debt; collect, work out, and restructure debt; and participate on creditors committees for companies in default on debt in connection with the bank's or the holding company's direct lending activities. Banks and bank holding companies have significant expertise in identifying, holding, valuing, and working out defaulted debt; in determining the value of collateral for loans; and in participating in the financial restructuring of companies whose debt obligations are impaired. Applicant will only purchase debt, not equity, and will stand in the position of a creditor.

Accordingly, and based on all the facts of record, the Board concludes that the proposed activities are closely related to banking under the *National Courier* standard.

Proper Incident to Banking Analysis

In determining whether an activity is a proper incident to banking, the Board must consider whether the activity "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[11] The Board expects that the proposal would produce increased economies of scale and gains in efficiency for Applicant. Moreover, the proposal can reasonably be expected to produce public benefits, such as an increase in funding available to lenders as credit is purchased by Company. To address the potential adverse effects of its performance of the proposed activities, Applicant has committed to conduct the proposed activities subject to a number of restrictions concerning extensions of credit. In particular, as noted above, Applicant has committed that Partnerships will divest any shares or assets securing debt in default within the time period set out for the divestiture of DPC property in the BHC Act.[12] In addition, there is no evidence in the record to indicate that the proposed activities would lead to any undue concentration of resources since the activities involve a market which is national in scope.

Based on the commitments made by Applicant regarding its conduct of the proposed activities, the limitations noted in this order, and all the facts of record, the Board has determined that the performance of the proposed activities by Applicant could reasonably be expected to produce public benefits that would outweigh the possible

8. The debt investments may include investments in companies that may be contemplating, involved in, or recently have completed, a negotiated restructuring of their outstanding debt or a reorganization under Chapter 11 of the Federal Bankruptcy Code.

9. Applicant has committed that Partnerships will not acquire debt in default that is secured by shares of banks or bank holding companies.

10. Applicant also may apply for three one-year extensions. *See* 12 C.F.R. 225.22(c)(1). The Board notes that the divestiture requirement would be satisfied if, during the divestiture period, the Partnerships renegotiate the debt into a performing obligation and release the collateral to the borrower as part of the renegotiation. To the extent that defaulted debt acquired by the Partnerships is secured by assets or shares that would be permissible investments for a bank holding company, this divestiture commitment would not apply.

11. 12 U.S.C. § 1843(c)(8).

12. The limited nature of the holding period restricts the ability of the Partnerships to speculate in the value of the underlying collateral. The length of the holding period and divestiture requirement also limits potential attempts to acquire assets or shares not permissible for bank holding companies to hold in order to engage in commercial or other activities. In addition, the Board notes that the Partnership agreements require the establishment of conflict review committees, nominated by the limited partners, to review any potential conflicts of interest between the general partners and their affiliates on the one hand, and the Partnership or a debtor company on the other hand.

adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act. The financial and managerial resources of Applicant and Company also are consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the notice should be, and hereby is, approved. Approval of this proposal is specifically conditioned on compliance by Applicant with the commitments made in connection with this notice. The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b) (12 C.F.R. 225.7 and 225.23(b)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure 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 transaction, these commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

These activities shall not be commenced 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 Minneapolis, pursuant to delegated authority.

By order of the Board of Governors, effective October 17, 1995.

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

WILLIAM W. WILES
Secretary of the Board

Norwest Corporation
Minneapolis, Minnesota

Order Approving a Notice to Engage in the Activity of Transmitting Money within the United States

Norwest Corporation, Minneapolis, Minnesota ("Norwest"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), and its subsidiary, Norwest Financial Services, Inc., Des Moines, Iowa ("NFS"), have filed notice 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 Orlandi Valuta, Los Angeles, California, and Orlandi Valuta Nacional, Boulder City, Nevada (collectively, "Companies"), in the activity of transmitting money for customers to third parties within the United States and its territories ("domestic money transmission services").[1] The proposed activity would be conducted at first through a network of approximately 1,200 "outside representative offices" located in California, Florida, Illinois, and Texas that are under contract with Companies to provide money transmission services.[2] Norwest proposes to engage in the proposed activity nationwide.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 46,281 (1995)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Norwest, with total consolidated assets of approximately $61.8 billion, controls bank subsidiaries in 15 states.[3] Norwest also engages directly and through subsidiaries in a broad range of permissible nonbanking activities. Companies are corporations that currently engage in the business of money transmission to Mexico through representatives in California, Florida, Illinois, and Texas.

Domestic money transmission services would be provided in the following manner. A customer would contact Companies directly by means of a dedicated telephone located in the outside representative office to request Companies to transmit funds to a third party for a fee. The outside representative would collect cash and a fee from the customer, issue a receipt, and deposit funds in an account maintained by the outside representative solely for the purpose of receiving funds in trust to be transmitted to a third party. The outside representative may maintain this account at any bank, including a Norwest subsidiary bank, but would have no agreement with any bank to accept deposits on its behalf. Neither the outside representatives nor Companies would be FDIC-insured institutions.

Companies would collect funds deposited in an outside representative's account on a daily basis through an ACH or similar transaction and deposit an amount equal to the amount to be transmitted into an account maintained by Companies at a bank, which may include a Norwest subsidiary bank, located near the third party

1. The Board previously approved Norwest's acquisition of Orlandi to engage in the activity of transmitting funds to third parties in Mexico by using an unaffiliated foreign bank to make the cash payments. *Norwest Corporation*, 81 *Federal Reserve Bulletin* 974 (1995) ("Norwest Order").

2. Outside representative offices currently include grocery stores, travel agencies, pharmacies, and insurance agencies, and would be expanded to include Norwest's consumer finance offices.

3. Asset data are as of March 31, 1995.

receiving the funds. The third party would be notified that money is available at a local disbursement site, which could include a Norwest bank subsidiary or consumer finance office, or an unaffiliated check cashing, finance, or other type of office. Funds would be made available to the third party by check drawn on Companies' account almost immediately after the transmission order is placed by the customer.[4]

A customer may not transmit funds to any bank account maintained by the customer or any third party. Thus, Norwest would not use this service to collect deposits for customers of Norwest's subsidiary banks or any other bank.

There is no agreement between a customer and a bank to accept money in an account for use by the bank in connection with the proposed domestic money transmission services. Companies and their outside representative would accept money from a customer for the sole purpose of transmitting funds to a third party. A customer would not give funds to Companies with the expectation that Companies would permit the customer to reclaim the funds on demand or after a period of time. Moreover, Companies would not maintain balances or pay interest on the money they receive, and would only hold funds long enough to transmit them to the designated third party.[5]

The Board previously has determined that money transmission abroad is closely related to banking.[6] The Office of the Comptroller of the Currency ("OCC") also has concluded that it is permissible for a national bank to accept money from nonbank affiliates for the purpose of transmitting the funds to a foreign country, and that a nonbank affiliate that participates with the national bank in transmitting money abroad would not become a branch of the bank.[7] Based on all the facts of record, and for the reasons discussed in this order and the Board's previous orders, the Board concludes that domestic money transmission services are closely related to banking, and would not cause Norwest or its banks to be engaged in illegal branching activities under federal law.

In determining whether an activity is a proper incident to banking, the Board must consider whether the activity "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[8] In weighing foreign money transmission services under the public benefits test, the Board relied on the fact that these companies are subject to licensing and examination by state authorities.[9] Companies have committed to comply with all applicable reporting requirements, including reporting all transactions over $10,000 to the Internal Revenue Service. Norwest also has committed to apply the internal controls currently in place at NFS to assure compliance with the Bank Secrecy Act.[10]

The record indicates that Norwest's *de novo* entry into this market can reasonably be expected to result in public benefits, including increased competition, greater

4. Domestic money transmission services do not involve lending money because only funds provided by the customer would be transmitted to a third party. Moreover, the proposal does not involve the paying of checks because, although the third party receives money by means of a check drawn on an account maintained by Companies, the receipt of funds in check form is not the payment of a check. *Independent Bankers Ass'n of America v. Smith*, 534 F.2d 921, 943–45 (D.C. Cir. 1976).

5. Many states permit companies that are not chartered as banks to transmit money without deeming this activity to involve the taking of deposits. Norwest must conduct the proposed activities in compliance with licensing and other requirements of relevant state law. Norwest operates several state chartered banks in Colorado, South Dakota, and Texas. The state chartered banks are subject to state law branching restrictions. The record in this case indicates that the proposed activities would not constitute branch banking under the laws of Colorado, South Dakota, and Texas. Colorado has established procedures for licensing money transmitters, and does not consider the proposed activities to constitute branch banking. Companies are licensed to conduct domestic money transmission services in Illinois and Texas and have applied for a license in Florida. California does not require a license to transmit money to locations within the United States. A "payments instruments" license, however, is required to issue checks at disbursements sites in California. Furthermore, although South Dakota has not established formal licensing requirements for money transmitters, the Office of the Director of Banking has indicated that the proposed activities would not constitute banking under South Dakota law. *See* S.D. Codified Laws Ann. § 51A-7-1 (1990).

6. *Norwest Corporation, supra; Philippine Commercial International Bank*, 77 *Federal Reserve Bulletin* 270 (1991); *Bergen Bank A/S*, 76 *Federal Reserve Bulletin* 457 (1990).

7. *See* Letter from Peter Liebesman, Assistant Director, Legal Advisory Services Division, May 15, 1990 (unpublished). Most of Norwest's banks are national banks, and the courts have determined that whether an entity would be a "branch" for purposes of the National Bank Act is a matter of federal law. *First National Bank in Plant City v. Dickinson*, 396 U.S. 122 (1969). The OCC has reasoned that non-bank offices that transmit funds through a national bank to a third party do not constitute "branches" under federal law.

8. 12 U.S.C. § 1843(c)(8).

9. This order is specifically conditioned on Norwest obtaining all necessary state licenses.

10. These procedures include a weekly review of all transactions over $10,000. In addition, Companies will require customer identification, including the customer's current address and occupation, for all transmissions above $3,000. Companies also will run a computer match of all remitters and recipients by name and social security number so that reporting requirements cannot be evaded by means of a series of transactions. At this time, Orlandi does not contemplate engaging in transactions over $9,000.

convenience for customers, and gains in efficiencies in the operation of Companies and Norwest. In addition, there is no evidence in the record to indicate that the proposed activities would lead to any undue concentration of resources, unsound banking practices, or other adverse effects.

For these reasons, the Board believes that Norwest's proposal to engage in domestic money transmission, as described above, is not likely to result in significantly adverse effects that would outweigh the public benefits of Norwest's proposal. The financial and managerial resources of Norwest and NFS also are consistent with approval.

Based on the foregoing and all the facts of record, the Board has determined to, and hereby does, approve the notice. The Board's decision is specifically conditioned on Norwest's complying with all the commitments made in connection with this notice, and obtaining all necessary approvals from state regulators.[11] The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b) of Regulation Y, and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure 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 transaction, these commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

These activities shall not be commenced 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 Minneapolis, pursuant to delegated authority.

By order of the Board of Governors, effective October 17, 1995.

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

WILLIAM W. WILES
Secretary of the Board

11. This order is conditioned on Norwest consulting with the Federal Reserve System before commencing domestic money transmission services in any state which does not require examination and licensure to give the System the opportunity to consider whether a separate application should be submitted for Board review.

SouthTrust Corporation Birmingham, Alabama

Order Approving a Notice to Engage in Private Placement, Riskless Principal, and Investment Advisory Activities

SouthTrust Corporation, Birmingham, Alabama ("Notificant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has given notice 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), of its proposal to engage *de novo* through its subsidiary, SouthTrust Securities, Inc., Birmingham, Alabama ("Company"), in the following nonbanking activities:

(1) Acting as agent in the private placement of all types of debt and equity securities;
(2) Purchasing and selling all types of securities as a "riskless principal" on the order of customers; and
(3) Providing investment advisory services pursuant to 12 C.F.R. 225.25(b)(4));

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 53,618 (1995)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Notificant, with total consolidated assets of approximately $20 billion, is the largest banking organization in Alabama.[1] Notificant operates banking subsidiaries in Alabama, Florida, Georgia, North Carolina, South Carolina, Mississippi, and Tennessee, and engages through subsidiaries in various permissible nonbanking activities. Company is, and will continue to be, a registered broker-dealer with the Securities and Exchange Commission ("SEC"), and is a member of the National Association of Securities Dealers, Inc. ("NASD"). Therefore, Company is subject to the recordkeeping, reporting, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*), the SEC, and the NASD.

As noted above, the proposed investment advisory activities previously have been determined by regulation to be closely related to banking for purposes of section 4(c)(8) of the BHC Act.[2] Notificant has committed that Company will conduct these activities in accordance with the limitations set forth in Regulation Y and the Board's orders relating to these activities.

1. Asset data are as of September 30, 1995.
2. 12 C.F.R. 225.25(b)(4).

Private Placement and "Riskless Principal" Activities

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

"Riskless principal" is the term used in the securities business to refer to a transaction in which a broker-dealer, after receiving an order to buy (or sell) a security from a customer, purchases (or sells) the security for its own account to offset a contemporaneous sale to (or purchase from) the customer.[3] "Riskless principal" transactions are understood in the industry to include only transactions in the secondary market. Thus, Company would not act as a "riskless principal" in selling securities at the order of a customer that is the issuer of the securities to be sold, or in any transaction in which 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 by order that, subject to a number of prudential limitations that address the potential for conflicts of interests, unsound banking practices, or c‑her 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.[4] The Board also has determined that acting as agent in the private placement of securities, and purchasing and selling securities on the order of investors as a "riskless principal," do not constitute underwriting or dealing in securities for purposes of section 20 of the Glass–Steagall Act, and that revenue derived from these activities is not subject to the 10 percent revenue limitation on bank-ineligible securities underwriting and dealing activities.[5]

Notificant has committed that Company will conduct its private placement and riskless principal activitiesusing the same methods and procedures, and subject to the same prudential limitations, as those established by the Board in *Bankers Trust* and *J.P. Morgan*,[6] including the comprehensive framework of restrictions imposed by the Board in connection with underwriting and dealing in securities, which were designed to avoid potential conflicts of interests, unsound banking practices, and other adverse effects.

Other Considerations

In evaluating a notice under section 4(c)(8) of the BHC Act, the Board considers the financial and managerial resources of the notificant and its subsidiaries and the effect the proposal would have on such resources.[7] Based on all the facts of this case, the Board concludes that financial and managerial considerations are consistent with approval of this notice.

In order to approve this notice, the Board also must determine that the performance of the proposed activities by Company can reasonably be expected to produce public benefits that would outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act. Under the framework and conditions established in this and prior decisions, consummation of this proposal is not likely to result in significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, con-

3. *See* Securities and Exchange Commission Rule 10b-10. 17 C.F.R. 249.10b-10(a)(8)(i).

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

5. *See Bankers Trust* at 831–833.

6. Among the prudential limitations detailed more fully in *J.P. Morgan* and *Bankers Trust* are 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 engage only 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, nor 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 any 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 Notificant or any of its affiliates. With respect to private placement activities, Notificant has committed that Company will not privately place registered investment company securities or securities of investment companies that are advised by Notificant or any of its affiliates.

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

flicts of interests, or unsound banking practices. Moreover, the Board expects that the entry of Company into the market for the proposed services would provide added convenience to Notificant's customers, and would increase the level of competition among existing providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by Company can reasonably be expected to produce public benefits that outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on all the facts of record, and subject to the commitments made by Notificant, as well as the terms and conditions set forth in this order and in the above-noted Board orders, the Board has determined that the notice should be, and hereby is, approved. Approval of this proposal is specifically conditioned on compliance by Notificant and Company with the commitments made in connection with this notice and the conditions in this order and the above-referenced orders. The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(g) of Regulation Y (12 C.F.R. 225.7 and 225.23(g)), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. In approving this proposal, the Board has relied upon all the facts of record, and all the representations and commitments made by Notificant. For purposes of this transaction, these commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective October 30, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Stichting Prioriteit ABN AMRO Holding
Stichting Administratiekantoor ABN AMRO Holding
ABN AMRO Holding N.V.
ABN AMRO Bank N.V.
all of Amsterdam, The Netherlands

Order Approving a Notice to Engage in Underwriting and Dealing in Bank-Ineligible Securities on a Limited Basis

Stichting Prioriteit ABN AMRO Holding, Stichting Administratiekantoor ABN AMRO Holding, ABN AMRO Holding N.V., and ABN AMRO Bank N.V., all of Amsterdam, The Netherlands, (collectively referred to as "Notificant"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have provided notice under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to retain Alfred Berg, Inc., New York, New York ("Alfred Berg"),[1] and thereby engage in the following activities:

(1) Underwriting and dealing in, to a limited extent, all types of debt and equity securities other than ownership interests in open-end investment companies;[2]

(2) Acting as agent in the private placement of all types of securities, including providing related advisory services, and buying and selling securities on the order of investors as a "riskless principal";

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

(4) Providing investment advisory services pursuant to 12 C.F.R. 225.25(b)(4).

Alfred Berg would conduct these activities worldwide.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 48,997 (1995)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

1. Notificant previously received approval pursuant to section 4(c)(9) of the BHC Act to retain temporarily Alfred Berg, the United States subsidiary of Alfred Berg Holding AB, Stockholm, Sweden ("Holding AB"). *See* Letter dated September 5, 1995, from Jennifer J. Johnson, Deputy Secretary of the Board, to Isaac B. Lustgarten ("4(c)(9) Letter").

2. Notificant currently has authority to engage in underwriting and dealing, to a limited extent, in debt and equity securities through ABN AMRO Securities (USA) Inc., New York, New York. *See* 81 *Federal Reserve Bulletin* 182 (1995).

Notificant, with total consolidated assets of $291 billion,[3] controls seven depository institutions in Illinois and one commercial bank in New York. ABN AMRO Bank N.V. operates branches in Boston, Massachusetts; Chicago, Illinois; New York, New York; Pittsburgh, Pennsylvania; and Seattle, Washington; and operates agencies in Atlanta, Georgia; Miami, Florida; Houston, Texas; and Los Angeles and San Francisco, California.

Alfred Berg is, and will continue to be, a broker-dealer registered with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (12 U.S.C. § 78a *et seq.*). Therefore, Alfred Berg is subject to the record-keeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 and the SEC.

The Board previously has determined by regulation that the proposed securities brokerage and investment advisory services are closely related to banking.[4] Notificant has committed that Alfred Berg will engage in the proposed activities in accordance with Board regulations and orders.[5]

Underwriting and Dealing in Bank-Ineligible Securities

The Board has determined that, subject to the prudential framework of limitations established in previous decisions to address the potential for conflicts of interests, unsound banking practices, or other adverse effects ("section 20 firewalls"), the proposed activities of underwriting and dealing in bank-ineligible securities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[6] Notificant has committed that Alfred Berg will conduct the proposed underwriting and dealing activities using the same methods and procedures and subject to the same prudential limitations as were established by the Board in the Section 20 Orders.

The Board also has determined that the conduct of these securities underwriting and dealing activities is consistent with section 20 of the Glass–Steagall Act (12 U.S.C. § 377), provided that the company engaged in the underwriting and dealing activities derives no more than 10 percent of its total gross revenue from underwriting and dealing in bank-ineligible securities over any two-year period.[7] Notificant has committed that Alfred Berg will conduct its underwriting and dealing activities in bank-ineligible securities subject to the 10-percent revenue test.[8]

Private Placement and "Riskless Principal" Activities

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

3. Asset data are as of December 31, 1994, and use exchange rates then in effect.

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

5. To address potential conflicts of interests arising from Alfred Berg's conduct of full-service securities brokerage activities together with underwriting and dealing in bank-ineligible securities, Notificant has committed that Alfred Berg will inform its customers at the commencement of the relationship that, as a general matter, Alfred Berg 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. In addition, at the time any brokerage order is taken, the customer will be informed (usually orally) whether Alfred Berg is acting as agent or principal with respect to a security. Confirmations sent to customers also will state whether Alfred Berg is acting as agent or principal. *See PNC Financial Corp.*, 75 *Federal Reserve Bulletin* 396 (1989).

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

7. *See* Section 20 Orders. Compliance with the 10-percent revenue limitation shall be calculated in accordance with the method stated in the Section 20 Orders, as modified by the *Order Approving Modifications to the Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989); the *Order Approving Modifications to the Section 20 Orders*, 79 *Federal Reserve Bulletin* 226 (1993); and the *Supplement to Order Approving Modifications to Section 20 Orders*, 79 *Federal Reserve Bulletin* 360 (1993) (collectively, "Modification Orders"). In light of the fact that Notificant acquired a going concern, the Board believes that allowing Alfred Berg to calculate compliance with the revenue limitation on an annualized basis during the first year after consummation of the acquisition and thereafter on a rolling quarterly basis would be consistent with the Section 20 Orders. *See Dauphin Deposit Corporation*, 77 *Federal Reserve Bulletin* 672 (1991). Notificant consummated the acquisition of Holding AB and Alfred Berg on April 12, 1995. *See* 4(c)(9) Letter. The Board notes that Notificant has not adopted the Board's alternative indexed-revenue test to measure compliance with the 10-percent limitation on bank-ineligible securities activities, and, absent such election, will continue to employ the Board's original 10-percent revenue test.

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

tions and individuals and not to the public. Alfred Berg will not privately place registered securities and will only place securities with customers that qualify as accredited investors.

"Riskless principal" is the term used in the securities business to refer to a transaction in which a broker-dealer, after receiving an order to buy (or sell) a security from a customer, purchases (or sells) the security for its own account to offset a contemporaneous sale to (or purchase from) the customer.[9] Riskless principal transactions are understood in the industry to include only transactions in the secondary market. Thus, Alfred Berg 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 Alfred Berg has a contractual agreement to place the securities as agent of the issuer. Alfred Berg also would not act as a riskless principal in any transaction involving a security for which it makes a market.

The Board has determined by order that, subject to prudential limitations that address the potential for conflicts of interests, unsound banking practices, or other adverse effects, the proposed private placement and riskless principal activities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[10]

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

Notificant has committed that Alfred Berg will conduct its private placement and riskless principal activities using the same methods and procedures, and subject to the same prudential limitations as those established by the Board in *Bankers Trust* and *J.P. Morgan*,[12] including the comprehensive framework of restrictions imposed by the Board in connection with underwriting and dealing in securities, which were designed to avoid potential conflicts of interests, unsound banking practices, and other adverse effects.[13]

Financial Factors, Managerial Resources, and Other Considerations

In evaluating a notice under section 4(c)(8) of the BHC Act, the Board considers the financial and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[14] The Board has reviewed the capitalization of Notificant and Alfred Berg in accordance with the standards set forth in the Section 20 Orders, and finds the capitalization of each to be consistent with approval.[15] With respect to Alfred Berg, this determination is based on all the facts of record, including Notificant's projections of the volume of Alfred Berg's underwriting and dealing activities in bank-ineligible securities. On the basis of all the facts of record, including the foregoing, and, with respect to Notificant's proposal to underwrite and deal in bank-ineligible securities, subject to the completion of a satisfactory review of the operational and managerial

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

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

11. *See Bankers Trust* at 831–833.

12. Among the prudential limitations detailed more fully in *Bankers Trust* and *J.P. Morgan* are that Alfred Berg will maintain specific records that will clearly identify all riskless principal transactions, and that Alfred Berg will not engage in any riskless principal transactions for any securities carried in its inventory. When acting as a riskless principal, Alfred Berg will not hold itself out as making a market in the securities that it buys and sells as a riskless principal. Moreover, Alfred Berg will not act as riskless principal for registered investment company securities or with respect to any securities of investment companies that are advised by Notificant or any of its affiliates. With regard to private placement activities, Notificant has committed that Alfred Berg will not privately place registered investment company securities or securities of investment companies that are advised by Notificant or any of its affiliates.

13. In previous orders approving riskless principal activities, the Board has relied on commitments by bank holding companies to refrain from entering quotes for specific securities in the NASDAQ or any other dealer quotation system in connection with riskless principal transactions. *Bankers Trust* at 832. Notificant proposes that Alfred Berg, in acting as a riskless principal, be permitted to enter bid or ask quotations, or publish "offering wanted" or "bid wanted" notices, on trading systems other than an exchange or the NASDAQ.

In order to ensure that Alfred Berg would not hold itself out as a market maker with respect to securities for which it acted as riskless principal, Notificant has committed that Alfred Berg will not enter price quotations on different sides of the market for a particular security during the same two business day period. In other words, Alfred Berg would not enter an "ask" quote for two business days after entering a "bid" quote with respect to the same security, and vice versa. The Board previously has determined that these activities are permissible and do not constitute underwriting and dealing in securities for purposes of the Glass–Steagall Act. *See BankAmerica Corporation*, 79 *Federal Reserve Bulletin* 1163, 1165 n. 10 (1993); *Dauphin Deposit Corporation*, 77 *Federal Reserve Bulletin* 672 (1991).

14. *See* 12 C.F.R. 225.24.

15. The Board notes that Notificant's capital ratios satisfy applicable risk-based standards under the Basle Accord, and are considered equivalent to the capital levels that would be required of a U.S. banking organization.

infrastructure of Notificant and Alfred Berg, the Board has concluded that financial and managerial considerations are consistent with approval of this notice.

In order to approve this notice, the Board also must determine that the performance of the proposed activities by Notificant can reasonably be expected to produce public benefits that would outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act. Under the framework established in this and prior decisions, consummation of this proposal is not likely to result in significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. The Board expects that consummation of the proposal would provide added convenience to Notificant's customers and would increase the level of competition among existing providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by Notificant can reasonably be expected to produce public benefits that outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

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

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

The Board's approval of Notificant's proposal to underwrite and deal in all types of debt and equity securities is conditioned on a future determination by the Board that Notificant and Alfred Berg have established policies and procedures to ensure compliance with the section 20 firewalls and the other requirements of this order and the Section 20 Orders, including computer, audit, and accounting systems, internal risk management controls, and the necessary operational and managerial infrastructure.

The Board's determination is also subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(g), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all the commitments made in connection with this notice, including the commitments discussed in this order and the conditions set forth in the 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 Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective October 30, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

SunTrust Banks, Inc.
Atlanta, Georgia

Order Approving a Notice to Engage in Certain Securities, Leasing and Interest Rate and Currency Swaps Activities

SunTrust Banks, Inc., Atlanta, Georgia ("SunTrust"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has provided notice 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) of its proposal to expand the activities of its section 20 subsidiary, SunTrust Capital Markets, Inc., Atlanta, Georgia ("Company"), to include underwriting and dealing in certain unrated municipal revenue bonds,[1] leasing per-

1. SunTrust is requesting a modification of a commitment to which Company is currently subject. The modification would allow Company to underwrite and deal in unrated municipal revenue bonds. No single issue of unrated municipal revenue bonds under-

sonal or real property and certain higher residual value leasing, and acting as broker, agent, or advisor to institutional customers with respect to interest rate and currency swap transactions and related swap derivative products.[2]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 44,892 (1995)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

SunTrust, with total consolidated assets of $44.2 billion, operates subsidiary banks in four states.[3] Company currently is engaged in limited bank-ineligible securities[4] underwriting and dealing activities that are permissible under section 20 of the Glass–Steagall Act (12 U.S.C. § 377). Company is, and will continue to be, a broker-dealer registered with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (12 U.S.C. § 78a *et seq.*) and is a member of the National Association of Securities Dealers, Inc. ("NASD"). Accordingly, Company is subject to the record-keeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934, the SEC, and the NASD.

In order to approve a proposal under section 4(c)(8) of the BHC Act, the Board is required to determine that the proposed activity is "so closely related to banking or managing or controlling banks as to be a proper incident thereto."[5] The Board previously has determined by order or regulation that the proposed activities are closely related to banking within the meaning of section 4(c)(8). SunTrust has committed that Company will conduct the proposed activities in accordance with the limitations and conditions relied on by the Board in its prior orders and in Regulation Y.[6]

Under section 4(c)(8) of the BHC Act, the Board considers the financial and managerial resources of the notificant and its subsidiaries and the effect of the transaction upon such resources.[7] On the basis of all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of this notice.

In order to approve this notice, the Board also must determine that the performance of the proposed activities by SunTrust can reasonably be expected to produce public benefits that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Under the framework and conditions 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. The Board expects that consummation of the proposal would provide added convenience to SunTrust's customers and would increase the level of competition among existing providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by SunTrust can reasonably be expected to produce public benefits that outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act. Accordingly, the Board has concluded that the proposed activities are so closely related to banking as to be proper incidents thereto within the meaning of section 4(c)(8) of the BHC Act.

Based on the foregoing and all the facts of record, the Board has determined to, and hereby does, approve this notice subject to all 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 also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b), and to the Board's authority to require modification or termination of the activities of

written by Company would exceed $7.5 million. In addition, SunTrust has committed that Company will not underwrite any unrated municipal revenue bonds until SunTrust conducts an independent credit review, using policies and procedures approved by the Federal Reserve, and determines that the securities are of investment-grade quality.

2. As used herein, the term "swap derivative products" means caps, floors, collars, and options on swaps, caps, floors, and collars. SunTrust will not act as a principal or originator with respect to swaps or swaps derivative products, but will act solely as agent or broker.

3. Asset data are as of June 30, 1995.

4. Company has authority to underwrite and deal in, to a limited extent, certain municipal revenue bonds, 1–4 family mortgage-related securities, commercial paper, and consumer-receivable-related securities. *See SunTrust Banks, Inc.*, 80 *Federal Reserve Bulletin* 938 (1994). Company also is authorized to engage in a variety of other nonbanking activities.

5. 12 U.S.C. §1843(c)(8).

6. *See Letter Interpreting Section 20 Orders*, 81 *Federal Reserve Bulletin* 198 (1995) (authorizing underwriting and dealing in unrated municipal revenue bonds; 12 C.F.R. 225.25(b)(5) (leasing); *Saban, S.A., RNYC Holdings Limited, Republic New York Corporation*, 80 *Federal Reserve Bulletin* 249 (1994); *The Sanwa Bank, Limited*, 77 *Federal Reserve Bulletin* 64 (1991); *C&S/Sovran Corporation*, 76 *Federal Reserve Bulletin* 857 (1990) (acting broker, agent, or advisor to institutional customers with respect to interest rate and currency swap transactions and related swap derivative products). SunTrust has indicated that it expects that an affiliate of Company would act as counterparty principal for transactions on which Company would provide advice. In these situations, Company would be acting as the agent of its affiliate. In order to address potential conflicts of interest that may arise, SunTrust has committed that Company will disclose to each customer that an affiliate of Company will be the counterparty to the customer with respect to the transaction which is the subject of the advice.

7. *See* 12 C.F.R. 225.24.

a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all the commitments made in connection with this notice, including the commitments discussed in this order and the conditions set forth in the above-noted Board regulations and orders. For purposes of this action, 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 Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors, effective October 16, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

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

Banco Santander, S.A., Madrid, Spain,

Order Approving the Acquisition of Shares of a Bank Holding Company

Banco Santander, S.A., Madrid, Spain, a foreign bank subject to the Bank Holding Company Act ("BHC Act"), and its wholly owned subsidiary, FFB Participaçoes e Serviços, S.A., Funchal, Portugal (together, "Santander"), have applied under sections 3 and 4 of the BHC Act (12 U.S.C. §§ 1842 and 1843) and sections 225.14, 225.21(a) and 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.14, 225.21(a), and 225.23(a)), to acquire approximately 12 percent of the outstanding voting shares of First Union Corporation, Charlotte, North Carolina ("First Union").[1] Santander would receive these shares from First Union in exchange for Santander's 28.8 percent of the outstanding voting shares of First Fidelity Bancorporation ("First Fidelity"), when First Union acquires First Fidelity.[2]

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 44,032 (1995)). The time for filing comments has expired, and the Board has considered this proposal and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

Santander, with total consolidated assets equivalent to approximately $129 billion, is the largest banking organization in Spain.[3] In the United States, Santander has a controlling interest in First Fidelity; controls a subsidiary bank in Puerto Rico; operates a branch in New York, New York; controls a finance company in Wilmington, Delaware; and operates an agency and an Edge Corporation in Miami, Florida. In addition, Santander engages directly and through subsidiaries in permissible nonbanking activities in the United States and abroad.

First Union, with consolidated assets of approximately $83.1 billion, is the ninth largest commercial banking organization in the United States. First Union operates subsidiary banks in North Carolina, Florida, Georgia, Tennessee, Maryland, Virginia, South Carolina, and the District of Columbia. First Union also engages directly and through subsidiaries in various nonbanking activities under section 4 of the BHC Act.[4]

The Board has carefully considered comments from Inner City Press/Community on the Move ("Protestant") alleging that Santander's proposed ownership interest in First Union, when considered in light of certain proposed relationships between Santander and First Union, would result in Santander's exercising a controlling influence over First Union. In particular, Protestant believes that Santander's representation on First Union's board of directors and the existence of certain business relationships between Santander and First Union warrant a finding that Santander would control First Union for purposes of the BHC Act.

After consummation of this proposal, Santander would own approximately 12 percent of the voting shares of First Union. Accordingly, under the terms of the BHC Act, Santander would not control First Union for purposes of the BHC Act unless the Board has made a determination of control after providing Santander an opportunity for a hearing on the matter.

1. A list of the bank and nonbank subsidiaries of First Union is attached as Appendix A.

2. *See First Union Corporation*, 81 *Federal Reserve Bulletin* 1143 (1995) ("*First Union/First Fidelity Order*").

3. Asset data are as of June 30, 1995.

4. 12 U.S.C. § 1843. In particular, First Union engages in permissible securities and securities-related activities, community development activities, and acts as a futures commission merchant in executing and clearing futures contracts on certain commodity exchanges. First Union also operates an export trading company pursuant to section 4(c)(14) of the BHC Act (12 U.S.C. § 1843(c)(14)).

Protestant has not provided any evidence to support a finding that Santander would exercise a controlling influence over the management or policies of First Union. Moreover, Santander has made a number of commitments to the Board to maintain its investment in First Union as a passive investment.[5] In particular, Santander will have discretion to exercise only 9.9 percent of the voting shares of First Union.[6] Santander also has committed not to exercise a controlling influence over the management or policies of First Union or any of its subsidiaries; not to attempt to influence the loan and credit decisions or policies, the pricing of services, any personnel decision, the location of any offices, branching, the hours of operation or similar activities of First Union or any of its subsidiaries; not to solicit or participate in soliciting proxies with respect to any matter presented to the shareholders of First Union or any of its subsidiaries; not to have or seek to have any employee or representative serve as an officer, agent or employee with management responsibility at First Union or any of its subsidiaries;[7] and not to dispose or threaten to dispose of shares of First Union or any or its subsidiaries in any manner as a condition of specific action or nonaction by First Union or any of its subsidiaries.

Based on all the facts of record, including the size of Santander and First Union, the independence of the institutions and the historical relationships between them, and the commitments made by Santander to maintain its investment as a passive investment and not to exercise a controlling influence over First Union, the Board concludes that the structure of the proposed relationship between Santander and First Union does not support a finding at this time that Santander would control First Union for purposes of the BHC Act or the Board's rules.[8]

5. These commitments are set forth in Appendix B.

6. All shares of First Union owned by Santander in excess of 9.9 percent will be voted in proportion to shares held by parties not affiliated with First Union.

7. Certain employees of Santander may serve as non-management officers, agents or employees of First Union and its subsidiaries as part of a training or information exchange program, so long as:

(i) No such employee serves in such capacity for a term of more than 24 months; and

(ii) No more than three such employees serve in such capacity at the same time without further Federal Reserve System approval.

8. Protestant also alleges that the acquisition of First Fidelity by First Union and the resulting investment by Santander in First Union would remove decision making and accountability for the former First Fidelity franchise out of the region currently served by First Fidelity. As noted above, Santander would not control First Union for purposes of the BHC Act and Santander has specifically committed not to influence the daily operations of First Union or its subsidiary banks. As discussed in the *First Union/First Fidelity Order*, each First Union subsidiary bank locally develops a strategic plan to take into account the unique needs of its community. Based on all the facts of record, the Board does not believe that these comments warrant denial of these applications.

Competitive Considerations

The Board previously has indicated that the acquisition of less than a controlling interest in a bank or bank holding company is not a normal acquisition for a bank holding company.[9] However, the requirement in section 3(a)(3) of the BHC Act that the Board's approval be obtained before a bank holding company acquires more than 5 percent of the voting shares of a bank suggests that Congress contemplated the acquisition of between 5 and 25 percent of the voting shares of a bank or a bank holding company.[10] Moreover, nothing in section 3(c) of the BHC Act requires denial of an application solely because a bank holding company proposes to acquire less than a controlling interest in a bank or a bank holding company. On this basis, the Board previously has approved the acquisition by a bank holding company of less than a controlling interest in a bank or bank holding company.[11]

The question of whether acquisition of a minority interest in a competing bank or bank holding company would result in a substantial lessening of competition must be answered in light of the specific facts of record of each case.[12] The Board continues to believe that noncontrolling interests in directly competing banks or bank holding companies may raise serious questions under the BHC Act. The Board previously has noted that one company need not acquire control of another company in order to substantially lessen competition between them.[13] It is possible, for example, that the acquisition of a substantial ownership interest in a competitor or a potential competitor of the acquiring firm may alter the market behavior of both firms in such a way as to weaken or eliminate independence of action between the organizations and increase the likelihood of cooperative operations.[14]

Based on a careful analysis of all the facts of record, it is the Board's judgment that in this case no significant reduction in competition is likely to result from the

9. *See, e.g., North Fork Bancorporation, Inc.*, 81 *Federal Reserve Bulletin* 734 (1995) ("*North Fork*"); *State Street Boston Corporation*, 67 *Federal Reserve Bulletin* 82 (1981).

10. 12 U.S.C. § 1842(a)(3); 12 C.F.R. 225.11(c).

11. *See, e.g., North Fork* (acquisition of 19.9 percent of the voting shares of a bank holding company); *Mansura Bancshares, Inc.*, 79 *Federal Reserve Bulletin* 37 (1993) (acquisition of 9.7 percent of the voting shares of a bank holding company) ("*Mansura*"); and *SunTrust Banks, Inc.*, 76 *Federal Reserve Bulletin* 542 (1990) ("*SunTrust*") (acquisition of up to 24.99 percent of the voting shares of a bank).

12. *See, e.g., Mansura*; and *SunTrust*.

13. *See The Summit Bancorporation*, 75 *Federal Reserve Bulletin* 712 (1989).

14. *See Mansura* at 38.

proposed acquisition. Upon consummation of the acquisition of First Fidelity by First Union, Santander and First Union would continue to compete directly in the Metropolitan New York-New Jersey banking market ("New York banking market").[15] Assuming a combination of Santander and First Union, the combined organization would control deposits of $18.3 billion, representing 5.3 percent of total deposits in banking or thrift organizations ("depository institutions") in the market ("market deposits").[16] The Herfindahl–Hirschman Index ("HHI")[17] would increase by seven points to 536.[18] In light of all the facts of record, including the number of competitors that would remain in this market, and the modest increase in the concentration of market deposits as measured by the HHI, the Board concludes that consummation of this proposal would not result in any significantly adverse effect on competition or the concentration of banking resources in the New York banking market or any other relevant banking market. Accordingly, the Board concludes that competitive considerations are consistent with approval of this proposal.

15. The New York banking market includes New York City; Nassau, Orange, Putnam, Rockland, Suffolk, Sullivan and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, Warren, and a portion of Mercer Counties in New Jersey; Pike County in Pennsylvania; and portions of Fairfield and Litchfield Counties in Connecticut.

16. In this context, depository institutions include commercial banks and savings associations. Market share data are as of June 30, 1994, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board regularly has included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

17. 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 below 1000 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 more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other non-depository financial entities.

18. If market deposits of Santander and First Union are not combined,First Union would enter the New York banking market, following its acquisition of First Fidelity, as the sixth largest depository institution in the market, controlling deposits of $15.8 billion, representing 4.6 percent of market deposits. Santander would be the 22d largest depository institution in the New York banking market, controlling deposits of $2.6 billion, representing less than 1 percent of market deposits.

Convenience and Needs Considerations

The Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA") requires the Board to take into account the record of an institution in assisting to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution, in the acquisition of shares requiring approval under section 3 of the BHC Act. The Board notes that Santander's subsidiary bank, Banco Santander Puerto Rico, Hato Rey, Puerto Rico ("BSPR"), received a "satisfactory" rating for CRA performance at its most recent examination by its primary federal supervisor, the Federal Deposit Insurance Corporation, as of September 1993. The New York branch of BSPR ("Branch") also received a "satisfactory" rating for CRA performance from its primary supervisor, the New York State Banking Department ("Department") in December 1994.[19] Based on all the facts of record, including the nature of Santander's investment in First Union, relevant reports of examination on its record of performance under the CRA, and the performance record of First Union considered in the Board's order issued today and incorporated herein, the Board concludes that convenience and needs considerations, including the CRA performance records of both Santander and First Union, are consistent with approval of this proposal.[20]

19. Protestant maintains that the Department's examination should be accorded little weight because Branch was not examined on-site by Department examiners. The Board notes that an on-site examination is not required by the CRA. Moreover, the Board believes that the Department's analysis of the relevant CRA assessment factors in its examination, in light of Branch's size and the scope of its activities, is sufficient. Branch, with total assets of approximately $83 million and no retail banking operations, engages in CRA-related lending activities by making community development housing and small business loans.

20. *See First Union/First Fidelity Order*. Protestant has requested that a public hearing or meeting be held on the proposed acquisition of First Fidelity by First Union, as well as the investment by Santander in First Union. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, neither the Office of the Comptroller of the Currency nor any of the appropriate State supervisory authorities have recommended that this proposal be denied.

Generally, under the Board's Rules of Procedure, 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 an ample opportunity to and has presented substantial written submissions. Protestant has not identified facts that are material to the Board's decision and that are in dispute, what substantial evidence it would produce at a public meeting or hearing, and why its written submissions do not ade-

Other Considerations

The Board previously has determined that Santander is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor.[21] The Board also concludes that the financial and managerial resources and future prospects of Santander and First Union, and their respective subsidiaries, and other supervisory factors the Board must consider under section 3 of the BHC Act are consistent with approval of this proposal.[22]

Nonbanking Activities

Santander also has provided notice under section 4(c)(8) of the BHC Act of its proposal to acquire shares of First Union. In light of all the facts of record, including the percentage of shares of First Union proposed to be acquired in this transaction, the Board concludes that Santander's investment in voting shares of First Union would not significantly affect competition in any relevant market. Furthermore, 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 practices that are not outweighed by benefits to the public. 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 this proposal.[23]

Conclusion

Based on the foregoing, and in light of all the facts of record, including commitments made by Santander in connection with these applications, the Board has determined that these applications should be, and hereby are, approved.[24] The Board's approval is specifically conditioned on compliance by Santander with all commitments made in connection with these applications, as well as the conditions discussed in this order.

The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b) of Regulation Y (12 C.F.R. 225.7 and 225.23(b)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure 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 reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective October 26, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix A

Subsidiary Banks

First Union National Bank of Florida, Jacksonville, Florida;
First Union National Bank of North Carolina, Charlotte, North Carolina;
First Union National Bank of Georgia, Atlanta, Georgia;
First Union National Bank of Tennessee, Nashville, Tennessee;
First Union National Bank of Maryland, Rockville, Maryland;
First Union National Bank of Virginia, Roanoke, Virginia;

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quately present its allegations. Based on all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in this proposal, or otherwise warranted in this case and the request for a public meeting or hearing on this proposal is denied.

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

22. The Board also has determined that the proposal is consistent with the statutes of North Carolina, Rhode Island, and New York.

23. First Union controls three companies engaged in certain real estate development and insurance activities pursuant to a grandfather provision in section 4(a)(2) of the BHC Act (12 U.S.C. § 1843(a)(2)). *See First Union Corporation*, 67 *Federal Reserve Bulletin* 63 (1980). The Board has determined that First Union may retain its interest in these companies under section 4(a)(2) after the acquisition by Santander of less than a controlling interest in First Union.

24. For the reasons discussed in the *First Union/First Fidelity Order*, the Board does not believe that a delay in acting on this application, as requested by Protestant, is warranted.

First Union National Bank of Washington, D.C., Washington, D.C.;
First Union National Bank of South Carolina, Greenville, South Carolina; and
First Union Home Equity Bank, National Association, Charlotte, North Carolina.

Nonbanking Subsidiaries

First Union Capital Markets Corporation, Charlotte, North Carolina;
First Union Community Development Corporation, Charlotte, North Carolina;
First Union Development Corporation, Charlotte, North Carolina;
First Union Export Trading Company, Charlotte, North Carolina;
First Union Futures Corporation, Charlotte, North Carolina;
First Union Mortgage Corporation, Charlotte, North Carolina; and
General Financial Life Insurance Company, Charlotte, North Carolina.

Appendix B

As part of this proposal, Santander has committed that it will not, without the Board's prior approval:

(a) Exercise or attempt to exercise a controlling influence over the management or policies of First Union or any of its subsidiaries;
(b) Seek or accept representation on the board of directors of First Union or any of its subsidiaries, except that it may have two representatives on the board of directors of First Union, one of whom shall be a senior executive officer of First Union;
(c) Have or seek to have any employee or representative serve as an officer, agent or employee with management responsibility at First Union or any of its subsidiaries;[1]
(d) Take any action causing First Union or any of its subsidiaries to become a subsidiary of Santander or any of its subsidiaries;
(e) Acquire or retain voting securities of First Union or any of its subsidiaries that would cause the combined interests of Santander or any of its subsidiaries and its officers, directors and affiliates to exceed the percentage of the outstanding voting securities of First Union or any of its subsidiaries that they will own upon consummation of the merger;
(f) Exercise voting rights with respect to that portion of the voting securities of First Union at any time owned by Santander or any of its subsidiaries which exceeds 9.9 percent of the outstanding voting securities of First Union at such time, other than to vote such shares for and against any proposition in the same proportions as the voting securities of First Union held by security holders not affiliated with First Union have been voted;
(g) Propose a director or slate of directors in opposition to a nominee or slate of nominees proposed by the management or board of directors of First Union or any of its subsidiaries;
(h) Attempt to influence the dividend policies or practices of First Union or any of its subsidiaries;
(i) Solicit or participate in soliciting proxies with respect to any matter presented to the shareholders of First Union or any of its subsidiaries;
(j) Attempt to influence the loan and credit decisions or policies, the pricing of services, any personnel decision, the location of any offices, branching, the hours of operation or similar activities of First Union or any of its subsidiaries;
(k) Dispose or threaten to dispose of shares of First Union or any or its subsidiaries in any manner as a condition of specific action or nonaction by First Union or any of its subsidiaries; or
(l) Enter into any banking or nonbanking transactions with First Union or any of its subsidiaries other than normal banking transactions and cooperative activities that are in the ordinary course of business and on an arm's-length basis.[2]

First Union Corporation
Charlotte, North Carolina

Order Approving the Acquisition of a Bank Holding Company

First Union Corporation, Charlotte, North Carolina ("First Union"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), and First Union Corporation of New Jersey, Newark, New Jersey, have applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all the voting shares of First Fidelity Bancorporation, Newark, New

1. Certain employees of Santander may serve as non-management officers, agents or employees of First Union and its subsidiaries as part of a training or information exchange program, so long as:
(i) No such employee serves in such capacity for a term of more than 24 months; and
(ii) No more than three such employees serve in such capacity at the same time without further Federal Reserve System approval.

2. These business relationships with First Union may include correspondent banking relationships, participation in multilateral clearing organizations, and training in areas such as operational and computer systems and branch integration, but will not involve joint ventures or cross-marketing activities.

Jersey, and Philadelphia, Pennsylvania ("First Fidelity"), and thereby indirectly acquire its subsidiary banks, First Fidelity Bank, N.A., Elkton, Maryland; First Fidelity Bank, Stamford, Connecticut; and First Fidelity Bank, Delaware, Wilmington, Delaware.[1]

First Union also has provided notice 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) of its proposal to acquire the nonbanking subsidiaries of First Fidelity set forth in the Appendix, and thereby engage nationwide in these permissible nonbanking activities.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 40,381 (1995)). The time for filing comments has expired and the Board has considered the applications and notices and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

First Union, with total consolidated assets of $83.1 billion, operates subsidiary banks in Florida, North Carolina, Georgia, Tennessee, Maryland, Virginia, South Carolina, and the District of Columbia.[2] First Union is the ninth largest banking organization in the United States, controlling approximately 2.4 percent of total banking assets in the United States. First Union also engages in a number of permissible nonbanking activities nationwide. First Fidelity, with consolidated assets of $35.4 billion, is the 27th largest banking organization in the United States, controlling approximately 1.0 percent of total banking assets in the United States.[3]

Interstate Analysis

Section 3(d) of the BHC Act, as amended by Section 101 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company, if certain conditions are met.[4] These conditions are met in this case.[5] In view of all the facts of record, the Board is permitted to approve this proposal under section 3(d) of the BHC Act.

Competitive Considerations

First Union and First Fidelity own depository institutions that compete directly in the Baltimore, Maryland, banking market ("Baltimore banking market"), and the Washington, D.C., banking market ("DC banking market").[6] First Union is the 20th largest banking or thrift organization ("depository institution") in the Baltimore banking market, controlling deposits of $85.5 million, representing less than 1 percent of total deposits in depository institutions in the market ("market deposits").[7] First Fidelity is the third largest depository institution in the Baltimore banking market, controlling depos-

1. First Union also would acquire First Fidelity's 24.4 percent interest in the voting stock of ExecuFirst Bancorp, Inc. ("ExecuFirst"), which is the parent corporation of First Executive Bank, both of Philadelphia, Pennsylvania. First Fidelity's investment in ExecuFirst is subject to certain commitments previously relied on by the Board in cases involving passive investments of less than 25 percent in a banking organization. These commitments include a commitment not to exercise a controlling influence over the management or policies of ExecuFirst; not to have any director, officer, or employee interlocks with ExecuFirst; and not to solicit or participate in soliciting proxies with respect to any matter presented to the shareholders of ExecuFirst. First Union has committed that it also would comply with all the commitments previously made by First Fidelity to the Board in connection with First Fidelity's acquisition of shares of ExecuFirst.

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

3. Upon consummation of this proposal, First Union would become the nation's sixth largest banking organization.

4. Pub. L. No. 103–328, 108 Stat. 2338 (1994). A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. For purposes of the BHC Act, the home state of First Union is North Carolina.

5. 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). First Union is adequately capitalized and adequately managed. First Fidelity's banks have been in existence and continuously operated for the minimum periods of time required under Connecticut and Delaware law. Maryland does not have a state age requirement. In addition, upon consummation of this proposal, First Union and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and less than 30 percent, or the applicable state deposit cap, if any, of the total amount of deposits of insured depository institutions in Maryland, Connecticut, Delaware, New Jersey, Pennsylvania, or New York. All other requirements of section 3(d) of the BHC Act also would be met upon consummation of this proposal.

6. The Baltimore banking market is approximated by the Baltimore Ranally Metro Area ("RMA") plus the remainder of Harford County. The DC banking market is approximated by the Washington, DC RMA plus the remainder of Loudoun County. While First Union and First Fidelity also currently compete in the Annapolis, Maryland, banking market ("Annapolis banking market"), First Union has entered into a binding agreement to sell its only branch in this banking market. Accordingly, any potential anticompetitive effects of this proposal in the Annapolis banking market would be eliminated by this divestiture.

7. Market data are as of June 30, 1994. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

its of \$2.6 billion, representing approximately 11.3 percent of market deposits. Upon consummation of this proposal, First Union would remain the third largest depository institution in the Baltimore banking market, controlling deposits of \$2.7 billion, representing approximately 11.7 percent of market deposits. The Herfindahl–Hirschman Index ("HHI") would increase by eight points to 1130.[8]

First Union is the third largest depository institution in the DC banking market, controlling deposits of \$5.9 billion, representing approximately 13.4 percent of market deposits. First Fidelity is the 14th largest depository institution in the DC banking market, controlling deposits of \$453.3 million, representing approximately 1 percent of market deposits. Upon consummation of this proposal, First Union would become the second largest depository institution in the DC banking market, controlling deposits of \$6.4 billion, representing approximately 14.4 percent of market deposits. The HHI would increase by 27 points to 983.

The Board sought comments from the United States Attorney General, the Office of the Comptroller of the Currency ("OCC"), and the Federal Deposit Insurance Corporation ("FDIC") on the competitive effects of this proposal. The Attorney General has indicated that the proposed transaction would not have a significantly adverse effect on competition. The OCC and FDIC have not objected to consummation of the proposal or indicated that it would have any significantly adverse competitive effects in any relevant banking market. Based on all the facts of record, including the number of competitors that would remain in the Baltimore and DC banking markets, and the relatively small increase in market concentration and market share in these markets, the Board has concluded that consummation of this proposal would not result in any significantly adverse effects on competition in the Baltimore or DC banking markets or any other relevant banking market.[9]

Convenience and Needs Considerations

In acting on an application to acquire a depository institution under 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 their safe and sound operation. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of bank expansion proposals.[10]

The Board has received comments supporting and opposing this proposal. Commenters favoring the acquisition included the Urban League, Inc.; the Local Initiatives Support Corporation; the Nashville Minority Business Center; the Clarksville-Montgomery County (Tennessee) Regional Planning Commission; the Duval County (Florida) Housing Finance Authority; the City of Greenville, South Carolina; and the Northwest Corridor Community Development Corporation of Charlotte, North Carolina. These commenters, who are primarily involved in affordable housing initiatives, commended First Union's assistance in this area, which included start-up funds, direct loans, and lending programs for minorities and low- and moderate-income individuals. First Union was also commended for providing leadership by encouraging bank personnel with financial expertise to assist in addressing housing-related and credit needs of its entire community, including low- and moderate-income neighborhoods.

Other commenters ("Protestants") criticized the CRA performance records of First Union and First Fidelity in helping to meet the credit needs of low- and moderate-income neighborhoods and communities with predominately minority populations. These Protestants include: the Charlotte Organizing Project, Charlotte, North Carolina; Community Reinvestment Association of North Carolina, Raleigh, North Carolina; Inner City Press/Community on the Move, Bronx, New York; Community Reinvestment Alliance, Philadelphia, Pennsylvania; United Congregations of Chester County, Coatesville,

8. 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 is considered unconcentrated. A market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal threshold for an increase in the HHI when screening bank mergers and acquisitions for anticompetitive effects implicitly recognizes the competitive effect of limited-purpose lenders and other non-depository financial entities.

9. Some commenters have alleged that this proposal would result in significant anticompetitive effects by reducing competition within the banking industry, which would cause increases in fees for services, and encourage other large banking organizations to merge in order to compete with First Union, particularly in the Mid-Atlantic region. For the reasons discussed in this order, and based on all the facts of record, the Board concludes that these comments do not warrant denial of the proposal.

10. 12 U.S.C. § 2903.

Pennsylvania; Regional Council of Neighborhood Organizations, Philadelphia, Pennsylvania; Neighborhood Assistance Corporation of America, Boston, Massachusetts; and ACORN, Washington, D.C.[11]

On the basis of data filed under Home Mortgage Disclosure Act ("HMDA"),[12] some Protestants maintained that the subsidiary banks of both organizations illegally discriminate in their lending activities.[13] In addition, Protestants alleged that the level of performance by First Union and First Fidelity is deficient in ascertainment, marketing and outreach activities for their entire communities, and in small business and housing-related lending.[14] Protestants also contended that the branch locations of First Union and First Fidelity do not serve the credit needs of low- and moderate-income and minority customers, and that First Union's strategy of branch closings after an acquisition disproportionately impacts these customers.[15]

The Board has carefully reviewed the CRA performance records of First Union, First Fidelity, and their respective subsidiary banks; all comments received; responses to those comments by First Union and First Fidelity; and all other relevant facts of record 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").[16]

Record 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 reports of these examinations will be given great weight in the applications process.[17] The Board notes that First Union's lead bank subsidiary, First Union National Bank of North Carolina, Charlotte, North Carolina ("FUNB-NC"), received an "outstanding" rating from its primary federal supervisor, the OCC, at its most recent publicly available examination for CRA performance in April 1994 ("1994 FUNB-NC Examination"). First Union's remaining seven subsidiary banks received "satisfactory" ratings from the OCC in the most recent examinations of their CRA performance.[18] First Fideli-

11. The Board also has received comments from individual Protestants, including a number of identical comments submitted after the close of the comment period.

12. 12 U.S.C. § 2801 *et seq.*

13. Protestants's allegations relate to several large Metropolitan Statistical Areas ("MSAs") where First Union's subsidiary banks and First Union's subsidiary mortgage company, First Union Mortgage Corporation, Charlotte, North Carolina ("First Union Mortgage") lend, including Tampa and Jacksonville, Florida; the District of Columbia; Atlanta, Georgia; Baltimore, Maryland; and Charlotte. Several Protestants compared First Union's lending to that of its peers in North Carolina. Protestants also cite lending data from Pennsylvania, New Jersey, and Connecticut to support their allegations regarding First Fidelity's lending activities.

14. Some Protestants maintained that First Union has a history of purchasing organizations with poor CRA performance records and not improving their records. These commenters also alleged that data processing conversion problems in these acquisitions have resulted in reduced lending and banking services to customers. Protestants contended that First Union's level of CRA performance is lower for banks located away from its Charlotte headquarters. Several Protestants also asserted that this proposal would remove the lending authority of local bank officers and replace it with centralized decision making by officials in Charlotte. Other commenters asserted that a number of jobs would be lost, particularly in the Philadelphia area, as a result of this acquisition. Some Protestants speculated that this proposal is only a "foothold" acquisition and that future acquisitions would result in more branch closures, layoffs and reductions in services.

15. One Protestant claimed that First Union receives deposits from customers at branches in low- and moderate-income communities but fails to reinvest funds in those communities.

16. 54 *Federal Register* 13,742 (1989). Several Protestants contended that First Union and First Fidelity have been uncooperative in meeting with community-based organizations and unwilling to reach specific agreements with them. The Board has indicated in previous orders and in the Agency CRA Statement that communication by depository institutions with community groups provides a valuable method of assessing and determining how best to address the credit needs of the community. Neither the CRA nor the Agency CRA Statement, however, requires depository institutions to enter into agreements with particular organizations. Accordingly, the Board's review has focused on the programs and policies that First Union and First Fidelity have in place to assist in meeting the credit needs of their entire communities. *See Fifth Third Bancorp*, 80 *Federal Reserve Bulletin* 838 (1994).

17. *Id.* at 13,745. One Protestant maintained that First Union's most recent CRA performance examinations are out-of-date and should not be a significant consideration in these applications. Each of these examinations was completed within the past 18 months. The Board has considered these applications in light of all the facts of record, including the activities since these examinations were conducted.

18. The OCC conducted a joint CRA examination of all First Union's subsidiary banks, including FUNB-NC, in April 1994 (collectively, "1994 Examinations"). First Union's other subsidiary banks are: First Union National Bank of Florida, Jacksonville, Florida; First Union National Bank of Georgia, Atlanta, Georgia; First Union National Bank of Maryland, Rockville, Maryland; First Union National Bank of South Carolina, Greenville, South Carolina; First Union National Bank of Tennessee, Nashville, Tennessee; First Union National Bank of Virginia, Roanoke, Virginia; and First Union National Bank of Washington, D.C.

