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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, WASHINGTON, D.C.

The *Federal Reserve Bulletin* is issued monthly under the direction of the staff publications committee. This committee is responsible for opinions expressed except in official statements and signed articles. It is assisted by the Economic Editing Section headed by S. Ellen Dykes, the Graphics Center under the direction of Peter G. Thomas, and Publications Services supervised by Linda C. Kyles.

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Treasury and Federal Reserve Foreign Exchange Operations

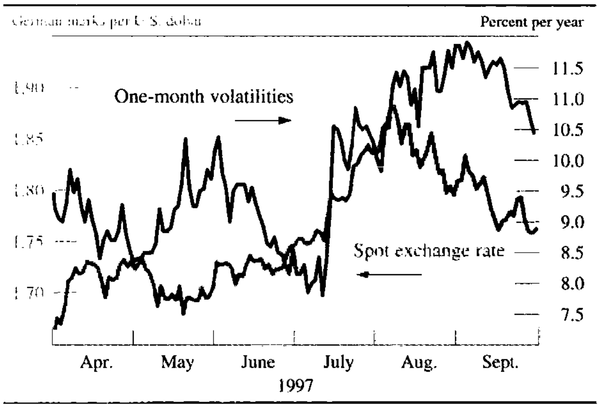
This quarterly report describes U.S. Treasury and System foreign exchange operations for the period from July through September 1997. It was presented by Peter R. Fisher, Executive Vice President, Federal Reserve Bank of New York, and Manager, System Open Market Account. Andrew Jewell was primarily responsible for preparation of the report.

During the third quarter of 1997, the dollar appreciated 5.0 percent against the Japanese yen and 0.8 percent against the German mark. On a trade-weighted basis against other Group of Ten (G-10) currencies, the dollar appreciated 1.4 percent.[1] The dollar reached eight-year highs against the mark in early August, driven by market perceptions that the European Economic and Monetary Union (EMU) would include a broad group of countries and result in a "weak" single currency. Those gains were later reversed amid growing perceptions that the Bundesbank might tighten monetary policy. The dollar rose against the yen as a series of Japanese economic data releases dampened earlier optimism for a near-term improvement in Japan's economic prospects and reduced expectations for a rise in Japanese interest rates. However, the dollar's rise was restrained by renewed concerns over U.S.–Japan trade relations. The U.S. monetary authorities did not undertake any intervention in the foreign exchange markets during the quarter.

RISES IN INTRADAY VOLATILITY OF THE DOLLAR

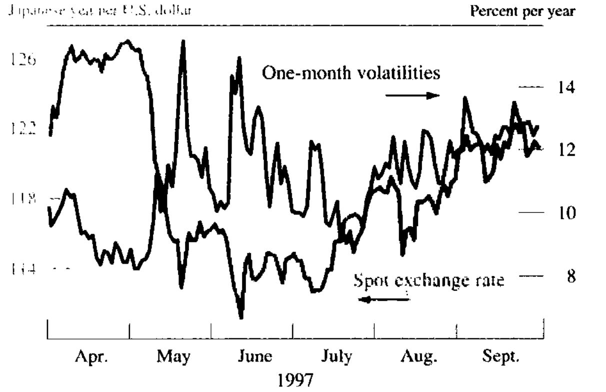
The dollar's intraday volatility continued to rebound from the unusually low levels recorded in 1996. The average daily trading range against the mark and the yen rose to 1.1 percent, compared with average daily ranges of 1.0 percent in the previous quarter and 0.6 percent in the third quarter of 1996. Implied volatility on one-month dollar–mark options rose to its highest levels this year, peaking in late August after the dollar reached eight-year highs against the mark. One-month dollar–yen implied volatility moved higher over the quarter, but fell short of this year's peak levels established in May.

1. Spot exchange rate of the dollar against the German mark and volatility implied by option prices, 1997:Q2–Q3



NOTE. Data are daily.
SOURCE. Federal Reserve Bank of New York; Reuters.

2. Spot exchange rate of the dollar against the Japanese yen and volatility implied by option prices, 1997:Q2–Q3



NOTE. Data are daily.
SOURCE. Federal Reserve Bank of New York; Reuters.

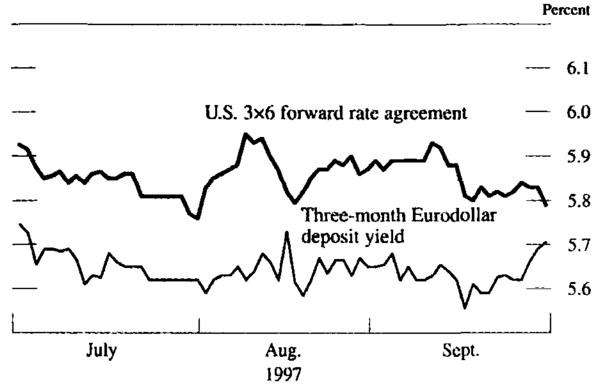
1. The dollar's movements on a trade-weighted basis against ten major currencies are measured using an index developed by staff members of the Board of Governors of the Federal Reserve System.

Expectations of Steady Monetary Policy Encouraged by a Benign U.S. Inflationary Environment

Developments in the dollar occurred amid continued signs of moderate growth and expectations of stable monetary policy in the United States. In July, the yield on the benchmark thirty-year U.S. Treasury bond fell to a seventeen-month low of 6.30 percent, and the yield curve reached its flattest level in twenty-nine months. The rally in Treasury prices was supported by a perceived decline in inflationary risk, expectations of moderating economic growth in the third quarter, and anticipation of reduced future borrowing needs given the improving U.S. fiscal situation. In his Humphrey–Hawkins testimony on July 22 and 23, Federal Reserve Board Chairman Alan Greenspan noted that measured inflation was "lower now than when the [U.S.] expansion began" and showed "little tendency to rebound of late."

In August, a stronger-than-expected report from the National Association of Purchasing Managers coupled with larger-than-expected employment gains prompted some market participants to express concern that third-quarter growth might be stronger than anticipated. However, in mid-September, weak consumer price index (CPI) data were viewed as once again confirming the low inflation environment, pushing down the benchmark U.S. Treasury bond yield 18 basis points, to 6.40 percent, in one day. Reflecting market sentiment that the Federal Open Market Committee (FOMC) would not change current policy in the benign inflationary environment, federal funds futures contracts continued to suggest only a modest chance for a hike in interest rates by the end of the year. Against the background of relatively stable U.S. monetary policy expectations, the dollar responded primarily to developments elsewhere.

3. U.S. interest rates, 1997:Q3



NOTE. A 3x6 forward rate agreement (FRA) refers to the yield on a three-month deposit with a value date three months hence and a maturity date six months hence.

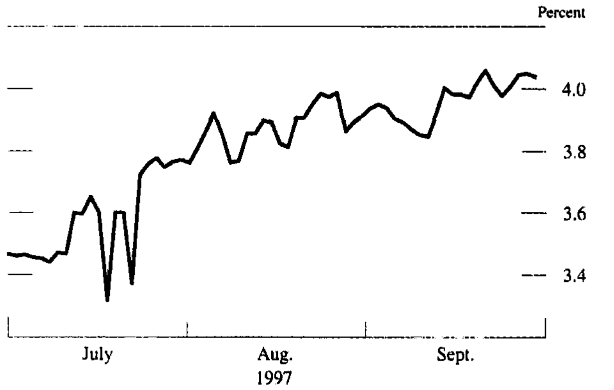
Data are daily.

SOURCE. Reuters.

Retreat of the Dollar from Eight-Year Highs against the Mark

The dollar began the period by extending its gains against the mark from the previous quarter, reaching an eight-year high of DM 1.8913 on August 6. Early in the period, the German mark was pressured lower against a wide range of currencies by growing market expectations that the EMU would proceed with a broad group of countries and result in a "weak" single currency. On July 21, in response to a public audit forecasting a 1997 budget deficit of 3.5 to 3.7 percent of gross domestic product (GDP), the newly elected French government reassured market participants of its commitment to the EMU by announcing deficit-reduction measures designed to lower the deficit to levels modestly above the Maastricht reference value. Subsequent remarks by German officials suggesting that France's situation was not inconsistent with a timely start to the EMU reinforced market perceptions that the Maastricht criteria could be interpreted flexibly. Continued high German unemployment and the government's failure to agree on tax reform supported the view that Germany itself might fail to strictly meet the 3.0 percent deficit criterion, suggesting, in turn, that Germany would not block broad EMU participation. Expectations for a broad EMU supported declines in long-term interest rates in Spain and Italy, where ten-year government bond yields converged to record low spreads over comparable German yields.

4. German government benchmark two-year bond yield, 1997:Q3



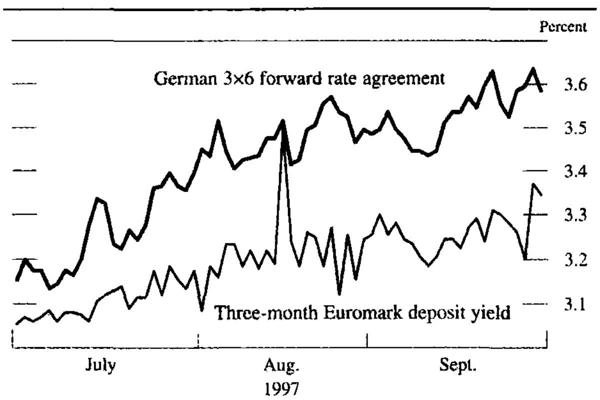
NOTE. Data are daily.

SOURCE. Bloomberg L.P.

The dollar's retreat from its highs in August was triggered by comments from Bundesbank officials that were viewed as suggesting that the German central bank might raise interest rates to stem further depreciation of the mark. At its final council meeting before the summer recess, the Bundesbank left its key repurchase rate unchanged for only the first two weeks of the four-week intermeeting period, prompting discussion that the central bank was preserving flexibility to raise rates. In August, the Bundesbank announced that it was returning to its previous practice of setting the repurchase rate each week, instead of setting the rate for two weeks. Heightened discussion of a rate hike weighed on the short end of the German yield curve, with yields on two-year government bonds ending the quarter 60 basis points above their trough in early July. Interest rates implied by forward rate agreements rose to reflect increased market expectations for tighter monetary policy.

Market participants also focused on comments from Bundesbank officials for signals of a shift in policy. Although Bundesbank President Tietmeyer indicated in August that more economic data were needed before the Bundesbank could decide to change policy, and that M3 growth remained "at the top of the hierarchy" of policy inputs, Bundesbank Chief Economist Issing later remarked that the "turning point" in German inflation had been reached and warned that all indicators were "moving in the wrong direction." Meanwhile, regional CPI data, second-quarter GDP data, business confidence, and import price data appeared to some market participants to corroborate claims that the German economy was picking up speed and inflationary risks were growing. While the recovery of the mark in August and September reduced expectations for an immediate Bundesbank tightening, market participants increasingly accepted the notion that German official rates would need to rise before the announcement of final EMU bilateral conversion rates in the spring of 1998. Three-month interest rates three months hence, as implied by forward rate agreements, ended the period at 3.59 percent, 42 basis points above June 30 levels.

5. German interest rates, 1997:Q3



NOTE. A 3×6 forward rate agreement (FRA) refers to the yield on a three-month deposit with a value date three months hence and a maturity date six months hence.

Data are daily.

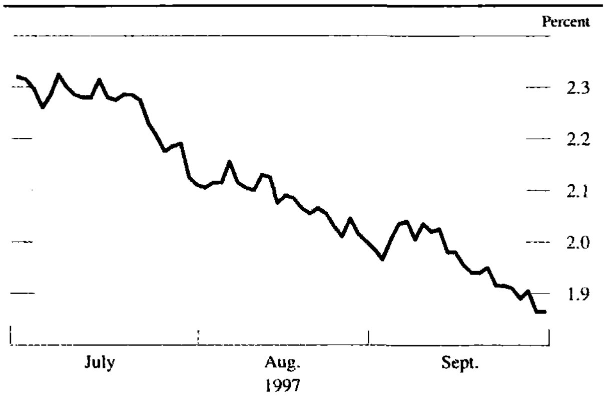
SOURCE. Reuters.

Renewed Pessimism in Japan Weighs on the Yen

After falling sharply in May, the dollar resumed its upward trend against the yen through the third quarter as market participants reassessed earlier expectations of tighter monetary conditions in Japan. Optimism for a near-term acceleration in economic growth, fueled in part by official comments in May, gave way to renewed pessimism after a series of data releases that were weaker than expected revealed signs of a buildup in inventories and persistent weakness in consumer demand. In the summer issue of its *Quarterly Economic Outlook,* the Bank of Japan acknowledged that the economic recovery was "unlikely to gather significant momentum, as a result of fragility in some sectors, as well as the continued balance-sheet adjustment pressure." Data released on September 11 showed that in the second quarter, the Japanese economy contracted 2.9 percent from the previous quarter and 11.2 percent annually, confirming the lingering effects of the April consumption tax hike. As the dollar moved back above the ¥120 level, market participants focused increasingly on trade issues. Comments by U.S. officials expressing concern over Japan's trade surplus and its commitment to demand-led growth were perceived by market participants as reflecting ongoing bilateral trade frictions and prompted greater caution about extending long dollar–yen positions. Official statements from the September Group of Seven (G-7) meeting in Hong Kong were interpreted as strengthening the language of the April G-7 meeting and, in particular, cautioning against yen depreciation.

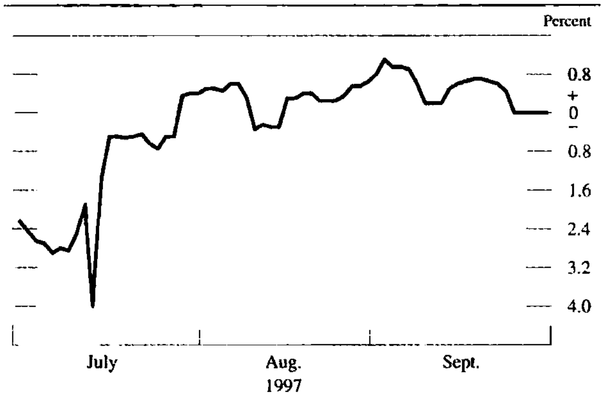
Developments in Southeast Asian financial markets exacerbated the negative sentiment in Japan. In the previous quarter, expectations of rising Japanese interest rates contributed to mounting pressure on Southeast Asian currencies as investors covered yen-financed positions, while perceptions of weakening economic fundamentals in Southeast Asia further pressured financial markets. In early July, the Bank of Thailand abandoned its basket currency peg regime, allowing the Thai baht to depreciate sharply against

6. Japanese government benchmark two-year bond yield, 1997:Q3



NOTE. Data are daily.
SOURCE. Bloomberg L.P.

8. Dollar–yen one-month risk reversals, 1997:Q3

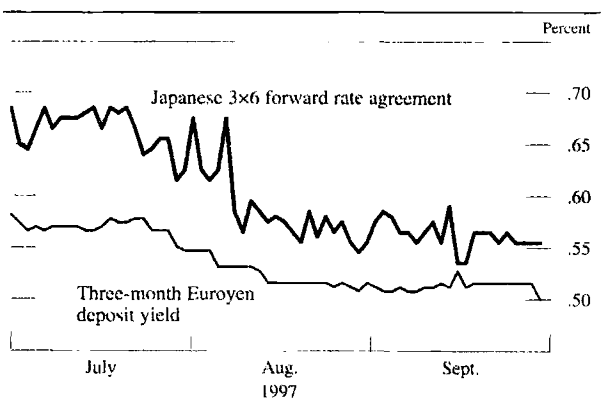


NOTE. Risk reversals are option positions consisting of a short (written) put and a long (purchased) call that mature on the same date and are equally out-of-the-money. The price of a risk reversal indicates whether the call or the put is more valuable. If the price is positive, the call is at a premium, indicating that the market is willing to pay more to insure against the risk that the dollar will rise. If the price is negative, the put is at a premium, indicating that the market is willing to pay more to insure against the risk that the dollar will fall.
Data are daily.
SOURCE. Reuters.

the dollar. The crisis in Thailand spread to other countries in the region, with the Indonesian rupiah, the Malaysian ringgit, and the Philippine peso weakening significantly against the dollar after decisions to move to more flexible exchange rate regimes. Despite diminishing expectations of higher rates in Japan over the course of the period, Southeast Asian currencies remained under pressure and regional equity markets weakened. The perceived loss of competitiveness of Japanese exports to other Asian markets given the effective devaluation of several regional currencies was seen as another factor weighing on the yen.

Japanese bonds gained and equities weakened, reflecting the view that renewed growth was farther off than had been expected. The yield on the benchmark ten-year Japanese government bond fell to record lows, dropping below 2.00 percent in late August and ending the quarter at 1.87 percent. The spread between ten-year U.S. and Japanese government bond yields widened as much as 55 basis points from an intra-period low of 358 basis points set on July 22. Equity market sentiment was dampened by concerns over the health of the construction sector and by racketeering scandals in the financial sector. In a reversal of the gains achieved in the previous quarter, the Nikkei-225 index fell 13.2 percent. Market participants scaled back expectations for an end to the Bank of Japan's accommodative monetary policy, with forward rate agreements suggesting expectations for virtually no change in policy through the end of 1997. Prices of one-month risk reversals for dollar–yen, which had been skewed since May to favor yen call options, flipped to favor dollar call options in late July, reflecting a higher cost for insurance against further dollar gains against the yen.

7. Japanese interest rates, 1997:Q3



NOTE. A 3x6 forward rate agreement (FRA) refers to the yield on a three-month deposit with a value date three months hence and a maturity date six months hence.
Data are daily.
SOURCE. Reuters, Bloomberg L.P.

Treasury and Federal Reserve Foreign Exchange Reserves

The U.S. monetary authorities did not undertake any intervention operations this quarter. At the end of the quarter, the current values of the German mark and Japanese yen reserve holdings totaled $17.5 billion for the Federal Reserve System and $14.6 billion for the Exchange Stabilization Fund.

The U.S. monetary authorities invest all of their foreign currency balances in a variety of instruments that yield market-related rates of return and have a high degree of liquidity and credit quality. A significant portion of these balances is invested in German and Japanese government securities held directly or under repurchase agreement. As of September 30, outright holdings of government securities by U.S. monetary authorities totaled $6.9 billion.

Japanese and German government securities held under repurchase agreement are arranged either through transactions executed directly in the market or through agreements with official institutions. Government securities held under repurchase agreements by the U.S. monetary authorities totaled $11.2 billion at the end of the quarter. Foreign currency reserves are also invested in deposits at the Bank for International Settlements and in facilities at other official institutions. □

1. Foreign exchange holdings of U.S. monetary authorities based on current exchange rates, 1997:Q3

Millions of dollars

Item	Balance, June 30, 1997	Quarterly changes in balances by source					Balance, Sept. 30, 1997
		Net purchases and sales[1]	Impact of sales[2]	Investment income	Currency valuation adjustments[3]	Interest accrual (net) and other	
FEDERAL RESERVE							
Deutsche marks	11,671.7	.0	.0	89.9	−152.1	.0	11,609.5
Japanese yen	6,222.1	.0	.0	4.5	−311.4	.0	5,915.2
Interest receivables[4]	73.2	...	...	...	...	.3	73.5
Other cash flow from investments[5]	2.9	...	...	..	..	−9.0	−6.1
Total	**17,969.9**	...	...	**94.4**	**−463.5**	**−8.7**	**17,592.1**
U.S. TREASURY EXCHANGE STABILIZATION FUND							
Deutsche marks	5,908.4	.0	.0	45.9	−77.0	.0	5,877.3
Japanese yen	9,119.4	.0	.0	6.0	−450.4	.0	8,675.0
Interest receivables[4]	39.0[6]	...	...	...	...	−3.0	36.0
Other cash flow from investments[5]	10.4	...	..	...	..	−22.4	−12.0
Total	**15,077.2**	...	...	**51.9**	**−527.4**	**−25.4**	**14,576.3**

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

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

6. As of May 31, 1997.

Tables 2 and 3 appear on page 952.

2. Net profits or losses (−) on U.S. Treasury and Federal Reserve foreign exchange operations based on historical cost-of-acquisition exchange rates, 1997:Q3

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, 1997		
Deutsche marks	426.9	−192.8
Japanese yen	1,047.2	1,542.7
Total	**1,474.1**	**1,349.9**
Realized profits and losses from foreign currency sales, June 30–Sept. 30, 1997		
Deutsche marks	.0	.0
Japanese yen	.0	.0
Total	**.0**	**.0**
Valuation profits and losses on outstanding assets and liabilities, Sept. 30, 1997		
Deutsche marks	274.8	−269.8
Japanese yen	732.9	1,081.8
Total	**1,007.7**	**812.0**

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

3. Currency arrangements, September 30, 1997

Millions of dollars

Institution	Amount of facility	Outstanding, Sept. 30, 1997
	Federal Reserve Reciprocal Currency Arrangements	
Austrian National Bank	250	0
National Bank of Belgium	1,000	
Bank of Canada	2,000	
National Bank of Denmark	250	
Bank of England	3,000	
Bank of France	2,000	
Deutsche Bundesbank	6,000	
Bank of Italy	3,000	
Bank of Japan	5,000	
Bank of Mexico	3,000	
Netherlands Bank	500	
Bank of Norway	250	
Bank of Sweden	300	
Swiss National Bank	4,000	
Bank for International Settlements		
Dollars against Swiss francs	600	
Dollars against other authorized European currencies	1,250	
Total	**32,400**	**0**
	U.S. Treasury Exchange Stabilization Fund Currency Arrangements	
Deutsche Bundesbank	1,000	0
Bank of Mexico	3,000	0
Total	...	**0**

Staff Studies

The staff members of the Board of Governors of the Federal Reserve System and of the Federal Reserve Banks undertake studies that cover a wide range of economic and financial subjects. From time to time the studies that are of general interest are published in the Staff Studies series and summarized in the Federal Reserve Bulletin. *The analyses and conclusions set forth are those of the authors and do not necessarily indicate concurrence by the Board of Governors, by the Federal Reserve Banks, or by members of their staffs.*

Single copies of the full text of each study are available without charge. The titles available are shown under "Staff Studies" in the list of Federal Reserve Board publications at the back of each Bulletin.

STUDY SUMMARY

THE COST OF IMPLEMENTING CONSUMER FINANCIAL REGULATIONS: AN ANALYSIS OF EXPERIENCE WITH THE TRUTH IN SAVINGS ACT

Gregory Elliehausen and Barbara R. Lowrey

The Truth in Savings Act mandates that financial institutions disclose certain information about the terms of consumer deposit accounts in specific forms and at specific times. Although many depository institutions provided disclosures of account terms before the act was passed in 1991, most did not satisfy completely all the requirements of the regulation (Regulation DD) adopted by the Federal Reserve Board to implement the law. Thus, the Truth in Savings law likely caused every depository institution to change its practices for consumer deposit accounts, and thereby to incur costs.

To improve understanding of the process and costs of implementing regulatory changes, the Federal Reserve Board conducted the Survey of Compliance Costs for Truth in Savings in 1992–93, during the implementation period for the regulation. Presented in this study are survey findings on the changes in consumer deposit account practices and the costs of compliance at U.S. commercial banks. One of the key questions addressed in the study is how sensitive start-up costs for a regulation are to the extent of required changes in banks' policies and practices: Do banks that must make extensive changes incur greater costs in proportion to the amount of change? Evidence on this question, which was not previously available, has implications for regulatory agency policies on the frequency and magnitude of changes in regulations.

Responses to the survey indicate that most banks provided extensive written disclosures to consumers before Truth in Savings but that most banks, if not all, had to change some policies and practices for consumer deposit accounts to comply with the law. The cost to banks of implementing the changes was $337 million in total, or $29,390 per bank. Statistical analysis using a cost function reveals that there were economies of scale in complying with Truth in Savings, a result that gives further credence to the findings of earlier studies involving other regulations. The implication of the finding is that small firms have a cost disadvantage in complying with new regulations.

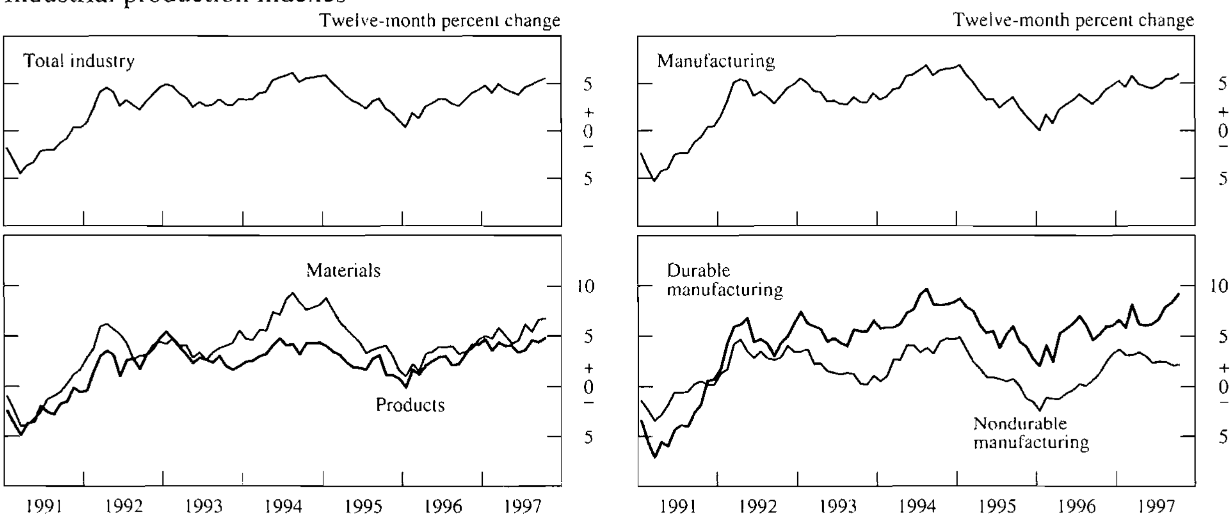
This study breaks new ground in examining the relationship between amount of change and compliance costs. Statistical analysis indicates that start-up costs for complying with Truth in Savings were insensitive to the extensiveness of necessary changes: Banks incurred implementation costs regardless of how much they had to change their practices. This result suggests that requiring banks to alter an infrequent practice may impose costs on all banks, not just on those that must make substantive changes. It also argues against a policy of making frequent minor revisions in regulations. An alternative policy of accumulating adjustments and making infrequent major revisions may reduce implementation costs by allowing banks to exploit economies of changing practices. □

Industrial Production and Capacity Utilization for October 1997

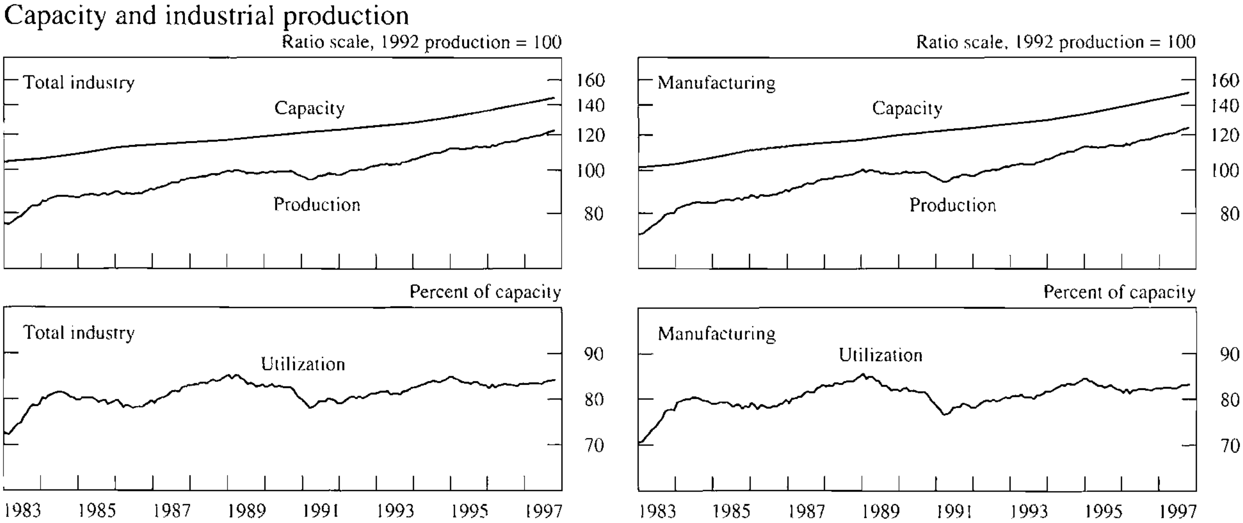
Released for publication November 17

Industrial production rose 0.5 percent in October after a downward revised gain of 0.5 percent in September. The output of consumer goods, business equipment, and durable materials registered solid gains. The production of energy materials, which had increased sharply in September, was little changed in October, as was the production of construction supplies. At 122.7 percent of its 1992 average, industrial production in October was 5.6 percent higher than in October 1996. The rate of industrial capacity utilization rose to 84.3 percent—its highest rate since March 1995.

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 1997

Category	Industrial production, index, 1992 = 100								
	1997				Percentage change				
					1997[1]				Oct. 1996 to Oct. 1997
	July[r]	Aug.[r]	Sept.[r]	Oct.[p]	July[r]	Aug.[r]	Sept.[r]	Oct.[p]	
Total	**120.8**	**121.5**	**122.1**	**122.7**	**.8**	**.6**	**.5**	**.5**	**5.6**
Previous estimate	120.9	121.5	122.4		.8	.5	.7		
Major market groups									
Products, total[2]	116.4	117.4	117.6	118.2	.3	.8	.2	.5	4.8
Consumer goods	112.5	113.3	113.5	114.2	.2	.7	.2	.7	3.1
Business equipment	139.2	142.1	142.0	143.2	1.3	2.1	-.1	.8	11.2
Construction supplies	119.8	121.1	121.0	120.7	-.7	1.1	-.1	-.2	2.6
Materials	127.9	128.2	129.3	129.9	1.5	.2	.9	.5	6.7
Major industry groups									
Manufacturing	122.6	123.5	123.8	124.6	.8	.8	.2	.6	5.9
Durable	135.4	137.5	137.8	138.7	1.0	1.5	.2	.7	9.1
Nondurable	109.1	108.8	109.2	109.7	.6	-.2	.3	.5	2.1
Mining	107.4	106.7	105.9	104.8	-.3	-.7	-.7	-1.1	1.4
Utilities	113.2	112.6	116.5	116.8	1.3	-.5	3.5	.3	4.4

	Capacity utilization, percent								MEMO Capacity, percentage change, Oct. 1996 to Oct. 1997
	Average, 1967–96	Low, 1982	High, 1988–89	1996	1997				
				Oct.	July[r]	Aug.[r]	Sept.[r]	Oct.[p]	
Total	**82.1**	**71.1**	**85.3**	**83.0**	**83.9**	**84.1**	**84.2**	**84.3**	**3.9**
Previous estimate	.				83.9	84.1	84.4	.	.
Manufacturing	81.2	69.0	85.7	82.0	82.9	83.2	83.1	83.3	4.3
Advanced processing	80.6	70.4	84.2	79.9	81.0	81.5	81.3	81.6	5.2
Primary processing	82.3	66.2	88.9	86.7	87.2	87.1	87.1	87.2	2.3
Mining	87.5	80.3	86.8	91.0	93.7	92.9	92.2	91.1	1.3
Utilities	87.2	75.9	92.6	89.0	88.9	88.3	91.3	91.4	1.6

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.

MARKET GROUPS

The output of consumer goods rose 0.7 percent after only a slight gain in September. Durable consumer goods rebounded from September's drop as most major sectors posted gains. The pickup in the growth of output of nondurable consumer goods reflected a notable increase in the non-energy sector, which includes food, paper, and chemical products for home use. The production of consumer energy products rose again. The output of business equipment, which increased nearly 15 percent at an annual rate in the third quarter, rose 0.8 percent. Continued strength in the production of information processing equipment, which includes computers, along with a rebound in industrial equipment accounted for much of the gain. The output of transit equipment, which has been growing rapidly, on balance, for more than a year, slipped a bit; a decrease in the production of aircraft contributed to the decline. The output of materials rose 0.5 percent as durable materials posted another strong gain. The production of parts for high-technology equipment continues to lead the advance in the output of durable materials. The output of nondurable materials, which posted another small gain in the third quarter, advanced a little further last month. The production of energy materials eased off a bit, as electricity generation was nearly unchanged and the production of crude oil and coal declined.

INDUSTRY GROUPS

Manufacturing output rose 0.6 percent with widespread gains in both the durables and nondurables industries. The growth of output in the durable goods industries, 0.7 percent, was led by increases in industrial machinery and computers, electrical machinery, and instruments. Output changes among the remaining durable goods industries were relatively small. The production of nondurable goods rose 0.5 percent, with gains in most major industries.

The factory operating rate rose 0.2 percentage point, to 83.3 percent, about the same as the August level. The utilization rate for advanced-processing industries increased 0.3 percentage point, to 81.6 percent, a level well below the recent high of 84.2 percent, in January 1989. The rate for primary processing edged up 0.1 percentage point, to 87.2 percent, but has changed little, on balance, since last March.

Revision of Industrial Production and Capacity Utilization

The Federal Reserve will publish revisions of its measures of industrial production (IP), capacity, capacity utilization, and industrial use of electric power on December 9, 1997. The revisions will begin with data for 1992 and will incorporate updated source data for recent years.

The regular updating of source data for IP will include annual data from the *1995 Annual Survey of Manufactures* and from selected *1996 Current Industrial Reports*, both from the Bureau of the Census. Annual data from the Department of the Interior on metallic and nonmetallic minerals (except fuels) for 1995 and 1996 will also be introduced. Revisions to the monthly indicators for each industry (physical product data, production-worker hours, or electric power usage) and revised seasonal factors will be incorporated. Capacity and capacity utilization will be revised to incorporate preliminary data from the *1995–96 Survey of Plant Capacity* from the Bureau of the Census. The statistics on the industrial use of electric power will incorporate more complete reports received from utilities for the past few years as well as data from the *1995 Annual Survey of Manufactures.*

The revised data will be available on the Board's World Wide Web site, http://www.bog.frb.fed.us, on diskettes from the Board's Publications Services, 202-452-3245, and through the Economic Bulletin Board of the Department of Commerce. For information about the Bulletin Board, call 202-482-1986. For information on these revisions, call the Federal Reserve's Industrial Output Section, 202-452-3197. □

Statements to the Congress

Statement by Susan M. Phillips, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Capital Markets, Securities and Government Sponsored Enterprises of the Committee on Banking and Financial Services, U.S. House of Representatives, October 1, 1997

I welcome this opportunity to discuss the Federal Reserve Board's views on proposed accounting standards for derivatives and risk-management activities issued by the Financial Accounting Standards Board (FASB).

In approaching this complex matter, it should be acknowledged up front that most responsible observers and market participants share an interest in improved accounting standards and disclosure of information that is useful and relevant to the broad range of users of financial statements. Thus, the desirability of meaningful disclosure is not the issue. All would agree, I think, that enhanced financial disclosure and market transparency can lead to more efficient financial markets, more accurate pricing of risks, and more effective market discipline.

With respect to financial disclosures, the interests of most firm managers, investors, and other market participants are essentially the same. Market participants can benefit from enhanced disclosure by being in a better position to understand the financial condition of their counterparties and competitors. Investors have an obvious interest in being able to make meaningful assessments of a firm's performance, underlying trends, and income-producing potential. Sound, well-managed firms can benefit if better disclosure enables them to obtain funds at risk premiums that accurately reflect their lower risk profiles. Inadequate financial disclosures, on the other hand, could penalize well-managed firms if market participants are unable to assess their fundamental financial strength.

While most market participants favor sound accounting standards and meaningful disclosure, a key question is how to ensure that accounting practices and techniques reflect, and are consistent with, how a business is run, that is, its overall business strategy. Indeed, accounting methodology should measure the results of a business purpose or strategy and not be an end in itself. For example, in the case of a company that actively trades financial instruments or other products to profit from short-term price movements, such as a securities firm, reporting trading positions at fair values appropriately measures the success or failure of that business strategy, and market participants expect this reporting treatment. However, for many other types of businesses, such as a manufacturer or a lender that funds loans with liabilities of equal maturity, market value accounting in the primary financial statements may not accurately reflect business strategies or appropriately measure the firm's underlying performance and condition. In these cases, although information about fair value can be useful in supplemental disclosures, it is questionable whether there is widespread demand for market value accounting to become the basis for the preparation of the primary financial statements.

Although the needs of financial statement users may vary, a critical function of financial statements is to reflect in a meaningful way underlying trends in the financial performance and condition of the firm. The application of market value accounting to business strategies when it is not appropriate, and particularly when applied on a piecemeal basis, may lead to increased volatility or fluctuation in reported results and actually obscure underlying trends or developments affecting a firm's condition and performance. Requiring companies to adopt market value accounting when it is not consistent with their business strategies can cause them to incur significant costs to provide information that may not reflect in a meaningful way their underlying circumstances or trends in their performance. Moreover, from the standpoint of financial statement analysts and other users, having to make adjustments to remove the effects of this accounting volatility from income statements and balance sheets—volatility that is not consistent with firm's risk positions—can also impose significant costs without offsetting benefits.

These problems can be minimized by placing market values in meaningful supplemental disclosures rather than by forcing their use in the primary financial statements. Such an approach would give analysts the information they need, without imposing the broader costs of having to reverse or back out the effects of artificial volatility from the primary financial statements. Of course, financial statements and supplemental disclosures must be accurate and not misrepresent a firm's financial circumstances—a problem that can be minimized when financial reports are subject to thorough review by management and external auditors.

FEDERAL RESERVE'S EXPERIENCE

The Federal Reserve Board has a long-standing interest in the quality of financial reporting. This arises from our role as the nation's central bank and as the supervisor of bank holding companies, state member banks, and the U.S. operations of foreign banking organizations. The Federal Reserve and other bank supervisors are responsible for assessing the safety and soundness of the institutions they regulate. In this regard, the Federal Reserve relies on off-site monitoring, on-site supervision, capital and other regulatory requirements, and policies that encourage sound risk-management practices. We believe that market discipline—supported by appropriate accounting standards and public disclosure—complements these supervisory efforts by fostering healthy financial institutions and efficient capital markets.

In the course of supervising financial institutions, the Federal Reserve has developed considerable familiarity with financial instruments, both derivative and nonderivative, that are characterized by a wide range of complexity and risk. We have learned that in supervising trading and derivatives activities it is the underlying characteristics of a financial instrument—and how it contributes to the overall risk profile of the firm—that are important, not the instrument's name. Two instruments that differ in name only may have entirely different treatment under existing legal and accounting frameworks, even though the economic risks (including market, credit, liquidity, operational, and reputational risks) they embody are identical. Financial engineering can certainly create derivative instruments that combine risks in complex ways. But the same engineers can create cash instruments that appear simple and traditional but may have greater risk than many instruments labeled "derivative." Indeed, placing financial instruments in regulatory or accounting pigeonholes without regard to their true risks and economic functions can create disincentives for prudent risk management.

The Federal Reserve is increasingly emphasizing the need for institutions to manage the aggregate or portfolio risks of banking and de-emphasizing a focus on specific instruments. Risk should be measured and managed comprehensively. That is, an institution should manage the dynamics of its portfolio rather than manage specific instruments. A focus on individual transactions can ignore the interaction of the specified instrument with other instruments. Although portfolio theory is widely appreciated by bankers and regulators, putting its principles into practice in banking has not been easy. For example, past banking crises have, in part, reflected a failure by some institutions to recognize and limit concentrations of risk within their portfolios.

The Federal Reserve is increasingly recognizing the need for supervisory and regulatory policies to be more "incentive-compatible," in that they encourage sound risk management within an institution. Furthermore, supervisory and regulatory policies are placing increasing emphasis on minimizing burden by using internal risk-measurement systems and by reinforcing supervisory objectives through market forces. We believe that market discipline—supported by appropriate accounting standards and public disclosure—complements our supervisory efforts by fostering strong financial institutions and efficient capital markets. We believe this approach is more constructive than rote adherence to rules and regulations that may not be consistent with the firm's own risk-management systems.

Consistent with these policies, the Federal Reserve and other banking supervisors have explored regulatory approaches that encourage more use of market-value-based measures in risk-management approaches. For example, beginning next year, internationally active banks meeting certain criteria for risk management will calculate the amount of capital necessary to support the market risk of their trading activities using their own internal value-at-risk (VaR) measures. A significant effort that could increase supervisory reliance on market discipline in the future is the Federal Reserve's so-called "pre-commitment" approach to determining capital for market risk. It seeks to provide banks with stronger regulatory and market incentives to improve all aspects of market risk management. Other initiatives have improved the focus of our supervision policies and examination practices on institutions' risk profiles and risk-management activities in ways that emphasize sound practices and strong internal controls.

Moreover, the Federal Reserve has called for improved U.S. accounting and disclosure standards and has had a key role in sponsoring major international initiatives to encourage improved disclosures by the largest banks and securities firms of their trading and derivatives activities. For example, our 1995 and 1996 analyses of the derivatives disclosure by the top ten U.S. dealer banks were used as models for the joint reports by the Basle Committee on

Banking Supervision and the International Organization of Securities Commissions, which covered a sample of the largest banks and securities firms in the G-10 countries. These studies revealed major differences in disclosure among the participating countries and highlighted the greater level of disclosure by U.S. dealer banks. In addition, a representative of the Federal Reserve chaired an international working group of the Euro-currency Standing Committee that recommended in 1994 improvements to disclosure by financial intermediaries of the credit and market risks of their trading activities. The Federal Reserve and the other federal banking agencies also developed improvements in derivatives disclosure standards for regulatory reports that are similar to disclosure requirements issued at the same time by FASB in Statement No. 119, "Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments."

Specific Issues Raised by the Derivatives Proposal

We share several objectives with the FASB for improving financial reporting. For example, we both support the fundamental objectives of promoting clear and understandable financial reports that increase the transparency of companies' activities. We also share the view that accounting and disclosure standards that faithfully represent financial condition and performance can improve investor and counterparty decisions, thus improving market discipline on banking organizations and other companies. Further, we also agree that current accounting and disclosure standards for derivatives—as well as for other financial instruments—should be improved.

We recognize the difficult task that FASB has in developing a standard that is acceptable to its many constituents. In this regard, we understand that FASB has considered and rejected a number of approaches to hedge accounting for derivatives because particular problems were identified with each approach. We also believe that the approach of reporting all financial instruments at fair value in the primary set of financial instruments, while having some theoretical appeal at least for some types of firms, is not an appropriate solution in the near term. In this regard, fair value estimation techniques are not yet sufficiently robust for exclusive reliance in financial statements. For example, difficult valuation issues arise for highly illiquid instruments for which fair value is based on models rather than observed prices, core deposits with varying durations, and the liabilities of a firm whose credit quality has weakened. Furthermore, fair value estimates can be highly subjective, and little guidance is available for measuring fair values in the financial statements. Another difficult issue relates to whether fair value is the most relevant measurement for commercial banks and other firms that are in the business of holding illiquid loans and other assets for the long term. The success or failure of such a strategy is not measured by evaluating such loans on the basis of a price that indicates value in the context of immediate delivery. In this regard, an appropriate value for many bank loans and off-balance-sheet commitments—the one that reflects the nature of a bank's business—is the original acquisition price adjusted for the expectation of performance at maturity.

Given the many difficulties of FASB's task, it is not surprising that their proposal raises a number of complex issues. For example, the proposal is likely to lead to increased volatility in income and stockholders equity by companies that manage risk with derivatives. This volatility could be artificial because of the piecemeal approach of marking certain risk positions to fair value but not all positions contributing to the risk. As a result, there could be accounting volatility that bears little relation to an institution's overall risk position. Supervisors and analysts will have to strip out the artificially created volatility to assess the true performance of the firm. On the other hand, companies that do not manage their risks, or manage their risks solely through cash instruments that are not covered by the standard, would not reflect similar volatility.

A simple example might illustrate this concern. Assume a company's activities consist solely of lending long term at fixed rates and funding these loans with variable-rate deposits. I think we can all agree that this company has a significant exposure to interest rate risk. If the company does not manage its risk with derivatives, it would not be affected by the derivatives accounting proposal and would not report any volatility from fair value changes in its financial statements. If, however, the company has a strategy to use derivatives to reduce its interest rate risk and move it closer to a match-funded position, the company may report greater volatility in income and stockholders' equity—a result not consistent with its reduced risk exposure. For example, if the company specified under the framework set forth in the FASB proposal that the derivatives are "cash flow" hedges of variable rate liabilities, the company would have volatility in equity or earnings based on the specifically linked effectiveness tests set forth by the proposal. Thus, the firm in using derivatives reduces its economic volatility, yet increases its accounting volatility.

More important, by taking a transaction level approach to hedging, the proposal would not describe well the efforts of more sophisticated market participants to hedge their risks on a comprehensive, portfolio basis. Thus, these firms would effectively be required to keep different sets of books, and their financial reporting may not be consistent with the derivatives' intended use. This leads me to conclude that the proposal could discourage or constrain prudent risk-management practices that rely on derivatives. Furthermore, it may not improve transparency of financial information.

The proposal also introduces into the financial statements an untested method for reporting loans, deposits, and other assets and liabilities being hedged. These assets and liabilities would be valued at a "hybrid" historical cost and fair value amount on the balance sheet when they are hedged with derivatives that are designated as fair value hedges. For example, generally, the historical cost values of these assets and liabilities would be adjusted for changes in fair value related to the risk being hedged. However, certain other changes in fair value would not be recognized (such as those that arise from other risks, that are the results of an ineffective hedge, or that do not offset a gain or loss on the hedging instrument). These hybrid amounts could differ significantly from—and potentially exceed—fair values. They may also be difficult to verify by auditors and examiners, thus reducing the reliability of amounts reported in the financial statements.

The proposed approach is complex, which may increase related developmental systems costs. In this regard, the proposal may cause significant systems changes for institutions that hedge with derivatives. At the same time institutions are making these systems changes, they need to upgrade their systems to address Year 2000 issues. The cost of systems changes arising from the derivatives proposal should be evaluated along with other costs and benefits arising from the proposal. This is particularly important because the derivatives proposal is intended by the FASB to be an interim treatment and its long-term goal is to measure all financial instruments at fair value. Indeed, the FASB already has under way a project that is evaluating issues related to that goal.

LOOKING FORWARD

Because of our concerns about FASB's derivatives proposal, we have assessed various alternative approaches to accounting and disclosure for derivatives and financial instruments. In this regard, we have discussed this issue with other banking regulators in this country and overseas, accounting professionals, and others. We also considered FASB's long-term objectives of accounting for all financial instruments at fair value and recognize the difficult challenge of trying to address derivatives even on an interim basis. It is unlikely that any one solution will please everyone.

While we have heard a number of different views, several themes emerged from our discussions. One is that there is a need for accounting and disclosure standards that faithfully represent risk profiles and thus encourage better risk management, result in transparent financial reports that enhance market discipline, and minimize the costs of systems changes and reporting burden. Second, derivatives accounting and disclosure standards can be improved to the extent that they better reflect portfolio hedging strategies. Third, many major market participants believe that existing derivatives accounting practices can be improved by focusing on the best of current accounting practices, rather than developing significantly novel and untested approaches. Lastly, many believe that existing disclosure requirements for fair values could be improved. We encourage the FASB to carefully consider these ideas as they move forward in their derivatives accounting project.

One approach to accounting and disclosures for derivatives and financial instruments that takes into account these commonly expressed themes has received broad support from banking supervisors both domestically and internationally, as well as from some other major constituents. The Federal Reserve recently offered this idea to the FASB as one possible approach for addressing financial reporting issues raised by derivatives. Likewise, the Basle Committee on Banking Supervision suggested this approach when commenting to the International Accounting Standards Committee (IASC) on its project on financial instruments. In addition, the European Commission provided comments to the IASC that offered a substantially similar approach.

Under this approach, FASB would (1) enhance the current historical cost-based financial reporting framework by issuing a derivatives accounting standard that is based on the best current accounting practice for derivatives, and (2) supplement the historical cost-based statements with expanded disclosures of financial statements based on fair values, including the fair values of derivatives and other financial instruments. Such disclosures should be limited for the time being to larger market participants and be coupled with enhanced accounting guidance on the estimation of fair values. This framework is intended to be a broad template that would be consistent with management and market participant needs for better information from companies, such as financial firms with extensive trading operations. Additional work would be needed by the various groups that set accounting standards, in consultation with interested constituents, to provide a basis for implementing more specific standards. We believe that this framework could more faithfully represent risk profiles and thus encourage better risk management, as well as increase transparency of financial reports to improve market discipline. Furthermore, we believe the supplemental comprehensive fair value financial statement disclosures would be a useful adjunct to the accounting paradigm we currently have, and the two bases of accounting could act as a check and balance for each other.

In addition, this approach would minimize reporting burden by utilizing the best of current accounting practices and existing disclosure standards. In this regard, companies are now required to disclose in footnotes the fair value of all of their financial instruments and to report "comprehensive income," which takes into account changes in fair value of certain (but not all) financial instruments that are not currently reflected in net income. The approach could provide a framework for FASB to explore ways to improve these disclosure requirements. Although the Federal Reserve has suggested this alternative approach to the FASB, there may also be other acceptable ways of addressing the many concerns expressed by commenters to the FASB proposal. For example, FASB could in the near term focus on improvements to existing derivatives accounting practices under the historical cost framework and leave improvements in fair value information to its longer-term project on financial instruments. Alternatively, FASB could defer the effective date of the proposed standard to provide more time for institutions to address implementation issues and make systems changes.

In the end, it is the responsibility of the FASB, SEC, and IASC to find the best practicable solutions for accounting and disclosures for derivatives and other financial instruments. These organizations are given the difficult charge of determining the best accounting and disclosure principles, evaluating all of the factors, and considering the views of all constituents. We look forward to working with these organizations in their efforts to improve these standards. We are glad to be able to participate in the public comment process and look forward to doing so in the future.

Statement by Theodore E. Allison, Assistant to the Board for Federal Reserve System Affairs, 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 1, 1997

Thank you for the opportunity to report on the Federal Reserve's plans for dealing with some new-design $50 notes that were imperfectly printed. My statement will address three matters: our view of the quality and quantity of $50 notes *currently* being produced by the Bureau of Engraving and Printing, the options we are looking into for handling the imperfect notes, and steps we are taking jointly with the Bureau of Engraving and Printing to better ensure that we are both satisfied with notes produced by the Bureau in the future.

BACKGROUND

Before turning to those matters, I want to emphasize that the Federal Reserve takes very seriously its stewardship of the nation's currency. Our objective is to issue notes—new and previously circulated—that meet high standards of quality and security. Indeed, we believe that high quality reinforces security. In general, security features in currency notes are most effective in deterring counterfeiting, and therefore in inspiring confidence in genuine notes, when circulating notes are of consistently high quality *and* when the public is well informed about the characteristics of genuine notes. In the present circumstances, as a new series of notes is being introduced containing security features that are new to the public, and as we seek to inform the public about the new features, new-design notes put into circulation should be held to a particularly high standard of quality.

Despite an admirable history of producing, and delivering to the Federal Reserve, notes of consistently acceptable visual quality, earlier this year the Bureau of Engraving and Printing produced some $50 notes that the Federal Reserve believes fall short of the required standard of quality for notes containing new security features. Specifically, a portion of new-design $50 notes produced before September 8, 1997, have an apparent absence of ink in one or more of the concentric fine lines surrounding the portrait of President Grant. The educational information prepared for the public identifies these concentric fine lines as one of several new security features that should be present, in the form intended, in a genuine note. Consequently, we do not plan to issue those notes.

Current Production at the Bureau of Engraving and Printing

Since September 8, 1997, the Bureau of Engraving and Printing has used both improved printing plates and an improved examination system for $50 notes, with good results. Based on an inspection of notes at all of the thirteen Federal Reserve offices to which new $50 notes of the type produced since September 8 had been shipped, the Federal Reserve is satisfied that those notes are suitable for circulation.

Moreover, the Bureau is producing the higher quality $50s in quantities that will enable all Federal Reserve Banks and branches to have an adequate inventory of those notes by next week. Consequently, the production of the imperfectly printed notes has not materially interfered with the planned introduction of new-design $50 notes. Nor, I might add, has it had any significant impact on the Federal Reserve's note-issuing operations.[1]

Disposition of the Inventory of Imperfectly Printed Notes

Disposition of the notes that the Federal Reserve considers unissuable will, of course, entail some cost. A total of 217.6 million $50 notes was produced before September 8, some portion of which appear not to be of issuable quality. Of these, 59.5 million were shipped to Federal Reserve Banks and branches, and 158.1 million are being held at the Bureau of Engraving and Printing. The unissuable notes occur more or less randomly throughout the 217 million notes.

If all 217 million notes were destroyed and replaced with additional newly printed notes, the cost to the Federal Reserve would be about $7.6 million—roughly $360 thousand to destroy the notes now being held at the Reserve Banks and the Bureau of Engraving and Printing and to ship replacement notes to the Reserve Banks and $7.2 million to produce replacement notes. If that were to happen, the $7.6 million cost would be reflected in a correspondingly lower payment of Federal Reserve earnings to the Treasury.

Blanket destruction and replacement may not be the only option, however. The Federal Reserve is looking into the feasibility of obtaining the equipment needed to examine these notes, one by one on our high-speed note processing machines and to recover the notes of issuable quality. We believe that it should be possible to do that. Whether it would be feasible will depend on the costs involved and the quantity of issuable-quality notes that would be recovered. At this time, we do not have good estimates of either of those magnitudes but we hope to have them before the end of this year.

Consequently, $7.6 million should be viewed as an upper limit on the cost of this matter, with the possibility that the actual cost will be lower.

Steps to Ensure the Production of Mutually Acceptable Notes in the Future

In order to ensure that the Federal Reserve and the Bureau of Engraving and Printing not find themselves in the future in the position of having notes produced and shipped that are not of mutually acceptable quality, we have taken several important steps.

The Federal Reserve and the Bureau of Engraving and Printing have jointly established print-quality standards for a new electronic examination system now being used at the Bureau to inspect all $50 and $100 notes and to review those standards regularly. This examination system promises to provide a more consistent level of printing quality calibrated more closely to the Federal Reserve's needs.

In addition, the Federal Reserve has agreed to work with the Bureau before and during production of new-design $20 notes, as well as the other lower denominations, to establish mutually acceptable quality standards and to monitor production.

These steps should help to safeguard the security and efficiency of our currency system.

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1. The impact of the $50-note printing imperfections has been moderate mainly because the total volume of $50 notes in circulation is relatively low. They account for only about 5 percent of all Federal Reserve notes in circulation and only about 3 percent of Reserve Bank receipts from, and payments to, depository institutions.

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. House of Representatives, October 8, 1997

After decades of budgetary imprudence, there has been a growing recognition of our fiscal problems in recent years and an increased willingness of Presidents and Congresses to address them. The capping of discretionary programs and the first steps to deal with entitlement programs are encouraging, as, unquestionably, is the slower pace at which we are creating new entitlement programs. But it is important to place this improvement in the context of the decades-long deterioration in our fiscal position; we have stopped the erosion for now, but we have made only a downpayment on the longer-range problem confronting us.

Moreover, much of the fiscal improvement of recent years is less the result of a return to the prudent attitudes and actions of earlier generations than the emergence of benevolent forces largely external to the fiscal process. The end of the Cold War has yielded a substantial peace dividend, and the best economic performance in decades has augmented tax revenues far beyond expectations while restraining countercyclically sensitive outlays.

The payout of the peace dividend is coming to an end. Defense outlays have fallen from 6.2 percent of gross domestic product in 1985 to 3.4 percent this year. Further cuts may be difficult to achieve, for even if we are fortunate enough to enjoy a relatively tranquil world, spending will tend to be buoyed by the need to replace technologically obsolescent equipment as well as by the usual political pressures.

The long-term outlook for the U.S. economy presents us with, perhaps, even greater uncertainties. There can be little doubt that the U.S. economy in the past several years has performed far better than the history of business expansions would have led us to expect. Labor markets have tightened considerably without inflation emerging as it has in the past. Encouraged by these results, financial markets seem to have priced in an optimistic outlook, characterized by a significant reduction in risk and an increasingly benevolent inflation process.

For example, in equity markets, continual upward revisions of longer-term corporate earnings expectations have driven price–earnings ratios to levels not often observed at this stage of an economic expansion.

Contributing to the expected increases in profits is a perceived marked increase in the prospective rate of return on new business ventures. This is evidenced by the sharp increase in capital investment since early 1993, especially in high tech equipment, which has persisted and even accelerated in recent quarters.

Underlying this apparent bulge in expected profitability and rates of return, as I suggested in my July Humphrey–Hawkins testimony, may be a maturing of major technologies in recent years. The synergies of lasers and fiber optics have spurred large increases in communications investments. The continued extraordinary spread of computer-related applications as costs of manipulating data and other information fall, has also been a major factor in increased investment outlays. The combination of advancing telecommunications and computer technologies have induced large investment outlays to support the Internet and utilize it to realize efficiencies in purchasing, production, and marketing.

This dramatic change in technology, as I pointed out in earlier testimony, has markedly shortened the lead times in bringing new production facilities on line to meet increased demand and has accordingly significantly reduced longer-term bottlenecks and materials shortages, phenomena often leading to inflation in the past.

Indeed, this faster response of facility capacity, coupled with dramatic declines in transportation costs owing to a downsizing of products, has led to speculation that we are operating with a new "paradigm," where price pressures need rarely ever arise because low-cost capacity, both here and abroad, can be brought on sufficiently rapidly when demand accelerates.

Before we go too far in this direction, however, we need to recall that it was just three years ago that we were confronted with bottlenecks in the industrial sector. Though less extensive than in years past at similarly high levels of capacity utilization, they were nonetheless putting visible upward pressures on prices at early stages of the production chain. Further strides toward greater flexibility of facilities have occurred since 1994, but this is clearly an evolutionary, not a revolutionary, process. At least for the foreseeable future, it will still take time to bring many types of new facilities into the production process, and productive capacity will still impose limits on meeting large unexpected increases in demand in a short period.

More relevant, by far, however, is that technology and management changes have had only a limited effect on the ability of *labor* supply to respond to changes in demand. To be sure, individual firms have acquired additional flexibility through increased use of outsourcing and temporary workers. In addition, smaller work teams may be able to adapt more readily to variations in order flows. While these techniques put the right workers at the right spots to reduce bottlenecks, they do not increase the aggregate supply of labor. That supply is sensitive to changes in demand but to a far more limited extent than facilities. New plants can almost always be built. But labor capacity for an individual country is constrained by the size of the working-age population, which, except for immigration, is basically determined several decades in the past. Its lead time reflects biology, not technology.

Of course, the demand for capital facilities and labor are not entirely independent. Within limits, labor and capital are substitutes, and slack in one market can offset tightness in another. For example, additional work shifts often can expand output without significant addition to facilities. Similarly, more labor-saving equipment can permit production to be increased with the same level of employment, an outcome that we would observe as increased labor productivity. As I will be discussing in a moment, we are seeing some favorable signs in this regard, but they are only suggestive, and the potential for increased productivity to enhance the effective supply of labor is limited.

The fact is, that despite large additions to the capital stock in recent years, the supply of labor has kept pace with the demand for goods and services and the labor to produce them only by reducing the margin of slack in labor markets.

Of the more than 2 million net new hires at an annual rate from early 1994 through the third quarter of this year, little more than half came from an expansion in the population aged sixteen to sixty-four who wanted a job, and more than a third of those were net new immigrants. The remaining 1 million per year increase in employment was pulled from those who had been reported as unemployed (nearly 700,000 annually) and those who wanted, but had not actively sought, a job (more than 300,000 annually). The latter, of course, are not in the official unemployment count.

The key point is that continuously digging ever deeper into the available working-age population is not a sustainable trajectory for job creation. The unemployment rate has a downside limit, if for no other reason than unemployment, in part, reflects voluntary periods of job search and other frictional unemployment and includes people whose skills are not well adapted to work today and would be very costly to employ.

In addition, there is a limit on how many of the millions who wanted a job but were not actively seeking one could be readily absorbed into jobs—in particular, the large number whose availability is limited by their enrollment in school and those who may lack the necessary skills or may face other barriers to taking jobs. The number of people saying they would like a job, but have not been engaged in active job search, declined dramatically in 1996. But, despite increasingly favorable labor markets, few more of these 5 million individuals have been added to payrolls in 1997. This group of potential workers, on balance, is at its lowest level relative to the working-age population since at least 1970. As a source of new workers we may have reached about as far as is feasible into this group of the population.

Presumably, some of the early retirees, students, or homemakers who do not now profess to want to work could be lured to the job market. Rewards sufficient to make jobs attractive, however, could conceivably also engender upward pressures on labor costs that would trigger renewed price pressures, undermining the expansion.

Thus, there would seem to be emerging constraints on potential labor input. If the recent 2 million plus annual pace of job creation were to continue, the pressures on wages and other costs of hiring large numbers of such individuals could escalate more rapidly. To be sure, job growth slowed significantly in August and September, but it did not slow enough to close, from the demand side alone, the gap of the demand for labor over the supply from increases in the working-age population.

Thus, the performance of the labor markets this year suggests that the economy has been on an unsustainable track. That the marked rate of absorption of potential workers since 1994 has not induced a more dramatic increase in employee compensation per hour and price inflation has come as a major surprise to most analysts.

The strengthened exchange value of the dollar, which has helped contain price increases, is certainly one factor in explaining business reluctance to grant wage increases. Another explanation I have offered in the past is that the acceleration in technology and capital investment, in part by engendering important changes in the types of facilities with which people work on a day-by-day basis, has also induced a discernible increase in fear of job skill obsolescence and, hence, an increasing willingness to seek job security in lieu of wage gains. Certainly, the dramatic rise in recent years of on-the-job training and a substantial increase in people returning to school—especially those aged twenty-five to thirty-four, mainly at the college level—suggests significant concerns about skills.

But the force of insecurity may be fading. Public opinion polls, which recorded a marked increase in fear of job loss from 1991 to 1995, a period of tightening labor markets, now indicate a partial reversal of that uptrend.

To be sure, there is still little evidence of wage acceleration. To believe, however, that wage pressures will not intensify as the group of people who are not working, but who would like to, rapidly diminishes strains credibility. The law of supply and demand has not been repealed. If labor demand continues to outpace sustainable increases in supply, the question is surely when, not whether, labor costs will escalate more rapidly.

Of course, a falloff in the current pace of demand for goods and services could close the gap and avoid the emergence of inflationary pressures. So could a sharp improvement in productivity growth, which would reduce the pace of new hiring required to produce a given rate of growth of real output.

Productivity growth in manufacturing, as best we can measure it, apparently did pick up some in the third quarter, and the broader measures of productivity growth have exhibited a modest quickening this year. Certainly, the persistence, even acceleration, of commitments to invest in new facilities suggests that the actual profitability of recent past investments, and by extension increased productivity, has already been achieved to some degree rather than being merely prospective.