One Protestant noted that the 1994 Examinations identified weaknesses in First Union's banks' CRA performance records, particularly in Tennessee and Virginia. For example, examiners recommended better documentation of changes in CRA action plans, closer monitoring of outreach efforts, and analysis of geocoded lending data in some of the 1994 Examinations. Examiners also noted that systems conversions had not yet been completed at several of these banks. Nevertheless, the OCC determined that the ty's lead bank, First Fidelity Bank, N.A., Elkton, Maryland ("FFB-MD"), was rated "satisfactory" for CRA performance by the OCC in July 1994.[19]

B. HMDA Data

The Board has carefully reviewed 1993 and 1994 HMDA data for First Union and First Fidelity in light of comments submitted by Protestants. These data indicate that First Union has generally improved its lending record of home mortgage loans to low- and moderate-income and African-American and Hispanic borrowers and its lending approximates the level of lending in the aggregate by HMDA-reporting lenders in most of its service areas.[20] For example, HMDA data for FUNB-NC showed that, although the total number of HMDA-reported loan applications decreased overall, the percentage of applications from low- and moderate-income census tracts and African-American borrowers increased in 1994 from 1993 levels. In addition, the percentage of loan originations by FUNB-NC to low- and moderate-income census tracts and African-American borrowers has increased during this same period. HMDA data for most other subsidiary banks indicate that, while the overall number of applications declined in 1994 compared to 1993, the number of applications from African-American borrowers increased during this period.[21]

The 1993 and 1994 HMDA data for FFB-MD indicate similar improvement.[22] These data indicate an increase in the number of loan applications received by FFB-MD in 1994 from residents of low- to moderate-income census tracts, as well as an increase in the percentage of total loan applications from low- to moderate-income census tracts. In addition, data for New Jersey also shows an increase in originations to borrowers from low- and moderate-income census tracts. FFB-MD also has shown improvement in its record of lending to communities with predominately minority populations. In particular, HMDA data for New Jersey and Pennsylvania indicate that the number and percentage of loan applications received from African Americans and Hispanics have increased. In addition, these data also show that the number of loan originations to African-American and Hispanic borrowers have increased during this same period.

However, the data for First Union and First Fidelity also reflect some disparities in the rate of loan originations, denials, and applications by racial group or income level. The Board is concerned when the record of an institution's record indicates disparities in lending to minority applicants, and the Board believes that all banks are obligated to ensure that their lending practices are based on criteria that assure not only safe and sound lending, but also assure equal access to credit by creditworthy applicants regardless of race. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community. The Board also recognizes that HMDA data have limitations that make the data an inadequate basis, absent other information, for concluding that an institution has engaged in illegal discrimination in making lending decisions.

The Board has carefully reviewed Protestants's allegations of illegal discriminatory lending practices by First Union in light of publicly available and other information from the OCC. The 1994 Examinations found that all of First Union's subsidiary banks were in substantial compliance with applicable antidiscrimination laws and regulations and that none of the banks engaged in practices that would discourage individuals from applying for credit.[23] Examiners also found that the geographic

overall performance rating of all First Union's subsidiary banks was "satisfactory," except FUNB-NC which was rated "outstanding." The Board notes that First Union has already begun to take steps to address these remarks and the steps undertaken by First Union's subsidiary banks to address the areas discussed in the 1994 Examinations will be evaluated by the OCC in future CRA performance examinations.

19. First Fidelity Bank, Stamford, Connecticut ("FFB-CT") received a "satisfactory" from the FDIC in March 1995. First Fidelity Bank, Wilmington, Delaware, which received a "satisfactory" from the FDIC in April 1994, was only recently acquired by First Fidelity in March 1995.

20. One Protestant said that it could not analyze First Union's recent mortgage lending in North Carolina because the Federal Financial Institutions Examination Council ("FFIEC") had not provided it with the 1994 HMDA data for First Union and other HMDA reporters in all North Carolina MSAs. First Union provided this Protestant with a copy of its 1994 Loan Application Register for North Carolina in machine-readable format. Individual disclosure statements and aggregate data for each MSA were available at a central repository in each MSA and from the FFIEC after September 1, 1995. The FFIEC does not have a record of a request for aggregate data of all North Carolina MSAs from Protestant. The Board notes that Protestant has submitted extensive comments on First Union's HMDA data, and based on all facts of record, the Board does not believe that this matter warrants delay or denial of the proposal.

21. For several of First Union's subsidiary banks, including Florida, Tennessee, Virginia, and Washington, D.C., the number of loan originations to African-American borrowers also increased during this same period.

22. This includes a review of HMDA data for the five Pennsylvania counties in the Philadelphia MSA.

23. One Protestant suggested that conclusions on First Union's compliance with applicable fair lending laws in the 1994 Examinations were deficient because the OCC did not consider lending data from First Union Mortgage. This Protestant also asserted that a fair lending compliance examination of First Union Mortgage should be conducted. In reviewing compliance with applicable fair lending laws in each of the 1994 Examinations, the OCC did, contrary to Protestant's assertion, sample loans made by First Union Mortgage. The Board does not believe that the HMDA data cited by Protestant

distribution of credit demonstrated reasonable penetration of all segments of each bank's communities, including low- and moderate-income neighborhoods.[24] Moreover, the 1994 Examinations found that the delineations of all subsidiaries of their local communities was reasonable[25] and did not arbitrarily exclude low- to moderate-income areas.[26] Finally, the 1994 Examinations indicated that all of First Union's subsidiary banks solicit and accept credit applications from all segments of their delineated communities, including individuals in low- and moderate-income areas.

First Union also has initiated a number of steps to increase lending by its subsidiary banks to low- and moderate-income and minority borrowers. For example, First Union has implemented a second review of denied loan applications in the mortgage and consumer lending areas to ensure that consistent loan decisions are made. The second review is conducted before a final decision is made when denial of a mortgage application is recommended. In addition, First Union has introduced a pilot credit counseling program for applicants who are denied loans due to poor credit history. Other corporate fair lending programs include semi-annual reviews of files to assess the level of assistance and loan decisions made to applicants, regression modeling to test for variances in rates charged to borrowers, matched-pair shopping to gauge the quality and level of assistance provided to loan applicants, and annual policy reviews to ensure that policies are nondiscriminatory. Examiners noted in the 1994 Examinations that management of all First Union's subsidiary banks had implemented comprehensive training and compliance programs to support equal treatment in lending and to ensure that all applicants are treated fairly.

for First Union Mortgage would warrant a separate fair lending examination of the mortgage subsidiary in light of all the facts of record. Based on all the facts of record, the Board concludes that the 1994 Examinations sufficiently reviewed the fair lending performance of First Union's subsidiary banks.

24. In the 1994 Examination of First Union's subsidiary bank in Tennessee, examiners found a disproportionate distribution of credit extensions in a few low- and moderate-income communities. In other areas, however, examiners noted that the bank had satisfactory levels of credit extensions in low- and moderate-income census tracts.

25. First Union's delineation policy requires that low- and moderate-income tracts bordering each community served by a branch be included within a bank's delineated service area.

26. One Protestant criticized First Union's subsidiary bank in Virginia for redefining its service community along state lines after the acquisition of a federal savings bank. The bank's 1994 Examination noted that this action complied with applicable CRA regulations and First Union's policies, and that the bank had continued to provide services to communities in West Virginia and Tennessee that were excluded by the redefinition.

C. First Union Lending Policies and Programs

First Union's CRA plans and related lending activities are developed locally by its subsidiary banks to incorporate the unique credit needs of particular communities. First Union's corporate policy requires the development of an annual action plan, which includes a discussion of the bank's identification of and response to the credit needs of each community within a state. These action plans are forwarded to First Union's state CRA coordinator for review and to ensure that the plans are properly implemented and that strategic objectives are achieved.

First Union has several specialized lending programs designed to improve its lending to low- and moderate-income and minority communities. For example, the 1994 FUNB-NC Examination found that the bank offered the Affordable Home Mortgage Loan, a specialized product that offers flexible terms, such as liberal debt-to-income requirements and lower down payments. Approximately 2,000 loans under this program were outstanding at year-end 1993, totalling $90 million, and as of August 1995, over $134 million in loans were outstanding. FUNB-NC also offers other programs specifically designed for low- and moderate-income individuals, such as the Special Home Improvement Loan, which offers rebates for timely payments, flexible debt-to-income ratios, and no origination fee; Special Instant Cash Reserve, a revolving line of credit that acts as an instant loan and overdraft protection; and Special FirstAdvance, an unsecured line of credit with flexible debt-to-income ratios.[27]

FUNB-NC also participates, directly or through First Union Mortgage, in government-insured loan programs, including programs sponsored by the Small Business Administration ("SBA"), the Housing and Urban Development/Farmers Home Administration ("FmHA"), the Federal Housing Authority ("FHA"), the Veterans Administration ("VA"), and the Student Loan Corporation.[28] For example, in 1993, FUNB-NC, a certified SBA lender, originated 13 SBA loans, totalling $1.5 million, and as of August 1995, the bank's SBA loans totalled over $3.8 million. The bank also reported $25 million in FmHA loans and $900,000 in outstanding student loans at year-end 1993. In addition, First Union Mortgage originated $123 million in FHA/VA loans in 1993 and over $81 million between January 1994 and August 1995.

First Union's subsidiary banks also engage in other small business lending activity. For example, in July 1993, FUNB-NC introduced a program for small busi-

27. The 1994 Examinations found that all First Union subsidiary banks participated in these specialized lending programs.

28. All other First Union subsidiary banks actively participate in these government-insured loan programs.

ness owners to borrow amounts up to $100,000. The 1994 FUNB-NC Examination noted that during 1993 the bank originated 1,854 loans, totalling $38 million under this program. In addition, as of August 1995, FUNB-NC had over $963 million outstanding in small business loans to borrowers in low- and moderate-income census tracts.[29]

All of First Union's subsidiary banks participate and invest in local community development projects. In particular, the 1994 FUNB-NC Examination found that the bank maintains a high level of participation in development and redevelopment programs within its local communities, including a $5 million commitment for a mortgage loan consortium to provide low-income housing units throughout Charlotte, North Carolina, and $580,000 to help finance the Jeffries Ridge Housing Development in Raleigh, North Carolina. The bank also is involved in several community development corporations. For example, since November 1994, FUNB-NC provided a $500,000 revolving loan fund and a $300,000 contribution to the Monroe-Union County Community Development Corporation to increase low- and moderate-income homeownership.

D. First Union's Branching Network

The 1994 Examinations for all of First Union's subsidiary banks found that branch locations and services were reasonably accessible to all segments of the delineated communities.[30] First Union has a corporate policy for branch closings, consolidations, and reductions in service. All subsidiary banks have adopted the corporate policy for branch closures that provides for objective determination of branches to be closed, consideration of alternative solutions, examination of options to minimize potential adverse effects on and inconvenience to the communities, and sufficient advance notice to communities. The policy also requires additional analyses, community contacts and/or review of need ascertainment calls when any branch closing affects a low- and moderate-income community.

First Union also has sought alternative means to deliver services to its customers that do not depend on a traditional branching network. For example, small business owners may call a toll free number to submit small business loan applications and receive a response within 24 hours.

E. First Union's Ascertainment and Marketing Efforts

All of First Union's subsidiary banks engage in various activities to ascertain the credit needs of and market their products to their communities. For example, the 1994 FUNB-NC examination stated that FUNB-NC has established a system of ongoing communications with community, civic, and neighborhood groups that represent a broad range of the bank's communities, including low- and moderate-income areas. The bank has an officer call program, conducts surveys, meets with community representatives, and uses advisory boards made up of local business and community leaders to help identify community credit needs, market bank services, and assess performance. In addition, FUNB-NC's 1994 CRA Marketing Plan for North Carolina outlines several state-coordinated promotions, including banking seminars given in cooperation with realtors, builders/developers, community development corporations, financial counselors, or nonprofit organizations, bank sponsorship of community events such as conventions, home shows and housing fairs, minority college promotions, and advertising in business publications directed towards minorities.

The 1994-1995 Community Reinvestment Act Statement for FUNB-NC indicates that the bank uses newspaper and radio to advertise its products and services to low- and moderate-income segments of the community, including a series featuring CRA products that is used in local publications that reach low- and moderate-income individuals and minority small business owners. In addi-

29. The Board has considered comments on First Union's small business lending in light of an article cited by one Protestant in support of its contention that multi-state bank holding companies tend to lend less to small businesses than subsidiary banks of small single-state bank holding companies. As a general matter, the article reviewed only one year of call report data from the Federal Reserve System's Tenth District. As explained above, the Board carefully reviewed First Union's record of ascertaining and helping to meet the credit needs, including the small business credit needs, of the communities served by its subsidiary banks. The Board also notes that First Union has represented that it will make its programs available to customers of First Fidelity (including the programs of its small business lending unit) in connection with this proposal. In this light, and based on all the facts of record, the Board does not believe that Protestant's comments warrant denial of this proposal. The Board notes that the CRA requires that every bank, including a bank owned by an out-of-state bank holding company, be regularly examined and rated on its performance in helping to meet the credit needs of its community. Any diminution in First Union's CRA-related activities in any state would be reviewed by the OCC in future performance examinations and by the Board in future applications by First Union for a depository facility under the BHC Act.

30. The 1994 Examinations specifically considered First Union's closing of 91 branches in Virginia after it had acquired several banking organizations in 1993. Approximately half these branches were consolidated with urban branches in close proximity and the remaining branches were in areas with low volumes of business and limited prospects for growth. Examiners noted that these closings were part of the bank's plan to reduce the number of branches while improving overall levels of service to its customers. Examiners found that the bank's record of closing offices has not adversely affected the level of services available in low- and moderate-income areas in the delineated communities.

tion, the bank has several brochures available at all branches that highlight products designed to meet the credit needs of low- to moderate-income individuals, including a brochure describing the bank's Affordable Home Mortgage product.

F. First Fidelity

As noted above, FFB-MD,[31] which constitutes over 90 percent of First Fidelity's consolidated assets, was rated "satisfactory" for CRA performance by the OCC in July 1994 ("1994 FFB Examination").[32] The 1994 FFB Examination did not find any practices that would discourage applications for credit and noted that FFB-MD's credit policies and practices are in substantive compliance with anti-discrimination laws and regulations. Examiners also noted that FFB-MD provides training to branch managers and loan officers on anti-discrimination laws and regulations, as well as diversity awareness training for residential mortgage loan personnel, and solicited credit applications from all segments of its delineated community.

FFB-MD has taken a number of steps to increase its lending to low- and moderate-income individuals and minorities. The 1994 FFB Examination found that a second review process is in place to review denied applications from low- and moderate-income borrowers to help increase the number of approved applications and assure equal credit opportunities. The examination noted that as part of FFB-MD's efforts to improve lending to low- and moderate-income areas and to minority individuals, goals for overall CRA lending in specified areas have been established by product division. The 1994 CRA strategic plan allocated $105 million of the $167 million Community Development Commitment for discounted mortgage and secured VISA loan products. The 1994 FFB Examination also found that the bank actively participates in government-sponsored loan programs, particularly state government, for home purchase, home improvement, small business, and student loans.[33] For example, in 1993, FFB-MD originated 94 loans, totalling $10.2 million, under the guaranteed home mortgage programs sponsored by the New Jersey Mortgage Financing Agency and 45 loans under a similar program sponsored by the Pennsylvania Housing Finance Agency. In addition, FFB-MD participates in 11 small business lending programs sponsored by local municipalities, including the New Jersey Economic Development Authority Small Business Loan Pool.

The 1994 FFB Examination found that FFB-MD's branch locations provide reasonable access to all segments of its delineated community. In addition, examiners noted that a thorough written policy and checklist for branch openings, closings, consolidations and reduction in services is in effect. This policy addresses factors such as continuity of services, the impact on profitability and deposit levels, and potential community impact is analyzed and assessed with alternatives explored. FFB-MD's policy also requires proper notification to municipal officials, community groups and regulatory agencies prior to closing.[34]

The First Fidelity Urban Investment Corporation ("FFUIC") develops projects and programs that benefit the economic development and affordable housing needs of urban areas within First Fidelity's delineated community. For example, in 1994, the FFUIC closed 801 mortgages, totalling $55.4 million, approximately 64 percent, or 513 loans, were made to minority borrowers. In addition, FFUIC made over $1.1 million in investments for 1994 in organizations such as the Allentown Devel-

31. FFB-MD operates branches in Maryland, New Jersey, Pennsylvania, and New York.

32. The Board also has carefully reviewed comments critical of the CRA performance of FFB-CT. As noted above, FFB-CT received a satisfactory rating from the FDIC in March 1995. The examination report indicated that FFB-CT had formalized procedures to ascertain community credit needs and markets credit products throughout its delineated community. In addition, examiners found that the branch closing policy for FFB-CT included consideration of the impact on the community, profitability, credit access, and other available options, such as consolidation, downgrading of services, or sale. Although examiners noted some disparities in lending to minorities based on 1993–94 HMDA data, the examination report also indicates that these disparities have decreased since 1993, and that there is no evidence that FFB-CT has engaged in prohibited discriminatory or other illegal credit practices.

33. One Protestant criticized First Fidelity for not participating in VA or FHA mortgage products. First Fidelity has indicated that it actively participates in other government sponsored programs that have more favorable terms for low- and moderate-income borrowers than VA or FHA products.

34. The Board also has carefully reviewed other aspects of FFB-MD's record of CRA performance, in light of comments received criticizing First Fidelity's record of CRA performance, particularly in the Philadelphia area. The Board notes that OCC examiners found FFB-MD's ascertainment efforts to be appropriate, its marketing of products designed for low and moderate-income markets to be successful, its delineations to be reasonable, and the geographic distribution of its lending to be acceptable. In addition, while noting that FFB-MD could improve its advertising for small business loans, OCC examiners credited the bank's other efforts to promote small business loans, including seminars, training programs, outreach efforts by its Urban Bankers program, and referral from other First Fidelity units. The 1994 FFB Examination also contained no exceptions to the bank's CRA Statement and no criticism of the oversight of or the involvement in the CRA process by its board of directors. Moreover, specific initiatives by FFB-MD in Philadelphia and the surrounding area include a commitment for approximately $4.5 million in loans to assist in providing affordable housing through programs sponsored by the Philadelphia Bankers Development Initiative, Advocate Community Development Corporation, and the Women's Community Revitalization Project.

opment Corporation, Philadelphia Minority Venture Partners, and Garden State Affordable Housing. Finally, FFUIC participates in a number of loan pools, such as Trenton Mortgage Plan and New Jersey Housing Opportunity Fund, LLC, to support development of affordable housing.[35]

G. Conclusion Regarding Convenience and Needs Factors

The Board has carefully considered the entire record, including the comments filed in this case, in reviewing the convenience and needs factors under the BHC Act.[36] Based on a review of the entire record of performance, including information provided by Protestants, First Union and First Fidelity; the CRA performance examinations and other information from the banks' primary supervisors; and First Union's planned initiatives for First Fidelity's banks after consummation, including the implementation of First Union's corporate-wide CRA-related policies and specific lending programs,[37] the Board believes that the efforts of First Union and First Fidelity to help meet the credit needs of all segments of the communities served by their subsidiary banks, including low- and moderate-income neighborhoods, are consistent with approval.[38] For these reasons, and based on all the facts of record, the Board concludes that convenience and needs considerations, including the CRA performance records of the companies and banks involved in these proposals, are consistent with approval of these applications.[39]

35. One Protestant criticized FFB-MD because of decreased participation in the Delaware Valley Mortgage Plan. FFB-MD has indicated that the bank's participation in the program has continued, however, its percentage participation has dropped due to the emphasis placed on the bank's own discounted mortgage plan, which the bank believes offers more favorable terms to low- to moderate-income borrowers.

36. Several Protestants contend that First Union practices "price discrimination" by charging higher fees for some banking services and "output discrimination" by making a lower quantity and quality of loans available in states outside its home state of North Carolina, particularly in Florida. Data presented in the analysis supporting these allegations, however, have limitations that make the data an inadequate basis to conclude that First Union discriminates against Florida customers in pricing its services. For example, these data do not control for supply and demand conditions that may directly affect pricing decisions. Moreover, First Union does not have a dominant position in the 35 banking markets in which it operates in Florida, and would not increase its market share in any of these markets as a result of this proposal. In the majority of its Florida banking markets, including all of the large Florida metropolitan banking markets, First Union controls less than 20 percent of market deposits, as of June 1994, and there are numerous other depository institution competitors under the market structure analysis used to assess the competitive effect of this acquisition. The Board also notes that the Department of Justice has full statutory authority to investigate and redress any illegal pricing practices that Protestants can substantiate.

Convenience and needs considerations, including an institution's record of performance under the CRA, focus on local communities served by a banking organization. These considerations do not require that the quantity and quality of loans or pricing of services be comparable between geographic regions. First Union's record of lending to all its communities in Florida has been assessed by the OCC as "satisfactory" as of April 1994. This review found that First Union's Florida subsidiary bank was in substantial compliance with applicable antidiscrimination laws and regulations and that it does not engage in practices that would discourage individuals from applying for credit. Protestants' comments and analysis have been provided to the OCC for consideration. In light of these and other facts of record, the Board concludes that these comments do not warrant denial of this proposal.

37. These initiatives include programs administered by First Union's Small Business Lending Unit, Affordable Housing Group, Municipal Finance Unit, and Direct Bank.

38. Several Protestants have contended that a longer public comment period should have been provided or that action on the proposal should be delayed. The Board notes that the public comment period for these applications was in accordance with the Board's Rules of Procedure, and in fact provided 45 days for the submission of comments. The Board believes that this period provided a reasonable time in which to comment and notes that, in fact, a number of commenters submitted their views on this proposal. Moreover, the BHC Act and the Board's Rules require that the Board act on applications within specified time periods, and the Board believes that the present record is sufficient to act on these applications and notices. The Board has concluded that delay of action on these applications and notices on this basis is not warranted.

39. Several Protestants have requested that the Board hold a public meeting or hearing on the proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial. In this case, neither the OCC nor any appropriate state supervisory authority has recommended denial.

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 these requests. In the Board's view, Protestants have had ample opportunity to and have presented substantial written submissions, and they have not identified facts that are material to the Board's decision and that are in dispute, what substantial evidence they would produce at a public meeting or hearing, and why their written submissions do not adequately present their allegations. Based on all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in this proposal, or otherwise warranted in this case. Accordingly, Protestants' requests for a public meeting or hearing on this matter are denied.

Other Considerations

The Board also has concluded that the financial[40] and managerial resources and future prospects of First Union, First Fidelity, and their respective subsidiaries, and other supervisory factors the Board must consider under section 3 of the BHC Act and the Riegle-Neal Act, are consistent with approval of this proposal.[41]

40. Some Protestants maintained that several recent publicly announced events raise adverse financial considerations, including criticism by industry analysts of the financial resources of First Union to effect this transaction, and First Union's asset-backed commercial paper activities. One Protestant has also questioned the safety and soundness implications of First Union's recent acquisition strategy. The Board has carefully reviewed these matters in light of the overall financial condition of First Union and its subsidiaries. Based on all the facts of record, including reports of examination assessing the financial resources of First Union and its subsidiaries, other supervisory information from the primary federal supervisors of First Union's subsidiary banks, First Union's current and *pro forma* capital levels, and the method for funding this acquisition, the Board concludes that these comments do not reflect adversely on the financial condition of First Union or warrant denial of the proposal.

41. Some Protestants contend that alleged actions by First Union in acquiring Southeast Bank from the FDIC in 1991 reflect adversely on its managerial resources. Protestants repeat allegations attributed to several lawsuits that have been pending at various times since the acquisition. Protestants do not, however, provide any independent evidence to support these allegations. These comments include allegations that First Union had insider information not available to other bidders, that Southeast Bank was inappropriately designated as a failed institution by federal supervisors, and that First Union exerted improper influence over federal supervisors during the bid process. Other Protestants claim that isolated events, including an order by the NASD requiring First Union to pay a broker who was fired in connection with the sale of uninsured investment products, and information that certain officers of First Union have profited from trading First Union's stock, also raise adverse managerial considerations.

The Board notes that the bid for Southeast Bank was awarded to First Union under a process administered by the FDIC more than four years ago. The FDIC denies any irregularities in the process for reviewing and accepting the First Union bid for Southeast Bank. In addition, the Board has considered supervisory information contained in reports of examination assessing the managerial resources and policies of First Union and its subsidiary banks. The facts of record in this case support that managerial resources are satisfactory and consistent with approval, and these comments do not present evidence that would alter those findings. Allegations involving improper conduct on the part of FDIC officials, and questions posed by Protestants concerning the role of First Union and the Federal Reserve System, are beyond the scope of factors considered under the BHC Act in reviewing this proposal.

Moreover, the allegations regarding Southeast Bank have been the subject of civil litigation which provides an opportunity to substantiate claims of wrongdoing and seek redress if appropriate. The Board will monitor any pending litigation involving the Southeast Bank acquisition for evidence of wrongdoing by First Union officials. Both the Board and the OCC have sufficient statutory authority to address any misconduct on the part of holding company or bank officials if these allegations can be substantiated.

Nonbanking Activities

First Union also has given notice, pursuant to section 4(c)(8) of the BHC Act, of its proposal to acquire subsidiaries of First Fidelity engaged in certain credit insurance and community development activities. The Board has previously determined by regulation that the proposed insurance and community development activities are closely related to banking for purposes of section 4(c)(8) of the BHC Act. First Union has committed that it will conduct these activities in accordance with the Board's regulations and orders approving these activities for bank holding companies. In every case 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 those resources.[42] Based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval.

In order to approve this notice, the Board also must determine that the performance of the proposed nonbanking activities "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). In considering First Union's acquisition of First Fidelity's nonbanking activities, the record in this case indicates that there are numerous providers of these nonbanking services, and 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 practices that would outweigh 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.

Conclusion

Based on the foregoing, including the commitments made to the Board by First Union in connection with these applications and notices, and in light of all the facts of record, the Board has determined[43] that these

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

43. One Protestant maintains that the Federal Reserve Bank of Richmond ("Reserve Bank") should recuse itself from consideration of this proposal because First Union is a shareholder and a director of the Reserve Bank. First Union does not currently have a director serving on the board of the Reserve Bank. Moreover,

applications and notices should be, and hereby are, approved.[44] The Board's approval is specifically conditioned on compliance by First Union with all commitments made in connection with these applications.[45]

The Board's determinations on the nonbanking activities to be conducted by First Union are subject to all the conditions in the Board's Regulation Y, including those in sections 225.7 and 225.23(b)(3) (12 C.F.R. 225.7 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 evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective October 26, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

Nonbanking Subsidiaries of First Fidelity

(1) Broad & Lombardy Associates, Inc., Newark, New Jersey, and thereby engage in insurance activities, pursuant to sections 225.25(b)(8)(i) and (iv) of Regulation Y (12 C.F.R. 225.25(b)(8)(i) and (iv)).

(2) Fidelcor Life Insurance Company, Phoenix, Arizona, and thereby engage in credit reinsurance activities, pursuant to section 225.25(b)(8)(i) of Regulation Y (12 C.F.R. 225.25(b)(8)(i)).

(3) First Fidelity Community Development Corporation, Newark, New Jersey, and Waller House Corporation, Philadelphia, Pennsylvania, and thereby engage in community development activities, pursuant to section 225.25(b)(6) of Regulation Y (12 C.F.R. 225.25(b)(6)).

National Australia Bank Limited
Melbourne, Australia

National Equities Limited
Melbourne, Australia

National Australia Group Limited
London, England

National Americas Holding Limited
London, England

Federal Reserve Bank directors do not participate in the direct supervision of banks or bank holding companies or in matters such as applications processing, examinations, or enforcement proceedings, and did not participate in or provide a recommendation to the Board in this case.

44. Protestants also raise issues that are not related to First Union's performance under the CRA, including general allegations that First Union illegally discriminates in terminating the employment of its employees. The Board notes that because FUNB-NC employs more than 50 people, serves as a depository of government funds, and acts as agent in selling or redeeming U.S. savings bonds and notes, it is required by Department of Labor regulations to:

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

(ii) Have in place a written affirmative action compliance program which states its efforts and plans to achieve equal opportunity in the employment, hiring, promotion, and separation of personnel.

See 41 C.F.R. 60–1.7(a), 60–1.40. The Board notes that, pursuant to Department of Labor regulations, First Union, as the parent of FUNB-NC, also is required to file an annual report with the EEOC covering all employees in its entire corporate structure.

45. Several Protestants have requested that the Board delay action on this proposal for a variety of reasons, including allegations that Protestants have not received nor had sufficient time to review and comment on all the information submitted in connection with these applications; that First Union has not responded to all issues raised by the Protestants; and that further consideration should be given to information provided by the Protestants (including allegations in a recently filed lawsuit alleging that First Union improperly excluded certain shareholders from a special shareholders' meeting). The Board notes that the comment period for this application has extended at least 45 days in which to receive comments from interested members of the public, and that Protestants have, in fact, submitted voluminous comments that have been carefully considered by the Board. Based on all the facts of record, and for the reasons discussed above, the Board believes that the record is sufficient to permit action on this application under the factors the Board is required to consider under the BHC Act. In this light, the Board finds that these requests do not warrant delaying action on this proposal. Moreover, the Board notes that the courts may provide appropriate remedies of the allegations of improper actions by First Union at the special shareholders meeting can be substantiated.

MNC Acquisition Co.
Melbourne, Australia

Order Approving the Formation of Bank Holding Companies

National Australia Bank Limited, Melbourne, Australia ("NAB"), and its subsidiaries, National Equities Limited, Melbourne, Australia; National Australia Group Limited, London, England; and National Americas Holding Limited, London, England (collectively, "Applicants"), have applied under section 3(a)(1) of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842(a)(1)) to become bank holding companies within the meaning of the BHC Act by acquiring all the voting shares of Michigan National Corporation ("MNC"), and thereby indirectly acquire Michigan National Bank, both of Farmington Hills, Michigan.[1]

Applicants also have filed notices 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 the nonbanking subsidiaries of MNC listed in the Appendix.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 38,838 (1995)). The time for filing comments has expired, and the Board has considered the applications and notices and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

NAB, with consolidated assets equivalent to approximately $99.4 billion, is the largest banking organization in Australia,[2] and operates a branch office in New York. MNC is the fifth largest commercial banking organization in Michigan, controlling deposits of $6.8 billion, representing approximately 8.6 percent of all deposits in commercial banking organizations in the state.[3]

Supervisory Considerations

In order to approve an application by a foreign bank to acquire a U.S. bank or bank holding company, the BHC Act and Regulation Y require the Board to determine that the foreign bank is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor.[4] The Board also must determine that the foreign bank has provided adequate assurances that it will make available to the Board such information on its operations and activities and those of its affiliates that the Board deems appropriate to determine and enforce compliance with applicable law.[5]

The Board considers a foreign bank to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that its home country supervisor receives sufficient information on the foreign bank's worldwide operations, including the bank's relationship to any affiliate, to assess the bank's overall financial condition and compliance with law and regulation.[6]

Supervision and regulation of Australian banks, such as NAB, is the responsibility of the Reserve Bank of Australia. As NAB's home country supervisor, the Reserve Bank of Australia supervises NAB's operations on a consolidated basis, including its foreign branches and subsidiaries. As discussed below, the Reserve Bank of Australia discharges its responsibilities through the review of external auditors' reports, annual consultations, and the review of financial reports submitted directly to the Reserve Bank of Australia.

The Reserve Bank of Australia has cooperative arrangements with the banks and their external auditors by which the external auditors report directly to the Reserve Bank of Australia on certain prudential aspects of the banks' operations, both foreign and domestic. The Re-

1. Applicants would acquire MNC by merger with MNC Acquisition Co., Melbourne, Australia ("Company"), a wholly owned subsidiary of National Americas Holding Limited formed to effect this proposal, and Applicants also have applied for approval of this transaction under section 3 of the BHC Act. In connection with this proposal, MNC granted NAB an option to purchase, under certain circumstances, up to 19.9 percent of the outstanding voting common stock of MNC. This option will terminate upon consummation of the proposed merger of Company and MNC.

Applicants also have applied to acquire Bloomfield Hills Bancorp, Inc. ("Bloomfield"), and its subsidiary bank, Bank of Bloomfield Hills, both of Bloomfield Hills, Michigan. MNC owns preferred stock of Bloomfield that represents 40 percent of Bloomfield's total equity and is deemed voting stock for purposes of the BHC Act. Any references to MNC in this order includes Bloomfield.

2. Asset data are as of March 31, 1995.

3. State deposit and ranking data are as of June 30, 1995.

4. *See* 12 U.S.C. § 1842(c)(3)(B); 12 C.F.R. 225.13(b)(5).

5. *See* 12 U.S.C. § 1842(c)(3)(A); 12 C.F.R. 225.13(b)(4).

6. In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisor:

(i) Ensures that the foreign bank has adequate procedures for monitoring and controlling its activities worldwide;

(ii) Obtains information on the condition of the foreign bank and its subsidiaries and offices outside the home country through regular reports of examination, audit reports, or otherwise;

(iii) Obtains information on the dealings and relationships between the foreign bank and its affiliates, both foreign and domestic;

(iv) Receives from the foreign bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the foreign bank's financial condition on a worldwide, consolidated basis; and

(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. 12 C.F.R. 211.24(c)(1).

serve Bank of Australia requires an annual opinion from NAB's external auditors on the bank's observance of the Reserve Bank of Australia's prudential standards, the accuracy of the statistical data being provided to the Reserve Bank of Australia, and compliance with laws and regulations. In addition, the external auditors report on NAB's risk management systems. NAB is required to provide to the Reserve Bank of Australia a written description of its systems for controlling exposures and limiting risks with respect to credit, liquidity, and foreign exchange operations. The external auditor also is required to bring to the attention of the Reserve Bank of Australia any matter that may adversely affect the interests of the bank's depositors.

The Reserve Bank of Australia conducts formal annual consultations with NAB's management as part of its ongoing supervision of the bank. In the course of this process, representatives of the Reserve Bank of Australia meet with management of offices of NAB, both domestic and foreign, to discuss, among other things, NAB's global strategic plans, new regulatory developments and prudential supervision guidelines, financial results and forecasts, and risk management policies and practices. As a follow-up to these consultations, the Reserve Bank of Australia prepares a report, which is provided to NAB's board of directors, that discusses the more significant matters discussed in the meetings. In addition, the Reserve Bank of Australia has commenced a program of on-site reviews of certain areas of NAB's business.

NAB is required to submit a number of financial reports to the Reserve Bank of Australia. These include consolidated quarterly information on capital adequacy, impaired assets, off-balance sheet business, large exposures, country exposure, and unaudited semi-annual and audited annual consolidated balance sheets and income statements. The consolidated reports generally include NAB's domestic and foreign branches and subsidiaries.

With respect to affiliate transactions, exposures to affiliates are treated as exposures to third parties and are subject to a general limit and the reporting requirement on large exposures. The Reserve Bank of Australia requires that financial dealings between a bank and its affiliates be conducted on the same basis as dealings with unrelated customers of similar status. In addition, Reserve Bank of Australia guidelines provide that details with respect to transactions with affiliates should be reported on a regular basis as agreed upon between the bank and the Reserve Bank of Australia.

The Reserve Bank of Australia has statutory authority to exercise its enforcement powers to protect depositors and to take certain steps if a bank is found to be unable to meet its obligations, including initiating an investigation of the affairs of the bank and closing or taking over the management of the bank. There also are substantial penalties for being in breach of the Australian banking statutes.

In Australia, NAB and certain of its securities and insurance subsidiaries also are regulated by the Australian Securities Commission ("ASC") and the Insurance and Superannuation Commission ("ISC"). Both the ASC and the ISC require periodic reports from the entities that they regulate and in some cases they conduct on-site examinations. Representatives of the Reserve Bank of Australia, ASC, and ISC meet regularly to exchange information through the Australia Financial Committee.

Based on all the facts of record, the Board concludes that Applicants are subject to comprehensive supervision on a consolidated basis by its home country supervisor.

The Board has reviewed the restrictions on disclosure in certain jurisdictions where Applicants operate and have communicated with the relevant government authorities concerning access to information. Applicants have committed to make available to the Board such information on the operations or activities of Applicants and any affiliates of Applicants that the Board deems necessary to determine and enforce compliance with the International Banking Act, the BHC Act, as amended, and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited or impeded by law, Applicants have committed to cooperate with the Board in obtaining any necessary consent or waivers that might be required from third parties for disclosure. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Applicants have provided adequate assurances of access to any necessary information the Board may request.[7]

Other Considerations

The Board also has considered the other factors enumerated in the BHC Act. Applicants' capital exceeds the minimum standards contained in the Basle Accord and is equivalent to capital that would be required of a U.S. banking organization. Based on the foregoing and all other facts of record, the Board has determined that the financial and managerial resources and future prospects

7. Two commenters objected to this proposal on the basis that an acquisition of a United States banking organization by a foreign banking organization would be contrary to public policy. The BHC Act and the International Banking Act of 1978 (12 U.S.C. § 3101 *et seq.*) clearly authorize acquisitions of domestic banking organizations by foreign banking organizations that meet the standards set forth in those Acts. Based on all the facts of record and for the reasons discussed in this order, the Board concludes that these comments do not warrant denial of the applications and notices.

of Applicants and MNC are consistent with approval.[8] The convenience and needs factor, including the CRA performance records of the depository institution subsidiaries of MNC, and the supervisory factors the Board must consider under section 3 of the BHC Act are also consistent with approval of this proposal.[9]

Applicants also have filed notice, pursuant to section 4(c)(8) of the BHC Act, to operate a savings association and to engage in investment advisory and credit-related insurance activities. The Board has determined by regulation that the operation of a savings association, and that investment advisory and credit-related insurance activities, are closely related to banking for purposes of section 4(c)(8) of the BHC Act,[10] and the Board previously has approved applications by MNC to engage in these proposed activities. Applicants have committed that they will conduct these activities in accordance with the Board's regulations and orders approving these activities for bank holding companies.[11]

In order to approve these applications and notices, the Board also must determine that the proposed acquisition of MNC's nonbanking subsidiaries by Applicants "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). The record in this case indicates that the financial and managerial resources of Applicants should allow MNC's nonbanking and banking subsidiaries to provide additional products and services to customers, to operate more efficiently, and to compete more effectively in their respective markets. In addition, the record indicates that there are numerous providers of these nonbanking services, and 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 practices that would outweigh 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.

Based on the foregoing and all the facts of record, the Board has determined that these applications and notices should be, and hereby are, approved.[12] Should any re-

8. A minority shareholder of MNC ("Shareholder") requests that the Board withhold any action on the proposal until MNC holds its 1995 annual meeting. Shareholder alleges that:

(1) The failure of MNC to hold an annual meeting since April 19, 1994, violated shareholder's rights and Michigan law; and

(2) The proxy materials ("Statements") provided to MNC shareholders in connection with the special shareholder meeting held on June 2, 1995 ("Special Meeting"), to vote on the proposal contained insufficient, misleading, and inaccurate disclosures about Shareholder's separate proposal to structure an acquisition of MNC on a tax-free basis.

Applicants respond that Michigan law only requires a corporation to designate a date for an annual meeting within 15 months after the corporation's last annual meeting. *See* Mich. Stat. Ann. § 21.200(402) (Supp. 1995). Applicants contend that by designating, on July 10, 1995 (within 15 months of MNC's last annual meeting), an annual meeting to be held in November 1995, MNC has complied with the requirements of Michigan law. This reading of the Michigan statutory provision appears to be consistent with the express terms of the Michigan statute. The Corporations Division of the Michigan State Department of Commerce has reviewed these allegations and indicated that corporate action taken by MNC would not be invalidated under Michigan law even if MNC had failed to hold its next annual meeting in a timely fashion. *Id.* The Board also notes that Michigan law provides shareholders with adequate remedies if they can demonstrate a violation of the annual meeting requirement, and that a shareholder has, in fact, filed suit in Michigan state court under the appropriate statutory provisions.

Based on a review of the Statements and relevant background documents, as well as informal discussions with staff of the Securities and Exchange Commission ("SEC"), the shareholder's securities-related allegations do not appear to warrant denial of this proposal based on the factors that the BHC Act authorizes the Board to consider. The SEC is charged under the federal securities laws with jurisdiction to investigate and redress any violations relating to the Statements or other disclosures required under the securities laws. Based on all the facts of record, the Board concludes that these allegations do not warrant denial of the applications and notices.

9. Another commenter speculates that Applicants would eliminate many MNC jobs to recover their purchase price for the MNC shares. Applicants respond that they intend to expand the MNC franchise rather than reduce MNC's operations in order to recover funds expended for the purchase price. Applicants also note that, as a general matter, the access to capital and other resources provided by this proposal would result in MNC's growth. Based on all the facts of record, the Board has determined that this allegation does not warrant denial of the applications and notices.

10. *See* 12 C.F.R. 225.25(b)(4), (b)(8) and (b)(9).

11. Applicants also have committed that they will not reactivate any currently inactive subsidiaries without the Board's prior approval.

12. Two minority shareholders allege that the compensation and severance benefits that certain MNC executive officers could receive upon the proposal's consummation represent "unjust self-enrichment." In addition, these shareholders allege that potential benefits from the transaction created a conflict of interest for these officers that caused them to negotiate the proposal as an all-cash merger rather than as a tax-free exchange of stock in violation of their fiduciary duty to shareholders. One of the shareholders also notes that some MNC shareholders have filed an action in federal district court in Michigan, alleging that MNC management officials committed fraud and violated securities laws when they failed to disclose their negotiations with Applicants while MNC repurchased its shares from such shareholders.

These comments were submitted after the close of the public comment period provided for these applications and notices and are not required under the Board's Rules of Procedure to be considered. 12 C.F.R. 262.3(e). The Board notes, however, that these benefits were disclosed to MNC shareholders in the Statements, and that the proposed transaction was approved by the holders of a majority of MNC's voting securities who voted at the Special strictions on access to information on the operations or activities of Applicants and any of their affiliates subsequently interfere with the Board's ability to determine compliance by Applicants or any of their affiliates with applicable federal statutes, the Board may require termination of any of Applicants' direct or indirect activities in the United States.

The Board's approval is specifically conditioned on compliance by Applicants with all the commitments made in connection with these applications and notices and on receipt by Applicants of all necessary approvals from state and federal regulators. The Board's determinations as to the nonbanking activities are subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b)(3) of Regulation Y (12 C.F.R. 225.7 and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, or 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 reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective October 16, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Meeting. These benefits also would not adversely affect the financial condition of MNC or Applicants. The record also indicates that Applicants began their negotiations to acquire MNC after MNC concluded its share repurchase transactions. Moreover, the Board notes that federal and Michigan state courts have authority to provide these shareholders with an appropriate remedy if their allegations of improper actions by MNC management can be sustained, and that the SEC has the authority to address any securities-related allegations. Based on all the facts of record, the Board does not believe these allegations warrant denial of the applications and notices.

Appendix

Applicants have filed notices under section 4 of the BHC Act to acquire the following nonbanking subsidiaries of MNC:

(1) Independence One Capital Management Corp., Farmington Hills, Michigan, and thereby engage in providing investment advisory services, pursuant to section 225.25(b)(4) of the Board's Regulation Y;
(2) Independence One Life Insurance Company, Phoenix, Arizona, and thereby engage in underwriting reinsurance of credit life and credit disability risk, pursuant to section 225.25(b)(8)(i) of Regulation Y;
(3) Michigan Bank, F.S.B., Troy, Michigan, and thereby engage in operating a savings association, pursuant to section 225.25(b)(9) of Regulation Y;
(4) MNC Leasing Company, Detroit, Michigan, currently inactive;
(5) Independence One Asset Management Corporation, Irvine, California, currently inactive; and
(6) MNC Operations and Services, Inc., Farmington Hills, Michigan, currently inactive.

Orders Issued Under Bank Merger Act

Signet Bank/Virginia
Richmond, Virginia

Order Approving the Merger of Banks and Establishment of Bank Branches

Signet Bank/Virginia, Richmond, Virginia ("Signet Virginia"), 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 merge with Signet Bank/Maryland, Baltimore, Maryland ("Signet Maryland"), with Signet Virginia surviving the merger.[1] Signet Virginia also has applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321) to establish branch offices at the current locations of the Signet Maryland branch offices.[2]

Notice of the application, 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

1. Upon consummation of the merger, Signet Virginia would change its name to "Signet Bank."

2. The locations of the branches that Signet Virginia proposes to establish are listed in the Appendix.

Currency, and the Federal Deposit Insurance Corporation. The time for filing comments has expired, and the Board has considered the application and all the facts of record in light of the factors set forth in the Bank Merger Act and section 9 of the Federal Reserve Act.

Signet Virginia and Signet Maryland are wholly owned subsidiaries of Signet Banking Corporation, Richmond, Virginia ("Signet"). Signet is the fifth largest commercial banking organization in Virginia, controlling deposits of $4.78 billion, representing 6.8 percent of the total deposits in commercial banking organizations in Virginia, and is the fifth largest commercial banking organization in Maryland, controlling deposits of $2.07 billion, representing 3.9 percent of the total deposits in commercial banking organizations in Maryland.[3] This proposal represents a reorganization of Signet's existing banking operations, and therefore consummation of the proposal would not have any significantly adverse effect on competition in any relevant banking market.

Riegle-Neal Act Analysis

Section 102 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 ("Riegle-Neal Act") (Pub. L. No. 103–328, 108 Stat. 2338 (1994)) authorizes banks, after June 1, 1997, to conduct interstate mergers and to convert the acquired bank offices into branches of the acquiring institution. The Riegle-Neal Act, however, provides that an interstate merger may be approved prior to June 1, 1997, "if the home state of each bank involved in the transaction has in effect, as of the date of the approval of such transaction, a law that:

(i) Applies equally to all out-of-state banks; and
(ii) Expressly permits interstate merger transactions with all out-of state banks."[4]

Maryland and Virginia have adopted laws, which apply equally to all out-of-state banks, allowing interstate mergers between banks located in their states and out-of-state banks to occur prior to June 1, 1997.[5] Both the State Corporation Commission of the Commonwealth of Virginia and the Maryland Bank Commissioner have approved this proposal. In light of the foregoing, it appears that this proposal complies with the Maryland and Virginia interstate banking laws.

Other Considerations

The Board also concludes that the financial and managerial resources and future prospects of Signet Virginia are consistent with approval of this application, as are the convenience and needs of the communities to be served, and the other supervisory factors that the Board is required to consider under the Bank Merger Act, the Riegle-Neal Act, and the Federal Reserve Act.

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

The merger of Signet Maryland with and into Signet Virginia may not be consummated before the fifteenth calendar day following the effective date of this order, and this proposal may not be consummated later than three months after the effective date of this order, unless such period is extended by the Board or by the Federal Reserve Bank of Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective October 2, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of Board

3. Deposit data are as of March 31, 1995.

4. 12 U.S.C. § 1831u(a)(3)(A) (1994).

5. Effective September 29, 1995, the laws of Maryland authorize out-of-state banks to merge with, and subsequently maintain branches previously controlled by, Maryland banks if:

(1) The acquiring bank has sufficient capital to safely and soundly support the acquired bank's operations;

(2) The consolidated bank will provide increased public benefit; and

(3) The resulting banking institution would not control 30 percent or more of the state's deposits in depository institutions. Md. Code Ann., Fin. Inst. § 5–1001 *et seq.* (1995).

The interstate banking laws of Virginia provide that "any Virginia state bank may maintain and operate one or more branches in a state other than Virginia pursuant to an interstate merger transaction in which the Virginia state bank is the resulting bank," as long as the resulting organization will have adequate management, will be financially sound, and will provide some public benefit to the state of Virginia. Va. Code Ann. § 6.1–44.15 *et seq.* (1995). In addition, the Virginia interstate banking laws allow out-of-state banks to merge with Virginia banks and to maintain and operate Virginia branches acquired as a result of an interstate bank merger. *Id.*

Appendix

Branch offices of Signet Maryland to be established by Signet Virginia:

1. 8411 Snouffer School Road, Gaithersburg, Maryland 20879
2. 930 Bay Ridge Road, Annapolis, Maryland 21403
3. 13801 York Road, Cockeysville, Maryland 21230
4. Race Street, Cambridge, Maryland 21613
5. Blaustein Building, 1 N. Charles Street, Baltimore, Maryland 21201
6. 9940 York Road, Cockeysville, Maryland 21030
7. 1777 Reisterstown Road, Pikesville, Maryland 21208
8. 17 Center Place, Dundalk, Maryland 21222
9. 1111 Mt. Hermon Road, Salisbury, Maryland 21801
10. 5701 Reisterstown Road, Baltimore, Maryland 21215
11. 563 Baltimore Pike, Bel Air, Maryland 21014
12. 4115 Ritchie Highway, Baltimore, Maryland 21225
13. 176 Carroll Island Road, Baltimore, Maryland 21220
14. 9200 Baltimore National Pike, Ellicott City, Maryland 21042
15. 10 Corporate Center, 10400 Little Patuxent, Columbia, Maryland 21044
16. 1623 Crofton Center, Crofton, Maryland 21114
17. 1039 E. Baltimore Street, Baltimore, Maryland 21202
18. Dover Street, Easton, Maryland 21601
19. 201 Russell Avenue, Gaithersburg, Maryland 20877
20. 7101 Wisconsin Avenue, Bethesda, Maryland 20814
21. 15707 Columbia Pike, Burtonsville, Maryland 20866
22. 582 Frederick Avenue, Catonsville, Maryland 21228
23. Kent Plaza Shopping Center, Chestertown, Maryland 21620
24. 8600 Baltimore/Washington Boulevard, Jessup, Maryland 20794
25. 6309 York Road, Baltimore, Maryland 21212
26. 601 Crusader Road, Cambridge, Maryland 21613
27. 1427 Liberty Road, Eldersburg, Maryland 21784
28. 632 Eastern Avenue, Essex, Maryland 21221
29. 509 N. Frederick Avenue, Gaithersburg, Maryland 20877
30. 4830 Butler Road, Glyndon, Maryland 21071
31. 2056 Harford Road, Baltimore, Maryland 21218
32. 2030 E. Joppa Road, Baltimore, Maryland 21234
33. 4735 Liberty Heights Avenue, Baltimore, Maryland 21207
34. 8775 J. Cloudleap Court, Columbia, Maryland 21045
35. 3608 Milford Mill Road, Baltimore, Maryland 21207
36. 1241 W. Pratt Street, Baltimore, Maryland 21223
37. 5 Bel Air South Parkway, Bel Air, Maryland 21014
38. Glebe Road at Marlboro Avenue, Easton, Maryland 21601
39. 5234 York Road, Baltimore, Maryland 21212
40. 4820 Eastern Avenue, Baltimore, Maryland 21224
41. 7400 Bradshaw Road, Kingsville, Maryland 21087
42. 721 N. Hammonds Ferry Road, Linthicum, Maryland 21090
43. 7 Street Paul Street, Baltimore, Maryland 21202
44. 8630 Fenton Street, Silver Spring, Maryland 20910
45. 4305 Mountain Road, Pasadena, Maryland 21122
46. 1 Newport Drive, Forest Hill, Maryland 21050
47. 511 Crain Highway, S.E., Glen Burnie, Maryland 21061
48. 5439 Harford Road, Baltimore, Maryland 21214
49. 11234 York Road, Cockeysville, Maryland 21030
50. 313 S. Second Street, Laurel, Maryland 20707
51. 300 E. Lombard Street, Baltimore, Maryland 21202
52. 1782 Merritt Boulevard, Dundalk, Maryland 21222
53. 2008 E. Monument Street, Baltimore, Maryland 21205
54. 104 Bureau Drive, Gaithersburg, Maryland 20878
55. 2000 Linden Avenue, Baltimore, Maryland 21217
56. 2337 E. Northern Parkway, Baltimore, Maryland 21214
57. 5040 Sinclair Lane, Baltimore, Maryland 21206
58. 4204 Ebenezer Road, Baltimore, Maryland 21236
59. 8807 Pulaski Highway, Baltimore, Maryland 21237
60. 10 N. Washington Street, Rockville, Maryland 20850
61. 564 Governor Ritchie Highway., Severna Park, Maryland 21146
62. 36 S. Charles Street, Baltimore, Maryland 21201
63. 2100 York Road, Baltimore, Maryland 21093
64. 725 Mt. Wilson Lane, Baltimore, Maryland 21208
65. 6817 Belair Road, Baltimore, Maryland 21206
66. 2510 Riva Road, Annapolis, Maryland 21401
67. 3635 Old Court Road, Pikesville, Maryland 21208
68. 9060 Liberty Road, Randallstown, Maryland 21133
69. 5121 Roland Avenue, Baltimore, Maryland 21210
70. 16707 Crabbs Branch Way, Rockville, Maryland 20855
71. 1776 E. Jefferson Street, Rockville, Maryland 20852
72. 102 W. Pennsylvania Avenue, Towson, Maryland 21204
73. 1810 N. Salisbury Boulevard, Salisbury, Maryland 21801
74. 10345 Reisterstown Road, Owings Mills, Maryland 21117
75. 8070 Ritchie Highway, Pasadena, Maryland 21122
76. 1228 N. Charles Street, Baltimore, Maryland 21201
77. 11945 Reisterstown Road, Reisterstown, Maryland 21136
78. 860 N. Rolling Road, Baltimore, Maryland 21228
79. 850 Sligo Avenue, Silver Spring, Maryland 20910
80. 842 S. Salisbury Boulevard, Salisbury, Maryland 20910
81. 3200 W. North Avenue, Baltimore, Maryland 21216
82. 2439 Frederick Avenue, Baltimore, Maryland 21223
83. 6225 N. Charles Street, Baltimore, Maryland 21212

84. 11427 Georgia Avenue, Wheaton, Maryland 20902
85. 989 Fairmount Avenue, Towson, Maryland 21204
86. 11161 New Hampshire Avenue, Silver Spring, Maryland 20904

ORDERS ISSUED UNDER FEDERAL RESERVE ACT

Chemical International Finance Limited New York, New York

Order Granting Approval to Engage in the Execution and Clearance, for its Own Account and that of Non-Affiliated Parties, of Certain Futures Contracts on the Oslo Stock Exchange, Oslo, Norway

Chemical International Finance Limited, ("Chemical International"), New York, New York, an Edge corporation subsidiary of Chemical Bank, New York, New York, has applied under section 25A of the Federal Reserve Act and section 211.5(d)(20) of the Board's Regulation K (12 C.F.R. 211.5(d)(20)) for approval to engage, through its subsidiary, Chemical Bank Norge, A.S. ("CBN"), Oslo, Norway, in the execution and clearing and execution only of futures contracts on Norwegian government bonds on the Oslo Stock Exchange (the "Exchange"), both for its own account and the account of non-affiliated customers, and to engage in providing related investment advice to customers.

Chemical Bank is a principal bank subsidiary of Chemical Banking Corporation, a bank holding company. Chemical Banking Corporation is the fourth largest banking organization in the United States, with consolidated assets of $179 billion as of June 30, 1995. CBN had consolidated assets of approximately $1.3 billion as of June 30, 1995. CBN, a bank that is licensed and supervised by the Norwegian Banking, Insurance and Securities Commission, is a primary dealer in Norwegian government bonds. CBN trades interest rate futures on Norwegian government bonds on the Exchange for its own account and for the account of affiliates.[1] Chemical International proposes that CBN execute and clear, and execute without clearing, these futures contracts[2] as a futures commission merchant ("FCM") for nonaffiliated customers, and offer customers related investment advisory services. CBN would continue to trade for its own account, for purposes other than hedging, in the same futures contracts for which it proposes to offer FCM and advisory services to third parties.

The combination of activities proposed for CBN is not on the list of activities that the Board has found to be usual in connection with the transaction of banking or financial operations abroad, because the Board's Regulation Y does not allow a subsidiary that engages in proprietary trading for purposes other than hedging to provide FCM services to third parties. 12 C.F.R. 211.5(d)(17), 225.25(b)(18)(ii). Under the Federal Reserve Act, however, the Board may permit Edge corporations to engage through subsidiaries in such other activities abroad that the Board determines are usual in connection with the transaction of the business of banking or other financial operations abroad and are consistent with the Federal Reserve Act or the Bank Holding Company Act. 12 U.S.C. § 615(c), 12 C.F.R. 211.5(d)(20).

In its exercise of this authority, the Board considers whether the conduct of the activity would enable U.S. banking organizations to compete more effectively with foreign organizations in the provision of banking and other financial services. The Board also takes into account whether the performance of the activity by a U.S. banking organization overseas would be consistent with the prudent conduct and management of the company's banking and nonbanking organizations. In this regard, the Board takes into consideration the risks inherent in the activity, especially whether those risks are of a type and nature normally associated with banking or activities conducted by banks. The Board also examines the effect the activity would have on the capital and managerial resources of the U.S. banking organization.

The Board recently approved the combination of FCM and advisory services with proprietary trading in the United States by a U.S. subsidiary of a foreign bank.[3] Based on the Board's previous findings concerning activities of this nature and Chemical International's representation that other Norwegian banks engage in these activities, the Board concludes that the proposed activities are usual in connection with the transaction of banking or other financial operations abroad.[4] The Board also has considered the policies and procedures the appli-

1. CBN also engages in commercial lending, the issuance of letters of credit and guarantees, foreign exchange activities, and the trading of swaps, forward rate agreements and other instruments.

2. The futures contracts for which CBN seeks approval are based on the 10-year Norwegian government bond S463 maturing in 2002 and the 7-year Norwegian government bond S462 maturing in 1999. The Board previously has approved the combination of execution and clearance activities and the provision of investment advice under Regulations K and Y for instruments similar to these futures contracts. *See The Hong Kong and Shanghai Banking Corporation*, 76 *Federal Reserve Bulletin* 770 (1990) (United Kingdom government bond futures).

3. *Swiss Bank Corporation*, 81 *Federal Reserve Bulletin* 185 (1995) ("*Swiss Bank*").

4. The Board also has determined in its Regulation K that acting as an FCM in accordance with the Board's Regulation Y and the provision of investment advice are usual in connection with the transaction of banking or other financial operations abroad. *See* 12 C.F.R. 211.5(d)(8) and (17).

cant has proposed for mitigating the potential conflicts of interest arising from this combination of activities, as well as certain other commitments made by Chemical International. Based on all the facts of record, the Board concludes that Chemical International has put into place systems and procedures that are consistent with the Board's existing policies and guidance in this area and are adequate to minimize the potential conflicts of interest, and related risks presented by the proposed combination of activities.[5]

The Board also has considered the risks to which CBN may be exposed as a result of providing execution-only services on the Exchange, and the measures that would be taken by applicant to manage and control these risks.[6] Chemical International has committed that CBN, in evaluating prospective execution-only customers, will look to the market reputation of the customer, as well as its financial adviser, to determine whether the risks associated with executing trades for the customer are within acceptable limits.[7]

On the basis of all the facts of record and the commitments made by Chemical International, and taking into consideration the experience of Chemical Bank and its subsidiaries with managing the risks associated with FCM activities, the Board concludes that the risks of the execution-only services to be provided by CBN would be appropriately managed and limited. Moreover, the proposed expansion of CBN's activities would not entail any additional investment in CBN by Chemical International.

Based on the foregoing representations, other facts of record and the commitments made by Chemical International, and the fact that the proposed expansion of the activities of CBN would enhance the ability of Chemical International and Chemical Bank to compete in the market for Norwegian government bonds and related futures contracts by offering, through CBN, a more complete range of financial products and services to customers outside the United States, the Board has determined that the proposed activities should be approved. The Board has further determined on the basis of the record that the conduct of the proposed activities is consistent with the supervisory purposes of the Federal Reserve Act. Accordingly, the application is approved. Approval of this application is conditioned on compliance by Chemical International and CBN with commitments made in connection with this application. The commitments referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced under applicable law against Chemical International and its affiliates.