However, to reduce the recent 2 million plus annual rate of job gains to the 1 million rate consistent with long-term population growth would require, all else equal, a full percentage point increase in the rate of productivity growth. While not inconceivable, such a rapid change is rare in the annals of business history, especially for a mature industrial society of our breadth and scope.

Clearly, impressive new technologies have imparted a sense of change in which previous economic relationships are seen as being less reliable now. Improvements in productivity *are* possible if worker skills increase, but gains come slowly through experience, education, and on-the-job training. They are also possible as capital substitutes for labor, but that is limited by the state of current technology. Very significant advances in productivity require technological breakthroughs that alter fundamentally the efficiency with which we use our labor and capital resources. But at the cutting edge of technology, where the United States finds itself, major improvements cannot be produced on demand. New ideas that matter are hard won.

Short of a marked slowing in the demand for goods and services and, hence, labor—or a degree of acceleration of productivity growth that appears unlikely—the imbalance between the growth in labor demand and the expansion of potential labor supply of recent years must eventually erode the current state of inflation quiescence and, with it, the solid growth of real activity.

In this context, the economic outlook sketched out for the United States by both the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) is realistic, even in some sense conservative. But you should recognize the range of possible long-term outcomes, both significantly better or worse, has risen markedly in the past year.

An acceleration of productivity growth, should it materialize, would put the economy on a higher trend growth path than they have projected. The development of inflationary pressures, on the other hand, would doubtless create an environment of slower growth in real output than that projected by OMB or CBO. A re-emergence of inflation is, without question, the greatest threat to sustaining what has been a balanced economic expansion virtually without parallel in recent decades. In this regard, we at the Federal Reserve recognize that how we handle monetary policy will be a significant factor influencing the path of economic growth and, hence, fiscal outcomes.

Given the wider range of possible outcomes that we face for long-term economic growth, the corresponding ranges of possible budget outcomes over the next five to ten years has also widened appreciably.

In addition to the uncertainties associated with economic outcomes, questions may be raised about other assumptions behind both projected receipts and outlays. With regard to the former, it is difficult to believe that our much higher-than-expected income tax receipts of late are unrelated to the huge increase in capital gains, which since 1995 have totaled the equivalent of one-third of national income. Aside from the question of whether stock prices will rise or fall, it clearly would be unrealistic to look for a continuation of stock market gains of anything like the magnitude of those recorded in the past couple of years.

On the outlay side, the recently enacted budget agreement relies importantly on significant, but as-yet-unspecified, restraints on discretionary spending to be made in the years 2001, 2002, and thereafter. Supporters of each program expect the restraints to fall elsewhere. Inevitably, the eventual publication of the detail will expose deep political divisions, which could make the realization of the budget projections less likely. In addition, while the budget agreement included significant cuts in Medicare spending, past experience has shown us how difficult Medicare is to control, raising the possibility that savings will never be realized. More generally, I wonder whether there is enough funding slack to accommodate contingencies, or the inevitable new, but as yet unidentified, spending programs.

Budget forecasts are understandably subject to fairly large errors. Seemingly small changes in receipts and outlays are magnified in the budget deficit. For example, during the 1990s, the average absolute error in the projections of February for receipts and outlays in the fiscal years starting the subsequent October has been greater than 4 percent. A 4 percent error in both outlays and receipts in opposite directions amounts to more than $125 billion annually. Indeed, the uncertainty of budget forecasts is no better illustrated than by an admittedly extreme case. During the past two and a half years the projection of the fiscal balance, excluding new initiatives, for the year 2002 has changed by about $250 billion. While all this fortunately has been in the direction of smaller deficits, the degree of uncertainty suggests that the error could just as easily be on the other side.

With this high level of uncertainty in projecting budget totals and associated deficits, the Congress needs to evaluate the consequences to long-term economic growth of errors in fiscal policy. A base issue in such an evaluation is whether we are better off to be targeting a large deficit, balance, or a chronic surplus in our unified budget.

There is nothing special about budget balance per se, except that it is far superior to deficits. I have always emphasized the value of a budgetary surplus in increasing national savings, especially when U.S. private domestic savings is low, as it is today.

Higher national savings lead in the long run to higher investment and living standards. They also foster low inflation. Low inflation itself may be responsible, in part, for higher productivity growth and larger gains in standards of living.

If economic growth and rising living standards, fostered by investment and price stability, are our goal, fiscal policy in my judgment will need to be biased toward surpluses in the years immediately ahead. This is especially so given the inexorable demographic trends that threaten huge increases in outlays beyond 2010. We should view the recent budget agreement, even if receipts and outlays evolve as expected, as only an important downpayment on the larger steps we need to take to solve the harder problem—putting our entitlement programs on a sound financial footing for the twenty-first century.

Moreover, it is hoped that targeted surpluses could help to offset the inbuilt political bias in favor of budget deficits. I have been in too many budget meetings in the past three decades not to have learned that the ideal fiscal initiative from a political perspective is one that creates visible benefits for one group of constituents without a perceived cost to anybody else, a form of political single-entry bookkeeping.

To be sure, in recent years we have been showing some real restraint in our approach to fiscal policy. Yet, despite terminating a number of programs, the ratio of federal nondefense, noninterest, spending to GDP still stands at nearly 14 percent, double what it was in the 1950s. This may be one reason why inflation premiums, embodied in long-term interest rates, are still significant. There is, thus, doubtless a lot of catching up to do.

The current initiatives toward welfare, social security, and Medicare reform are clearly steps in the right direction, but far more is required. Let us not squander years of efforts to balance the budget and the benefits of ideal economic conditions by failing to address our long-term imbalances.

A critical imbalance is the one faced by social security. Its fund's reported imbalance stems primarily from the fact that, until very recently, the payments into the social security trust accounts by the average employee, plus employer contributions and interest earned, were inadequate, at retirement, to fund the total of retirement benefits. This has started to change. Under the most recent revisions to the law, and presumably conservative economic and demographic assumptions, today's younger workers will be paying social security taxes over their working years that appear sufficient to fund their benefits during retirement. However, the huge liability for current retirees, as well as for much of the work force closer to retirement, leaves the system, as a whole, badly underfunded. The official unfunded liability for the Old Age, Survivors and Disability funds, which takes into account expected future tax payments and benefits out to the year 2070, has reached a staggering $3 trillion.

This issue of funding underscores the critical elements in the forthcoming debate on social security reform because it focuses on the core of any retirement system, private or public. Simply put, enough must be set aside over a lifetime of work to fund the excess of consumption over claims on production a retiree may enjoy. At the most rudimentary level, one could envision households saving by actually storing goods purchased during their working years for consumption during retirement. Even better, the resources that would have otherwise gone into the stored goods could be diverted to the production of new capital assets, which would, cumulatively, over a working lifetime, produce an even greater quantity of goods and services to be consumed in retirement. In the latter case, we would be getting more output per worker, our traditional measure of productivity, and a factor that is central in all calculations of long-term social security trust fund financing.

Hence, the bottom line in all retirement programs is physical resource availability. The finance of any system is merely to facilitate the underlying system of allocating real resources that fund retirement consumption of goods and services. Unless social security savings are increased by higher taxes (with negative consequences for growth) or lowered benefits, domestic savings must be augmented by greater private saving or surpluses in the rest of the government budget to help ensure that there is enough savings to finance adequate productive capacity down the road to meet the consumption needs of both retirees and active workers.

The basic premise of our current largely pay-as-you-go social security system is that future productivity growth will be sufficient to supply promised retirement benefits for current workers. However, even supposing some acceleration in long-term productivity growth from recent experience, at existing rates of domestic saving and capital investment this is becoming increasingly dubious.

Accordingly, short of a far more general reform of the system, there are a number of initiatives, at a minimum, that should be addressed. As I argued at length in the Social Security Commission deliberations of 1983, with only marginal effect, some delaying of the age of eligibility for retirement benefits will become increasingly pressing. For example, adjusting the full-benefits retirement age to keep pace with increases in life expectancy in a way that would keep the ratio of retirement years to expected life span approximately constant would help to significantly narrow the funding gap. Such an initiative will become easier to implement as fewer and fewer of our older citizens retire from physically arduous work. Hopefully, other modifications to social security, such as improved cost-of-living indexing, will be instituted.

There are a number of thoughtful reform initiatives that, through the process of privatization, could increase domestic saving rates. These are clearly worthy of intensive evaluation. Perhaps the strongest argument for privatization is that replacing the current underfunded system with a fully funded one could boost domestic saving. But, we must remember it is *because* privatization plans might increase savings that makes them potentially valuable, not their particular form of financing. As I have argued elsewhere, unless national savings is increased, shifting social security trust funds to private securities, while increasing government retirement system income, will lower retirement incomes in the private sector to an offsetting degree. This would not be an improvement to our overall retirement system.

The types of changes that will be required to restore fiscal balance to our social security accounts, in the broader scheme of things, are significant but manageable. More important, most entail changes that are less unsettling if they are enacted soon, even if their effects are significantly delayed, rather than waiting five or ten years or longer for legislation.

Minimizing the potential disruptions associated with the inevitable changes to social security is made all the more essential because of the pressing financial problems in the Medicare system, social security's companion program for retirees. Medicare, as you are well aware, is in an even more precarious position than social security. The financing of Medicare faces some of the same problems associated with demographics and productivity as social security but faces different, and currently greater, pressures owing to the behavior of medical costs and utilization rates. Reform of the Medicare system will require more immediate and potentially more dramatic changes than those necessary to reform social security.

We owe it to those who will retire after the turn of the century to be given sufficient advance notice to make what alterations in retirement planning may be required. The longer we wait to make what are surely inevitable adjustments, the more difficult they will become. If we procrastinate too long, the adjustments could be truly wrenching. Our senior citizens, both current and future, deserve better.

Statement by Susan M. Phillips, 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 8, 1997

I am pleased to be here today to discuss the Federal Reserve's efforts in recent years to strengthen its supervisory processes and also to share with you the Board's views about what challenges lie ahead, for both the banking system and the supervisory process. As you know, the U.S. economy and its banking system have enjoyed half a decade of improving strength in which U.S. banks have become better capitalized and more profitable than they have been in generations. Moreover, in the past thirteen months not a single insured bank has failed, and the Bank Insurance Fund is now capitalized at a level requiring most banks to pay only nominal fees for their insurance. While we can take comfort and, to some degree, satisfaction in these events, experience has demonstrated that at times like these—if we are not vigilant—risks can occur that set the stage for future problems.

As I begin my remarks, I would like to point out that no system of supervision or regulation can provide total assurance that banking problems will not occur or that banks will not fail. Nor should it. Our goal as regulators is to identify weak banking practices early so that small or emerging problems can be addressed before they become large and costly—to either the insurance fund or the financial system as a whole. We believe that progress made in recent years to focus our examinations on the areas of highest risk at banking organizations places us in a better position to identify problems early, control systemic risk, and maintain financial stability. That goal and the need to adapt the supervisory process to the potentially rapidly changing conditions in banking and financial markets underlie our decision to pursue a more risk-focused supervisory approach.

We are well under way in implementing this new supervisory framework, and initial indications about that process from both the Federal Reserve's supervisory staff and the banking industry, itself, have been favorable. The risk-focused approach reflects our supervisory response to the effects that technology and financial innovation have had on the pace of change in banking organizations, the nature of U.S. and world financial markets, and the techniques employed for managing and controlling risk. As banking practices and markets continue to evolve, our emphasis on risk-focused supervision will be even more necessary in the years to come.

THE FEDERAL RESERVE'S OVERSIGHT ROLE

As the primary federal supervisor of U.S. bank holding companies, state member banks, and most U.S. offices of foreign banks, the Federal Reserve has sought to apply effective supervision and contain excessive risks to the federal safety net, while also ensuring that banks adequately serve their communities and accommodate economic growth. As the nation's central bank, the Federal Reserve brings a different, important perspective to the supervisory process through its attention to the broad and long-term consequences of supervisory actions on the financial system and the economy. Significantly, the practical, hands-on involvement that the Federal Reserve gains through its supervisory function supports and complements our other central bank responsibilities, including fostering a safe and efficient payment system and ensuring the stability of the financial system.

Past studies of bank failures have cited a number of contributing factors, including, but certainly not limited to, inadequate supervisory staffing and antiquated examination procedures. Over the years, as it has supervised and regulated banking organizations, the Federal Reserve has emphasized periodic, on-site examinations that entail substantive loan portfolio reviews and significant transaction testing to identify emerging problems. In that connection, the Federal Reserve has sought to maintain a sufficient number and quality of supervisory personnel to conduct examinations with appropriate frequency and depth. That approach appears to have provided us with some consistent success.

As conditions within the industry have substantially improved, the Board has been mindful of the cost of conducting its supervisory activities and has worked to contain those costs in the face of increased responsibilities. Throughout this period we have recognized the need to maintain stability in our work force and have sought to avoid excessive buildups or periods of disruptive retrenchment. That approach has enabled us to maintain what we believe has been an adequate and consistent level of oversight of banking organizations under our supervision during both good times and bad.

Developments Driving Change

During the past decade, the U.S. banking system has experienced a great deal of turmoil, stress, and change. Ten years ago, many of the country's largest banks announced huge loan-loss provisions, beginning the process of reducing the industry's overhang of doubtful developing country loans. At the same time, many of these institutions and smaller regional banks were struggling with oil and agriculture sector difficulties or accumulating commercial real estate problems. These and other difficulties took a heavy toll. By the end of the 1980s, more than 200 banks were failing annually, and there were more than 1,000 other problem banks.

This experience provided important lessons and forced supervisors and bankers, alike, to reconsider the way they approached their jobs. For their part, bankers recognized the need to build their capital and reserves, strengthen their internal controls, and improve practices for identifying, underwriting, and managing risk. Supervisors were also reminded of the need to remain vigilant and of the high costs that bank failures can bring, not only to the insurance fund but to local communities as well. The FDIC Improvement Act of 1991 emphasized that point, requiring frequent examinations and prompt regulatory actions when serious problems emerge.

Beyond these largely domestic, institutional events, banks and businesses throughout the world were dealing in the 1980s and 1990s with new technologies that were leading to a multitude of new and increasingly complex financial products that changed the nature of banking and financial markets. These technologies have brought many benefits that facilitate more efficient markets and, in turn, greater international trade and economic growth.

They may also, however, have raised macrostability concerns by concentrating the growing volume and complexity of certain activities within a small number of truly global institutions. It is essential that these largest firms adequately manage the related risks of these activities and that they remain adequately supervised. For it is these institutions that have the potential to disrupt worldwide payment systems and contribute most to systemic risk. In addition to the formal supervisory oversight exerted by regulators, concerns may be eased somewhat by the strong counterparty discipline being brought to bear worldwide on banks and other financial institutions dealing in these new products. The scrutiny among counterparties in the global market place has contributed to improvements in capital positions and in overall risk-management practices.

In many ways, U.S. banks have been in the vanguard in applying technological advances to their products, distribution systems, and management processes, with such applications and innovations as automated teller machines, home banking, securitizations, and credit derivatives. Such efforts, combined with greater attention to pricing their services and measuring their risks, have had material effects on the increased strength and profitability that our banks have seen.

Within the United States, our banking system has also experienced a dramatic consolidation in the number of banking institutions, with the number of independent commercial banking organizations declining from 12,400 in 1980 to 7,400 in June of this year.[1] That structural change has also contributed to industry earnings by providing banks with greater opportunities to reduce costs.

The challenge going forward for many of these institutions may be in managing the growth and the continuing process of industry consolidation. This challenge may be greatest as banking organizations expand, particularly through acquisitions, into more diverse or nontraditional banking activities. That growth into a wider array of activities is especially important if banks are to meet the wide-ranging needs of their business and household customers while competing effectively with other regulated and unregulated firms. However, the managerial implications of rapid growth and growth into new activities should not be overlooked, by either the institutions or their supervisors.

Supervisory Challenges Ahead

There is also no shortage of tasks facing the Federal Reserve as a bank supervisor, despite the virtually unprecedented strong condition of the U.S. banking system today. We, too, must deal with the evolving financial markets and advances in technology. At the same time, we must ensure that our own supervisory practices, tools, and standards take advantage of technological improvements and financial techniques so that our oversight is not only effective but also

1. "Independent commercial banking organizations" is defined as the sum of all bank holding companies and independent banks. Multibank holding companies are, therefore, considered as a single organization.

as unobtrusive and appropriate as possible. These tasks are wide ranging, extending from our own re-engineering of the supervisory process to the way supervisors approach issues such as measuring capital adequacy and how we seek convergence on bank supervisory standards worldwide.

Risk-Focused Examinations

Constructing a sound supervisory process while minimizing regulatory burden has been a long-standing and ongoing effort at the Federal Reserve and an objective we have sought to advance with our emphasis on risk-focused examinations. Particularly in the past decade, we have found that the increased range of products and the greater depth and liquidity of financial markets permit banking organizations to change their risk profiles more rapidly than ever before. That possibility requires that we strike an appropriate balance between evaluating the condition of an institution at a point in time and evaluating the soundness of the bank's processes for managing risk. Recognition of the need for that balance is at the heart of the risk-focused examination approach.

The risk-focused approach, by definition, entails a more formal risk assessment planning phase that identifies those areas and activities that warrant the most extensive review. This preplanning process is supported by technology, for example, to download certain information about a bank's loan portfolio to our own computer systems and target areas of the portfolio for review.

Once on site, examiners analyze the bank's loans and other assets to ascertain the organization's current condition, and also to evaluate its internal control process and its own ability to identify and resolve problems. As a result, the Federal Reserve is placing greater reliance than before on a bank's internal auditors and on the accuracy and adequacy of its information systems. The review of the information flow extends from top to bottom, and with the expectation that bank senior management and boards of directors are actively involved in monitoring the bank's activities and providing sufficient guidance regarding risk assumption.

As in the past, performance of substantive checks on the reliability of a bank's controls remains today a cornerstone of the examination process, albeit in a more automated and advanced form. For example, automated loan sampling is performed for the purpose of generating statistically valid conclusions about the accuracy of a bank's internal loan review process. To the extent we can validate the integrity of a bank's internal controls more efficiently, we can place more confidence in them at an earlier stage and can also take greater comfort that management is getting an accurate indication of the bank's condition. Toward that end, Board staff is working to refine loan-sampling procedures that should further boost examiner productivity and accomplish other supervisory goals. Moreover, as examiners are able to complete loan reviews more quickly, they will have more time to review other high-priority aspects of the institution's operations.

A significant benefit of the risk-focused approach is its emphasis on ensuring that the bank's internal oversight processes are sound and that communication between the bank and senior examiners is ongoing between examinations. That approach is generally supported by institutions we supervise and provides a more comprehensive oversight process that complements our annual or eighteen-month examinations. Such an approach strengthens our ability to respond promptly if conditions deteriorate.

Another benefit of the risk-focused approach has been a greater amount of planning, analysis, and information gathering at Reserve Banks before the on-site portion of the examination. Far from reducing our hands-on knowledge of the institution, this approach has ensured that when we are on site, we are reviewing and analyzing the right areas, talking to the right people, and making better use of our time and that of the bank's management and employees. In addition to improving productivity, it has also reduced our travel costs and improved employee morale.

Examination staff at the Reserve Banks indicate that this process may be reducing on-site examination time 15 percent to 30 percent in many cases and overall examination time of Federal Reserve personnel perhaps 10 percent. While those results are tentative, partial, and unscientific, they are certainly encouraging in terms of resource implications.

Complementing the risk-focused approach to supervision are enhancements to the tools we use to grade a bank's condition and management. Since 1995, we have asked Federal Reserve examiners to provide a specific supervisory rating for a bank's risk-management process. More recently, the CAMEL rating system, too, has been revised by the banking agencies to place more emphasis on the adequacy of a bank's risk-management practices and was expanded to include a specific "S" rating for an institution's sensitivity to market risk. As you may know, the Federal Reserve has also, for some time, used a rating scheme that focuses heavily on managerial procedures and controls in its oversight of U.S. branches and agencies of foreign banks.

How effective is the risk-focused process? Because economic and industry conditions have been generally favorable for the past several years, there has not been a sufficiently stressful economic downturn to test fully bank risk-management systems or supervisory practices. The market volatility beginning in 1994 did, however, provide some tests for the risk-management systems of the larger banks with active trading desks. Nevertheless, there are many indications that bank and supervisory practices are materially better than they were in the 1980s and early 1990s.

For example, the risk-focused approach is helping to identify certain deficiencies before they show up in a bank's financial condition. These are evidenced by instances where ratings for the quality of bank management are lower than those for capital, asset quality, or earnings. Because managerial weaknesses eventually show up in a bank's financial condition, it is important to identify and resolve those weaknesses early. In that regard, the risk-focused approach endeavors to prevent problems from developing to the point that they cause unnecessary losses that impair the institution's capital and require resolution under the Prompt Corrective Action mandate.

One example of how the risk-focused approach is helping to identify and address deficiencies is our supervisory experience with the U.S. branches of foreign banks. Subsequent to the enactment of the Foreign Bank Supervision Enhancement Act of 1991, which gave the Federal Reserve greater supervisory authority over foreign branches, our examinations uncovered a number of entities with internal control and audit weaknesses. This result was not completely unexpected, as these foreign banking organizations were not previously subject to the same level of oversight as our domestic organizations.

Recognizing the seriousness of these weaknesses and their potential for causing problems in the future, the Federal Reserve has taken a number of steps to ensure that practices are materially upgraded at foreign branches and that any weaknesses continue to be uncovered. In addition to identifying and addressing internal control and audit weaknesses through examinations and supervisory follow-up, these efforts include ensuring that the foreign bank provides the necessary managerial support to its U.S. branches, including adequate systems of controls and audit. To place even more emphasis on internal controls and audit systems, the foreign branch rating system was revised in 1994. Furthermore, in 1996 additional steps were taken to ensure that internal control weaknesses are corrected and will not cause financial harm by adopting requirements for audit procedures in situations where significant control weaknesses are detected.

These efforts to detect problems at their early stages and resolve them appear to be having positive effects. After having peaked in 1993, there has been a steady decline in the number of U.S. branches and agencies with an overall examination rating of fair or lower and a rating of fair or lower in an examination component substantively affected by internal control and audit weaknesses. We believe that our continued efforts in this area will lead to further improvements in the internal control and audit practices of foreign banking organizations

Implementing the risk-focused approach has not been an easy task. It has required a significant revision of our broad and specialized training programs, including expansion of capital markets, information technology, and global trading activities as well as courses devoted exclusively to internal controls. These education programs will, of course, need to be continually updated as industry activities and conditions evolve.

With the greater discretion provided to examiners to focus on areas of highest risk, ensuring the consistency and quality of examinations has increased in importance. Fortunately, new training courses and improved examination platforms, tools, and programs that guide examiners through the appropriate selection of examination procedures will help. In addition, our ability to evaluate more thoroughly the quality of an examination has improved with the greater depth of analysis provided in supporting examination materials such as the written risk assessments and analysis of exam findings. Those materials are allowing us to perform comparative reviews of examinations across institutions of similar size, risk profile, and complexity to ensure quality and consistency.

So far we have been able to evaluate the effectiveness of our examination programs by identifying whether problems are identified early and resolved in a timely fashion, by evaluating whether examination reports and findings provide clear feedback to management and identify areas of highest risk, and by monitoring the extent to which our examinations are complying with statutory mandates for the frequency of examinations. Based on those criteria, I believe our examination program has been generally successful.

Application of Technology to Supervisory Process

The Federal Reserve has also done much to increase its own use of technology in an effort to improve examiner productivity, enhance analyses, and reduce burden on banks. Much of this effort has been conducted on an interagency basis, particularly in cooperation with the Federal Deposit Insurance Corporation (FDIC) and state banking departments with whom we share supervision of state-chartered banks. Specific results include the development of a personal computer, laptop workstation that provides examiners with a decision tree framework to assist them through the necessary procedures. The workstation also helps them document their work and prepare exam reports more efficiently. In addition, a software program has also been developed for receiving and analyzing loan portfolio data transmitted electronically from financial institutions. This process not only saves time but also improves the examiner's understanding of the risks presented by individual portfolios.

The Federal Reserve is also developing an electronic examination tool for large domestic and foreign banking organizations that enhances our ability to share examination analysis and findings and other pertinent supervisory information among our Reserve Banks and with other supervisory authorities. This platform should substantively improve our ability to provide comprehensive oversight to those firms that are most prominent in the payment system and global financial markets.

In addition to examination tools, the Federal Reserve has for many years maintained a comprehensive source of banking structure, financial, and examination data in its National Information Center. By year-end, we will have completed significant enhancements to the tools that provide examiners and analysts at the federal and state banking agencies access to those data.

The Year 2000

One of the clearest reminders that managing technology is a challenge of its own is the need for banks to resolve the "Year 2000" problem. U.S. banks appear to be taking this matter seriously and are generally well under way toward identifying their individual needs and developing action plans. The Federal Reserve and the other federal bank supervisors are reviewing the relevant efforts of every insured depository institution to determine whether adequate progress on this issue is being made. This process should be complete by the middle of next year so that any detected deficiencies may be addressed in time. Meeting the demands of this review and ensuring proper remedies both before and after the year 2000 will be a significant and costly task to both the industry and the banking agencies.

However, even within the context of banking, the scope of the Year 2000 problem extends far beyond U.S. banks to foreign banks, bank borrowers, depositors, vendors, and other counterparties. Through the Bank for International Settlements and other international forums, the Federal Reserve and other U.S. banking agencies have emphasized the need for all institutions to recognize this issue and to address it actively. Importantly, century date compliance is gaining more attention internationally, and the Basle Supervisors Committee is taking steps to address this matter.

Banks and others need to address year 2000 system alterations, not only because of the potential effects on overall markets but also as a threat to individual firm viability. At a minimum, banks should be concerned about their ability to provide uninterrupted service to their customers into the next millennium. If nothing else, it is simply good business.

Efforts to Accommodate Industry Growth and Innovation

Another goal of the Federal Reserve's supervisory approach is to remove unnecessary barriers that might hinder the industry's ability to grow, innovate, and remain competitive. Recently, the Board refined its application process to ensure that well-run, well-capitalized banking organizations may apply to acquire banks and nonbanks in a more streamlined fashion and commence certain types of new activities without prior approval. The Board also significantly revised various rules for section 20 companies and scaled back or removed many redundant firewalls. While these refinements require some changes to the supervisory process, we firmly believe that removing barriers to these lower-risk activities is essential to maintaining the industry's health and competitiveness and its ability to serve its customers and the community.

Supervising Nationwide and International Institutions

The consolidation and transformation of the U.S. banking system resulting from evolving market, statutory, and regulatory changes are also requiring the Federal Reserve to adapt to new conditions. As previously noted, we are working closely with the FDIC and state banking agencies to deal with the challenges presented by interstate banking and branching to ensure that the dual banking system remains viable in future years.

To address that goal, the FDIC, the Federal Reserve, and the state banking departments began on October 1 a common risk-focused process for the examination of state-chartered community banks. Another initiative has been the State/Federal Supervisory Protocol, which commits the various banking agencies to work toward a "seamless" and minimally burdensome oversight process. In short, it sets forth a process in which state banking supervisors will accept the supervisory reports of other agencies for banks operating in their states through branches but headquartered elsewhere. The fact that the plan has been accepted by all involved parties is encouraging. We now need to ensure that it is implemented as intended as banks make use of their broader branching powers.

Similar coordination efforts are necessary and under way in an international context. Through the Bank for International Settlements, for example, the Federal Reserve and the other U.S. banking agencies participate with supervisors from other G-10 countries to develop not only prudential capital and other regulatory standards but also to promote sound practices over a broad range of banking issues.

In this regard, the Basle Committee on Banking Supervision, with the approval of the central bank Governors of the G-10 countries, recently issued three documents: one dealing with the management of interest rate risk by banks, one dealing with the Year 2000 problems, and another identifying twenty-five "core principles" of effective supervision that is directed at bank supervisors worldwide. The Basle Committee is also working to improve international risk-disclosure practices of banks and has created the new market risk capital standard that is based on banks' internal value-at-risk models. That standard goes into effect in January of next year.

Beyond the work of the Basle Committee and the banking agencies, we are also meeting with the Securities and Exchange Commission and international securities and insurance regulators to identify common issues and to bring about greater convergence in our respective regulatory frameworks. That effort also has links to the committee's efforts and should prove helpful in strengthening the oversight and regulation of financial institutions throughout the world that provide a broad range of financial products. Successful groundwork from this effort could also have implications for moving forward domestically in an era of financial reform.

Guidance as well as supervisory and regulatory standards such as these—whether developed in a domestic or international context—are soon incorporated into examination procedures and help examiners in their reviews of many of the more complex activities of global banking organizations. These global institutions are perhaps the most challenging to supervise. Because it is not feasible for supervisors to review all locations of a global banking organization, emphasis is placed on the integrity of risk management and internal control systems, coordination with international supervisors, strong capital standards, and improved disclosures.

Staffing the Supervisory Process

A final supervisory challenge relates to the Federal Reserve's need to continue attracting, training, and retaining expert staff. Retaining sufficient numbers of individuals with the expertise to evaluate fully the risks in a rapidly changing banking industry is a major priority for the Federal Reserve and figures prominently in the bank supervision function's strategic plan. Particularly challenging is attracting and retaining specialists in the areas of capital markets and information technology in which we have experienced increased turnover. We will continue efforts to attract and retain both specialists and generalists who are qualified to address issues as the industry evolves.

As I have outlined in my testimony, the Federal Reserve's supervisory strategy is to maintain staff members that can adequately evaluate the general soundness of banking activities by placing strong emphasis on the bank's management processes, systems, and controls. I believe such an approach will serve us well as the industry continues to evolve either by expanding the scope of its activities or through broader structural changes from financial modernization legislation. Nevertheless, developing the supervisory techniques and attracting and training the personnel to do the job will pose a continuing challenge in the years ahead.

CONCLUSION

The history of banking and of bank supervision shows a long and rather close relationship between the health of the banking system and the economy, a connection reflecting the role of banks in the credit intermediation process. We can expect that relationship to continue and for bank earnings and asset quality to fluctuate as economic conditions change. As supervisors, we must prepare for such developments.

In many ways, however, the banking and financial system have changed dramatically in the past decade in terms of both structure and diversity of activities. Risk-management practices have also advanced, helped by technological and financial innovations. I believe that both bank supervisors and the banking industry have learned important lessons from the experience of the past ten years specifically about the need to actively monitor, manage, and control risks.

Nevertheless, conditions can always change, and the risk-focused approach will be continually challenged to anticipate and avoid new kinds of problems. We must recognize that a risk-focused approach to supervision is a developing process and however successful it may be, there will again be bank failures. Indeed, having no bank failures may suggest inadequate risk-taking by banks and less economic growth. Through our supervisory process, the Federal Reserve seeks to maintain the proper balance—permitting banks maximum freedom, while still protecting the safety net and maintaining financial stability. Devoting adequate attention to banking practices and conditions and responding promptly as events unfold is the key. We intend to do that now and in the years ahead.

Statement by Theodore E. Allison, Assistant to the Board for Federal Reserve System Affairs, 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 21, 1997

Thank you for the opportunity to comment on H.R.2637, the United States $1 Coin Act of 1997. Under H.R.2637, the dollar coin would be made gold in color and would be given a distinctive rim; it would retain the dimensions of the Susan B. Anthony dollar coin; and the dollar note would remain in circulation. The Federal Reserve believes that H.R.2637 achieves a good balance among the issues involved in the dollar-coin-versus-dollar-note debate and supports its passage.

For most of this decade, there has been a public discussion of the merits of replacing the dollar note with a dollar coin, with no consensus having developed in favor of doing so. Out of this discussion, however, a few conclusions can be drawn:

• The design of the Susan B. Anthony coin is widely disliked on grounds that it is easily confused with the quarter.

• The public appears to prefer to use dollar notes for most purposes because dollar coins can be confused with the quarter and also because they are thought to be too heavy.

• Many firms prefer dollar coins for certain kinds of transactions because coins are easier to handle in large quantities (especially important for transit systems), they reduce transaction time at the cash register (important for small retailers), or they work more efficiently in vending machines.

In the meantime, there has been an ongoing demand for Susan B. Anthony coins, with the result that the combined inventory at the Mint and the Federal Reserve, which now stands at about 133 million coins, will be depleted during the first half of the year 2000 assuming continuation of the current rate of withdrawals from Federal Reserve Banks, which is averaging about 4.2 million coins per month. Thus, it is likely that the Treasury Department will need to produce more dollar coins of some kind within the next several years. Even if the rate of withdrawals were to decline moderately in the next few years, as it has over the past several, the existing stock of dollar coins would likely be exhausted within a period that makes it advisable to plan *now* for that event.[1]

Public reaction to the design of the Susan B. Anthony dollar has been negative from the beginning. In 1978, even before the coin was issued, research conducted for the Federal Reserve by the University of Michigan School of Business Administration, using focus group interviews with both consumers and retailers, revealed considerable reservations in both groups about the Anthony design. The main concern was the perceived similarity to the quarter and, as a consequence, the risk of making a mistake in handling change. Through the years since, potential confusion with the quarter has dominated the public's perception of the dollar coin. Thus, it would not seem considerate—either of the public

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

who dislike the Anthony dollar or of the merchants who need a viable dollar coin—if the impending depletion of Anthony dollars were addressed by manufacturing more of those coins.

Nor would it seem appropriate to introduce a *new* dollar coin with dimensions markedly different from those of the Anthony dollar because that would require that nearly all vending machines be mechanically refitted at considerable cost to the vending machine industry and its customers.

Moreover, a decision to withdraw the dollar note in connection with issuance of a redesigned dollar coin would be contrary to the preference of most Americans, who apparently do not wish at this time to give up the note.

Enactment of H.R.2637 would address all of these issues in a way that should be consistent with the needs of most of the affected public: The gold color and distinctive rim of the newly designed coin should make the public more approving than it now is of the Susan B. Anthony dollar. That, in turn, should benefit vending machine operators and other merchants who wish to see greater use of a dollar coin. Maintaining the Anthony dollar's dimensions in the new coin should minimize the introduction costs that vending machine operators would face. And retention of the dollar note would be consistent with the apparent wishes of most individuals at this time.

Finally, I should observe that the Treasury of the United States—and thereby taxpayers—would benefit financially if, and to the extent that, the availability of a more acceptable dollar coin *either* caused dollar coins to substitute for dollar notes in circulation more than would be the case without it *or* caused the total circulation of dollar notes and dollar coins to increase further than would have been the case otherwise.[2] Although this effect may not be large, it should be positive.

2. The impact of substituting dollar coins for dollar notes on the Treasury's financial position has been outlined in previous Board statements to the Congress. See, for example, "Statement by Edward W. Kelley, Jr., Member, Board of Governors of the Federal Reserve System, to the Subcommittee on Domestic and International Monetary Policy of the Committee on Banking and Financial Services, U.S. House of Representatives, May 3, 1995," *Federal Reserve Bulletin*, vol. 81 (July 1995), pp. 676–78.

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Joint Economic Committee, U.S. Congress, October 29, 1997

We meet against the background of considerable turbulence in world financial markets, and I shall address the bulk of my remarks to those circumstances.

We need to assess these developments against the backdrop of a continuing impressive performance of the American economy in recent months. Growth appears to have remained robust and inflation low, and even falling, despite an ever-tightening labor market. Our economy has enjoyed a lengthy period of good economic growth, linked, not coincidentally, to damped inflation. The Federal Reserve is dedicated to contributing as best it can to prolonging this performance, and we will be watching economic and financial market developments closely and evaluating their implications.

Even after the sharp rebound around the world in the past twenty-four hours, declines in stock markets in the United States and elsewhere have left investors less wealthy than they were a week ago and businesses facing higher equity cost of capital. Yet, provided the decline in financial markets does not cumulate, it is quite conceivable that a few years hence we will look back at this episode, as we now look back at the 1987 crash, as a salutary event in terms of its implications for the macroeconomy.

The 1987 crash occurred at a time when the American economy was operating with a significant degree of inflationary excess that the fall in market values arguably neutralized. Today's economy, as I have been suggesting of late, has been drawing down unused labor resources at an unsustainable pace, spurred, in part, by a substantial wealth effect on demand. The market's net retrenchment of recent days will tend to damp that impetus, a development that should help to prolong our six-and-a-half-year business expansion.

As I have testified previously, much of the stock price gain since early 1995 seems to have reflected upward revisions of long-term earnings expectations, which were implying a continuing indefinite rise in profit margins from already high levels. I suspect we are experiencing some scaling back of the projected gains in foreign affiliate earnings, and investors probably are also revisiting expectations of domestic earnings growth. Still, the foundation for good business performance remains solid. Indeed, data on our national economy in recent months are beginning to support the notion that productivity growth, the basis for increases in earnings, is beginning to pick up.

I also suspect that earnings expectations and equity prices in the United States were primed to adjust. The currency crises in Southeast Asia and the declines in equity prices there and elsewhere do have some direct effects on U.S. corporate earnings, but not enough to explain the recent behavior of our financial markets. If it was not developments in Southeast Asia, something else would have been the proximate cause for a re-evaluation.

While productivity growth does appear to have picked up in the past six months, as I have pointed out in the past, it likely is overly optimistic to assume that the dimension of any acceleration in productivity will be great enough and persistent enough to close, *by itself,* the gap between an excess of long-term demand for labor and its supply. It will take some time to judge the extent of a lasting improvement.

Regrettably, over the past year the argument for the so-called new paradigm has slowly shifted from the not unreasonable notion that productivity is in the process of accelerating, to a less than credible view, often implied rather than stated, that we need no longer be concerned about the risk that inflation can rise again. The Federal Reserve cannot afford to take such a complacent view of our price prospects. There is much that is encouraging in the recent performance of the American economy, but, as I have often mentioned before, fundamental change comes slowly, and we need to evaluate the prospective balance of supply and demand for various productive resources in deciding policy.

Recent developments in equity markets have highlighted growing interactions among national financial markets. The underlying technology-based structure of the international financial system has enabled us to improve materially the efficiency of the flows of capital and payment systems. That improvement, however, has also enhanced the ability of the financial system to transmit problems in one part of the globe to another quite rapidly. The recent turmoil is a case in point. I believe there is much to be learned from the recent experience in Asia that can be applied to better the workings of the international financial system and its support of international trade that has done so much to enhance living standards worldwide.

While each of the Asian economies differs in many important respects, the sources of their spectacular growth in recent years, in some cases decades, and the problems that have recently emerged are relevant to a greater or lesser extent to nearly all of them.

After the early post–World War II period, policies generally fostering low levels of inflation and openness of their economies coupled with high savings and investment rates contributed to a sustained period of rapid growth, in some cases starting in the 1960s and 1970s. By the 1980s most economies in the region were expanding vigorously. Foreign net capital inflows grew but until recent years were relatively modest. The World Bank estimates that net inflows of long-term debt, foreign direct investment, and equity purchases to the Asia Pacific region were only about $25 billion in 1990 but exploded to more than $110 billion by 1996.

A major impetus behind this rapid expansion was the global stock market boom of the 1990s. As that boom progressed, investors in many industrial countries found themselves more heavily concentrated in the recently higher valued securities of companies in the developed world, whose rates of return, in many instances, had fallen to levels perceived as uncompetitive with the earnings potential in emerging economies, especially in Asia. The resultant diversification induced a sharp increase of capital flows into those economies. To a large extent, they came from investors in the United States and Western Europe. A substantial amount came from Japan, as well, owing more to a search for higher yields than to rising stock prices and capital gains in that country. The rising yen through mid-1995 also encouraged a substantial increase in direct investment inflows from Japan. In retrospect, it is clear that more investment monies flowed into these economies than could be profitably employed at modest risk.

I suspect that it was inevitable in those conditions of low inflation, rapid growth, and ample liquidity that much investment moved into the real estate sector, with an emphasis by both the public and private sectors on conspicuous construction projects. This is an experience, of course, not unknown in the United States on occasion. These real estate assets, in turn, ended up as collateral for a significant proportion of the assets of domestic financial systems. In many instances, those financial systems were less than robust, beset with problems of lax lending standards, weak supervisory regimes, and inadequate capital.

Moreover, in most cases, the currencies of these economies were closely tied to the U.S. dollar, and the dollar's substantial recovery since mid-1995, especially relative to the yen, made their exports less competitive. In addition, in some cases, the glut of semiconductors in 1996 suppressed export growth, exerting further pressures on highly leveraged businesses.

However, overall GDP growth rates generally edged off only slightly, and imports, fostered by rising real exchange rates, continued to expand, contributing to what became unsustainable current account deficits in a number of these economies. Moreover, with exchange rates seeming to be solidly tied to the dollar, and with dollar and yen interest rates lower than domestic currency rates, a significant part of the enlarged capital inflows, into these economies, in particular short-term flows, was denominated by the ultimate borrowers in foreign currencies. This put additional pressure on companies to earn foreign exchange through exports.

The pressures on fixed exchange rate regimes mounted, as foreign investors slowed the pace of new capital inflows and domestic businesses sought increasingly to convert domestic currencies into foreign currencies or, equivalently, slowed the conversion of export earnings into domestic currencies. The shifts in perceived future investment risks led to sharp declines in stock markets across Asia, often on top of earlier declines or lackluster performances.

To date, the direct impact of these developments on the American economy has been modest, but it can be expected not to be negligible. U.S. exports to Thailand, the Philippines, Indonesia, and Malaysia (the four countries initially affected) were about 4 percent of total U.S. exports in 1996. However, an additional 12 percent went to Hong Kong, Korea, Singapore, and Taiwan (economies that have been affected more recently). Thus, depending on the extent of the inevitable slowdown in growth in this area of the world, the growth of our exports will tend to be muted. Our direct foreign investment in, and foreign affiliate earnings reported from, the economies in this region as a whole have been a smaller share of the respective totals than their share of our exports. The share is, nonetheless, large enough to expect some drop-off in those earnings in the period ahead. In addition, there may be indirect effects on the U.S. real economy from countries such as Japan that compete even more extensively with the economies in the Asian region.

Particularly troublesome over the past several months has been the so-called contagion effect of weakness in one economy spreading to others as investors perceive, rightly or wrongly, similar vulnerabilities. Even economies, such as Hong Kong, with formidable stocks of international reserves, balanced external accounts, and relatively robust financial systems, have experienced severe pressures in recent days. One can debate whether the recent turbulence in Latin American asset values reflects contagion effects from Asia, the influence of developments in U.S. financial markets, or homegrown causes. Whatever the answer, and the answer may be all of the above, this phenomenon illustrates the interdependencies in today's world economy and financial system.

Perhaps it was inevitable that the impressive and rapid growth experienced by the economies in the Asian region would run into a temporary slowdown or pause. But there is no reason that above-average growth in countries that are still in a position to gain from catching up with the prevailing technology cannot persist for a very long time. Nevertheless, rapidly developing, free market economies periodically can be expected to run into difficulties because investment mistakes are inevitable in any dynamic economy. Private capital flows may temporarily turn adverse. In these circumstances, companies should be allowed to default, private investors should take their losses, and government policies should be directed toward laying the macroeconomic and structural foundations for renewed expansion; new growth opportunities must be allowed to emerge. Similarly, in providing any international financial assistance, we need to be mindful of the desirability of minimizing the impression that international authorities stand ready to guarantee the liabilities of failed domestic businesses. To do otherwise could lead to distorted investments and could ultimately unbalance the world financial system.

The recent experience in Asia underscores the importance of financially sound domestic banking and other associated financial institutions. While the current turmoil has significant interaction with the international financial system, the recent crises would arguably have been better contained if long-maturity property loans had not accentuated the usual mismatch between maturities of assets and liabilities of domestic financial systems that were far from robust to begin with. Our unlamented savings and loan crises come to mind.

These are trying days for economic policymakers in Asia. They must fend off domestic pressures that seek disengagement from the world trading and financial system. The authorities in these countries are working hard, in some cases with substantial assistance from the International Monetary Fund, the World Bank, and the Asian Development Bank, to stabilize their financial systems and economies.

The financial disturbances that have afflicted a number of currencies in Asia do not at this point, as I indicated earlier, threaten prosperity in this country, but we need to work closely with their leaders and the international financial community to ensure that their situations stabilize. It is in the interest of the United States and other nations around the world to encourage appropriate policy adjustments, and where required, provide temporary financial assistance. □

Announcements

EDWARD M. GRAMLICH: APPOINTMENT AS A MEMBER OF THE BOARD OF GOVERNORS

ROGER W. FERGUSON, JR.: APPOINTMENT AS A MEMBER OF THE BOARD OF GOVERNORS

On July 10, 1997, President Clinton announced his intention to appoint Edward M. Gramlich and Roger W. Ferguson, Jr., as members of the Board of Governors. The appointments were confirmed by the Senate on October 30, and the oaths of office were administered on November 5 by Chairman Alan Greenspan. The text of President Clinton's announcement follows:

The White House
Office of the Press Secretary
(Warsaw, Poland)
July 10, 1997

President Nominates Gramlich and Ferguson to Federal Reserve Board

Today, the President announced his intent to nominate Edward M. Gramlich and Roger W. Ferguson, Jr., to the Board of Governors of the Federal Reserve System.

Dr. Gramlich is an economics professor and Dean of the School of Public Policy at the University of Michigan. He holds a B.A. from Williams College, and an M.A. and Ph.D. in economics from Yale University. He has written nine books and numerous journal articles. He has previously worked at the Federal Reserve, the Office of Economic Opportunity, and the Brookings Institution. He served as the Deputy Director and then the Acting Director of the Congressional Budget Office in 1986 and 1987. He was also the Chair of the Quadrennial Advisory Council on Social Security from 1994 until 1996.

Dr. Ferguson is a partner and Director of Research and Information Systems at McKinsey & Company in New York. He holds a B.A., a J.D., and a Ph.D. in economics, all from Harvard University. After completing his formal education, Dr. Ferguson spent three years as a securities and banking lawyer at Davis Polk & Wardwell before joining McKinsey. At McKinsey, he has specialized in financial issues. His consulting experiences have included designing a super-regional bank strategy for a money center bank; a post-acquisition strategy and consolidation for a California thrift; and an information technology strategy for a full-line brokerage house. As Director of Research and Information Systems at McKinsey, Dr. Ferguson has first-hand experience applying information technology to improve productivity in a service organization.

The Federal Reserve Board's primary function is the formulation of monetary policy. In addition, the Board has broad supervisory and regulatory responsibilities over the activities of various banking institutions and the operations of the Federal Reserve Banks. The Board also has responsibilities in monitoring the nation's payments mechanism and federal consumer credit regulations. The Board consists of seven members appointed by the President and confirmed by the Senate.

MEETING OF THE CONSUMER ADVISORY COUNCIL

The Federal Reserve Board announced on October 10, 1997, that the Consumer Advisory Council would hold its next meeting on Thursday, October 30. 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.

REGULATION D: AMENDMENTS

The Federal Reserve Board announced on October 31, 1997, amendments to its Regulation D (Reserve Requirements of Depository Institutions) to allow U.S. branches and agencies of foreign banks and Edge and Agreement corporations to choose whether to aggregate reserve balances on a nationwide basis with a single pass-through correspondent or to continue to maintain reserve balances on a same-state/same-District basis as they do today. The amendments are effective January 1, 1998.

The amendments also update and clarify the pass-through rules in Regulation D for all institutions. These amendments will facilitate interstate banking and branching and eliminate certain restrictions applicable to pass-through arrangements.

PROPOSED ACTION

The Federal Reserve Board on October 23, 1997, requested public comment on a joint interagency proposal by the banking supervisory agencies to amend their respective risk-based capital standards for banks, bank holding companies, and thrift institutions with regard to the treatment of certain unrealized revaluation gains on equity securities.

These gains are reported as a component of equity capital under generally accepted accounting principals (GAAP) but are not currently included in regulatory capital under the federal banking agencies' capital standards. Comments were requested by December 26, 1997.

Report on Payment System Forums Now Available

The Federal Reserve issued on October 7, 1997, a report that summarizes opinions and views it received from a series of payments system forums held around the country earlier this year. The forums were part of the work of the Committee on the Federal Reserve in the Payments Mechanism.

The Committee is currently examining the Federal Reserve's future role in the nation's payments system in light of the rapid and significant changes occurring in the financial services and technology sectors. It was established late last year by Federal Reserve Chairman Alan Greenspan and is composed of Vice Chair Alice M. Rivlin as Committee Chair, Governor Edward W. Kelley, Jr., President William J. McDonough of the Federal Reserve Bank of New York, and President Thomas C. Melzer of the Federal Reserve Bank of St. Louis.

In May and June of this year, the Committee and the Reserve Banks met with representatives from more than 450 institutions, including depository institutions of all sizes, clearinghouses and other third-party service providers, consumers, retailers, and academics. Discussions at these meetings focused on five hypothetical scenarios depicting alternative roles for the Federal Reserve, ranging from exiting the retail payments system to adopting a leadership role in the industry. The report summarizes the views expressed by the forum participants on how the alternative roles of the Federal Reserve would affect the price and accessibility of services as well as the efficiency and integrity of the retail payments system.

A large majority of forum participants opposed withdrawal of the Federal Reserve from check and automated clearinghouse (ACH) services. "While a few large banks and clearing houses thought the Federal Reserve should exit the check collection and ACH business, the overwhelming majority of forum participants opposed Federal Reserve withdrawal, primarily because of concern about payments system disruptions," the summary said.

There was also a general consensus that the Federal Reserve should play a stronger leadership role in improving the efficiency of the check collection system and in leading the industry toward the more advanced electronic systems of the future. "Many participants urged the Federal Reserve to collaborate with diverse participants in the retail payments system to share ideas and identify impediments to the transition to a more efficient retail payments system," the summary said.

Input from the forums is being used by the Committee in preparing its final report and recommendations, which are expected by the end of the year.

Availability of Revised Lists of Over-the-Counter Stocks and of Foreign Stocks Subject to Margin Regulations

The Federal Reserve Board published on October 24, 1997, a revised list of over-the-counter (OTC) stocks that are subject to its margin regulations. Also published was a revised list of foreign equity securities that meet the margin criteria in Regulation T (Credit by Brokers and Dealers).

The lists were effective November 10, 1997, and supersede the previous lists that were effective August 11, 1997. The next revision of these lists is scheduled to be effective February 1998. These lists are published for the information of lenders and the general public.

The changes that have been made to the revised OTC List, which now contains 4,880 OTC stocks, are as follows:

- One hundred sixty-five stocks have been included for the first time, 143 under National Market System (NMS) designation
- Fifty-two stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing
- One hundred fifteen 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 is composed of foreign equity securities that are eligible for margin treatment at broker–dealers. Effective July 1, 1996, foreign stocks that have a "ready market" for purposes of the Securities and Exchange Commission's (SEC) net capital rule may be included on the foreign list. The SEC effectively treats all stocks included on the Financial Times/Standard & Poor's Actuaries World Indices (FT/S&P-AW Indices) as having a "ready market" for capital purposes. The Board is adding 10 foreign stocks and deleting 30, based on changes to the FT/S&P-AW Indices. The revised foreign list now contains 1,956 securities displayed in order of country. □

Minutes of the Federal Open Market Committee Meeting Held on August 19, 1997

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D.C., on Tuesday, August 19, 1997, at 9:00 a.m.

Present:

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Broaddus
Mr. Guynn
Mr. Kelley
Mr. Moskow
Mr. Meyer
Mr. Parry
Ms. Phillips
Ms. Rivlin

Messrs. Hoenig, Jordan, Melzer, and Ms. Minehan, Alternate Members of the Federal Open Market Committee

Messrs. Boehne, McTeer, and Stern, Presidents of the Federal Reserve Banks of Philadelphia, Dallas, and Minneapolis respectively

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

Messrs. Beebe, Cecchetti, Goodfriend, Eisenbeis, Lindsey, Promisel, Siegman, Slifman, and Stockton, Associate Economists

Mr. Fisher, Manager, System Open Market Account

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

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

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

Ms. Strand, First Vice President, Federal Reserve Bank of Minneapolis

Messrs. Lang, Rolnick, Rosenblum, and Sniderman, Senior Vice Presidents, Federal Reserve Banks of Philadelphia, Minneapolis, Dallas, and Cleveland respectively

Messrs. Gavin, Kahn, and Ms. Perelmuter, Vice Presidents, Federal Reserve Banks of St. Louis, Kansas City, and New York respectively

Ms. Little and Mr. Sullivan, Assistant Vice Presidents, Federal Reserve Banks of Boston and Chicago respectively

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on July 1–2, 1997, were approved.

By unanimous vote, the Committee elected Mr. Stephen G. Cecchetti of the Federal Reserve Bank of New York as Associate Economist to serve until the election of his successor at the first meeting of the Committee after December 31, 1997. It was understood that in the event of the discontinuance of his official connection with the Federal Reserve Bank of New York, he would cease to have any official connection with the Federal Open Market Committee.

The Manager of the System Open Market Account reported on developments in foreign exchange markets since the meeting in early July. There were no System open market transactions in foreign currencies during this period, and thus no vote was required of the Committee.

The Manager also reported on developments in domestic financial markets and on System open market transactions in government securities and federal agency obligations during the period July 2, 1997, through August 18, 1997. By unanimous vote, the Committee ratified these transactions.

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

The information reviewed at this meeting suggested that economic activity was expanding moderately. Growth in consumer spending had picked up after having slowed sharply in early spring, business purchases of durable equipment were still on a strong upward trend, and housing demand seemed to have been well maintained. The overall rise in production had been held down recently by supply disruptions in the motor vehicles industry, but employment had continued to expand at a strong pace and the unemployment rate was at a low level. Increases in labor compensation had remained moderate even though labor markets were tight, and price inflation was still subdued.

Private nonfarm payroll employment rose sharply in July after a June increase that was below the average for earlier months of the year. The step-up in job growth in July reflected substantially larger job gains in business services, retail trade, and the finance, insurance, and real estate industries. A small decline in manufacturing jobs roughly offset slightly higher employment in construction. The civilian unemployment rate, at 4.8 percent in July, matched its low for the current economic expansion.

Industrial production increased relatively slowly in July after having advanced at a fairly brisk pace over the first half of the year. The July slowdown reflected a temporary drop in motor vehicle assemblies partly associated with work stoppages at a major automotive manufacturer. Outside the motor vehicles sector, the output of business equipment and consumer durable goods rose strongly while the production of consumer nondurables weakened further. Factory capacity increased a little more than production in July, and the utilization of total manufacturing capacity slipped to its lowest level since last autumn.

Retail sales rose briskly in June and July after having changed little over the preceding three months. Sales at automotive dealers rebounded in June and July following substantial weakness in earlier months, and expenditures at nondurable goods stores also strengthened. By contrast, sales at nonautomotive durable goods outlets were unchanged over June and July. The pickup in consumer spending occurred against a backdrop of further strong gains in incomes and household net worth. In addition, credit was readily available to most consumers, although lenders continued to tighten terms for marginal borrowers. Total private housing starts were unchanged in July after having rebounded in June from a May decline. Data on home sales in recent months continued to suggest that demand for single-family housing was still relatively buoyant.

Real business fixed investment increased substantially further in the second quarter, reflecting a broad-based surge in spending on producers' durable equipment. Real outlays for office and computing equipment continued to grow rapidly as prices of personal computers and networking equipment remained on a steep downtrend. Spending for communications equipment grew at a slower pace in the second quarter, but recent orders for such equipment pointed to larger increases in the current quarter. Nonresidential construction activity was sluggish in the second quarter. While available information on construction contracts suggested little improvement in building activity in coming months, prices for commercial real estate had risen slightly and vacancy rates had declined.

Nonfarm business inventories increased rapidly in the second quarter, but there were few signs of inventory imbalances. In June, the pace of inventory investment in manufacturing slowed from the rapid average rate for April and May, and the inventory–shipments ratio for the sector was at a very low level. In wholesale trade, stocks rose sharply in June after little net change over the two previous months. Despite the June increase, the stock–sales ratio was at the middle of its relatively narrow range of the past year. At the retail level, the rise in inventories in June retraced only part of the May decline; the inventory–sales ratio for the sector also was near the middle of its range for the last year.

The nominal deficit on U.S. trade in goods and services was slightly smaller on balance over April and May than the downward-revised average rate in the first quarter. Measured against their first-quarter levels, the value of exported goods and services grew more than the value of imports over the April–May period. The largest increases in exports were in machinery and aircraft and parts, while the biggest gains in imports were in consumer goods, computers, and capital goods other than computers. The available information suggested that in recent months economic activity had expanded further in all the major foreign industrial countries except Japan. Growth continued to be robust in Canada and the United Kingdom and apparently remained moderate in France and Germany. Economic activity in Japan had slowed after a rise in that country's consumption tax in April.

Consumer price inflation picked up slightly in July from the slow pace in each of the previous four months; a small decline in energy prices offset a further increase in food prices. The index for items other than food and energy rose in July at the same low rate recorded for both the first six months of 1997 and the twelve months ended in July. At the producer level, prices of finished goods edged down for a seventh consecutive month, reflecting a further drop in food prices. Prices of finished goods other than food and energy were unchanged over the twelve months ended in July. At earlier stages of production, producer prices for core intermediate materials rose slightly over the year ended in July and prices of core crude materials increased by a larger amount over the same period. Growth in hourly compensation of private industry workers picked up somewhat in the second quarter, but the rise in compensation over the year ended in June matched the advance over the comparable year-earlier period. Average hourly earnings of production and nonsupervisory workers were unchanged in July, and the rise in such earnings over the twelve months ended in July also was the same as in the year-earlier period.

At its meeting on July 1–2, 1997, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions. Because the Committee continued to see a potential need for some tightening of monetary policy to counter rising inflationary pressures, the directive included a bias toward a possible firming of reserve conditions during the intermeeting period. The reserve market conditions associated with this directive were expected to be consistent with moderate growth of M2 and M3 over coming months.

Open market operations were directed throughout the intermeeting period toward maintaining the existing degree of pressure on reserve positions, and the average federal funds rate for the period was at the Committee's intended level of 5½ percent. Most other market interest rates declined further on balance over the period in an atmosphere of greater volatility in financial markets. The net decline in market rates seemed to have reflected a judgment by market participants that the outlook for inflation had improved slightly on balance and that the likelihood of any tightening of monetary policy in coming months had receded a little further. Share prices in equity markets increased on balance over the period.

In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies rose significantly on balance over the intermeeting period. The appreciation of the dollar was uneven against the currencies of the major foreign industrial countries. The dollar's substantial increase against the German mark and other continental European countries reflected both the continuing favorable developments in the U.S. economy and persisting market concerns that difficulties faced by the major European countries would lead to policies that might detract from strength in the euro. The dollar rose only slightly against the yen. That currency came under downward pressure in reaction to incoming data suggesting a somewhat-greater-than-expected falloff in demand following the recent increase in the consumption tax, but the release of the June current account surplus late in the intermeeting period rekindled market concerns about Japanese external balances and led to some appreciation of the yen.

M2 expanded at a moderate pace over June and July after having fluctuated sharply in April and May as a result of tax-related flows. Data for early August suggested a somewhat faster rate of M2 growth in association with heavier inflows to retail money funds; the latter might have been related to heightened demand for liquidity as a result of recently higher volatility in bond and equity markets. For the year through July, M2 expanded at a rate near the upper bound of its range. M3 also fluctuated sharply over April and May and grew at a relatively moderate rate in June. M3 surged in July, however, as heavy volumes of large time deposits were issued by U.S. branches of foreign banks to pay down borrowings from their overseas offices and by domestic banks to counter the runoff of government deposit accounts; the latter two sources of funds are not included in M3. For the year through July, M3 expanded at a rate appreciably above the upper bound of its range. Total domestic nonfinancial debt had continued to expand in recent months at a rate near the middle of its range.

The staff forecast prepared for this meeting suggested that the expansion of the economy would be damped in the second half of the year by a slowing of inventory accumulation from the unsustainably brisk pace in the first half of the year. In 1998, the economy would expand at a pace in line with the growth of its estimated potential. Growth of consumer spending, supported by high levels of household wealth and projected further gains in employment and income, was expected to be relatively brisk over the forecast horizon. Business spending on equipment and structures was anticipated to continue to outpace the overall expansion of the economy, though the differential would tend to narrow over time in association with the gradual diminution of increases in sales and profits that was expected in conjunction with moderating economic growth. Housing construction was projected to drift lower over the forecast horizon. The staff anticipated that the external sector would exert some mild restraint on the expansion of economic activity. With labor compensation gradually accelerating in the context of higher resource utilization, core consumer price inflation was forecast to drift slightly higher.

The Committee's discussion of current and prospective economic developments highlighted statistical and anecdotal evidence of a solid economic performance, including indications of a rebound in final demand after a lull during the spring and the persistence of relatively subdued, and by some measures declining, inflation. Growth in consumer spending had slowed sharply, and a surge in inventory accumulation had accounted for much of the expansion of economic activity in the second quarter. Looking ahead, the members did not believe that recent developments had altered the prospect that the economy would settle into a pattern of moderate growth approximating its potential. Such a forecast was subject to considerable uncertainty, and several members observed that the risks appeared to be mostly in the direction of stronger growth in demand. With regard to the outlook for inflation, widespread evidence of very tight labor markets was associated with scattered indications that the rise in labor compensation might be accelerating, but overall labor costs had remained relatively damped and price inflation restrained. Gains in productivity and muted increases in nonlabor costs probably also were contributing to holding producer costs under good control. Nonetheless, the members remained concerned about the risks of rising inflation, especially if somewhat-faster-than-projected growth in economic activity were to occur and add to pressures on resources in an economy that already seemed to be operating close to, or perhaps even above, its sustainable potential.

The uncertain prospects for inventory investment were a dominant factor in the outlook for economic activity over the nearer term. The accumulation of inventories had been unusually high in the second quarter according to the available evidence. There was no broad sense of an undesired buildup, but the rate of inventory investment would have to be reined in if an overhang were to be averted. A concern in this regard was that the apparent upturn in final demand, particularly if it proved to be somewhat stronger than currently expected, and related business optimism about sales prospects might well result in a further buildup of inventories at a relatively rapid rate. While such a development was not viewed as the most likely outcome and, indeed, less-than-projected strength in the inventory sector could not be ruled out, relatively rapid inventory accumulation in the context of persisting above-trend growth in final demand would generate additional pressure on resources and heighten the risks of accelerating inflation.