By order of the Board of Governors, effective October 2, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Citibank Overseas Investment Corporation New Castle, Delaware

Order Granting Approval to Engage in the Execution and Clearance of Certain Futures Contracts on the MEFF Sociedad Rectora de Productos Financieros Derivados de Renta Variable, S.A., Madrid, Spain

Citibank Overseas Investment Corporation ("COIC"), New Castle, Delaware, an Edge corporation subsidiary of Citibank, N.A., New York, New York, has applied under section 25A of the Federal Reserve Act and the Board's Regulation K (12 C.F.R. 211.5(d)(17), 211.5(d)(20)) for approval to engage, through its subsidiary, Citibank Espana, S.A. ("CBE"), Madrid, Spain, in the execution and clearing, execution only, and clearing only of futures contracts on an equity index on the MEFF Sociedad Rectora de Productos Financieros Derivados de Renta Variable, S.A. ("MEFFRV"), Madrid, Spain.

Citibank, N.A. is a principal bank subsidiary of Citicorp, a bank holding company. Citicorp currently is the largest banking organization in the United States, with consolidated assets of $257 billion as of June 30, 1995. CBE had consolidated assets of approximately $2.2 billion as of December 31, 1994. CBE, a bank that is supervised by the Bank of Spain, is a custodian clearing member of the MEFFRV, where it trades in futures for

5. The proposed FCM activities would be conducted in accordance with the requirements of Regulation Y, other than its prohibition on proprietary trading for purposes other than hedging.

6. Brokers providing execution-only services on the Exchange are subject only to limited credit risk. Under the rules of the Exchange, a broker providing execution-only services is liable only for the obligation of the customer to pay trading commissions and option premium. Unlike the situation prevailing on other futures exchanges, an execution-only broker cannot be held liable for a customer's obligation to post margin or effect settlement of futures contracts at maturity, which are risks borne entirely by the customer's clearing broker. *See also Swiss Bank; Citicorp*, 81 *Federal Reserve Bulletin* 164 (1995); *J.P. Morgan & Co. Incorporated*, 80 *Federal Reserve Bulletin* 151 (1994).

7. The Board also has reviewed the rules of the Exchange to assess the risks of acting as an FCM on the Exchange. Under these rules, CBN would not share in the risks associated with default by other clearing brokers. On the basis of its review of the rules of the Exchange, including its customer margin rules and requirement that futures positions be marked to market daily, the Board concludes that CBN's conduct of the proposed execution and clearing and execution-only FCM services on the Exchange would not subject CBN to undue risk.

the account of its affiliates.[1] COIC has applied for approval of a proposal for CBE to execute and clear, execute without clearing, and clear without executing futures on the IBEX 35 stock index[2] a futures commission merchant ("FCM") for nonaffiliated customers.

The Board's Regulation K permits U.S. banking organizations to engage in executing and clearing futures contracts as an FCM for third-party customers, on exchanges and with respect to contracts approved by the Board.[3] On the basis of the record, including the rules of the MEFFRV, the Board determines that the MEFFRV and the IBEX 35 futures contract meet the Board's standards for futures exchanges and futures contracts, respectively, and should be, and hereby are, approved for the purposes of Regulation K.[4]

The execution-only and clearing-only activities proposed for CBE are not on the list of activities in Regulation K that the Board has found to be usual in connection with the transaction of banking or financial operations abroad.[5] Under the Federal Reserve Act, however, the Board may permit Edge corporations to engage through subsidiaries in such other activities abroad that the Board determines are usual in connection with the transaction of the business of banking or other financial operations abroad and are consistent with the Federal Reserve Act or the Bank Holding Company Act. 12 U.S.C. § 615(c), 12 C.F.R. 211.5(d)(20).

In its exercise of this authority, the Board considers whether the conduct of the activity would enable U.S. banking organizations to compete more effectively with foreign organizations in the provision of banking and other financial services. The Board also takes into account whether the performance of the activity by a U.S. banking organization overseas would be consistent with the prudent conduct and management of the company's banking and nonbanking organizations. In this regard, the Board takes into consideration the risks inherent in the activity, especially whether those risks are of a type and nature normally associated with banking or activities conducted by banks. The Board also examines the effect the activity would have on the capital and managerial resources of the U.S. banking organization.

In several cases, the Board has determined that the provision of execution-only and clearing-only FCM services is closely related to banking under the Bank Holding Company Act. The Board has approved the conduct of these activities in the United States by a subsidiary of Citicorp, COIC's parent organization,[6] as well as by subsidiaries of other U.S. bank holding companies and foreign banks.[7]

Based on the Board's previous findings concerning these FCM activities, and on the fact that banks in Spain and other countries engage in such activities, the Board concludes that the proposed execution-only and clearing-only activities are usual in connection with the transaction of banking or other financial operations abroad.[8] The Board also has considered the policies and procedures the applicant has proposed for managing and controlling the potential risks arising from these activities. COIC has committed that CBE will conduct its execution-only and clearing-only activities in accordance with the commitments made by its parent organization in *Citicorp*. Based on these commitments and all the facts of record, and taking into consideration the experience of Citicorp and its subsidiaries with managing the risks associated with FCM activities, the Board concludes that COIC's proposed systems and procedures are consistent with the Board's existing policies and guidance in this area and are adequate to manage and limit the risks presented by the proposed execution-only and clearing-only activities on the MEFFRV. Moreover, the proposed expansion of CBE's activities would not

1. CBE also engages in commercial banking, underwriting, dealing, and swap market activities authorized by regulation K.

2. The IBEX 35 index is based on the 35 most heavily traded Spanish stocks. Futures on the IBEX 35 index have terms and conditions similar to those of foreign equity index contracts previously approved by the Board. *See, e.g., Sakura Bank Limited,* 79 *Federal Reserve Bulletin* 728 (1993) (CAC 40 stock index futures); *Northern Trust Corporation,* 79 *Federal Reserve Bulletin* 723 (1993) ("*Northern Trust*") (Deutsche Aktienindex 30 stock index and FT-SE 100 equity index futures).

3. 12 C.F.R. 211.5(d)(17). Such FCM activities are required to be conducted in accordance with the limitations specified in Regulation Y, 12 C.F.R. 225.25(b)(18). COIC has represented that CBE will execute and clear futures contracts in accordance with these limitations.

4. The Board has not previously approved the conduct of FCM activities on the MEFFRV, although it has approved the conduct of such activities on a sister exchange. Board letter dated December 4, 1991, to Douglas E. Harris. The Board has reviewed the rules of the MEFFRV to assess the risks of acting as an FCM there. On the basis of its review of these rules, which do not subject members of the exchange to liability for defaults by other members, the Board concludes that CBE's conduct of the proposed activities would not expose CBE to undue risk.

5. Regulations K and Y, while permitting execution and clearing of futures contracts for customers under certain circumstances, do not authorize the provision of execution-only or clearing-only FCM services. 12 C.F.R. 211.5(d)(17), 225.25(b)(18).

6. *Citicorp,* 81 *Federal Reserve Bulletin* 164 (1995) ("*Citicorp*").

7. *See, e.g., Swiss Bank Corporation,* 81 *Federal Reserve Bulletin* 185 (1995); *J.P. Morgan & Co. Incorporated,* 80 *Federal Reserve Bulletin* 151 (1994); *Northern Trust.* The Board recently has also approved the provision of execution-only FCM services outside the United States by a subsidiary of another U.S. banking organization. *Chemical International Finance Corporation,* 81 *Federal Reserve Bulletin* 1160 (1995).

8. The Board also has determined in its Regulation K that acting asan FCM in accordance with the Board's Regulation Y is usual in connection with the transaction of banking or other financial operations abroad. *See* 12 C.F.R. 211.5(d)(17).

entail any additional investment in CBE by the Citicorp organization.

Based on the foregoing and other facts of record, the commitments made by COIC, and the fact that the proposed expansion of the activities of CBE would enhance the ability of COIC and CBE to compete in the Spanish market, the Board has determined that the proposed execution-only and clearing-only activities should be approved. On the basis of the record, the Board has further determined on the basis of the record that the conduct of the proposed activities is consistent with the supervisory purposes of the Federal Reserve Act. Accordingly, the application is approved. Approval of this application is conditioned on compliance by COIC and CBE with commitments made in connection with this application. The commitments referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced under applicable law against COIC and its affiliates.

By order of the Board of Governors, effective October 4, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

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
SunTrust Banks, Inc., Atlanta, Georgia Sun Banks, Inc., Orlando, Florida	Ponte Vedra Banking Corporation, Ponte Vedra Beach, Florida	October 23, 1995

Section 4

Applicant(s)	Bank(s)	Effective Date
Old National Bancorp, Evansville, Indiana	First United Savings Bank, f.s.b., Greencastle, Indiana	October 20, 1995
SunTrust Banks, Inc., Atlanta, Georgia Trust Company of Georgia, Atlanta, Georgia	Stephens Diversified Leasing, Inc., Reno, Nevada	October 5, 1995

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
Ameribank Bankshares, Inc., Hollywood, Florida	First National Bancshares, Inc., Hollywood, Florida	Atlanta	October 6, 1995
BancMidwest Corporation, St. Paul, Minnesota	South St. Paul Bancshares, Inc., South St. Paul, Minnesota Southview Bank, South St. Paul, Minnesota	Minneapolis	October 11, 1995
Banque Nationale de Paris, Paris, France	BancWest Corporation, San Francisco, California Bank of the West, San Francisco, California	San Francisco	September 22, 1995
BayBanks, Inc., Boston, Massachusetts	Cornerstone Financial Corporation, Derry, New Hampshire	Boston	October 16, 1995
Caldwell Holding Company, Columbia, Louisiana	Citizens Progressive Bank, Columbia, Louisiana	Dallas	October 19, 1995
Camino Real Bancshares, Inc., San Antonio, Texas Camino Real Delaware, Inc., Wilmington, Delaware	Texas Bank, N.A., San Antonio, Texas	Dallas	September 28, 1995
Carolina Community Bancshares, Inc., Latta, South Carolina	SouthTrust Bank of Dillon County, Latta, South Carolina	Richmond	September 27, 1995
Century South Banks, Inc., Dahlonega, Georgia	Peoples Bank, Lavonia, Georgia	Atlanta	September 29, 1995
Citizens Bancorp of Delaware, Inc., Wilmington, Delaware	Citizens National Bank, Victoria, Texas	Dallas	October 18, 1995
Citizens Community Bancshares, Inc., Winchester, Tennessee	Citizens Community Bank, Winchester, Tennessee	Atlanta	September 27, 1995
Citizens National Bancshares, Inc., Hope, Arkansas	Peoples Bancshares, Inc., Lewisville, Arkansas	St. Louis	October 24, 1995
CNB Bancorp, Inc., Woodsfield, Ohio	The Citizens National Bank of Woodsfield, Woodsfield, Ohio	Cleveland	October 13, 1995
CNB Bancshares of Victoria, Inc., Victoria, Texas	Citizens Bancorp of Delaware, Inc., Wilmington, Delaware Citizens National Bank, Victoria, Texas	Dallas	October 18, 1995
Draper Bancorp, Draper, Utah	Draper Bank and Trust, Draper, Utah	San Francisco	October 24, 1995
F&A Financial Company, Kittanning, Pennsylvania	The Farmers National Bank of Kittanning, Kittanning, Pennsylvania	Cleveland	October 13, 1995

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Farmers Bancshares, Inc., Cheneyville, Louisiana	The Farmers Bank & Trust of Cheneyville, Cheneyville, Louisiana	Atlanta	October 6, 1995
First Midwest Bancorp, Inc., Itasca, Illinois	CF Bancorp, Inc., Davenport, Iowa Citizens Federal Savings Bank, FSB, Davenport, Iowa	Chicago	October 18, 1995
First National Bancshares, Inc., ESOP and 401(k) Trusts, Goodland, Kansas	First National Bancshares, Inc., Goodland, Kansas	Kansas City	October 24, 1995
First Paducah Bancshares of Delaware, Inc., Dover, Delaware	The First National Bank of Paducah, Paducah, Texas	Dallas	October 18, 1995
First Paducah Bancshares of Texas, Inc., Paducah, Texas	First Paducah Bancshares of Delaware, Inc., Dover, Delaware The First National Bank of Paducah, Paducah, Texas	Dallas	October 18, 1995
FSB Bancshares, Inc., Clute, Texas	FSB Bancshares of Delaware, Inc., Wilmington, Delaware First State Bank, Clute, Texas	Dallas	October 25, 1995
FSB Bancshares of Delaware, Inc., Wilmington, Delaware	First State Bank, Clute, Texas	Dallas	October 25, 1995
FSB Corp., Sublette, Illinois	Farmers State Bank of Sublette, Sublette, Illinois	Chicago	October 12, 1995
Harrell Bancshares, Inc., Camden, Arkansas	First Bank of South Arkansas, Junction City, Arkansas Calhoun County Bank, Hampton, Arkansas	St. Louis	October 6, 1995
Heart of Georgia Bancshares, Inc., Mount Vernon, Georgia	Citizens Bank & Trust Company of Mount Vernon, Mount Vernon, Georgia	Atlanta	October 6, 1995
Hibernia Corporation, New Orleans, Louisiana	FNB Bancshares, Inc., Lake Providence, Louisiana The First National Bank of Lake Providence, Lake Providence, Louisiana	Atlanta	October 23, 1995
Home Savings Bank, SSB Employee Stock Ownership Plan, Meridian, Mississippi	Home Savings Bank, SSB, Meridian, Mississippi	Atlanta	October 26, 1995
Investors Financial Services Corp., Boston, Massachusetts	Investors Bank & Trust Company, Boston, Massachusetts	Boston	October 24, 1995
Lake Elmo Bancshares, Inc., Lake Elmo, Minnesota	Lake Elmo Bancorp, Inc., Lake Elmo, Minnesota	Minneapolis	September 27, 1995

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Liberty Bancshares, Inc., Springfield, Missouri	Liberty Bank, Springfield, Missouri	St. Louis	October 11, 1995
Malvern Bancorporation, Malvern, Pennsylvania	The National Bank of Malvern, Malvern, Pennsylvania	Philadelphia	October 18, 1995
Marblehead Bancorp, Marblehead, Ohio	The Marblehead Bank, Marblehead, Ohio	Cleveland	October 2, 1995
Merchants Bancorp, Inc., Aurora, Illinois	Valley Banc Services Corp., St. Charles, Illinois	Chicago	September 29, 1995
National Westminster Bank Plc, London, England NatWest Holdings Inc., New York, New York National Westminster Bancorp Inc., Jersey City, New Jersey National Westminster Bancorp NJ, Jersey City, New Jersey	Natwest Bank National Association, Scranton, Pennsylvania	New York	October 6, 1995
Northwest Bancorp, MHC, Warren, Pennsylvania	Jamestown Savings Bank, Lakewood, New York	Cleveland	October 6, 1995
Overton Financial Corporation, Overton, Texas Overton Delaware Corporation, Dover, Delaware	Longview Financial Corporation, Longview, Texas	Dallas	October 20, 1995
Park Bank Corporation of Duluth, Duluth, Minnesota	Park State Bank, Duluth, Minnesota	Minneapolis	October 25, 1995
Peoples of Fleming County Bancorp, Inc., Flemingsburg, Kentucky	The Peoples Bank of Fleming County, Flemingsburg, Kentucky	Cleveland	October 4, 1995
Pinnacle Bancorp, Inc., Central City, Nebraska	State Bank, Palmer, Nebraska The Farmers National Bank of Central City, Central City, Nebraska	Kansas City	October 20, 1995
Pioneer Bancshares, Inc., Chattanooga, Tennessee	Sweetwater Valley Corporation, Sweetwater, Tennessee	Atlanta	October 12, 1995
Premier Financial Bancorp, Inc., Vanceburg, Kentucky	The Citizens Bank, Sharpsburg, Kentucky	Cleveland	October 10, 1995
Randall Bancorp, Inc., Pine River, Minnesota	Randall Holding Co., Inc., Pine River, Minnesota Norbanc Group, Inc., Pine River, Minnesota	Minneapolis	October 19, 1995
Republic Security Financial Corporation, West Palm Beach, Florida	Republic Security Bank, West Palm Beach, Florida	Atlanta	October 19, 1995
Shamrock Bancshares, Inc., Coalgate, Oklahoma	Clayton State Bank, Clayton, Oklahoma	Kansas City	October 23, 1995
Southern Financial Bancorp, Inc., Warrenton, Virginia	Southern Financial Bank, Warrenton, Virginia	Richmond	September 28, 1995

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Texas Bancorp Shares, Inc., San Antonio, Texas	Camino Real Bancshares, Inc., San Antonio, Texas; Camino Real Delaware, Inc., Wilmington, Delaware; Camino Real Bank, N.A., Eagle Pass, Texas	Dallas	September 28, 1995
Unison Bancorp, Inc., Lenexa, Kansas	Western National Bank, Lenexa, Kansas	Kansas City	September 29, 1995
ValliCorp Holdings, Inc., Fresno, California	El Capitan Bancshares, Inc., Sonora, California	San Francisco	September 22, 1995
Vectra Banking Corporation, Denver, Colorado	First Denver Corporation, Englewood, Colorado	Kansas City	October 26, 1995
White Pine Bancorp Inc., Pine River, Minnesota	Norbanc Group, Inc., Pine River, Minnesota	Minneapolis	September 27, 1995

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Banc One Corporation, Columbus, Ohio; Banc One Funding Corporation, Columbus, Ohio	JP Mortgage Co., Columbus, Ohio	Cleveland	September 26, 1995
Banc One Payment Services, L.L.C., Melville, New York	Will conduct permissible merchant transaction (both debit and credit) card processing and check authorization and guarantee services throughout the United States	Cleveland	October 19, 1995
Carlinville National Bank Shares, Inc., Carlinville, Illinois	Carlinville Tax Service, Carlinville, Illinois	St. Louis	October 18, 1995
Carroll County Bancshares Inc., Carroll, Iowa	Carroll Credit, Inc., Carroll, Iowa	Chicago	October 12, 1995
Citicorp, New York, New York	Citicorp North America, Inc., New York, New York	New York	October 25, 1995
Crestar Financial Corporation, Richmond, Virginia	Loyola Capital Corporation, Baltimore, Maryland	Richmond	October 13, 1995
Dartmouth Capital Group, Inc., Gilford, New Hampshire; Dartmouth Capital Group, L.P., Gilford, New Hampshire	SDN Bancorp, Encinitas, California	San Francisco	September 22, 1995
First American Corporation, Nashville, Tennessee	Charter Federal Savings Bank, Bristol, Virginia	Atlanta	October 20, 1995
First Midwest Bancorp, Inc., Itasca, Illinois	CF Bancorp, Inc., Davenport, Iowa; Citizens Federal Savings Bank, FSB, Davenport, Iowa	Chicago	October 18, 1995
Mellon Bank Corporation, Pittsburgh, Pennsylvania	Target Trust Company, Philadelphia, Pennsylvania	Cleveland	September 25, 1995

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
MidWest Bancorporation, Inc., Minnetonka, Minnesota Todd County Agency, Inc., Minnetonka, Minnesota	Graceville Insurance Agency, Inc., Graceville, Minnesota	Minneapolis	September 27, 1995
Norwest Corporation, Minneapolis, Minnesota	AMFED Financial, Inc., Reno, Nevada American Federal Savings Bank, Reno, Nevada	Minneapolis	October 26, 1995
Pikeville National Corporation, Pikeville, Kentucky	To engage *de novo* in data processing activities	Cleveland	October 17, 1995
Stichting Prioriteit ABN AMRO Holding, Amsterdam Zuid-Ooost, The Netherlands Stichting Administratiekantoor ABN AMRO Holding, Amsterdam Zuid-Ooost, The Netherlands ABN AMRO Holding N.V., Amsterdam Zuid-Ooost, The Netherlands ABN AMRO Bank N.V., Amsterdam Zuid-Ooost, The Netherlands MeesPierson N.V., Amsterdam and Rotterdam, The Netherlands	LINC Financial Services, Inc., Chicago, Illinois	Chicago	October 6, 1995
United Security Bancorporation, Spokane, Washington	USB Mortgage Company, Inc., Spokane, Washington USB Leasing, Inc., Spokane, Washington	San Francisco	September 22, 1995
Whitney Corporation of Iowa, Atlantic, Iowa	To make and service loans	Chicago	October 18, 1995
WCN Bancorp, Wisconsin Rapids, Wisconsin	To make and service loans	Chicago	October 11, 1995

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
401k Plan and ESOP of United States Trust Company of New York and Affiliated Companies, New York, New York	New USTC Holdings Corporation, New York, New York	New York	October 25, 1995
Camden National Corporation, Camden, Maine	UNITEDCORP, Bangor, Maine Trust Company of Maine, Inc., Bangor, Maine	Boston	October 20, 1995
First Bank System, Inc., Minneapolis, Minnesota	Midwestern Services, Inc., Omaha, Nebraska Southwest Holdings, Inc., Omaha, Nebraska SWH & K Partnership, Omaha, Nebraska FBS Interim Bank, FSB, Omaha, Nebraska	Minneapolis	October 2, 1995
PNC Bank Corp., Pittsburgh, Pennsylvania PNC Bancorp, Inc., Wilmington, Delaware	Midlantic Corporation, Edison, New Jersey	Cleveland	September 26, 1995

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

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

Applicant(s)	Bank(s)	Effective Date
Rapides Bank and Trust Company, Alexandria, Louisiana	Central Bank, Monroe, Louisiana	October 26, 1995

Applications Approved Under Bank Merger Act By Federal Reserve Banks

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

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
BankWest, Goodland, Kansas	BankWest, St. Francis, Kansas	Kansas City	October 12, 1995
Crestar Bank MD, Bethesda, Maryland	The Chase Manhattan Bank of Maryland, Baltimore, Maryland	Richmond	September 22, 1995
The Fifth Third Bank, Cincinnati, Ohio	Bank One Cincinnati, N.A., Cincinnati, Ohio	Cleveland	October 23, 1995
First Virginia Bank-Colonial, Richmond, Virginia	First Virginia Bank-Southside, Farmville, Virginia	Richmond	October 26, 1995
Rolling Hills Bank & Trust, Atlantic, Iowa	Griswold State Bank, Griswold, Iowa	Chicago	September 22, 1995
Security Savings Bank, Farnhamville, Iowa	Boatmen's Bank of Fort Dodge, Fort Dodge, Iowa	Chicago	September 29, 1995
Southern Financial Bank, Warrenton, Virginia	Southern Financial Federal Savings Bank, Warrenton, Virginia	Richmond	September 28, 1995
ValliWide Bank, Fresno, California	El Capitan National Bank, Sonora, California	San Francisco	September 22, 1995
Vectra Bank, Denver, Colorado	The First National Bank of Denver, Denver, Colorado	Kansas City	October 26, 1995

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.

Menick v. Greenspan, No. 95-CV-01916 (D. D.C., filed October 10, 1995). Complaint alleging sex, age, and handicap discrimination in employment.

Kuntz v. Board of Governors, No. 95–1495 (D.C. Cir., filed September 21, 1995). Petition for review of Board order dated August 23, 1995, approving the applications of The Fifth Third Bank, Cincinnati, Ohio, to acquire certain assets and assume certain liabilities of 12 branches of PNC Bank, Ohio, N.A., Cincinnati, Ohio, and to establish certain branches. The Board's motion to dismiss was filed on October 26, 1995.

Lee v. Board of Governors, No. 94–4134 (2nd Cir., filed August 22, 1995). Petition for review of Board orders dated July 24, 1995, approving certain steps of a corporate reorganization of U.S. Trust Corporation, New York, New York, and the acquisition of U.S. Trust by Chase Manhattan Corporation, New York, New York. On September 12, 1995, the court denied petitioners' motion for an emergency stay of the Board's orders.

Jones v. Board of Governors, No. 95–1359 (D.C. Cir., filed July 17, 1995). Petition for review of a Board order dated June 19, 1995, approving the application by First Commerce Corporation, New Orleans, Louisiana, to acquire Lakeside Bancshares, Lake Charles, Louisiana. Petitioner filed a motion for a stay of the Board's order pending appeal on August 16, 1995. On August 29, 1995, the Board filed a motion to dismiss, and on September 5 it filed its opposition to the stay motion.

Money Station, Inc. v. Board of Governors, No. 95–1182 (D.C. Cir., filed March 30, 1995). Petition for review of a Board order dated March 1, 1995, approving notices by Bank One Corporation, Columbus, Ohio; CoreStates Financial Corp., Philadelphia, Pennsylvania; PNC Bank Corp., Pittsburgh, Pennsylvania; and KeyCorp, Cleveland, Ohio, to acquire certain data processing assets of National City Corporation, Cleveland, Ohio, through a joint venture subsidiary. Oral argument is scheduled for February 2, 1996.

Jones v. Board of Governors, No. 95–1142 (D.C. Cir., filed March 3, 1995). Petition for review of a Board order dated February 2, 1995, approving the applications by First Commerce Corporation, New Orleans, Louisiana, to merge with City Bancorp, Inc., New Iberia, Louisiana, and First Bankshares, Inc., Slidell, Louisiana. Petitioner filed a motion for injunctive relief and for a stay of the Board's order on April 3, 1995. On August 17, 1995, the court denied the motion. Oral argument on the petition for review is scheduled for February 27, 1996.

Kuntz v. Board of Governors, No. 95–3044 (6th Cir., filed January 12, 1995). Petition for review of a Board order dated December 19, 1994, approving an application by KeyCorp, Cleveland, Ohio, to acquire BANKVERMONT Corp., Burlington, Vermont. On September 21, the court granted the Board's motion to dismiss.

In re Subpoena Duces Tecum, Misc. No. 95–06 (D.D.C., filed January 6, 1995). Action to enforce subpoena seeking pre-decisional supervisory documents sought in connection with an action by Bank of New England Corporation's trustee in bankruptcy against the Federal Deposit Insurance Corporation. The Board filed its opposition on January 20, 1995. Oral argument on the motion was held July 14, 1995.

Beckman v. Greenspan, No. 95–35473 (9th Cir., file May 4, 1995). Appeal of dismissal of action against Board and others seeking damages for alleged violations of constitutional and common law rights. The appellants' brief was filed on June 23, 1995; the Board's brief was filed on July 12, 1995.

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 Decision Issued by the Board of Governors

In the Matter of

William Vasa
Former Vice-President and
Loan Officer of

First National Bank of Southeast Denver
Denver, Colorado

OCC No. AA-EC-94–27
OCC No. AA-EC-94–28

Final Decision

This is an administrative proceeding pursuant to section 8(e) of the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. § 1818(e), in which the Office of the Comptroller of the Currency of the United States of America ("OCC") seeks to prohibit Respondent William Vasa ("Vasa") from further participation in the affairs of any federally-supervised financial institution as a result of his conduct during his former affiliation as vice-president and loan officer of First National Bank of Southeast Denver, Denver, Colorado (the "Bank"). As required by statute, the OCC has referred the action to the Board of Governors of the Federal Reserve System ("Board") for final decision.

The proceeding comes before the Board in the form of a Recommended Decision by Administrative Law Judge ("ALJ") Walter J. Alprin, issued following an administrative hearing held on December 13 and 14, 1994, in Denver, Colorado, and the post-hearing filings of the parties. In the Recommended Decision, the ALJ found that Vasa used his position as vice-president and loan officer of the Bank to originate fraudulent loans in order to obtain the loan proceeds for himself. As a result of such conduct, the Bank suffered a loss of $48,994.41. The ALJ found that Vasa breached his fiduciary duty to the Bank and committed unsafe or unsound banking practices. Vasa did not submit exceptions to the Recommended Decision.

Accordingly, the Board hereby makes its Final Decision, and adopts the ALJ's Recommended Decision, Recommended Findings of Fact and Recommended Conclusions of Law together with the reasoning and citations contained therein, except as specifically supplemented or modified herein. The Board therefore orders that the attached Order of Prohibition issue against Vasa prohibiting him from future participation in the affairs of any federally-supervised financial institution without the approval of the appropriate supervisory agency.

Statement of the Case

A. Standards for Prohibition Order

Under the FDI Act, the ALJ is responsible for conducting an administrative hearing on a notice of intention to prohibit participation. 12 U.S.C. § 1818(e)(4). Following the hearing, the ALJ issues a recommended decision that is referred to the Board. The parties may then file with the Board exceptions to the ALJ's recommendations. The Board makes the final findings of fact, conclusions of law, and determination whether to issue an order of prohibition. *Id.*; 12 C.F.R. 263.40.

The FDI Act sets forth the substantive basis upon which a federal banking agency may issue against a bank official an order of prohibition from further participation in banking. In order to issue such an order pursuant to section 1818(e)(1), the Board must make each of three findings:

(1) There must be a specified type of *misconduct*—violation of law, unsafe or 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.

B. Relevant Individuals and Business Entities

At all times relevant to this proceeding, the Bank was a national banking association, chartered and examined by the OCC. At all times relevant to this proceeding, Vasa was vice-president and a loan officer of the Bank, and therefore an "institution-affiliated party" under the terms of the FDI Act subject to the OCC's supervisory authority.

Findings and Conclusions

Upon review of the record of this proceeding, the Board hereby adopts such of the ALJ's recommended decision, findings, and conclusions as are not specifically modified herein as the findings and conclusions of the Board, and incorporates by reference the ALJ's reasoning and citations to the record.

Findings

Vasa was vice-president and loan officer at the Bank from October 1987 through June 1992, when he was terminated. During that time, Vasa had authority to originate unsecured loans up to $10,000 without other approval. At the time he was terminated, Vasa handled a loan portfolio in excess of $12 million. Of these, 90 percent were secured commercial loans, and, apart from the fictitious loans at issue here, the remaining unsecured loans were made to long-standing bank customers. Vasa was terminated by the Bank on June 8, 1992. The loans at issue were only discovered after a review of Vasa's loan portfolio had been conducted by the individual who replaced Vasa.

Vasa fabricated eight loans totalling $53,994.41 between October 18, 1990 and June 5, 1992. The evidence that Vasa fabricated the loans, which were to eight different purported individuals,[1] although circumstantial, was overwhelming. All of the loans were short-term, unsecured loans under $10,000. At the time the loans were made, Vasa knew that the Bank had no detailed monitoring of such loans. Seven of the loans were to fictitious individuals. The only loan not in a fictitious name was to an individual who had a relationship with the Bank, but who had no knowledge that Vasa had originated loans in his name. Lastly, all but two of the loans were single payment loans, requiring no payments until maturity.

On October 18, 1990, Vasa originated the first fraudulent loan in the name of Frank Young for $4,045. Vasa had prior dealings with Mr. Young, who lived in Las Vegas, Nevada, because Young had applied to the Bank in September 1989 for a loan. The evidence establishes that Vasa completed a fictitious loan application, which contained no credit information, using Young's name and other personal information; but Vasa fabricated the other information on the application, including the address. Vasa made additional extensions of credit in Young's name on November 26, 1990, for $4,045 and on January 15, 1991, for $2,089.39.[2]

The ALJ found that Vasa cashed the loan proceed checks, misappropriated the loan proceeds, and made cash payments on the loans to keep them current.[3] The ALJ rejected Vasa's claim that he cashed the checks as an accommodation to the customer. As a result of the fraudulent loan, the Bank lost $7,776.76, the principal remaining after payments had been made by Vasa.

The ALJ further found that Vasa originated loans to seven apparently fictitious individuals. The social security numbers, addresses, and places of employment of these purported borrowers were all fictitious, and credit bureau checks showed no listing for any of these supposed individuals. The loans to the fictitious individuals all followed a similar pattern. The loan applications for each listed only assets that were not verifiable, such as cash and automobiles.[4] Furthermore, on some loans, in order to prevent the fraud from being uncovered, Vasa indicated on the application that the customer would bring in additional credit information, and that only a credit bureau check, and no other verification, should be conducted by bank personnel.

1. In some cases, several extensions of credit were made to a purported customer. But in each case, the separate credits were then consolidated into a single loan.

2. The three credit extensions were consolidated into one note in the amount of $10,000, for which payments were due monthly.

3. Vasa admitted that his handwriting was on the loan deposit slips, which were used to make payments on the loan. Moreover, the loan payments ceased at about the time that Vasa was terminated from the Bank.

4. None of the loan applications listed any bank account or previous employer or had any supporting financial information.

The loan applications to the fictitious individuals, which were all typed[5] and only partially completed, were all substantially the same. The first loan to a fictitious individual was made on March 13, 1991, when Vasa originated a loan in the name of David Frater for $2,545. Additional extensions of credit in the same name, which were all consolidated, were made on April 22, 1991, and May 20, 1991, in the amounts of $1,960.96 and $2,406.19, respectively. Respondent made some payments on the loan, as evidenced by his handwriting on the payment documents, but the Bank lost $5,537.65, the remaining principal.

The next fictitious loan was made in the name of Jack Rowland on July 1, 1991, in the amount of $8,545. This loan was charged off prior to maturity, resulting in a loss to the Bank of the full amount of the loan. The ALJ found that the charging-off of the loan prior to its maturity was a further attempt by Vasa to conceal his fraudulent conduct because charged-off loans were not scrutinized to the same degree as loans that were past due, as this loan would have become.

Following the same pattern as the earlier loans, Vasa originated a $5,045 loan in the name of David Tinner on August 19, 1991. A second loan of $3,955 was made in the name of Tinner on December 16, 1991, and consolidated with the first loan, for a total of $9,000. Vasa made no payments and the Bank lost the full amount of the loan. Vasa next made two loans totalling $8,045 in the name of Mark Jameson as follows: a $5,045 loan on October 18, 1991, and a $3,000 loan on January 14, 1992. Vasa made no payments on these loans and the Bank suffered a loss of principal of $8,045, the full amount of the loan. On February 6, 1992, Vasa originated a loan for $4,045 in the name of Steven Zerbring. Because no payments were made, the Bank suffered a loss of the full amount of the loan.

Vasa's last two fraudulent loan applications followed the same pattern. On April 10, 1992, Vasa made a $6,045 loan in the name of Thomas Robret. Because no payments were made, the Bank suffered a loss in the full amount of the loan. The last loan application, for $5,000 in the name of Kyle Dryson, was made on June 5, 1992, and was almost identical to one of the earlier fraudulent loan applications. The ALJ found that the Dryson loan application appeared to be a photocopy of the earlier Tinner application, with the only difference being that a few digits had been changed.[6] However, the Bank did not suffer a loss on the Dryson loan because the check was never cashed. The ALJ found that Vasa was unable to cash the check because he was terminated by the Bank a few days after the check was issued.[7]

The ALJ found that Vasa misappropriated the proceeds from the fraudulent loans.[8] The ALJ based his finding on the evidence that all of the proceeds were disbursed by cashier's checks and were cashed at the Bank.[9] In addition, for several of the loans there was testimony that Vasa had bank tellers cash the checks and that he then took the proceeds. Moreover, there were unexplained large cash deposits into the bank accounts of Vasa and his wife exceeding $20,000 that were made at about the times Vasa originated the various loans. The evidence further indicated that, on several occasions within days of a fraudulent loan having been made, Vasa paid large amounts of cash to repair his car.[10]

The ALJ reasonably found that Vasa failed to present a credible defense. Vasa failed to rebut most of the OCC's allegations and did not call any witnesses or offer any documentary evidence at the hearing. The ALJ rejected Vasa's claim that some of the cash deposits were personal loans he had received from certain individuals. The ALJ found that Vasa's explanations, even if true, accounted for only a small fraction of the overall cash deposits into his accounts; and Vasa failed to offer any evidence, other than his own testimony, to prove the existence of these loans. Therefore, the ALJ reasonably found that the OCC had supported its charges by a preponderance of the relevant credible evidence.

Conclusions

A. Misconduct

Upon the aforementioned facts, the ALJ reasonably found that Vasa's actions constituted both breaches of

5. The head of the Bank's lending operations, Jerald B. Hirsch, testified that it was very unusual for small loan applications to be typed. He stated that most small loans are made to "walk-in" customers, who typically hand-write their applications.

6. For instance, the addresses and social security numbers on both applications, except for one digit, were identical.

7. Vasa had been absent from work for a few days prior to the loan being finalized on June 8, 1992 — the same day that he was terminated. Thus, he never had an opportunity to cash the check.

8. Because Vasa made payments on some of the loans, the amount he benefitted (and the Bank was harmed) was $48,994.41, which was less than the total principal amount of the loans.

9. This in itself was further proof that the loans were fabricated because the evidence was that loan proceed checks were almost always deposited into customers' accounts and not cashed.

10. The ALJ found that Vasa's close monitoring of the fraudulent loans was further evidence of his fraud. The Bank's confidential security system recorded which loans employees reviewed on their computers. This system showed that on more than one day, Vasa reviewed several of the fraudulent loans in succession. In fact, Vasa reviewed these loans more frequently than any other loans. The ALJ found Vasa's extra attention to be probative of the fraudulent nature of the loans because loan officers generally reviewed loans infrequently and only in response to customer inquiries, particularly where the loans were single payment loans, as most of the loans were here.

his fiduciary duty and unsafe and unsound practices. In effecting his loan scheme, Vasa repeatedly falsified loan documents over a period lasting more than a year. Moreover, he made misrepresentations to bank personnel in order to induce them to cash third party cashier's checks, and he took other actions to conceal the fraud. Lastly, Vasa misappropriated the Bank's funds through the loan scheme. The ALJ reasonably found this misconduct to satisfy the applicable standards for breach of fiduciary duty and unsafe or unsound banking practices.[11]

B. Effects

The ALJ also reasonably found that Vasa's misconduct satisfied the "effects" test necessary for a prohibition because the Bank was harmed by Vasa's conduct. As a result of the fraudulent loans, the Bank lost $48,994.41, the amount misappropriated by Vasa. In addition, Vasa clearly received a financial benefit through his misappropriation of the loan proceeds.

C. Culpability

The ALJ also reasonably found that the "culpability" requirement for a prohibition order was satisfied. The ALJ found that the record was replete with instances of Vasa's personal dishonesty and willful and continuing disregard for the Bank's safety and soundness. In short, Vasa created at least eight fictitious loans over a period lasting more than a year. Vasa misrepresented facts and defrauded the Bank each time he submitted a fraudulent loan application. Moreover, in order to cash the loan checks, Vasa deceived other Bank employees by telling them that the proceeds were for customers.

D. Challenges to Evidentiary Rulings

Vasa did not file any exceptions to the ALJ's evidentiary rulings.

Conclusion

For the foregoing reasons, the Board orders that the attached Order issue.

11. An "unsafe or unsound banking practice" has been defined as a practice "deemed contrary to accepted standards of banking operation which might result in abnormal risk or loss to a banking institution or shareholder." *First Nat'l Bank of Eden v. Comptroller of the Currency*, 568 F.2d 610, 611 n.2 (8th Cir. 1978). A scheme to defraud a bank, as Vasa conducted here, certainly satisfies this standard.

By order of the Board of Governors, this 10th day of October, 1994.

Board of Governors of the
Federal Reserve System

WILLIAM W. WILES
Secretary of the Board

Order of Prohibition

WHEREAS, pursuant to section 8(e) of the Federal Deposit Insurance Act, as amended (the "Act") (12 U.S.C. § 1818(e)), the Board of Governors of the Federal Reserve System ("the Board") is of the opinion, for the reasons set forth in the accompanying Final Decision, that a final Order of Prohibition should issue against WILLIAM VASA,

NOW, THEREFORE, IT IS HEREBY ORDERED, pursuant to sections 8(e) and 8(j) of the Act, (12 U.S.C. §§ 1818(e) and 1818(j)), that:

1. In the absence of prior written approval by the Board, and by any other Federal financial institution regulatory agency where necessary pursuant to section 8(e)(7)(B) of the Act (12 U.S.C. § 1818(e)(7)(B)), WILLIAM VASA 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)), including serving as an officer, director, or employee.
2. This Order, and each provision hereof, is and shall remain fully effective and enforceable until expressly stayed, modified, terminated or suspended in writing by the Board.

This Order shall become effective upon the expiration of thirty days after service is made.

By order of the Board of Governors, this 10th day of October, 1995.

Board of Governors of the
Federal Reserve System

WILLIAM W. WILES
SECRETARY OF THE BOARD

FINAL ENFORCEMENT ORDERS ISSUED BY THE BOARD OF GOVERNORS

The Daiwa Bank, Limited
Osaka, Japan

The Federal Reserve Board and the New York State Banking Department announced on October 2, 1995, the issuance of an enforcement order against Daiwa Bank and its New York branch in connection with unauthorized trading activities by an official in the New York branch.

To support its action of a temporary Cease and Desist Order, the Federal Reserve Board also issued a Notice of Charges and Hearing against the bank and its New York branch.

The Security State Bank of Pecos
Pecos, Texas

The Federal Reserve Board announced on October 18, 1995, the issuance of a Cease and Desist Order against the Security State Bank of Pecos, Pecos, Texas.

Financial and Business Statistics

DOMESTIC FINANCIAL STATISTICS—CONTINUED

Flow of Funds

DOMESTIC NONFINANCIAL STATISTICS

Selected Measures

INTERNATIONAL STATISTICS

Summary Statistics

Reported by Banks in the United States

Reported by Nonbanking Business Enterprises in the United States

Securities Holdings and Transactions

Interest and Exchange Rates

Guide to Tabular Presentation

Symbols and Abbreviations

c	Corrected
e	Estimated
n.a.	Not available
n.e.c.	Not elsewhere classified
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
...	Cell not applicable
ATS	Automatic transfer service
BIF	Bank insurance fund
CD	Certificate of deposit
CMO	Collateralized mortgage obligation
FFB	Federal Financing Bank
FHA	Federal Housing Administration
FHLBB	Federal Home Loan Bank Board
FHLMC	Federal Home Loan Mortgage Corporation
FmHA	Farmers Home Administration
FNMA	Federal National Mortgage Association
FSLIC	Federal Savings and Loan Insurance Corporation
G-7	Group of Seven
G-10	Group of Ten
GNMA	Government National Mortgage Association
GDP	Gross domestic product
HUD	Department of Housing and Urban Development
IMF	International Monetary Fund
IO	Interest only
IPCs	Individuals, partnerships, and corporations
IRA	Individual retirement account
MMDA	Money market deposit account
MSA	Metropolitan statistical area
NOW	Negotiable order of withdrawal
OCD	Other checkable deposit
OPEC	Organization of Petroleum Exporting Countries
OTS	Office of Thrift Supervision
PO	Principal only
REIT	Real estate investment trust
REMIC	Real estate mortgage investment conduit
RP	Repurchase agreement
RTC	Resolution Trust Corporation
SAIF	Savings Association Insurance Fund
SCO	Securitized credit obligation
SDR	Special drawing right
SIC	Standard Industrial Classification
VA	Department of Veterans Affairs

General Information

In many of the tables, components do not sum to totals because of rounding.

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

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

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1994	1995			1995				
	Q4	Q1	Q2	Q3	May	June	July^{r}	Aug.	Sept.
Reserves of depository institutions[2]									
1 Total	−3.3	−3.7	−8.0	−1.2	−4.1	−8.5	6.3	−2.9	−3.1
2 Required	−3.0	−4.0	−7.0	−2.3	−6.8	−10.4	3.8	−.8	−2.3
3 Nonborrowed	−2.1	−2.4	−8.6	−2.2	−4.9	−11.1	4.3	−1.1	−3.0
4 Monetary base[3]	6.9	6.4	6.3^{r}	1.0	7.2	−2.6^{r}	−.3	3.3	1.1
Concepts of money, liquid assets, and debt[4]									
5 M1	−1.2	.0	−.9	−.9	−7.0^{r}	.9	1.3	−1.5^{r}	−3.7
6 M2	−.3	1.7	4.4^{r}	7.7	5.5^{r}	11.9^{r}	6.2	8.3	4.7
7 M3	1.7	4.4^{r}	7.1^{r}	8.8	8.0	12.8^{r}	8.4	7.6^{r}	4.3
8 L	2.2	6.4^{r}	7.6^{r}	n.a.	6.3^{r}	8.3^{r}	11.5	7.6	n.a.
9 Debt	5.2	5.5	6.7	n.a.	8.3	5.0	3.3	3.5	n.a.
Nontransaction components									
10 In M2[5]	.2^{r}	2.5^{r}	6.9^{r}	11.6	11.2^{r}	16.8^{r}	8.5	12.6	8.4
11 In M3 only[6]	12.4	18.5	20.7	13.8	20.8^{r}	17.6^{r}	18.6	4.7^{r}	2.3
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	−8.5	−13.2	−7.3	10.3	2.0	18.2	4.3	14.5^{r}	11.7
13 Small time[7]	16.0	24.3	23.4	9.2	17.7	13.4	9.2	4.4	1.9
14 Large time[8,9]	17.7	12.7	15.8^{r}	14.3	23.7^{r}	12.9^{r}	19.6	5.6^{r}	8.1
Thrift institutions									
15 Savings, including MMDAs	−17.6	−20.5	−14.5	−5.7	−7.2	−4.0	−7.6	−6.7^{r}	−.3
16 Small time[7]	10.9^{r}	21.5^{r}	26.6^{r}	4.0	20.9^{r}	2.7^{r}	.7	1.7^{r}	4.4
17 Large time[8]	14.1	23.3	14.6	13.4	−13.5	6.8	30.5	9.9	8.2
Money market mutual funds									
18 General purpose and broker–dealer	7.5	7.9	18.1^{r}	43.3	28.5^{r}	61.6^{r}	44.5	37.7^{r}	17.6
19 Institution-only	7.3	10.0	27.1	29.3	11.8	66.5	39.7	−9.0	15.4
Debt components[4]									
20 Federal	5.9	5.3	5.3	n.a.	5.9	8.4	4.1	1.9	n.a.
21 Nonfederal	5.0	5.7	7.2	n.a.	9.1	3.8	3.0	4.2	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. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

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

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

M2: M1 plus (1) 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: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

5. Sum of (1) overnight RPs and overnight Eurodollars, (2) money market fund balances (general purpose and broker–dealer), (3) savings deposits (including MMDAs), and (4) 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, the U.S. government, 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						
	1995			1995						
	July	Aug.	Sept.	Aug. 16	Aug. 23	Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	411,634	409,402[r]	410,885	410,301	408,534[r]	408,495[r]	409,163	411,208	413,459	409,638
U.S. government securities[2]										
2 Bought outright—System account	371,272	371,942	371,068	372,422	372,241	372,169	370,815	371,236	371,826	371,349
3 Held under repurchase agreements	1,531	133	4,206	154	0	0	3,055	4,540	5,880	2,487
Federal agency obligations										
4 Bought outright	3,079	3,019	2,932	3,028	3,028	2,953	2,941	2,941	2,941	2,921
5 Held under repurchase agreements	121	52	106	216	0	0	100	327	0	21
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	85	112	28	4	9	22	38	8	2	23
8 Seasonal credit	231	259	254	253	267	277	247	243	255	267
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	572	291[r]	408	45	270[r]	107[r]	353	295	652	476
11 Other Federal Reserve assets	34,742	33,595[r]	31,882	34,181	32,719[r]	32,967[r]	31,614	31,618	31,904	32,093
12 Gold stock	11,053	11,053	11,052	11,053	11,053	11,053	11,053	11,053	11,053	11,052
13 Special drawing rights certificate account	10,357	10,518	10,366	10,518	10,518	10,518	10,518	10,518	10,368	10,168
14 Treasury currency outstanding	23,533[r]	23,623[r]	23,708	23,614[r]	23,637[r]	23,660[r]	23,682	23,696	23,710	23,724
ABSORBING RESERVE FUNDS										
15 Currency in circulation	410,930[r]	410,420[r]	410,989	411,083[r]	410,043[r]	409,344[r]	412,011	412,567	410,762	409,279
16 Treasury cash holdings	318	310	322	309	309	312	316	318	332	322
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	6,984	5,257	6,850	5,221	5,541	4,923	5,083	4,903	10,002	6,651
18 Foreign	196	184	179	176	183	175	172	182	174	181
19 Service-related balances and adjustments	4,347	4,599	4,688	4,521	4,738	4,700	4,612	4,643	4,693	4,759
20 Other	289	289	348	296	285	286	362	339	362	329
21 Other Federal Reserve liabilities and capital	12,949	12,758	12,176	12,858	12,805	13,038	11,445	11,876	12,241	12,694
22 Reserve balances with Federal Reserve Banks[3]	20,564	20,779[r]	20,459	21,021	19,837[r]	20,947[r]	20,416	21,648	20,024	20,368
	End-of-month figures			Wednesday figures						
	July	Aug.	Sept.	Aug. 16	Aug. 23	Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	413,574	408,461[r]	410,194	411,234	408,861[r]	409,683[r]	412,115	416,668	420,340	412,324
U.S. government securities[2]										
2 Bought outright—System account	375,524	369,818	367,669	374,597	372,085	373,531	372,665	372,102	370,992	369,652
3 Held under repurchase agreements	0	3,055	6,445	0	0	0	3,055	8,175	13,020	6,487
Federal agency obligations										
4 Bought outright	3,063	2,941	2,895	3,028	3,028	2,941	2,941	2,941	2,941	2,895
5 Held under repurchase agreements	0	100	75	0	0	0	100	1,209	0	150
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	3	4	160	3	14	63	6	3	1	70
8 Seasonal credit	245	266	261	259	271	280	245	246	266	270
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	73	686[r]	73	694	598[r]	45[r]	1,361	−25	611	651
11 Other Federal Reserve assets	34,666	31,592[r]	32,616	32,651	32,865[r]	32,823[r]	31,743	32,018	32,509	32,150
12 Gold stock	11,053	11,053	11,051	11,053	11,053	11,053	11,053	11,053	11,053	11,051
13 Special drawing rights certificate account	10,518	10,518	10,168	10,518	10,518	10,518	10,518	10,518	10,168	10,168
14 Treasury currency outstanding	23,568[r]	23,682[r]	23,738	23,614[r]	23,637[r]	23,660[r]	23,682	23,696	23,710	23,724
ABSORBING RESERVE FUNDS										
15 Currency in circulation	409,508[r]	410,984[r]	409,244	411,562[r]	410,324[r]	410,988[r]	413,566	412,618	410,841	410,202
16 Treasury cash holdings	306	316	322	309	311	316	315	334	322	322
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	11,206	4,767	8,620	5,583	5,399	5,653	5,065	6,086	17,499	6,553
18 Foreign	190	166	201	176	201	180	168	177	167	170
19 Service-related balances and adjustments	4,427	4,612[r]	4,769	4,521	4,738	4,700	4,612	4,643	4,693	4,759
20 Other	304	298	332	307	278	290	344	339	330	331
21 Other Federal Reserve liabilities and capital	12,671	11,438	13,088	12,613	12,572	12,829	11,551	12,084	12,323	12,663
22 Reserve balances with Federal Reserve Banks[3]	20,102	21,134[r]	18,575	21,347	20,245[r]	19,957[r]	21,748	25,654	19,097	22,268

1. Amounts of cash held as reserves are shown in table 1.12, line 2.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Excludes required clearing balances and adjustments to compensate for float.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1992	1993	1994	1995						
	Dec.	Dec.	Dec.	Mar.	Apr.	May	June	July	Aug.	Sept.
1 Reserve balances with Reserve Banks[2]	25,368	29,374	24,658	22,649	24,217	21,476	21,058	20,840	20,565	20,519
2 Total vault cash[3]	34,541	36,818	40,365	38,518	38,099	39,038	39,839	40,522	40,177	40,648
3 Applied vault cash[4]	31,172	33,484	36,682	34,934	34,657	35,281	35,986	36,550	36,255[r]	36,640
4 Surplus vault cash[5]	3,370	3,334	3,683	3,584	3,442	3,757	3,853	3,971	3,923	4,008
5 Total reserves[6]	56,540	62,858	61,340	57,583	58,874	56,757	57,044	57,390	56,819	57,159
6 Required reserves	55,385	61,795	60,172	56,789	58,120	55,877	56,079	56,300	55,832[r]	56,209
7 Excess reserve balances at Reserve Banks[7]	1,155	1,063	1,168	794	753	880	964	1,090	988[r]	950
8 Total borrowings at Reserve Banks[8]	124	82	209	69	111	150	272	371	282	278
9 Seasonal borrowings	18	31	100	51	82	137	172	231	258	252
10 Extended credit[9]	1	0	0	0	0	0	0	0	0	0
	Biweekly averages of daily figures for two week periods ending on dates indicated									
	1995									
	June 7	June 21	July 5	July 19	Aug. 2	Aug. 16	Aug. 30	Sept. 13	Sept. 27	Oct. 11
1 Reserve balances with Reserve Banks[2]	20,875	21,478	20,546	21,733	19,920	20,793	20,395	21,029[r]	20,182	19,884
2 Total vault cash[3]	39,373	40,146	39,724	40,411	40,983	40,889	39,324	40,554	40,628	41,153
3 Applied vault cash[4]	35,549	36,240	35,930	36,491	36,878	36,898	35,491	36,693	36,556	36,805
4 Surplus vault cash[5]	3,824	3,906	3,794	3,920	4,106	3,991	3,833	3,862[r]	4,072	4,348
5 Total reserves[6]	56,424	57,718	56,476	58,224	56,798	57,691	55,886	57,722	56,738	56,689
6 Required reserves	55,627	56,703	55,462	57,334	55,443	56,491	55,153[r]	56,879[r]	55,781	55,312
7 Excess reserve balances at Reserve Banks[7]	798	1,015	1,014	890	1,354	1,200	733[r]	843[r]	957	1,376
8 Total borrowings at Reserve Banks[8]	165	286	336	293	478	250	288	268	274	338
9 Seasonal borrowings	150	155	214	224	245	247	272	245	261	240
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover. Data are not break-adjusted or seasonally adjusted.
2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.
3. Total "lagged" vault cash held by depository institutions subject to reserve requirements. Dates refer to the maintenance periods during which the vault cash may be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.
4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.
5. Total vault cash (line 2) less applied vault cash (line 3).
6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).
7. Total reserves (line 5) less required reserves (line 6).
8. Also includes adjustment credit.
9. Consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market 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	1995, week ending Monday								
	July 31	Aug. 7	Aug. 14	Aug. 21	Aug. 28	Sept. 4	Sept. 11	Sept. 18	Sept. 25
Federal funds purchased, repurchase agreements, and other selected borrowings									
From commercial banks in the United States									
1 For one day or under continuing contract	77,305	83,233	79,795	78,638	73,023	80,287	79,342	77,611	74,600
2 For all other maturities	17,639r	18,325r	18,350r	16,503r	17,227r	18,086	16,701	16,473	16,001
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 For one day or under continuing contract	22,029	24,885	26,327	27,244	26,953	24,256	23,443	22,768	26,575
4 For all other maturities	26,573r	26,356r	26,458r	26,029r	27,949r	27,651	27,431	25,979	24,595
Repurchase agreements on U.S. government and federal agency securities									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	17,040	17,837	18,730	21,678	18,956	19,873	19,126	18,285	18,985
6 For all other maturities	36,946	36,877	38,159	31,571	36,273	34,723	33,827	35,204	33,489
All other customers									
7 For one day or under continuing contract	37,810	38,574	38,416	40,180	40,360	42,318	41,470	40,377	39,681
8 For all other maturities	18,517	17,902	18,374	18,401	18,740	19,004	18,585	18,440	17,692
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	56,819	57,530	55,140	57,032	53,380	58,363	55,344	55,844	55,159
10 To all other specified customers[2]	29,713	29,600	30,061	27,794	25,921	29,034	29,813	32,721	28,334

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 11/3/95	Effective date	Previous rate	On 11/3/95	Effective date	Previous rate	On 11/3/95	Effective date	Previous rate
Boston	5.25	2/1/95	4.75	5.75	10/26/95	5.85	6.25	10/26/95	6.35
New York		2/1/95							
Philadelphia		2/2/95							
Cleveland		2/9/95							
Richmond		2/1/95							
Atlanta		2/2/95							
Chicago		2/1/95							
St. Louis		2/1/95							
Minneapolis		2/2/95							
Kansas City		2/1/95							
Dallas		2/2/95							
San Francisco	5.25	2/1/95	4.75	5.75	10/26/95	5.85	6.25	10/26/95	6.35

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

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6.5	6.5
20	6.5	6.5
May 11	6.5–7	7
12	7	7
July 3	7–7.25	7.25
10	7.25	7.25
Aug. 21	7.75	7.75
Sept. 22	8	8
Oct. 16	8–8.5	8.5
20	8.5	8.5
Nov. 1	8.5–9.5	9.5
3	9.5	9.5
1979—July 20	10	10
Aug. 17	10–10.5	10.5
20	10.5	10.5
Sept. 19	10.5–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
1981—May 5	13–14	14
8	14	14

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1981—Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11.5–12	11.5
23	11.5	11.5
Aug. 2	11–11.5	11
3	11	11
16	10.5	10.5
27	10–10.5	10
30	10	10
Oct. 12	9.5–10	9.5
13	9.5	9.5
Nov. 22	9–9.5	9
26	9	9
Dec. 14	8.5–9	9
15	8.5–9	8.5
17	8.5	8.5
1984—Apr. 9	8.5–9	9
13	9	9
Nov. 21	8.5–9	8.5
26	8.5	8.5
Dec. 24	8	8
1985—May 20	7.5–8	7.5
24	7.5	7.5
1986—Mar. 7	7–7.5	7
10	7	7
Apr. 21	6.5–7	6.5
23	6.5	6.5
July 11	6	6
Aug. 21	5.5–6	5.5
22	5.5	5.5

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1987—Sept. 4	5.5–6	6
11	6	6
1988—Aug. 9	6–6.5	6.5
11	6.5	6.5
1989—Feb. 24	6.5–7	7
27	7	7
1990—Dec. 19	6.5	6.5
1991—Feb. 1	6–6.5	6
4	6	6
Apr. 30	5.5–6	5.5
May 2	5.5	5.5
Sept. 13	5–5.5	5
17	5	5
Nov. 6	4.5–5	4.5
7	4.5	4.5
Dec. 20	3.5–4.5	3.5
24	3.5	3.5
1992—July 2	3–3.5	3
7	3	3
1994—May 17	3–3.5	3.5
18	3.5	3.5
Aug. 16	3.5–4	4
18	4	4
Nov. 15	4–4.75	4.75
17	4.75	4.75
1995—Feb. 1	4.75–5.25	5.25
9	5.25	5.25
In effect Nov. 3, 1995	5.25	5.25

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

2. Available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intrayearly movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates charged by market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period; however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

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

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment-credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. A surcharge of 2 percent was reimposed on Nov. 17, 1980; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981, the formula for applying the surcharge was changed from a calendar quarter to a moving thirteen-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Type of deposit[2]	Requirement	
	Percentage of deposits	Effective date
Net transaction accounts[3]		
1 $0 million–$54.0 million	3	12/20/94
2 More than $54.0 million[4]	10	12/20/94
3 Nonpersonal time deposits[5]	0	12/27/90
4 Eurocurrency liabilities[6]	0	12/27/90

1. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmember institutions may maintain reserve balances with a Federal Reserve Bank indirectly, on a pass-through basis, with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* or the *Federal Reserve Bulletin*. Under the Monetary Control Act of 1980, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. Under the Garn–St Germain Depository Institutions Act of 1982, the Board adjusts the amount of reservable liabilities subject to a zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 20, 1994, the exemption was raised from $4.0 million to $4.2 million. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement.

3. Transaction accounts 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 savings deposits, not transaction accounts.