With regard to the prospects for final demand in key sectors of the economy, members noted that the appreciable rebound in consumer spending followed a weak second quarter, and some moderation in the growth of such spending was likely later this year and in 1998. Even so, favorable prospects for employment and incomes and the large gains that had occurred in financial wealth suggested that consumer expenditures were likely to be well maintained over the projection horizon. The high level of consumer confidence reported by consumer surveys was another supporting factor in this favorable outlook,

In the area of business fixed investment, a strong upward trend in outlays for new equipment was thought likely to persist, notably in the computer-related and the telecommunications industries. Anecdotal reports also pointed to appreciable strength in commercial construction activity, including office structures, hotels, and warehouses in various parts of the country. Indeed, in some areas construction activity was said to be limited only by shortages of qualified labor. Positive factors in the outlook for business investment included the persistence of a high level of profits, an accommodative financial climate, and the rapid obsolescence of high-tech equipment. There were, nonetheless, indications of some moderation in commercial construction activity in a number of areas, including reports of developing overcapacity of retail space in shopping centers. Spending for basic industrial equipment also was likely to soften, given moderating growth in overall final demand in line with current forecasts.

Housing activity continued to display considerable vigor in many parts of the nation as evidenced by available statistics and anecdotal reports. The affordability of housing and the very large increases that had occurred in stock market wealth clearly were supportive factors. Concurrently, however, there were indications of slowing in residential building activity in several areas. On balance, some moderation in housing construction appeared likely over the projection horizon in keeping with longer-term population and other trends affecting such construction.

In the Committee's discussion of the prospects for inflation, members commented that a number of factors could be cited to explain the persistence of relatively subdued inflation this year despite high levels of resource use. Among those factors were the appreciation of the dollar and its effects on prices of imports and competing domestic products, a significant decline in world oil prices, the relatively sluggish performance of many foreign economies that had tended to moderate prices of products traded in world markets, and relatively large grain harvests in the United States that had curbed pressures on food prices. However, the underlying reasons for the favorable price trends were not entirely clear. Labor costs were still rising appreciably less than would have been expected on the basis of past experience under similarly tight labor market conditions. Explanations tended to focus on the concerns about job security felt by many workers, the muted rise in the costs of worker benefits, notably for health care, and the increased use of innovative and highly targeted methods of compensation. With regard to the market pricing of goods, businesses tended to cite highly competitive conditions across the nation that made it very difficult to raise prices and gave impetus to efforts to improve productivity. Indeed, the available evidence suggested that the profits of business concerns generally had continued to increase in the second quarter, implying that productivity had been rising at a pace that exceeded published estimates by a significant margin.

Even though inflation had not accelerated, some signs were beginning to emerge that wages and other labor costs might be experiencing increasing pressure. These included some limited evidence that job security concerns might be diminishing and multiplying anecdotal reports of a less benign outlook for health care costs. Some members commented that the outcome of the recent labor negotiations involving a very large package delivery firm might well be a harbinger of more militant labor negotiating attitudes. Against this background, members expressed concern that a further increase in labor utilization rates could put substantial upward pressures on wages that eventually would work their way through to prices.

In the Committee's discussion of policy for the intermeeting period ahead, all the members endorsed a proposal to maintain an unchanged policy stance. Underlying economic conditions and the outlook for economic activity and inflation had changed little in recent months. The most likely outcome of the current policy stance was growth near potential and some pickup in inflation as the effects of special factors holding it down abated. For the present, monetary policy appeared to be appropriately positioned to foster the Committee's objectives of resisting an intensification of inflationary pressures while supporting a fully employed economy. The level of real short-term interest rates was relatively high by historical standards and provided some assurance that the current stance of policy would not accommodate a significant increase in underlying inflationary pressures. Nonetheless, the members remained concerned about the outlook for inflation. Although some decline in inflation could not be ruled out, persistence of the current degree of tightness in labor markets, consistent with the economy growing at a pace near its potential, could at some point begin to put more pressure on costs and prices, and growth somewhat above potential, which some members saw as a distinct possibility, would be even more likely to produce that result. While there were no current indications that inflation might be accelerating and no policy move was called for at this time, the members saw a need for continuing vigilance. As at earlier meetings, a number of them expressed the view that an anticipatory policy move to counter intensifying inflationary pressures likely would be needed at some point.

In the Committee's discussion of possible adjustments to policy during the intermeeting period, members agreed that the retention of an asymmetric directive toward tightening was consistent with their view that the risks remained biased toward a rise in inflation. Accordingly, while they did not attach a high probability to the prospect that the incoming information would warrant a tightening move during the intermeeting period, they continued to view the next policy move as more likely to be in the direction of some firming than toward easing.

The members reviewed proposals for rewording the operational paragraph of the directive for the purpose of updating and clarifying the description of the Committee's instructions to the Manager of the System Open Market Account and to conform the directive wording with current public announcement practices regarding the Committee's policy decisions. In particular, the directive would in the future include specific reference to the federal funds rate that the Committee judged to be consistent with the stance of monetary policy. The Committee also modified the present sentence relating to the intermeeting bias in the directive to recognize that changes in the stance of policy are now expressed in terms of the federal funds rate. These changes were not intended to alter the substance of the directive or the Committee's operating procedures.

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

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

The information reviewed at this meeting suggests that economic activity is expanding at a moderate pace. In labor markets, hiring remained robust at midyear, and the civilian unemployment rate, at 4.8 percent in July, matched its low for the current economic expansion. Industrial production increased relatively slowly in July, owing in part to a temporary drop in motor vehicle assemblies. Retail sales rose briskly in June and July after having changed little over the preceding three months. Housing starts rebounded in June and July after having weakened in May. Business fixed investment increased substantially further in the second quarter and available indicators point to further sizable gains in the current quarter. The nominal deficit on U.S. trade in goods and services narrowed slightly on balance over April and May from its downward-revised average rate in the first quarter. Price inflation has remained subdued and increases in labor compensation have been moderate.

Market interest rates generally have declined somewhat further since the start of the Committee meeting on July 1–2, 1997. Share prices in equity markets have increased on balance. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies rose significantly on balance over the intermeeting period.

After fluctuating sharply from April to May, growth of M2 was at a moderate pace over June and July and that of M3 picked up to a relatively rapid rate. For the year through July, M2 expanded at a rate near the upper bound of its range for the year and M3 at a rate appreciably above the upper bound of its range. Total domestic nonfinancial debt has continued to expand in recent months at a rate near the middle of its range.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at its meeting in July reaffirmed the ranges it had established in February for growth of M2 and M3 of 1 to 5 percent and 2 to 6 percent respectively, measured from the fourth quarter of 1996 to the fourth quarter of 1997. The range for growth of total domestic nonfinancial debt was maintained at 3 to 7 percent for the year. For 1998, the Committee agreed on a tentative basis to set the same ranges as in 1997 for growth of the monetary aggregates and debt, measured from the fourth quarter of 1997 to the fourth quarter of 1998. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

In the implementation of policy for the immediate future, the Committee seeks conditions in reserve markets consistent with maintaining the federal funds rate at an average of around 5½ percent. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, a somewhat higher federal funds rate would or a slightly lower federal funds rate might be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with moderate growth in M2 and M3 over coming months.

Votes for this action: Messrs. Greenspan, McDonough, Broaddus, Guynn, Kelley, Meyer, Moskow, Parry, Mses. Phillips and Rivlin. Votes against this action: None.

RULES REGARDING AVAILABILITY OF INFORMATION

By notation vote completed on August 20, 1997, the Committee approved for public comment a revision of its Rules Regarding the Availability of Information. The purpose of the revision is to bring the rules into conformance with the Electronic Freedom of Information Act of 1996 (EFOIA), which amends the Freedom of Information Act (FOIA). The revision does not incorporate any substantive changes in the rules other than to conform them to the requirements of EFOIA and to update and clarify the Committee's procedures for processing FOIA requests. After review of the comments that are received from the public, the Committee will issue the rules in final form on or before October 2, 1997.

It was agreed that the next meeting of the Committee would be held on Tuesday, September 30, 1997.

The meeting adjourned at 12:40 p.m.

Donald L. Kohn
Secretary

Legal Developments

FINAL RULE—AMENDMENT TO REGULATION D

The Board of Governors is amending 12 C.F.R. Part 204, its Regulation D (Reserve Requirements of Depository Institutions), to allow U.S. branches and agencies of foreign banks and Edge and Agreement corporations to choose whether to aggregate reserve balances on a nationwide basis with a single pass-through correspondent or to continue to maintain reserve balances on a same-state/ same-District basis as they do today. The amendments will also update and clarify the pass-through rules in Regulation D for all institutions. These amendments will facilitate interstate banking and branching and eliminate certain restrictions applicable to pass-through arrangements.

Effective January 1, 1998, 12 C.F.R. Part 204 is amended as follows:

Part 204—Reserve Requirements of Depository Institutions (Regulation D)

1. The authority citation for Part 204 continues to read as follows:

Authority: 12 U.S.C. 248(a), 248(c), 371a, 461, 601, 611, and 3105.

2. In section 204.3, paragraphs (a), (b)(1), (b)(2)(i), and (i) are revised to read as follows:

Section 204.3—Computation and maintenance.

(a) *Maintenance and reporting of required reserves.*

(1) *Maintenance.* A depository institution, a U.S. branch or agency of a foreign bank, and an Edge or Agreement corporation shall maintain reserves against its deposits and Eurocurrency liabilities in accordance with the procedures prescribed in this section and section 204.4 and the ratios prescribed in section 204.9. Reserve-deficiency charges shall be assessed for deficiencies in required reserves in accordance with the provisions of section 204.7. For purposes of this part, the obligations of a majority-owned (50 percent or more) U.S. subsidiary (except an Edge or Agreement corporation) of a depository institution shall be regarded as obligations of the parent depository institution.

(2) *Reporting.* (i) Every depository institution, U.S. branch or agency of a foreign bank, and Edge or Agreement corporation shall file a report of deposits (or any other required form or statement) directly with the Federal Reserve Bank of its District, regardless of the manner in which it chooses to maintain required reserve balances. A foreign bank's U.S. branches and agencies and an Edge or Agreement corporation's offices operating within the same state and the same Federal Reserve District shall prepare and file a report of deposits on an aggregated basis.

(ii) A Federal Reserve Bank shall notify the reporting institution of its reserve requirements. Where a pass-through arrangement exists, the Reserve Bank will also notify the pass-through correspondent of its respondent's required reserve balances.

(iii) The Board and the Federal Reserve Banks will not hold a pass-through correspondent responsible for guaranteeing the accuracy of the reports of deposits submitted by its respondents.

(3) *Allocation of low reserve tranche and exemption from reserve requirements.* A depository institution, a foreign bank, or an Edge or Agreement corporation shall, if possible, assign the low reserve tranche and reserve requirement exemption prescribed in section 204.9(a) to only one office or to a group of offices filing a single aggregated report of deposits. The amount of the reserve requirement exemption allocated to an office or group of offices may not exceed the amount of the low reserve tranche allocated to such office or offices. If the low reserve tranche or reserve requirement exemption cannot be fully utilized by a single office or by a group of offices filing a single report of deposits, the unused portion of the tranche or exemption may be assigned to other offices or groups of offices of the same institution until the amount of the tranche (or net transaction acounts) or exemption (or reservable liabilities) is exhausted. The tranche or exemption may be reallocated each year concurrent with implementation of the indexed tranche and exemption, or, if necessary during the course of the year to avoid underutilization of the tranche or exemption, at the beginning of a reserve computation period.

(b) *Form and location of reserves.* (1) A depository institution, a U.S. branch or agency of a foreign bank, and an Edge or Agreement corporation shall hold reserves in the form of vault cash, a balance maintained directly with the Federal Reserve Bank in the Federal Reserve District in which it is located, or, in the case of nonmember institutions, with a pass-through correspondent in accordance with section 204.3(i).

(2) (i) For purposes of this section, a depository institution, a U.S. branch or agency of a foreign bank, or an Edge or Agreement corporation is located in the Federal Reserve District that contains the location speci-

fied in the institution's charter, organizing certificate, or license or, if no such location is specified, the location of its head office, unless otherwise determined by the Board under paragraph (b)(2)(ii) of this section.

* * * * *

(i) *Pass-through rules.* (1) *Procedure.* (i) A nonmember depository institution, a U.S. branch or agency of a foreign bank, or an Edge or Agreement corporation required to maintain reserve balances (respondent) may select only one institution to pass through its required reserve balances, unless otherwise permitted by Federal Reserve Bank in whose District the respondent is located. Eligible institutions through which respondent required reserve balances may be passed (correspondents) are Federal Home Loan Banks, the National Credit Union Administration Central Liquidity Facility, and depository institutions, U.S. branches or agencies of foreign banks, and Edge and Agreement corporations that maintain required reserve balances at a Federal Reserve office. In addition, the Board reserves the right to permit other institutions, on a case-by-case basis, to serve as pass-through correspondents. The correspondent chosen must subsequently pass through the required reserve balances of its respondents directly to a Federal Reserve Bank. The correspondent placing funds with a Federal Reserve Bank on behalf of respondents will be responsible for account maintenance as described in paragraphs (i)(2) and (i)(3) of this section.

(ii) Respondents or correspondents may institute, terminate, or change pass-through arrangements for the maintenance of required reserve balances by providing all documentation required for the establishment of the new arrangement or termination of the existing arrangement to the Federal Reserve Banks involved within the time period provided for such a change by those Reserve Banks.

(2) *Account maintenance.* A correspondent that passes through required reserve balances of respondents shall maintain such balances, along with the correspondent's own required reserve balances (if any), in a single commingled account at the Federal Reserve Bank in whose District the correspondent is located, unless otherwise permitted by the Reserve Bank. The balances held by the correspondent in an account at a Reserve Bank are the property of the correspondent and represent a liability of the Reserve Bank solely to the correspondent, regardless of whether the funds represent the reserve balances of another institution that have been passed through the correspondent.

(3) *Responsibilities of parties.* (i) Each individual depository institution, U.S. branch or agency of a foreign bank, or Edge or Agreement corporation is responsible for maintaining its required reserve balance either directly with a Federal Reserve Bank or through a pass-through correspondent.

(ii) A pass-through correspondent shall be responsible for assuring the maintenance of the appropriate aggregate level of its respondents' required reserve balances. A Federal Reserve Bank will compare the total reserve balance required to be maintained in each account with the total actual reserve balance held in such account for purposes of determining required reserve deficiencies, imposing or waiving charges for deficiencies in required reserves, and for other reserve maintenance purposes. A charge for a deficiency in the aggregate level of the required reserve balance will be imposed by the Reserve Bank on the correspondent maintaining the account.

(iii) Each correspondent is required to maintain detailed records for each of its respondents in a manner that permits Federal Reserve Banks to determine whether the respondent has provided a sufficient required reserve balance to the correspondent. A correspondent passing through a respondent's reserve balance shall maintain records and make such reports as the Board or Reserve Bank requires in order to insure the correspondent's compliance with its responsibilities for the maintenance of a respondent's reserve balance. Such records shall be available to the Reserve Banks as required.

(iv) The Federal Reserve Bank may terminate any pass-through relationship in which the correspondent is deficient in its recordkeeping or other responsibilities.

(v) Interest paid on supplemental reserves (if such reserves are required under section 204.6) held by a respondent will be credited to the account maintained by the correspondent.

Final Rule—Amendments to Regulations G, T, U and X

The Board of Governors is amending 12 C.F.R. Parts 207, 220, 221, and 224, its Regulations G, T, U and X (Securities Credit Transactions; List of Marginable OTC Stocks; List of Foreign Margin Stocks). The List of Marginable OTC Stocks (OTC List) is composed of stocks traded over-the-counter (OTC) in the United States that have been determined by the Board of Governors of the Federal Reserve System to be subject to the margin requirements under certain Federal Reserve regulations. The List of Foreign Margin Stocks (Foreign List) is composed of foreign equity securities that have met the Board's eligibility criteria under Regulation T. The OTC List and the Foreign List are published four times a year by the Board. This document sets forth additions to and deletions from the previous OTC List and the previous Foreign List.

Effective November 10, 1997, 12 C.F.R. Parts 207, 220, 221, and 224 are amended as follows. Accordingly, pursuant to the authority of sections 7 and 23 of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78g and 78w), and in accordance with 12 C.F.R. 207.2(k) and 207.6 (Regulation G), 12 C.F.R. 220.2 and 220.17 (Regulation T), and 12 C.F.R. 221.2(j) and 221.7 (Regulation U), there is set forth below a listing of deletions from and additions to the OTC List and the Foreign List.

Deletions From The List Of Marginable OTC Stocks

Stocks Removed For Failing Continued Listing Requirements

Accumed International, Inc.: Warrants (expire 10–14–97)
Alliance Gaming Corporation: Series B, 15% non-voting senior specialty shares
American Sensors, Inc.: No par common
Applied Science & Technology, Inc.: Warrants (expire 11–10–98)

Barry's Jewelers, Inc.: No par common; Warrants (expire 07–01–2002)

Cambex Corporation: $.10 par common
Carnegie Bancorp (New Jersey): Warrants (expire 08–18–97)
Chromavision Medical Systems, Inc.: Rights (expire 08–05–97)
Com/Tech Communications Technologies: $.0001 par common
Community Medical Transport, Inc.: Warrants (expire 10–03–99)
Consolidated Eco-Systems, Inc.: $.001 par common
Control Data Systems, Inc.: $.01 par common
Craig Consumer Electronics, Inc.: $.01 par common

Diversinet Corporation: No par common
Dorsey Trailers, Inc.: $.01 par common

First Merchants Acceptance Corp.: $.01 par common

Gandalf Technologies, Inc.: No par common
Gardner Denver Machinery, Inc.: $.01 par common
Grossman's Inc.: $.01 par common

Health Management, Inc.: $.03 par common
Hollywood Park, Inc.: Depositary shares
Home State Holdings, Inc.: $.01 par common
Homeowners Group, Inc.: $.01 par common

Ibis Technology Corporation: Warrants (expire 05–20–99)
Innodata Corporation: Warrants (expire 08–09–97)

Koll Real Estate Group, Inc.: Series A, $.01 par convertible preferred

Macheezmo Mouse Restaurants, Inc.: No par common
Mid-States PLC: American Depositary Receipts
Midisoft Corporation: No par common

Old America Stores, Inc.: $.01 par common
Omega Environmental, Inc.: $.0025 par common

Paradign Technology, Inc.: $.01 par common
People's Choice TV Corp.: $.01 par common
Playnet Technologies, Inc.: $.001 par common

Rattlesnake Holding Company, Inc.: $.001 par common
Renaissance Entertainment Corp.: Class A, Warrants (expire 01–27–2000) Class B, Warrants expire 01–27–2000)
River Oaks Furniture. Inc.: $.01 par common

Score Board, Inc., The: $.01 par common
Seragen, Inc.: $.01 par common
Solv-Ex Corporation: No par common
Spec's Music, Inc.: $.01 par common
Standard Financial, Inc.: $.01 par common
Sterling Financial Corporation: Series A, $1.00 par cumulative convertible preferred
Strawbridge & Clothier: Class A, $1.00 par common
Superior Energy Services, Inc.: Class B, Warrants (expire 12–08–2000)

Total World Telecommunications, Inc.: $.00001 par common
Track Data Corporation: Warrants (expire 08–10–97)

UnionBancal Corporation: Depository Shares

Vectra Technologies, Inc.: $.01 par common

Wave Systems Corporation: Class A, $.01 par common

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

Advanced Logic Research, Inc.: $.01 par common
American Federal Bank, FSB (South Carolina): $1.00 par common
American Filtrona Corporation: $1.00 par common
American Medserve Corporation: $.01 par common
Amrion Inc.: $.0011 par common
Apogee, Inc.: $.01 par common
Arden Industrial Products, Inc.: $.01 par common
Argyle Television, Inc.: Class A, $.01 par common
AST Research, Inc.: $.01 par common
Atwood Oceanics, Inc.: $1.00 par common
Aurum Software, Inc.: $.001 par common

Bankatlantic Bancorp, Inc. (Florida): Class A, $.01 par common
Bankers Corporation (New Jersey): $.01 par common
Basic Petroleum International Limit: Ordinary Shares (BAH $3.00)
Biopsys Medical, Inc.: $.001 par common
Blyvooruitzicht Gold Mining Company: American Depositary Receipts
BNH Bancshares, Inc. (Connecticut): $1.00 par common
Bucyrus International, Inc.: $.01 par common
Buffelsfontein Gold Mines, Ltd.: American Depositary Receipts

Cardinal Bancshares, Inc.: No par common
Cardiometrics, Inc.: $.01 par common
CB Bancorp, Inc. (Indiana): $.01 par common

Chancellor Broadcasting Company: Class A, $.01 par common
Collective Bancorp, Inc.: $.01 par common
Colonial Gas Company: $5.00 par common
Community Bankshares, Inc.: $1.00 par common
CRA Managed Care, Inc.: $.01 par common
Crop Growers Corporation: $.01 par common
Cryenco Sciences, Inc.: Class A, $1.00 par common
Cryolife, Inc.: $.01 par common
Cullen/Frost Bankers, Inc.: $5.00 par common

Daka International, Inc.: $.01 par common
Darling International Inc.: $.01 par common
DBT Online, Inc.: $.10 par common
Delaware Otsego Corporation: $.125 par common
Digex, Incorporated: $.01 par common
Dreco Energy Services, Ltd.: Class A, No par common
Drilex Corporation: $.01 par common
Durco International, Inc.: $1.25 par common

Emcare Holdings, Inc.: $.01 par common
Envirotest Systems, Inc.: Class A, $.01 par common

First Citizens Financial Corp.: $.01 par common
First Michigan Bank Corporation: $1.00 par common
First Ptrioit Bankshares Corp.: $2.50 par common
Fort Howard Corporation: $.01 par common

Giddings & Lewis, Inc.: $.10 par common
Golden Poultry Company, Inc.: $1.00 par common
Greater New York Savings Bank: $1.00 par common
Greenwich Air Services, Inc.: Class A, $.01 par common; Class B, $.01 par common

Haverfield Corporation: $.01 par common
Hechinger Company: Class A, $.10 par common; Class B, $.10 par common; 5½% convertible subordinated debentures
Hospitality Worldwide Services, Inc: $.01 par common
Hudson Chartered Bancorp, Inc.: $.80 par common

Imagyn Medical, Inc.: $.01 par common
Inbrand Corporation: $.10 par common
Indiana Federal Corporation: $.01 par common
Indus Group, Inc., The: $.001 par common
Interactive Group, Inc.: $.001 par common

JSB Financial, Inc.: $.01 par common

Krystal Company, The: No par common

Maxis, Inc.: $.0001 par common
McFarland Energy, Inc.: $1.00 par common
Memtec Limited: American Depositary Shares
Micro Bio-Medics, Inc.: $.03 par common
Motivepower Industries, Inc.: $.01 par common
MS Financial, Inc.: $.001 par common

National Sanitary Supply Company: $1.00 par common
Nellcor Puritan Bennett, Inc.: $.001 par common
Netframe Systems Incorporated: $.001 par common
Numar Corporation: $.01 par common

Octel Communications Corporation: $.01 par common
Ocwen Financial Coproration: $.01 par common
Ontrak Systems, Inc.: No par common
Outdoor Systems, Inc.: $.01 par common

Palmer Wireless, Inc.: Class A, $.01 par common
Penn Virginia Corporation: $6.25 par common
People's Savings Financial Corp.: $1.00 par common
Peoples Holding Company, The: $5.00 par common
Physician Corporation of America: $.01 par common
Planet Hollywood International, Inc.: Class A, $.01 par common
Portsmouth Bankshares, Inc.: $.10 par common
Pride International, Inc.: No par common
Prime Retail, Inc.: $.01 par common; Series B, Cumulative convertible preferred
Pure Atria Corporation: $.0001 par common

Raymond Corporation, The: $1.50 par common
RCSB Financial, Inc.: $1.00 par common
Renaissance Solutions, Inc.: $.001 par common
Riverview Savings Bank, F.S.B.: $1.00 par common
Royal Grip, Inc.: $.001 par common

Security Capital Coproration: $1.00 par common
Seda Specialty Packaging Corp.: No par common
Serv-Tech, Inc.: $.50 par common
Shared Medical Systems Corp.: $.01 par common
Simpson Manufacturing Co., Inc.: No par common
SMT Health Services, Inc.: $.01 par common
Southwest Securities Group, Inc.: $.10 par common
Stryker Corporation: $.10 par common
Suburban Bancorporation, Inc.: $.01 par common

Talbert Medical Management Holdings: $.01 par common
Telco Communications Group, Inc.: No par common
Tetra Technologies, Inc.: $.01 par common
Therapeutic Discovery Corporation: Class A, $.01 par common
Tuboscope Inc.: $.01 par common

U.S. Bancorp (Oregon): $5.00 par common; Series A, 8c par cumulative preferred
United Cities Gas Company: No par common
United Waste Systems, Inc.: $.001 par common

Varsity Spirit Corporation: $.01 par common
Versa Technologies, Inc.: $.01 par common

Watson Pharmaceuticals, Inc.: $.0033 par common
Winston Hotels, Inc.: $.01 par common
Winton Financial Corporation: No par common

Additions to The List of Marginable OTC Stocks

@Entertainment, Inc.: $.01 par common

A.C. Moore Arts & Crafts, Inc.: No par common
Advanced Electronic Support Products, Inc.: $.001 par common
Advantage Learning Systems, Inc.: $.01 par common
AEHR Test Systems: $.01 par common
American Business Information, Inc.: Class A, $.0025 par common
American Capital Strategies, Ltd.: $.01 par common
American Dental Technologies, Inc.: $.001 par common
Apple South, Inc.: Apple South Financing I
Asia Electronics Holding Co., Inc.: $.01 par common
Authentic Specialty Foods, Inc.: $1.00 par common
Autocyte, Inc.: $.01 par common

BEI Technologies, Inc.: $.001 par common
Bell Canada International, Inc.: No par common
Best Software, Inc.: No par common
Big Dog Holding, Inc.: $.01 par common
Bioreliance Corporation: $.01 par common
Boron, LePore & Associates, Inc.: $.01 par common

Cable Michigan, Inc.: $1.00 par common
Carrizo Oil & Gas, Inc.: $.01 par common
Casmyn Corporation: $.04 par common
Castle Dental Centers, Inc.: $.001 par common
Catalytica, Inc.: Warrants
Children's Place Retail Stores, Inc., The: $.10 par common
Citizens National Bank of Texas: $2.03 par common
CMP Media, Inc.: $.01 par common
Cognicase, Inc.: No par common
Compass Plastics & Technologies, Inc.: $.0001 par common
Computer Motion, Inc.: $.001 par common
Concentric Network Corporation: $.001 par common
Continental Natural Gas, Inc.: $.01 par common
Corixa Corporation: $.001 par common
CorporateFamily Solutions, Inc.: No par common
Corsair Communication, Inc.: $.001 par common
Crescendo Pharmaceuticals Corporation: Class A, $.01 par common
Crescent Operating, Inc.: $.01 par common
CTB International Corporation: $.01 par common

D&N Financial Corporation: Series A, non-cumulative exchangeable preferred
Denison International PLC: American Depositary Shares
Digital Transmission Systems, Inc.: $.01 par common

Eagle Geophysical, Inc.: $.01 par common
Eastbrokers International Incorporated: $.05 par common
EDAP TMS S.A.: American Depositary Receipts
Eeutrek International, Inc.: Class A, No par common
Engel General Developers Ltd.: Class A, ordinary shares (.1 LIS)
Excelsior-Henderson Motorcycle Manufacturing: $.01 par common
Execustay Corporation: $.01 par common

Faro Technologies, Inc.: $.001 par common
Fine Air Services, Inc.: $.01 par common
First Carnegie Deposit: $.10 par common
First International Bancorp, Inc. (Connecticut): $.01 par common
Firstcity Financial Corporation: Special preferred stock
Freshstart Venture Capital: $.01 par common
Friede Goldman International, Inc.: $.01 par common

Galileo Technology, Ltd.: Ordinary shares (NIS .01)
General Bearing Corporation: $.01 par common
Globecomm Systems, Inc.: $.001 par common

Hach Company: Class A, $1.00 par common
Hall, Kinion & Associates, Inc.: $.001 par common
Harvest Restaurant Group, Inc.: $.01 par common
Hearst-Argyle Television, Inc.: Class A, $.01 par common
Hysec, Inc.: $.001 par common

IFS International, Inc.: $.001 par common; Series A, preferred Series A, Warrants (expire 01–31–2002)
Il Fornaio (America) Corporation: $.001 par common
Indus International, Inc.: $.001 par common
Information Management Associates, Inc.: No par common
Innova Corporation: No par common
Inspire Insurance Solutions, Inc.: $.01 par common
Integral Systems, Inc.: $.01 par common
International Total Services, Inc.: No par common
Ionica Group PLC: American Depositary Receipts

J.D. Edwards & Company: $.001 par common
Jevic Transportation, Inc.: No par common
JLM Industries, Inc.: $.01 par common

Kendle International, Inc.: No par common
Kofax Image Products, Inc.: $.001 par common

Lakeland Financial Coproration: $.50 par common; No par cumulative trust preferred
Logility, Inc.: No par common

Macheezmo Mouse Restaurants, Inc.: No par common
Marcam Solutions, Inc.: $.01 par common
Mason-Dixon Bancshares, Inc.: Preferred securities liquidation amount $25
McMoran Oil & Gas Company: Rights (expire 11–13–97)
Megabios Corporation: $.001 par common
Microcell Telecommunications, Inc.: Class B, No par common
Misonix, Inc.: $.01 par common
Modern Times Group MTG AB: American Depositary Shares
Monarch Dental Corporation: $.01 par common

National Research Corporation: $.001 par common
Network Solutions, Inc.: Class A, $.001 par common
Newcom, Inc.: $.001 par common; Warrants (expire 09–16–2002)
Newstar Resources, Inc.: $.01 par common

Nextlink Communications, Inc.: Class A, $.02 par common
Northway Financial, Inc.: $1.00 par common
Novel Denim Holdings, Ltd.: Ordinary shares ($1.00 par value)

Objective Communications, Inc.: $.01 par common
Ocular Sciences, Inc.: $.001 par common
Omega Research, Inc.: $.01 par common
Omtool, Ltd.: $.01 par common
Oregon Trail Financial Corporation: $.01 par common
Orthalliance, Inc.: Class A, $.001 par common
OSI Systems, Inc.: No par common

Pacific Crest Capital, Inc.: Trust preferred security
Pegasus Systems, Inc.: $.01 par common
People's Preferred Capital Corporation: Series A, noncumulative exchangeable preferred
Pervasive Software, Inc.: $.001 par common
Positron Fiber Systems Corporation: No par common
Power-One, Inc.: $.001 par common
Pricesmart, Inc.: $.0001 par common
Prime Bancshares, Inc.: $.25 par common
Primeenergy Corporation: $.10 par common
Probusiness Services, Inc.: $.001 par common
Profile Technologies, Inc.: $.001 par common
Progenitor, Inc.: $.001 par common; Warrants (expire 08-07-2002)
Prosoft I-Net Solutions, Inc.: $.001 par common
Pulaski Savings Bank (New Jersey): $.01 par common

QAD, Inc.: $.001 par common
Questron Technology, Inc.: Series B, Convertible preferred

Radcom Ltd.: Ordinary share ($.05 NIS)
RCN Corporation: $1.00 par common
Renex Corporation: $.001 par common
Republic Bancshares, Inc.: Cumulative Trust Preferred Securities Liquidation $10
Retrospectiva, Inc.: No par common; Warrants (expire 09-23-2002)
Rit Technologies, Ltd.: Ordinary shares (.1 NIS)
Riverview Savings Bank, F.S.B.: $.01 par common
Royal Precision, Inc.: $.001 par common
RSL Communications, Ltd.: Class A, $.0045 par common

Scheid Vineyards, Inc.: Class A, $.001 par common
SCM Microsystems, Inc.: $.001 par common
Shore Bank (Virginia): $.33 par common
Signature Eyewear, Inc.: $.001 par common
Sinclair Broadcast Group, Inc.: Series D, convertible exchangeable preferred
SLH Corporation: $.01 par common
SPR, Inc.: $.01 par common
Star Buffet, Inc.: $.001 par common
Startec Global Communications Corporation: $.01 par common
Sterigenics International, Inc.: $.001 par common
Syntel, Inc.: No par common

Take-Two Interactive Soft, Inc.: $.01 par common
Tele-Communications, Inc.: TCI Ventures Group, Class A, $1.00 par common
TCI Ventures Group, Class B, $1.00 par common
The A Consulting Team, Inc.: $.01 par common
Thinking Tools, Inc.: $.001 par common
Total Entertainment Restaurant Corporation: $.01 par common
Track 'N Trail: $.01 par common
Trailer Bridge, Inc.: $.01 par common
Travel Services International, Inc.: $.01 par common
Trendwest Resorts, Inc.: No par common
Trimeris, Inc.: $.001 par common
Turbodyne Technologies, Inc.: No par common

U.S. Bancorp (Minnesota): Series A, preferred stock
U.S.A. Floral Products, Inc.: $.001 par common
Unifab International, Inc.: $.01 par common
Unique Casual Restaurants, Inc.: $.01 par common

Valley Independent Bank: No par common
Vestcom International, Inc.: No par common
Vimrx Pharmaceuticals, Inc.: Warrants (expire 06-20-2006)
Virginia Commerce Bank: $5.00 par common
Vision Twenty-One, Inc.: $.001 par common

Warner Chilcott, PLC: American Depositary Shares

Deletions From the Foreign Margin List

Austria
Perlmooser Zementwerke AG: Ordinary shares, par 100 Austrian schillings

Belgium
Almanij-Kredietbank Group
VVPR

Canada
Brascan Limited: No par Class A common
Coca-Cola Beverages Ltd.: No par common
Edper Group Limited: Class A, no par common
National Trustco Inc.: No par common
Total Petroleum (North America) Ltd.: No par common

Finland
Merita Ltd.: B Shares, par 5 Finnish marks
Raison Tehtaat Vaih Os Oy Ab: K Series common, par 10 Finnish marks

France
GTM-Entrepose SA: Ordinary shares, par 50 French francs
Union Francaise de Banques Locabail SA: Ordinary shares, par 100 French francs

Italy
Sasib SPA: Non-convertible savings shares, par 1000 lira
Stet Soc. Finanziaria Telefonica PA: Non-convertible savings shares, par 1000 lira

Stet Soc. Finanziaria Telefonica PA: Ordinary shares, par 1000 lira

Japan
Calpis Food Industry Co., Ltd.: ¥50 par common
Morinaga and Company, Ltd.: ¥50 par common
Nippon Beet Sugar Manufacturing Co., Ltd.: ¥50 par common
Showa Line, Ltd.: ¥50 par common
Yuasa Trading Co., Ltd.: ¥50 par common

Malaysia
Berjaya Industrial Berhad: Ordinary shares, par 1 Malaysian ringgit

Norway
Nycomed ASA: A Ordinary Common, par 4 Norwegian krone
Nycomed ASA: B ordinary common, par 4 Norwegian krone
Storebrand AS: A ordinary common, par 5 Norwegian krone

South Africa
Amplats Ltd.: Ordinary shares, par 1 South African rand
Rustenburg Platinum Holdings Limited: Ordinary shares, par 0.10 South African rand

Thailand
CMIC Finance & Securities Public Co. Ltd.: Ordinary shares, par 10 Thai baht
General Finance & Securities Public Co. Ltd.: Ordinary shares, par 10 Thai baht
Wattachak Co. Ltd.: Ordinary shares, par 10 Thai baht

United Kingdom
Amstrad PLC: Ordinary shares, par 25 p
TR Smaller Companies Investment Trust: Ordinary shares, par 25 p

Additions to the Foreign Margin List

Canada
Edper Brascan Corporation: Class A, No par common

Finland
Merita Ltd.: A shares, par 5 Finnish marks
Raison Tehtaat Vaih Os Oy AB: K shares common, par 10 Finnish marks

France
Groupe GTM SA: Ordinary shares, par 50 French francs

Japan
Calpis Co., Ltd.: ¥50 par common

Malaysia
Rekapacific Berhad: Ordinary shares, par 1 Malaysian ringgit

South Africa
Anglo American Platinum Corporation Limited: Ordinary shares, par 10 South African rand

United Kingdom
Billiton PLC: Ordinary shares, par 50 p
Henderson Smaller Companies Investment Trust: Ordinary shares, par 25 p
Nycomed Amersham International PLC: Ordinary shares, par 25 p

Final Rule—Amendment to Rules Regarding Availability of Information

The Board of Governors is amending 12 C.F.R. Part 261 (its Rules Regarding Availability of Information) to reflect recent changes in the Freedom of Information Act (FOIA) as a result of the Electronic Freedom of Information Act Amendments (EFOIA). In order to account for future amendments to the Rules, the sections have been renumbered.

The review of the Board's Rules that produced this final rule was conducted in accordance with section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994. In this regard, the amendments to the Rules clarify certain provisions and simplify the processing of requests for access to information in certain circumstances.

Effective November 19, 1997, 12 C.F.R. Part 261 is amended as follows:

Part 261—Rules Regarding Availability of Information

1. The authority citation for Part 261 is revised to read as follows:

Authority: 5 U.S.C. 552; 12 U.S.C. 248(i) and (k), 321 *et seq.*, 611 *et seq.*, 1442, 1817(a)(2)(A), 1817(a)(8), 1818(u) and (v), 1821(o), 1821(t), 1830, 1844, 1951 *et seq.*, 2601, 2801 *et seq.*, 2901 *et seq.*, 3101 *et seq.*, 3401 *et seq.*; 15 U.S.C. 77uu(b), 78q(c)(3); 29 U.S.C. 1204; 31 U.S.C. 5301 *et seq.*; 42 U.S.C. 3601; 44 U.S.C. 3510.

2. Subpart D, consisting of section 261.15 through 261.17, is removed.

3. Sections 261.11 through 261.14 in Subpart C are redesignated as sections 261.20 through 261.23, respectively, in Subpart C.

4. Subparts A and B are revised to read as follows:

Subpart A—General Provisions

Section 261.1—Authority, purpose, and scope.

Section 261.2—Definitions.

Section 261.3—Custodian of records; certification; service; alternative authority.

Subpart B—Published Information and Records Available to Public; Procedures for Requests

Subpart A—General Provisions

Section 261.1—Authority, purpose, and scope.

(a) *Authority.* (1) This part is issued by the Board of Governors of the Federal Reserve System (the Board) pursuant to the Freedom of Information Act, 5 U.S.C. 552; Sections 9, 11, and 25A of the Federal Reserve Act, 12 U.S.C. 248(i) and (k), 321 *et seq.*, (including 326), 611 *et seq.*; Section 22 of the Federal Home Loan Bank Act, 12 U.S.C 1442; the Federal Deposit Insurance Act, 12 U.S.C. 1817(a)(2)(A), 1817(a)(8), 1818(u) and (v), 1821(o); section 5 of the Bank Holding Company Act, 12 U.S.C. 1844; the Bank Secrecy Act, 12 U.S.C. 1951 *et seq.*, and Chapter 53 of Title 31; the Home Mortgage Disclosure Act, 12 U.S.C. 2801 *et seq.*; the Community Reinvestment Act, 12 U.S.C. 2901 *et seq.*; the International Banking Act, 12 U.S.C. 3101 *et seq.*; the Right to Financial Privacy Act, 12 U.S.C. 3401 *et seq.*; the Securities and Exchange Act, 15 U.S.C. 77uuu(b), 78q(c)(3); the Employee Retirement Income Security Act, 29 U.S.C. 1204; the Money Laundering Suppression Act, 31 U.S.C. 5301, the Fair Housing Act, 42 U.S.C. 3601; the Paperwork Reduction Act, 44 U.S.C. 3510; and any other applicable law that establishes a basis for the exercise of governmental authority by the Board.

(2) This part establishes mechanisms for carrying out the Board's statutory responsibilities under statutes in paragraph (a)(1) of this section to the extent those responsibilities require the disclosure, production, or withholding of information. In this regard, the Board has determined that the Board, or its delegees, may disclose exempt information of the Board, in accordance with the procedures set forth in this part, whenever it is necessary or appropriate to do so in the exercise of any of the Board's supervisory or regulatory authorities, including but not limited to, authority granted to the Board in the Federal Reserve Act, 12 U.S.C. 221 *et seq.*, the Bank Holding Company Act, 12 U.S.C. 1841 *et seq.*, and the International Banking Act, 12 U.S.C. 3101 *et seq.* The Board has determined that all such disclosures, made in accordance with the rules and procedures specified in this part, are authorized by law.

(3) The Board has also determined that it is authorized by law to disclose information to a law enforcement or other federal or state government agency that has the authority to request and receive such information in carrying out its own statutory responsibilities, or in response to a valid order of a court of competent jurisdiction or of a duly constituted administrative tribunal.

(b) *Purpose.* This part sets forth the categories of information made available to the public, the procedures for obtaining documents and records, the procedures for limited release of exempt and confidential supervisory information, and the procedures for protecting confidential business information.

(c) *Scope.* (1) This Subpart A contains general provisions and definitions of terms used in this part.

(2) Subpart B of this part implements the Freedom of Information Act (FOIA) (5 U.S.C. 552).

(3) Subpart C of this part sets forth:

(i) The kinds of exempt information made available to supervised institutions, supervisory agencies, law enforcement agencies, and others in certain circumstances;

(ii) The procedures for disclosure; and

(iii) The procedures with respect to subpoenas, orders compelling production, and other process.

Section 261.2—Definitions.

For purposes of this part:

(a) *Board's official files* means the Board's central records.

(b) *Commercial use request* refers to a request from or on behalf of one who seeks information for a use or purpose that furthers the commercial, trade, or profit interests of the requester or the person on whose behalf the request is made.

(c)(1) *Confidential supervisory information* means:

(i) Exempt information consisting of reports of examination, inspection and visitation, confidential operating and condition reports, and any information derived from, related to, or contained in such reports;

(ii) Information gathered by the Board in the course of any investigation, suspicious activity report, cease-and-desist orders, civil money penalty enforcement orders, suspension, removal or prohibition orders, or other orders or actions under the Financial Institutions Supervisory Act of 1966, Pub.L. 89–695, 80 Stat. 1028 (codified as amended in scattered sections of 12 U.S.C.), the Bank Holding Company Act of 1956, 12 U.S.C. 1841 *et seq.*, the Federal Reserve Act, 12 U.S.C. 221 *et seq.*, the International Banking Act of 1978, Pub.L. 95–369, 92 Stat. 607 (codified as amended in scattered sections of 12 U.S.C.), and the International Lending Supervision Act of 1983, 12 U.S.C. 3901 *et seq.*; except—

(A) Such final orders, amendments, or modifications of final orders, or other actions or documents that are specifically required to be published or made available to the public pursuant to 12 U.S.C.

1818(u), or other applicable law, including the record of litigated proceedings; and

(B) The public section of Community Reinvestment Act examination reports, pursuant to 12 U.S.C. 2906(b); and

(iii) Any documents prepared by, on behalf of, or for the use of the Board, a Federal Reserve Bank, a federal or state financial institutions supervisory agency, or a bank or bank holding company or other supervised financial institution.

(2) *Confidential supervisory information* does not include documents prepared by a supervised financial institution for its own business purposes and that are in its possession.

(d) *Direct costs* mean those expenditures that the Board actually incurs in searching for, reviewing, and duplicating documents in response to a request made under section 261.12.

(e) *Duplication* refers to the process of making a copy of a document in response to a request for disclosure of records or for inspection of original records that contain exempt material or that otherwise cannot be inspected directly. Among others, such copies may take the form of paper, microform, audiovisual materials, or machine-readable documentation (*e.g.*, magnetic tape or disk).

(f) *Educational institution* refers to a preschool, a public or private elementary or secondary school, or an institution of undergraduate higher education, graduate higher education, professional education, or an institution of vocational education, which operates a program of scholarly research.

(g) *Exempt information* means information that is exempt from disclosure under section 261.14.

(h) *Noncommercial scientific institution* refers to an institution that is not operated on a "commercial" basis (as that term is used in this section) and that is operated solely for the purpose of conducting scientific research, the results of which are not intended to promote any particular product or industry.

(i)(1) *Records of the Board* include:

(i) In written form, or in nonwritten or machine-readable form; all information coming into the possession and under the control of the Board, any Board member, any Federal Reserve Bank, or any officer, employee, or agent of the Board or of any Federal Reserve Bank, in the performance of functions for or on behalf of the Board that constitute part of the Board's official files; or

(ii) That are maintained for administrative reasons in the regular course of business in official files in any division or office of the Board or any Federal Reserve Bank in connection with the transaction of any official business.

(2) *Records of the Board* does not include personal files of Board members and employees; tangible exhibits, formulas, designs, or other items of valuable intellectual property; extra copies of documents and library and museum materials kept solely for reference or exhibition purposes; unaltered publications otherwise available to the public in Board publications, libraries, or established distribution systems.

(j) *Report of examination* means the report prepared by the Board, or other federal or state financial institution supervisory agency, concerning the examination of a financial institution, and includes reports of inspection and reports of examination of U.S. branches or agencies of foreign banks and representative offices of foreign organizations, and other institutions examined by the Federal Reserve System.

(k) *Report of inspection* means the report prepared by the Board concerning its inspection of a bank holding company and its bank and nonbank subsidiaries.

(l) *Representative of the news media* refers to any person actively gathering news for an entity that is organized and operated to publish or broadcast news to the public.

(1) The term "news" means information that is about current events or that would be of current interest to the public.

(2) Examples of news media entities include, but are not limited to, television or radio stations broadcasting to the public at large, and publishers of periodicals (but only in those instances when they can qualify as disseminators of "news") who make their products available for purchase or subscription by the general public.

(3) "Freelance" journalists may be regarded as working for a news organization if they can demonstrate a solid basis for expecting publication through that organization, even though they are not actually employed by it.

(m)(1) *Review* refers to the process of examining documents, located in response to a request for access, to determine whether any portion of a document is exempt information. It includes doing all that is necessary to excise the documents and otherwise to prepare them for release.

(2) *Review* does not include time spent resolving general legal or policy issues regarding the application of exemptions.

(n)(1) *Search* means a reasonable search, by manual or automated means, of the Board's official files and any other files containing Board records as seem reasonably likely in the particular circumstances to contain information of the kind requested. For purposes of computing fees under section 261.17, search time includes all time spent looking for material that is responsive to a request, including line-by-line identification of material within documents. Such activity is distinct from "review" of material to determine whether the material is exempt from disclosure.

(2) *Search* does not mean or include research, creation of any document, or extensive modification of an existing program or system that would significantly interfere with the operation of the Board's automated information systems.

(o) *Supervised financial institution* includes a bank, bank holding company (including subsidiaries), U.S. branch or agency of a foreign bank, or any other institution that is supervised by the Board.

Section 261.3—Custodian of records; certification; service; alternative authority.

(a) *Custodian of records.* The Secretary of the Board (Secretary) is the official custodian of all Board records, including records that are in the possession or control of the Board, any Federal Reserve Bank, or any Board or Reserve Bank employee.
(b) *Certification of record.* The Secretary may certify the authenticity of any Board record, or any copy of such record, for any purpose, and for or before any duly constituted federal or state court, tribunal, or agency.
(c) *Service of subpoenas or other process.* Subpoenas or other judicial or administrative process, demanding access to any Board records or making any claim against the Board, shall be addressed to and served upon the Secretary of the Board at the Board's office at 20th and C Streets, N.W., Washington, D.C. 20551. Neither the Board nor the Secretary are agents for service of process on behalf of any employee in respect of purely private legal disputes, except as specifically provided by law.
(d) *Alternative authority.* Any action or determination required or permitted by this part to be done by the Secretary, the General Counsel, or the Director of any Division may be done by any employee who has been duly designated for this purpose by the Secretary, General Counsel, or the appropriate Director.

Subpart B—Published Information and Records Available to Public; Procedures for Requests

Section 261.10—Published information.

(a) *Federal Register.* The Board publishes in the *Federal Register* for the guidance of the public:
(1) Descriptions of the Board's central and field organization;
(2) Statements of the general course and method by which the Board's functions are channeled and determined, including the nature and requirements of procedures;
(3) Rules of procedure, descriptions of forms available and the place where they may be obtained, and instructions on the scope and contents of all papers, reports, and examinations;
(4) Substantive rules, interpretations of general applicability, and statements of general policy;
(5) Every amendment, revision, or repeal of the foregoing in paragraphs (a)(1)-(a)(4) of this section;
(6) Notices of proposed rulemaking;
(7) Notices of applications received under the Bank Holding Company Act of 1956 (12 U.S.C. 1841 *et seq.*) and the Change in Bank Control Act (12 U.S.C. 1817);
(8) Notices of all Board meetings, pursuant to the Government in the Sunshine Act (5 U.S.C. 552b);
(9) Notices identifying the Board's systems of records, pursuant to the Privacy Act of 1974 (5 U.S.C. 552a); and
(10) Notices of agency data collection forms being reviewed under the Paperwork Reduction Act (5 U.S.C. 3501 *et seq.*).
(b) *Board's Reports to Congress.* The Board's annual report to Congress pursuant to the Federal Reserve Act (12 U.S.C. 247), which is made public upon its submission to Congress, contains a full account of the Board's operations during the year, the policy actions by the Federal Open Market Committee, an economic review of the year, and legislative recommendations to Congress. The Board also makes periodic reports to Congress under certain statutes, including but not limited to the Freedom of Information Act (5 U.S.C. 552); the Government in the Sunshine Act (5 U.S.C. 552b); the Full Employment and Balanced Growth Act of 1978 (12 U.S.C. 225a); and the Privacy Act (5 U.S.C. 552a).
(c) *Federal Reserve Bulletin.* This publication is issued monthly and contains economic and statistical information, articles relating to the economy or Board activities, and descriptions of recent actions by the Board.
(d) *Other published information.* Among other things, the Board publishes the *following* information:
(1) *Weekly publications.* The Board issues the following publications weekly:
(i) A statement showing the condition of each Federal Reserve Bank and a consolidated statement of the condition of all Federal Reserve Banks, pursuant to 12 U.S.C. 248(a);
(ii) An index of applications received and the actions taken on the applications, as well as other matters issued, adopted, or promulgated by the Board; and
(iii) A statement showing changes in the structure of the banking industry resulting from mergers and the establishment of branches.
(2) *Press releases.* The Board frequently issues statements to the press and public regarding monetary and credit actions, regulatory actions, actions taken on certain types of applications, and other matters.
(3) *Call Report and other data.* Certain data from Reports of Condition and Income submitted to the Board are available through the National Technical Information Service and may be obtained by the procedure described in section 261.11(c)(2).
(4) *Federal Reserve Regulatory Service.* This is a multivolume looseleaf service published by the Board, containing statutes, regulations, interpretations, rulings, staff opinions, and procedural rules under which the Board operates. Portions of the service are also published as separate looseleaf handbooks relating to consumer and community affairs, monetary policy and reserve requirements, payments systems, and securities credit transactions. The service and each handbook contain subject and citation indexes, are updated monthly, and may be subscribed to on a yearly basis.
(e) *Index to Board actions.* The Board's Freedom of Information Office maintains an index to Board actions, which is updated weekly and provides identifying information about any matters issued, adopted, and promulgated by the Board since July 4, 1967. Copies of the index may be

obtained upon request to the Freedom of Information Office subject to the current schedule of fees in section 261.17.

(f) *Obtaining Board publications.* The Publications Services Section maintains a list of Board publications that are available to the public. In addition, a partial list of publications is published in the *Federal Reserve Bulletin.* All publications issued by the Board, including available back issues, may be obtained from Publications Services, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D.C. 20551 (pedestrian entrance is on C Street, N.W.). Subscription or other charges may apply to some publications.

Section 261.11—Records available for public inspection and copying.

(a) *Types of records made available.* Unless they were published promptly and made available for sale or without charge, the following records shall be made available for inspection and copying at the Freedom of Information Office:

(1) Final opinions, including concurring and dissenting opinions, as well as final orders and written agreements, made in the adjudication of cases;

(2) Statements of policy and interpretations adopted by the Board that are not published in the *Federal Register*;

(3) Administrative staff manuals and instructions to staff that affect the public;

(4) Copies of all records released to any person under section 261.12 that, because of the nature of their subject matter, the Board has determined are likely to be requested again;

(5) A general index of the records referred to in paragraph (a)(4) of this section; and

(6) The public section of Community Reinvestment Act examination reports.

(b) *Reading room procedures.* (1) Information available under this section is available for inspection and copying, from 9:00 a.m. to 5:00 p.m. weekdays, at the Freedom of Information Office of the Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D.C. 20551 (the pedestrian entrance is on C Street, N.W.).

(2) The Board may determine that certain classes of publicly available filings shall be made available for inspection and copying only at the Federal Reserve Bank where those records are filed.

(c) *Electronic records.* (1) Except as set forth in paragraph (c)(2) of this section, information available under this section that was created by the Board on or after November 1, 1996, shall also be available on the Board's internet site (which can be found at http://www.bog.frb.fed.us).

(2) *NTIS.* The publicly available portions of Reports of Condition and Income of individual banks and certain other data files produced by the Board are distributed by the National Technical Information Service. Requests for these public reports should be addressed to: Sales Office, National Technical Information Service, U.S. Department of Commerce, 5285 Port Royal Road, Springfield, Virginia 22161, (703) 487-4650.

(3) *Privacy protection.* The Board may delete identifying details from any record to prevent a clearly unwarranted invasion of personal privacy.

Section 261.12—Records available to public upon request.

(a) *Types of records made available.* All records of the Board that are not available under sections 261.10 and 261.11 shall be made available upon request, pursuant to the procedures and exceptions in this Subpart B.

(b) *Procedures for requesting records.* (1) A request for identifiable records shall reasonably describe the records in a way that enables the Board's staff to identify and produce the records with reasonable effort and without unduly burdening or significantly interfering with any of the Board's operations.

(2) The request shall be submitted in writing to the Freedom of Information Office, Board of Governors of the Federal Reserve System, 20th & C Street, N.W., Washington, D.C. 20551; or sent by facsimile to the Freedom of Information Office, (202)872-7562 or 7565. The request shall be clearly marked *FREEDOM OF INFORMATION ACT REQUEST.*

(3) A request may not be combined with any other request to the Board except for a request under 12 C.F.R. 261a.3(a) (Rules Regarding Access to and Review of Personal Information under the Privacy Act of 1974) and a request made under section 261.23(b)(1)(ii).

(c) *Contents of request.* The request shall contain the following information:

(1) The name and address of the requester, and the telephone number at which the requester can be reached during normal business hours;

(2) Whether the requested information is intended for commercial use, and whether the requester is an educational or noncommercial scientific institution, or news media representative;

(3) A statement agreeing to pay the applicable fees, or a statement identifying any desired fee limitation, or a request for a waiver or reduction of fees that satisfies section 261.17(h); and

(4) If the request is being made in connection with on-going litigation, a statement indicating whether the requester will seek discretionary release of exempt information from the General Counsel upon denial of the request by the Secretary. A requester who intends to make such a request to the General Counsel may also address the factors set forth in section 261.23(b).

(d) *Defective requests.* The Board need not accept or process a request that does not reasonably describe the records requested or that does not otherwise comply with the requirements of this section. The Board may return a defective request, specifying the deficiency. The requester may submit a corrected request, which will be treated as a new request.

(e) *Oral requests.* The Freedom of Information Office may honor an oral request for records, but if the requester is dissatisfied with the Board's response and wishes to seek review, the requester must submit a written request, which shall be treated as an initial request.

Section 261.13—Processing requests.

(a) *Receipt of requests.* Upon receipt of any request that satisfies section 261.12(b), the Freedom of Information Office shall assign the request to the appropriate processing schedule, pursuant to paragraph (b) of this section. The date of receipt for any request, including one that is addressed incorrectly or that is referred to the Board by another agency or by a Federal Reserve Bank, is the date the Freedom of Information Office actually receives the request.

(b) *Multitrack processing.* (1) The Board provides different levels of processing for categories of requests under this section. Requests for records that are readily identifiable by the Freedom of Information Office and that have already been cleared for public release may qualify for fast-track processing. All other requests shall be handled under normal processing procedures, unless expedited processing has been granted pursuant to paragraph (c)(2) of this section.

(2) The Freedom of Information Office will make the determination whether a request qualifies for fast-track processing. A requester may contact the Freedom of Information Office to learn whether a particular request has been assigned to fast-track processing. If the request has not qualified for fast-track processing, the requester will be given an opportunity to limit the request in order to qualify for fast-track processing. Limitations of requests must be in writing.

(c) *Expedited processing.* When a person requesting expedited access to records has demonstrated a compelling need for the records, or when the Board has determined to expedite the response, the Board shall process the request as soon as practicable.

(1) To demonstrate a compelling need for expedited processing, the requester shall provide a certified statement, a sample of which may be obtained from the Freedom of Information Office. The statement, which must be certified to be true and correct to the best of the requester's knowledge and belief, shall demonstrate that:

(i) The failure to obtain the records on an expedited basis could reasonably be expected to pose an imminent threat to the life or physical safety of an individual; or

(ii) The requester is a representative of the news media, as defined in section 261.2, and there is urgency to inform the public concerning actual or alleged Board activity.

(2) In response to a request for expedited processing, the Secretary shall notify a requester of the determination within ten calendar days of receipt of the request. If the Secretary denies a request for expedited processing, the requester may file an appeal pursuant to the procedures set forth in paragraph (i) of this section, and the Board shall respond to the appeal within ten working days after the appeal was received by the Board.

(d) *Priority of responses.* The Secretary will assign responsible staff to process particular requests. The Freedom of Information Office will normally process requests in the order they are received in the separate processing tracks, except when expedited processing is granted. However, in the Secretary's discretion, or upon a court order in a matter to which the Board is a party, a particular request may be processed out of turn.

(e) *Time limits.* The time for response to requests shall be 20 working days, except:

(1) In the case of expedited treatment under paragraph (c) of this section;

(2) Where the running of such time is suspended for payment of fees pursuant to section 261.17(b)(2);

(3) In unusual circumstances, as defined in 5 U.S.C. 552(a)(6)(B). In such circumstances, the time limit may be extended for a period of time not to exceed:

(i) Ten working days as provided by written notice to the requester, setting forth the reasons for the extension and the date on which a determination is expected to be dispatched; or

(ii) Such alternative time period as mutually agreed to by the Freedom of Information Office and the requester when the Freedom of Information Office notifies the requester that the request cannot be processed in the specified time limit.

(f) *Response to request.* In response to a request that satisfies section 261.12(b), an appropriate search shall be conducted of records of the Board in existence on the date of receipt of the request, and a review made of any responsive information located. The Secretary shall notify the requester of:

(1) The Board's determination of the request;

(2) The reasons for the determination;

(3) The amount of information withheld;

(4) The right of the requester to appeal to the Board any denial or partial denial, as specified in paragraph (i) of this section; and

(5) In the case of a denial of a request, the name and title or position of the person responsible for the denial.

(g) *Referral to another agency.* To the extent a request covers documents that were created by, obtained from, or classified by another agency, the Board may refer the request to that agency for a response and inform the requester promptly of the referral.

(h) *Providing responsive records.* (1) Copies of requested records shall be sent to the requester by regular U.S. mail to the address indicated in the request, unless the requester elects to take delivery of the documents at the Freedom of Information Office or makes other acceptable arrangements, or the Board deems it appropriate to send the documents by another means.

(2) The Board shall provide a copy of the record in any form or format requested if the record is readily reproducible by the Board in that form or format, but the

Board need not provide more than one copy of any record to a requester.

(i) *Appeal of denial of request.* Any person denied access to Board records requested under section 261.12 may file a written appeal with the Board, as follows:

(1) The appeal shall prominently display the phrase *FREEDOM OF INFORMATION ACT APPEAL* on the first page, and shall be addressed to the Freedom of Information Office, Board of Governors of the Federal Reserve System, 20th & C Street, N.W., Washington, D.C. 20551; or sent by facsimile to the Freedom of Information Office, (202)872-7562 or 7565.

(2) An initial request for records may not be combined in the same letter with an appeal.

(3) The appeal shall be filed within 10 working days of the date on which the denial was issued, or the date on which documents in partial response to the request were transmitted to the requester, whichever is later. The Board may consider an untimely appeal if:

(i) It is accompanied by a written request for leave to file an untimely appeal; and

(ii) The Board determines, in its discretion and for good and substantial cause shown, that the appeal should be considered.

(4) The Board shall make a determination regarding any appeal within 20 working days of actual receipt of the appeal by the Freedom of Information Office, and the determination letter shall notify the appealing party of the right to seek judicial review.

(5) The Secretary may reconsider a denial being appealed if intervening circumstances or additional facts not known at the time of the denial come to the attention of the Secretary while an appeal is pending.

Section 261.14—Exemptions from disclosure.

(a) *Types of records exempt from disclosure.* Pursuant to 5 U.S.C. 552(b), the following records of the Board are exempt from disclosure under this part:

(1) *National defense.* Any information that is specifically authorized under criteria established by an Executive Order to be kept secret in the interest of national defense or foreign policy and is in fact properly classified pursuant to the Executive Order.

(2) *Internal personnel rules and practices.* Any information related solely to the internal personnel rules and practices of the Board.

(3) *Statutory exemption.* Any information specifically exempted from disclosure by statute (other than 5 U.S.C. 552b), if the statute:

(i) Requires that the matters be withheld from the public in such a manner as to leave no discretion on the issue; or

(ii) Establishes particular criteria for withholding or refers to particular types of matters to be withheld.

(4) *Trade secrets; commercial or financial information.* Any matter that is a trade secret or that constitutes commercial or financial information obtained from a person and that is privileged or confidential.

(5) *Inter- or intra-agency memorandums.* Information contained in inter- or intra-agency memorandums or letters that would not be available by law to a party (other than an agency) in litigation with an agency, including, but not limited to:

(i) Memorandums;

(ii) Reports;

(iii) Other documents prepared by the staffs of the Board or Federal Reserve Banks; and

(iv) Records of deliberations of the Board and of discussions at meetings of the Board, any Board committee, or Board staff, that are not subject to 5 U.S.C. 552b (the Government in the Sunshine Act).

(6) *Personnel and medical files.* Any information contained in personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy.

(7) *Information compiled for law enforcement purposes.* Any records or information compiled for law enforcement purposes, to the extent permitted under 5 U.S.C. 552(b)(7); including information relating to administrative enforcement proceedings of the Board.

(8) *Examination, inspection, operating, or condition reports, and confidential supervisory information.* Any matter that is contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions, including a state financial institution supervisory agency.

(b) *Segregation of nonexempt information.* The Board shall provide any reasonably segregable portion of a record that is requested after deleting those portions that are exempt under this section.

(c) *Discretionary release.* (1) Except where disclosure is expressly prohibited by statute, regulation, or order, the Board may release records that are exempt from mandatory disclosure whenever the Board or designated Board members, the Secretary of the Board, the General Counsel of the Board, the Director of the Division of Banking Supervision and Regulation, or the appropriate Federal Reserve Bank, acting pursuant to this part or 12 C.F.R. Part 265, determines that such disclosure would be in the public interest.

(2) The Board may make any exempt information furnished in connection with an application for Board approval of a transaction available to the public in accordance with section 261.12, and without prior notice and to the extent it deems necessary, may comment on such information in any opinion or statement issued to the public in connection with a Board action to which such information pertains.