The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 of each year. Effective Dec. 20, 1994 the amount was increased from $51.9 million to $54.0 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 was the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1992	1993	1994	1995						
				Feb.	Mar.	Apr.	May	June	July	Aug.
U.S. TREASURY SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	14,714	17,717	17,484	0	0	0	0	4,470	0	433
2 Gross sales	1,628	0	0	0	0	0	0	0	0	0
3 Exchanges	308,699	332,229	376,277	31,530	36,449	30,983	31,663	42,983	25,213	39,195
4 Redemptions	1,600	0	0	0	0	0	0	0	0	0
Others within one year										
5 Gross purchases	1,096	1,223	1,238	0	0	0	0	0	0	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shifts	36,662	31,368	0	5,872	4,802[r]	787[r]	−6,028[r]	0	0	0
8 Exchanges	−30,543	−36,582	−21,444	6,026[r]	−2,096[r]	0	−7,374[r]	0	0	0
9 Redemptions	0	0	0	0	0	370[r]	0	0	0	0
One to five years										
10 Gross purchases	13,118	10,350	9,168	0	0	2,549	0	0	0	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shifts	−34,478	−27,140	−6,004	−5,872[r]	−4,802[r]	−477[r]	−5,548[r]	0	0	0
13 Exchanges	25,811	0	17,801	3,606[r]	1,050[r]	0	5,374[r]	0	0	0
Five to ten years										
14 Gross purchases	2,818	4,168	3,818	0	0	839	0	0	0	0
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shifts	−1,915	0	−3,145	0[r]	0	−310[r]	1,248[r]	0	0	0
17 Exchanges	3,532	0	2,903	1,720[r]	1,046[r]	0	2,000[r]	0	0	0
More than ten years										
18 Gross purchases	2,333	3,457	3,606	0	0	1,138	0	0	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shifts	−269	0	−918	0	0	0	−1,728[r]	0	0	0
21 Exchanges	1,200	0	775	700	0	0	0	0	0	0
All maturities										
22 Gross purchases	34,079	36,915	35,314	0	0	4,526	0	4,470	0	433
23 Gross sales	1,628	0	0	0	0	0	0	0	0	0
24 Redemptions	1,600	767	2,337	0	0	370	0	0	0	0
Matched transactions										
25 Gross purchases	1,480,140	1,475,941	1,700,836	178,877	168,800	148,306	155,027	170,083	166,674	179,130
26 Gross sales	1,482,467	1,475,085	1,701,309	176,232	170,724	147,616	153,534	171,959	163,490	185,270
Repurchase agreements										
27 Gross purchases	378,374	475,447	309,276	1,300	22,070	36,314	35,158	40,989	8,527	4,130
28 Gross sales	386,257	470,723	311,898	3,310	16,477	39,157	34,377	28,196	24,851	1,075
29 Net change in U.S. Treasury securities	20,642	41,729	29,882	634	3,669	2,004	2,274	15,387	−13,141	−2,651
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	632	774	1,002	55	83	20	30	262	333	122
Repurchase agreements										
33 Gross purchases	14,565	35,063	52,696	25	4,926	4,415	6,155	1,941	711	1,610
34 Gross sales	14,486	34,669	52,696	1,345	3,821	5,020	5,955	2,180	1,172	1,510
35 Net change in federal agency obligations	−554	−380	−1,002	−1,375	1,022	−625	170	−501	−794	−22
36 Total net change in System Open Market Account	**20,089**	**41,348**	**28,880**	**−741**	**4,691**	**1,379**	**2,444**	**14,886**	**−13,935**	**−2,673**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

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

Millions of dollars

Account	Wednesday 1995					End of month 1995		
	Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27	July 31	Aug. 31	Sept. 30
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,053	11,053	11,053	11,053	11,051	11,053	11,053	11,051
2 Special drawing rights certificate account	10,518	10,518	10,518	10,168	10,168	10,518	10,518	10,168
3 Coin	366	350	363	391	405	372	369	435
Loans								
4 To depository institutions	343	251	249	267	340	248	269	421
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	2,941	2,941	2,941	2,941	2,895	3,063	2,941	2,895
8 Held under repurchase agreements	0	100	1,209	0	150	0	100	75
9 **Total U.S. Treasury securities**	**373,531**	**375,720**	**380,277**	**384,012**	**376,139**	**375,524**	**372,873**	**374,114**
10 Bought outright[2]	373,531	372,665	372,102	370,992	369,652	375,524	369,818	367,669
11 Bills	183,154	182,289	181,526	180,416	179,076	185,148	179,441	177,093
12 Notes	147,804	147,804	147,904	147,904	147,904	146,698	147,804	147,904
13 Bonds	42,573	42,573	42,673	42,673	42,673	43,679	42,573	42,673
14 Held under repurchase agreements	0	3,055	8,175	13,020	6,487	0	3,055	6,445
15 **Total loans and securities**	**376,815**	**379,012**	**384,676**	**387,220**	**379,524**	**378,835**	**376,183**	**377,505**
16 Items in process of collection	4,839	8,858	5,532	5,918	5,594	1,867	3,929	3,978
17 Bank premises	1,105	1,108	1,111	1,112	1,112	1,096	1,107	1,114
Other assets								
18 Denominated in foreign currencies[3]	22,920	21,366	21,378	21,391	21,405	23,508	21,473	21,653
19 All other[4]	8,721	9,208	9,435	9,996	9,599	9,875	8,948	9,814
20 **Total assets**	**436,336**	**441,473**	**444,066**	**447,250**	**438,858**	**437,124**	**433,580**	**435,717**
LIABILITIES								
21 Federal Reserve notes	388,011	390,549	389,619	387,843	387,204	386,617	387,987	386,263
22 **Total deposits**	**30,920**	**32,047**	**37,216**	**41,916**	**34,323**	**36,171**	**30,316**	**32,585**
23 Depository institutions	24,797	26,470	30,613	23,921	27,269	24,471	25,086	23,432
24 U.S. Treasury—General account	5,653	5,065	6,086	17,499	6,553	11,206	4,767	8,620
25 Foreign—Official accounts	180	168	177	167	170	190	166	201
26 Other	290	344	339	330	331	304	298	332
27 Deferred credit items	4,576	7,327	5,148	5,167	4,668	1,665	3,839	3,781
28 Other liabilities and accrued dividends[5]	4,606	4,477	4,549	4,454	4,623	4,582	4,697	4,617
29 **Total liabilities**	**428,113**	**434,399**	**436,531**	**439,381**	**430,818**	**429,035**	**426,839**	**427,247**
CAPITAL ACCOUNTS								
30 Capital paid in	3,908	3,906	3,907	3,910	3,918	3,861	3,910	3,915
31 Surplus	3,683	3,140	3,391	3,525	3,617	3,683	2,832	3,624
32 Other capital accounts	632	27	238	434	505	544	0	931
33 **Total liabilities and capital accounts**	**436,336**	**441,473**	**444,066**	**447,250**	**438,858**	**437,124**	**433,580**	**435,717**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	478,286	480,340	479,996	480,439	479,346	486,368	479,521	484,601
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	470,304	470,192	470,948	471,742	472,233	469,711	470,405	472,874
36 LESS: Held by Federal Reserve Banks	82,294	79,644	81,329	83,898	85,029	83,094	82,418	86,611
37 Federal Reserve notes, net	388,011	390,549	389,619	387,843	387,204	386,617	387,987	386,263
Collateral held against notes, net								
38 Gold certificate account	11,053	11,053	11,053	11,053	11,051	11,053	11,053	11,051
39 Special drawing rights certificate account	10,518	10,518	10,518	10,168	10,168	10,518	10,518	10,168
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	366,440	368,978	368,048	366,623	365,985	365,046	366,417	365,044
42 **Total collateral**	**388,011**	**390,549**	**389,619**	**387,843**	**387,204**	**386,617**	**387,987**	**386,263**

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

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1995					1995		
	Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27	July 31	Aug. 31	Sept. 30
1 **Total loans**	**343**	**251**	**245**	**267**	**340**	**248**	**299**	**421**
2 Within fifteen days[1]	302	64	60	235	306	116	262	273
3 Sixteen days to ninety days	41	187	189	33	35	132	37	149
4 **Total U.S. Treasury securities**	**373,531**	**375,720**	**380,277**	**384,012**	**376,139**	**375,524**	**369,818**	**367,669**
5 Within fifteen days[1]	14,131	18,846	22,724	27,676	15,187	16,480	2,215	2,645
6 Sixteen days to ninety days	86,612	83,959	84,588	88,072	88,437	87,822	86,645	92,851
7 Ninety-one days to one year	121,071	121,622	121,472	116,772	121,022	123,511	129,665	120,681
8 One year to five years	86,195	85,770	85,870	85,870	85,870	84,245	85,770	85,870
9 Five years to ten years	29,992	29,992	29,992	29,992	29,992	28,511	29,992	29,992
10 More than ten years	35,530	35,530	35,630	35,630	35,630	34,955	35,530	35,630
11 **Total federal agency obligations**	**2,941**	**3,040**	**2,942**	**2,941**	**3,045**	**3,063**	**2,941**	**2,895**
12 Within fifteen days[1]	265	120	47	231	335	135	265	185
13 Sixteen days to ninety days	658	975	929	744	747	666	658	747
14 Ninety-one days to one year	479	407	432	432	431	723	479	431
15 One year to five years	1,098	1,098	1,083	1,083	1,081	1,098	1,098	1,081
16 Five years to ten years	417	417	427	427	427	417	417	427
17 More than ten years	25	25	25	25	25	25	25	25

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

NOTE. Total acceptances data have been deleted from this table because data are no longer available.

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

Billions of dollars, averages of daily figures

Item	1991 Dec.	1992 Dec.	1993 Dec.	1994 Dec.	1995 Feb.	1995 Mar.	1995 Apr.	1995 May	1995 June	1995 July	1995 Aug.	1995 Sept.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	45.54	54.35	60.50	59.34	58.92	58.55	57.96	57.76	57.35	57.66	57.52	57.37
2 Nonborrowed reserves[4]	45.34	54.23	60.42	59.13	58.86	58.48	57.85	57.61	57.08	57.28	57.23	57.09
3 Nonborrowed reserves plus extended credit[5]	45.34	54.23	60.42	59.13	58.86	58.48	57.85	57.61	57.08	57.28	57.23	57.09
4 Required reserves	44.56	53.20	59.44	58.17	57.97	57.76	57.20	56.88	56.39	56.57	56.53	56.42
5 Monetary base[6]	317.43	351.12	386.60	418.22	422.31	425.35	428.13	430.69	429.76[r]	429.66[r]	430.86[r]	431.24
	Not seasonally adjusted											
6 Total reserves[7]	46.98	56.06	62.37	61.13	57.72	57.62	58.93	56.82	57.13	57.49	56.93	57.29
7 Nonborrowed reserves	46.78	55.93	62.29	60.92	57.66	57.55	58.82	56.68	56.85	57.12	56.65	57.01
8 Nonborrowed reserves plus extended credit[5]	46.78	55.93	62.29	60.92	57.66	57.55	58.82	56.68	56.85	57.12	56.65	57.01
9 Required reserves[8]	46.00	54.90	61.31	59.96	56.78	56.83	58.18	55.95	56.16	56.40	55.95	56.34
10 Monetary base[9]	321.07	354.55	390.59	422.51	419.25	423.27	428.74	429.29	430.26[r]	431.30[r]	431.08[r]	431.61
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	55.53	56.54	62.86	61.34	57.70	57.58	58.87	56.76	57.04	57.39	56.82	57.16
12 Nonborrowed reserves	55.34	56.42	62.78	61.13	57.64	57.51	58.76	56.61	56.77	57.02	56.54	56.88
13 Nonborrowed reserves plus extended credit[5]	55.34	56.42	62.78	61.13	57.64	57.51	58.76	56.61	56.77	57.02	56.54	56.88
14 Required reserves	54.55	55.39	61.80	60.17	56.75	56.79	58.12	55.88	56.08	56.30	55.83	56.21
15 Monetary base[12]	333.61	360.90	397.62	427.25	423.57	427.56	432.79	433.47	434.57[r]	435.56[r]	435.59[r]	436.19
16 Excess reserves[13]	.98	1.16	1.06	1.17	.95	.79	.75	.88	.96	1.09	.99	.95
17 Borrowings from the Federal Reserve	.19	.12	.08	.21	.06	.07	.11	.15	.27	.37	.28	.28

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data starting in 1959 and estimates of the effect on required reserves of changes in reserve requirements are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.10)

3. Seasonally adjusted, break-adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).

4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).

5. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

6. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).

8. To adjust required reserves for discontinuities that are due to regulatory changes in reserve requirements, a multiplicative procedure is used to estimate what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves include required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).

9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with regulatory changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since the introduction of contemporaneous reserve requirements in February 1984, currency and vault cash figures have been measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

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

Billions of dollars, averages of daily figures

Item	1991 Dec.	1992 Dec.	1993 Dec.	1994 Dec.	1995 June[r]	1995 July[r]	1995 Aug.	1995 Sept.
	Seasonally adjusted							
Measures[2]								
1 M1	897.3	1,024.4	1,128.6	1,148.0	1,143.9	1,145.1	1,143.7[r]	1,140.2
2 M2	3,457.9	3,515.3	3,583.6	3,616.8[r]	3,698.3	3,717.5	3,743.2[r]	3,758.0
3 M3	4,176.0	4,182.9	4,242.3	4,304.0[r]	4,459.4	4,490.5	4,519.1[r]	4,535.4
4 L	4,989.8	5,059.3	5,145.8	5,269.8[r]	5,471.6	5,524.2	5,559.1	n.a.
5 Debt	11,179.9	11,719.6	12,341.5	12,959.6	13,374.8	13,411.4	13,450.9	n.a.
M1 components								
6 Currency[3]	267.4	292.8	322.1	354.5	367.4	367.2	368.3	369.1
7 Travelers checks[4]	7.7	8.1	7.9	8.4	9.0	8.9	8.9	8.8
8 Demand deposits[5]	289.5	338.9	383.9	382.2	386.8	389.5	390.1	389.8
9 Other checkable deposits[6]	332.7	384.6	414.7	402.9	380.7	379.5	376.4	372.4
Nontransaction components								
10 In M2[7]	2,560.6	2,490.9	2,455.0	2,468.8[r]	2,554.4	2,572.4	2,599.5[r]	2,617.8
11 In M3 only[8]	718.1	667.6	658.7	687.2	761.2	773.0	776.0[r]	777.5
Commercial banks								
12 Savings deposits, including MMDAs	665.6	754.7	785.8	752.3	728.1	730.7	739.5[r]	746.7
13 Small time deposits[9]	602.5	508.1	468.6	502.6	562.4	566.7	568.8	569.7
14 Large time deposits[10, 11]	333.3	286.7	271.2	296.6	318.5	323.7	325.2[r]	327.4
Thrift institutions								
15 Savings deposits, including MMDAs	375.6	428.9	429.8	391.9	363.0	360.7	358.7[r]	358.6
16 Small time deposits[9]	464.1	361.1	316.5	318.3[r]	357.3	357.5	358.0[r]	359.3
17 Large time deposits[10]	83.3	67.1	61.6	64.9	70.8	72.6	73.2	73.7
Money market mutual funds								
18 General purpose and broker–dealer	374.2	356.9	360.1	389.0	426.2	442.0	455.9[r]	462.6
19 Institution-only	180.0	200.2	198.1	180.8	205.6	212.4	210.8	213.5
Debt components								
20 Federal debt	2,763.6	3,068.3	3,328.0	3,497.4	3,602.0	3,614.4	3,620.0	n.a.
21 Nonfederal debt	8,416.3	8,651.2	9,013.6	9,462.3[r]	9,772.9	9,797.0	9,830.9	n.a.
	Not seasonally adjusted							
Measures[2]								
22 M1	916.0	1,046.0	1,153.7	1,173.7	1,139.3	1,144.1	1,137.3[r]	1,136.2
23 M2	3,472.7	3,533.6	3,606.1	3,640.4[r]	3,693.8	3,717.0	3,736.2[r]	3,747.9
24 M3	4,189.4	4,201.4	4,266.1	4,330.1[r]	4,453.1	4,483.8	4,512.9[r]	4,523.0
25 L	5,014.2	5,088.9	5,180.3	5,307.4[r]	5,459.9	5,510.7	5,548.1	n.a.
26 Debt	11,176.9	11,720.2	12,333.7	12,951.6	13,309.0	13,356.5	13,389.1	n.a.
M1 components								
27 Currency[3]	269.9	295.0	324.8	357.6	368.2	369.0	369.0	369.2
28 Travelers checks[4]	7.4	7.8	7.6	8.1	9.2	9.5	9.5	9.3
29 Demand deposits[5]	302.4	354.4	401.8	400.3	382.6	388.7	386.6	388.2
30 Other checkable deposits[6]	336.3	388.9	419.4	407.6	379.3	376.8	372.2	369.5
Nontransaction components								
31 In M2[7]	2,556.6	2,487.7	2,452.5	2,466.7[r]	2,554.5	2,572.9	2,598.9[r]	2,611.6
32 In M3 only[8]	716.7	667.7	660.0	689.7	759.3	766.8	776.7[r]	775.1
Commercial banks								
33 Savings deposits, including MMDAs	664.0	752.9	784.3	751.1	730.2	732.6	740.8[r]	746.8
34 Small time deposits[9]	601.9	507.8	468.2	502.2	562.0	567.5	569.4	570.2
35 Large time deposits[10, 11]	332.6	286.2	270.8	296.3	320.0	322.3	326.6[r]	328.6
Thrift institutions								
36 Savings deposits, including MMDAs	374.8	427.9	429.0	391.2	364.0	361.6	359.3[r]	358.7
37 Small time deposits[9]	463.7	360.9	316.2	318.1[r]	357.0	357.9	358.3[r]	359.6
38 Large time deposits[10]	83.1	67.0	61.5	64.8	71.1	72.3	73.5	73.9
Money market mutual funds								
39 General purpose and broker–dealer	372.2	355.1	358.3	387.1	423.9	438.9	452.6[r]	454.9
40 Institution-only	180.8	201.7	200.0	183.1	199.2	206.6	209.3	209.0
Repurchase agreements and Eurodollars								
41 Overnight and continuing	79.9	83.2	96.5	117.1	117.3	114.3	118.4	121.4
42 Term	132.7	127.8	143.9	157.9	182.2	178.6	180.3[r]	176.8
Debt components								
43 Federal debt	2,765.0	3,069.8	3,329.5	3,499.0	3,579.3	3,588.8	3,602.2	n.a.
44 Nonfederal debt	8,411.9	8,650.4	9,004.2	9,452.7	9,729.7	9,767.7	9,786.9	n.a.

Footnotes appear on following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data starting in 1959 are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

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

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

M2: M1 plus (1) 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: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

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

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

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

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

7. Sum of (1) overnight RPs and overnight Eurodollars, (2) money market fund balances (general purpose and broker–dealer), (3) savings deposits (including MMDAs), and (4) 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 (5) 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, the U.S. government, and foreign banks and official institutions.

1.22 DEPOSIT INTEREST RATES AND AMOUNTS OUTSTANDING Commercial and BIF-insured saving banks[1]

Item	1993 Dec.	1994 Dec.	1995 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.[r]	Sept.
	Interest rates (annual effective yields)[2]										
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts	1.86	1.96	1.98	2.01	2.00	1.95	1.96	1.94	1.91	1.93	1.93
2 Savings deposits[3]	2.46	2.91	2.98	3.09	3.14	3.17	3.20	3.19	3.15	3.12	3.14
Interest-bearing time deposits with balances of less than $100,000, by maturity											
3 7 to 91 days	2.65	3.81	3.96	4.19	4.24	4.28	4.25	4.19	4.17	4.10	4.10
4 92 to 182 days	2.91	4.44	4.67	4.83	4.97	4.94	4.93	4.81	4.77	4.77	4.76
5 183 days to 1 year	3.13	5.12	5.39	5.57	5.60	5.60	5.49	5.27	5.18	5.15	5.14
6 More than 1 year to 2½ years	3.55	5.74	6.00	6.12	6.12	6.05	5.83	5.53	5.38	5.39	5.32
7 More than 2½ years	4.29	6.30	6.47	6.52	6.45	6.37	6.11	5.79	5.62	5.63	5.60
BIF-INSURED SAVINGS BANKS[4]											
8 Negotiable order of withdrawal accounts	1.87	1.95	1.99	2.04	1.99	1.99	2.00	1.98	1.96	1.98	1.98
9 Savings deposits[3]	2.63	2.88	2.91	2.95	2.94	2.93	2.95	2.97	2.97	2.95	2.96
Interest-bearing time deposits with balances of less than $100,000, by maturity											
10 7 to 91 days	2.70	3.80	3.98	4.17	4.21	4.18	4.24	4.24	4.28	4.34	4.29
11 92 to 182 days	3.02	4.89	5.13	5.33	5.37	5.38	5.31	5.22	5.16	5.12	5.08
12 183 days to 1 year	3.31	5.52	5.75	5.94	5.94	5.87	5.83	5.61	5.47	5.45	5.35
13 More than 1 year to 2½ years	3.66	6.09	6.29	6.37	6.32	6.25	6.08	5.78	5.62	5.60	5.51
14 More than 2½ years	4.62	6.43	6.68	6.75	6.68	6.59	6.32	5.98	5.82	5.78	5.73
	Amounts outstanding (millions of dollars)										
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts	305,223	303,724	291,355	290,188	292,811	286,987	274,281	274,573	271,777	266,715	252,223
16 Savings deposits[3]	766,413	734,519	723,295	714,955	713,440	698,963	714,989	718,393	723,302	733,011	743,305
17 Personal	597,838	578,459	569,619	564,877	564,086	550,674	560,563	563,795	567,624	572,916	585,501
18 Nonpersonal	168,575	156,060	153,676	150,078	149,354	148,289	154,426	154,599	155,678	160,096	157,804
Interest-bearing time deposits with balances of less than $100,000, by maturity											
19 7 to 91 days	29,455	32,375	32,154	31,777	31,623	31,530	31,472	32,140	32,950	30,722	29,761
20 92 to 182 days	110,069	95,901	96,895	98,248	95,583	94,368	93,188	91,999	91,347	89,896	91,322
21 183 days to 1 year	146,565	161,831	163,939	169,103	176,657	179,625	184,560	187,185	186,716	187,141	187,505
22 More than 1 year to 2½ years	141,223	162,486	168,515	176,877	183,275	189,652	194,963	198,541	201,761	203,466	204,376
23 More than 2½ years	181,528	190,897	190,215	191,383	194,722	194,426	192,542	195,024	194,500	199,944	200,336
24 IRA and Keogh plan deposits	143,985	143,428	143,900	145,040	145,959	146,679	146,842	148,894	148,878	149,320	148,886
BIF-INSURED SAVINGS BANKS[4]											
25 Negotiable order of withdrawal accounts	11,151	11,317	11,127	10,950	11,218	11,005	11,019	11,354	11,262	11,104	11,393
26 Savings deposits[3]	80,115	70,642	71,639	69,982	68,595	67,453	67,322	67,185	66,706	66,776	69,669
27 Personal	77,035	67,673	68,760	67,144	65,692	64,204	64,484	63,966	63,524	63,483	66,374
28 Nonpersonal	3,079	2,969	2,878	2,837	2,902	3,248	2,838	3,219	3,182	3,293	3,294
Interest-bearing time deposits with balances of less than $100,000, by maturity											
29 7 to 91 days	2,793	2,166	2,041	2,086	1,943	1,780	1,885	1,567	1,784	1,873	1,735
30 92 to 182 days	12,946	11,793	12,084	11,953	11,707	11,245	11,449	11,025	11,131	11,183	11,233
31 183 days to 1 year	17,426	18,753	19,336	19,979	20,277	21,051	20,956	21,702	22,157	22,488	24,779
32 More than 1 year to 2½ years	16,546	17,842	20,460	21,870	22,648	23,445	24,014	24,658	25,141	25,296	27,784
33 More than 2½ years	20,464	21,600	21,888	22,275	22,446	22,671	22,819	22,935	22,930	22,780	23,301
34 IRA and Keogh plan accounts	19,356	19,325	19,802	20,099	20,221	20,388	20,236	20,499	20,568	20,531	21,789

1. BIF, Bank Insurance Fund. Data in this table also appear in the Board's H.6 (508) Special Supplementary Table monthly statistical release. For ordering address, see inside front cover. Estimates are based on data collected by the Federal Reserve System from a stratified random sample of about 425 commercial banks and 75 savings banks on the last day of each month. Data are not seasonally adjusted and include IRA and Keogh deposits and foreign currency-denominated deposits. Data exclude retail repurchase agreements and deposits held in U.S. branches and agencies of foreign banks.

2. As of October 31, 1994, interest rate data for NOW accounts and savings deposits reflect a series break caused by a change in the survey used to collect these data.
3. Includes personal and nonpersonal money market deposits.
4. Includes both mutual and federal savings banks.

1.23 BANK DEBITS AND DEPOSIT TURNOVER[1]

Debits are in billions of dollars; turnover is ratio of debits to deposits; monthly data are at annual rates

Bank group, or type of deposit	1992[2]	1993[2]	1994[2]	1995 Feb.	1995 Mar.	1995 Apr.	1995 May	1995 June	1995 July
DEBITS	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	313,128.1	334,784.1	369,029.1	384,140.0	393,325.2	362,527.2	418,140.7	408,037.0	389,896.6
2 Major New York City banks	165,447.7	171,224.3	191,168.8	195,129.3	197,666.4	185,751.6	217,464.9	203,338.6	197,709.7
3 Other banks	147,680.4	163,559.7	177,860.3	189,010.7	195,658.8	176,775.6	200,675.8	204,698.4	192,187.0
4 Other checkable deposits[4]	3,780.3	3,481.5	3,798.6	3,918.2	4,044.4	3,666.2	4,167.8	3,964.7	3,539.3
5 Savings deposits (including MMDAs)[5]	3,309.1	3,497.4	3,766.3	3,989.8	3,889.3	3,565.7	4,022.0	4,408.5	4,002.8
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	825.9	785.9	817.4	857.2	880.4	807.4	934.4	896.7	847.8
7 Major New York City banks	4,795.3	4,198.1	4,481.5	4,675.9	4,754.1	4,551.2	5,168.0	4,780.3	4,625.9
8 Other banks	428.7	424.6	435.1	465.1	482.9	433.1	495.0	496.2	460.7
9 Other checkable deposits[4]	14.4	11.9	12.6	13.4	13.9	12.6	14.7	14.3	12.7
10 Savings deposits (including MMDAs)[5]	4.7	4.6	4.9	5.5	5.4	5.0	5.6	6.1	5.5
DEBITS	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	313,344.9	334,899.2	369,121.8	355,792.9	412,196.9	357,561.2	407,765.3	420,396.4	389,072.0
12 Major New York City banks	165,595.0	171,283.5	191,226.1	181,697.8	209,255.5	180,169.1	207,259.8	209,349.5	196,873.1
13 Other banks	147,749.9	163,615.7	177,895.7	174,095.1	202,941.4	177,392.1	200,505.5	211,046.9	192,198.9
14 Other checkable deposits[4]	3,783.6	3,481.7	3,795.6	3,609.9	4,083.5	3,874.2	4,004.2	4,078.9	3,472.0
15 Savings deposits (including MMDAs)[5]	3,310.0	3,498.3	3,764.4	3,611.3	3,989.3	3,727.1	3,981.9	4,516.3	4,070.5
DEPOSIT TURNOVER									
Demand deposits[3]									
16 All insured banks	826.1	786.1	818.2	812.4	946.3	796.3	927.6	936.0	846.7
17 Major New York City banks	4,803.5	4,197.9	4,490.3	4,347.5	5,145.1	4,459.5	5,095.1	5,037.0	4,658.7
18 Other banks	428.8	424.8	435.3	439.5	513.9	434.1	502.6	517.8	460.6
19 Other checkable deposits[4]	14.4	11.9	12.6	12.3	14.0	13.0	14.3	14.8	12.7
20 Savings deposits (including MMDAs)[5]	4.7	4.6	4.9	5.0	5.6	5.2	5.6	6.2	5.6

1. Historical tables containing revised data for earlier periods can be obtained from the Publications Section, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, DC 20551.
Data in this table also appear in the Board's G.6 (406) monthly statistical release. For ordering address, see inside front cover.
2. Annual averages of monthly figures.
3. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.
4. As of January 1994, other checkable deposits (OCDs), previously defined as automatic transfer to demand deposits (ATSs) and negotiable order of withdrawal (NOW) accounts, were expanded to include telephone and preauthorized transfer accounts. This change redefined OCDs for debits data to be consistent with OCDs for deposits data.
5. Money market deposit accounts.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1994[r]	1995[r]							1995			
	Sept.	Mar.	Apr.	May	June	July	Aug.	Sept.	Sept. 6	Sept. 13	Sept. 20	Sept. 27
ALL COMMERCIAL BANKING INSTITUTIONS	Seasonally adjusted											
Assets												
1 Bank credit	3,285.2	3,387.7	3,455.3	3,482.3	3,497.0	3,514.0	3,530.3	3,552.4	3,540.2	3,549.1	3,558.8	3,561.6
2 Securities in bank credit	971.2	939.2	981.0	976.9	973.5	964.3	971.3	977.0	966.4	980.2	978.7	980.7
3 U.S. government securities	750.0	711.5	710.3	713.1	710.8	704.8	709.1	706.4	704.3	707.3	703.9	708.1
4 Other securities	221.1	227.6	270.7	263.7	262.8	259.5	262.3	270.6	262.1	272.9	274.8	272.6
5 Loans and leases in bank credit[2]	2,314.0	2,448.5	2,474.3	2,505.4	2,523.5	2,549.7	2,559.0	2,575.4	2,573.8	2,569.0	2,580.1	2,580.8
6 Commercial and industrial	626.6	673.7	681.0	688.9	691.7	697.0	698.3	702.3	701.3	701.2	704.5	702.6
7 Real estate	980.7	1,028.3	1,036.4	1,041.7	1,049.7	1,060.6	1,066.3	1,070.5	1,068.4	1,071.1	1,071.0	1,071.2
8 Revolving home equity	74.4	76.4	77.0	77.6	78.1	78.6	78.5	78.9	78.8	78.9	79.0	78.9
9 Other	906.3	951.9	959.4	964.1	971.5	982.0	987.7	991.6	989.6	992.2	992.0	992.2
10 Consumer	434.2	465.4	471.5	473.3	478.5	481.7	487.0	490.1	491.4	489.1	489.5	490.9
11 Security[3]	76.3	74.7	78.1	89.7	89.7	88.9	84.2	86.6	88.7	81.8	88.7	89.8
12 Other	196.3	206.4	207.4	211.8	213.9	221.6	223.1	225.9	224.0	225.8	226.5	226.3
13 Interbank loans[4]	160.8	182.5	180.7	185.5	187.6	194.8	191.5	195.1	190.4	192.5	190.0	208.8
14 Cash assets[5]	202.7	208.8	208.7	210.8	211.3	214.1	208.7	212.3	214.8	207.9	211.5	212.9
15 Other assets[6]	222.9	235.5	225.9	224.9	225.1	225.8	225.6	230.0	230.6	235.2	227.3	225.5
16 **Total assets**[7]	**3,814.7**	**3,958.2**	**4,013.6**	**4,046.6**	**4,064.1**	**4,091.6**	**4,099.4**	**4,132.9**	**4,119.3**	**4,128.0**	**4,130.8**	**4,151.9**
Liabilities												
17 Deposits	2,517.6	2,546.5	2,554.7	2,567.3	2,584.5	2,608.2	2,614.3	2,627.8	2,627.5	2,617.9	2,628.8	2,633.9
18 Transaction	803.2	793.3	788.6	785.3	781.2	793.4	784.8	782.3	787.4	776.1	788.1	780.4
19 Nontransaction	1,714.4	1,753.2	1,766.1	1,782.0	1,803.3	1,814.9	1,829.5	1,845.5	1,840.1	1,841.8	1,840.7	1,853.5
20 Large time	347.4	382.3	388.6	392.9	395.9	400.8	407.3	414.0	411.6	412.7	411.8	416.7
21 Other	1,367.0	1,370.9	1,377.5	1,389.2	1,407.4	1,414.1	1,422.3	1,431.6	1,428.5	1,429.1	1,428.9	1,436.9
22 Borrowings	580.1	654.7	682.7	688.8	676.6	691.9	672.6	676.8	653.5	670.1	679.0	700.7
23 From banks in the U.S.	160.5	186.3	186.1	187.6	187.5	201.0	196.5	200.3	194.3	200.3	193.1	215.9
24 From nonbanks in the U.S.	419.6	468.4	496.6	501.2	489.0	490.9	476.1	476.5	459.2	469.7	485.9	484.7
25 Net due to related foreign offices	211.4	241.7	234.8	239.8	244.8	236.4	248.0	254.0	248.0	258.1	256.6	254.3
26 Other liabilities[8]	178.1	189.8	218.0	213.4	211.1	202.2	205.4	215.3	213.5	224.0	215.7	210.7
27 **Total liabilities**	**3,487.2**	**3,632.7**	**3,690.1**	**3,709.4**	**3,717.0**	**3,738.8**	**3,740.3**	**3,773.9**	**3,742.5**	**3,770.1**	**3,780.1**	**3,799.5**
28 Residual (assets less liabilities)[9]	327.6	325.5	323.6	337.2	347.1	352.8	359.0	359.1	376.8	358.0	350.7	352.3
	Not seasonally adjusted											
Assets												
29 Bank credit	3,283.3	3,388.4	3,456.7	3,474.1	3,493.4	3,500.8	3,520.3	3,547.5	3,540.0	3,547.6	3,554.8	3,548.1
30 Securities in bank credit	969.4	946.9	987.6	978.2	974.3	959.8	968.9	972.6	970.4	977.6	971.1	970.5
31 U.S. government securities	752.4	716.6	714.6	712.2	710.5	700.9	709.9	708.1	708.5	710.1	705.8	707.5
32 Other securities	217.0	230.3	273.0	265.9	263.8	258.9	259.0	264.4	261.8	267.4	265.3	263.0
33 Loans and leases in bank credit[2]	2,313.9	2,441.5	2,469.1	2,495.9	2,519.1	2,541.0	2,551.4	2,574.9	2,569.6	2,570.0	2,583.8	2,577.6
34 Commercial and industrial	623.1	676.9	685.4	692.0	693.7	696.3	694.9	698.5	696.3	695.8	702.4	698.6
35 Real estate	982.0	1,023.4	1,032.2	1,040.1	1,049.4	1,059.9	1,065.5	1,071.8	1,068.9	1,073.3	1,071.8	1,072.1
36 Revolving home equity	74.7	75.7	76.4	77.5	78.2	78.6	78.7	79.2	78.9	79.2	79.3	79.4
37 Other	907.3	947.8	955.8	962.6	971.2	981.3	986.8	992.5	990.0	994.1	992.5	992.7
38 Consumer	435.1	461.9	468.3	471.8	475.9	479.3	486.6	491.2	491.3	489.9	491.5	492.9
39 Security[3]	74.5	75.9	78.9	83.5	85.6	83.5	81.1	85.0	84.8	82.7	89.9	85.9
40 Other	199.2	203.3	204.3	208.5	214.5	222.0	223.3	228.4	228.3	228.3	228.3	228.1
41 Interbank loans[4]	158.0	180.6	180.3	179.9	184.6	190.7	186.8	191.4	191.9	191.1	183.1	200.1
42 Cash assets[5]	204.1	203.1	205.0	208.3	209.4	211.0	201.1	213.8	228.9	211.5	208.9	208.0
43 Other assets[6]	223.4	231.0	222.1	224.1	223.7	225.4	227.4	230.5	233.9	235.3	225.3	226.1
44 **Total assets**[7]	**3,811.7**	**3,946.5**	**4,007.4**	**4,029.4**	**4,054.2**	**4,071.2**	**4,078.8**	**4,126.2**	**4,137.7**	**4,128.4**	**4,115.1**	**4,125.4**
Liabilities												
45 Deposits	2,514.4	2,536.8	2,557.7	2,558.3	2,581.6	2,599.1	2,600.2	2,624.2	2,657.8	2,627.2	2,606.6	2,602.3
46 Transaction	800.4	781.2	793.5	774.1	775.6	784.1	768.8	779.5	812.4	781.8	770.0	756.6
47 Nontransaction	1,714.0	1,755.7	1,764.2	1,784.1	1,806.0	1,815.0	1,831.5	1,844.7	1,845.4	1,845.4	1,836.7	1,845.7
48 Large time	347.3	383.5	387.2	397.1	398.4	400.1	407.9	413.9	412.1	413.7	411.6	415.9
49 Other	1,366.6	1,372.2	1,377.0	1,387.0	1,407.6	1,414.9	1,423.6	1,430.8	1,433.4	1,431.7	1,425.1	1,429.8
50 Borrowings	590.0	643.5	663.9	674.8	683.6	692.8	681.5	686.7	675.4	677.4	697.1	697.5
51 From banks in the U.S.	158.6	182.6	182.5	182.1	187.4	197.4	194.3	198.3	200.7	200.0	188.4	205.5
52 From nonbanks in the U.S.	431.4	460.9	481.5	492.6	496.1	495.5	487.2	488.5	474.7	477.4	508.7	492.0
53 Net due to related foreign offices	205.9	245.1	237.0	245.2	238.9	233.9	243.2	247.5	236.3	246.4	247.2	261.9
54 Other liabilities[8]	177.8	189.3	212.9	211.5	206.4	199.5	204.7	214.9	213.8	223.4	213.1	211.3
55 **Total liabilities**	**3,488.0**	**3,614.7**	**3,671.6**	**3,689.7**	**3,710.5**	**3,725.4**	**3,729.6**	**3,773.3**	**3,783.3**	**3,774.4**	**3,764.0**	**3,773.0**
56 Residual (assets less liabilities)[9]	323.7	331.8	335.8	339.7	343.7	345.8	349.2	352.9	354.4	354.0	351.1	352.4

Footnotes appear on last page.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]—Continued

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1994[r]	1995[r]							1995			
	Sept.	Mar.	Apr.	May	June	July	Aug.	Sept.	Sept. 6	Sept. 13	Sept. 20	Sept. 27
DOMESTICALLY CHARTERED COMMERCIAL BANKS	Seasonally adjusted											
Assets												
57 Bank credit	2,930.0	3,022.8	3,057.2	3,081.5	3,097.8	3,109.1	3,123.0	3,139.0	3,129.3	3,133.1	3,143.2	3,150.1
58 Securities in bank credit	882.7	853.1	862.9	860.4	858.8	849.4	852.6	857.4	851.1	857.2	857.7	862.4
59 U.S. government securities	681.8	648.1	645.3	646.8	646.7	640.9	642.6	642.7	641.3	641.5	640.2	645.9
60 Other securities	200.9	205.0	217.6	213.6	212.1	208.5	210.0	214.7	209.8	215.7	217.5	216.5
61 Loans and leases in bank credit[2]	2,047.3	2,169.7	2,194.3	2,221.0	2,239.1	2,259.7	2,270.3	2,281.6	2,278.3	2,275.9	2,285.5	2,287.7
62 Commercial and industrial	469.2	502.3	510.5	516.6	518.9	523.4	524.4	526.7	525.4	525.0	527.8	528.1
63 Real estate	938.7	988.2	997.3	1,003.3	1,011.4	1,022.7	1,029.3	1,034.0	1,031.9	1,034.5	1,034.5	1,034.9
64 Revolving home equity	74.4	76.3	77.0	77.6	78.1	78.6	78.5	78.9	78.8	78.9	79.0	78.9
65 Other	864.3	911.9	920.4	925.7	933.3	944.1	950.8	955.1	953.2	955.6	955.5	955.9
66 Consumer	434.2	465.4	471.5	473.3	478.5	481.7	487.0	490.1	491.4	489.1	489.5	490.9
67 Security[3]	43.6	46.0	45.5	54.0	55.4	52.1	50.4	50.8	49.9	47.4	53.7	53.5
68 Other	161.7	167.9	169.5	173.7	174.7	179.8	179.2	180.1	179.5	180.0	180.0	180.3
69 Interbank loans[4]	137.2	157.2	157.8	160.6	164.3	172.3	164.6	167.6	164.9	167.0	166.6	173.4
70 Cash assets[5]	180.7	182.1	182.5	182.6	184.4	187.3	182.5	187.0	190.0	181.9	186.4	188.4
71 Other assets[6]	168.9	176.1	173.4	170.6	170.3	172.9	172.5	174.7	174.3	175.2	173.6	173.2
72 **Total assets**[7]	**3,360.0**	**3,481.8**	**3,514.0**	**3,538.4**	**3,560.0**	**3,584.5**	**3,585.8**	**3,611.7**	**3,601.8**	**3,600.6**	**3,612.9**	**3,628.3**
Liabilities												
73 Deposits	2,367.7	2,395.8	2,398.6	2,409.5	2,424.1	2,447.2	2,448.0	2,457.1	2,458.2	2,449.2	2,461.1	2,458.5
74 Transaction	793.2	782.9	778.7	775.9	771.9	784.0	775.4	773.3	778.6	767.2	779.3	771.0
75 Nontransaction	1,574.5	1,612.9	1,619.9	1,633.6	1,652.2	1,663.3	1,672.6	1,683.8	1,679.7	1,682.0	1,681.7	1,687.6
76 Large time	209.8	242.4	244.4	247.1	247.6	247.9	248.9	252.6	251.1	253.3	252.7	252.2
77 Other	1,364.7	1,370.5	1,375.5	1,386.6	1,404.6	1,415.4	1,423.7	1,431.2	1,428.5	1,428.7	1,429.0	1,435.3
78 Borrowings	476.0	540.6	565.1	569.6	563.2	572.7	555.6	561.6	536.2	549.6	567.7	586.0
79 From banks in the U.S.	143.5	167.4	165.3	164.9	168.2	181.5	178.4	182.2	174.2	179.8	176.5	199.5
80 From nonbanks in the U.S.	332.5	373.2	399.9	404.8	395.0	391.2	377.2	379.5	362.0	369.8	391.2	386.5
81 Net due to related foreign offices	60.2	85.3	82.0	84.0	90.2	82.1	91.0	93.4	87.8	97.2	92.0	97.0
82 Other liabilities[8]	133.5	139.7	151.9	147.1	145.4	137.8	138.6	146.2	145.2	149.3	148.2	143.8
83 **Total liabilities**	**3,037.5**	**3,161.3**	**3,197.7**	**3,210.2**	**3,223.0**	**3,239.8**	**3,233.1**	**3,258.3**	**3,227.4**	**3,245.3**	**3,269.0**	**3,285.3**
84 Residual (assets less liabilities)[9]	322.5	320.4	316.2	328.2	337.0	344.7	352.7	353.4	374.4	355.3	343.9	342.9
	Not seasonally adjusted											
Assets												
85 Bank credit	2,930.7	3,022.0	3,061.4	3,079.9	3,098.7	3,099.3	3,114.8	3,137.3	3,132.2	3,134.1	3,142.0	3,140.0
86 Securities in bank credit	881.6	859.8	870.8	862.9	861.8	845.8	850.4	854.3	854.5	856.0	852.6	854.1
87 U.S. government securities	684.7	652.5	650.7	647.7	647.6	637.9	643.6	645.0	645.6	645.1	642.8	645.7
88 Other securities	196.9	207.4	220.1	215.2	214.3	207.9	206.8	209.4	208.9	211.0	209.8	208.4
89 Loans and leases in bank credit[2]	2,049.1	2,162.2	2,190.6	2,217.0	2,236.9	2,253.6	2,264.4	2,283.0	2,277.7	2,278.0	2,289.4	2,285.9
90 Commercial and industrial	466.1	505.0	514.8	520.4	520.8	522.3	520.6	523.4	520.9	520.7	525.9	524.6
91 Real estate	939.7	983.3	993.5	1,001.8	1,011.2	1,022.1	1,028.4	1,035.0	1,032.1	1,036.5	1,034.9	1,035.6
92 Revolving home equity	74.7	75.7	76.4	77.5	78.2	78.6	78.7	79.2	78.9	79.2	79.3	79.4
93 Other	865.0	907.7	917.1	924.3	933.1	943.5	949.7	955.8	953.2	957.3	955.7	956.2
94 Consumer	435.1	461.9	468.3	471.8	475.9	479.3	486.6	491.2	491.3	489.9	491.5	492.9
95 Security[3]	43.7	46.7	46.8	51.9	54.2	50.0	49.3	50.9	50.0	48.6	55.3	51.0
96 Other	164.4	165.3	167.3	171.1	174.7	179.8	179.6	182.5	183.4	182.4	181.8	181.7
97 Interbank loans[4]	133.8	156.6	157.7	155.4	162.7	167.8	161.1	163.0	168.2	164.6	158.9	161.2
98 Cash assets[5]	180.9	177.0	179.6	181.4	182.0	184.0	174.2	187.1	202.8	184.3	182.3	181.5
99 Other assets[6]	170.3	172.9	170.9	169.9	169.6	173.3	173.4	176.2	177.7	176.1	173.1	174.9
100 **Total assets**[7]	**3,358.7**	**3,472.0**	**3,513.0**	**3,529.7**	**3,556.1**	**3,567.8**	**3,566.7**	**3,606.8**	**3,624.1**	**3,602.1**	**3,599.3**	**3,600.7**
Liabilities												
101 Deposits	2,365.1	2,384.3	2,402.9	2,398.5	2,418.3	2,438.3	2,434.3	2,454.4	2,489.6	2,459.3	2,440.1	2,426.8
102 Transaction	789.7	771.3	784.0	765.2	766.5	774.7	759.5	769.9	803.2	772.4	760.4	746.2
103 Nontransaction	1,575.4	1,613.0	1,618.8	1,633.3	1,651.8	1,663.6	1,674.8	1,684.5	1,686.4	1,686.9	1,679.7	1,680.7
104 Large time	210.7	241.2	243.7	248.7	247.2	248.0	250.7	253.6	252.8	255.2	253.9	251.9
105 Other	1,364.7	1,371.8	1,375.2	1,384.6	1,404.6	1,415.6	1,424.2	1,430.9	1,433.6	1,431.7	1,425.8	1,428.8
106 Borrowings	485.2	531.2	546.6	560.0	568.3	570.9	562.5	570.8	556.9	555.1	582.0	586.4
107 From banks in the U.S.	141.2	163.8	162.8	161.6	167.8	177.4	176.4	179.6	180.1	177.8	171.3	189.3
108 From nonbanks in the U.S.	344.1	367.5	383.8	398.5	400.5	393.5	386.1	391.2	376.8	377.3	410.7	397.1
109 Net due to related foreign offices	56.8	89.7	84.1	91.8	89.6	81.7	89.1	88.7	84.0	91.0	85.6	96.4
110 Other liabilities[8]	133.3	140.1	148.7	144.9	141.6	136.7	137.4	145.9	144.9	148.5	146.2	144.4
111 **Total liabilities**	**3,040.4**	**3,145.3**	**3,182.3**	**3,195.2**	**3,217.8**	**3,227.6**	**3,223.3**	**3,259.8**	**3,275.5**	**3,253.9**	**3,254.1**	**3,254.1**
112 Residual (assets less liabilities)[9]	318.4	326.7	330.7	334.5	338.3	340.2	343.4	347.0	348.6	348.2	345.2	346.6

Footnotes appear on following page.

NOTES TO TABLE 1.26

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic); other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks; New York State investment companies, and Edge Act and agreement corporations (foreign-related institutions). Excludes international banking facilities. Data are Wednesday values, or pro rata averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign-related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.

2. Excludes federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

3. Consists of reserve repurchase agreements with broker–dealers and loans to purchase and carry securities.

4. Consists of federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

5. Includes vault cash, cash items in process of collection, demand balances due from depository institutions in the United States, balances due from Federal Reserve Banks, and other cash assets.

6. Excludes the due-from position with related foreign offices, which is included in lines 25, 53, 81, and 109.

7. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.

8. Excludes the due-to position with related foreign offices, which is included in lines 25, 53, 81, and 109.

9. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS

Millions of dollars, Wednesday figures

Account	1995								
	Aug. 2	Aug. 9	Aug. 16	Aug. 23	Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27
ASSETS									
1 Cash and balances due from depository institutions	115,646	104,701	108,438	103,019	102,961	124,827	114,432	114,874	115,730
2 U.S. Treasury and government securities	296,111[r]	298,123	297,369	300,076	297,480	298,857	297,171	294,945	296,670
3 Trading account	20,549	21,793	19,296	20,070	18,970	20,964	21,641	19,806	20,331
4 Investment account	275,561	276,330	278,073	280,007	278,510	277,893	275,530	275,139	276,339
5 Mortgage-backed securities[1]	99,016	99,020	100,420	101,816	102,167	102,169	101,803	103,327	104,771
All others, by maturity									
6 One year or less	44,834	44,808	44,555	44,115	44,201	45,051	43,900	43,506	42,937
7 One year through five years	71,671	72,606	73,576	74,511	72,950	71,715	70,771	69,702	70,568
8 More than five years	60,041	59,896	59,523	59,564	59,192	58,958	59,056	58,605	58,063
9 Other securities	120,869	119,751	123,003	122,471	124,709	124,435	126,387	125,268	124,192
10 Trading account	1,532	1,465	1,635	1,698	1,600	1,475	1,484	1,429	1,487
11 Investment account	62,357	62,490	62,619	62,904	62,690	62,833	63,015	62,873	62,687
12 State and local government, by maturity	19,718	19,688	19,950	19,970	20,065	19,926	19,970	19,992	19,936
13 One year or less	5,072	5,077	5,106	5,107	5,215	5,196	5,193	5,216	5,189
14 More than one year	14,646	14,611	14,844	14,862	14,850	14,729	14,777	14,776	14,747
15 Other bonds, corporate stocks, and securities	42,639	42,801	42,669	42,934	42,625	42,907	43,045	42,882	42,751
16 Other trading account assets	56,981	55,796	58,748	57,869	60,419	60,127	61,888	60,965	60,017
17 Federal funds sold[2]	112,113	101,260	102,327	92,357	98,693	101,769	102,962	104,314	102,266
18 To commercial banks in the United States	75,898	63,707	68,325	61,257	66,042	66,164	67,357	66,766	68,694
19 To nonbank brokers and dealers in securities	30,104	31,402	28,777	26,182	27,503	29,466	28,139	32,080	28,741
20 To others[3]	6,112	6,152	5,226	4,918	5,147	6,140	7,467	5,469	4,830
21 Other loans and leases, gross	1,244,874	1,243,132	1,241,618	1,244,203	1,247,173	1,249,317	1,248,518	1,256,708	1,256,662
22 Commercial and industrial	345,781[r]	344,199[r]	342,357[r]	340,536[r]	340,085[r]	341,598	341,561	345,621	344,060
23 Bankers acceptances and commercial paper	1,559[r]	1,557[r]	1,579[r]	1,516[r]	1,556[r]	1,423	1,496	1,568	1,561
24 All other	344,222[r]	342,643[r]	340,778[r]	339,020[r]	338,529[r]	340,175	340,065	344,053	342,500
25 U.S. addressees	341,494[r]	339,882[r]	338,198[r]	336,429[r]	336,022[r]	337,635	337,530	341,539	340,027
26 Non-U.S. addressees	2,728	2,761	2,580	2,591	2,506	2,540	2,536	2,514	2,473
27 Real estate loans	491,873[r]	493,964[r]	493,596[r]	494,678[r]	495,409[r]	496,236	499,311	497,033	498,112
28 Revolving, home equity	48,152[r]	48,439[r]	48,523[r]	48,516[r]	48,557[r]	47,988	47,738	47,797	47,882
29 All other	443,721[r]	445,524[r]	445,073[r]	446,162[r]	446,852[r]	448,248	451,573	449,236	450,230
30 To individuals for personal expenditures	245,022[r]	244,990[r]	246,683[r]	248,719[r]	250,541[r]	249,537	247,711	249,014	249,581
31 To depository and financial institutions	66,312	65,295	64,078	64,489	66,053	65,629	65,349	64,880	65,477
32 Commercial banks in the United States	42,520	41,219	41,032	41,713	42,539	41,747	41,629	38,015	38,516
33 Banks in foreign countries	3,246	3,575	3,032	2,715	2,858	2,814	2,986	2,860	2,987
34 Nonbank depository and other financial institutions	20,546	20,501	20,014	20,062	20,656	21,068	20,734	24,005	23,974
35 For purchasing and carrying securities	14,627	14,745	14,953	15,108	15,896	14,552	14,764	17,843	16,877
36 To finance agricultural production	6,692[r]	6,741[r]	6,718	6,721[r]	6,741[r]	6,718	6,712	6,731	6,726
37 To states and political subdivisions	10,970	10,972	11,014	11,015	10,991	10,939	10,946	10,941	10,935
38 To foreign governments and official institutions	1,295	1,329	1,052	1,078	1,086	1,243	994	1,020	1,125
39 All other loans[4]	26,625	24,985	25,214	25,728	24,150	26,332	24,384	26,684	26,498
40 Lease-financing receivables	35,676[r]	35,912[r]	35,953[r]	36,132[r]	36,221[r]	36,534	36,785	36,941	37,271
41 LESS: Unearned income	1,623	1,643	1,638	1,679	1,646	1,625	1,671	1,669	1,672
42 Loan and lease reserve[5]	34,156	34,322	34,319	34,204	34,185	34,279	34,292	34,346	34,194
43 Other loans and leases, net	1,209,095	1,207,167	1,205,660	1,208,319	1,211,342	1,213,412	1,212,554	1,220,693	1,220,795
44 All other assets	138,873	138,285	138,633	135,285	135,246[r]	138,997	138,741	139,383	138,834
45 **Total assets**[6]	**1,992,706**	**1,969,287**	**1,975,430**	**1,961,526**	**1,970,430**[r]	**2,002,297**	**1,992,248**	**1,999,478**	**1,998,487**

Footnotes appear on the following page.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS—Continued

Millions of dollars, Wednesday figures

Account	1995								
	Aug. 2	Aug. 9	Aug. 16	Aug. 23	Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27
LIABILITIES									
46 Deposits	1,184,220	1,172,115	1,183,515	1,159,680[r]	1,164,187	1,202,963	1,184,986	1,176,596	1,167,484
47 Demand deposits[7]	303,931	290,921[r]	300,950	284,479[r]	289,972	315,471	300,159	301,366	297,980
48 Individuals, partnerships, and corporations	256,333[r]	247,109[r]	254,897[r]	241,404[r]	247,413[r]	266,474	254,786	249,801	246,800
49 Other holders	47,598[r]	43,812[r]	46,052[r]	43,075[r]	42,559[r]	48,997	45,373	51,565	51,180
50 States and political subdivisions	8,864[r]	7,309[r]	7,944[r]	7,887[r]	8,226[r]	7,955	7,999	9,447	8,930
51 U.S. government	1,967	1,745	2,431	1,501	1,523	1,798	2,425	3,188	1,844
52 Depository institutions in the United States	20,515	18,728	21,114	17,467	17,994	23,487	19,406	20,711	20,709
53 Banks in foreign countries	4,910	4,556	4,719	4,954	5,113	4,873	4,755	4,915	4,719
54 Foreign governments and official institutions	645	714	605	633	702	924	892	759	852
55 Certified and officers' checks	10,697	10,759	9,240	10,633	9,000	9,961	9,895	12,545	14,126
56 Transaction balances other than demand deposits[4]	112,158	109,745	109,236	104,792	104,213	109,468	106,876	102,951	97,980
57 Nontransaction balances	768,130	771,449	773,329	770,409[r]	770,002	778,023	777,951	772,280	771,524
58 Individuals, partnerships, and corporations	745,531[r]	748,555[r]	750,520[r]	747,380[r]	747,201[r]	755,011	754,773	749,369	748,543
59 Other holders	22,599[r]	22,894[r]	22,810[r]	23,029[r]	22,800[r]	23,012	23,179	22,910	22,981
60 States and political subdivisions	18,453[r]	18,708[r]	18,529[r]	18,792[r]	18,584[r]	18,835	18,929	18,705	18,835
61 U.S. government	2,391	2,365	2,338	2,320	2,339	2,247	2,276	2,274	2,299
62 Depository institutions in the United States	1,456	1,502	1,644	1,618	1,580	1,631	1,648	1,593	1,532
63 Foreign governments, official institutions, and banks	298	319	299	300	298	300	325	338	315
64 Liabilities for borrowed money[5]	426,958	407,964	405,582	403,622	403,999	400,955	397,584	419,214	421,017
65 Borrowings from Federal Reserve Banks	700	0	0	0	50	0	0	0	0
66 Treasury tax and loan notes	27,523	12,319	5,286[r]	5,559[r]	3,804	1,006	2,489	30,689	26,005
67 Other liabilities for borrowed money[6]	398,734	395,645	400,297[r]	398,063[r]	400,145	399,948	395,095	388,524	395,013
68 Other liabilities (including subordinated notes and debentures)	194,269[r]	202,255	199,744	211,288	215,347[r]	209,522	220,068	213,874	220,922
69 **Total liabilities**	**1,805,446**	**1,782,334**	**1,788,841**	**1,774,590[r]**	**1,783,533[r]**	**1,813,440**	**1,802,638**	**1,809,684**	**1,809,423**
70 Residual (total assets less total liabilities)[7]	187,260[r]	186,953	186,590	186,936[r]	186,897	188,857	189,611	189,794	189,064
MEMO									
71 Total loans and leases, gross, adjusted, plus securities[8]	1,655,548	1,657,340	1,654,959	1,656,137	1,659,473	1,666,466	1,666,052	1,676,455	1,672,579
72 Time deposits in amounts of $100,000 or more	109,451	109,200	110,893	110,036[r]	110,390	111,243	112,190	110,707	108,281
73 Loans sold outright to affiliates[9]	1,520	1,520	1,509	1,498	1,485	1,476	1,465	1,453	1,443
74 Commercial and industrial	282	282	282	281	281	281	281	281	281
75 Other	1,238	1,238	1,227	1,216	1,204	1,195	1,184	1,172	1,162
76 Foreign branch credit extended to U.S. residents[10]	25,465	24,865	24,603	25,503	25,692	25,733	25,539	25,759	25,951
77 Net owed to related institutions abroad	72,892[r]	79,760	79,190	88,391	91,245	78,667	85,794	80,873	91,136

1. Includes certificates of participation, issued or guaranteed by agencies of the U.S. government, in pools of residential mortgages.
2. Includes securities purchased under agreements to resell.
3. Includes allocated transfer risk reserve.
4. Includes negotiable order of withdrawal (NOWs) and automatic transfer service (ATS) accounts, and telephone and preauthorized transfers of savings deposits.
5. Includes borrowings only from other than directly related institutions.
6. Includes federal funds purchased and securities sold under agreements to repurchase.
7. This balancing item is not intended as a measure of equity capital for use in capital-adequacy analysis.
8. Excludes loans to and federal funds transactions with commercial banks in the United States.
9. Affiliates include a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.
10. Credit extended by foreign branches of domestically chartered weekly reporting banks to nonbank U.S. residents. Consists mainly of commercial and industrial loans, but includes an unknown amount of credit extended to other than nonfinancial businesses.