(d) *Delayed release.* Publication in the *Federal Register* or availability to the public of certain information may be delayed if immediate disclosure would likely:

(1) Interfere with accomplishing the objectives of the Board in the discharge of its statutory functions;

(2) Interfere with the orderly conduct of the foreign affairs of the United States;

(3) Permit speculators or others to gain unfair profits or

other unfair advantages by speculative trading in securities or otherwise;

(4) Result in unnecessary or unwarranted disturbances in the securities markets;

(5) Interfere with the orderly execution of the objectives or policies of other government agencies; or

(6) Impair the ability to negotiate any contract or otherwise harm the commercial or financial interest of the United States, the Board, any Federal Reserve Bank, or any department or agency of the United States.

(e) *Prohibition against disclosure.* Except as provided in this part, no officer, employee, or agent of the Board or any Federal Reserve Bank shall disclose or permit the disclosure of any unpublished information of the Board to any person (other than Board or Reserve Bank officers, employees, or agents properly entitled to such information for the performance of official duties).

Section 261.15—Request for confidential treatment.

(a) *Submission of request.* Any submitter of information to the Board who desires confidential treatment pursuant to 5 U.S.C. 552(b)(4) and section 261.14 (a)(4) shall file a request for confidential treatment with the Board (or in the case of documents filed with a Federal Reserve Bank, with that Federal Reserve Bank) at the time the information is submitted or a reasonable time after submission.

(b) *Form of request.* Each request for confidential treatment shall state in reasonable detail the facts supporting the request and its legal justification. Conclusory statements that release of the information would cause competitive harm generally will not be considered sufficient to justify confidential treatment.

(c) *Designation and separation of confidential material.* All information considered confidential by a submitter shall be clearly designated *CONFIDENTIAL* in the submission and separated from information for which confidential treatment is not requested. Failure to segregate confidential information from other material may result in release of the nonsegregated material to the public without notice to the submitter.

(d) *Exceptions.* This section does not apply to:

(1) Data collected on forms that are approved pursuant to the Paperwork Reduction Act (44 U.S.C. 3501 *et seq.*) and are deemed confidential by the Board. Any such form deemed confidential by the Board shall so indicate on the face of the form or in its instructions. The data may, however, be disclosed in aggregate form in such a manner that individual company data is not disclosed or derivable.

(2) Any comments submitted by a member of the public on applications and regulatory proposals being considered by the Board, unless the Board or the Secretary determines that confidential treatment is warranted.

(3) A determination by the Board to comment upon information submitted to the Board in any opinion or statement issued to the public as described in section 261.14(c).

(e) *Special procedures.* The Board may establish special procedures for particular documents, filings, or types of information by express provisions in this part or by instructions on particular forms that are approved by the Board. These special procedures shall take precedence over this section.

Section 261.16—Request for access to confidential commercial or financial information.

(a) *Request for confidential information.* A request by a submitter for confidential treatment of any information shall be considered in connection with a request for access to that information. At their discretion, appropriate Board or staff members (including Federal Reserve Bank staff) may act on the request for confidentiality prior to any request for access to the documents.

(b) *Notice to the submitter.* When a request for access is received pursuant to the Freedom of Information Act (5 U.S.C. 552):

(1) The Secretary shall notify a submitter of the request, if:

(i) The submitter requested confidential treatment of the information pursuant to 5 U.S.C. 552(b)(4); and

(ii) The request by the submitter for confidential treatment was made within 10 years preceding the date of the request for access.

(2) Absent a request for confidential treatment, the Secretary may notify a submitter of a request for access to information provided by the submitter if the Secretary reasonably believes that disclosure of the information may cause substantial competitive harm to the submitter.

(3) The notice given to the submitter shall:

(i) Be given as soon as practicable after receipt of the request for access;

(ii) Describe the request; and

(iii) Give the submitter a reasonable opportunity, not to exceed ten working days from the date of notice, to submit written objections to disclosure of the information.

(c) *Exceptions to notice to submitter.* Notice to the submitter need not be given if:

(1) The Secretary determines that the request for access should be denied;

(2) The requested information lawfully has been made available to the public;

(3) Disclosure of the information is required by law (other than 5 U.S.C. 552); or

(4) The submitter's claim of confidentiality under 5 U.S.C. 552(b)(4) appears obviously frivolous or has already been denied by the Secretary, except that in this last instance the Secretary shall give the submitter written notice of the determination to disclose the information at least five working days prior to disclosure.

(d) *Notice to requester.* At the same time the Secretary notifies the submitter, the Secretary also shall notify the requester that the request is subject to the provisions of this section.

(e) *Written objections by submitter.* Upon receipt of notice of a request for access to its information, the submitter may provide written objections to release of the information. Such objections shall state whether the information was provided voluntarily or involuntarily to the Board.

(1) If the information was voluntarily provided to the Board, the submitter shall provide detailed facts showing that the information is customarily withheld from the public.

(2) If the information was not provided voluntarily to the Board, the submitter shall provide detailed facts and arguments showing:

(i) The likelihood of substantial harm that would be caused to the submitter's competitive position; or

(ii) That release of the information would impair the Board's ability to obtain necessary information in the future.

(f) *Determination by Secretary.* The Secretary's determination whether or not to disclose any information for which confidential treatment has been requested pursuant to this section shall be communicated to the submitter and the requester immediately. If the Secretary determines to disclose the information and the submitter has objected to such disclosure pursuant to paragraph (e) of this section, the Secretary shall provide the submitter with the reasons for disclosure, and shall delay disclosure for ten working days from the date of the determination.

(g) *Notice of lawsuit.* (1) The Secretary shall promptly notify any submitter of information covered by this section of the filing of any suit against the Board to compel disclosure of such information.

(2) The Secretary shall promptly notify the requester of any suit filed against the Board to enjoin the disclosure of any documents requested by the requester.

Section 261.17—Fee schedules; waiver of fees.

(a) *Fee schedules.* The fees applicable to a request for records pursuant to sections 261.11 and 261.12 are set forth in Appendix A to this section. These fees cover only the full allowable direct costs of search, duplication, and review. No fees will be charged where the average cost of collecting the fee (calculated at $5.00) exceeds the amount of the fee.

(b) *Payment procedures.* The Secretary may assume that a person requesting records pursuant to section 261.12 will pay the applicable fees, unless the request includes a limitation on fees to be paid or seeks a waiver or reduction of fees pursuant to paragraph (f) of this section.

(1) *Advance notification of fees.* If the estimated charges are likely to exceed $100, the Freedom of Information Office shall notify the requester of the estimated amount, unless the requester has indicated a willingness to pay fees as high as those anticipated. Upon receipt of such notice, the requester may confer with the Freedom of Information Office to reformulate the request to lower the costs. The time period for responding to requests under section 261.13(e), and the processing of the request will be suspended until the requester agrees to pay the applicable fees.

(2) *Advance payment.* The Secretary may require advance payment of any fee estimated to exceed $250. The Secretary may also require full payment in advance where a requester has previously failed to pay a fee in a timely fashion. The time period for responding to requests under section 261.13(e), and the processing of the request will be suspended until the Freedom of Information Office receives the required payment.

(3) *Late charges.* The Secretary may assess interest charges when fee payment is not made within 30 days of the date on which the billing was sent. Interest is at the rate prescribed in 31 U.S.C. 3717 and accrues from the date of the billing.

(c) *Categories of uses.* The fees assessed depend upon the intended use for the records requested. In determining which category is appropriate, the Secretary shall look to the intended use set forth in the request for records. Where a requester's description of the use is insufficient to make a determination, the Secretary may seek additional clarification before categorizing the request.

(1) *Commercial use.* The fees for search, duplication, and review apply when records are requested for commercial use.

(2) *Educational, research, or media use.* The fees for duplication apply when records are not sought for commercial use, and the requester is a representative of the news media or an educational or noncommercial scientific institution, whose purpose is scholarly or scientific research. The first 100 pages of duplication, however, will be provided free.

(3) *All other uses.* For all other requests, the fees for document search and duplication apply. The first two hours of search time and the first 100 pages of duplication, however, will be provided free.

(d) *Nonproductive search.* Fees for search and review may be charged even if no responsive documents are located or if the request is denied.

(e) *Aggregated requests.* A requester may not file multiple requests at the same time, solely in order to avoid payment of fees. If the Secretary reasonably believes that a requester is separating a request into a series of requests for the purpose of evading the assessment of fees, the Secretary may aggregate any such requests and charge accordingly. It is considered reasonable for the Secretary to presume that multiple requests of this type made within a 30-day period have been made to avoid fees.

(f) *Waiver or reduction of fees.* A request for a waiver or reduction of the fees, and the justification for the waiver, shall be included with the request for records to which it pertains. If a waiver is requested and the requester has not indicated in writing an agreement to pay the applicable fees if the waiver request is denied, the time for response to the request for documents, as set forth in section 261.13(e), shall not begin until a waiver has been granted; or if the waiver is denied, until the requester has agreed to pay the applicable fees.

(1) *Standards for determining waiver or reduction.* The Secretary shall grant a waiver or reduction of fees where it is determined both that disclosure of the information is in the public interest because it is likely to contribute significantly to public understanding of the operation or activities of the government, and that the disclosure of information is not primarily in the commercial interest of the requester. In making this determination, the following factors shall be considered:

(i) Whether the subject of the records concerns the operations or activities of the government;

(ii) Whether disclosure of the information is likely to contribute significantly to public understanding of government operations or activities;

(iii) Whether the requester has the intention and ability to disseminate the information to the public;

(iv) Whether the information is already in the public domain;

(v) Whether the requester has a commercial interest that would be furthered by the disclosure; and, if so,

(vi) Whether the magnitude of the identified commercial interest of the requester is sufficiently large, in comparison with the public interest in disclosure, that disclosure is primarily in the commercial interest of the requester.

(2) *Contents of request for waiver.* A request for a waiver or reduction of fees shall include:

(i) A clear statement of the requester's interest in the documents;

(ii) The use proposed for the documents and whether the requester will derive income or other benefit for such use;

(iii) A statement of how the public will benefit from such use and from the Board's release of the documents;

(iv) A description of the method by which the information will be disseminated to the public; and

(v) If specialized use of the information is contemplated, a statement of the requester's qualifications that are relevant to that use.

(3) *Burden of proof.* The burden shall be on the requester to present evidence or information in support of a request for a waiver or reduction of fees.

(4) *Determination by Secretary.* The Secretary shall make a determination on the request for a waiver or reduction of fees and shall notify the requester accordingly. A denial may be appealed to the Board in accordance with section 261.13(j).

(g) *Employee requests.* In connection with any request by an employee, former employee, or applicant for employment, for records for use in prosecuting a grievance or complaint of discrimination against the Board, fees shall be waived where the total charges (including charges for information provided under the Privacy Act of 1974 (5 U.S.C. 552a) are $50 or less; but the Secretary may waive fees in excess of that amount.

(h) *Special services.* The Secretary may agree to provide, and set fees to recover the costs of, special services not covered by the Freedom of Information Act, such as certifying records or information and sending records by special methods such as express mail or overnight delivery.

Appendix A to Section 261.17—Freedom of Information Fee Schedule

Duplication:	
Photocopy, per standard page	$ .10
Paper copies of microfiche, per frame	$ .10
Duplicate microfiche, per microfiche	$ .35
Search and review:	
Clerical/Technical, hourly rate	$20.00
Professional/Supervisory, hourly rate	$38.00
Manager/Senior Professional, hourly rate	$65.00
Computer search and production:	
Computer operator search, hourly rate	$32.00
Tapes (cassette) per tape	$ 6.00
Tapes (cartridge), per tape	$ 9.00
Tapes (reel), per tape	$18.00
Diskettes (3½"), per diskette	$ 4.00
Diskettes (5¼"), per diskette	$ 5.00
Computer Output (PC), per minute	$ .10
Computer Output (mainframe)	actual cost

Orders Issued Under Bank Holding Company Act

Orders Issued Under Section 3 of the Bank Holding Company Act

California Community Financial Institutions Fund Limited Partnership
San Francisco, California

Belvedere Bancorp
San Francisco, California

Belvedere Capital Partners, Inc.
San Francisco, California

National Bancorp of Alaska, Inc.
Anchorage, Alaska

Order Approving the Formation of a Bank Holding Company and the Acquisition of an Interest in a Bank Holding Company

California Community Financial Institutions Fund Limited Partnership ("Fund"), a limited partnership, Fund's wholly owned subsidiary, Belvedere Bancorp and Fund's general partner, Belvedere Capital Partners, Inc. (collectively, "Applicants"), all in San Francisco, California, have requested the Board's approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) ("BHC Act") to become bank holding companies by acquiring approximately 63 percent of the voting shares of Security First Bank, Fullerton, California ("Bank"). National Bancorp of Alaska, Inc., Anchorage, Alaska ("NBA"), also has requested the Board's approval to acquire a 9.9 percent limited partnership interest in Fund pursuant to section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)).

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 46,741 (1997)). 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.

Applicants are nonoperating organizations formed to acquire Bank, and NBA and Bank do not compete in any relevant banking market. Accordingly, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market. The Board also concludes that the financial and managerial resources and future prospects of the Applicants, NBA, and Bank are consistent with approval, as are the convenience and needs and other supervisory factors the Board is required to consider under section 3 of the BHC Act.

Based on the foregoing and all the facts of record, the Board has determined that the applications should be, and hereby are, approved. The Board's approval is expressly conditioned on compliance with all the commitments made by Applicants, including those made by the limited partners of Fund and NBA in connection with the applications. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

This transaction shall not be consummated before the 30th calendar day following the effective date of this order, or later than three months following the effective date of this order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors, effective October 27, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

Barnett Banks, Inc.
Jacksonville, Florida

BB&T Corporation
Winston-Salem, North Carolina

Central Fidelity Banks, Inc.
Richmond, Virginia

Crestar Financial Corporation
Richmond, Virginia

First American Corporation
Nashville, Tennessee

First Citizens BancShares, Inc.
Raleigh, North Carolina

First Union Corporation
Charlotte, North Carolina

First Virginia Banks, Inc.
Falls Church, Virginia

Jefferson Bankshares, Inc.
Charlottesville, Virginia

NationsBank Corporation
Charlotte, North Carolina

Riggs National Corporation
Washington, D.C.

Signet Banking Corporation
Richmond, Virginia

SunTrust Banks, Inc.
Atlanta, Georgia

Synovus Financial Corporation
Columbus, Georgia

Wachovia Corporation
Winston-Salem, North Carolina

Order Approving Notices to Conduct Certain Data Processing and Other Nonbanking Activities

Barnett Banks, Inc., Jacksonville, Florida; BB&T Corporation, Winston-Salem, North Carolina; Central Fidelity Banks, Inc., Richmond, Virginia; Crestar Financial Corporation, Richmond, Virginia; First Citizens Bancshares, Raleigh, North Carolina; First American Corporation, Nashville, Tennessee; First Union Corporation, Charlotte, North Carolina; First Virginia Banks, Inc., Falls Church, Virginia; Jefferson Bancshares, Charlottesville, Virginia;

NationsBank Corporation, Charlotte, North Carolina; Riggs National Corporation, Washington, D.C.; Signet Banking Corporation, Richmond, Virginia; SunTrust Banks, Inc., Atlanta, Georgia; Synovus Financial Corp., Columbus, Georgia; and Wachovia Corporation, Winston-Salem, North Carolina (collectively, "Notificants"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire indirectly Monetary Transfer System, L.L.C., St. Louis, Missouri ("MTS"), through Honor Technologies, Inc., Maitland, Florida ("HTI"), and thereby engage in providing data processing services pursuant to section 225.28(b)(14) of Regulation Y (12 C.F.R. 225.28(b)(14)). Notificants are bank holding companies that would control more than 5 percent of any class of voting shares of HTI following consummation of the proposed transaction.[1]

Currently, HTI operates an electronic funds transfer ("EFT") network under the tradenames HONOR and MOST, and MTS operates an EFT network under the tradename BANKMATE. These EFT networks provide data processing and data transmission services to banks and retail merchants who are members of their branded automated teller machine ("ATM") and point of sale ("POS") networks.[2] HTI would engage through MTS in certain nonbanking activities related to the operation of ATM and POS networks, including various data processing services, pursuant to section 225.28(b)(14) of Regulation Y (12 C.F.R. 225.28(b)(14)).

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 44,130 (1997)). 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. As in other cases, the Board also sought comments from the Department of Justice on the competitive effects of this proposal. The Department of Justice indicated that it had no objection to consummation of the proposed transaction.

Notificants are large commercial banking organizations with headquarters in Georgia, Florida, North Carolina, Tennessee, Virginia, and Washington, D.C. Notificants each engage directly and through subsidiaries in a broad range of banking and permissible nonbanking activities in the United States.[3]

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval, engage in any activity that the Board determines to be "so closely related to banking or managing and controlling banks as to be a proper incident thereto." The Board previously has determined that all the activities proposed in these notices are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[4] Notificants would conduct the proposed activities in accordance with Regulation Y and previous Board decisions.[5]

The Board also must consider whether the performance of the proposed activities by Notificants through MTS "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."[6] As part of this review under section 4(c)(8) of the BHC Act, the Board considers the financial and managerial resources of Notificants and their subsidiaries, and any company to be acquired, and the effect of the proposal on those resources.[7] Based on all the facts of record, including reports of examination and other supervisory information, the Board concludes that financial and managerial considerations are consistent with approval of the proposal. In addition, there is no evidence in the record that the proposal would result in conflicts of interests or unsound banking practices.

Competitive Considerations

This proposal would result in the acquisition by HTI of a network operating primarily in Arkansas, Illinois, Kansas, Kentucky, Missouri, Oklahoma, and Tennessee (the "Midwest Region"). HTI currently operates a large EFT network in a multistate area in the northeastern and southeast-

1. As a result of recently proposed mergers and acquisitions involving HTI shareholders, the interests of Central Fidelity Banks, Inc.; First American Corporation; First Citizens Bancshares; First Virginia Banks, Inc.; Jefferson Bancshares; Riggs National Corporation; Signet Banking Corporation; SunTrust Banks, Inc.; and Synovus Financial Corp., each will increase to more than 5 percent of HTI's Class A voting shares. Accordingly, each of these bank holding companies has requested the Board's approval to acquire more than 5 percent of any class of HTI's voting shares, and thereby engage through HTI in providing certain data processing and management consulting services, pursuant to sections 225.28(b)(14) and 225.28(b)(9) of Regulation Y. The Board previously has determined that the activities conducted by HTI are closely related to banking within the meaning of section 4(c)(8) of the BHC Act. *See Barnett Banks, Inc., et al.*, 83 *Federal Reserve Bulletin* 131 (1996) ("*Honor/Most Order*"), 12 C.F.R. 225.28(b)(14), and 12 C.F.R. 225.28(b)(9). These bank holding companies would conduct the proposed activities in accordance with Regulation Y and previous Board decisions.

2. In general, an ATM network is an arrangement whereby more than one ATM and more than one depository institution (or the depository records of such institutions) are connected by electronic or telecommunications means to one or more computers, processors, or switches for the purposes of providing ATM services to retail customers of the institutions. POS terminals are generally located in the establishments of merchants. They accept ATM or similar cards and, using the ATM network or a parallel POS-only network, provide access to the cardholder's account to transfer funds to the merchant's account.

3. Asset and deposit information for each of the Notificants is set forth in the Appendix.

4. *See* 12 C.F.R. 225.28(b)(14); *Bank of New York Company, Inc., et al.*, 80 *Federal Reserve Bulletin* 1107 (1994) ("*Bank of New York Order*"); *Banc One Corporation, et al.*, 81 *Federal Reserve Bulletin* 492 (1995) ("*EPS Order*"); and *Honor/Most Order*.

5. The Board notes that ATM activities must be conducted in accordance with applicable federal and state laws, including applicable branching laws.

6. *See* 12 U.S.C. § 1843(c)(8).

7. *See* 12 C.F.R. 225.26.

ern United States (the "Southeast Region").[8] A number of other large networks would continue to operate in the Southeast Region and the Midwest Region and elsewhere throughout the United States.

The area of effective competition has been defined by reference to the line of commerce, or product market, and a geographic market. The Board has carefully considered the relevant product and geographic markets in which to analyze the competitive effects of this proposal in light of all the facts of record, including information provided by Notificants, the geographic scope of and services provided by existing ATM networks, and other providers of EFT services.

The Board previously has identified three distinct products that may be offered by ATM networks:

(1) Network access (access to an ATM network identified by a common trademark or logo displayed on ATMs and ATM cards);

(2) Network services (the switching and gateway functions for the network); and

(3) ATM processing (the data processing and telecommunications facilities used to operate, monitor, and support a bank's ATMs).[9]

HONOR provides all three services to its network members. BANKMATE provides only network access directly; network services and ATM processing are provided to members of BANKMATE through the current owner of MTS, MasterCard International.[10] HTI is not acquiring from the network services or processing services that support the BANKMATE network. Accordingly, the relevant product market in which to examine the competitive effects of this proposal is the network access market.[11]

The Board previously has determined that the geographic market for network access is an area significantly larger than local banking markets and has considered the market area of an ATM network to consist of regions comprising several states.[12] The HONOR network operates primarily in Florida, Virginia, and Maryland, with operations in 30 other states. The BANKMATE network operates primarily in the Midwest Region, and is the predominate regional EFT network in Kansas and Missouri.

HONOR and BANKMATE ATM service areas overlap in Arkansas, Illinois, Kentucky, Missouri, and Tennessee. There are a number of considerations, however, that mitigate any decrease in existing or potential competition resulting from this proposal. Changes in market concentration, for example, would not be significant. Specifically, in those states where HONOR and BANKMATE overlap, either one or both of the networks has only limited operations in terms of the number of ATMs and financial institution members participating in the network. In addition, in Missouri, where BANKMATE is the leading network and where HONOR has limited operations, a number of other networks are represented and offer alternatives to BANKMATE, including several large regional networks.[13] Similarly, in Tennessee, where HONOR is a leading network and where BANKMATE has a presence, several other regional networks are represented.[14]

In addition, several other large regional networks operate in areas adjacent to BANKMATE's network. The Board believes that these regional networks would provide competitive constraints on the BANKMATE network, and that their existence may become increasingly significant as multistate banking organizations continue to expand geographically.[15] Moreover, smaller networks and third-party processors will continue to operate EFT networks within the Midwest Region, and to provide both direct and potential competition for the BANKMATE network. Finally, national networks offer an alternative to regional networks for some financial institutions in the Midwest Region, and national networks appear to be increasing their competitive pressure on regional networks.[16]

In addition, the Board has considered HONOR's operating rules, as well as the plans of Notificants to implement these rules for the member institutions in the BANKMATE network. HONOR's operating rules permit all depository institutions to participate in the HONOR network on a nondiscriminatory basis, to join other regional networks and to co-brand their cards and ATM terminals.[17] The Board also notes that national network transactions initiated at a terminal in the HONOR network are not required to be routed through HTI's switch. HONOR's rules, moreover, permit the use of third-party processors and un-

8. HTI operates the second largest EFT network in the United States, and MTS operates the tenth largest EFT network.

9. *See EPS Order.*

10. MasterCard International would continue to provide network and processing services to BANKMATE members during a transitional period, not to exceed one year. The record indicates that MasterCard International would continue to provide these services to its affiliates and their members, but does not intend to enter the market to provide these services to nonaffiliated entities.

11. In considering network access for POS transactions, the Board notes that there are a number of competitors in the market, including two large national networks that have grown substantially in recent years nationwide (VisaCheck and MasterMoney).

12. *See EPS Order.*

13. HONOR has five members in Missouri, and HONOR ATM terminals in Missouri account for less than 1 percent of the total ATMs in the state.

14. BANKMATE has one member in Tennessee, and BANKMATE ATM terminals account for less than 1 percent of the total ATMs in the state.

15. The record indicates that banking organizations tend to transport regional ATM networks as they expand into new geographic areas. *See Honor/Most Order.*

16. *See Honor/Most Order* at p. 133.

17. The Board previously has determined that ATM network operating rules are an important consideration is assessing the competitive impact of a proposal under the section 4(c)(8) factors. *See Bank of New York Order, EPS Order.* In addition, HTI's corporate structure ensures that its board of directors will represent a wide range of interest and that HTI policy will not be dominated by the organizations with the largest shareholdings. The members of the Company's board of directors will be appointed by HTI's Class A shareholders, which are all financial institutions. The Class A shareholders consist of both net issuers and net acquirers of network transactions, vary in asset size of the organization, and are geographically diverse. *See Honor/Most Order.*

branded subswitching of transactions subject only to a royalty fee established to compensate HONOR for the use of its brand.[18]

The proposal, therefore, would provide services to depository affiliates of the Notificants and of other shareholders of HTI, as well as to unaffiliated financial institutions, under operating rules that promote open access to the network.[19] Smaller financial institutions would have the opportunity to provide their customers with greater access to their deposit accounts and thereby could compete with larger, multistate organizations for retail deposit funds without substantial investments in their own proprietary ATM networks. In addition, the HONOR operating rules would promote competition between the HTI networks and alternative providers of EFT-related services, including national ATM and POS networks, other regional networks, and third-party providers of EFT switching and processing services, thereby encouraging price and other competition for the services provided by HTI.

Moreover, there is no evidence in the record that this proposal would reduce competition among Notificants, the other shareholders of HTI, and other banking organizations as providers of banking products and services. In particular, HTI's operating rules do not set prices that a member institution must charge its retail customers for ATM or POS transactions.[20] In this light, and based on all the facts of record, the Board concludes that the proposal would not result in adverse effects such as undue concentration of resources or unfair competition.

For those reasons, and based on all the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition in any relevant market.

Public Benefits

Section 4(c)(8) of the BHC Act requires that, in order to approve a proposal, the Board must determine that the public benefits that could reasonably be expected from the proposal would outweigh potential adverse effects. This is a balancing process that takes into account the extent of the potential for adverse effects, which, for the reasons indicated above, the Board does not believe to be significant in this case.

Consumers would benefit from the added account availability and convenience resulting from consummation of this proposal. In particular, an ATM network with a larger number of financial institution members and available ATMs has greater value to network cardholders, because they would have broader and more convenient access to their deposit accounts. In this case, the geographic markets served by HONOR would expand to include the Midwest Region, and, accordingly, the benefits to consumers in these areas would be enhanced, particularly as consumers travel increasingly and business activity continues to grow.[21]

In addition, HTI would offer services through MTS to all financial institutions, and smaller financial institutions would have the opportunity to provide their customers with greater access to their deposit accounts. Membership in the BANKMATE network would thereby enable smaller financial institutions to compete with larger, multistate organizations to retain deposit funds without the necessity of making substantial investments in branch systems or their own proprietary ATM networks.

Consummation of this proposal would also result in other public benefits. The proposal is expected to produce economies of scale, for example, and to reduce average costs for the combined networks.[22] In addition, the Board expects that a portion of these cost savings would be passed on to member financial institutions, and to consumers, in the form of lower fees.[23] The record also indicates that BANKMATE members would benefit from the expanded research and development programs of the HONOR network, and resulting new products. In addition, BANKMATE members would have access to a broader array of products and services that are currently being offered by HONOR, or that will be in the future, including mini-statement and prepaid phone card dispensing services and home banking services.

Additionally, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies can make potentially profitable investments in nonbanking companies when those investments are consistent, as in this case, with the relevant considerations under the BHC Act, and from permitting banking organizations to allocate their resources in the manner they believe is most efficient. For the foregoing reasons, and after careful consideration of all the facts of record, the Board has determined that consummation of this proposal can reasonably be expected to produce public benefits that would outweigh any possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Conclusion

Based on all the facts of record, the Board has determined that the notices should be, and hereby are, approved. The

18. "Subswitching" refers to the switching of transactions between members of the same regional network without accessing that network, and, therefore, without paying the network's switch fee. Generally, this is accomplished by routing the transaction through a third-party processor that provides ATM processing services for both network members.

19. *See Honor/Most Order* at pp. 132–133.

20. *See Honor/Most Order* at p. 132.

21. *See Honor/Most Order* at p. 134.

22. Notificants expect that any BANKMATE processing that is transferred to HTI facilities would result in economies of scale with respect to computer facilities, operations personnel, programming staff, and other support services, and is likely to reduce costs of operation of the BANKMATE network.

23. *See* McAndrews, "Retail Pricing of ATM Network Services," Working Paper No. 96–4, April 96–4, April 1996, Federal Reserve Bank of Philadelphia (indicating that network fees and consumer prices are lower in larger EFT networks).

Board's approval is specifically conditioned on Notificants' compliance with the commitments made in connection with these notices and the conditions referred to 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 225.25(g) (12 C.F.R. 225.7 and 225.25(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 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. For purposes of this action, the commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective October 6, 1997.

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

BARBARA R. LOWREY
Associate Secretary of the Board

Appendix

Asset and Deposit Data as of June 30, 1997

Barnett Banks, Inc., with approximately $44.7 billion in total consolidated assets, is the 23d largest commercial banking organization in the United States, controlling $33.8 billion in deposits. Barnett Banks operates subsidiary banks in Florida and Georgia.

BB&T Corporation, with approximately $23.0 billion in total consolidated assets, is the 35th largest commercial banking organization in the United States, controlling $15.4 billion in deposits. BB&T Corporation operates subsidiary banks in North Carolina, South Carolina, and Virginia.

Central Fidelity Banks, Inc., with approximately $10.7 billion in total consolidated assets, is the 59th largest commercial banking organization in the United States, controlling $8.1 billion in deposits. Central Fidelity Banks operates subsidiary banks in Virginia.

Crestar Financial Corporation, with approximately $22.9 billion in total consolidated assets, is the 36th largest commercial banking organization in the United States, controlling $15.9 billion in deposits. Crestar Financial Corporation operates subsidiary banks in Virginia.

First American Corporation, with approximately $10.4 billion in total consolidated assets, is the 60th largest commercial banking organization in the United States, controlling $7.4 billion in deposits. First American Corporation operates subsidiary banks in Tennessee, and Kentucky.

First Citizens BancShares, Inc., with approximately $8.4 billion in total consolidated assets, is the 65th largest commercial banking organization in the United States, controlling $7.1 billion in deposits. First Citizens BancShares operates subsidiary banks in North Carolina, West Virginia, and Virginia.

First Union Corporation, with approximately $142.9 billion in total consolidated assets, is the sixth largest commercial banking organization in the United States, controlling $91.7 billion in deposits. First Union operates subsidiary banks in North Carolina, Florida, Georgia, South Carolina, Tennessee, Virginia, Maryland, Delaware, Pennsylvania, New Jersey, New York, Connecticut, and Washington, D.C.

First Virginia Banks, Inc., with approximately $9.1 billion in total consolidated assets, is the 64th largest commercial banking organization in the United States, controlling $7.7 billion in deposits. First Virginia Bank operates subsidiary banks in Virginia, Maryland, and Tennessee.

Jefferson Bankshares, Inc., with approximately $2.2 billion in total consolidated assets, is the 145th largest commercial banking organization in the United States, controlling $1.9 billion in deposits. Jefferson Bankshares operates subsidiary banks in Virginia.

NationsBank Corporation, with approximately $240.4 billion in total consolidated assets, is the fifth largest commercial banking organization in the United States, controlling $126.3 billion in deposits. NationsBank Corporation operates subsidiary banks in North Carolina, Texas, Tennessee, Oklahoma, New Mexico, Arkansas, Missouri, Iowa, Kentucky, and Delaware.