1.28 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS
Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1995								
	Aug. 2	Aug. 9	Aug. 16	Aug. 23	Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27
ASSETS									
1 Cash and balances due from depository institutions	16,821	16,737	17,059	17,178	17,337	16,504	17,156	16,850	16,941
2 U.S. Treasury and government agency securities	41,957	43,016	44,472	44,466	44,921	41,726	43,212	41,854	41,450
3 Other securities	30,681	30,696	32,787	31,211	32,125	32,074	34,459	33,823	33,534
4 Federal funds sold[1]	30,651	30,782	28,212	29,482	32,716	31,618	32,223	31,029	37,903
5 To commercial banks in the United States	7,612	7,173	7,329	8,498	11,093	7,616	9,185	8,226	15,333
6 To others[2]	23,039	23,609	20,883	20,984	21,622	24,002	23,038	22,803	22,570
7 Other loans and leases, gross	176,796	176,443	175,877	176,035	176,350	177,517	178,154	180,123	180,667
8 Commercial and industrial	113,292r	113,045r	113,622r	113,145r	113,340r	113,916	113,766	114,723	114,193
9 Bankers acceptances and commercial paper	3,864	3,864	3,943	3,594	3,512	3,508	3,469	3,667	3,703
10 All other	109,428r	109,182r	109,679r	109,551r	109,828r	110,408	110,297	111,056	110,490
11 U.S. addressees	104,508r	104,294r	104,822r	104,738r	104,924r	105,498	105,387	106,101	105,442
12 Non-U.S. addressees	4,920	4,887	4,857	4,813	4,904	4,910	4,910	4,954	5,048
13 Loans secured by real estate	23,127	23,070	22,994	22,959	22,905	22,775	22,777	22,811	22,803
14 Loans to depository and financial institutions	28,527	28,659	28,419	28,767	28,286	28,834	29,051	29,601	29,689
15 Commercial banks in the United States	4,613	4,724	4,536	4,224	4,116	4,141	3,912	3,758	3,863
16 Banks in foreign countries	2,038	2,206	1,909	1,898	1,974	2,144	2,201	2,277	2,355
17 Nonbank financial institutions	21,876	21,729	21,974	22,645	22,196	22,549	22,938	23,566	23,471
18 For purchasing and carrying securities	5,511r	5,566r	5,106r	5,110r	4,842r	5,680	6,048	6,540	7,304
19 To foreign governments and official institutions	951	850	517	858	876	858	961	892	872
20 All other	4,041r	3,940r	3,915r	3,898r	4,576r	4,090	4,164	4,167	4,354
21 Other assets (claims on nonrelated parties)	38,328	38,988	39,288	40,014	40,230	41,351	43,941	38,145	37,778
22 **Total assets[3]**	**364,303**	**363,991**	**363,919**	**370,409**	**373,932**	**370,787**	**378,199**	**368,468**	**374,477**
LIABILITIES									
23 Deposits or credit balances owed to other than directly related institutions	109,900	107,641	105,930	110,779	110,414r	109,310	108,448	107,077	112,108
24 Demand deposits[4]	3,706	3,680	3,806	3,769	4,484	3,818	3,964	3,992	4,515
25 Individuals, partnerships, and corporations	3,010	2,922	2,932	3,071	3,012	3,134	3,074	3,048	3,449
26 Other	696	759	874	698	1,472	684	890	944	1,066
27 Nontransaction accounts	106,194	103,961	102,124	107,010	105,930	105,492	104,485	103,085	107,593
28 Individuals, partnerships, and corporations	71,365	69,875	69,618	72,947	73,348	73,572	73,237	72,023	75,201
29 Other	34,829	34,086	32,506	34,063	32,581	31,919	31,248	31,061	32,392
30 Borrowings from other than directly related institutions	86,276	85,223	79,618	84,048	82,841	82,242	84,412	80,464	76,784
31 Federal funds purchased[5]	43,777	42,936	37,990	41,085	40,698	41,679	43,938	43,902	40,378
32 From commercial banks in the United States	9,035	7,970	5,838	6,067	5,605	8,621	8,946	7,644	6,611
33 From others	34,742	34,966	32,152	35,018	35,092	33,058	34,992	36,257	33,767
34 Other liabilities for borrowed money	42,498	42,287	41,629r	42,963	42,143	40,564	40,474	36,562	36,406
35 To commercial banks in the United States	6,165	6,320	5,502	5,910	5,461	5,372	5,694	4,812	4,697
36 To others	36,333	35,968r	36,127	37,053	36,683	35,192	34,780	31,750	31,709
37 Other liabilities to nonrelated parties	49,929	51,303	53,010	52,886	53,965	53,474	58,204	51,257	50,905
38 **Total liabilities[6]**	**364,303**	**363,991**	**363,919**	**370,409**	**373,932**	**370,787**	**378,199**	**368,468**	**374,477**
MEMO									
39 Total loans (gross) and securities, adjusted[7]	267,860	269,040	269,483	268,473	270,901	271,177	274,950	274,845	274,358
40 Net owed to related institutions abroad	89,129	92,494	99,137	90,674	96,458	95,763	98,079	103,026	108,476

1. Includes securities purchased under agreements to resell.
2. Includes transactions with nonbank brokers and dealers in securities.
3. For U.S. branches and agencies of foreign banks having a net "due from" position, includes net due from related institutions abroad.
4. Includes other transaction deposits.
5. Includes securities sold under agreements to repurchase.
6. For U.S. branches and agencies of foreign banks having a net "due to" position, includes net owed to related institutions abroad.
7. Excludes loans to and federal funds transactions with commercial banks in the United States.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1995					
	1990	1991	1992	1993	1994	Mar.	Apr.	May	June	July	Aug.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**562,656**	**528,832**	**545,619**	**555,075**	**595,382**	**633,324**	**651,128**	**650,580**	**648,819**	**657,938**	**660,719**
Financial companies[1]											
2 Dealer-placed paper[2], total	214,706	212,999	226,456	218,947	223,038	243,949	252,846	258,006	251,555	262,695	261,904
3 Directly placed paper[3], total	200,036	182,463	171,605	180,389	207,701	218,269	219,281	216,879	218,005	215,473	215,361
4 Nonfinancial companies[4]	147,914	133,370	147,558	155,739	164,643	171,106	179,001	175,695	179,259	179,770	183,454
	Bankers dollar acceptances (not seasonally adjusted)[5]										
5 **Total**	**54,771**	**43,770**	**38,194**	**32,348**	**29,835**						
By holder											
6 Accepting banks	9,017	11,017	10,555	12,421	11,783						
7 Own bills	7,930	9,347	9,097	10,707	10,462						
8 Bills bought from other banks	1,087	1,670	1,458	1,714	1,321						
Federal Reserve Banks[6]											
9 Foreign correspondents	918	1,739	1,276	725	410	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Others	44,836	31,014	26,364	19,202	17,642						
By basis											
11 Imports into United States	13,095	12,843	12,209	10,217	10,062						
12 Exports from United States	12,703	10,351	8,096	7,293	6,355						
13 All other	28,973	20,577	17,890	14,838	13,417						

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
2. Includes all financial-company paper sold by dealers in the open market.
3. As reported by financial companies that place their paper directly with investors.
4. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
5. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January. Beginning January 1995, data for Bankers dollar acceptances will be reported annually in September.
6. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1992—Jan. 1	6.50	1992	6.25	1993—Jan.	6.00	1994—Sept.	7.75
July 2	6.00	1993	6.00	Feb.	6.00	Oct.	7.75
		1994	7.15	Mar.	6.00	Nov.	8.15
1994—Mar. 24	6.25			Apr.	6.00	Dec.	8.50
Apr. 19	6.75	1992—Jan.	6.50	May	6.00		
May 17	7.25	Feb.	6.50	June	6.00	1995—Jan.	8.50
Aug. 16	7.75	Mar.	6.50	July	6.00	Feb.	9.00
Nov. 15	8.50	Apr.	6.50	Aug.	6.00	Mar.	9.00
		May	6.50	Sept.	6.00	Apr.	9.00
1995—Feb. 1	9.00	June	6.50	Oct.	6.00	May	9.00
July 7	8.75	July	6.02	Nov.	6.00	June	9.00
		Aug.	6.00	Dec.	6.00	July	8.75[r]
		Sept.	6.00			Aug.	8.75
		Oct.	6.00	1994—Jan.	6.00	Sept.	8.75
		Nov.	6.00	Feb.	6.00	Oct.	8.75
		Dec.	6.00	Mar.	6.06		
				Apr.	6.45		
				May	6.99		
				June	7.25		
				July	7.25		
				Aug.	7.51		

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most recent Call Report. Data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Percent per year; figures are averages of business day data unless otherwise noted

Item	1992	1993	1994	1995				1995, week ending				
				June	July	Aug.	Sept.	Sept. 1	Sept. 8	Sept. 15	Sept. 22	Sept. 29
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	3.52	3.02	4.21	6.00	5.85	5.74	5.80	5.71	5.77	5.73	5.78	5.80
2 Discount window borrowing[2,4]	3.25	3.00	3.60	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Commercial paper[3,5,6]												
3 1-month	3.71	3.17	4.43	6.05	5.87	5.85	5.82	5.84	5.82	5.81	5.80	5.85
4 3-month	3.75	3.22	4.66	5.94	5.79	5.82	5.74	5.79	5.76	5.72	5.70	5.76
5 6-month	3.80	3.30	4.93	5.79	5.68	5.75	5.66	5.73	5.70	5.63	5.60	5.70
Finance paper, directly placed[3,5,7]												
6 1-month	3.62	3.12	4.33	5.92	5.74	5.72	5.71	5.73	5.73	5.71	5.69	5.72
7 3-month	3.65	3.16	4.53	5.73	5.60	5.64	5.58	5.63	5.58	5.58	5.54	5.60
8 6-month	3.63	3.15	4.56	5.47	5.39	5.51	5.45	5.51	5.48	5.44	5.42	5.47
Bankers acceptances[3,5,8]												
9 3-month	3.62	3.13	4.56	5.80	5.66	5.68	5.66	5.67	5.66	5.64	5.62	5.70
10 6-month	3.67	3.21	4.83	5.65	5.56	5.62	5.58	5.62	5.60	5.56	5.54	5.63
Certificates of deposit, secondary market[3,9]												
11 1-month	3.64	3.11	4.38	5.97	5.80	5.77	5.74	5.76	5.75	5.73	5.72	5.76
12 3-month	3.68	3.17	4.63	5.90	5.77	5.77	5.73	5.75	5.75	5.71	5.70	5.78
13 6-month	3.76	3.28	4.96	5.80	5.73	5.79	5.73	5.77	5.74	5.71	5.69	5.79
14 Eurodollar deposits, 3-month[3,10]	3.70	3.18	4.63	5.89	5.79	5.79	5.74	5.76	5.76	5.74	5.69	5.78
U.S. Treasury bills												
Secondary market[3,5]												
15 3-month	3.43	3.00	4.25	5.47	5.42	5.40	5.28	5.31	5.33	5.31	5.22	5.26
16 6-month	3.54	3.12	4.64	5.42	5.37	5.41	5.30	5.32	5.32	5.29	5.25	5.35
17 1-year	3.71	3.29	5.02	5.33	5.28	5.43	5.31	5.34	5.32	5.29	5.26	5.37
Auction average[3,5,11]												
18 3-month	3.45	3.02	4.29	5.50	5.47	5.41	5.26	5.34	5.30	5.34	5.25	5.14
19 6-month	3.57	3.14	4.66	5.46	5.41	5.40	5.28	5.34	5.30	5.33	5.22	5.27
20 1-year	3.75	3.33	5.02	5.38	5.38	5.55	5.21	n.a.	n.a.	n.a.	5.21	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	3.89	3.43	5.32	5.64	5.59	5.75	5.62	5.66	5.63	5.59	5.57	5.69
22 2-year	4.77	4.05	5.94	5.72	5.78	5.98	5.81	5.86	5.80	5.76	5.79	5.89
23 3-year	5.30	4.44	6.27	5.80	5.89	6.10	5.89	5.96	5.88	5.84	5.87	5.97
24 5-year	6.19	5.14	6.69	5.93	6.01	6.24	6.00	6.08	5.99	5.96	5.98	6.08
25 7-year	6.63	5.54	6.91	6.05	6.20	6.41	6.13	6.23	6.13	6.08	6.12	6.20
26 10-year	7.01	5.87	7.09	6.17	6.28	6.49	6.20	6.31	6.20	6.15	6.17	6.26
27 20-year	n.a.	6.29	7.49	6.59	6.74	6.92	6.65	6.74	6.65	6.61	6.64	6.70
28 30-year	7.67	6.59	7.37	6.57	6.72	6.86	6.55	6.68	6.59	6.51	6.53	6.57
Composite												
29 More than 10 years (long-term)	7.52	6.45	7.41	6.59	6.71	6.90	6.63	6.73	6.63	6.59	6.62	6.68
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
30 Aaa	6.09	5.38	5.77	5.62	5.68	5.83	5.71	5.90	5.70	5.65	5.60	5.70
31 Baa	6.48	5.83	6.17	5.89	5.91	5.95	5.90	5.93	5.90	5.85	5.85	5.98
32 *Bond Buyer* series[14]	6.44	5.60	6.18	5.84	5.92	6.06	5.91	5.98	5.90	5.83	5.91	6.00
CORPORATE BONDS												
33 Seasoned issues, all industries[15]	8.55	7.54	8.26	7.54	7.66	7.81	7.56	7.66	7.58	7.54	7.56	7.58
Rating group												
34 Aaa	8.14	7.22	7.97	7.30	7.41	7.57	7.32	7.41	7.33	7.29	7.31	7.33
35 Aa	8.46	7.40	8.15	7.43	7.54	7.69	7.45	7.53	7.45	7.41	7.44	7.47
36 A	8.62	7.58	8.28	7.53	7.65	7.79	7.56	7.64	7.57	7.53	7.56	7.58
37 Baa	8.98	7.93	8.63	7.90	8.04	8.19	7.93	8.04	7.95	7.91	7.93	7.95
38 A-rated, recently offered utility bonds[16]	8.52	7.46	8.29	7.60	7.72	7.84	7.55	7.60	7.58	7.48	7.58	7.49
MEMO												
Dividend-price ratio[17]												
39 Common stocks	2.99	2.78	2.82	2.55	2.50	2.49	2.42	2.48	2.46	2.42	2.39	2.41

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year for bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. An average of offering rates on commercial paper 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 11:00 a.m. London time. Data are for indication purposes only.
11. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
13. General obligation bonds based on Thursday figures; Moody's Investors Service.
14. State and local government general obligation bonds maturing in twenty years are used in compiling this index. The twenty-bond index has a rating roughly equivalent to Moodys' A1 rating. Based on Thursday figures.
15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
16. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
17. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

NOTE. Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1992	1993	1994	1995 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
	Prices and trading volume (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	229.00	249.71	254.16	253.56	261.86	266.81	274.38	281.81	289.52	298.18	300.05	310.41
2 Industrial	284.26	300.10	315.32	319.93	328.98	337.96	347.69	357.01	366.75	379.13	379.79	390.42
3 Transportation	201.02	242.68	247.17	230.25	237.29	252.37	254.36	254.70	256.80	279.15	285.63	295.54
4 Utility	99.48	114.55	104.96	100.58	103.87	102.08	104.70	106.02	108.12	109.59	111.06	114.67
5 Finance	179.29	216.55	209.75	201.05	211.76	213.29	219.38	228.45	236.26	240.49	245.27	260.72
6 Standard & Poor's Corporation (1941–43 = 10)[1]	415.75	451.63	460.42	465.25	481.92	493.20	507.91	523.83	539.35	557.37	559.11	578.77
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	391.28	438.77	449.49	436.09	446.37	456.06	471.54	487.03	492.60	513.25	526.86	547.64
Volume of trading (thousands of shares)												
8 New York Stock Exchange	202,558	263,374	290,652	326,652	333,020	338,733	331,184	341,905	345,547	363,780	309,879	352,184
9 American Stock Exchange	14,171	18,188	17,951	18,829	18,424	17,905	19,404	19,266	24,622	23,283	21,825	25,422
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers[3]**	**43,990**	**60,310**	**61,160**	**64,380**	**59,800**	**60,270**	**62,520**	**64,070**	**66,340**	**67,600**	**71,440**	**77,076**
Free credit balances at brokers[4]												
11 Margin accounts[5]	8,970	12,360	14,095	13,225	12,380	12,745	12,440	13,403	13,710	13,830	13,900	14,806
12 Cash accounts	22,510	27,715	28,870	26,440	25,860	26,680	26,670	27,464	29,860	28,600	29,190	29,796
	Margin requirements (percent of market value and effective date)[6]											
	Mar. 11, 1968		June 8, 1968		May 6, 1970		Dec. 6, 1971		Nov. 24, 1972		Jan. 3, 1974	
13 Margin stocks	70		80		65		55		65		50	
14 Convertible bonds	50		60		50		50		50		50	
15 Short sales	70		80		65		55		65		50	

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

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

Effective June 8, 1988, margins were set to be the price of the option plus 20 percent of the market value of the stock underlying the option (or 15 percent in the case of stock-index options).

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year			Calendar year					
	1993	1994	1995	1995					
				Apr.	May	June	July	Aug.	Sept.
U.S. budget[1]									
1 Receipts, total	1,153,226	1,257,451[r]	1,350,576	165,392	90,405	147,868	92,749	96,560	143,219
2 On-budget	841,292	922,425[r]	999,496	126,170	61,027	115,998	65,788	69,265	112,510
3 Off-budget	311,934	335,026	351,080	39,222	29,378	31,870	26,961	27,295	30,709
4 Outlays, total	1,408,532	1,460,553[r]	1,514,389	115,673	129,958	135,054	106,328	130,411	135,933
5 On-budget	1,141,945	1,181,181[r]	1,225,724	90,628	103,184	120,236	80,931	104,135	105,098
6 Off-budget	266,587	279,372	288,665	25,045	26,773	14,818	25,397	26,276	30,836
7 Surplus or deficit (−), total	−255,306	−203,370	−163,813	49,720	−39,553	12,814	−13,579	−33,851	7,286
8 On-budget	−300,653	258,756[r]	−226,228	35,542	−42,157	−4,237	−15,143	−34,870	7,412
9 Off-budget	45,347	55,654	62,415	14,178	2,604	17,051	1,564	1,019	−126
Source of financing (total)									
10 Borrowing from the public	248,594	184,696[r]	171,288	−27,638	44,740	8,491	10,627	16,071	−6,618
11 Operating cash (decrease, or increase (−))	6,283	16,564	−2,007	−19,972	11,841	−34,312	11,635	30,776	−19,820
12 Other[2]	429	1,842[r]	−5,468	−2,110	22,578	12,250	15,523	12,996	19,152
MEMO									
13 Treasury operating balance (level, end of period)	52,506	35,942	37,949	38,069	26,228	60,540	48,905	18,129	37,949
14 Federal Reserve Banks	17,289	6,848	8,620	8,241	4,646	20,977	11,206	4,767	8,620
15 Tax and loan accounts	35,217	29,094	29,329	29,828	21,582	39,563	37,700	13,363	29,329

1. Since 1990, off-budget items have been the social security trust funds (federal old-age survivors insurance and federal disability insurance) and the U.S. Postal Service.
2. Includes special drawing rights (SDRs); reserve position on the U.S. quota in the International Monetary Fund (IMF); loans to the IMF; other cash and monetary assets; accrued interest payable to the public; allocations of SDRs; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain or loss for U.S. currency valuation adjustment; net gain or loss for IMF loan-valuation adjustment; and profit on sale of gold.

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

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

Millions of dollars

Source or type	Fiscal year		Calendar year						
	1994[r]	1995	1993	1994		1995	1995		
			H2	H1	H2	H1	July	Aug.	Sept.
RECEIPTS									
1 **All sources**	**1,257,453**	**1,350,576**	**582,038**	**652,234**	**625,557**	**710,542**	**92,749**	**96,560**	**143,219**
2 Individual income taxes, net	543,055	590,157	262,073	275,052	273,474	307,498	42,819	44,122	60,909
3 Withheld	459,699	499,898	228,423	225,387	240,062	251,398	41,532	41,631	36,295
4 Presidential Election Campaign Fund	70	69	2	63	10	58	6	1	1
5 Nonwithheld	160,047	175,815	41,768	117,937	42,031	132,006	3,094	4,146	24,743
6 Refunds	76,761	85,624	8,115	68,325	9,207	75,958	1,812	1,657	2,551
Corporation income taxes									
7 Gross receipts	154,205	174,422	68,266	80,536	78,392	92,132	4,476	3,284	33,719
8 Refunds	13,820	17,334	6,514	6,933	7,331	10,399	1,079	782	730
9 Social insurance taxes and contributions, net	461,475	484,474	206,176	248,301	220,141	261,837	36,498	39,804	39,902
10 Employment taxes and contributions[2]	428,810	451,046	192,749	228,714	206,613	228,663	34,514	34,914	39,304
11 Self-employment taxes and contributions[3]	24,433	27,127	4,335	20,762	4,135	23,429	186	135	2,910
12 Unemployment insurance	28,004	28,878	11,010	17,301	11,177	18,001	1,636	4,454	235
13 Other net receipts[4]	4,661	4,550	2,417	2,284	2,349	2,267	349	436	364
14 Excise taxes	55,225	57,485	25,994	26,444	30,062	27,452	5,074	4,757	5,706
15 Customs deposits	20,099	19,300	10,215	9,500	11,042	8,847	1,603	1,794	1,634
16 Estate and gift taxes	15,225	14,764	6,617	8,197	7,071	7,424	1,037	1,500	1,289
17 Miscellaneous receipts[5]	21,988	27,306	9,227	11,170	13,305	15,749	2,320	2,081	789
OUTLAYS									
18 **All types**	**1,460,553**	**1,514,389**	**727,685**	**710,620**	**752,150[r]**	**760,824**	**106,328**	**130,411**	**135,933**
19 National defense	281,563	272,179	146,672	133,844	141,876[r]	135,931	18,069	23,882	26,040
20 International affairs	17,083	16,448	10,186	5,800	11,889[r]	4,727	517	1,877	1,479
21 General science, space, and technology	16,227	17,563	8,880	8,502	7,603[r]	8,611	1,355	1,668	1,612
22 Energy	5,219	5,146	1,663	2,237	2,923[r]	2,358	547	13	969
23 Natural resources and environment	21,064	23,328	11,221	10,111	11,911[r]	10,273	1,811	2,116	1,915
24 Agriculture	15,057	9,763	7,516	7,451	7,623[r]	4,039	−482	−462	−102
25 Commerce and housing credit	−5,122	−18,740	−1,490	−4,962	−4,270[r]	−13,936	−733	−2,592	2,490
26 Transportation	38,134	38,555	19,570	16,739	21,835[r]	18,192	3,324	3,359	3,719
27 Community and regional development	10,454	11,000	4,288	4,571	6,283[r]	4,858	1,191	909	1,043
28 Education, training, employment, and social services	46,307	52,706	26,753	19,262	27,446[r]	25,738	2,869	5,785	4,802
29 Health	106,836	114,760	52,958	53,195	54,147[r]	58,759	8,777	10,422	9,401
30 Social security and Medicare	464,312	495,701	223,735	232,777	236,817	251,975	40,015	42,790	42,605
31 Income security	214,036	220,214	102,380	109,080	101,806[r]	117,639	15,310	16,919	19,591
32 Veterans benefits and services	37,642	37,935	19,852	16,686	19,761[r]	19,267	1,591	3,267	4,517
33 Administration of justice	15,238	16,255	7,400	7,718	7,753[r]	8,062	1,664	1,400	1,335
34 General government	11,316	13,856	6,531	5,084	7,356[r]	5,797	421	1,464	1,385
35 Net interest[6]	202,957	232,175	99,914	99,844	109,435	116,170	20,245	20,619	18,929
36 Undistributed offsetting receipts[7]	−37,772	−44,455	−20,344	−17,308	−20,066[r]	−17,632	−10,163	−3,022	−5,796

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. Rents and royalties for the outer continental shelf, U.S. government contributions for employee retirement, and certain asset sales.

SOURCES. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; and U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1996*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1993		1994				1995		
	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30
1 **Federal debt outstanding**	**4,436**	**4,562**	**4,602**	**4,673**	**4,721**	**4,827**	**4,891**	**4,978**	**5,001**
2 Public debt securities	4,412	4,536	4,576	4,646	4,693	4,800	4,864	4,951	4,974
3 Held by public	3,295	3,382	3,434	3,443	3,480	3,543	3,610	3,635	n.a.
4 Held by agencies	1,117	1,154	1,142	1,203	1,213	1,257	1,255	1,317	n.a.
5 Agency securities	25	27	26	28	29	27	27	27	27
6 Held by public	25	27	26	27	29	27	26	27	n.a.
7 Held by agencies	0	0	0	0	0	0	0	0	n.a.
8 **Debt subject to statutory limit**	**4,316**	**4,446**	**4,491**	**4,559**	**4,605**	**4,711**	**4,775**	**4,861**	**4,885**
9 Public debt securities	4,315	4,445	4,491	4,559	4,605	4,711	4,774	4,861	4,885
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,900	4,900	4,900	4,900	4,900	4,900	4,900	4,900	4,900

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

SOURCES. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin*.

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

Billions of dollars, end of period

Type and holder	1991	1992	1993	1994	1994	1995		
					Q4	Q1	Q2	Q3
1 **Total gross public debt**	**3,801.7**	**4,177.0**	**4,535.7**	**4,800.2**	**4,800.2**	**4,864.1**	**4,951.4**	**4,974.0**
By type								
2 Interest-bearing	3,798.9	4,173.9	4,532.3	4,769.2	4,769.2	4,860.5	4,947.8	4,950.6
3 Marketable	2,471.6	2,754.1	2,989.5	3,126.0	3,126.0	3,227.3	3,252.6	3,260.5
4 Bills	590.4	657.7	714.6	733.8	733.8	756.5	748.3	742.5
5 Notes	1,430.8	1,608.9	1,764.0	1,867.0	1,867.0	1,938.2	1,974.7	1,980.3
6 Bonds	435.5	472.5	495.9	510.3	510.3	517.7	514.7	522.6
7 Nonmarketable[1]	1,327.2	1,419.8	1,542.9	1,643.1	1,643.1	1,633.2	1,695.2	1,690.2
8 State and local government series	159.7	153.5	149.5	132.6	132.6	122.9	121.2	113.4
9 Foreign issues[2]	41.9	37.4	43.5	42.5	42.5	41.8	41.4	41.0
10 Government	41.9	37.4	43.5	42.5	42.5	41.8	41.4	41.0
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	135.9	155.0	169.4	177.8	177.8	178.8	180.1	181.2
13 Government account series[3]	959.2	1,043.5	1,150.0	1,259.8	1,259.8	1,259.2	1,322.0	1,324.3
14 Non-interest-bearing	2.8	3.1	3.4	31.0	31.0	3.6	3.6	23.3
By holder[4]								
15 U.S. Treasury and other federal agencies and trust funds	968.7	1,047.8	1,153.5	1,257.1	1,257.1	1,254.7	1,316.6	
16 Federal Reserve Banks	281.8	302.5	334.2	374.1	374.1	369.3	389.0	
17 Private investors	2,563.2	2,839.9	3,047.7	3,168.0	3,168.0	3,239.1	3,244.6	
18 Commercial banks	232.5	294.4	322.2	290.6	290.6	303.5	305.0	
19 Money market funds	80.0	79.7	80.8	67.6	67.6	67.7	58.7	
20 Insurance companies	181.8	197.5	234.5	242.8	242.8	259.0	260.0	
21 Other companies	150.8	192.5	213.0	226.5	226.5	230.3	227.7	n.a.
22 State and local treasuries	485.1	476.7	508.9	443.3	443.3	415.2	415.0	
Individuals								
23 Savings bonds	138.1	157.3	171.9	180.5	180.5	181.4	182.6	
24 Other securities	125.8	131.9	137.9	152.5	152.5	161.4	161.6	
25 Foreign and international[5]	491.7	549.7	623.0	688.6	688.6	729.6	783.7	
26 Other miscellaneous investors[6]	677.4	760.2	755.4	875.6	875.6	891.0	850.4	

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, *Treasury Bulletin*.

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

Millions of dollars, daily averages

Item	1995			1995, week ending								
	June	July	Aug.	Aug. 2	Aug. 9	Aug. 16	Aug. 23	Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	47,751	42,521	44,812[r]	38,841	35,175	52,740	46,277	46,234[r]	50,858	46,628	48,928	50,634
Coupon securities, by maturity												
2 Five years or less	98,618	88,585	88,513	90,852	83,099	103,772	84,489	83,590	79,347	74,783	87,213	118,160
3 More than five years	55,441	48,238	51,000	51,120	57,784	62,429	36,884	47,257	48,983	45,900	52,648	49,971
4 Federal agency	22,595	21,442	21,039	20,578	19,585	20,150	21,165	23,049	22,997	22,975	24,819	27,798
5 Mortgage-backed	31,425	29,364	27,588	23,017	39,828	32,581	21,232	18,769	26,438	46,352	23,911	23,504
By type of counterparty												
With interdealer broker												
6 U.S. Treasury	120,661	105,382	107,723	105,599	101,375	126,137	99,012	106,013	103,750	100,114	110,626	130,628
7 Federal agency	638	673	757	556	708	587	1,057	835	374	769	749	657
8 Mortgage-backed	10,912	10,315	8,587	8,003	11,741	10,116	6,300	6,339	9,023	16,930	9,008	10,174
With other												
9 U.S. Treasury	81,150	73,961	76,601[r]	75,214	74,683	92,804	68,637	71,068[r]	75,438	67,198	78,164	88,137
10 Federal agency	21,957	20,770	20,282	20,022	18,878	19,563	20,108	22,213	22,623	22,206	24,070	27,141
11 Mortgage-backed	20,513	19,049	19,001	15,014	28,087	22,465	14,932	12,431	17,415	29,422	14,904	13,329
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
12 U.S. Treasury bills	916	493	764	434	304	786	725	1,240	1,424	1,177	800	887
Coupon securities, by maturity												
13 Five years or less	2,799	1,773	1,747	1,437	1,118	1,328	1,553	2,973	2,440	2,009	1,779	2,347
14 More than five years	17,667	13,585	13,206	13,377	12,639	15,494	10,107	13,914	16,211	14,983	16,563	16,948
15 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
16 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
17 U.S. Treasury bills	0	0	0	0	0	0	n.a.	0	n.a.	0	n.a.	0
Coupon securities, by maturity												
18 Five years or less	2,653	2,806	2,257	2,489	2,197	2,293	2,602	1,975	1,588	1,044	1,699	1,850
19 More than five years	4,319	4,265	4,019	2,872	4,116	4,363	4,838	3,148	4,374	4,425	4,120	4,273
20 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
21 Mortgage-backed	1,201	1,117	1,123	666	1,597	1,211	507	1,429	767	1,353	609	710

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Monthly averages are based on the number of trading days in the month. Transactions are assumed evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Outright transactions include immediate and forward transactions. Immediate delivery refers to purchases or sales of securities (other than mortgage-backed federal agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

3. Futures transactions are standardized agreements arranged on an exchange. All futures transactions are included regardless of time to delivery.

4. Options transactions are purchases or sales of put and call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

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

Millions of dollars

Item	1995 June	1995 July	1995 Aug.	1995, week ending Aug. 2	Aug. 9	Aug. 16	Aug. 23	Aug. 30	Sept. 6	Sept. 13	Sept. 20
	Positions[2]										
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	634	8,454	5,044	10,058	9,258	−148	6,177	1,492	18,803	11,173	8,738
Coupon securities, by maturity											
2 Five years or less	4,291	2,934	778	303	3,777	−5,491	3,933	169	6,781	7,447	2,771
3 More than five years	−14,742	−17,954	−17,786	−19,950	−18,482	−17,555	−18,223	−16,364	−17,106	−15,742	−16,475
4 Federal agency	23,438	20,134	19,128	17,556	20,083	20,270	16,917	19,133	23,026	21,239	20,380
5 Mortgage-backed	31,381	32,714	30,040	32,934	30,972	29,475	29,005	29,738	31,054	31,607	33,770
NET FUTURES POSITIONS[4]											
By type of deliverable security											
6 U.S. Treasury bills	−7,706	−5,615	−3,539	−4,927	−4,605	−3,177	−2,509	−3,453	−3,656	−3,569	−997
Coupon securities, by maturity											
7 Five years or less	2,020	1,913	2,329	2,483	2,315	2,707	2,610	1,831	990	1,086	535
8 More than five years	−7,797	−1,271	−1,283	323	−1,659	−224	−496	−2,677	−5,033	−8,322	−11,675
9 Federal agency	0	0	0	0	0	0	0	0	0	0	0
10 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
By type of deliverable security											
11 U.S. Treasury bills	0	0	0	n.a.	n.a.	n.a.	0	0	n.a.	n.a.	n.a.
Coupon securities, by maturity											
12 Five years or less	555	846	2,239	2,607	1,641	2,118	2,537	2,514	2,536	2,085	2,355
13 More than five years	−2,537	−3,260	−2,883	−2,458	−2,068	−2,652	−3,876	−3,057	−2,895	−4,441	−1,833
14 Federal agency	0	0	0	0	0	0	0	0	0	0	0
15 Mortgage-backed	2,816	1,802	1,567	2,045	1,228	1,137	1,790	2,136	465	1,195	1,294
	Financing[5]										
Reverse repurchase agreements											
16 Overnight and continuing	237,727	222,594	222,035	230,011	224,967	235,306	216,262	211,239	208,646	213,107	230,402
17 Term	396,685	419,813	406,450	435,650	462,297	373,898	388,247	396,801	379,952	420,523	437,529
Securities borrowed											
18 Overnight and continuing	158,449	156,460	156,456	153,449	152,405	158,770	158,343	156,079	164,046	167,213	167,421
19 Term	55,058	59,037	62,392	65,165	64,843	59,662	60,762	63,666	61,276	61,460	68,088
Securities received as pledge											
20 Overnight and continuing	3,127	2,740	2,063	2,391	2,158	2,052	1,954	1,930	2,514	2,654	2,517
21 Term	102	81	112	135	120	120	99	91	180	113	45
Repurchase agreements											
22 Overnight and continuing	490,204	479,826	476,058	488,088	484,479	486,452	461,895	464,861	497,826	501,084	510,364
23 Term	341,771	357,225	344,449	371,468	399,306	313,290	328,838	333,828	308,141	353,552	380,314
Securities loaned											
24 Overnight and continuing	4,971	5,717	4,631	5,552	4,427	4,444	4,260	4,820	6,793	6,669	6,350
25 Term	2,003	2,132	2,102	2,095	2,160	2,099	2,070	2,067	2,194	2,534	2,530
Securities pledged											
26 Overnight and continuing	33,240	30,162	28,712	29,601	27,661	27,891	27,693	30,836	32,290	31,225	29,361
27 Term	4,251	3,909	3,062	3,981	3,815	2,748	2,698	2,803	2,503	2,277	4,427
Collateralized loans											
28 Overnight and continuing	13,613	18,645	16,913	20,267	18,672	15,490	16,683	16,050	15,511	14,345	13,927
29 Term	4,177	4,177	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MEMO: Matched book[6]											
Securities in											
30 Overnight and continuing	219,216	209,502	210,081	218,311	213,121	225,599	207,382	192,412	206,305	215,693	226,512
31 Term	367,824	397,443	386,600	415,688	435,287	354,902	369,435	382,459	358,637	404,962	427,363
Securities out											
32 Overnight and continuing	286,362	298,309	306,428	316,582	310,888	314,299	297,949	297,731	320,041	326,389	330,499
33 Term	287,643	304,492	291,160	317,840	343,447	260,943	274,728	282,980	255,589	300,029	321,887

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net outright positions include immediate and forward positions. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions for mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.

Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

4. Futures positions reflect standardized agreements arranged on an exchange. All futures positions are included regardless of time to delivery.

5. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day. Financing data are reported in terms of actual funds paid or received, including accrued interest.

6. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched-book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or different types of collateralization.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1991	1992	1993	1994	1995				
					Mar.	Apr.	May	June	July
1 **Federal and federally sponsored agencies**	**442,772**	**483,970**	**570,711**	**738,928**	**754,658**	**759,681**	**771,524**	**785,982[r]**	**788,323**
2 Federal agencies	41,035	41,829	45,193	39,186	38,759	38,777	38,720	38,412	39,403
3 Defense Department[1]	7	7	6	6	6	6	6	6	6
4 Export-Import Bank[2,3]	9,809	7,208	5,315	3,455	3,156	3,156	3,156	2,652	2,652
5 Federal Housing Administration[4]	397	374	255	116	65	70	78	81	84
6 Government National Mortgage Association certificates of participation[5]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Postal Service[6]	8,421	10,660	9,732	8,073	7,873	7,873	7,615	7,615	8,615
8 Tennessee Valley Authority	22,401	23,580	29,885	27,536	27,659	27,672	27,865	28,058	28,046
9 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Federally sponsored agencies[7]	401,737	442,141	523,452	699,742	715,899	720,904	732,804	747,570[r]	748,920
11 Federal Home Loan Banks	107,543	114,733	139,512	205,817	210,185	211,944	218,131	223,089	223,100
12 Federal Home Loan Mortgage Corporation	30,262	29,631	49,993	93,279	101,673	106,432	107,686	108,484	111,427
13 Federal National Mortgage Association	133,937	166,300	201,112	257,230	258,653	258,176	263,023	270,937	268,458
14 Farm Credit Banks[8]	52,199	51,910	53,123	53,175	53,947	53,629	54,054	53,915	54,635
15 Student Loan Marketing Association[9]	38,319	39,650	39,784	50,335	51,554	50,758	49,993	51,268	51,325
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt[13]**	**185,576**	**154,994**	**128,187**	**103,817**	**98,266**	**95,374**	**92,739**	**90,638**	**88,892**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	9,803	7,202	5,309	3,449	3,150	3,150	3,150	2,646	2,646
21 Postal Service[6]	8,201	10,440	9,732	8,073	7,873	7,873	7,615	7,615	8,615
22 Student Loan Marketing Association	4,820	4,790	4,760	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
23 Tennessee Valley Authority	10,725	6,975	6,325	3,200	3,200	3,200	3,200	3,200	3,200
24 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other lending[14]									
25 Farmers Home Administration	48,534	42,979	38,619	33,719	32,759	31,769	30,759	30,004[r]	28,419
26 Rural Electrification Administration	18,562	18,172	17,578	17,392	17,293	17,299	17,313	17,256[r]	17,274
27 Other	84,931	64,436	45,864	37,984	33,991	32,083	30,702	29,917[r]	28,738

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. On-budget since Sept. 30, 1976.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans' Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Includes Federal Agricultural Mortgage Corporation, therefore details do not sum to total. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, which is shown on line 17.
9. Before late 1982, the association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.
12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.
13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table to avoid double counting.
14. Includes FFB purchases of agency assets and guaranteed loans; the latter are loans guaranteed by numerous agencies, with the amounts guaranteed by any one agency generally being small. The Farmers Home Administration entry consists exclusively of agency assets, whereas the Rural Electrification Administration entry consists of both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1992	1993	1994	1995 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
1 **All issues, new and refunding**[1]	**226,818**	**279,945**	**153,950**	**7,366**	**11,844**	**8,552**	**11,804**	**17,956**	**9,777**	**12,308**	**9,764**
By type of issue											
2 General obligation	78,611	90,599	54,404	3,714	5,459	3,536	4,332	5,755	3,529	4,519	3,635
3 Revenue	136,580	189,346	99,546	3,652	6,385	5,016	7,472	12,201	6,248	7,789	6,129
By type of issuer											
4 State	24,874	27,999	19,186	1,032	2,315	994	1,315	1,329	645	617	1,510
5 Special district or statutory authority[2]	138,327	178,714	95,896	4,889	6,572	5,814	8,039	11,382	7,399	7,491	5,821
6 Municipality, county, or township	63,617	73,232	38,868	1,445	2,957	1,744	2,450	5,245	1,733	4,200	2,433
7 **Issues for new capital**	**101,865**	**91,434**	**105,972**	**5,670**	**10,538**	**6,497**	**8,406**	**13,796**	**8,384**	**7,142**	**6,843**
By use of proceeds											
8 Education	18,852	16,831	21,267	1,464	1,666	1,863	2,594	2,494	1,924	1,180	1,929
9 Transportation	14,357	9,167	10,836	671	454	615	606	3,127	1,926	869	446
10 Utilities and conservation	12,164	12,014	10,192	249	633	345	1,282	1,235	485	1,504	563
11 Social welfare	16,744	13,837	20,289	869	2,556	1,547	1,738	2,062	1,333	1,421	1,228
12 Industrial aid	6,188	6,862	8,161	215	1,011	391	416	411	500	201	627
13 Other purposes	33,560	32,723	35,227	2,202	4,218	1,736	1,770	4,467	2,216	1,967	2,050

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* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1992	1993	1994	1995 Jan.	Feb.	Mar.	Apr.	May	June	July^{r}	Aug.
1 **All issues**[1]	**559,827**	**754,969**	n.a.	**37,412^{r}**	**42,121**	**40,008^{r}**	**30,263^{r}**	**54,103^{r}**	**55,237^{r}**	**33,096**	**46,557**
2 **Bonds**[2]	**471,502**	**641,498**	n.a.	**34,510^{r}**	**37,290**	**37,088^{r}**	**26,734^{r}**	**48,105^{r}**	**48,140^{r}**	**28,971**	**40,626**
By type of offering											
3 Public, domestic	378,058	486,879	365,050	24,551^{r}	29,392	32,900^{r}	22,581^{r}	39,777^{r}	42,063^{r}	23,051	32,139
4 Private placement, domestic[3]	65,853	116,240	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	27,591	38,379	56,238	9,959	7,898	4,188	4,153^{r}	8,328^{r}	6,076^{r}	5,921	8,487
By industry group											
6 Manufacturing	82,058	88,002	31,981	1,567^{r}	4,450	2,184	2,701	1,745^{r}	5,925	4,299	3,650
7 Commercial and miscellaneous	43,111	60,293	27,900	2,391	3,038	1,978^{r}	1,815^{r}	6,085^{r}	4,499^{r}	1,078	2,480
8 Transportation	9,979	10,756	4,573	0	100	403	800	945	657^{r}	10	123
9 Public utility	48,055	56,272	11,713	659	215	959	331	2,470	2,650	498	620
10 Communication	15,394	31,950	11,986	813	1,127	411	336^{r}	1,767^{r}	1,745	1,520	1,422
11 Real estate and financial	272,904	394,226	333,135	29,079	28,360	31,154^{r}	20,751^{r}	35,092^{r}	32,664^{r}	21,566	32,330
12 **Stocks**[2]	**88,325**	**113,472**	n.a.	**2,902**	**4,831**	**2,920**	**3,529**	**5,998**	**7,097**	**4,125**	**5,931**
By type of offering											
13 Public preferred	21,339	18,897	12,432	430	296	205	381	1,407	726	753	1,234
14 Common	57,118	82,657	47,881	2,472	4,535	2,715	3,148	4,591	6,371	3,372	4,697
15 Private placement[3]	9,867	11,917	↑	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
16 Manufacturing	22,723	22,271		1,086	1,582	1,010	612	2,258	2,243	1,235	2,192
17 Commercial and miscellaneous	20,231	25,761	n.a.	390	1,430^{r}	907	1,841	1,050	2,413	1,601	1,304
18 Transportation	2,595	2,237		19	15	60	48	101	0	0	75
19 Public utility	6,532	7,050		134	258	137	141	185	183	124	91
20 Communication	2,366	3,439		496	0	20	0	74	0	64	0
21 Real estate and financial	33,879	52,021	↓	776	1,546^{r}	786	887	2,232	2,258	1,101	2,262

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. Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System.

1.47 OPEN–END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1993	1994	1995 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
1 **Sales of own shares**[2]	**851,885**	**841,286**	**75,099**	**59,121**	**69,898**	**68,294**	**70,798**	**74,749**	**76,081**	**72,113**
2 Redemptions of own shares	567,881	699,823	63,737	50,738	60,970	59,957	57,033	61,932	56,344	57,610
3 Net sales[3]	284,004	141,463	11,362	8,383	8,928	8,337	13,765	12,817	19,736	14,503
4 **Assets**[4]	**1,510,209**	**1,550,490**	**1,563,187**	**1,619,705**	**1,657,370**	**1,710,280**	**1,769,287**	**1,808,753**	**1,880,754**	**1,908,525**
5 Cash[5]	100,209	121,296	124,351	126,307	121,424	124,092	128,375	122,461	126,340	127,173
6 Other	1,409,838	1,429,195	1,438,836	1,493,399	1,535,946	1,586,187	1,640,913	1,686,292	1,754,415	1,781,352

1. Data on sales and redemptions exclude money market mutual funds but include limited-maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited-maturity municipal bond funds.
2. Includes reinvestment of net income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes sales and redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.
4. Market value at end of period, less current liabilities.
5. Includes all U.S. Treasury securities and other short-term debt securities.

SOURCE. Investment Company Institute. Data based on reports of membership, which comprises substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect underwritings of newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1992	1993	1994	1993 Q3	1993 Q4	1994 Q1	1994 Q2	1994 Q3	1994 Q4	1995 Q1	1995 Q2
1 Profits with inventory valuation and capital consumption adjustment	405.1	485.8	542.7	493.5	533.9	508.2	546.4	556.0	560.3	569.7	581.1
2 Profits before taxes	395.9	462.4	524.5	458.7	501.7	483.5	523.1	538.1	553.5	570.6	574.1
3 Profits-tax liability	139.7	173.2	202.5	169.9	191.5	184.1	201.7	208.6	215.6	220.0	220.4
4 Profits after taxes	256.2	289.2	322.0	288.9	310.2	299.4	321.4	329.5	337.9	350.7	353.6
5 Dividends	171.1	191.7	205.2	193.2	194.6	196.3	202.5	207.9	213.9	217.1	219.9
6 Undistributed profits	85.1	97.5	116.9	95.6	115.6	103.0	118.9	121.6	124.0	133.5	133.8
7 Inventory valuation	−6.4	−6.2	−19.5	3.0	−6.5	−12.3	−14.1	−19.6	−32.1	−39.0	−28.2
8 Capital consumption adjustment	15.7	29.5	37.7	31.7	38.8	37.0	37.4	37.5	38.8	38.1	35.2

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.50 NONFARM BUSINESS EXPENDITURES New Plant and Equipment

Billions of dollars; quarterly data at seasonally adjusted annual rates

Industry	1992	1993	1994[1]	1993 Q1	1993 Q2	1993 Q3	1993 Q4	1994 Q1	1994 Q2	1994 Q3	1994 Q4[1]
1 **Total nonfarm business**	**546.60**	**586.73**	**638.37**	**563.48**	**578.95**	**594.56**	**604.51**	**619.34**	**637.08**	**651.92**	**645.13**
Manufacturing											
2 Durable goods industries	73.32	81.45	92.78	78.19	80.33	82.74	83.64	86.03	91.71	98.97	94.44
3 Nondurable goods industries	100.69	98.02	99.77	95.80	97.22	99.74	98.51	99.02	102.28	98.39	99.39
Nonmanufacturing											
4 Mining	8.88	10.08	11.24	8.98	9.10	11.09	10.92	11.43	10.70	11.57	11.27
Transportation											
5 Railroad	6.67	6.14	6.72	6.16	5.94	5.89	6.55	7.46	5.36	6.65	7.40
6 Air	8.93	6.42	3.95	7.26	6.63	6.70	5.06	4.23	4.53	3.86	3.16
7 Other	7.04	9.22	10.53	8.96	8.92	8.74	10.23	10.77	9.70	10.22	11.42
Public utilities											
8 Electric	48.22	52.55	52.25	49.98	50.61	52.96	55.60	48.68	53.55	54.15	52.60
9 Gas and other	23.99	23.43	24.20	23.79	23.83	22.98	23.27	24.51	22.96	24.35	24.97
10 Commercial and other[2]	268.84	299.44	336.93	284.35	296.35	303.74	310.73	327.20	336.28	343.76	340.48

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	1992	1993	1994	1993	1994				1995	
				Q4	Q1	Q2	Q3	Q4	Q1	Q2
ASSETS										
1 Accounts receivable, gross[2]	491.8	482.8	551.0	482.8	494.5	511.3	524.1	551.0	568.5	586.9
2 Consumer	118.3	116.5	134.8	116.5	120.1	124.3	130.3	134.8	135.8	141.7
3 Business	301.3	294.6	337.6	294.6	302.3	313.2	317.2	337.6	351.9	361.8
4 Real estate	72.2	71.7	78.5	71.7	72.1	73.8	76.6	78.5	80.8	83.4
5 LESS: Reserves for unearned income	53.2	50.7	55.0	50.7	51.2	51.9	51.1	55.0	58.9	62.2
6 Reserves for losses	16.2	11.2	12.4	11.2	11.6	12.1	12.1	12.4	12.9	13.7
7 Accounts receivable, net	422.4	420.9	483.5	420.9	431.7	447.3	460.9	483.5	496.7	511.1
8 All other	142.5	170.9	183.4	170.9	171.2	174.6	177.2	183.4	194.6	198.0
9 **Total assets**	**564.9**	**591.8**	**666.9**	**591.8**	**602.9**	**621.9**	**638.1**	**666.9**	**691.4**	**709.1**
LIABILITIES AND CAPITAL										
10 Bank loans	37.6	25.3	21.2	25.3	24.2	23.3	21.6	21.2	21.0	21.5
11 Commercial paper	156.4	159.2	184.6	159.2	165.9	171.2	171.0	184.6	181.3	181.3
Debt										
12 Owed to parent	39.5	42.7	51.0	42.7	41.1	44.7	50.0	51.0	52.5	57.5
13 Not elsewhere classified	196.3	206.0	235.0	206.0	211.7	219.6	228.2	235.0	254.4	264.4
14 All other liabilities	68.0	87.1	99.5	87.1	90.5	89.9	95.0	99.5	102.5	102.1
15 Capital, surplus, and undivided profits	67.1	71.4	75.7	71.4	69.5	73.2	72.3	75.7	79.7	82.5
16 **Total liabilities and capital**	**564.9**	**591.8**	**666.9**	**591.8**	**602.9**	**621.9**	**638.1**	**666.9**	**691.4**	**709.1**

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are amounts carried on the balance sheets of finance companies; securitized pools are not shown, as they are not on the books.

2. Before deduction for unearned income and losses.

1.52 DOMESTIC FINANCE COMPANIES Consumer, Real Estate, and Business Credit[1]

Millions of dollars, amounts outstanding, end of period

Type of credit	1992	1993	1994	1995					
				Mar.	Apr.	May	June	July	Aug.
	Seasonally adjusted								
1 **Total**	**539,996**	**545,533**	**614,784**	**637,911**	**644,041**	**653,872**	**660,714**	**661,881**	**671,221**
2 Consumer	157,579	160,349	176,198	180,029	181,775	186,584	188,666[r]	189,924	191,251
3 Real estate[2]	72,473	71,965	78,770	81,210	81,877	82,843	84,198	84,978	85,939
4 Business	309,944	313,219	359,816	376,672	380,389	384,446	387,850	386,980	394,030
	Not seasonally adjusted								
5 **Total**	**544,691**	**550,751**	**620,975**	**640,378**	**646,621**	**653,503**	**661,910**	**658,365**	**664,955**
6 Consumer	159,558	162,770	178,999	180,653	181,598	184,616	187,303	187,829	190,278
7 Motor vehicles	57,259	56,057	61,609	61,256	62,435	63,689	65,162	65,861	67,667
8 Other consumer[3]	61,020	60,396	73,221	74,534	75,369	75,943	76,581	76,302	77,251
9 Securitized motor vehicles[4]	29,734	36,024	31,897	32,155	31,261	32,117	32,135	32,381	31,551
10 Securitized other consumer[4]	11,545	10,293	12,272	12,708	12,533	12,867	13,425	13,285	13,809
11 Real estate[2]	72,243	71,727	78,479	80,762	82,104	82,735	83,351	85,079	86,291
12 Business	312,890	316,254	363,497	378,963	382,919	386,152	391,256	385,457	388,386
13 Motor vehicles	89,011	95,173	118,197	125,805	128,572	128,312	127,487	123,883	123,804
14 Retail[5]	20,541	18,091	21,514	21,652	22,370	21,228	22,142	22,945	23,471
15 Wholesale[6]	29,890	31,148	35,037	38,868	39,574	39,512	36,989	32,147	31,392
16 Leasing	38,580	45,934	61,646	65,285	66,628	67,572	68,356	68,791	68,941
17 Equipment	151,424	145,452	157,953	161,306	162,623	165,219	169,995	170,497	171,493
18 Retail	33,521	35,513	39,680	42,024	40,880	41,264	42,008	42,541	43,121
19 Wholesale[6]	8,680	8,001	9,678	8,913	9,661	10,643	11,725	12,107	12,272
20 Leasing	109,223	101,938	108,595	110,369	112,082	113,312	116,262	115,849	116,100
21 Other business[7]	60,856	53,997	61,495	64,815	64,426	64,099	64,365	63,849	64,701
22 Securitized business assets[4]	11,599	21,632	25,852	27,037	27,298	28,522	29,409	27,228	28,388
23 Retail	1,120	2,869	4,494	4,404	4,937	5,224	4,989	4,784	4,587
24 Wholesale	5,756	10,584	14,826	16,653	16,561	17,676	18,310	16,474	17,986
25 Leasing	4,723	8,179	6,532	5,980	5,800	5,622	6,110	5,970	5,815

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are before deductions for unearned income and losses. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

2. Includes all loans secured by liens on any type of real estate, for example, first and junior mortgages and home equity loans.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, general merchandise, and recreation vehicles.

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

5. Passenger car fleets and commercial land vehicles for which licenses are required.

6. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

7. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1992	1993	1994	1995 Mar.	1995 Apr.	1995 May	1995 June	1995 July	1995 Aug.	1995 Sept.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	158.1	163.1	170.4	173.3	174.7	178.1	181.7	169.4	170.4	174.8
2 Amount of loan (thousands of dollars)	118.1	123.0	130.8	132.6	134.6	136.3	137.7	130.4	130.6	131.8
3 Loan-to-price ratio (percent)	76.6	78.0	78.8	78.2	79.2	78.7	78.2	78.9	78.9	78.1
4 Maturity (years)	25.6	26.1	27.5	28.6	28.1	28.4	27.2	26.6	27.3	28.0
5 Fees and charges (percent of loan amount)[2]	1.60	1.30	1.29	1.18	1.14	1.30	1.18	1.18	1.12	1.20
Yield (percent per year)										
6 Contract rate[1]	7.98	7.03	7.26	8.02	7.96	7.79	7.54	7.58	7.56	7.50
7 Effective rate[1,3]	8.25	7.24	7.47	8.21	8.15	7.99	7.73	7.78	7.75	7.69
8 Contract rate (HUD series)[4]	8.43	7.37	8.58	8.60	8.44	7.84	7.80	7.98	7.91	7.78
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	8.46	7.46	8.68	8.60	8.56	8.03	8.00	8.09	8.03	8.03
10 GNMA securities[6]	7.71	6.65	7.96	8.08	7.96	7.53	7.24	7.27	7.49	7.26
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	158,119	190,861	222,057	223,956	226,197	228,078	232,534	235,882	238,850	241,378
12 FHA/VA insured	22,593	23,857	28,377	28,672	28,664	28,576	28,886	28,761	28,640	28,515
13 Conventional	135,526	167,004	194,499	195,998	198,161	200,004	204,022	207,227[r]	210,063[r]	212,652
14 Mortgage transactions purchased (during period)	75,905	92,037	62,389	2,390	3,709	3,787	6,575	5,657	5,688	5,002
Mortgage commitments (during period)										
15 Issued[7]	74,970	92,537	54,038	3,372	3,277	6,085	5,605	4,512	6,284	6,019
16 To sell[8]	10,493	5,097	1,820	64	22	28	9	26	53	9
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	33,665	55,012	72,693	77,313	79,147	81,008	85,532	88,874	91,544	94,989
18 FHA/VA insured	352	321	276	266	262	257	253	250	246	245
19 Conventional	33,313	54,691	72,416	77,047	78,885	80,751	85,278	88,624	91,298	94,744
Mortgage transactions (during period)										
20 Purchases	191,125	229,242	124,697	4,609	4,530	10,982	7,001	7,316	9,594	11,458
21 Sales	179,208	208,723	117,110	3,546	3,805	10,479	5,326	6,074	8,161	10,239
22 Mortgage commitments contracted (during period)[9]	261,637	274,599	136,067	12,704	13,437	4,549	6,198	8,106	10,578	12,469

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.
4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.
5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.
6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.
7. Does not include standby commitments issued, but includes standby commitments converted.
8. Includes participation loans as well as whole loans.
9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1991	1992	1993	1994			1995	
				Q2	Q3	Q4	Q1	Q2[p]
1 **All holders**	**3,926,337**	**4,056,233**	**4,229,592**	**4,315,839**	**4,375,155**	**4,426,606**	**4,474,715**	**4,527,103**
By type of property								
2 One- to four-family residences	2,781,327	2,963,391	3,149,634	3,235,939	3,292,201	3,344,791	3,383,139	3,431,841
3 Multifamily residences	306,551	295,417	291,985	295,013	297,650	296,902	298,230	300,629
4 Commercial	759,154	716,687	706,780	702,821	702,679	701,941	709,942	710,266
5 Farm	79,305	80,738	81,194	82,066	82,625	82,971	83,404	84,367
By type of holder								
6 Major financial institutions	1,846,726	1,769,187	1,767,835	1,763,227	1,786,074	1,815,810	1,841,815	1,865,145
7 Commercial banks[2]	876,100	894,513	940,444	956,840	981,365	1,004,280	1,024,854	1,052,882
8 One- to four-family	483,623	507,780	556,538	569,512	592,021	611,697	625,378	648,815
9 Multifamily	36,935	38,024	38,635	38,609	38,004	38,916	39,746	40,519
10 Commercial	337,095	328,826	324,409	326,800	328,931	331,100	336,795	339,983
11 Farm	18,447	19,882	20,862	21,918	22,408	22,567	22,936	23,564
12 Savings institutions[3]	705,367	627,972	598,330	585,671	587,545	596,198	601,777	598,876
13 One- to four-family	538,358	489,622	469,959	462,219	466,704	477,499	483,625	481,434
14 Multifamily	79,881	69,791	67,362	66,281	65,532	64,400	63,778	64,373
15 Commercial	86,741	68,235	60,704	56,872	55,017	54,011	54,085	52,788
16 Farm	388	324	305	299	291	289	288	281
17 Life insurance companies	265,258	246,702	229,061	220,716	217,165	215,332	215,184	213,387
18 One- to four-family	11,547	11,441	9,458	8,122	7,984	7,910	7,892	7,817
19 Multifamily	29,562	27,770	25,814	24,958	24,534	24,306	24,250	24,019
20 Commercial	214,105	198,269	184,305	178,194	175,168	173,539	173,142	171,493
21 Farm	10,044	9,222	9,484	9,442	9,479	9,577	9,900	10,058
22 Federal and related agencies	266,146	286,263	328,598	329,725	329,304	323,491	319,770	315,211
23 Government National Mortgage Association	19	30	22	12	12	6	15	10
24 One- to four-family	19	30	15	12	12	6	15	10
25 Multifamily	0	0	7	0	0	0	0	0
26 Farmers Home Administration[4]	41,713	41,695	41,386	41,370	41,587	41,781	41,857	41,917
27 One- to four-family	18,496	16,912	15,303	14,459	14,084	13,826	13,507	13,217
28 Multifamily	10,141	10,575	10,940	11,147	11,243	11,319	11,418	11,512
29 Commercial	4,905	5,158	5,406	5,526	5,608	5,670	5,807	5,949
30 Farm	8,171	9,050	9,739	10,239	10,652	10,966	11,124	11,239
31 Federal Housing and Veterans' Administrations	10,733	12,581	12,215	11,169	10,533	10,964	10,890	10,098
32 One- to four-family	4,036	5,153	5,364	4,826	4,321	4,753	4,715	4,838
33 Multifamily	6,697	7,428	6,851	6,343	6,212	6,211	6,175	5,260
34 Resolution Trust Corporation	45,822	32,045	17,284	13,908	15,403	10,428	9,342	6,456
35 One- to four-family	14,535	12,960	7,203	6,045	6,998	5,200	4,755	2,870
36 Multifamily	15,018	9,621	5,327	4,230	4,569	2,859	2,494	1,940
37 Commercial	16,269	9,464	4,754	3,633	3,836	2,369	2,092	1,645
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	0	0	14,112	11,407	9,169	7,821	6,730	6,039
40 One- to four-family	0	0	2,367	1,706	1,241	1,049	840	731
41 Multifamily	0	0	1,426	1,701	2,090	1,595	1,310	1,135
42 Commercial	0	0	10,319	8,000	5,838	5,177	4,580	4,173
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	112,283	137,584	166,642	175,377	177,200	178,059	177,615	178,462
45 One- to four-family	100,387	124,016	151,310	159,437	161,255	162,160	161,780	162,674
46 Multifamily	11,896	13,568	15,332	15,940	15,945	15,899	15,835	15,788
47 Federal Land Banks	28,767	28,664	28,460	28,475	28,538	28,555	28,065	28,005
48 One- to four-family	1,693	1,687	1,675	1,675	1,679	1,671	1,651	1,648
49 Farm	27,074	26,977	26,785	26,800	26,859	26,885	26,414	26,357
50 Federal Home Loan Mortgage Corporation	26,809	33,665	48,476	48,007	46,863	45,876	45,256	44,224
51 One- to four-family	24,125	31,032	45,929	45,427	44,208	43,046	42,122	40,963
52 Multifamily	2,684	2,633	2,547	2,580	2,655	2,830	3,134	3,261
53 Mortgage pools or trusts[5]	1,250,666	1,425,546	1,553,818	1,652,999	1,682,421	1,703,076	1,714,357	1,737,483
54 Government National Mortgage Association	425,295	419,516	414,066	435,709	444,976	450,934	454,401	457,101
55 One- to four-family	415,767	410,675	404,864	426,363	435,511	441,198	444,632	446,855
56 Multifamily	9,528	8,841	9,202	9,346	9,465	9,736	9,769	10,246
57 Federal Home Loan Mortgage Corporation	359,163	407,514	446,029	479,555	482,987	486,480	488,723	496,139
58 One- to four-family	351,906	401,525	441,494	475,733	479,539	483,354	485,643	493,105
59 Multifamily	7,257	5,989	4,535	3,822	3,448	3,126	3,080	3,034
60 Federal National Mortgage Association	371,984	444,979	495,525	514,855	523,512	530,343	533,262	543,669
61 One- to four-family	362,667	435,979	486,804	505,730	514,375	520,763	523,903	533,091
62 Multifamily	9,317	9,000	8,721	9,125	9,137	9,580	9,359	10,578
63 Farmers Home Administration[4]	47	38	28	22	20	19	14	13
64 One- to four-family	11	8	5	4	4	3	2	2
65 Multifamily	0	0	0	0	0	0	0	0
66 Commercial	19	17	13	10	9	9	7	6
67 Farm	17	13	10	8	7	7	5	5
68 Private mortgage conduits	94,177	153,499	198,171	222,858	230,926	235,300	237,957	240,561
69 One- to four-family	84,000	132,000	164,000	179,500	182,300	183,600	184,400	187,000
70 Multifamily	3,698	6,305	8,701	11,514	13,891	14,925	15,743	15,745
71 Commercial	6,479	15,194	25,469	31,844	34,735	36,774	37,814	37,816
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[6]	562,798	575,237	579,341	569,887	577,356	584,229	598,772	609,264
74 One- to four-family	370,157	382,572	387,345	375,167	379,964	387,057	398,279	406,770
75 Multifamily	83,937	85,871	86,586	89,417	90,924	91,201	92,137	93,218
76 Commercial	93,541	91,524	91,401	91,943	93,538	93,292	95,620	96,413
77 Farm	15,164	15,270	14,009	13,360	12,929	12,681	12,736	12,863

1. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCES. Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve. Line 69 from Inside Mortgage Securities.

1.55 CONSUMER INSTALLMENT CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1992	1993	1994	1995 Mar.	Apr.	May	June	July[r]	Aug.
	Seasonally adjusted								
1 **Total**	**730,847**	**790,351**	**902,853**	**933,717**	**946,452[r]**	**959,593**	**970,741**	**979,550**	**988,605**
2 Automobile	257,436	280,566	317,237	323,502	326,431[r]	330,390	333,164	337,588	339,052
3 Revolving	258,081	286,588	334,511	352,741	359,655	367,117	373,572	376,818	381,149
4 Other[2]	215,331	223,197	251,106	257,474	260,366	262,086[r]	264,005	265,145	268,405
	Not seasonally adjusted								
5 **Total**	**748,057**	**809,440**	**925,000**	**927,260**	**938,108**	**951,096**	**964,362**	**971,578**	**987,871**
By major holder									
6 Commercial banks	330,088	367,566	427,851	425,208	431,444	434,863	437,498	441,165	450,985
7 Finance companies	118,279	116,453	134,830	135,790	137,804	139,632	141,743	142,163	144,918
8 Credit unions	91,694	101,634	119,594	121,946	123,233	125,052	126,352	127,549	129,314
9 Savings institutions	37,049	37,855	38,468	37,519	37,499	37,500	37,501	38,001	38,000
10 Nonfinancial business[3]	49,561	55,296	60,957	55,351	55,116	55,914	56,349[r]	56,360	55,723
11 Pools of securitized assets[4]	121,386	130,636	143,300	151,446	153,012	158,135	164,919[r]	166,340	168,931
By major type of credit[5]									
12 Automobile	258,226	281,458	318,213	321,592	324,146	328,932	333,194	336,614	340,993
13 Commercial banks	109,623	122,000	141,851	141,857	142,014	142,865	144,761	146,149	147,989
14 Finance companies	57,259	56,057	61,609	61,256	62,435	63,689	65,162	65,861	67,667
15 Pools of securitized assets[4]	33,888	39,481	34,918	35,172	35,319	36,244	36,690	37,071	36,681
16 Revolving	271,850	301,837	352,266	348,411	355,012	362,283	368,809	372,046	379,256
17 Commercial banks	132,966	149,920	180,183	175,800	180,609	183,006	182,950	184,245	189,132
18 Nonfinancial business[3]	44,466	50,125	55,341	49,959	49,773	50,595	51,040[r]	51,077	50,437
19 Pools of securitized assets[4]	74,921	79,878	94,376	101,571	103,188	106,811	112,575[r]	113,782	116,268
20 Other	217,981	226,145	254,521	257,257	258,950	259,881	262,359	262,918	267,622
21 Commercial banks	87,499	95,646	105,817	107,551	108,821	108,992	109,787	110,771	113,864
22 Finance companies	61,020	60,396	73,221	74,534	75,369	75,943	76,581	76,302	77,251
23 Nonfinancial business[3]	5,095	5,171	5,616	5,392	5,343	5,319	5,309	5,283	5,286
24 Pools of securitized assets[4]	12,577	11,277	14,006	14,703	14,505	15,080	15,654	15,487	15,982

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Comprises mobile home loans and all other installment loans that are not included in automobile or revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.
3. Includes retailers and gasoline companies.
4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.
5. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent per year except as noted

Item	1992	1993	1994	1995 Feb.	Mar.	Apr.	May	June	July	Aug.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	9.29	8.09	8.12	9.70	n.a.	n.a.	9.78	n.a.	n.a.	9.44
2 24-month personal	14.04	13.47	13.19	14.10	n.a.	n.a.	14.03	n.a.	n.a.	13.84
Credit card plan										
3 All accounts	n.a.	n.a.	15.69	16.14	n.a.	n.a.	16.15	n.a.	n.a.	15.98
4 Accounts assessed interest	n.a.	n.a.	15.77	15.27	n.a.	n.a.	16.23	n.a.	n.a.	15.94
Auto finance companies										
5 New car	9.93	9.48	9.79	11.89	11.95	11.74	11.43	11.08	11.01	10.85
6 Used car	13.80	12.79	13.49	15.06	15.10	14.99	14.78	14.63	14.35	14.23
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.0	54.5	54.0	54.1	54.5	54.6	54.4	53.9	54.1	53.5
8 Used car	47.9	48.8	50.2	52.0	52.1	52.2	52.2	52.3	52.4	52.3
Loan-to-value ratio										
9 New car	89	91	92	92	92	92	92	92	92	92
10 Used car	97	98	99	99	99	100	99	99	100	99
Amount financed (dollars)										
11 New car	13,584	14,332	15,375	15,774	15,826	16,029	16,155	16,083	16,086	16,056
12 Used car	9,119	9,875	10,709	11,181	11,220	11,505	11,396	11,518	11,637	11,662

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Data are available for only the second month of each quarter.
3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1990	1991	1992	1993	1994	1993 Q4	1994 Q1	1994 Q2	1994 Q3	1994 Q4	1995 Q1	1995 Q2
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**635.3**	**478.7**	**540.6**	**618.5**	**602.4**	**660.0**	**650.3**	**527.8**	**607.6**	**623.9**	**842.4**	**819.6**
By sector and instrument												
2 U.S. government	246.9	278.2	304.0	256.1	155.9	274.2	210.5	122.9	133.6	156.4	271.8	193.6
3 Treasury securities	238.7	292.0	303.8	248.3	155.7	266.5	211.8	118.2	130.7	162.1	273.0	192.0
4 Budget agency issues and mortgages	8.2	−13.8	.2	7.8	.2	7.7	−1.3	4.7	2.9	−5.7	−1.2	1.6
5 Private	388.4	200.4	236.7	362.4	446.6	385.8	439.7	404.9	474.0	467.5	570.6	626.0
By instrument												
6 Tax-exempt obligations	48.7	68.7	31.1	75.5	−29.9	27.3	13.1	−28.4	−46.4	−57.9	−57.4	−20.3
7 Corporate bonds	47.1	78.8	67.6	75.2	22.0	67.4	35.4	35.9	14.2	2.7	41.4	119.5
8 Mortgages	199.5	161.4	123.9	155.7	187.2	148.5	166.4	170.3	221.0	191.3	241.1	163.2
9 Home mortgages	185.6	163.8	179.5	183.9	195.2	184.6	194.7	164.4	220.8	200.7	207.2	153.3
10 Multifamily residential	4.8	−3.1	−11.2	−6.0	1.7	−2.3	.4	4.4	6.6	−4.6	3.6	8.0
11 Commercial	9.3	.4	−45.5	−22.6	−11.4	−33.9	−29.3	−1.4	−8.6	−6.2	28.6	−1.9
12 Farm	−.3	.4	1.1	.5	1.8	.2	.6	2.9	2.2	1.4	1.7	3.9
13 Consumer credit	15.6	−14.8	7.3	58.9	121.2	110.1	68.7	122.8	131.6	161.5	100.3	147.9
14 Bank loans n.e.c.	.4	−40.9	−13.8	4.8	71.4	26.9	69.1	53.6	89.5	73.6	139.8	102.2
15 Commercial paper	9.7	−18.4	8.6	10.0	21.4	3.8	8.2	16.4	33.8	27.2	1.1	44.8
16 Other loans	67.5	−34.4	11.9	−17.7	53.2	1.8	78.9	34.3	30.2	69.2	104.3	68.6
By borrowing sector												
17 Household	218.5	171.1	214.2	280.9	353.5	335.0	307.4	308.0	392.1	406.4	324.4	324.7
18 Nonfinancial business	123.9	−33.3	.8	18.5	137.1	33.8	135.2	144.2	135.2	133.8	302.4	328.8
19 Farm	2.3	2.1	1.0	2.0	2.8	3.6	2.9	8.7	2.2	−2.4	.6	6.8
20 Nonfarm noncorporate	10.1	−27.9	−43.5	−24.6	15.5	−15.3	11.8	12.7	18.1	19.2	71.8	32.0
21 Corporate	111.4	−7.4	43.2	41.1	118.8	45.5	120.6	122.7	115.0	117.0	230.0	289.9
22 State and local government	46.0	62.6	21.7	63.0	−44.0	17.0	−2.9	−47.2	−53.4	−72.6	−56.2	−27.5
23 Foreign net borrowing in United States	23.9	14.8	22.6	68.8	−20.3	41.8	−98.0	−37.0	20.6	32.9	64.3	36.0
24 Bonds	21.4	15.0	15.7	81.3	7.1	60.1	−2.6	−17.4	20.8	27.7	13.5	46.7
25 Bank loans n.e.c.	−2.9	3.1	2.3	.7	1.4	−6.3	6.0	−4.5	4.7	−.5	8.1	5.6
26 Commercial paper	12.3	6.4	5.2	−9.0	−27.3	−12.0	−101.8	−5.2	−8.1	5.9	37.9	−9.6
27 U.S. government and other loans	−7.0	−9.8	−.6	−4.2	−1.6	.0	.5	−9.9	3.3	−.2	4.9	−6.7
28 **Total domestic plus foreign**	**659.2**	**493.4**	**563.3**	**687.3**	**582.1**	**701.8**	**552.3**	**490.9**	**628.2**	**656.8**	**906.7**	**855.6**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**202.6**	**151.7**	**239.2**	**289.5**	**456.3**	**364.3**	**520.6**	**370.8**	**412.1**	**521.9**	**315.3**	**381.7**
By instrument												
30 U.S. government-related	167.4	145.7	155.8	164.2	284.3	143.3	336.8	254.7	243.1	302.4	125.4	186.1
31 Government-sponsored enterprises securities	17.1	9.2	40.3	80.6	176.9	53.4	160.0	146.6	152.1	249.0	62.9	127.2
32 Mortgage pool securities	150.3	136.6	115.6	83.6	112.1	89.9	196.0	108.1	91.0	53.4	62.5	59.0
33 Loans from U.S. government	−.1	.0	.0	.0	−4.8	.0	−19.2	.0	.0	.0	.0	.0
34 Private	35.3	6.0	83.4	125.3	172.1	221.0	183.8	116.1	169.0	219.5	189.9	195.6
35 Corporate bonds	46.0	66.8	80.5	118.6	110.2	140.8	158.1	95.4	95.9	91.2	150.3	145.3
36 Mortgages	.6	.5	.6	3.6	9.8	5.5	9.8	12.4	12.0	4.9	5.1	4.8
37 Bank loans n.e.c.	4.7	8.8	2.2	−14.0	−12.3	−18.0	−9.9	−27.7	−11.9	.5	17.8	10.1
38 Open market paper	8.6	−32.0	−.7	−6.2	41.6	76.0	36.6	3.6	42.3	84.0	40.3	33.3
39 Loans from Federal Home Loan Banks	−24.7	−38.0	.8	23.3	22.8	16.8	−10.8	32.3	30.7	38.8	−23.6	2.2
By borrowing sector												
40 Government-sponsored enterprises	17.0	9.1	40.2	80.6	172.1	53.4	140.8	146.6	152.1	249.0	62.9	127.2
41 Federally related mortgage pools	150.3	136.6	115.6	83.6	112.1	89.9	196.0	108.1	91.0	53.4	62.5	59.0
42 Private	35.3	6.0	83.4	125.3	172.1	221.0	183.8	116.1	169.0	219.5	189.9	195.6
43 Commercial banks	−.7	−11.7	8.8	5.6	10.0	1.2	2.0	12.4	22.8	2.9	9.3	18.4
44 Bank holding companies	−27.7	−2.5	2.3	8.8	10.3	12.2	3.5	10.1	11.5	16.0	13.4	20.3
45 Funding corporations	15.4	−6.5	13.2	2.9	24.2	36.7	48.8	−17.2	47.2	17.9	62.3	10.4
46 Savings institutions	−30.2	−44.5	−6.7	11.1	12.8	8.8	−5.6	5.8	14.8	36.1	−19.2	−6.9
47 Credit unions	.0	.0	.0	.2	.2	.1	.1	.2	.5	.2	−.3	−.1
48 Life insurance companies	.0	.0	.0	.2	.3	.4	.0	.0	.0	1.3	.0	.1
49 Finance companies	23.8	17.7	−1.6	.2	50.2	16.3	63.3	67.0	16.9	53.7	82.5	61.1
50 Mortgage companies	.0	−2.4	8.0	−1.0	−11.5	−10.4	−21.6	−18.2	−7.0	1.0	8.2	1.2
51 Real estate investment trusts (REITs)	.8	1.2	.3	3.4	13.7	6.1	14.5	15.3	18.8	6.3	6.9	6.4
52 Brokers and dealers	1.5	3.7	2.7	12.0	.5	29.3	−9.9	.3	−7.6	19.3	−29.5	−.1
53 Issuers of asset-backed securities (ABSs)	52.3	51.0	56.3	81.8	61.2	120.3	88.7	40.5	51.1	64.7	56.3	84.7

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Transaction category or sector	1990	1991	1992	1993	1994	1993	1994				1995	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
	All sectors											
54 **Total net borrowing, all sectors**	**861.8**	**645.2**	**802.5**	**976.8**	**1,038.4**	**1,066.1**	**1,072.9**	**861.7**	**1,040.3**	**1,178.7**	**1,222.0**	**1,237.3**
55 U.S. government securities	414.4	424.0	459.8	420.3	444.9	417.5	566.5	377.6	376.7	458.8	397.2	379.8
56 Tax-exempt securities	48.7	68.7	31.1	75.5	−29.9	27.3	13.1	−28.4	−46.4	−57.9	−57.4	−20.3
57 Corporate and foreign bonds	114.5	160.6	163.8	275.1	139.3	268.3	190.9	113.8	130.9	121.7	205.1	311.5
58 Mortgages	200.1	161.9	124.5	159.2	197.0	154.0	176.2	182.7	233.0	196.2	246.2	168.0
59 Consumer credit	15.6	−14.8	7.3	58.9	121.2	110.1	68.7	122.8	131.6	161.5	100.3	147.9
60 Bank loans n.e.c.	2.2	−29.1	−9.4	−8.5	60.6	2.6	65.1	21.4	82.2	73.6	165.6	117.9
61 Open market paper	30.7	−44.0	13.1	−5.1	35.7	67.7	−57.0	14.8	68.0	117.1	79.3	68.5
62 Other loans	35.8	−82.2	12.1	1.3	69.6	18.6	49.4	56.8	64.3	107.8	85.6	64.1
	Funds raised through mutual funds and corporate equities											
63 **Total net share issues**	**19.7**	**215.4**	**296.0**	**440.1**	**162.1**	**429.5**	**343.7**	**207.9**	**159.6**	**−62.9**	**49.6**	**146.6**
64 Mutual funds	65.3	151.5	211.9	320.0	138.3	287.7	236.4	144.0	165.4	7.6	104.5	178.5
65 Corporate equities	−45.6	64.0	84.1	120.1	23.7	141.8	107.3	63.9	−5.7	−70.5	−54.9	−31.9
66 Nonfinancial corporations	−63.0	18.3	27.0	21.3	−44.9	21.5	−9.6	−2.0	−50.0	−118.0	−68.4	−73.2
67 Financial corporations	10.0	15.1	26.4	38.3	26.0	41.0	48.4	20.0	21.2	14.3	.7	5.6
68 Foreign shares purchased in United States	7.4	30.7	30.7	60.5	42.7	79.3	68.5	45.9	23.1	33.2	12.8	35.7

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	1990	1991	1992	1993	1994	1993	1994				1995	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**861.8**	**645.2**	**802.5**	**976.8**	**1,038.4**	**1,066.1**	**1,072.9**	**861.7**	**1,040.3**	**1,178.7**	**1,222.0**	**1,237.3**
2 Private domestic nonfinancial sectors	189.9	−7.4	75.9	15.8	234.9	104.4	288.8	270.4	141.9	238.5	−33.8	−238.2
3 Households	157.0	−39.6	74.2	3.1	317.4	196.7	337.0	385.9	186.2	360.3	148.3	−157.1
4 Nonfarm noncorporate business	−1.7	−3.7	−1.1	−3.2	−2.0	−3.5	−3.6	−1.8	−1.9	−.5	.9	.9
5 Nonfinancial corporate business	−3.7	6.7	29.6	14.5	24.1	12.2	19.9	12.2	25.1	39.2	6.2	26.6
6 State and local governments	38.3	29.2	−26.8	1.5	−104.6	−101.0	−64.4	−125.9	−67.6	−160.5	−189.2	−108.6
7 U.S. government	33.7	10.5	−11.9	−18.4	−24.2	−7.7	−46.5	−16.2	−9.3	−24.7	−13.0	−25.7
8 Foreign	85.5	26.6	101.2	121.7	132.1	204.2	123.9	64.3	132.2	208.1	260.1	340.8
9 Financial sectors	552.7	615.4	637.3	857.7	695.6	765.2	706.7	543.2	775.6	756.8	1,008.8	1,160.5
10 Government sponsored enterprises	13.9	15.2	69.0	90.2	123.3	71.2	92.4	101.1	125.6	174.3	12.2	86.7
11 Federally related mortgage pools	150.3	136.6	115.6	83.6	112.1	89.9	196.0	108.1	91.0	53.4	62.5	59.0
12 Monetary authority	8.1	31.1	27.9	36.2	31.5	38.5	48.8	17.9	24.0	35.4	24.8	12.6
13 Commercial banking	125.1	80.8	95.3	142.2	162.0	188.1	184.7	109.1	191.1	163.3	359.6	292.8
14 U.S. commercial banks	94.9	35.7	69.5	149.6	148.1	197.3	120.6	128.4	164.4	178.9	177.5	212.6
15 Foreign banking offices	28.4	48.5	16.5	−9.8	11.2	−6.5	59.0	−21.5	22.1	−15.0	182.3	75.4
16 Bank holding companies	−2.8	−1.5	5.6	.0	.9	−4.8	3.1	.2	2.7	−2.4	−1.9	3.2
17 Banks in U.S. affiliated areas	4.5	−1.9	3.7	2.4	1.9	2.1	2.1	1.9	1.9	1.8	1.7	1.7
18 Funding corporations	16.1	15.8	23.5	18.1	13.8	42.6	19.5	33.5	25.1	−23.0	22.3	−36.6
19 Thrift institutions	−154.0	−123.5	−61.3	−1.7	34.9	−13.3	13.6	42.6	52.8	30.5	29.4	5.4
20 Life insurance companies	94.4	83.2	79.1	105.1	58.1	86.4	47.6	6.4	80.5	98.1	109.9	91.1
21 Other insurance companies	26.5	32.6	12.8	33.3	21.1	32.1	27.9	20.8	16.0	19.7	13.0	14.9
22 Private pension funds	17.2	85.7	37.3	40.2	−42.4	−60.1	−97.7	−30.7	−17.6	−23.6	97.6	138.9
23 State and local government retirement funds	34.9	46.0	34.4	25.5	60.8	36.9	72.9	69.3	26.3	74.6	64.5	65.7
24 Finance companies	28.8	−9.8	5.0	−9.0	68.2	22.6	72.1	49.8	58.9	91.8	95.7	56.1
25 Mortgage companies	.0	11.2	.1	.0	−22.9	−13.3	−43.5	−36.3	−14.0	2.1	16.5	2.3
26 Mutual funds	41.4	90.3	123.7	169.6	7.6	138.9	61.7	9.4	24.2	−64.8	−10.1	25.2
27 Closed-end funds	.2	14.7	17.4	10.2	3.5	7.7	8.3	3.2	1.4	1.0	.8	1.1
28 Money market funds	80.9	30.1	1.3	14.6	28.5	56.9	−45.0	32.2	50.0	76.7	25.5	138.2
29 Real estate investment trusts (REITs)	−.7	−.7	1.1	.6	4.7	.2	6.6	6.6	5.5	.2	2.5	3.1
30 Brokers and dealers	2.8	17.5	−6.9	9.2	−34.0	−82.8	−55.7	−52.6	−19.3	−8.6	30.7	124.2
31 Asset-backed securities issuers (ABSs)	51.1	48.9	53.8	80.5	57.8	113.7	87.9	42.8	46.3	54.3	49.8	78.3
32 Bank personal trusts	15.9	10.0	8.0	9.5	7.1	8.9	8.9	10.2	7.7	1.4	1.6	1.8
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
33 **Net flows through credit markets**	**861.8**	**645.2**	**802.5**	**976.8**	**1,038.4**	**1,066.1**	**1,072.9**	**861.7**	**1,040.3**	**1,178.7**	**1,222.0**	**1,237.3**
Other financial sources												
34 Official foreign exchange	2.0	−5.9	−1.6	.8	−5.8	2.2	−.2	−14.6	.2	−8.6	17.8	10.3
35 Special drawing rights certificates	1.5	.0	−2.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
36 Treasury currency	1.0	.0	.2	.4	.7	.7	.7	.6	.8	.7	.7	.7
37 Life insurance reserves	25.7	25.7	27.3	35.2	20.1	35.5	20.0	10.6	23.8	26.2	25.4	25.3
38 Pension fund reserves	165.1	360.3	249.7	309.2	103.6	251.6	6.8	102.6	155.4	149.6	393.6	311.2
39 Interbank claims	35.0	−3.4	43.5	50.9	85.5	4.7	173.0	165.8	−55.0	58.0	27.4	119.4
40 Checkable deposits and currency	43.6	86.3	113.5	117.3	−10.1	81.9	173.1	−66.1	−89.6	−57.7	117.7	103.0
41 Small time and savings deposits	63.7	1.5	−57.2	−70.3	−40.5	−36.6	2.5	−62.4	−57.2	−44.9	52.9	134.3
42 Large time deposits	−66.1	−58.5	−73.2	−23.5	19.0	13.7	−39.6	−4.4	81.2	39.0	95.1	44.0
43 Money market fund shares	70.3	41.2	3.9	19.2	45.4	61.1	−35.1	68.5	49.9	98.4	16.6	275.4
44 Security repurchase agreements	−24.2	−16.5	35.5	65.5	84.3	−14.4	23.0	176.4	82.8	54.8	167.0	127.5
45 Foreign deposits	38.2	−16.7	−7.2	−11.7	30.1	32.8	16.0	16.9	23.2	64.3	5.0	10.0
46 Mutual fund shares	65.3	151.5	211.9	320.0	138.3	287.7	236.4	144.0	165.4	7.6	104.5	178.5
47 Corporate equities	−45.6	64.0	84.1	120.1	23.7	141.8	107.3	63.9	−5.7	−70.5	−54.9	−31.9
48 Security credit	3.5	51.4	4.2	61.9	−2.3	86.5	29.9	−17.7	−62.3	40.9	−15.1	12.6
49 Trade debt	37.0	3.8	41.1	50.0	93.4	54.4	36.6	96.3	115.8	125.0	74.7	65.3
50 Taxes payable	−4.8	−6.2	8.5	4.6	3.0	4.9	15.3	−14.4	8.2	3.0	20.9	−5.8
51 Noncorporate proprietors' equity	−27.1	−4.2	18.3	−11.7	−30.0	−27.5	−49.5	−25.0	−17.2	−28.3	−40.8	−13.1
52 Investment in bank personal trusts	29.7	16.1	−7.1	1.6	18.8	17.6	15.0	24.7	23.6	11.9	21.0	22.3
53 Miscellaneous	139.0	203.4	270.2	315.6	269.6	389.9	386.7	223.1	320.1	148.7	534.7	298.8
54 **Total financial sources**	**1,414.5**	**1,539.0**	**1,765.9**	**2,332.1**	**1,885.5**	**2,454.6**	**2,190.7**	**1,750.6**	**1,803.7**	**1,796.9**	**2,786.1**	**2,925.1**
Floats not included in assets (−)												
55 U.S. government checkable deposits	3.3	−13.1	.7	−1.5	−4.8	−15.5	−2.4	−1.4	15.2	−30.7	13.9	−19.0
56 Other checkable deposits	8.5	4.5	1.6	−1.3	−2.8	−6.2	.6	−1.1	−6.2	−4.3	−5.0	−5.4
57 Trade credit	9.1	9.7	4.5	14.2	5.6	10.5	−27.7	16.0	29.4	4.9	−18.0	−5.4
Liabilities not identified as assets (−)												
58 Treasury currency	.2	−.6	−.2	−.2	−.2	−.2	−.2	−.2	−.2	−.2	−.2	−.1
59 Interbank claims	1.6	26.2	−4.9	4.2	−2.7	24.0	−29.1	5.3	11.6	1.2	−3.9	9.7
60 Security repurchase agreements	−24.0	6.2	27.9	82.5	48.6	22.8	13.5	117.0	66.8	−3.0	87.6	−32.8
61 Taxes payable	.1	1.3	14.0	1.0	−2.0	−8.6	.8	1.4	1.0	−11.1	−16.3	30.6
62 Miscellaneous	−32.2	−31.6	−51.8	−44.9	29.1	23.0	41.3	−170.0	149.4	95.6	−90.2	−122.3
63 **Total identified to sectors as assets**	**1,447.9**	**1,536.4**	**1,774.2**	**2,278.1**	**1,814.7**	**2,404.6**	**2,194.1**	**1,783.4**	**1,536.9**	**1,744.5**	**2,818.2**	**3,069.9**

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	1991	1992	1993	1994	1993	1994				1995	
					Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**11,184.1**	**11,727.9**	**12,368.3**	**12,970.5**	**12,368.3**	**12,490.8**	**12,620.8**	**12,776.8**	**12,970.5**	**13,140.6**	**13,343.2**
By sector and instrument											
2 U.S. government	2,776.4	3,080.3	3,336.5	3,492.3	3,336.5	3,387.7	3,395.4	3,432.3	3,492.3	3,557.9	3,583.5
3 Treasury securities	2,757.8	3,061.6	3,309.9	3,465.6	3,309.9	3,361.4	3,368.0	3,404.1	3,465.6	3,531.5	3,556.7
4 Budget agency issues and mortgages	18.6	18.8	26.6	26.7	26.6	26.3	27.4	28.2	26.7	26.4	26.8
5 Private	8,407.7	8,647.6	9,031.8	9,478.2	9,031.8	9,103.1	9,225.3	9,344.5	9,478.2	9,582.7	9,759.7
By instrument											
6 Tax-exempt obligations	1,108.6	1,139.7	1,215.2	1,185.2	1,215.2	1,217.6	1,209.9	1,200.9	1,185.2	1,170.2	1,164.6
7 Corporate bonds	1,086.9	1,154.5	1,229.7	1,251.7	1,229.7	1,238.6	1,247.5	1,251.1	1,251.7	1,262.1	1,292.0
8 Mortgages	3,920.0	4,043.9	4,220.6	4,407.9	4,220.6	4,248.3	4,301.3	4,357.6	4,407.9	4,454.7	4,505.9
9 Home mortgages	2,780.0	2,959.6	3,149.6	3,344.8	3,149.6	3,184.4	3,235.9	3,292.2	3,344.8	3,383.1	3,431.8
10 Multifamily residential	304.8	293.6	289.0	290.7	289.0	289.1	290.2	291.9	290.7	291.6	293.6
11 Commercial	755.8	710.3	700.8	689.4	700.8	693.5	693.1	691.0	689.4	696.5	696.1
12 Farm	79.3	80.4	81.2	83.0	81.2	81.3	82.1	82.6	83.0	83.4	84.4
13 Consumer credit	797.2	804.6	863.5	984.7	863.5	859.6	891.6	929.4	984.7	988.7	1,026.6
14 Bank loans n.e.c.	686.0	672.1	677.0	748.3	677.0	687.4	706.3	725.4	748.3	776.9	807.9
15 Commercial paper	98.5	107.1	117.8	139.2	117.8	129.9	135.7	138.7	139.2	149.8	162.5
16 Other loans	710.6	725.7	707.9	761.1	707.9	721.7	733.1	741.5	761.1	780.3	800.3
By borrowing sector											
17 Household	3,784.5	3,998.7	4,285.8	4,638.9	4,285.8	4,326.3	4,417.7	4,520.9	4,638.9	4,684.8	4,780.1
18 Nonfinancial business	3,712.1	3,716.1	3,750.1	3,887.5	3,750.1	3,782.5	3,825.8	3,852.5	3,887.5	3,960.8	4,050.0
19 Farm	135.0	136.0	138.3	141.2	138.3	136.7	141.5	143.1	141.2	138.9	143.4
20 Nonfarm noncorporate	1,116.9	1,075.0	1,050.4	1,065.8	1,050.4	1,052.6	1,056.3	1,060.2	1,065.8	1,083.0	1,091.5
21 Corporate	2,460.2	2,505.1	2,561.5	2,680.5	2,561.5	2,593.2	2,628.0	2,649.2	2,680.5	2,738.9	2,815.1
22 State and local government	911.1	932.8	995.9	951.8	995.9	994.3	981.9	971.1	951.8	937.1	929.6
23 **Foreign credit market debt held in United States**	**299.7**	**313.1**	**381.9**	**361.6**	**381.9**	**356.5**	**348.7**	**352.4**	**361.6**	**376.8**	**387.1**
24 Bonds	130.5	146.2	227.4	234.6	227.4	226.8	222.4	227.6	234.6	237.9	249.6
25 Bank loans n.e.c.	21.6	23.9	24.6	26.1	24.6	26.2	25.1	26.3	26.1	28.2	29.6
26 Commercial paper	81.8	77.7	68.7	41.4	68.7	43.3	42.0	39.9	41.4	50.9	48.5
27 U.S. government and other loans	65.9	65.3	61.1	59.6	61.1	60.3	59.2	58.6	59.6	59.8	59.5
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**11,483.8**	**12,041.0**	**12,750.2**	**13,332.2**	**12,750.2**	**12,847.3**	**12,969.5**	**13,129.2**	**13,332.2**	**13,517.4**	**13,730.4**
	Financial sectors										
29 **Total credit market debt owed by financial sectors**	**2,751.0**	**3,005.7**	**3,300.6**	**3,762.2**	**3,300.6**	**3,426.5**	**3,525.7**	**3,626.8**	**3,762.2**	**3,834.1**	**3,936.3**
By instrument											
30 U.S. government-related	1,564.2	1,720.0	1,884.1	2,168.4	1,884.1	1,961.5	2,030.5	2,089.8	2,168.4	2,192.7	2,245.0
31 Government-sponsored enterprises securities	402.9	443.1	523.7	700.6	523.7	563.7	600.3	638.3	700.6	716.3	748.1
32 Mortgage pool securities	1,156.5	1,272.0	1,355.6	1,467.8	1,355.6	1,397.8	1,430.1	1,451.5	1,467.8	1,476.4	1,496.9
33 Loans from U.S. government	4.8	4.8	4.8	.0	4.8	.0	.0	.0	.0	.0	.0
34 Private	1,186.8	1,285.8	1,416.5	1,593.8	1,416.5	1,465.1	1,495.2	1,537.0	1,593.8	1,641.4	1,691.3
35 Corporate bonds	638.9	725.8	844.4	952.1	844.4	882.0	906.6	930.4	952.1	990.2	1,027.3
36 Mortgages	4.8	5.4	8.9	18.7	8.9	11.4	14.5	17.5	18.7	20.0	21.2
37 Bank loans n.e.c.	78.4	80.5	66.5	54.3	66.5	62.4	55.3	52.4	54.3	57.1	59.4
38 Open market paper	385.7	394.3	393.5	442.8	393.5	408.8	410.3	420.5	442.8	454.1	462.8
39 Loans from Federal Home Loan Banks	79.1	79.9	103.1	125.9	103.1	100.4	108.5	116.2	125.9	120.0	120.5
By borrowing sector											
40 Government-sponsored enterprises	407.7	447.9	528.5	700.6	528.5	563.7	600.3	638.3	700.6	716.3	748.1
41 Federally related mortgage pools	1,156.5	1,272.0	1,355.6	1,467.8	1,355.6	1,397.8	1,430.1	1,451.5	1,467.8	1,476.4	1,496.9
42 Private financial sectors	1,186.8	1,285.8	1,416.5	1,593.8	1,416.5	1,465.1	1,495.2	1,537.0	1,593.8	1,641.4	1,691.3
43 Commercial banks	65.0	73.8	79.5	89.5	79.5	78.4	82.1	87.5	89.5	90.3	95.4
44 Bank holding companies	112.3	114.6	123.4	133.6	123.4	124.2	126.8	129.6	133.6	137.0	142.0
45 Funding corporations	139.1	161.6	169.9	199.3	169.9	190.7	191.5	200.6	199.3	221.2	229.1
46 Savings institutions	94.6	87.8	99.0	111.7	99.0	97.6	99.0	102.7	111.7	106.9	105.2
47 Credit unions	.0	.0	.2	.5	.2	.3	.3	.4	.5	.4	.3
48 Life insurance companies	.0	.0	.2	.6	.2	.3	.3	.3	.6	.6	.6
49 Finance companies	391.9	390.4	390.5	440.7	390.5	401.9	414.2	420.9	440.7	456.7	467.3
50 Mortgage companies	22.2	30.2	29.2	17.8	29.2	23.8	19.3	17.5	17.8	19.8	20.1
51 Real estate investment trusts (REITs)	13.6	13.9	17.4	31.1	17.4	21.0	24.8	29.5	31.1	32.8	34.4
52 Brokers and dealers	19.0	21.7	33.7	34.3	33.7	31.3	31.3	29.4	34.3	26.9	26.8
53 Issuers of asset-backed securities (ABSs)	329.1	391.7	473.5	534.7	473.5	495.7	505.8	518.6	534.7	548.8	570.0
	All sectors										
54 **Total credit market debt, domestic and foreign**	**14,234.8**	**15,046.7**	**16,050.7**	**17,094.3**	**16,050.7**	**16,273.8**	**16,495.2**	**16,756.0**	**17,094.3**	**17,351.5**	**17,666.7**
55 U.S. government securities	4,335.7	4,795.5	5,215.8	5,660.7	5,215.8	5,349.2	5,425.9	5,522.1	5,660.7	5,750.6	5,828.5
56 Tax-exempt securities	1,108.6	1,139.7	1,215.2	1,185.2	1,215.2	1,217.6	1,209.9	1,200.9	1,185.2	1,170.2	1,164.6
57 Corporate and foreign bonds	1,856.3	2,026.4	2,301.5	2,438.4	2,301.5	2,347.3	2,376.5	2,409.1	2,438.4	2,490.2	2,568.9
58 Mortgages	3,924.8	4,049.3	4,229.6	4,426.6	4,229.6	4,259.7	4,315.8	4,375.2	4,426.6	4,474.7	4,527.1
59 Consumer credit	797.2	804.6	863.5	984.7	863.5	859.6	891.6	929.4	984.7	988.7	1,026.6
60 Bank loans n.e.c.	785.9	776.6	768.2	828.8	768.2	776.0	786.7	804.0	828.8	862.1	896.9
61 Open market paper	565.9	579.0	580.0	623.5	580.0	582.0	587.9	599.2	623.5	654.7	673.8
62 Other loans	860.4	875.7	877.0	946.6	877.0	882.5	900.8	916.2	946.6	960.1	980.4

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	1991	1992	1993	1994	1993	1994				1995	
					Q4	Q1	Q2	Q3	Q4	Q1	Q2
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**14,234.8**	**15,046.7**	**16,050.7**	**17,094.3**	**16,050.7**	**16,273.8**	**16,495.2**	**16,756.0**	**17,094.3**	**17,351.5**	**17,666.7**
2 Private domestic nonfinancial sectors	2,240.1	2,320.1	2,351.5	2,623.2	2,351.5	2,397.5	2,450.6	2,497.3	2,623.2	2,586.1	2,511.4
3 Households	1,446.5	1,524.8	1,541.7	1,926.4	1,541.7	1,640.7	1,717.1	1,779.9	1,926.4	1,946.9	1,885.7
4 Nonfarm noncorporate business	44.1	42.9	39.7	37.7	39.7	38.8	38.4	37.9	37.7	38.0	38.2
5 Nonfinancial corporate business	196.2	225.8	244.9	269.0	244.9	240.0	245.9	249.7	269.0	259.8	269.3
6 State and local governments	553.3	526.5	525.2	390.0	525.2	478.0	449.2	429.8	390.0	341.5	318.1
7 U.S. government	246.9	235.0	230.7	206.5	230.7	219.0	215.4	212.6	206.5	203.2	197.1
8 Foreign	958.0	1,055.0	1,172.2	1,272.7	1,172.2	1,203.0	1,218.4	1,254.4	1,272.7	1,336.5	1,421.4
9 Financial sectors	10,789.8	11,436.6	12,296.3	12,991.9	12,296.3	12,454.3	12,610.7	12,791.7	12,991.9	13,225.8	13,536.8
10 Government-sponsored enterprises	390.7	459.7	549.8	673.2	549.8	572.0	597.9	629.4	673.2	675.3	697.7
11 Federally related mortgage pools	1,156.5	1,272.0	1,355.6	1,467.8	1,355.6	1,397.8	1,430.1	1,451.5	1,467.8	1,476.4	1,496.9
12 Monetary authority	272.5	300.4	336.7	368.2	336.7	341.5	351.6	356.8	368.2	367.1	375.7
13 Commercial banking	2,853.3	2,948.6	3,090.8	3,252.8	3,090.8	3,120.2	3,156.2	3,204.1	3,252.8	3,326.1	3,407.9
14 U.S. commercial banks	2,502.5	2,571.9	2,721.5	2,869.6	2,721.5	2,743.8	2,780.3	2,822.3	2,869.6	2,906.5	2,963.5
15 Foreign banking offices	319.2	335.8	326.0	337.1	326.0	331.8	330.8	335.5	337.1	373.6	397.2
16 Bank holding companies	11.9	17.5	17.5	18.4	17.5	18.2	18.3	19.0	18.4	17.9	18.7
17 Banks in U.S. affiliated areas	19.7	23.4	25.8	27.8	25.8	26.4	26.8	27.3	27.8	28.2	28.6
18 Funding corporations	51.5	75.0	93.1	106.9	93.1	97.9	106.3	112.6	106.9	112.4	103.3
19 Thrift institutions	1,192.6	1,134.5	1,132.7	1,167.6	1,132.7	1,134.2	1,146.1	1,160.3	1,167.6	1,173.1	1,175.7
20 Life insurance companies	1,199.6	1,278.8	1,383.9	1,442.1	1,383.9	1,402.7	1,407.6	1,428.1	1,442.1	1,476.8	1,503.0
21 Other insurance companies	376.6	389.4	422.7	443.8	422.7	429.6	434.8	438.8	443.8	447.0	450.8
22 Private pension funds	693.0	730.4	770.6	728.2	770.6	746.2	738.5	734.1	728.2	752.6	787.3
23 State and local government retirement funds	479.9	514.3	542.6	603.3	542.6	560.8	578.1	584.7	603.3	619.5	635.9
24 Finance companies	487.5	492.6	482.8	551.0	482.8	494.5	511.3	524.1	551.0	568.5	586.7
25 Mortgage companies	60.3	60.5	60.4	37.5	60.4	49.5	40.4	37.0	37.5	41.6	42.2
26 Mutual funds	450.5	574.2	743.8	751.4	743.8	759.2	761.5	767.6	751.4	748.9	755.2
27 Closed-end funds	50.3	67.7	77.9	81.4	77.9	80.0	80.8	81.1	81.4	81.6	81.9
28 Money market funds	402.7	404.1	418.7	447.1	418.7	422.0	421.4	423.4	447.1	467.9	494.0
29 Real estate investment trusts (REITs)	7.0	8.1	8.6	13.3	8.6	10.3	11.9	13.3	13.3	13.9	14.7
30 Brokers and dealers	124.0	117.1	126.3	92.3	126.3	112.4	99.3	94.5	92.3	100.0	131.0
31 Asset-backed securities issuers (ABSs)	317.8	377.9	458.4	516.1	458.4	480.3	491.0	502.6	516.1	528.6	548.2
32 Bank personal trusts	223.5	231.5	240.9	248.0	240.9	243.2	245.7	247.7	248.0	248.4	248.8
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
33 **Total credit market debt**	**14,234.8**	**15,046.7**	**16,050.7**	**17,094.3**	**16,050.7**	**16,273.8**	**16,495.2**	**16,756.0**	**17,094.3**	**17,351.5**	**17,666.7**
Other liabilities											
34 Official foreign exchange	55.4	51.8	53.4	53.2	53.4	56.4	54.9	55.5	53.2	64.1	67.1
35 Special drawing rights certificates	10.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
36 Treasury currency	16.3	16.5	17.0	17.6	17.0	17.1	17.3	17.5	17.6	17.8	18.0
37 Life insurance reserves	405.7	433.0	468.2	488.4	468.2	473.2	475.9	481.8	488.4	494.7	501.0
38 Pension fund reserves	4,138.3	4,516.5	4,974.7	5,017.0	4,974.7	4,896.4	4,898.5	5,013.4	5,017.0	5,252.7	5,472.4
39 Interbank claims	96.4	132.6	183.9	270.3	183.9	215.8	230.7	243.1	270.3	266.3	267.0
40 Deposits at financial institutions	5,045.1	5,059.1	5,155.5	5,283.8	5,155.5	5,163.7	5,186.2	5,211.8	5,283.8	5,369.1	5,531.6
41 Checkable deposits and currency	1,020.9	1,134.4	1,251.7	1,241.6	1,251.7	1,220.5	1,229.7	1,204.8	1,241.6	1,193.5	1,245.4
42 Small time and savings deposits	2,350.7	2,293.5	2,223.2	2,182.7	2,223.2	2,233.8	2,214.1	2,198.7	2,182.7	2,206.3	2,235.5
43 Large time deposits	488.4	415.2	391.7	410.7	391.7	382.6	379.0	402.2	410.7	435.2	444.0
44 Money market fund shares	539.6	543.6	562.7	608.2	562.7	579.7	573.9	583.5	608.2	638.9	684.1
45 Security repurchase agreements	355.8	392.3	457.8	542.1	457.8	474.9	512.9	540.2	542.1	595.4	620.5
46 Foreign deposits	289.6	280.1	268.4	298.5	268.4	272.4	276.6	282.4	298.5	299.7	302.2
47 Mutual fund shares	813.9	1,042.1	1,446.3	1,562.9	1,446.3	1,483.9	1,506.9	1,587.7	1,562.9	1,607.2	1,747.1
48 Security credit	188.9	217.3	279.3	277.0	279.3	282.8	278.0	263.2	277.0	268.8	271.6
49 Trade debt	936.1	977.4	1,027.4	1,120.8	1,027.4	1,024.9	1,049.2	1,086.0	1,120.8	1,127.6	1,144.4
50 Taxes payable	71.2	79.6	84.2	87.3	84.2	89.2	82.0	86.3	87.3	93.5	88.5
51 Investment in bank personal trusts	608.3	629.6	660.9	670.0	660.9	655.2	650.1	671.5	670.0	707.2	745.7
52 Miscellaneous	2,991.9	3,176.7	3,430.7	3,746.3	3,430.7	3,560.9	3,600.2	3,701.5	3,746.3	3,872.5	3,907.9
53 **Total liabilities**	**29,612.4**	**31,386.8**	**33,840.1**	**35,696.9**	**33,840.1**	**34,201.4**	**34,533.1**	**35,183.2**	**35,696.9**	**36,501.1**	**37,437.3**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	22.3	19.6	20.1	21.1	20.1	20.4	20.8	21.0	21.1	22.7	22.9
55 Corporate equities	4,863.6	5,462.9	6,278.5	6,293.4	6,278.5	6,142.6	5,965.8	6,228.7	6,293.4	6,835.8	7,393.0
56 Household equity in noncorporate business	2,448.7	2,413.7	2,425.4	2,512.8	2,425.4	2,474.2	2,502.7	2,526.6	2,512.8	2,525.7	2,528.5
Floats not included in assets (−)											
57 U.S. government checkable deposits	3.8	6.8	5.6	3.4	5.6	.3	.9	1.2	3.4	4.2	2.0
58 Other checkable deposits	40.4	42.0	40.7	38.0	40.7	36.3	38.7	30.6	38.0	32.3	33.7
59 Trade credit	−130.6	−125.9	−107.1	−101.4	−107.1	−127.1	−134.2	−126.9	−101.4	−120.3	−133.0
Liabilities not identified as assets (−)											
60 Treasury currency	−4.7	−4.9	−5.1	−5.4	−5.1	−5.2	−5.2	−5.3	−5.4	−5.4	−5.4
61 Interbank claims	−4.2	−9.3	−4.7	−6.5	−4.7	−7.7	−7.4	−3.4	−6.5	−2.7	−2.6
62 Security repurchase agreements	9.2	38.1	120.5	169.1	120.5	135.9	162.5	189.3	169.1	203.3	192.0
63 Taxes payable	17.8	25.2	26.2	24.2	26.2	15.5	21.3	22.0	24.2	6.6	21.2
64 Miscellaneous	−320.7	−378.2	−457.3	−347.8	−457.3	−398.7	−387.1	−395.6	−347.8	−382.3	−390.3
65 **Total identified to sectors as assets**	**37,336.0**	**39,689.2**	**42,945.3**	**44,750.6**	**42,945.3**	**43,189.2**	**43,332.9**	**44,247.7**	**44,750.6**	**46,149.7**	**47,664.3**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.6 and L.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1987=100, except as noted

Measure	1992	1993	1994	1995								
				Jan.	Feb.	Mar.	Apr.	May	June[r]	July[r]	Aug.	Sept.
1 **Industrial production**[1]	**107.6**	**112.0**	**118.1**	**122.0**	**122.1**	**122.0**	**121.2**	**121.4**	**121.4**	**121.5**	**122.9[r]**	**122.6**
Market groupings												
2 Products, total	106.5	110.7	115.9	119.1	119.1	118.9	118.0	118.2	118.5	118.4	119.7[r]	119.5
3 Final, total	109.0	113.4	118.4	121.6	121.8	121.6	121.0	121.1	121.5	121.4	122.8[r]	122.7
4 Consumer goods	105.9	109.4	113.2	115.7	115.7	114.9	114.4	114.4	114.9	114.2	115.8[r]	115.2
5 Equipment	113.4	119.3	126.5	130.9	131.2	132.0	131.3	131.4	131.7	132.7	133.9[r]	134.4
6 Intermediate	98.8	102.4	108.1	111.3	110.9	110.7	108.9	109.4	109.3	109.4	110.3[r]	110.0
7 Materials	109.2	114.1	121.5	126.5	126.7	126.7	126.1	126.3	125.8	126.4	127.7	127.5
Industry groupings												
8 Manufacturing	108.0	112.9	119.7	124.5	124.2	124.2	123.3	123.2	123.2	123.1	124.3	124.6
9 Capacity utilization, manufacturing (percent)[2]	79.2	80.9	83.4	85.2	84.7	84.4	83.5	83.1	82.8	82.5	83.0	82.9
10 Construction contracts[3]	97.4	105.2[r]	114.3[r]	111.0	115.0	116.0[r]	107.0[r]	117.0[r]	120.0	114.0	120.0[r]	116.0
11 Nonagricultural employment, total[4]	106.5	108.4	111.3	113.6	113.9	114.1	114.1	114.0	114.3	114.3	114.6	114.7
12 Goods-producing, total	94.2	94.3	95.6	98.5	98.6	98.8	98.6	98.2	98.2	97.9	97.9	97.9
13 Manufacturing, total	95.3	94.8	95.1	97.4	97.5	97.5	97.4	97.1	97.0	96.6	96.6	96.5
14 Manufacturing, production workers	94.9	94.9	96.1	98.9	99.1	99.1	99.0	98.6	98.3	97.8	97.9	97.8
15 Service-producing	110.5	112.9	116.3	118.4	118.8	119.0	119.0	119.1	119.4	119.6	119.9	120.1
16 Personal income, total	135.6	141.4	150.0	156.0	156.8	157.6	157.9	157.6	158.5	159.5	159.5	n.a.
17 Wages and salary disbursements	131.6	136.2	145.0	150.0	150.7	150.9	151.7	150.6	151.8	153.0	152.8	n.a.
18 Manufacturing	118.0	120.0	126.0	129.0	131.0	130.6	128.9	128.1	128.4	128.4	128.9	n.a.
19 Disposable personal income[5]	137.0	142.5	150.8	156.8	157.6	158.4	157.1[r]	158.3[r]	159.0	159.9	159.9	n.a.
20 Retail sales[5]	126.4	134.7	145.2	150.7	149.6	150.6	150.5	152.2	153.5	152.9	153.6[r]	154.0
Prices[6]												
21 Consumer (1982–84=100)	140.3	144.5	148.2	150.3	150.9	151.4	151.9	152.2	152.5	152.5	152.9	153.2
22 Producer finished goods (1982=100)	123.2	124.7	125.5	126.6	126.9	127.1	127.6	128.1[r]	128.2	128.3	128.1	127.9

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1994. See "Industrial Production and Capacity Utilization: A Revision," *Federal Reserve Bulletin*, vol. 81 (January 1995), pp. 16–26. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.

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

4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.

5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.

6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

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

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590–605.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1992	1993	1994	1995							
				Feb.	Mar.	Apr.	May	June	July[r]	Aug.[r]	Sept.
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	126,982	128,040	131,056	132,308	132,511	132,737	131,811	131,869	132,519	132,211	132,591
Employment											
2 Nonagricultural industries[3]	114,391	116,232	119,651	121,469	121,576	121,478	120,962	121,034	121,550	121,417	121,867
3 Agriculture	3,207	3,074	3,409	3,656	3,698	3,594	3,357	3,451	3,409	3,362	3,273
Unemployment											
4 Number	9,384	8,734	7,996	7,183	7,237	7,665	7,492	7,384	7,559	7,431	7,451
5 Rate (percent of civilian labor force)	7.4	6.8	6.1	5.4	5.5	5.8	5.7	5.6	5.7	5.6	5.6
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**108,604**	**110,525**	**113,423**	**116,123**	**116,302**	**116,310**	**116,248**	**116,547**	**116,575**	**116,837**	**116,958**
7 Manufacturing	18,104	18,003	18,064	18,523	18,525	18,506	18,456	18,428	18,353	18,357	18,325
8 Mining	635	611	604	588	589	583	582	582	577	575	573
9 Contract construction	4,492	4,642	4,916	5,213	5,256	5,242	5,190	5,230	5,226	5,231	5,247
10 Transportation and public utilities	5,721	5,787	5,842	6,156	6,175	6,184	6,177	6,192	6,195	6,212	6,218
11 Trade	25,354	25,675	26,362	27,069	27,047	27,062	27,045	27,118	27,184	27,178	27,227
12 Finance	6,602	6,712	6,789	6,929	6,938	6,924	6,925	6,930	6,938	6,947	6,955
13 Service	29,052	30,278	31,805	32,404	32,524	32,548	32,630	32,784	32,820	32,984	33,090
14 Government	18,653	18,817	19,041	19,241	19,248	19,261	19,243	19,283	19,282	19,353	19,323

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.

2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.

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

4. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE. Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1994 Q4	1995 Q1	1995 Q2	1995 Q3	1994 Q4	1995 Q1	1995 Q2	1995 Q3	1994 Q4	1995 Q1	1995 Q2	1995 Q3
	Output (1987=100)				Capacity (percent of 1987 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**120.5**	**122.0**	**121.3**	**122.3**	**141.9**	**143.1**	**144.5**	**145.8**	**84.9**	**85.2**	**84.0[r]**	**83.9**
2 Manufacturing	122.7	124.3	123.2	124.0	145.3	146.6	148.2	149.7	84.5	84.7	83.2[r]	82.8
3 Primary processing[3]	118.4	119.3	117.2[r]	116.6	132.3	133.2	134.2	135.1	89.5	89.5	87.4[r]	86.3
4 Advanced processing[4]	124.8	126.6	126.1	127.5	151.3	152.9	154.7	156.5	82.5	82.8	81.5	81.4
5 Durable goods	129.4	131.6	130.4	132.4	153.1	154.9	157.1	159.2	84.6	84.9	83.0	83.1
6 Lumber and products	107.9	107.6	103.9[r]	105.8	116.5	117.1	118.0	118.8	92.7	91.9	88.0	89.0
7 Primary metals	119.4	120.4	116.8	114.8	125.4	126.7	127.5	128.2	95.2	95.0	91.6	89.5
8 Iron and steel	123.3	125.4	120.6	116.4	128.8	130.9	131.7	132.5	95.8	95.9	91.6	87.9
9 Nonferrous	113.9	113.7	111.6	112.3	120.5	120.9	121.6	122.3	94.5	94.1	91.8	91.8
10 Industrial machinery and equipment	167.5	171.5	172.9[r]	178.2	184.1	187.8	192.6	197.4	91.0	91.3	89.8	90.3
11 Electrical machinery	169.4	174.0	176.9[r]	184.8	188.5	193.8	199.9	205.9	89.9	89.8	88.5[r]	89.8
12 Motor vehicles and parts	141.5	145.9	136.0	136.0	162.2	164.2	166.5	168.8	87.2	88.8	81.7	80.6
13 Aerospace and miscellaneous transportation equipment	80.8	81.5	82.1	81.6	129.1	128.8	128.5	128.3	62.6	63.3	63.9	63.6
14 Nondurable goods	115.3	116.1	115.3[r]	114.7	136.3	137.1	138.0	138.9	84.6	84.7	83.5	82.6
15 Textile mill products	111.6	111.8	108.7[r]	105.3	122.0	122.7	123.5	124.3	91.4	91.1	88.1[r]	84.8
16 Paper and products	120.6	120.3	119.7[r]	118.0	127.7	128.4	129.3	130.1	94.4	93.6	92.6[r]	90.7
17 Chemicals and products	126.0	129.7	127.9[r]	128.2	154.7	156.2	157.6	159.0	81.4	83.1	81.2[r]	80.6
18 Plastics materials	130.2	134.3	128.8	...	131.6	132.6	133.8	...	98.9	101.3	96.2	...
19 Petroleum products	106.5	107.8	106.4	106.9	115.1	115.1	115.3	115.5	92.5	93.7	92.2[r]	92.6
20 Mining	99.2	100.3	100.5	101.0	111.4	111.4	111.4	111.4	89.0	90.0	90.2	90.7
21 Utilities	116.3	118.2	120.7[r]	125.2	135.8	136.3	136.8	137.3	85.6	86.8	88.2	91.2
22 Electric	117.3	118.5	120.9	126.6	133.6	134.1	134.7	135.3	87.8	88.4	89.7	93.6

Series	1973 High	1975 Low	Previous cycle[5] High	Previous cycle[5] Low	Latest cycle[6] High	Latest cycle[6] Low	1994 Sept.	1995 Apr.	1995 May	1995 June[r]	1995 July[r]	1995 Aug.	1995 Sept.[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.8**	**84.9**	**78.0**	**84.2**	**84.1**	**84.0**	**83.7**	**83.6**	**84.2**	**83.8**
2 Manufacturing	88.9	70.8	87.3	70.0	85.2	76.6	83.6	83.5	83.1	82.8	82.5	83.0	82.9
3 Primary processing[3]	92.2	68.9	89.7	66.8	89.0	77.9	88.2	88.0	87.5	86.6	86.4	86.3	86.3
4 Advanced processing[4]	87.5	72.0	86.3	71.4	83.5	76.2	81.8	81.8	81.4	81.3	81.0	81.7	81.6
5 Durable goods	88.8	68.5	86.9	65.0	84.0	73.7	83.6	83.4	82.8	82.7	82.6	83.4	83.5
6 Lumber and products	90.1	62.2	87.6	60.9	93.3	76.3	92.6	89.1	87.1	88.0	88.2	89.4	89.4
7 Primary metals	100.6	66.2	102.4	46.8	92.8	74.0	92.6	92.6	92.3	90.0	90.3	88.6	89.7
8 Iron and steel	105.8	66.6	110.4	38.3	95.7	72.1	92.0	93.3	92.7	88.9	87.9	87.0	88.8
9 Nonferrous	92.9	61.3	90.5	62.2	88.7	75.0	93.5	91.8	91.9	91.6	93.6	90.7	91.1
10 Industrial machinery and equipment	96.4	74.5	92.1	64.9	84.0	72.5	90.2	90.2	90.0	89.2	89.9	90.5	90.5
11 Electrical machinery	87.8	63.8	89.4	71.1	84.9	76.6	88.9	88.5	88.5	88.5	89.3	89.9	90.1
12 Motor vehicles and parts	93.4	51.1	93.0	44.5	85.1	57.6	85.3	83.9	80.7	80.5	78.8	81.5	81.4
13 Aerospace and miscellaneous transportation equipment	77.0	66.6	81.1	66.9	88.4	79.4	62.9	64.1	63.8	63.8	63.5	63.8	63.5
14 Nondurable goods	87.9	71.8	87.0	76.9	86.7	80.4	83.8	83.8	83.7	83.1	82.6	82.7	82.4
15 Textile mill products	92.0	60.4	91.7	73.8	92.1	78.9	89.0	90.2	88.7	85.2	83.4	86.0	84.9
16 Paper and products	96.9	69.0	94.2	82.0	94.8	86.5	93.2	92.7	93.8	91.2	92.7	90.9	88.5
17 Chemicals and products	87.9	69.9	85.1	70.1	85.9	78.9	80.4	81.3	81.1	81.1	80.6	80.7	80.7
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	95.7	97.1	97.0	94.6	92.8	...	...
19 Petroleum products	96.7	81.1	89.5	68.2	88.5	83.7	91.4	92.8	92.1	91.8	92.6	91.0	94.1
20 Mining	94.4	88.4	96.6	80.6	86.5	86.0	89.8	90.4	90.2	90.1	91.2	90.2	90.7
21 Utilities	95.6	82.5	88.3	76.2	92.6	83.2	86.0	86.4	89.2	89.1	90.3	94.2	89.0
22 Electric	99.0	82.7	88.3	78.7	94.8	86.5	87.9	88.1	90.2	90.7	92.5	97.4	90.8

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1994. See "Industrial Production and Capacity Utilization: A Revision," *Federal Reserve Bulletin*, vol. 81 (January 1995), pp. 16–26. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper; industrial chemicals; synthetic materials; fertilizer materials; petroleum products; rubber and plastics; stone, clay, and glass; primary metals; and fabricated metals.

4. Advanced processing includes foods; tobacco; apparel; furniture and fixtures; printing and publishing; chemical products such as drugs and toiletries; agricultural chemicals; leather and products; machinery; transportation equipment; instruments; and miscellaneous manufactures.

5. Monthly highs, 1978–80; monthly lows, 1982.

6. Monthly highs, 1988–89; monthly lows, 1990–91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1992 proportion	1994 avg.	1994 Sept.	1994 Oct.	1994 Nov.	1994 Dec.	1995 Jan.	1995 Feb.	1995 Mar.	1995 Apr.	1995 May	1995 June[r]	1995 July[r]	1995 Aug.	1995 Sept.[p]
			Index (1987 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**118.1**	**119.0**	**119.5**	**120.3**	**121.7**	**122.0**	**122.1**	**122.0**	**121.2**	**121.4**	**121.4**	**121.5**	**122.9**	**122.6**
2 Products	60.9	115.9	116.4	116.9	117.5	118.7	119.1	119.1	118.9	118.0	118.2	118.5	118.4	119.7	119.5
3 Final products	46.6	118.4	118.9	119.2	119.8	121.2	121.6	121.8	121.6	121.0	121.1	121.5	121.4	122.8	122.7
4 Consumer goods, total	28.5	113.2	113.0	113.0	113.9	115.5	115.7	115.7	114.9	114.4	114.4	114.9	114.2	115.8	115.2
5 Durable consumer goods	5.5	119.4	119.1	119.4	120.5	123.4	124.5	123.4	121.4	119.4	116.5	117.1	115.5	118.9	119.9
6 Automotive products	2.5	125.5	123.8	124.5	127.1	131.1	131.7	132.3	129.7	126.1	121.1	122.9	119.7	125.0	126.4
7 Autos and trucks	1.6	125.4	122.5	122.3	126.5	131.4	132.7	133.5	130.8	124.9	119.0	120.2	115.4	123.8	124.6
8 Autos, consumer	.9	94.9	90.2	92.9	94.0	100.5	103.6	103.6	103.1	94.4	88.2	86.6	88.9	88.6	90.6
9 Trucks, consumer	.7	180.7	181.5	175.5	185.8	187.3	184.6	187.1	180.0	180.2	175.4	182.3	162.9	188.9	187.1
10 Auto parts and allied goods	.9	123.2	123.9	126.6	125.7	127.8	126.9	127.0	124.8	126.1	122.9	125.9	126.3	124.9	127.6
11 Other	3.0	114.1	115.2	115.2	115.0	116.8	118.3	115.9	114.3	113.8	112.6	112.2	112.1	113.7	114.5
12 Appliances, televisions, and air conditioners	.7	126.0	130.2	124.9	126.9	131.5	132.1	125.8	122.7	121.9	123.6	124.8	125.9	127.7	129.9
13 Carpeting and furniture	.8	105.0	104.1	107.4	105.9	108.0	110.2	107.9	106.5	106.9	104.1	101.9	102.4	105.4	105.9
14 Miscellaneous home goods	1.5	113.8	114.6	114.9	114.5	114.9	116.5	115.8	114.7	113.8	112.3	112.3	111.1	111.8	112.1
15 Nondurable consumer goods	23.0	111.8	111.7	111.5	112.4	113.7	113.6	113.9	113.5	113.3	114.0	114.5	114.0	115.1	114.2
16 Foods and tobacco	10.3	110.5	111.9	112.2	112.4	114.3	113.1	112.9	112.9	113.8	114.1	115.2	113.9	114.2	114.1
17 Clothing	2.4	95.9	95.5	96.2	96.2	96.8	96.1	94.7	94.6	93.6	93.3	91.1	89.7	90.2	89.6
18 Chemical products	4.5	129.7	127.5	127.2	130.5	134.0	137.0	136.6	135.9	133.7	133.5	135.4	134.2	136.8	137.0
19 Paper products	2.9	104.7	105.2	103.6	104.6	104.3	103.4	104.1	102.9	104.2	103.7	103.2	105.0	104.0	103.1
20 Energy	2.9	113.9	110.5	109.8	110.6	109.6	110.4	114.1	113.3	111.2	116.8	117.0	118.6	123.1	117.3
21 Fuels	.9	106.7	107.4	103.9	109.8	107.4	107.4	109.1	110.6	109.9	108.3	108.2	108.3	105.4	110.6
22 Residential utilities	2.1	116.8	111.8	112.2	110.7	110.3	111.6	116.0	114.3	111.6	120.4	120.6	122.9	130.6	120.1
23 Equipment	18.1	126.5	128.0	128.8	128.9	130.1	130.9	131.2	132.0	131.3	131.4	131.7	132.7	133.9	134.4
24 Business equipment	14.0	146.7	149.5	150.9	151.0	152.6	153.7	154.5	155.9	154.9	154.9	155.5	156.9	158.8	159.5
25 Information processing and related	5.7	176.4	181.1	183.2	184.2	188.3	188.7	189.1	192.3	193.7	194.3	196.3	198.2	201.8	203.1
26 Computer and office equipment	1.5	284.2	295.8	300.5	305.7	311.9	318.0	325.3	331.8	340.0	346.8	350.5	360.0	366.8	374.2
27 Industrial	4.0	120.9	123.0	124.4	124.1	124.1	125.9	126.1	126.2	124.8	125.6	125.8	127.2	128.8	129.3
28 Transit	2.6	137.9	136.8	137.1	137.5	137.8	139.7	143.4	144.7	140.8	137.4	138.0	138.2	138.1	138.3
29 Autos and trucks	1.2	148.0	147.7	149.2	151.6	152.6	157.2	157.7	154.9	147.1	142.2	142.8	145.7	146.2	147.7
30 Other	1.7	129.4	133.3	134.3	133.1	133.1	133.5	132.9	132.6	130.4	131.2	128.8	130.7	130.5	130.7
31 Defense and space equipment	3.4	71.0	68.8	68.7	69.0	68.7	68.6	67.7	67.5	66.8	66.8	66.9	66.5	66.2	65.6
32 Oil and gas well drilling	.5	90.8	93.9	88.3	86.0	86.0	86.7	89.1	85.7	89.2	91.9	86.4	89.6	89.6	91.3
33 Manufactured homes	.2	137.3	138.4	142.0	143.1	153.6	153.6	147.4	148.3	147.2	150.4	152.4	147.6	153.7	...
34 Intermediate products, total	14.3	108.1	108.6	109.9	110.6	110.9	111.3	110.9	110.7	108.9	109.4	109.3	109.4	110.3	110.0
35 Construction supplies	5.3	106.8	108.6	109.7	109.8	111.6	112.2	111.0	110.5	108.6	107.1	107.2	107.7	108.3	109.0
36 Business supplies	9.0	109.1	108.7	110.1	111.3	110.7	110.9	111.0	110.9	109.3	111.0	110.8	110.6	111.8	110.9
37 Materials	39.1	121.5	122.9	123.4	124.6	126.3	126.5	126.7	126.7	126.1	126.3	125.8	126.4	127.7	127.5
38 Durable goods materials	20.6	131.2	133.3	134.2	136.0	138.6	139.1	139.2	139.2	138.4	138.3	138.2	139.0	141.1	142.0
39 Durable consumer parts	3.9	132.2	133.1	133.8	135.8	139.7	139.1	139.1	138.3	134.7	132.7	132.8	131.1	135.6	135.8
40 Equipment parts	7.5	143.1	146.7	149.0	150.7	152.3	153.6	155.1	156.2	157.7	158.9	160.1	163.3	166.0	168.1
41 Other	9.1	121.3	122.8	122.7	124.6	127.3	127.6	126.7	126.3	124.9	124.7	123.6	123.6	124.2	124.5
42 Basic metal materials	3.0	119.7	121.1	121.3	123.2	126.0	125.6	124.8	125.2	123.5	123.6	120.9	122.5	121.4	122.4
43 Nondurable goods materials	8.9	118.4	119.8	120.3	121.5	122.8	122.3	121.8	121.7	120.9	121.4	119.5	119.0	119.3	118.2
44 Textile materials	1.1	105.3	105.9	106.9	110.3	108.7	109.8	108.5	108.8	108.1	106.7	102.4	97.5	102.9	101.4
45 Paper materials	1.8	118.7	121.5	120.5	122.1	121.3	120.8	122.1	124.1	121.9	125.8	120.4	123.9	121.7	117.9
46 Chemical materials	4.0	123.2	124.0	124.6	125.9	127.5	128.6	128.3	127.6	127.0	127.5	126.1	126.3	126.2	126.0
47 Other	2.0	116.9	118.2	119.5	119.3	123.4	119.1	116.8	116.0	115.8	114.7	116.0	113.5	113.4	113.3
48 Energy materials	9.6	105.2	105.6	105.2	104.9	105.3	105.6	106.6	106.6	106.7	107.1	107.2	108.2	108.7	107.1
49 Primary energy	6.3	100.3	100.8	100.3	100.7	101.7	101.7	102.0	102.5	102.4	102.1	102.6	103.3	103.0	102.0
50 Converted fuel materials	3.3	114.9	115.1	115.1	113.4	112.3	113.4	115.6	114.7	115.2	116.9	116.2	118.0	120.1	117.2
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.2	117.6	118.6	119.1	119.8	121.1	121.4	121.4	121.4	120.8	121.2	121.1	121.4	122.6	122.3
52 Total excluding motor vehicles and parts	95.2	117.1	118.0	118.5	119.2	120.5	120.8	120.8	120.8	120.3	120.7	120.7	121.0	122.1	121.9
53 Total excluding computer and office equipment	98.3	115.4	116.1	116.6	117.4	118.7	118.9	118.9	118.7	117.9	118.0	117.9	118.0	119.3	119.0
54 Consumer goods excluding autos and trucks	26.9	112.4	112.4	112.4	113.1	114.5	114.6	114.5	113.9	113.8	114.1	114.6	114.2	115.2	114.6
55 Consumer goods excluding energy	25.6	113.1	113.3	113.3	114.2	116.2	116.3	115.9	115.1	114.8	114.1	114.7	113.7	114.9	115.0
56 Business equipment excluding autos and trucks	12.8	146.5	149.5	151.0	150.9	152.5	153.3	154.1	155.9	155.6	156.1	156.7	157.9	159.9	160.5
57 Business equipment excluding computer and office equipment	12.5	130.7	132.7	133.8	133.6	134.7	135.4	135.6	136.6	135.0	134.4	134.7	135.5	136.8	137.0
58 Materials excluding energy	29.5	127.3	129.2	129.9	131.6	133.8	134.0	133.9	133.9	133.0	133.1	132.5	132.9	134.4	134.7

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

Group	SIC[2] code	1992 proportion	1994 avg.	1994 Sept.	1994 Oct.	1994 Nov.	1994 Dec.	1995 Jan.	1995 Feb.	1995 Mar.	1995 Apr.	1995 May	1995 June[r]	1995 July[r]	1995 Aug.	1995 Sept.[p]
				Index (1987 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	...	**100.0**	**118.1**	**119.0**	**119.5**	**120.3**	**121.7**	**122.0**	**122.1**	**122.0**	**121.2**	**121.4**	**121.4**	**121.5**	**122.9**	**122.6**
60 Manufacturing	...	85.5	119.7	120.9	121.5	122.6	124.2	124.5	124.2	124.2	123.3	123.2	123.2	123.1	124.3	124.6
61 Primary processing	...	26.5	115.3	116.2	116.6	118.4	120.3	119.8	119.1	118.9	117.7	117.4	116.5	116.4	116.6	116.9
62 Advanced processing	...	59.0	121.8	123.1	123.8	124.6	126.0	126.6	126.6	126.7	126.0	125.9	126.3	126.3	127.9	128.2
63 Durable goods	...	45.1	125.5	127.2	128.0	129.1	131.2	131.6	131.5	131.6	130.4	130.1	130.5	130.9	132.7	133.5
64 Lumber and products	24	2.0	106.0	107.6	106.7	106.7	110.4	110.2	107.4	105.2	104.9	102.7	104.0	104.5	106.2	106.5
65 Furniture and fixtures	25	1.4	111.4	112.4	114.8	113.0	114.7	116.0	115.6	113.8	112.7	111.4	112.3	112.3	113.5	113.2
66 Stone, clay, and glass products	32	2.1	104.9	105.8	105.4	106.9	110.1	108.7	107.4	108.1	105.8	106.1	106.8	105.6	105.3	106.0
67 Primary metals	33	3.1	114.5	116.0	115.9	119.1	123.0	120.9	119.8	120.5	117.8	117.7	115.0	115.6	113.6	115.3
68 Iron and steel	331,2	1.7	118.3	118.2	118.8	121.9	129.3	125.9	124.3	126.1	122.6	122.1	117.3	116.2	115.3	117.8
69 Raw steel	...	.1	107.9	109.9	109.0	114.2	121.9	114.6	117.2	117.2	114.3	112.4	112.7	110.9	113.6	...
70 Nonferrous	333–6,9	1.4	109.3	112.7	111.8	115.2	114.8	114.2	113.8	113.1	111.5	111.8	111.6	114.3	111.0	111.6
71 Fabricated metal products	34	5.0	110.8	111.6	112.2	113.3	115.3	115.3	114.9	114.6	112.9	113.8	114.5	113.3	115.4	116.3
72 Industrial machinery and equipment	35	7.9	159.9	164.6	166.5	167.5	168.5	171.4	171.1	172.0	172.3	173.3	173.1	175.9	178.6	180.0
73 Computer and office equipment	357	1.7	284.2	295.8	300.5	305.7	311.9	318.0	325.3	331.8	340.0	346.8	350.5	360.0	366.8	374.2
74 Electrical machinery	36	7.3	160.0	165.0	166.9	168.8	172.5	172.9	174.0	175.2	175.1	176.9	178.7	182.1	185.1	187.3
75 Transportation equipment	37	9.6	109.7	108.8	109.0	110.5	111.9	112.6	113.5	112.9	110.1	107.6	107.7	106.4	109.1	109.1
76 Motor vehicles and parts	371	4.8	137.9	137.4	138.4	141.4	144.6	146.1	146.7	144.8	139.0	134.4	134.7	132.4	137.6	138.1
77 Autos and light trucks	371	2.5	131.9	128.4	128.6	132.7	138.4	140.0	140.8	138.2	131.3	124.8	125.7	121.6	129.4	130.4
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.8	82.6	81.4	80.8	80.9	80.6	80.4	81.7	82.3	82.4	82.0	82.0	81.5	81.8	81.4
79 Instruments	38	5.4	107.4	108.0	108.2	107.7	108.9	108.4	107.7	108.5	108.4	107.5	108.1	107.8	109.1	108.4
80 Miscellaneous	39	1.3	116.2	117.0	118.4	118.6	117.6	119.1	120.3	119.0	118.2	117.3	118.2	115.7	116.8	117.8
81 Nondurable goods	...	40.5	113.3	113.7	114.2	115.4	116.4	116.5	116.1	115.8	115.4	115.5	115.0	114.5	114.9	114.7
82 Foods	20	9.4	112.8	114.6	113.4	113.9	114.7	115.9	115.7	115.4	115.3	116.5	116.8	115.6	116.2	116.4
83 Tobacco products	21	1.6	96.5	96.1	104.5	101.5	108.0	97.3	96.4	97.9	104.1	101.4	104.3	103.2	102.1	99.5
84 Textile mill products	22	1.8	109.0	108.3	110.6	112.0	112.2	113.3	110.9	111.2	111.2	109.6	105.4	103.5	106.8	105.7
85 Apparel products	23	2.2	96.3	96.8	96.9	96.8	97.0	96.6	95.8	95.4	93.9	93.5	91.1	89.8	90.4	89.8
86 Paper and products	26	3.6	117.4	118.7	118.9	121.3	121.7	119.8	120.3	120.6	119.6	121.2	118.2	120.3	118.3	115.4
87 Printing and publishing	27	6.8	101.1	100.9	101.4	102.0	101.6	101.3	100.8	100.4	99.7	100.3	99.6	99.4	100.3	99.8
88 Chemicals and products	28	9.9	124.1	123.7	123.8	126.2	128.0	130.4	129.7	129.2	127.8	127.8	128.2	127.7	128.3	128.7
89 Petroleum products	29	1.4	105.3	105.3	104.0	107.6	107.7	107.4	107.6	108.5	106.9	106.2	105.9	106.9	105.1	108.7
90 Rubber and plastic products	30	3.5	133.5	134.7	136.7	138.3	140.0	140.2	140.5	139.1	139.6	136.6	136.3	135.9	136.7	137.3
91 Leather and products	31	.3	85.8	85.4	85.6	84.5	84.4	82.9	82.8	82.7	80.2	80.5	78.5	76.8	78.5	79.0
92 Mining	...	6.8	99.8	100.1	99.2	98.3	100.1	100.0	100.6	100.2	100.7	100.5	100.4	101.6	100.4	101.0
93 Metal	10	.4	159.4	160.0	158.9	154.3	156.2	158.5	160.4	159.3	158.7	159.9	162.5	167.5	173.3	169.7
94 Coal	12	1.0	112.0	110.7	110.2	110.1	117.8	117.9	118.6	117.4	114.1	109.7	111.9	114.5	108.4	113.8
95 Oil and gas extraction	13	4.7	93.0	93.7	92.2	91.2	92.2	91.2	92.3	91.6	93.0	93.7	93.1	93.6	92.9	92.8
96 Stone and earth minerals	14	.6	107.0	106.7	109.3	109.9	109.9	115.1	112.0	114.8	114.2	112.5	111.5	114.6	114.0	115.3
97 Utilities	...	7.7	118.1	116.5	117.2	116.5	115.2	116.5	119.2	118.9	118.0	122.1	122.0	123.9	129.3	122.3
98 Electric	491,3PT	6.1	117.8	117.1	117.9	117.5	116.5	117.2	119.0	119.3	118.6	121.6	122.4	124.9	131.8	123.0
99 Gas	492,3PT	1.6	119.2	114.2	114.4	112.3	109.8	113.7	120.1	117.3	115.9	123.9	120.4	119.7	119.3	119.6
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	...	80.7	118.6	119.9	120.5	121.5	122.9	123.2	122.9	122.9	122.4	122.5	122.5	122.6	123.5	123.8
101 Manufacturing excluding office and computing machines	...	83.8	116.5	117.5	118.1	119.1	120.6	120.8	120.5	120.4	119.4	119.2	119.1	119.0	120.0	120.3
				Gross value (billions of 1987 dollars, annual rates)												
MAJOR MARKETS																
102 **Products, total**	...	**1,707.0**	**2,006.2**	**2,015.6**	**2,020.4**	**2,037.2**	**2,056.5**	**2,063.2**	**2,066.5**	**2,065.1**	**2,049.6**	**2,051.8**	**2,056.4**	**2,056.4**	**2,078.6**	**2,082.4**
103 Final	...	1,314.6	1,576.3	1,584.2	1,584.4	1,598.4	1,615.1	1,621.1	1,626.4	1,626.1	1,615.5	1,616.5	1,621.6	1,620.2	1,639.6	1,643.9
104 Consumer goods	...	866.6	982.5	981.5	977.0	988.5	999.6	1,000.2	1,001.9	997.3	989.6	989.3	992.4	984.5	997.2	997.9
105 Equipment	...	448.0	593.8	602.7	607.3	609.9	615.5	620.9	624.5	628.7	625.9	627.2	629.3	635.7	642.3	646.0
106 Intermediate	...	392.5	429.8	431.4	436.0	438.8	441.4	442.0	440.1	439.0	434.1	435.3	434.7	436.1	439.1	438.5

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1994. See "Industrial Production and Capacity Utilization: A Revision," *Federal Reserve Bulletin*, vol. 81 (January 1995), pp. 16–26. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76, (April 1990), pp. 187–204.
2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1992	1993	1994	1994 Nov.	1994 Dec.	1995 Jan.	1995 Feb.	1995 Mar.	1995 Apr.	1995 May	1995 June	1995 July[r]	1995 Aug.
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,095	1,199	1,372	1,358	1,420	1,293	1,282	1,235	1,243	1,243	1,275	1,355	1,368
2 One-family	911	987	1,068	1,025	1,105	990	931	911	905	930	958	1,011	1,044
3 Two-family or more	184	213	303	333	315	303	351	324	338	313	317	344	324
4 Started	1,200	1,288	1,457	1,536	1,545	1,366	1,319	1,238	1,269	1,282	1,298	1,432	1,392
5 One-family	1,030	1,126	1,198	1,186	1,250	1,055	1,048	987	1,009	988	1,034	1,107	1,127
6 Two-family or more	170	162	259	350	295	311	271	251	260	294	264	325	265
7 Under construction at end of period[1]	612	680	762	787	791	792	797	769	763	755	756	762	776
8 One-family	473	543	558	587	584	578	579	552	544	536	534	537	549
9 Two-family or more	140	137	204	200	207	214	218	217	219	219	222	225	227
10 Completed	1,158	1,193	1,347	1,371	1,388	1,436	1,302	1,443	1,334	1,342	1,256	1,322	1,217
11 One-family	964	1,040	1,160	1,136	1,173	1,209	1,080	1,222	1,089	1,072	1,053	1,045	986
12 Two-family or more	194	153	187	235	215	227	222	221	245	270	203	277	231
13 Mobile homes shipped	210	254	304	322	347	361	335	333	318	329	329	319	335
Merchant builder activity in one-family units													
14 Number sold	610	666	670	642	627	643	575	612	607	667[r]	726	785	710
15 Number for sale at end of period[1]	265	293	338	335	338	342	347	347	348	347	347	346	352
Price of units sold (thousands of dollars)[2]													
16 Median	121.3	126.1	130.4	129.9	135.0	127.9	135.0	130.0	134.0	133.9[r]	133.6	131.1	133.0
17 Average	144.9	147.6	153.7	155.4	159.6	147.4	160.2	153.3	157.8	158.0[r]	160.3	154.8	162.6
EXISTING UNITS (one-family)													
18 Number sold	3,520	3,800	3,946	3,690	3,760	3,610	3,420	3,620	3,390	3,550	3,800	3,990	4,120
Price of units sold (thousands of dollars)[2]													
19 Median	103.6	106.5	109.6	108.7	109.1	108.1	107.0	107.9	108.1	109.0	116.2	115.9	117.6
20 Average	130.8	133.1	136.4	134.7	135.6	135.3	133.4	134.5	134.2	135.4	143.3	142.2	144.4
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 **Total put in place**	**435,022**	**464,504**	**506,904**	**520,183**	**521,771**	**521,054**	**521,429**	**523,467**	**526,297[r]**	**518,616[r]**	**523,277**	**531,614**	**530,421**
22 Private	315,695	339,161	376,566	387,052	386,103	384,806	383,652	383,301	386,423[r]	380,249[r]	381,830	390,052	390,333
23 Residential	187,870	210,455	238,884	242,447	243,565	241,938	240,207	237,894	238,312[r]	235,443[r]	232,732	237,844	241,783
24 Nonresidential	127,825	128,706	137,682	144,605	142,538	142,868	143,445	145,407	148,111[r]	144,806[r]	149,098	152,208	148,550
25 Industrial buildings	20,720	19,533	21,121	25,060	22,769	22,715	23,370	23,911	24,707[r]	24,760[r]	24,416	24,399	23,878
26 Commercial buildings	41,523	42,627	48,552	52,008	53,491	53,338	53,687	55,439	55,011[r]	51,779[r]	55,420	56,259	52,916
27 Other buildings	21,494	23,626	23,912	24,147	24,694	24,373	24,039	23,062	23,948[r]	24,319[r]	23,447	24,424	23,808
28 Public utilities and other	44,088	42,920	44,097	43,390	41,584	42,442	42,349	42,995	44,445[r]	43,948[r]	45,815	47,126	47,948
29 Public	119,322	125,342	130,337	133,131	135,668	136,248	137,777	140,166	139,874[r]	138,367[r]	141,447	141,562	140,088
30 Military	2,502	2,454	2,319	2,354	2,784	2,925	2,624	3,048	2,736[r]	2,442[r]	2,569	2,362	2,451
31 Highway	34,899	37,431	39,882	39,283	38,464	38,574	38,681	40,667	41,158[r]	38,657[r]	40,875	44,099	41,996
32 Conservation and development	6,021	5,978	6,228	6,331	7,466	6,681	7,128	7,139	6,273[r]	5,531[r]	6,117	5,259	5,336
33 Other	75,900	79,479	81,908	85,163	86,954	88,068	89,344	89,312	89,707[r]	91,737[r]	91,886	89,842	90,305

1. Not at annual rates.
2. Not seasonally adjusted.
3. Recent data on value of new construction may not be strictly comparable with data for previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes, see *Construction Reports* (C–30–76–5), issued by the Census Bureau in July 1976.

SOURCES. Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 19,000 jurisdictions beginning in 1994.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, Sept. 1995[1]
	1994 Sept.	1995 Sept.	1994	1995			1995					
			Dec.	Mar.	June	Sept.	May[r]	June[r]	July	Aug.	Sept.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**3.0**	**2.5**	**1.9**	**3.2**	**3.2**	**1.8**	**.3**	**.1**	**.2**	**.1**	**.1**	**153.2**
2 Food	2.8	2.7	3.9	.0	3.6	3.6	.1	.1	.2	.2	.5	148.9
3 Energy items	2.9	−1.8	.4	−1.1	5.4	−11.5	.5	.5	−.8	−.8	−1.4	106.2
4 All items less food and energy	3.0	2.9	2.0	4.1	3.0	2.8	.2	.2	.2	.2	.2	162.1
5 Commodities	1.9	1.5	.3	2.6	.6	2.3	.0	−.1	.1	.4	.1	139.7
6 Services	3.5	3.6	2.6	4.8	4.3	3.0	.3	.3	.3	.1	.3	174.9
PRODUCER PRICES (1982=100)												
7 Finished goods	1.5	1.8	2.2	3.2	.9	.9	.2	−.2	.0	−.1	.3	127.9
8 Consumer foods	.5	2.9	9.2	−1.2	−4.9	9.1	−.7	−.4	1.2	.0	1.0	129.9
9 Consumer energy	.1	−.8	.0	11.3	2.0	−14.7	.6	−1.0	−2.5	−.9	−.5	79.0
10 Other consumer goods	1.8	2.2	.6	2.9	3.2	2.3	.4	.1	.2	.1	.3	141.3
11 Capital equipment	2.5	1.6	−.3	3.0	2.4	1.5	.2	.1	.1	.1	.1	135.7
Intermediate materials												
12 Excluding foods and feeds	2.9	5.1	7.2	10.6	3.9	−.6	.3	.0	.0	−.1	−.1	126.6
13 Excluding energy	3.6	6.2	8.3	10.5	4.2	1.8	.3	.1	.3	.1	.1	136.2
Crude materials												
14 Foods	−5.9	7.3	−1.2	−4.6	−.4	41.7	−2.8	3.9	4.1	.7	4.2	108.7
15 Energy	−4.3	−5.8	−7.6	−4.5	15.3	−22.4	.6	−1.1	−5.4	−3.8	3.2	67.2
16 Other	13.9	7.5	27.9	21.9	4.1	−17.8	−.3	.1	−1.8	−.9	−2.1	171.1

1. Not seasonally adjusted.
2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE. U.S. Department of Labor, Bureau of Labor Statistics.

2.16 GROSS DOMESTIC PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1992	1993	1994	1994			1995	
				Q2	Q3	Q4	Q1	Q2[r]
GROSS DOMESTIC PRODUCT								
1 **Total**	**6,020.2**	**6,343.3**	**6,738.4**	**6,689.9**	**6,791.7**	**6,897.2**	**6,977.4**	**7,030.0**
By source								
2 Personal consumption expenditures	4,136.9	4,378.2	4,628.4	4,586.4	4,657.5	4,734.8	4,782.1	4,851.0
3 Durable goods	492.7	538.0	591.5	580.3	591.5	617.7	615.2	620.3
4 Nondurable goods	1,295.5	1,339.2	1,394.3	1,381.4	1,406.1	1,420.7	1,432.2	1,446.2
5 Services	2,348.7	2,501.0	2,642.7	2,624.7	2,659.9	2,696.4	2,734.8	2,784.5
6 Gross private domestic investment	788.3	882.0	1,032.9	1,034.4	1,055.1	1,075.6	1,107.8	1,094.1
7 Fixed investment	785.2	866.7	980.7	967.0	992.5	1,020.8	1,053.3	1,056.9
8 Nonresidential	561.4	616.1	697.6	683.3	709.1	732.8	766.4	779.3
9 Structures	171.1	173.4	182.8	181.8	184.6	192.0	198.6	204.3
10 Producers' durable equipment	390.3	442.7	514.8	501.5	524.5	540.7	567.8	575.0
11 Residential structures	223.8	250.6	283.0	283.6	283.4	288.0	286.8	277.6
12 Change in business inventories	3.0	15.4	52.2	67.4	62.6	54.8	54.5	37.2
13 Nonfarm	−2.7	20.1	45.9	60.4	53.4	47.4	54.1	37.9
14 Net exports of goods and services	−30.3	−65.3	−98.2	−97.6	−109.6	−98.9	−111.1	−124.7
15 Exports	638.1	659.1	718.7	704.5	730.5	765.5	778.8	797.5
16 Imports	668.4	724.3	816.9	802.1	840.1	864.4	889.9	922.2
17 Government purchases of goods and services	1,125.3	1,148.4	1,175.3	1,166.7	1,188.8	1,185.8	1,198.7	1,209.6
18 Federal	449.0	443.6	437.3	435.1	444.3	431.9	434.4	434.7
19 State and local	676.3	704.7	738.0	731.5	744.5	753.8	764.3	774.8
By major type of product								
20 Final sales, total	6,017.2	6,327.9	6,686.2	6,622.5	6,729.1	6,842.4	6,922.9	6,992.8
21 Goods	2,292.0	2,390.4	2,532.4	2,493.7	2,543.6	2,603.3	2,638.1	2,650.0
22 Durable	968.6	1,032.4	1,118.8	1,099.4	1,125.8	1,151.8	1,175.0	1,178.6
23 Nondurable	1,323.4	1,358.1	1,413.6	1,394.3	1,417.8	1,451.5	1,463.1	1,471.4
24 Services	3,227.2	3,405.5	3,576.2	3,555.4	3,603.6	3,641.9	3,680.6	3,741.0
25 Structures	498.1	532.0	577.6	573.4	581.9	597.3	604.3	601.8
26 Change in business inventories	3.0	15.4	52.2	67.4	62.6	54.8	54.5	37.2
27 Durable goods	−13.0	8.6	34.8	38.2	44.1	36.3	48.0	28.3
28 Nondurable goods	16.0	6.7	17.4	29.2	18.5	18.5	6.5	8.9
MEMO								
29 **Total GDP in 1987 dollars**	**4,979.3**	**5,134.5**	**5,344.0**	**5,314.1**	**5,367.0**	**5,433.8**	**5,470.1**	**5,487.8**
NATIONAL INCOME								
30 **Total**	**4,829.5**	**5,131.4**	**5,458.4**	**5,430.7**	**5,494.9**	**5,599.4**	**5,688.4**	**5,719.4**
31 Compensation of employees	3,591.2	3,780.4	4,004.6	3,979.3	4,023.7	4,095.3	4,157.3	4,183.0
32 Wages and salaries	2,954.8	3,100.8	3,279.0	3,257.2	3,293.9	3,356.4	3,403.4	3,422.3
33 Government and government enterprises	567.3	583.8	602.8	601.9	604.4	609.0	617.2	620.3
34 Other	2,387.5	2,517.0	2,676.2	2,655.4	2,689.6	2,747.4	2,786.2	2,802.0
35 Supplement to wages and salaries	636.4	679.6	725.6	722.0	729.7	738.9	753.9	760.8
36 Employer contributions for social insurance	307.7	324.3	344.6	343.6	346.0	350.2	354.3	356.8
37 Other labor income	328.7	355.3	381.0	378.4	383.7	388.7	399.6	403.9
38 Proprietors' income[1]	418.7	441.6	473.7	471.3	467.0	485.7	493.6	487.2
39 Business and professional[1]	374.4	404.3	434.2	431.9	437.1	444.0	449.2	452.2
40 Farm[1]	44.4	37.3	39.5	39.3	29.8	41.7	44.4	35.0
41 Rental income of persons[2]	−5.5	24.1	27.7	34.1	32.6	29.0	25.4	24.2
42 Corporate profits[1]	405.1	485.8	542.7	546.4	556.0	560.3	569.7	581.1
43 Profits before tax[3]	395.9	462.4	524.5	523.1	538.1	553.5	570.6	574.1
44 Inventory valuation adjustment	−6.4	−6.2	−19.5	−14.1	−19.6	−32.1	−39.0	−28.2
45 Capital consumption adjustment	15.7	29.5	37.7	37.4	37.5	38.8	38.1	35.2
46 Net interest	420.0	399.5	409.7	399.7	415.7	429.2	442.4	444.0

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after–tax profits, dividends, and the like, see table 1.48.

SOURCE. 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	1992	1993	1994	1994			1995	
				Q2	Q3	Q4	Q1	Q2[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**5,154.3**	**5,375.1**	**5,701.7**	**5,659.9**	**5,734.5**	**5,856.6**	**5,962.0**	**6,008.1**
2 Wage and salary disbursements	2,974.8	3,080.8	3,279.0	3,257.2	3,293.9	3,356.4	3,403.4	3,422.3
3 Commodity-producing industries	757.6	773.8	818.2	811.6	821.8	837.3	848.5	842.0
4 Manufacturing	578.3	588.4	617.5	612.8	618.3	629.5	638.1	629.6
5 Distributive industries	682.3	701.9	748.5	742.5	753.5	769.6	776.8	782.9
6 Service industries	967.6	1,021.4	1,109.5	1,101.2	1,114.3	1,140.5	1,160.9	1,177.0
7 Government and government enterprises	567.3	583.8	602.8	601.9	604.4	609.0	617.2	620.3
8 Other labor income	328.7	355.3	381.0	378.4	383.7	388.7	399.6	403.9
9 Proprietors' income[1]	418.7	441.6	473.7	471.3	467.0	485.7	493.6	487.2
10 Business and professional[1]	374.4	404.3	434.2	431.9	437.1	444.0	449.2	452.2
11 Farm[1]	44.4	37.3	39.5	39.3	29.8	41.7	44.4	35.0
12 Rental income of persons[2]	−5.5	24.1	27.7	34.1	32.6	29.0	25.4	24.2
13 Dividends	161.0	181.3	194.3	191.7	196.9	202.7	205.5	208.1
14 Personal interest income	665.2	637.9	664.0	649.4	674.2	701.1	723.6	739.3
15 Transfer payments	860.2	915.4	963.4	957.6	969.0	979.7	1,004.8	1,018.6
16 Old-age survivors, disability, and health insurance benefits	414.0	444.4	473.5	470.7	476.5	483.1	496.7	503.4
17 LESS: Personal contributions for social insurance	248.7	261.3	281.4	279.9	282.9	286.6	293.8	295.4
18 EQUALS: Personal income	5,154.3	5,375.1	5,701.7	5,659.9	5,734.5	5,856.6	5,962.0	6,008.1
19 LESS: Personal tax and nontax payments	648.6	686.4	742.1	746.4	744.1	754.7	777.6	807.0
20 EQUALS: Disposable personal income	4,505.8	4,688.7	4,959.6	4,913.5	4,990.3	5,101.9	5,184.4	5,201.0
21 LESS: Personal outlays	4,257.8	4,496.2	4,756.5	4,712.4	4,787.0	4,869.3	4,920.7	4,994.9
22 EQUALS: Personal saving	247.9	192.6	203.1	201.1	203.3	232.6	263.7	206.1
MEMO								
Per capita (1987 dollars)								
23 Gross domestic product	19,489.7	19,878.8	20,475.8	20,389.7	20,536.5	20,739.8	20,836.3	20,858.6
24 Personal consumption expenditures	13,110.4	13,390.8	13,715.4	13,650.9	13,716.6	13,853.5	13,880.1	13,965.7
25 Disposable personal income	14,279.0	14,341.0	14,696.0	14,625.0	14,697.0	14,927.0	15,048.0	14,973.0
26 Saving rate (percent)	5.5	4.1	4.1	4.1	4.1	4.6	5.1	4.0
GROSS SAVING								
27 **Gross saving**	**722.9**	**787.5**	**920.6**	**923.3**	**922.6**	**950.3**	**1,006.0**	**983.8**
28 Gross private saving	980.8	1,002.5	1,053.5	1,041.4	1,052.7	1,082.7	1,126.4	1,090.0
29 Personal saving	247.9	192.6	203.1	201.1	203.3	232.6	263.7	206.1
30 Undistributed corporate profits[1]	94.3	120.9	135.1	142.3	139.5	130.7	132.6	140.8
31 Corporate inventory valuation adjustment	−6.4	−6.2	−19.5	−14.1	−19.6	−32.1	−39.0	−28.2
Capital consumption allowances								
32 Corporate	396.8	407.8	432.2	425.9	432.6	438.0	445.3	454.7
33 Noncorporate	261.8	261.2	283.1	272.1	277.3	281.3	284.7	288.4
34 Government surplus, or deficit (−), national income and product accounts	−257.8	−215.0	−132.9	−118.1	−130.1	−132.3	−120.4	−106.2
35 Federal	−282.7	−241.4	−159.1	−145.1	−154.0	−161.1	−148.6	−129.6
36 State and local	24.8	26.3	26.2	27.0	23.9	28.8	28.2	23.4
37 **Gross investment**	**731.7**	**789.8**	**889.7**	**899.3**	**901.5**	**907.9**	**947.4**	**916.8**
38 Gross private domestic investment	788.3	882.0	1,032.9	1,034.4	1,055.1	1,075.6	1,107.8	1,094.1
39 Net foreign investment	−56.6	−92.3	−143.2	−135.1	−153.6	−167.7	−160.4	−177.3
40 **Statistical discrepancy**	**8.8**	**2.3**	**−30.9**	**−24.0**	**−21.1**	**−42.4**	**−58.6**	**−67.0**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted except as noted[1]

Item credits or debits	1992	1993	1994	1994 Q2	1994 Q3	1994 Q4	1995 Q1	1995 Q2^p
1 Balance on current account	−61,548	−99,925	−151,245	−37,986	−39,714	−43,276	−39,025	−43,622
2 Merchandise trade balance[2]	−96,106	−132,618	−166,099	−41,494	−44,627	−43,488	−45,050	−49,040
3 Merchandise exports	440,352	456,823	502,485	122,730	127,384	133,926	138,061	142,543
4 Merchandise imports	−536,458	−589,441	−668,584	−164,224	−172,011	−177,414	−183,111	−191,583
5 Military transactions, net	−2,142	448	2,148	376	1,124	679	542	537
6 Other service transactions, net	58,767	57,328	57,739	14,195	14,696	15,342	15,068	15,135
7 Investment income, net	10,080	9,000	−9,272	−2,285	−2,533	−4,571	−1,961	−2,874
8 U.S. government grants	−15,083	−16,311	−15,814	−3,703	−3,488	−6,245	−2,867	−2,356
9 U.S. government pensions and other transfers	−3,735	−3,785	−4,247	−1,063	−1,064	−1,063	−782	−988
10 Private remittances and other transfers	−13,330	−13,988	−15,700	−4,012	−3,822	−3,931	−3,975	−4,036
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	−1,661	−330	−322	491	−283	−931	−152	−157
12 Change in U.S. official reserve assets (increase, −)	3,901	−1,379	5,346	3,537	−165	2,033	−5,318	−2,722
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	2,316	−537	−441	−108	−111	−121	−867	−156
15 Reserve position in International Monetary Fund	−2,692	−44	494	251	273	−27	−526	−786
16 Foreign currencies	4,277	−797	5,293	3,394	−327	2,181	−3,925	−1,780
17 Change in U.S. private assets abroad (increase, −)	−68,115	−182,880	−130,875	−10,001	−27,492	−56,258	−69,873	−72,228
18 Bank-reported claims[3]	20,895	29,947	915	15,107	1,590	−16,651	−29,284	−35,534
19 Nonbank-reported claims	45	1,581	−32,621	−10,230	−8,051	−12,449	−11,518	...
20 U.S. purchases of foreign securities, net	−46,415	−141,807	−49,799	−7,128	−10,976	−15,238	−6,567	−20,597
21 U.S. direct investments abroad, net	−42,640	−72,601	−49,370	−7,750	−10,055	−11,920	−22,504	−16,097
22 Change in foreign official assets in United States (increase, +)	40,466	72,146	39,409	9,162	19,691	−421	22,308	37,759
23 U.S. Treasury securities	18,454	48,952	30,723	5,919	16,477	7,470	10,131	25,169
24 Other U.S. government obligations	3,949	4,062	6,025	2,360	2,222	1,228	1,126	1,326
25 Other U.S. government liabilities[4]	2,180	1,706	2,211	174	494	692	−154	513
26 Other U.S. liabilities reported by U.S. banks[3]	16,571	14,841	2,923	1,674	1,298	−9,856	10,940	7,802
27 Other foreign official assets[5]	−688	2,585	−2,473	−965	−800	45	265	2,949
28 Change in foreign private assets in United States (increase, +)	113,357	176,382	251,956	37,364	60,045	85,136	72,533	76,459
29 U.S. bank-reported liabilities[3]	15,461	20,859	114,396	28,231	19,650	34,676	−531	15,006
30 U.S. nonbank-reported liabilities	13,573	10,489	−4,324	−2,047	487	−5,242	10,113	...
31 Foreign private purchases of U.S. Treasury securities, net	36,857	24,063	33,811	−7,317	5,428	25,929	29,910	29,966
32 Foreign purchases of other U.S. securities, net	29,867	79,864	58,625	12,551	14,762	10,195	15,816	20,202
33 Foreign direct investments in United States, net	17,599	41,107	49,448	5,946	19,718	19,578	17,225	11,285
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	−26,399	35,985	−14,269	−2,567	−12,082	13,718	19,527	4,511
36 Due to seasonal adjustment	...	...	...	587	−6,641	782	6,183	410
37 Before seasonal adjustment	−26,399	35,985	−14,269	−3,154	−5,441	12,936	13,344	4,101
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	3,901	−1,379	5,346	3,537	−165	2,033	−5,318	−2,722
39 Foreign official assets in United States, excluding line 25 (increase, +)	38,286	70,440	37,198	8,988	19,197	−1,113	22,462	37,246
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	5,942	−3,717	−1,184	−4,217	3,564	1,120	−322	5

1. Seasonal factors are not calculated for lines 12–16, 18–20, 22–34, and 38–40.
2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.
3. Reporting banks include all types of depository 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, Bureau of Economic Analysis, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1992	1993	1994	1995						
				Feb.	Mar.	Apr.	May	June	July	Aug.^p
1 Goods and services, balance	−39,480	−74,841	−106,212	−9,504	−9,209	−11,076	−10,780	−11,280	−11,186	−8,819
2 Merchandise	−96,106	−132,618	−166,099	−14,271	−14,537	−16,336	−15,976	−16,493	−16,230	−13,830
3 Services	56,626	57,777	59,887	4,767	5,328	5,260	5,196	5,213	5,044	5,011
4 Goods and services, exports	618,969	644,578	701,201	62,093	65,342	64,412	65,595	64,599	63,408	65,743
5 Merchandise	440,352	456,823	502,485	45,638	47,947	47,157	48,307	47,381	46,368	48,718
6 Services	178,617	187,755	198,716	16,455	17,395	17,255	17,288	17,218	17,040	17,025
7 Goods and services, imports	−658,449	−719,420	−807,413	−71,597	−74,551	−75,488	−76,375	−75,879	−74,594	−74,562
8 Merchandise	−536,458	−589,441	−668,584	−59,909	−62,484	−63,493	−64,283	−63,874	−62,598	−62,548
9 Services	−121,991	−129,979	−138,829	−11,688	−12,067	−11,995	−12,092	−12,005	−11,996	−12,014
MEMO										
10 **Balance on merchandise trade, Census basis**	**−84,501**	**−115,568**	**−150,630**	**−13,350**	**−12,886**	**−14,797**	**−14,058**	**−14,730**	**−15,290**	**−12,823**

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. *FT900*, U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1992	1993	1994	1995							
				Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.^p
1 **Total**	**71,323**	**73,442**	**74,335**	**81,439**	**86,761**	**88,756**	**90,549**	**90,063**	**91,534**	**86,648**	**87,152**
2 Gold stock, including Exchange Stabilization Fund[1]	11,056	11,053	11,051	11,050	11,053	11,055	11,054	11,054	11,053	11,053	11,051
3 Special drawing rights[2,3]	8,503	9,039	10,039	11,158	11,651	11,743	11,923	11,869	11,487	11,146	11,035
4 Reserve position in International Monetary Fund[2]	11,759	11,818	12,030	12,853	13,418	14,206	14,278	14,276	14,761	14,470	14,681
5 Foreign currencies[4]	40,005	41,532	41,215	46,378	50,639	51,752	53,294	52,864	54,233	49,979	50,385

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce.
2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.
3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million; 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Asset	1992	1993	1994	1995							
				Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.^p
1 **Deposits**	**205**	**386**	**250**	**188**	**370**	**166**	**227**	**167**	**190**	**165**	**201**
Held in custody											
2 U.S. Treasury securities[2]	314,481	379,394	441,866	447,206	459,694	469,482	474,181	482,506	505,613	502,737	506,572
3 Earmarked gold[3]	13,118	12,327	12,033	12,033	11,964	11,897	11,800	11,725	11,728	11,741	11,728

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.
3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1993	1994	1995						
			Feb.	Mar.	Apr.r	Mayr	Juner	July	Aug.p
1 **Total**[1]	**483,002**	**520,578r**	**527,541r**	**542,768r**	**552,623**	**560,324**	**580,053**	**604,054**	**611,933**
By type									
2 Liabilities reported by banks in the United States[2]	69,808	73,031r	80,556r	83,697r	85,564	84,859	91,563	93,405	105,044
3 U.S. Treasury bills and certificates[3]	151,100	139,570	134,341	141,716	146,417	154,575	154,517	159,654	156,322
U.S. Treasury bonds and notes									
4 Marketable	212,237	254,059	257,998	262,020	265,178	263,404	274,254	291,034	290,670
5 Nonmarketable[4]	5,652	6,109	6,095	6,135	6,174	6,209	6,245	6,288	6,329
6 U.S. securities other than U.S. Treasury securities[5]	44,205	47,809	48,551	49,200	49,290	51,277	53,474	53,673	53,568
By area									
7 Europe[1]	207,121	215,024	213,876	218,385r	216,771	217,793	223,814	224,343	219,911
8 Canada	15,285	17,235	18,655	19,268	19,248	19,631	19,549	21,746	21,508
9 Latin America and Caribbean	55,898	41,492r	42,431r	39,847	42,475	44,707	50,268	57,662	62,994
10 Asia	197,702	236,819	244,650	256,845r	266,089	270,519	278,767	290,885	297,912
11 Africa	4,052	4,179	4,066	4,583	4,200	4,281	4,427	4,309	4,433
12 Other countries[6]	2,942	5,827	3,861	3,838	3,838	3,391	3,226	5,107	5,173

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 U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1991	1992	1993r	1994r		1995r	
				Sept.	Dec.	Mar.	June
1 Banks' liabilities	75,129	72,796	78,259	83,444	89,587	96,190	106,069
2 Banks' claims	73,195	62,799	61,425	64,161	60,249	72,511	77,195
3 Deposits	26,192	24,240	20,401	20,731	19,640	24,257	28,915
4 Other claims	47,003	38,559	41,024	43,430	40,609	48,254	48,280
5 Claims of banks' domestic customers[2]	3,398	4,432	9,103	12,719	15,020	11,637	13,070

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

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	1992	1993	1994r	1995						
				Feb.r	Mar.	Apr.r	Mayr	Juner	July	Aug.p
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**810,259**	**926,793r**	**1,017,047**	**1,021,668**	**1,031,278r**	**1,037,624**	**1,041,439**	**1,055,067**	**1,055,225**	**1,070,474**
2 Banks' own liabilities	606,444	627,040r	721,624	726,939	725,066r	720,976	722,735	732,820	726,116	741,188
3 Demand deposits	21,828	21,573	23,376	24,090	22,746r	22,950	23,567	22,226	24,100	21,771
4 Time deposits[2]	160,385	175,032r	186,400	185,681	184,124r	182,196	184,299	192,883	189,317	195,651
5 Other[3]	93,237	112,056r	115,933	126,737	120,939r	123,852	127,544	122,065	139,247	137,028
6 Own foreign offices[4]	330,994	318,379	395,915	390,431	397,257r	391,978	387,325	395,646	373,452	386,738
7 Banks' custodial liabilities[5]	203,815	299,753	295,423	294,729	306,212r	316,648	318,704	322,247	329,109	329,286
8 U.S. Treasury bills and certificates[6]	127,644	176,739	162,826	160,353	170,138	175,540	182,046	182,204	188,621	185,980
9 Other negotiable and readily transferable instruments[7]	21,974	36,289	42,177	43,378	44,921	48,278	40,331	45,112	44,252	45,052
10 Other	54,197	86,725	90,420	90,998	91,153r	92,830	96,327	94,931	96,236	98,254
11 Nonmonetary international and regional organizations[8]	9,350	10,936	8,606	8,355	9,263	8,710	8,576	9,776	11,955	9,920
12 Banks' own liabilities	6,951	5,639	8,176	7,706	8,639	7,547	7,609	8,972	10,884	8,616
13 Demand deposits	46	15	29	35	31	214	34	114	43	40
14 Time deposits[2]	3,214	2,780	3,298	3,548	3,899	3,954	3,516	4,459	4,977	4,486
15 Other[3]	3,691	2,844	4,849	4,123	4,709	3,379	4,059	4,399	5,864	4,090
16 Banks' custodial liabilities[5]	2,399	5,297	430	649	624	1,163	967	804	1,071	1,304
17 U.S. Treasury bills and certificates[6]	1,908	4,275	281	407	314	763	510	312	551	826
18 Other negotiable and readily transferable instruments[7]	486	1,022	149	242	307	400	456	492	520	478
19 Other	5	0	0	0	3	0	1	0	0	0
20 Official institutions[9]	159,563	220,908	212,601	214,897	225,413r	231,981	239,434	246,080	253,059	261,366
21 Banks' own liabilities	51,202	64,231	59,580	67,544	69,196r	67,999	68,974	73,109	75,041	83,645
22 Demand deposits	1,302	1,601	1,564	1,587	1,705	1,485	1,575	1,398	1,429	1,547
23 Time deposits[2]	17,939	21,654	23,511	25,614	23,925r	25,788	27,462	27,406	29,472	31,685
24 Other[3]	31,961	40,976	34,505	40,343	43,566	40,726	39,937	44,305	44,140	50,413
25 Banks' custodial liabilities[5]	108,361	156,677	153,021	147,353	156,217	163,982	170,460	172,971	178,018	177,721
26 U.S. Treasury bills and certificates[6]	104,596	151,100	139,570	134,341	141,716	146,417	154,575	154,517	159,654	156,322
27 Other negotiable and readily transferable instruments[7]	3,726	5,482	13,245	12,943	14,351	17,473	15,771	18,325	18,159	20,735
28 Other	39	95	206	69	150	92	114	129	205	664
29 Banks[10]	547,320	592,208	680,738	678,858	685,733r	681,438	680,063	686,230	665,995	683,767
30 Banks' own liabilities	476,117	478,792	566,647	562,029	565,555r	558,903	560,440	566,759	545,393	562,327
31 Unaffiliated foreign banks	145,123	160,413	170,732	171,598	168,298r	166,925	173,115	171,113	171,941	175,589
32 Demand deposits	10,170	9,719	10,633	10,996	10,878r	10,701	11,406	10,554	12,121	10,061
33 Time deposits[2]	90,296	105,192	111,156	107,157	107,507r	100,613	103,681	111,439	104,566	110,045
34 Other[3]	44,657	45,502	48,943	53,445	49,913	55,611	58,028	49,120	55,254	55,483
35 Own foreign offices[4]	330,994	318,379	395,915	390,431	397,257r	391,978	387,325	395,646	373,452	386,738
36 Banks' custodial liabilities[5]	71,203	113,416	114,091	116,829	120,178r	122,535	119,623	119,471	120,602	121,440
37 U.S. Treasury bills and certificates[6]	11,087	10,712	11,219	12,328	15,723	15,717	14,437	15,021	15,535	15,489
38 Other negotiable and readily transferable instruments[7]	7,555	17,020	14,234	15,232	15,254	15,815	10,955	11,188	10,583	10,142
39 Other	52,561	85,684	88,638	89,269	89,201r	91,003	94,231	93,262	94,484	95,809
40 Other foreigners	94,026	102,741r	115,102	119,558	110,869r	115,495	113,366	112,981	124,216	115,421
41 Banks' own liabilities	72,174	78,378r	87,221	89,660	81,676r	86,527	85,712	83,980	94,798	86,600
42 Demand deposits	10,310	10,238	11,150	11,472	10,132	10,550	10,552	10,160	10,507	10,123
43 Time deposits[2]	48,936	45,406r	48,435	49,362	48,793r	51,841	49,640	49,579	50,302	49,435
44 Other[3]	12,928	22,734r	27,636	28,826	22,751r	24,136	25,520	24,241	33,989	27,042
45 Banks' custodial liabilities[5]	21,852	24,363	27,881	29,898	29,193	28,968	27,654	29,001	29,418	28,821
46 U.S. Treasury bills and certificates[6]	10,053	10,652	11,756	13,277	12,385	12,643	12,524	12,354	12,881	13,343
47 Other negotiable and readily transferable instruments[7]	10,207	12,765	14,549	14,961	15,009	14,590	13,149	15,107	14,990	13,697
48 Other	1,592	946	1,576	1,660	1,799	1,735	1,981	1,540	1,547	1,781
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	9,111	17,567	17,895	17,137	16,741r	17,651	11,938	12,158	10,129	10,409

1. Reporting banks include all types of depository institutions 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 owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued

Item	1992	1993	1994[r]	1995						
				Feb.[r]	Mar.	Apr.[r]	May[r]	June[r]	July	Aug.[p]
AREA										
50 **Total, all foreigners**	**810,259**	**926,793[r]**	**1,017,047**	**1,021,668**	**1,031,278[r]**	**1,037,624**	**1,041,439**	**1,055,067**	**1,055,225**	**1,070,474**
51 **Foreign countries**	**800,909**	**915,857[r]**	**1,008,441**	**1,013,313**	**1,022,015[r]**	**1,028,914**	**1,032,863**	**1,045,291**	**1,043,270**	**1,060,554**
52 Europe	307,670	378,107[r]	392,931	387,677	381,150[r]	368,495	377,387	374,451	377,294	374,982
53 Austria	1,611	1,917	3,649	4,021	4,012	4,030	3,961	3,853	3,922	3,868
54 Belgium and Luxembourg	20,567	28,670[r]	21,978	22,094	23,942[r]	22,855	25,734	21,076	24,791	24,588
55 Denmark	3,060	4,517	2,784	1,971	2,396	2,567	2,811	2,432	2,131	2,468
56 Finland	1,299	1,872	1,436	1,753	1,222[r]	2,028	1,708	1,455	2,390	2,270
57 France	41,411	40,316[r]	45,207	44,482	41,447[r]	38,668	40,976	45,029	42,864	43,251
58 Germany	18,630	26,685[r]	27,190	27,521	28,285[r]	28,496	31,968	34,257	33,705	31,217
59 Greece	913	1,519	1,393	2,065	2,264	2,195	2,160	2,325	2,272	2,358
60 Italy	10,041	11,759	10,882	12,021	8,686	9,414	9,810	10,368	10,215	10,808
61 Netherlands	7,365	16,096	15,971	15,891	15,784	12,545	14,622	11,449	11,742	10,684
62 Norway	3,314	2,966	2,338	2,147	2,066	1,374	1,289	1,305	1,119	2,087
63 Portugal	2,465	3,366	2,846	4,007	2,810	2,940	2,855	2,671	3,161	1,735
64 Russia	577	2,511	2,714	2,642	3,469	5,011	7,042	7,177	6,313	7,265
65 Spain	9,793	20,493	14,655	11,106	11,675	9,859	9,780	10,495	9,051	9,924
66 Sweden	2,953	2,738[r]	3,093	2,247	2,474	1,845	1,437	3,454	2,170	2,859
67 Switzerland	39,440	41,561	41,881	40,100	39,355	41,258	39,984	47,241	42,190	41,642
68 Turkey	2,666	3,227	3,341	2,701	2,513	3,624	3,187	3,253	2,971	3,521
69 United Kingdom	111,805	133,993[r]	163,768	163,525	160,162[r]	153,431	151,052	141,042	151,262	150,703
70 Yugoslavia[11]	504	570	245	255	210[r]	219	220	220	214	146
71 Other Europe and other former U.S.S.R.[12]	29,256	33,331	27,760	27,328	28,478[r]	26,136	26,791	25,349	24,811	23,588
72 Canada	22,420	20,235[r]	24,627	26,580	27,035[r]	28,563	27,716	29,443	28,880	28,278
73 Latin America and Caribbean	317,228	362,161[r]	422,781	421,845	422,812[r]	431,632	429,741	443,505	432,660	444,531
74 Argentina	9,477	14,477	17,199	11,886	9,978	10,154	10,210	10,719	12,250	11,379
75 Bahamas	82,284	73,800	103,684	98,837	100,400[r]	97,304	92,324	97,044	88,375	95,644
76 Bermuda	7,079	8,117[r]	8,467	8,574	9,044[r]	8,955	8,617	7,156	6,907	6,606
77 Brazil	5,584	5,301	9,140	10,628	10,860	13,114	15,563	18,202	21,181	26,692
78 British West Indies	153,033	193,649[r]	229,620	233,826	236,331[r]	244,233	242,895	252,841	244,710	243,857
79 Chile	3,035	3,183	3,114	3,327	3,587	3,446	2,911	3,270	2,625	2,837
80 Colombia	4,580	3,171	4,579	4,037	3,644	3,598	3,401	3,245	3,401	3,318
81 Cuba	3	33	13	5	5	6	5	5	5	3
82 Ecuador	993	880	873	1,511	1,117	1,054	1,048	1,177	1,117	1,159
83 Guatemala	1,377	1,207	1,121	1,079	1,062	1,094	1,069	1,127	1,098	1,120
84 Jamaica	371	410	529	464	491	422	542	449	426	444
85 Mexico	19,454	28,018	12,244	16,767	15,750	17,246	18,174	19,109	20,915	22,028
86 Netherlands Antilles	5,205	4,686	4,530	4,495	4,013	4,076	6,001	3,957	4,395	3,833
87 Panama	4,177	3,582	4,542	4,281	4,361	4,816	4,881	4,193	4,495	4,856
88 Peru	1,080	926	899	892	893	931	1,004	985	932	1,016
89 Uruguay	1,955	1,611	1,594	1,610	1,754	1,930	2,091	2,023	1,945	1,929
90 Venezuela	11,387	12,786	13,975	12,970	12,632	12,122	12,041	10,867	11,083	10,658
91 Other	6,154	6,324[r]	6,658	6,656	6,890[r]	7,131	6,964	7,136	6,800	7,152
92 Asia	143,540	144,529[r]	155,556	165,978	178,417[r]	187,634	186,272	187,456	191,334	198,663
China										
93 People's Republic of China	3,202	4,011	10,066	15,661	12,017	12,138	9,459	10,579	11,908	13,208
94 Republic of China (Taiwan)	8,408	10,627	9,826	9,942	10,021	9,630	9,137	9,689	9,103	9,766
95 Hong Kong	18,499	17,132[r]	17,087	18,059	19,888	20,069	22,690	22,709	24,764	23,784
96 India	1,399	1,114	2,338	2,119	2,354	2,194	1,939	2,102	2,267	2,653
97 Indonesia	1,480	1,986	1,587	1,957	2,107	1,696	2,331	1,818	1,656	1,941
98 Israel	3,773	4,435	5,155	4,955	5,003	5,411	5,326	4,568	4,594	4,718
99 Japan	58,435	61,466	64,259	63,200	77,846	84,761	83,174	83,332	85,785	89,066
100 Korea (South)	3,337	4,913	5,124	4,175	4,374[r]	4,760	5,030	4,971	5,050	4,862
101 Philippines	2,275	2,035	2,714	2,363	2,297	2,257	2,704	2,513	2,634	2,774
102 Thailand	5,582	6,137	6,466	9,906	9,564	10,416	11,582	11,472	11,229	11,163
103 Middle Eastern oil-exporting countries[13]	21,437	15,824	15,475	14,935	15,516	15,730	15,612	16,843	16,465	15,757
104 Other	15,713	14,849	15,459	18,706	17,430	18,572	17,288	16,860	15,879	18,971
105 Africa	5,884	6,633	6,511	6,203	6,817	6,583	6,707	6,766	6,949	6,969
106 Egypt	2,472	2,208	1,867	1,830	1,781	2,102	2,045	2,143	1,840	1,924
107 Morocco	76	99	97	73	70	66	72	89	93	86
108 South Africa	190	451	433	400	706	401	539	594	1,000	744
109 Zaire	19	12	9	10	9	12	10	18	13	15
110 Oil-exporting countries[14]	1,346	1,303	1,343	1,122	1,599	1,328	1,302	1,418	1,364	1,666
111 Other	1,781	2,560	2,762	2,768	2,652	2,674	2,739	2,504	2,639	2,534
112 Other	4,167	4,192	6,035	5,030	5,784	6,007	5,040	3,670	6,153	7,131
113 Australia	3,043	3,308	5,141	4,351	5,024	4,912	4,255	2,943	5,471	5,457
114 Other	1,124	884	894	679	760	1,095	785	727	682	1,674
115 Nonmonetary international and regional organizations	9,350	10,936	8,606	8,355	9,263	8,710	8,576	9,776	11,955	9,920
116 International[15]	7,434	6,851	7,537	7,202	8,092	7,173	6,597	8,124	10,266	7,875
117 Latin American regional[16]	1,415	3,218	613	582	576	666	1,067	804	834	1,039
118 Other regional[17]	501	867	456	571	595	871	912	848	855	1,006

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
14. Comprises Algeria, Gabon, Libya, and Nigeria.
15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.
16. Principally the Inter-American Development Bank.
17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

	Area or country	1992	1993	1994[r]	1995						
					Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June[r]	July	Aug.[p]
1	**Total, all foreigners**	**499,437**	**486,250[r]**	**483,372**	**477,172**	**491,402**	**480,697**	**483,947**	**518,617**	**506,534**	**515,373**
2	**Foreign countries**	**494,355**	**483,845[r]**	**478,781**	**476,288**	**487,668**	**477,760**	**482,337**	**515,984**	**505,217**	**513,944**
3	Europe	123,377	122,823[r]	124,609	123,066	127,193	122,538	123,304	128,932	125,948	126,587
4	Austria	331	413	692	425	589	461	756	581	616	685
5	Belgium and Luxembourg	6,404	6,532[r]	6,737	4,965	7,424	8,505	8,052	5,148	8,063	8,249
6	Denmark	707	382	1,030	636	723	549	508	599	443	428
7	Finland	1,418	594	691	452	564	700	431	394	967	1,001
8	France	14,723	11,822[r]	12,767	12,305	13,480	13,132	14,083	15,362	15,419	15,192
9	Germany	4,222	7,722[r]	6,732	7,707	7,097	7,156	6,644	7,986	6,272	7,827
10	Greece	717	680[r]	592	765	611	560	407	442	445	393
11	Italy	9,047	8,836[r]	6,041	6,553	6,396	6,209	6,219	6,734	6,066	5,729
12	Netherlands	2,468	3,063	2,957	3,319	3,182	3,551	5,998	4,356	4,478	4,371
13	Norway	355	396	504	997	1,442	1,295	1,382	1,019	1,206	1,047
14	Portugal	325	834	938	1,045	907	915	990	1,208	987	916
15	Russia	3,147	2,310	949	759	770	657	511	508	495	504
16	Spain	2,755	2,800[r]	3,529	2,800	3,066	2,076	2,138	3,565	3,626	3,480
17	Sweden	4,923	4,252[r]	4,096	4,040	3,394	3,522	3,319	2,939	3,557	2,819
18	Switzerland	4,717	6,603[r]	7,492	8,074	7,854	7,398	7,631	10,290	7,539	7,361
19	Turkey	962	1,301[r]	874	882	690	810	722	713	725	764
20	United Kingdom	63,430	61,963[r]	66,558	65,574	67,724	63,642	62,218	65,790	63,746	64,479
21	Yugoslavia[2]	569	536	265	265	247	247	248	229	230	230
22	Other Europe and other former U.S.S.R.[3]	2,157	1,784	1,165	1,503	1,033	1,153	1,047	1,069	1,068	1,112
23	Canada	13,845	18,543[r]	18,150	19,098	20,302	17,482	20,553	19,715	18,870	17,266
24	Latin America and Caribbean	218,078	223,997[r]	222,541	221,274	224,955	224,901	223,659	242,360	237,548	245,610
25	Argentina	4,958	4,473[r]	5,834	6,348	6,297	6,178	6,352	6,596	6,255	6,164
26	Bahamas	60,835	63,296[r]	66,096	63,931	65,458	64,352	62,297	63,038	59,170	60,102
27	Bermuda	5,935	8,532[r]	8,381	11,907	8,804	11,843	10,884	8,549	6,373	8,944
28	Brazil	10,773	11,845[r]	9,579	10,144	10,871	10,896	11,192	11,522	12,528	12,974
29	British West Indies	101,507	98,708[r]	95,609	91,855	96,422	94,155	95,284	113,870	113,951	117,416
30	Chile	3,397	3,619	3,794	4,207	4,348	4,247	3,867	4,316	4,245	4,646
31	Colombia	2,750	3,179	4,003	3,818	3,983	3,928	4,034	4,032	4,182	4,348
32	Cuba	0	0	0	0	0	0	0	0	0	0
33	Ecuador	884	680	680	659	567	565	663	767	767	724
34	Guatemala	262	288	366	349	379	359	353	344	340	350
35	Jamaica	162	195	258	281	275	262	258	264	277	290
36	Mexico	14,991	15,713[r]	17,721	17,244	17,187	17,182	17,375	17,277	17,146	17,018
37	Netherlands Antilles	1,379	2,682	1,055	1,437	1,187	1,333	1,778	2,258	2,730	2,912
38	Panama	4,654	2,893	2,179	2,344	2,470	2,507	2,433	2,506	2,512	2,494
39	Peru	730	656	996	1,117	1,096	1,116	1,095	1,359	1,332	1,366
40	Uruguay	936	969[r]	503	416	355	366	398	377	424	424
41	Venezuela	2,525	2,907	1,828	1,725	1,649	1,679	1,662	1,608	1,647	1,767
42	Other	1,400	3,362[r]	3,659	3,492	3,607	3,933	3,734	3,677	3,669	3,671
43	Asia	131,789	111,765[r]	107,337	106,779	109,512	106,749	108,780	118,697	117,180	118,189
	China										
44	People's Republic of China	906	2,271	836	869	841	980	879	1,143	1,206	1,163
45	Republic of China (Taiwan)	2,046	2,623	1,444	1,286	1,549	1,534	1,519	1,794	1,913	1,600
46	Hong Kong	9,642	10,826[r]	9,159	11,193	14,396	11,602	12,069	14,894	14,735	14,493
47	India	529	589	994	1,059	1,040	1,139	1,126	1,210	1,732	1,903
48	Indonesia	1,189	1,527	1,470	1,426	1,513	1,463	1,427	1,443	1,516	1,618
49	Israel	820	826	688	683	811	683	783	949	748	699
50	Japan	79,172	60,029[r]	59,425	57,216	55,602	55,191	58,475	61,039	61,268	63,286
51	Korea (South)	6,179	7,539[r]	10,286	10,740	12,303	11,953	12,265	12,617	13,142	12,844
52	Philippines	2,145	1,409	660	550	550	496	532	915	596	621
53	Thailand	1,867	2,170	2,902	2,635	2,778	2,757	2,755	2,688	2,670	2,594
54	Middle Eastern oil-exporting countries[4]	18,540	15,113[r]	13,741	13,341	13,069	13,292	11,643	12,570	11,946	11,401
55	Other	8,754	6,843	5,732	5,781	5,060	5,659	5,307	7,435	5,708	5,967
56	Africa	4,279	3,857	3,015	2,918	2,875	2,741	2,751	2,919	2,907	2,838
57	Egypt	186	196	225	234	205	181	237	204	193	194
58	Morocco	441	481	429	442	424	440	454	686	645	653
59	South Africa	1,041	633	671	599	644	584	579	563	531	544
60	Zaire	4	4	2	2	2	2	2	2	7	2
61	Oil-exporting countries[5]	1,002	1,129	842	772	731	700	658	657	659	614
62	Other	1,605	1,414	846	869	869	834	821	807	872	831
63	Other	2,987	2,860[r]	3,129	3,153	2,831	3,349	3,290	3,361	2,764	3,454
64	Australia	2,243	2,037[r]	2,186	1,891	1,723	1,768	1,877	1,999	2,072	2,072
65	Other	744	823	943	1,262	1,108	1,581	1,413	1,362	692	1,382
66	Nonmonetary international and regional organizations[6]	5,082	2,405	4,591	884	3,734	2,937	1,610	2,633	1,317	1,429

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1992	1993[r]	1994[r]	1995						
				Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June[r]	July	Aug.[p]
1 **Total**	**559,495**	**560,040**	**580,496**	...	**593,011**	...	...	**625,062**	...	...
2 Banks' claims	499,437	486,250	483,372	477,172	491,402	480,697	483,947	518,617	506,534	515,373
3 Foreign public borrowers	31,367	29,004	23,470	18,253	23,722	22,193	19,075	23,772	19,716	21,435
4 Own foreign offices[2]	303,991	284,270	282,143	278,010	292,092	282,383	285,843	300,293	291,720	295,610
5 Unaffiliated foreign banks	109,342	100,169	111,494	106,122	105,406	104,883	104,005	112,184	113,321	111,544
6 Deposits	61,550	49,186	59,142	54,290	53,485	54,970	51,454	58,583	59,456	57,386
7 Other	47,792	50,983	52,352	51,832	51,921	49,913	52,551	53,601	53,865	54,158
8 All other foreigners	54,737	72,807	66,265	74,787	70,182	71,238	75,024	82,368	81,777	86,784
9 Claims of banks' domestic customers[3]	60,058	73,790	97,124	...	101,609	...	...	106,445	...	...
10 Deposits	15,452	34,291	56,649	...	56,584	...	...	58,526	...	...
11 Negotiable and readily transferable instruments[4]	31,474	25,819	27,188	...	30,565	...	...	31,591	...	...
12 Outstanding collections and other claims	13,132	13,680	13,287	...	14,460	...	...	16,328	...	...
MEMO										
13 Customer liability on acceptances	8,655	7,846	8,377	...	8,415	...	...	8,499	...	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	38,623	29,287	32,004	37,843	35,259	26,429	29,437	34,754	32,296	n.a.

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.
Reporting banks include all types of depository institution as well as some brokers and dealers.
2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
3. Assets held by reporting banks in the accounts of their domestic customers.
4. Principally negotiable time certificates of deposit 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[2]	1991	1992	1993[r]	1994[r]		1995	
				Sept.	Dec.	Mar.[r]	June
1 **Total**	**195,302**	**195,119**	**201,611**	**196,600**	**201,117**	**198,959**	**217,954**
By borrower							
2 Maturity of one year or less	162,573	163,325	171,786	169,769	175,429	170,580	189,651
3 Foreign public borrowers	21,050	17,813	17,763	17,368	15,557	15,749	15,916
4 All other foreigners	141,523	145,512	154,023	152,401	159,872	154,831	173,735
5 Maturity of more than one year	32,729	31,794	29,825	26,831	25,688	28,379	28,303
6 Foreign public borrowers	15,859	13,266	10,880	7,414	7,670	7,689	7,726
7 All other foreigners	16,870	18,528	18,945	19,417	18,018	20,690	20,577
By area							
Maturity of one year or less							
8 Europe	51,835	53,300	57,392	59,803	58,188	54,389	60,573
9 Canada	6,444	6,091	7,673	7,304	7,360	7,417	8,210
10 Latin America and Caribbean	43,597	50,376	59,689	58,735	61,448	63,803	70,491
11 Asia	51,059	45,709	41,419	37,086	40,696	38,213	44,327
12 Africa	2,549	1,784	1,820	1,530	1,371	1,223	1,443
13 All other[3]	7,089	6,065	3,793	5,311	6,366	5,535	4,607
Maturity of more than one year							
14 Europe	3,878	5,367	5,276	4,038	3,865	4,496	3,700
15 Canada	3,595	3,287	2,558	2,683	2,495	3,596	3,084
16 Latin America and Caribbean	18,277	15,312	14,007	12,714	12,230	13,003	14,116
17 Asia	4,459	5,038	5,600	5,093	4,731	5,215	5,491
18 Africa	2,335	2,380	1,936	1,840	1,553	1,592	1,372
19 All other[3]	185	410	448	463	814	477	540

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Maturity is time remaining until maturity.
3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks[1]

Billions of dollars, end of period

Area or country	1991	1992	1993			1994				1995	
			June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
1 **Total**	**343.5[r]**	**344.7[r]**	**376.3[r]**	**387.4[r]**	**405.2[r]**	**477.7[r]**	**486.5[r]**	**485.8[r]**	**494.2[r]**	**541.0[r]**	**525.3**
2 G-10 countries and Switzerland	137.2[r]	131.2[r]	149.0[r]	152.0[r]	161.6[r]	180.7[r]	174.8[r]	183.7[r]	189.0[r]	204.3[r]	198.7
3 Belgium and Luxembourg	.0	5.6	7.0	7.1	7.4	8.1[r]	8.8[r]	9.7[r]	7.0[r]	8.2[r]	7.1
4 France	11.0	15.3	14.0	12.3	12.0[r]	16.6[r]	19.1[r]	21.2[r]	19.7[r]	20.1[r]	19.3
5 Germany	8.3	9.1[r]	10.7[r]	12.2[r]	12.6	30.2[r]	25.3	24.5	24.1[r]	30.4[r]	29.1
6 Italy	5.6	6.5	7.9	8.7	7.6	15.6[r]	14.0	11.6	11.8[r]	10.6	10.7
7 Netherlands	.0	2.8	3.7	3.7	4.7	4.1	3.6	3.5[r]	3.6	3.6[r]	4.3
8 Sweden	1.9	2.3	2.5	2.5	2.7[r]	2.9[r]	3.0[r]	2.6	2.7	3.1	3.0
9 Switzerland	3.4	4.8	4.7	5.6	5.9	6.3	6.5	6.2	6.9	6.2	6.1
10 United Kingdom	68.4[r]	59.7[r]	72.9[r]	73.9[r]	84.2[r]	69.2[r]	64.1[r]	78.0[r]	82.5[r]	86.9[r]	86.2
11 Canada	5.8	6.3	8.0	9.7	6.8	7.8[r]	9.7[r]	9.9[r]	9.7[r]	10.6[r]	10.8
12 Japan	22.2[r]	18.8[r]	17.6[r]	16.4[r]	17.6[r]	19.9[r]	20.7[r]	16.5[r]	21.0[r]	24.5[r]	22.1
13 Other industrialized countries	22.8	24.0	27.2	26.0	24.6	41.3[r]	41.7[r]	41.6[r]	45.2	43.9[r]	43.5
14 Austria	.6	1.2	1.3	.6	.4	1.0	1.0	1.0	1.1	.9	.7
15 Denmark	.9	.9	1.0	1.1	1.0	1.1	1.1	.9[r]	1.2	1.6	1.1
16 Finland	.7	.7	.9	.6	.4	1.0	.8	.8	1.0	1.1	.5
17 Greece	2.6	3.0	3.1	3.2	3.2	3.8	4.6	4.3[r]	4.5	4.9[r]	5.0
18 Norway	1.4	1.2	1.8	2.1	1.7	1.6	1.6	1.6	2.0	2.4	1.8
19 Portugal	.6	.4	.9	1.0	.8	1.2	1.1	1.0	1.2	1.0	1.2
20 Spain	8.3	8.9	10.5	9.3	8.9	12.3	11.7	13.1[r]	13.6	14.1[r]	13.6
21 Turkey	1.4	1.3	2.1	2.1	2.1	2.4	2.1	1.8	1.6	1.4	1.4
22 Other Western Europe	1.8	1.7	1.7	2.2	2.6	3.0[r]	2.8	1.0	2.7	2.5	2.6
23 South Africa	1.9	1.7	1.3	1.2	1.1	1.2	1.2	1.2	1.0	1.4	1.4
24 Australia	2.7	2.9	2.5	2.8	2.3	12.7	13.7	15.0	15.4[r]	12.6	14.3
25 OPEC[2]	14.5	15.8[r]	15.7	14.8	17.4	22.9[r]	21.6[r]	21.6[r]	22.1[r]	19.5[r]	20.3
26 Ecuador	.7	.6	.6	.5	.5	.5	.5	.4	.5	.5	.7
27 Venezuela	5.4	5.2	5.5	5.4	5.1	4.7[r]	4.4[r]	3.9[r]	3.7[r]	3.5[r]	3.5
28 Indonesia	2.7	2.7[r]	3.1	2.8	3.3	3.4[r]	3.2[r]	3.3[r]	3.8[r]	4.0	4.1
29 Middle East countries	4.2	6.2	5.4	4.9	7.4	13.2	12.4	13.0	13.3	10.7	11.4
30 African countries	1.5	1.1	1.1	1.1	1.2	1.1[r]	1.1[r]	1.0	.9[r]	.7	.6
31 Non-OPEC developing countries	64.3[r]	72.6[r]	76.9[r]	77.4[r]	82.9[r]	94.6[r]	95.0[r]	93.1[r]	97.9[r]	100.9[r]	105.8
Latin America											
32 Argentina	4.8	6.6	6.6	7.2	7.7	8.9[r]	10.1[r]	10.7[r]	11.2[r]	11.4[r]	12.3
33 Brazil	9.6	10.8	12.3	11.7	12.0	12.7[r]	12.0[r]	9.3[r]	8.4[r]	9.2[r]	10.0
34 Chile	3.6	4.4	4.6	4.7	4.7	5.1	5.1	5.4	6.1	6.3	7.0
35 Colombia	1.7	1.8	1.9	2.0	2.1	2.2	2.4	2.4	2.6	2.6	2.6
36 Mexico	15.5	16.0	16.8	17.5	17.6[r]	18.8[r]	18.4[r]	19.6[r]	18.4[r]	17.8[r]	17.6
37 Peru	.4	.5	.4	.3	.4	.6	.6	.6	.5	.6	.8
38 Other	2.1	2.6	2.7	2.7	3.1[r]	2.9[r]	2.9[r]	2.9[r]	2.9[r]	2.6[r]	2.6
Asia											
China											
39 People's Republic of China	.3	.7	1.6	.5	2.0	.8	.8	1.0	1.1	1.1	1.4
40 Republic of China (Taiwan)	4.1	5.2	5.9	6.4	7.3	7.6[r]	7.1	6.9	9.2[r]	10.6	11.0
41 India	3.0	3.2	3.1	2.9	3.2	3.6	3.7	3.9[r]	4.2	3.8	4.0
42 Israel	.5	.4	.4	.4	.5	.4	.4	.4	.4	.6	.6
43 Korea (South)	6.8	6.6	6.9	6.5	6.7	14.1	14.3	14.4[r]	16.2	16.9	18.7
44 Malaysia	2.3	3.1	3.7	4.1	4.4	5.2	5.2	3.7	3.1	3.9	4.1
45 Philippines	3.7	3.6	2.9	2.6	3.1	3.4	3.2	2.9	3.3	3.0	3.6
46 Thailand	1.7	2.2	2.4	2.8	3.1	3.0[r]	3.3	3.5	3.8	3.3	3.8
47 Other Asia	2.4[r]	3.1[r]	2.9[r]	3.4[r]	3.1[r]	3.1	3.5	3.6	4.8	5.2	3.8
Africa											
48 Egypt	.4	.2	.2	.2	.4	.4	.5	.3	.3	.4	.4
49 Morocco	.7	.6	.6	.6	.7	.7	.7	.7	.6	.6	.9
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	.7	1.0	.9	.8	.8	1.0	.9	.9	.8	.7	.6
52 Eastern Europe	2.4	3.1	3.2	3.0	3.1	3.4	3.0	3.0	2.7	2.4	2.0
53 Russia[4]	.9	1.9	1.9	1.7	1.6	1.5	1.2	1.1[r]	.8	.6	.4
54 Yugoslavia[5]	.9	.6	.6	.6	.6	.5	.5	.5	.5	.4	.3
55 Other	.7	.6	.8	.7	.9	1.4	1.4	1.5	1.4	1.3	1.3
56 Offshore banking centers	54.1[r]	58.2[r]	58.0	67.9	72.0[r]	78.6[r]	80.4[r]	76.7[r]	70.5[r]	84.8[r]	82.3
57 Bahamas	11.9	6.9	7.1	12.7	10.8	13.7	13.4	13.7[r]	10.0[r]	12.6[r]	7.6
58 Bermuda	2.3	6.2	4.5	5.5	8.6[r]	8.9[r]	6.5[r]	6.0[r]	8.3[r]	8.7[r]	8.5
59 Cayman Islands and other British West Indies	15.8	21.6[r]	15.6	15.1	17.4	17.6	23.5[r]	21.1[r]	19.8[r]	19.3	23.3
60 Netherlands Antilles	1.2	1.1	2.5	2.8	2.6	3.5	2.5	1.7	1.0	.9	1.9
61 Panama[6]	1.4	1.9	2.1	2.1	2.4	2.0	1.9	1.9[r]	1.3	1.1	1.3
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	14.3[r]	13.9	16.9	19.1	18.7	19.7	21.8[r]	20.3	19.9	22.8	23.2
64 Singapore	7.1	6.5	9.3	10.4	11.2	13.0	10.6	11.8	10.1	19.2	16.4
65 Other[7]	.0	.0	.0	.0	.1	.0	.0	.0	.1	.0	.0
66 Miscellaneous and unallocated[8]	47.9[r]	39.7	46.1[r]	46.2[r]	43.4	55.9[r]	69.7[r]	65.8[r]	66.6[r]	85.2[r]	72.6

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

These data are on a gross claims basis and do not necessarily reflect the ultimate country risk or exposure of U.S. banks. More complete data on the country risk exposure of U.S. banks are available in the quarterly Country Exposure Lending Survey published by the Federal Financial Institutions Examination Council.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).
3. Excludes Liberia. Beginning March 1994 includes Namibia.
4. As of December 1992, excludes other republics of the former Soviet Union.
5. As of December 1992, excludes Croatia, Bosnia and Hercegovinia, and Slovenia.
6. Includes Canal Zone.
7. Foreign branch claims only.
8. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type of liability, and area or country	1991	1992	1993	1994				1995	
				Mar.	June	Sept.	Dec.[r]	Mar.	June[p]
1 **Total**	**44,708**	**45,511**	**50,330[r]**	**52,102[r]**	**55,350[r]**	**57,190[r]**	**54,586**	**51,092[r]**	**50,565**
2 Payable in dollars	39,029	37,456	38,728[r]	38,543[r]	42,936[r]	42,712[r]	39,651	37,204[r]	35,635
3 Payable in foreign currencies	5,679	8,055	11,602[r]	13,559[r]	12,414[r]	14,478[r]	14,935	13,888	14,930
By type									
4 Financial liabilities	22,518	23,841	28,959	30,485[r]	33,245	35,871[r]	32,852	29,752[r]	28,832
5 Payable in dollars	18,104	16,960	18,545	18,930	22,819	23,262	19,792	17,645[r]	15,876
6 Payable in foreign currencies	4,414	6,881	10,414	11,555[r]	10,426	12,609[r]	13,060	12,107	12,956
7 Commercial liabilities	22,190	21,670	21,371[r]	21,617[r]	22,105[r]	21,319[r]	21,734	21,340[r]	21,733
8 Trade payables	9,252	9,566	8,802[r]	8,979[r]	9,911[r]	9,550[r]	10,005	9,908[r]	10,558
9 Advance receipts and other liabilities	12,938	12,104	12,569	12,638[r]	12,194[r]	11,769[r]	11,729	11,432[r]	11,175
10 Payable in dollars	20,925	20,496	20,183[r]	19,613[r]	20,117[r]	19,450[r]	19,859	19,559[r]	19,759
11 Payable in foreign currencies	1,265	1,174	1,188[r]	2,004[r]	1,988[r]	1,869[r]	1,875	1,781	1,974
By area or country									
Financial liabilities									
12 Europe	12,003	13,387	18,810	20,582[r]	23,689	23,813[r]	20,870	16,804	17,217
13 Belgium and Luxembourg	216	414	175	525	524	661	495	612	778
14 France	2,106	1,623	2,539	2,606	1,590	2,241	1,727	2,046	1,101
15 Germany	682	889	975	1,214	939	1,467	1,961	1,755	1,589
16 Netherlands	1,056	606	534	564	533	648	552	633	530
17 Switzerland	408	569	634	1,200	631	633	688	883	1,056
18 United Kingdom	6,528	8,610	13,332	13,865[r]	18,255	16,848[r]	14,709	10,025	11,133
19 Canada	292	544	859	508	698	618	629	1,817	894
20 Latin America and Caribbean	4,784	4,053	3,359	3,554	3,125	3,139	3,021	3,024	2,808
21 Bahamas	537	379	1,148	1,158	1,052	1,112	926	931	851
22 Bermuda	114	114	0	120	115	15	80	149	138
23 Brazil	6	19	18	18	18	7	207	58	58
24 British West Indies	3,524	2,850	1,533	1,613	1,297	1,344	1,160	1,231	1,118
25 Mexico	7	12	17	14	13	15	0	10	3
26 Venezuela	4	6	5	5	5	5	5	5	4
27 Asia[2]	5,381	5,818	5,689	5,650	5,694	8,149	8,147	7,911[r]	7,720
28 Japan	4,116	4,750	4,620	4,638	4,760	6,947	7,013	6,890[r]	6,791
29 Middle Eastern oil-exporting countries[3]	13	19	23	24	24	31	35	27	25
30 Africa	6	6	133	133	9	133	135	156	151
31 Oil-exporting countries[4]	4	0	123	124	0	123	123	122	122
32 All other[5]	52	33	109	58	30	19	50	40	42
Commercial liabilities									
33 Europe	8,701	7,398	6,827[r]	6,553[r]	6,919[r]	6,866[r]	6,835	6,812[r]	6,964
34 Belgium and Luxembourg	248	298	239	263[r]	254	287	241	271[r]	288
35 France	1,039	700	655	554	712	742	760	692[r]	581
36 Germany	1,052	729	684	577	670	552	604	504[r]	575
37 Netherlands	710	535	688	628	649	674	722	574[r]	476
38 Switzerland	575	350	375	388	473	391	327	329[r]	434
39 United Kingdom	2,297	2,505	2,039[r]	2,142[r]	2,309[r]	2,350[r]	2,444	2,848[r]	2,902
40 Canada	1,014	1,002	879	1,039	1,070	1,068	1,037	1,198[r]	1,107
41 Latin America and Caribbean	1,355	1,533	1,658[r]	1,900[r]	2,000[r]	1,783[r]	1,857	1,389[r]	1,856
42 Bahamas	3	3	21	8	2	6	19	8	3
43 Bermuda	310	307	350	493	418	200	345	265	401
44 Brazil	219	209	214[r]	209[r]	215[r]	147[r]	161	97	108
45 British West Indies	107	33	27	20	24	33	23	29	12
46 Mexico	307	457	481[r]	554[r]	703[r]	672[r]	574	362[r]	428
47 Venezuela	94	142	123[r]	147[r]	192[r]	189[r]	276	273	204
48 Asia[2]	9,334	10,594	10,980[r]	10,927[r]	10,968[r]	10,501[r]	11,058	10,937[r]	10,874
49 Japan	3,721	3,612	4,314	4,617	4,389	4,235	4,801	4,785[r]	4,350
50 Middle Eastern oil-exporting countries[3]	1,498	1,889	1,534[r]	1,534[r]	1,834[r]	1,680[r]	1,603	1,800	1,810
51 Africa	715	568	453[r]	478[r]	510[r]	468[r]	428	463	482
52 Oil-exporting countries[4]	327	309	167[r]	194[r]	241[r]	264[r]	256	248	252
53 Other[5]	1,071	575	574	720	638	633	519	541	450

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.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type of claim, and area or country	1991	1992	1993	1994r				1995	
					Mar.	June	Sept.	Dec.	Mar.r	Junep
1	**Total**	**45,262**	**45,073**	**48,881r**	**50,716**	**49,513**	**51,406**	**56,743**	**52,177**	**57,558**
2	Payable in dollars	42,564	42,281	44,883r	46,596	45,018	47,065	52,690	47,878	53,177
3	Payable in foreign currencies	2,698	2,792	3,998r	4,120	4,495	4,341	4,053	4,299	4,381
	By type									
4	Financial claims	27,882	26,509	27,528	29,379	27,337	28,930	32,876	28,651	33,478
5	Deposits	20,080	17,695	15,681	16,404	15,842	16,764	18,720	17,218	22,053
6	Payable in dollars	19,080	16,872	15,146	15,847	15,203	16,153	18,245	16,609	21,381
7	Payable in foreign currencies	1,000	823	535	557	639	611	475	609	672
8	Other financial claims	7,802	8,814	11,847	12,975	11,495	12,166	14,156	11,433	11,425
9	Payable in dollars	6,910	7,890	10,655	11,788	10,172	10,978	13,096	10,266	10,338
10	Payable in foreign currencies	892	924	1,192	1,187	1,323	1,188	1,060	1,167	1,087
11	Commercial claims	17,380	18,564	21,353r	21,337	22,176	22,476	23,867	23,526	24,080
12	Trade receivables	14,468	16,007	18,390r	18,480	19,375	19,713	21,034	20,581	21,139
13	Advance payments and other claims	2,912	2,557	2,963r	2,857	2,801	2,763	2,833	2,945	2,941
14	Payable in dollars	16,574	17,519	19,082r	18,961	19,643	19,934	21,349	21,003	21,458
15	Payable in foreign currencies	806	1,045	2,271r	2,376	2,533	2,542	2,518	2,523	2,622
	By area or country									
	Financial claims									
16	Europe	13,441	9,331	7,249	7,411	6,763	8,156	7,679	7,277	7,428
17	Belgium and Luxembourg	13	8	134	125	83	114	86	69	81
18	France	269	764	826	790	995	831	800	808	706
19	Germany	283	326	526	466	459	413	540	443	355
20	Netherlands	334	515	502	503	472	503	429	606	601
21	Switzerland	581	490	530	535	509	747	523	490	499
22	United Kingdom	11,534	6,252	3,535	3,853	3,127	4,440	4,436	3,919	4,482
23	Canada	2,642	1,833	2,032	2,294	3,080	3,164	3,801	4,064	3,929
24	Latin America and Caribbean	10,717	13,893	16,031	16,645	14,799	14,952	18,841	15,500	20,529
25	Bahamas	827	778	1,310	1,385	1,288	1,086	2,369	905	2,299
26	Bermuda	8	40	125	34	39	52	27	37	85
27	Brazil	351	686	654	672	466	411	520	487	460
28	British West Indies	9,056	11,747	12,536	13,281	11,993	12,271	14,880	13,274	16,771
29	Mexico	212	445	868	850	614	655	606	475	524
30	Venezuela	40	29	161	26	33	32	35	27	27
31	Asia	640	864	1,657	2,550	2,234	2,175	1,838	1,457	1,226
32	Japan	350	668	892	1,657	1,349	662	931	584	467
33	Middle Eastern oil-exporting countries[2]	5	3	3	5	2	19	141	4	5
34	Africa	57	83	99	76	74	87	249	77	64
35	Oil-exporting countries[3]	1	9	1	0	1	1	0	9	9
36	All other[4]	385	505	460	403	387	396	468	276	302
	Commercial claims									
37	Europe	8,193	8,451	9,105r	8,793	8,952	8,812	9,517	9,047	9,219
38	Belgium and Luxembourg	194	189	184	182	189	179	213	198	216
39	France	1,585	1,537	1,947	1,830	1,779	1,766	1,879	1,783	1,673
40	Germany	955	933	1,018	950	940	883	1,027	995	1,021
41	Netherlands	645	552	423	355	294	331	307	335	349
42	Switzerland	295	362	432	415	686	538	557	562	620
43	United Kingdom	2,086	2,094	2,377r	2,348	2,443	2,505	2,547	2,404	2,457
44	Canada	1,121	1,286	1,781r	1,870	1,875	1,906	1,988	2,006	1,982
45	Latin America and Caribbean	2,655	3,043	3,274r	3,560	3,900	3,960	4,117	4,146	4,340
46	Bahamas	13	28	11	13	18	34	9	17	21
47	Bermuda	264	255	182	222	295	246	234	202	207
48	Brazil	427	357	460r	419	500	471	612	678	765
49	British West Indies	41	40	71	58	67	49	83	59	85
50	Mexico	842	924	990r	1,011	1,048	1,136	1,243	1,114	1,112
51	Venezuela	203	345	293r	292	303	388	348	294	317
52	Asia	4,591	4,866	5,979r	5,932	6,266	6,561	6,881	7,013	7,168
53	Japan	1,899	1,903	2,275r	2,447	2,490	2,586	2,623	2,725	2,805
54	Middle Eastern oil-exporting countries[2]	620	693	701r	654	608	605	690	690	695
55	Africa	430	554	493r	487	472	445	454	475	460
56	Oil-exporting countries[3]	95	78	72r	88	78	59	67	75	73
57	Other[4]	390	364	721r	695	711	792	910	839	911

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	1993	1994	1995	1995						
			Jan.– Aug.	Feb.	Mar.	Apr.	May	June	July	Aug.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	319,664	350,558	288,409	29,445[r]	35,332	30,082	38,769	45,429	42,444	41,908
2 Foreign sales	298,086	348,648	281,101	29,685	37,653	29,206	36,087	43,199	40,009	39,366
3 **Net purchases, or sales (−)**	**21,578**	**1,910**	**7,308**	**−240[r]**	**−2,321**	**876**	**2,682**	**2,230**	**2,435**	**2,542**
4 **Foreign countries**	**21,306**	**1,900**	**7,397**	**−195[r]**	**−2,291**	**877**	**2,692**	**2,238**	**2,443**	**2,565**
5 Europe	10,658	6,717	2,555	−9[r]	−1,304	165	381	−44	2,045	1,836
6 France	−103	−201	−479	−27	−250	−80	−66	−79	261	17
7 Germany	1,642	2,110	−1,564	−55	−243	−261	−528	−224	8	−104
8 Netherlands	−602	2,251	2,194	232	296	349	174	70	364	431
9 Switzerland	2,986	−30	−3,159	−78	−475	−673	−476	−201	−20	−847
10 United Kingdom	4,559	840	6,420	−50[r]	−309	1,125	1,382	243	1,445	2,330
11 Canada	−3,213	−1,160	−1,476	28[r]	−333	−197	75	−740	−425	−10
12 Latin America and Caribbean	5,719	−2,108	6,401	766	−243	570	−26	1,651	881	1,811
13 Middle East[1]	−321	−1,142	−384	−133	−73	59	−87	−99	−24	−5
14 Other Asia	8,198	−1,207	169	−851	−342	314	2,013	1,358	107	−961
15 Japan	3,825	1,190	−3,008	−541	−321	29	86	−466	141	−1,076
16 Africa	63	29	12	0	−10	−10	41	15	−5	17
17 Other countries	202	771	120	4	14	−24	295	97	−136	−123
18 **Nonmonetary international and regional organizations**	**272**	**10**	**−89**	**−45**	**−30**	**−1**	**−10**	**−8**	**−8**	**−23**
BONDS[2]										
19 Foreign purchases	283,824	289,614[r]	184,901	22,809[r]	25,390	18,163	22,830	27,934	23,786	24,742
20 Foreign sales	217,824	229,665[r]	127,710	16,354	17,552	14,111	16,609	18,774	14,943	16,741
21 **Net purchases, or sales (−)**	**66,000**	**59,949[r]**	**57,191**	**6,455[r]**	**7,838**	**4,052**	**6,221**	**9,160**	**8,843**	**8,001**
22 **Foreign countries**	**65,462**	**59,064[r]**	**57,580**	**6,509[r]**	**8,151**	**4,035**	**6,309**	**9,167**	**9,010**	**7,982**
23 Europe	22,587	37,093[r]	44,589	6,037	4,976	2,271	4,944	7,772	6,221	5,561
24 France	2,346	242	110	296	−85	−874	27	44	7	538
25 Germany	887	657	3,647	526	−176	−83	−17	667	51	1,163
26 Netherlands	−290	3,322	736	126	154	−37	191	−59	557	45
27 Switzerland	−627	1,055	283	304	−61	−87	124	−130	317	−99
28 United Kingdom	19,686	31,592[r]	39,405	4,800	5,248	3,396	4,764	7,062	4,944	3,775
29 Canada	1,668	2,958	1,933	195[r]	289	184	277	159	169	415
30 Latin America and Caribbean	15,691	5,442	3,905	−480	1,285	889	678	289	1,145	754
31 Middle East[1]	3,248	771	1,499	119	328	326	−26	64	348	281
32 Other Asia	20,846	12,153	5,392	595	1,150	356	426	785	1,189	919
33 Japan	11,569	5,486	3,779	132	570	275	871	293	1,026	1,008
34 Africa	1,149	−7	108	−4	22	−11	−5	47	−13	64
35 Other countries	273	654	154	47	101	20	15	51	−49	−12
36 **Nonmonetary international and regional organizations**	**538**	**885**	**−389**	**−54**	**−313**	**17**	**−88**	**−7**	**−167**	**19**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	−62,691	−47,236[r]	−29,355	−1,112[r]	−2,856[r]	−2,135[r]	−3,648[r]	−4,379[r]	−8,188	−6,868
38 Foreign purchases	245,490	386,942	224,662	27,158[r]	28,925[r]	24,519[r]	29,229[r]	29,067[r]	28,582	30,861
39 Foreign sales	308,181	434,178[r]	254,017	28,270[r]	31,781[r]	26,654[r]	32,877[r]	33,446[r]	36,770	37,729
40 Bonds, net purchases, or sales (−)	−80,377	−9,272[r]	−24,118	−1,793[r]	−1,223[r]	−824[r]	−4,368[r]	−7,473[r]	−4,990	−2,648
41 Foreign purchases	745,952	848,288[r]	572,780	61,389[r]	79,170[r]	53,639	75,199[r]	96,154	66,737	72,217
42 Foreign sales	826,329	857,560[r]	596,898	63,182[r]	80,393[r]	54,463[r]	79,567[r]	103,627[r]	71,727	74,865
43 **Net purchases, or sales (−), of stocks and bonds**	**−143,068**	**−56,508[r]**	**−53,473**	**−2,905[r]**	**−4,079[r]**	**−2,959[r]**	**−8,016[r]**	**−11,852[r]**	**−13,178**	**−9,516**
44 **Foreign countries**	**−143,232**	**−57,028[r]**	**−52,741**	**−2,741[r]**	**−3,990[r]**	**−3,115[r]**	**−8,020[r]**	**−11,541[r]**	**−12,959**	**−9,343**
45 Europe	−100,872	−2,712[r]	−27,374	−1,261[r]	−1,892[r]	−1,893[r]	−7,561[r]	−5,857	−7,961	−2,540
46 Canada	−15,664	−7,475[r]	−5,853	853[r]	−1,154[r]	−1,193[r]	−1[r]	−1,425[r]	−1,751	−996
47 Latin America and Caribbean	−7,600	−18,347[r]	−3,117	−2,496	−1,304[r]	585[r]	471[r]	−512[r]	−640	1,087
48 Asia	−15,159	−24,276[r]	−17,298	13	9	−558[r]	−1,388	−2,941[r]	−3,158	−7,231
49 Africa	−185	−467	−190	−116	85	−14	−68	−67	−45	34
50 Other countries	−3,752	−3,751	1,091	266	266[r]	−42[r]	527	−739	596	303
51 **Nonmonetary international and regional organizations**	**164**	**520**	**−732**	**−164**	**−89**	**156**	**4**	**−311**	**−219**	**−173**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions[1]

Millions of dollars; net purchases, or sales (−) during period

Area or country	1993	1994	1995	1995						
			Jan.– Aug.	Feb.	Mar.	Apr.	May	June	July	Aug.[p]
1 **Total estimated**	**23,552**	**78,796**	**134,335**	**14,103**	**9,211**	**6,400**	**14,519**	**22,578**	**31,865**	**26,081**
2 Foreign countries	23,368	78,632	133,946	13,385	9,107	6,416	14,568	22,395	31,382	26,441
3 Europe	−2,373	38,608	48,492	13,294	3,109	3,152	509	2,665	13,336	9,169
4 Belgium and Luxembourg	1,218	1,098	221	107	51	62	−512	−148	−53	580
5 Germany	−9,976	5,709	233	−543	1,461	1,216	−4,129	−1,866	1,039	2,995
6 Netherlands	−515	1,254	2,432	−239	−7	−243	40	1,078	883	−1,468
7 Sweden	1,421	794	520	97	30	−70	211	63	124	100
8 Switzerland	−1,501	481	−232	165	−418	−173	353	9	206	−515
9 United Kingdom	6,197	23,438	38,204	10,448	3,099	2,251	5,203	1,359	7,315	7,950
10 Other Europe and former U.S.S.R.	783	5,834	7,114	3,259	−1,107	109	−657	2,170	3,822	−473
11 Canada	10,309	3,491	4,235	1,486	434	−1,391	201	433	720	−825
12 Latin America and Caribbean	−4,561	−10,179	19,197	−3,268	−2,332	3,212	3,803	5,368	513	11,265
13 Venezuela	390	−319	321	329	387	184	−16	121	−114	−359
14 Other Latin America and Caribbean	−5,795	−20,493	12,515	−3,325	−3,358	2,189	2,425	5,158	1,034	5,364
15 Netherlands Antilles	844	10,633	6,361	−272	639	839	1,394	89	−407	6,260
16 Asia	20,582	47,042	61,203	1,730	8,445	1,189	9,845	12,605	16,490	7,322
17 Japan	17,070	29,518	35,378	2,316	4,167	1,487	6,291	5,585	6,658	5,430
18 Africa	1,156	240	145	49	−9	−36	39	242	−1	−130
19 Other	−1,745	−570	674	94	−540	290	171	1,082	324	−360
20 Nonmonetary international and regional organizations	184	164	389	718	104	−16	−49	183	483	−360
21 International	−330	526	182	608	458	−294	356	−409	311	−140
22 Latin American regional	653	−154	244	199	−367	228	−528	629	99	−10
MEMO										
23 Foreign countries	23,368	78,632	133,946	13,385	9,107	6,416	14,568	22,395	31,382	26,441
24 Official institutions	1,306	41,822	36,611	2,110	4,022	3,158[r]	−1,774	10,850	16,780	−364
25 Other foreign	22,062	36,810	97,335	11,275	5,085	3,258[r]	16,342	11,545	14,602	26,805
Oil-exporting countries										
26 Middle East[2]	−8,836	−38	5,660	−89	152	733	−1,063	815	3,582	1,890
27 Africa[3]	−5	0	2	0	1	0	0	1	0	0

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year, averages of daily figures

Country	Rate on Oct. 31, 1995 Percent	Month effective	Country	Rate on Oct. 31, 1995 Percent	Month effective	Country	Rate on Oct. 31, 1995 Percent	Month effective
Austria	3.5	Aug. 1995	Germany	3.5	Aug. 1995	Norway	4.75	Feb. 1994
Belgium	3.5	Aug. 1995	Italy	9.0	June 1995	Switzerland	2.0	Sept. 1995
Canada	6.18	Oct. 1995	Japan	0.5	Sept. 1995	United Kingdom	12.0	Sept. 1992
Denmark	5.0	Aug. 1995	Netherlands	3.5	Aug. 1995			
France[2]	5.0	July 1994						

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1992	1993	1994	1995 Apr.	May	June	July	Aug.	Sept.[r]	Oct.
1 Eurodollars	3.70	3.18	4.63	6.13	6.03	5.89	5.79	5.79	5.74	5.81
2 United Kingdom	9.56	5.88	5.45	6.64	6.64	6.63	6.73	6.74	6.71	6.69
3 Canada	6.76	5.14	5.57	8.16	7.56	7.07	6.69	6.62	6.66	6.66
4 Germany	9.42	7.17	5.25	4.58	4.49	4.43	4.46	4.35	4.09	4.00
5 Switzerland	7.67	4.79	4.03	3.33	3.29	3.09	2.77	2.79	2.67	2.15
6 Netherlands	9.25	6.73	5.09	4.60	4.41	4.21	4.14	4.02	3.85	3.88
7 France	10.14	8.30	5.72	7.60	7.29	7.04	6.31	5.81	5.86	6.73
8 Italy	13.91	10.09	8.45	10.94	10.38	10.91	10.93	10.45	10.36	10.74
9 Belgium	9.31	8.10	5.65	5.22	5.16	4.62	4.52	4.41	4.20	4.14
10 Japan	4.39	2.96	2.24	1.55	1.31	1.16	.91	.82	.56	.51

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	1992	1993	1994	1995 May	June	July	Aug.	Sept.[r]	Oct.
1 Australia/dollar[2]	73.521	67.993	73.161	72.716	71.959	72.792	74.137	75.371	75.699
2 Austria/schilling	10.992	11.639	11.409	9.912	9.854	9.765	10.168	10.270	9.955
3 Belgium/franc	32.148	34.581	33.426	29.009	28.790	28.562	29.735	30.044	29.105
4 Canada/dollar	1.2085	1.2902	1.3664	1.3609	1.3775	1.3612	1.3552	1.3509	1.3458
5 China, P.R./yuan	5.5206	5.7795	8.6404	8.3370	8.3206	8.3207	8.3253	8.3374	8.3353
6 Denmark/krone	6.0372	6.4863	6.3561	5.5194	5.4604	5.4073	5.6060	5.6587	5.4912
7 Finland/markka	4.4865	5.7251	5.2340	4.3386	4.3134	4.2592	4.3170	4.3754	4.2781
8 France/franc	5.2935	5.6669	5.5459	4.9869	4.9172	4.8307	4.9727	5.0352	4.9374
9 Germany/deutsche mark	1.5618	1.6545	1.6216	1.4096	1.4012	1.3886	1.4456	1.4601	1.4143
10 Greece/drachma	190.81	229.64	242.50	228.46	226.56	225.45	232.38	235.65	232.65
11 Hong Kong/dollar	7.7402	7.7357	7.7290	7.7351	7.7356	7.7385	7.7416	7.7368	7.7317
12 India/rupee	28.156	31.291	31.394	31.418	31.404	31.385	31.592	33.310	34.656
13 Ireland/pound[2]	170.42	146.47	149.69	161.98	162.87	163.96	160.25	159.05	161.32
14 Italy/lira	1,232.17	1,573.41	1,611.49	1,652.78	1,639.75	1,609.71	1,607.18	1,613.41	1,605.69
15 Japan/yen	126.78	111.08	102.18	85.11	84.64	87.40	94.74	100.55	100.84
16 Malaysia/ringgit	2.5463	2.5738	2.6237	2.4684	2.4396	2.4500	2.4813	2.5124	2.5324
17 Netherlands/guilder	1.7587	1.8585	1.8190	1.5779	1.5686	1.5557	1.6195	1.6354	1.5846
18 New Zealand/dollar[2]	53.792	54.127	59.358	66.740	66.947	67.417	65.687	65.607	65.899
19 Norway/krone	6.2142	7.1009	7.0553	6.2980	6.2387	6.1710	6.3438	6.3943	6.2397
20 Portugal/escudo	135.07	161.08	165.93	148.40	147.63	145.88	149.88	152.11	148.94
21 Singapore/dollar	1.6294	1.6158	1.5275	1.3947	1.3953	1.3984	1.4116	1.4331	1.4231
22 South Africa/rand	2.8524	3.2729	3.5526	3.6574	3.6627	3.6404	3.6402	3.6616	3.6502
23 South Korea/won	784.66	805.75	806.93	764.43	763.88	760.05	768.88	772.04	767.20
24 Spain/peseta	102.38	127.48	133.88	123.22	121.71	119.71	123.45	125.41	122.51
25 Sri Lanka/rupee	44.013	48.211	49.170	49.558	50.210	50.899	51.227	52.547	52.539
26 Sweden/krona	5.8258	7.7956	7.7161	7.3072	7.2631	7.1749	7.2383	7.1227	6.8301
27 Switzerland/franc	1.4064	1.4781	1.3667	1.1693	1.1588	1.1556	1.1962	1.1868	1.1453
28 Taiwan/dollar	25.160	26.416	26.465	25.537	25.784	26.278	27.234	27.432	26.925
29 Thailand/baht	25.411	25.333	25.161	24.663	24.672	24.755	24.960	25.129	25.115
30 United Kingdom/pound[2]	176.63	150.16	153.19	158.74	159.48	159.52	156.68	155.90	157.79
MEMO									
31 United States/dollar[3]	86.61	93.18	91.32	82.73	82.27	81.90	84.59	85.69	84.10

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

STATISTICAL RELEASES—List Published Semiannually, with Latest Bulletin *Reference*

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Release number and title	Annual USPS rate	Annual fax rate	Approximate release days[1]	Period or date to which data refer	Corresponding *Bulletin* table numbers[2]
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H.2. Actions of the Board: Applications and Reports Received	$55.00	n.a.	Friday	Week ended previous Saturday	. . .
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H.5. Selected Borrowings in Immediately Available Funds of Large Commercial Banks	$20.00	$20.00	Wednesday	Week ended Thursday of previous week	1.13
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Monthly Releases					
G.5. Foreign Exchange Rates	$ 5.00	$ 5.00	First of month	Previous month	3.28
G.6. Debits and Deposit Turnover at Commercial Banks	$ 5.00	$ 5.00	Twelfth of month	Previous month	1.23
G.13. Selected Interest Rates	$ 5.00	$ 5.00	First Tuesday of month	Previous month	1.35
G.15. Research Library—Recent Acquisitions	No charge	n.a.	First of month	Previous month	. . .
G.17. Industrial Production and Capacity Utilization	$15.00	n.a.	Midmonth	Previous month	2.12, 2.13
G.19. Consumer Installment Credit	$ 5.00	$ 5.00	Fifth working day of month	Second month previous	1.55, 1.56
G.20. Finance Companies	$ 5.00	$ 5.00	Fifth working day of month	Second month previous	1.51, 1.52

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2. The data in some releases are also reported in the *Bulletin* statistical appendix.
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March	219–322	1–78	68–69	September	817–916	1–86	76–77
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Statistical tables are indexed separately (see p. A68 of this issue).

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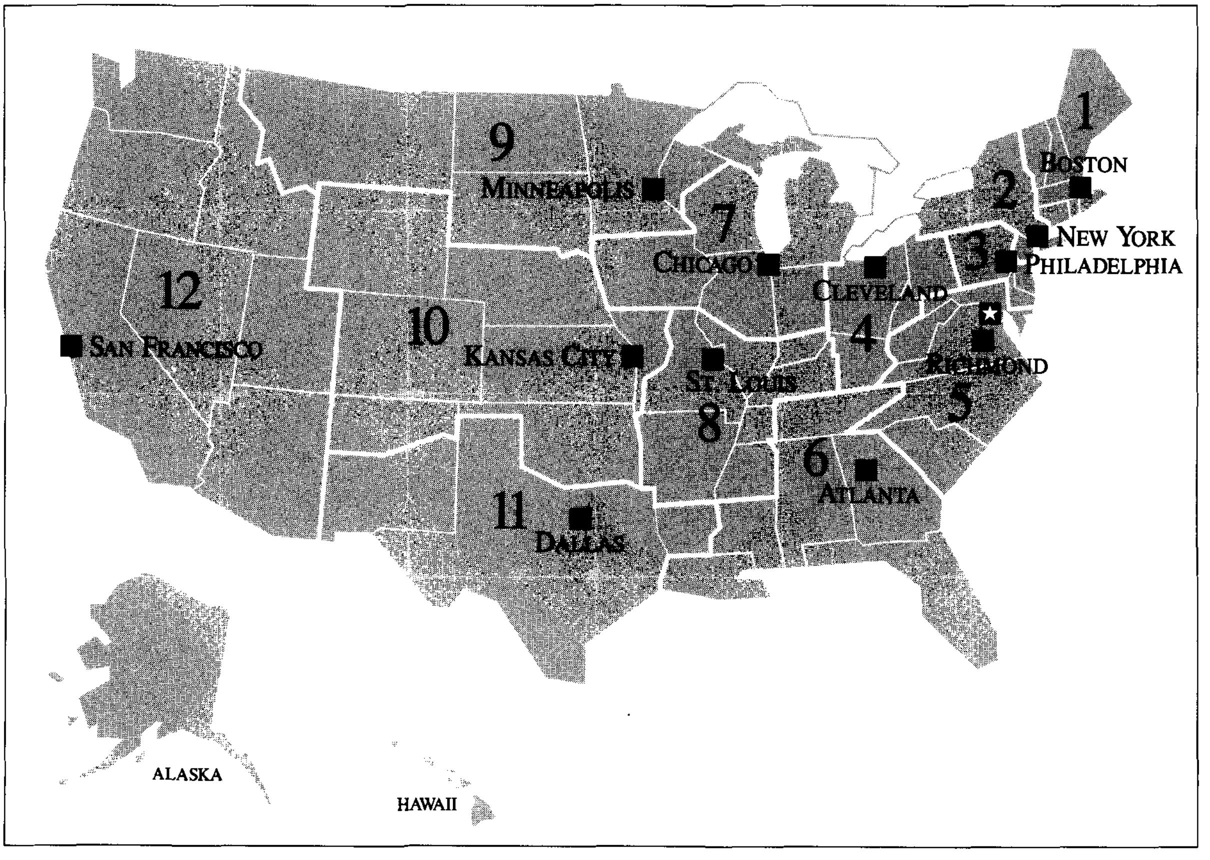


LEGEND

Both pages

■ Federal Reserve Bank city

◘ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

• Federal Reserve Branch city

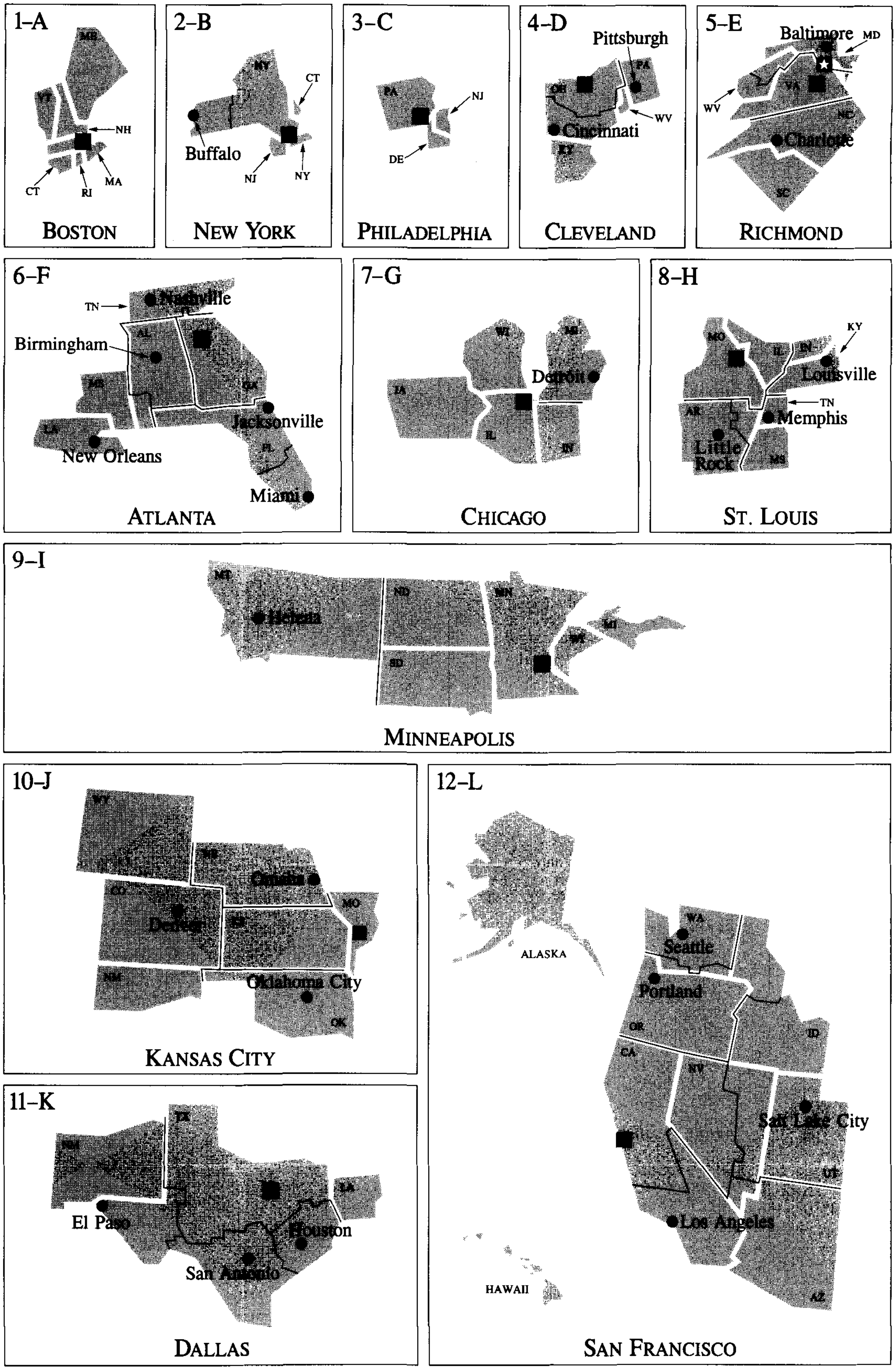
— Branch boundary

NOTE

The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System most recently in December 1991.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