Riggs National Corporation, with approximately $5.4 billion in total consolidated assets, is the 90th largest commercial banking organization in the United States, controlling $3.6 billion in deposits. Riggs National Corporation operates subsidiary banks in Virginia and Washington, D.C.

Signet Banking Corporation, with approximately $11.9 billion in total consolidated assets, is the 56th largest commercial banking organization in the United States, controlling $8.2 billion in deposits. Signet Banking Corporation operates subsidiary banks in Maryland, Virginia, and Washington, D.C.

SunTrust Banks, Inc., with approximately $55.4 billion in total consolidated assets, is the 18th largest commercial banking organization in the United States, controlling $34.6 billion in deposits. SunTrust Banks operates subsidiary banks in Georgia, Florida, Tennessee, and Alabama.

Synovus Financial Corporation, with approximately $9.2 billion in total consolidated assets, is the 62nd largest commercial banking organization in the United States, controlling $7.5 billion in deposits. Synovus Financial Corporation operates subsidiary banks in Georgia, South Carolina, Alabama, and Florida.

Wachovia Corporation, with approximately $48.5 billion in total consolidated assets, is the 21st largest commercial banking organization in the United States, controlling

$27.8 billion in deposits. Wachovia Corporation operates subsidiary banks in North Carolina and Delaware.

Canadian Imperial Bank of Commerce
Toronto, Canada

Order Approving Notice to Engage in Nonbanking Activities

Canadian Imperial Bank of Commerce, Toronto, Canada ("Canadian Imperial"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), and its wholly owned subsidiary, CIBC Wood Gundy Securities Corp., New York, New York ("Wood Gundy"), have requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire all the voting shares of Oppenheimer Holdings, Inc., New York, New York. ("Oppenheimer"). Canadian Imperial would thereby engage in the following activities:

(1) Underwriting and dealing, to a limited extent, in all types of debt and equity securities, other than ownership interests in open-end investment companies ("bank-ineligible securities");
(2) Extending credit, pursuant to section 225.28(b)(1) of Regulation Y (12 C.F.R. 225.28(b)(1));
(3) Providing services related to extending credit, pursuant to section 225.28(b)(2) of Regulation Y (12 C.F.R. 225.28(b)(2));
(4) Providing financial and investment advisory services, pursuant to section 225.28(b)(6) of Regulation Y (12 C.F.R. 225.28(b)(6));
(5) Providing securities brokerage, private placement, riskless principal, futures commission merchant, and other transactional services pursuant to section 225.28(b)(7) of Regulation Y (12 C.F.R. 225.28(b)(7));
(6) Underwriting and dealing in government obligations and money market instruments in which state member banks may underwrite and deal under 12 U.S.C. §§ 335 and 24(7) ("bank-eligible securities"), engaging in investing and trading activities, and buying and selling bullion and related activities, pursuant to section 225.28(b)(8) of Regulation Y (12 C.F.R. 225.28(b)(8)); and
(7) Acting as the commodity pool operator ("CPO") of certain investment funds engaged in purchasing and selling futures and options on futures on certain commodities.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 43,532 (1997)). 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.

Canadian Imperial, with total consolidated assets of approximately $165 billion,[1] is the second largest banking organization in Canada.[2] In the United States, Canadian Imperial operates a branch in Chicago, Illinois; agencies in New York, New York, Los Angeles and San Francisco, California, and Atlanta, Georgia; and a representative office in Houston, Texas. Canadian Imperial also engages through Wood Gundy in a broad range of permissible nonbanking activities in the United States and worldwide, including underwriting and dealing to a limited extent in bank-ineligible securities. Oppenheimer, with total consolidated assets of $5.2 billion, engages through its affiliates in a broad range of securities underwriting, brokerage, investment advisory, and other activities.[3] Canadian Imperial proposes to merge Oppenheimer's broker-dealer subsidiary, Oppenheimer & Co., Inc., New York, New York ("OpCo"), with Wood Gundy.

Wood Gundy is and, following the proposed merger with OpCo, will continue to be a broker-dealer registered with the Securities and Exchange Commission ("SEC") under the Securities and Exchange Act of 1934 ("1934 Act") (15 U.S.C. § 78a *et seq.*) and a member of the National Association of Securities Dealers ("NASD"). Accordingly, Wood Gundy is and will remain subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the 1934 Act, the SEC, and the NASD. Following the proposed merger, Wood Gundy also would be registered as a CPO with the Commodity Futures Trading Commission ("CFTC") and would be subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Commodity Exchange Act (7 U.S.C. § 2 *et seq.*) and the CFTC.

Underwriting and Dealing Activities

The Board has determined—subject to the framework of prudential limitations to address the potential for conflicts of interests, unsound banking practices, or other adverse effects—that 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.[4]

1. Asset data are as of April 30, 1997, and are based on the exchange rate applicable on that date.

2. Ranking data are as of December 31, 1995.

3. Oppenheimer currently engages in certain insurance and real estate activities, and controls, either by itself or through certain joint venture relationships, several limited partnerships that invest in debt and equity securities beyond the levels permissible for bank holding companies. Canadian Imperial has committed to conform the activities, investments, and relationships of Oppenheimer and its subsidiaries to those permissible for bank holding companies under section 4 of the BHC Act within two years of acquiring Oppenheimer. Canadian Imperial also has committed to cease selling new insurance policies and annuities and to cease making new real estate investments that would be impermissible for bank holding companies under the BHC Act within one year and six months, respectively, of consummation of the proposed acquisition.

4. *See J.P. Morgan & Co. Incorporated, et al.*, 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom. Securities Industries Ass'n v.*

The Board also has determined that conduct of the proposed activities is consistent with section 20 of the Glass–Steagall Act (12 U.S.C. § 377), provided that the company engaged in underwriting and dealing activities derives no more than 25 percent of its gross revenues from underwriting and dealing in bank-ineligible securities over a two-year period.[5] CIBC has committed that Wood Gundy will conduct its bank-ineligible securities underwriting and dealing activities subject to the Board's 25-percent revenue limit.[6] Other Activities Approved by Regulation or Order The Board previously has determined by regulation that the proposed credit and credit-related activities; financial and investment advisory services; securities brokerage, riskless principal, private placement, futures commission merchant, and other transactional activities; bank-eligible underwriting and dealing, investment and trading, and buying and selling of bullion and related activities to be conducted by Canadian Imperial after its acquisition of Oppenheimer are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[7] In addition, the Board previously has determined by order that a bank holding company may serve as the CPO of private investment funds.[8] Canadian Imperial has committed to conduct each of these activities in accordance with the BHC Act, Regulation Y, and the relevant Board interpretations and orders.

Proper Incident to Banking Standard

In order to approve the proposal, the Board also must determine that the proposed activities are a proper incident to banking, that is, that the proposed transaction "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[9] As part of its evaluation of these factors, the Board considers the financial condition and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[10]

In considering the financial resources of the notificant, the Board has reviewed the capitalization of Canadian Imperial and Wood Gundy in accordance with the standards set forth in the Section 20 Orders. The Board finds the capitalization of each to be consistent with approval of the proposal. The Board's determination is based on all the facts of record, including Canadian Imperial's projections of the volume of Wood Gundy's underwriting and dealing activities in bank-ineligible securities.

The Board also has reviewed the managerial resources of each of the entities involved in this proposal. The Board has reviewed these resources in light of examination reports and the Board's supervisory experience with Canadian Imperial and Wood Gundy. The Board also has considered that Canadian Imperial has established policies and procedures to ensure compliance with this order and the Section 20 Orders, including computer, audit, and account systems, internal risk management controls, and the necessary operational and managerial infrastructure. On the basis of these and all the facts of record, including the commitments provided in this case and the proposed managerial structure and risk management systems of Wood Gundy, the Board has concluded that financial and managerial considerations are consistent with approval of the notice.

The Board has carefully considered the competitive effects of the proposed acquisition. Canadian Imperial represents that there are few overlaps in the services provided by Wood Gundy and Oppenheimer: Wood Gundy specializes in offering and underwriting and dealing in debt products, while OpCo's business has been focused primarily on equity research and underwriting. To the extent that Wood Gundy and Oppenheimer offer different types of products, the proposed acquisition would result in no loss of competition. In those markets in which Wood Gundy's and Oppenheimer's product offerings do overlap, there are numerous existing and potential competitors. Consummation of the proposal, therefore, would have a *de minimis* effect on competition in the market for these services, and the Board has concluded that the proposal would not result in any significantly adverse competitive effects in any relevant market.

As noted above, Canadian Imperial has committed that, following the proposed acquisition, Wood Gundy will conduct its bank-ineligible securities underwriting and dealing activities in accordance with the prudential framework

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); as modified by *Review of Restrictions on Director, Officer and Employee Interlocks, Cross-Marketing Activities, and the Purchase and Sale of Financial Assets Between a Section 20 Subsidiary and an Affiliated Bank or Thrift*, 61 *Federal Register* 57,679 (1996), and *Amendments to Restrictions in the Board's Section 20 Orders*, 62 *Federal Register* 45,295 (1997) (collectively, "Section 20 Orders").

5. Compliance with the revenue limitation shall be calculated in accordance with the method stated in the Section 20 Orders, as modified by the *Order Approving Modifications to the Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989), and *10 Percent Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 48,953 (1996), and *Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 68,750 (1996) (collectively, "Modification Orders").

6. Wood Gundy may provide services that are necessary incidents to the proposed underwriting and dealing activities. Unless Canadian Imperial receives specific approval under section 4(c)(8) of the BHC Act to conduct the activities independently, Wood Gundy must treat any revenues from the incidental activities as ineligible revenues subject to the Board's revenue limitation.

7. *See* 12 C.F.R. 225.28(b)(1), (2), (6), (7), and (8).

8. *See The Bessemer Group, Inc.*, 82 *Federal Reserve Bulletin* 569 (1996).

9. *See* 12 U.S.C. § 1843(c)(8).

10. *See* 12 C.F.R. 225.26; *see also The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

established by the Board's Section 20 Orders. Under the framework and conditions established in this order and the Section 20 Orders, and based on all the facts of record, the Board concludes that Wood Gundy's proposed underwriting and dealing activities in bank-ineligible securities are not likely to result in significantly adverse effects that would outweigh the public benefits. Similarly, the Board finds no evidence that Wood Gundy's proposed riskless principal, private placement, and other nonbanking activities—conducted under the framework and conditions established in this order and Regulation Y—would likely result in any significantly adverse effects that would outweigh the public benefits of the proposal.

The Board expects that the proposed acquisition would provide added convenience to customers of both Canadian Imperial and Oppenheimer. Canadian Imperial has indicated that the acquisition would expand the range of products and services available to its customers and those of Oppenheimer. Canadian Imperial also has stated that the proposed transaction would result in operational efficiencies that would allow it to become a more effective competitor.

Based on all the facts of record, the Board has determined that performance of the proposed activities by Canadian Imperial can reasonably be expected to produce public benefits. Accordingly, the Board has determined that performance of the proposed activities by Canadian Imperial is a proper incident to banking for purposes of section 4(c)(8) of the BHC Act.

Conclusion

On the basis of all the facts of record, the Board has determined that the notice should be, and hereby is, approved, subject to all the terms and conditions in this order and the Section 20 Orders, as modified by the Modification Orders. The Board's approval of the 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 Wood Gundy's activities are consistent with safety and soundness, avoidance of conflicts of interests, and other relevant considerations under the BHC Act. Underwriting and dealing in any manner other than as approved in this order and the Section 20 Orders (as modified by the Modification Orders) is not within the scope of the Board's approval and is not authorized for Wood Gundy.

The Board's determination is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y (12 C.F.R. 225.7 and 225.25(c)), 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 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 this order and the above-noted Board regulations and orders. These commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective October 27, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

First State Bancshares, Inc.
Farmington, Missouri

Order Approving the Acquisition of a Savings Association

First State Bancshares, Inc., Farmington, Missouri ("First State"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 CFR 225.24) to acquire up to 10 percent of the voting shares of Perry County Financial Corporation ("Perry County"), and thereby acquire Perry County's wholly owned savings association subsidiary, Perry County Savings Bank, FSB, a federal savings bank ("Perry County FSB"), both in Perryville, Missouri.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 37,057 (1997)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4 of the BHC Act.

First State is the 40th largest depository institution in Missouri, controlling deposits of $174.4 million, representing less than 1 percent of the total deposits in depository institutions in the state.[2] Perry County controls one thrift in Missouri with deposits of $62.5 million.

The Board previously has determined by regulation that operating a savings association 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 hold-

1. First State currently owns approximately 5 percent of the voting shares of Perry County.

2. State and market data are as of June 30, 1996. In this context, depository institutions include commercial banks, savings banks, and savings associations.

3. 12 C.F.R. 225.28(b)(4)(ii).

ing companies to conform their direct and indirect activities to those permissible for bank holding companies under section 4 of the BHC Act and Regulation Y. First State has committed that it will conduct this activity in accordance with the Board's regulations.

In order to approve the proposal, the Board also must determine that the performance of the proposed activities are a proper incident to banking, that is, that the proposed transaction "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." As part of the Board's evaluation of these factors, the Board has carefully considered the competitive effects of the proposed transaction in light of all the facts of record.

First State and Perry County compete directly in the Perryville banking market in Missouri.[4] The Board has noted previously 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.[5] If First State were considered to control Perry County, after consummation of the proposal, First State would become the second largest depository organization in the Perryville banking market controlling deposits of approximately $75.5 million, representing 16.9 percent of total deposits in depository institutions in the market.[6] Market concentration as measured by the Herfindahl–Hirschman Index ("HHI"), would increase 81 points to 2219.[7] Based on all the facts of record, including the number of competitors that would remain in the market and the resulting market concentration as measured by the HHI, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in the Perryville banking market or in any relevant banking market.

Other Considerations

As part of its evaluation of the public interest factors, the Board has carefully considered the financial and managerial resources of First State, Perry County, and their subsidiaries, and the effect the transaction would have on such resources in light of all the facts of record. These facts of record include supervisory reports of examination assessing the financial and managerial resources of the organizations, including management's record of compliance with applicable laws and regulations. Based on all the facts of record, the Board has concluded that the financial and managerial resources of the organizations involved in the proposal are consistent with approval.[8]

The record also indicates that consummation of the proposal would result in public benefits. There are public benefits to be derived from permitting capital markets to operate so that bank holding companies may make potentially profitable investments in nonbanking companies when those investments are consistent, as in this case, with the relevant considerations under the BHC Act, and from permitting banking organizations to allocate their resources in the manner they believe is most efficient. Based on all the facts or record, the Board has determined that the First State proposal 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 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 the notice should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by First State with all the commitments made in connection with this notice. The Board's determination also is subject to all the conditions in Regulation Y, including those in sections 225.7 and 225.23(g) (12 C.F.R. 225.7 and 225.23(g)) and to the Board's author-

4. The Perryville, Missouri, banking market is approximated by Perry County, Missouri, plus the area surrounding the town of St. Mary in Ste. Genevieve County, Missouri.

5. *First Banks, Inc.*, 80 *Federal Reserve Bulletin* 34 (1994). First State proposes to acquire up to 10 percent of Perry County's voting securities, which are registered under the Securities Exchange Act of 1934 and publicly traded.

6. 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). Because the deposits of Perry County FSB would be owned by a commercial banking organization after consummation of the proposal, those deposits are included at 100 percent in the calculation of First State's *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669, 670 n. 9 (1990).

7. Under the revised DOJ Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is above 1800 is considered highly concentrated. The 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.

8. The Board notes that First State's interest in Perry County exceeded 5 percent of the outstanding voting shares of Perry County as the result of a stock redemption, and that First State promptly requested the Board's approval to retain its interest. The Board also has carefully considered, in light of supervisory information provided by the Office of Thrift Supervision ("OTS"), Perry County FSB's primary federal supervisor, comments from Perry County contending that First State has not complied with the regulatory filing requirements of the OTS. In addition, the Board has provided Perry County's comments on First State's compliance with the federal securities laws to the Securities and Exchange Commission for consideration. The Board previously has determined that its limited jurisdiction to review applications and notices under the specific statutory factors in the BHC Act does not authorize the Board to adjudicate disputes between a commenter and an applicant that arise under statutes, like federal securities laws, that are administered and enforced by another federal agency.

ity 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 order issued thereunder. For the purpose of this action, the commitments and conditions relied on by the Board in reaching its decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective October 29, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

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

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"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Signet Banking Corporation ("Signet") and thereby acquire its subsidiary bank, Signet Bank, both of Richmond, Virginia.[1] First Union also has requested approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire the nonbanking subsidiaries of Signet and thereby engage in the nonbanking activities listed in Appendix A.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 45,421 (1997)). 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 sections 3 and 4(c)(8) of the BHC Act.[2]

First Union, with total consolidated assets of approximately $136.7 billion, is the sixth largest commercial banking organization in the United States, controlling 3.6 percent of the total banking assets of insured commercial banks in the nation ("total banking assets").[3] The subsidiary banks of First Union operate in North Carolina, Florida, Georgia, South Carolina, Tennessee, Virginia, Maryland, Delaware, Pennsylvania, New Jersey, New York, Connecticut, and Washington, D.C. First Union also engages through other subsidiaries in a number of permissible nonbanking activities. Signet, with total consolidated assets of approximately $11.7 billion, is the 56th largest commercial banking organization in the United States, controlling less than 1 percent of total banking assets in the nation. Signet Bank operates in Virginia, Maryland, and Washington, D.C., and Signet engages through subsidiaries in permissible nonbanking activities.

On consummation of the proposal, First Union would remain the sixth largest commercial banking organization in the United States, with total consolidated assets of approximately $148.4 billion, representing 3.9 percent of total banking assets in the United States. First Union would control 17.3 percent, 18.5 percent, and 9.1 percent of the total deposits held by insured depository institutions in Virginia, Maryland, and Washington, D.C., respectively.

Interstate Banking Analysis

Section 3(d) of the BHC Act, as amended by Section 101 of the Reigle-Neal Interstate Banking and Branching Efficiency Act of 1994, allows the Board to approve an application by a bank holding company to acquire a bank located in a state other than the home state of such bank holding company if certain conditions are met.[4] For purposes of the BHC Act, the home state of First Union is North Carolina, and First Union proposes to acquire Signet Bank, which has operations in Virginia, Maryland, and Washington, D.C. The conditions for an interstate acquisi-

1. First Union proposes to exchange its shares for all the outstanding shares of Signet. On consummation of the proposal, Signet would be merged with and into First Union. First Union also has requested the Board's approval to exercise an option to purchase up to 19.9 percent of the voting shares of Signet. The option would become moot on consummation of the proposal.

First Union also proposes to merge Signet Bank into its lead subsidiary bank, First Union National Bank, Charlotte, North Carolina, and has requested the approval of the Office of the Comptroller of the Currency ("OCC"), the bank's primary federal supervisor, under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828).

2. A commenter objected that notice of the proposal was not published in the Washington, D.C., area. Notice of the proposal was published in accordance with the Board's Regulation Y and Rules of Procedure in the *Federal Register* and in newspapers of general circulation in Charlotte, North Carolina, and in Richmond, Virginia, the location of the head offices of First Union National Bank, Charlotte, North Carolina, and Signet Bank. *See* 12 C.F.R. 225.16(b) and 262.3(b). Notice also was provided in the Board's H.2A publication, which is available by mail, fax-on-demand, and on the Board's Internet Home Page. The commenter, moreover, submitted timely comments that were considered by the Board.

3. Asset and ranking data are as of March 31, 1997; deposit data are as of June 30, 1996.

4. Pub. L. No. 103-328, 108 Stat. 2338 (1994). A bank holding company's home state is the 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.

tion under section 3(d) of the BHC Act are met in this case.[5]

Competitive Considerations

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly or if the effect of the proposal may be substantially to lessen competition in any relevant market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[6] As part of the Board's evaluation of these factors, the Board has carefully considered the competitive effects of the proposed transaction in light of comments received from interested persons on the potential effects of the proposal on competition in various markets.[7]

First Union and Signet compete directly in 13 banking markets in Virginia, Maryland, and Washington, D.C.[8] The Board has carefully reviewed the competitive effects of the proposal in these banking markets in light of all the facts of record, including the number of competitors that would remain in the markets, the characteristics of the markets, the projected increase in the concentration of total deposits in depository institutions in the markets ("market deposits"),[9] as measured by the HHI, under the Department of Justice Merger Guidelines ("DOJ Guidelines"), and commitments made by First Union to divest certain branches.[10] Consummation of the proposal, without divestitures, would be consistent with DOJ Guidelines in ten of the banking markets in which First Union and Signet compete.[11]

In order to mitigate the potential anticompetitive effects of the proposal in other markets, First Union has committed to divest a total of four branches in three Virginia banking markets to an out-of-market competitor.[12] With the proposed divestitures, the concentration levels in the remaining banking markets would be consistent with DOJ Guidelines following consummation of the proposal.[13]

5. 12 U.S.C. §§ 1842(c)(1)(A) and (B) and 1842(d)(2)(A) and (B). First Union is adequately capitalized and adequately managed. On consummation of the proposal, First Union 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 Virginia, Maryland, and Washington, D.C., respectively. *See* Md. Code Ann., (Financial Institutions) § 5-1013. In addition, Signet Bank has been in existence for the minimum period of time necessary to satisfy age requirements established by applicable state law. All other requirements of section 3(d) of the BHC Act also would be met on consummation of the proposal.

6. 12 U.S.C. § 1842(c)(1).

7. Commenters maintain that consummation of the proposal would have anticompetitive effects in the Roanoke, Galax, and Russell, Virginia, banking markets, notwithstanding the proposed divestitures. One commenter also maintains that the proposal would be anticompetitive because three banking organizations in Virginia would control approximately 40 percent of the insured deposits in that state. The Board and the courts have concluded that the commercial realities in the banking industry require consideration of the effects of a proposed acquisition in the local geographic banking markets where the acquiring and acquired institutions compete, as previously discussed. *See also United States v. Phillipsburg Nat'l Bank,* 399 U.S. 350, 362. The Board notes, moreover, that, even if the state and Washington, D.C., borders delineated an appropriate banking market, each would be unconcentrated as measured by the Herfindahl–Hirschman Index ("HHI"), the effects would not be significant, and numerous competitors would remain in each area.

8. The banking markets and market data are discussed in Appendix B.

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 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).

10. Under the revised DOJ Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is more than 1800 is considered highly concentrated. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Department of Justice has stated that the higher than normal threshold for an increase in the HHI when screening bank mergers and acquisitions for anticompetitive effects implicitly recognizes the competitive effects of limited-purpose lenders and other nondepository financial entities.

11. A commenter contends that the proposal would have an anticompetitive effect on small business lending in the Roanoke, Virginia, Metropolitan Statistical Area ("MSA"). The Board and the courts traditionally have recognized that the appropriate product market for evaluating the competitive effects of bank mergers and acquisitions is the cluster of products (various kinds of credit) and services (such as checking accounts and trust administration) offered by banking institutions. *See Chemical Banking Corporation,* 83 *Federal Reserve Bulletin* 239 (1997), and the discussion of the relevant case law and economic studies therein. Commenter presents no facts to support a separate product market for small business lending, and the Board finds none in this case.

12. First Union has committed to execute sales agreements for each of the proposed divestitures prior to consummation of this transaction, and to complete the divesture within 180 days of consummation. First Union also has committed that, in the event it is unsuccessful in completing the divestitures within 180 days of consummation, it will transfer the unsold branches to an independent trustee that is acceptable to the Board and that will be instructed to sell the branches promptly. First Union also has committed to submit to the Board, before consummation of this proposal, an executed trust agreement acceptable to the Board stating the terms of these divestitures.

13. A commenter maintains, without providing any facts, that the Roanoke, Virginia, banking market ("Roanoke banking market") is smaller than the banking market defined by the Board (*see* Appendix B). The Board and the courts have found that the relevant geographic market for analyzing the competitive effect of a proposal must reflect commercial and banking realities and should consist of the local area where the banks involved offer their services and where local customers can practicably turn for alternatives. *See St. Joseph Valley Bank,* 68 *Federal Reserve Bulletin* 673 (1982); *United States v. Philadelphia Nat'l Bank,* 374 U.S. 321, 357 (1963); and *United States v. Phillipsburg Nat'l Bank, supra* (1969). In making a determination on the geographic market in this case, the Board has considered worker commuting patterns (as indicated by census data) and other indicia of economic integration and transmission of competitive forces among depository institutions. These data indicate that the Roanoke banking market includes the city of Roanoke, the rest of Botetourt and

Based on all the facts of record, including the proposed divestitures, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market.

Other Factors Under the BHC Act

The BHC Act also requires the Board, in acting on an application, to consider the financial and managerial resources of the companies and banks involved, the convenience and needs of the communities to be served, and certain other supervisory factors.

A. Financial, Managerial, and Other Supervisory Factors

The Board has carefully considered the financial and managerial resources and future prospects of First Union, Signet, and their respective subsidiary banks, and other supervisory factors in light of all the facts of record. The Board notes that the bank holding companies and their subsidiary banks are currently well capitalized and are expected to remain so after consummation of the proposal. The Board also has considered other aspects of the financial condition and resources of the two organizations, the structure of the proposed transactions, and the managerial resources of each of the entities and the combined organization, the Board's supervisory experience with First Union and Signet, and examinations by the OCC and other banking authorities assessing the financial and managerial resources of the entities.[14] Based on all the facts of record, including all comments received and relevant reports of examination of the companies and banks involved in this proposal, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of First Union, Signet, and their respective subsidiaries are consistent with approval of the proposal, as are the other supervisory factors that the Board must consider under section 3 of the BHC Act.[15]

B. Convenience and Needs Considerations

The Board has carefully considered the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record. The Board notes that First Union and Signet assist in meeting the convenience and needs of their communities by providing a full range of financial services, including commercial and retail banking services, trust and investment management services, through various bank and nonbank subsidiaries.

After consummation of the transaction, First Union would meet the needs of its communities and the communities formerly served by Signet through the First Union CRA program under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). First Union's CRA program requires local management to develop community reinvestment plans for delineated communities. The combined organization would continue to have a CRA state community reinvestment coordinator who would review annual plans and quarterly progress reports developed by local management to meet the needs of its communities. In addition, senior management and the board of directors of the combined organization would continue to oversee CRA policy through First Union's State Self-Assessment Committee and Audit Committee. First Union also states that the combined organization would enhance the products and services available to customers, including products for low- to moderate-income ("LMI") households, small businesses and small farms. In this light, the Board has given substantial consideration to the existing record of First Union, as reflected in its programs and in the supervisory assessments of its performance, of helping to meet the convenience and needs of all its communities, including LMI communities.[16]

Roanoke Counties, and the northern portion of Franklin County. Roanoke is the largest metropolitan area in Virginia west of Richmond, and is the center of a Ranally Metropolitan Area. A major highway travels through Botetourt County and south through portions of Roanoke County. More than 78 percent of the workers living in Roanoke County work either in Roanoke County or the city of Roanoke, and 14.5 percent commute to the city of Salem, which is also within the Roanoke banking market. Based on all the facts of record, the Board concludes that the relevant banking market for assessing the competitive effects of the proposal is the Roanoke banking market as defined above.

14. One commenter contends that guidance provided by the Federal Trade Commission and by the Federal Financial Institutions Examination Council under the Fair Credit Reporting Act (15 U.S.C. § 1861 *et seq.*) on access to consumer credit information in connection with pre-approved credit offers is illegal, and that First Union and Signet, relying on this agency guidance, acted illegally. The commenter also contends that the Board should consider the financial impact on First Union and its shareholders that could result if that commenter or another consumer succeeded in challenging the agency interpretations. The Board notes that this guidance by the agencies was provided pursuant to their interpretive authority.

15. Commenters cite, as indications of concern regarding the managerial resources of First Union, one lawsuit alleging age discrimination and another lawsuit alleging racial discrimination in decisions by First Union to terminate the employment of certain employees. The Board previously has stated that its limited jurisdiction to review applications under the BHC Act does not authorize the Board to adjudicate disputes involving an applicant that arise under statutes administered and enforced by another agency in areas such as employment discrimination. *See, e.g., Norwest Corporation*, 82 *Federal Reserve Bulletin* 580 (1996); *see also Western Bancshares v. Board of Governors*, 480 F.2d 749 (10th Cir. 1973). One commenter also states that the board of directors and employees of the First Union National Bank of Virginia lack racial diversity. Under the Department of Labor's regulations, First Union is required to file an annual report with the Equal Employment Opportunity Commission ("EEOC") covering all employees in its corporate structure. *See* 41 C.F.R. 60–1.7(a) and 60–1.40. The Department of Labor, and the EEOC in particular, have the statutory authority to address disputes regarding illegal discriminatory labor practices.

16. Commenters maintain that Signet has a better record of making housing-related and community development loans, and that First Union has an insufficient record of improving the housing-related lending record of acquired institutions.

CRA Performance Record of First Union

The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the CRA. As provided in the CRA, the Board has evaluated this factor in light of examinations by the primary federal supervisors of the CRA performance records of the relevant institutions. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its primary federal supervisor.[17]

In evaluating this proposal, the Board has carefully considered First Union's CRA performance record, and, in particular, the record of its lead subsidiary bank, First Union National Bank, formerly, First Union National Bank of North Carolina ("FUNB").[18] The predecessor institution to FUNB received an "outstanding" rating from its primary federal supervisor, the OCC, at its most recent publicly available examination for CRA performance in April 1994; and First Union's other subsidiary banks received "satisfactory" ratings from the OCC or the Federal Deposit Insurance Corporation ("FDIC").[19] Signet Bank received a "satisfactory" rating at its most recent CRA performance evaluation by its primary federal supervisor.

The Board recently reviewed First Union's record of CRA performance in connection with its approval of First Union's notice to acquire Society First Federal Savings Bank, Fort Myers, Florida (order dated February 26, 1996), and again in connection with approving First Union's notice to acquire Home Financial Corporation and its wholly owned subsidiary, Home Savings Bank, FSB, both of Hollywood, Florida (order dated October 15, 1996).[20] In the *First Union/HFC Order* and *First Union/Society First Order*, the Board considered a number of aspects of the CRA performance of First Union, including First Union's lending, marketing, and outreach activities, the services provided through branches, branch closing policies, and initiatives to increase lending in LMI areas. In the *First Union/HFC Order*, furthermore, the Board carefully reviewed the policies and procedures of First Union's subsidiary banks for assuring compliance with the fair lending laws, and the community development activities of First Union.

The Board also has considered supervisory information concerning First Union's record of CRA performance, which includes public and confidential examination information that assesses the following aspects of First Union's lead bank's CRA performance:

(1) Lending record and geographic distribution of loans throughout the bank's communities, including LMI areas;

(2) Efforts designed to assist in meeting the credit needs of the bank's communities, including affordable mortgage, government-sponsored and small business lending programs;

(3) Community development activities;

(4) Record of compliance with fair lending laws, and fair lending law policies and programs; and

(5) Branch closing policies and procedures, and record of closing branches since the 1994 performance evaluations.[21]

Comments on the Proposal

The Board has carefully considered comments received on the proposal, the performance records of First Union and Signet under the CRA, and the effect of the proposal on the convenience and needs of the community. Commenters contend that branch closings that would result from the proposal would disproportionately disadvantage communities with predominately LMI and minority residents. Commenters also criticize First Union's record of compliance with fair lending laws and of making CRA-related loans on the basis of data filed by First Union's affiliates under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*)

17. The Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("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. *See* 54 *Federal Register* 13,742 and 13,745 (1989).

18. As of July 31, 1997, First Union merged FUNB with 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; First Union National Bank of Washington, D.C., District of Columbia; and First Union Bank of Connecticut, Stamford, Connecticut.

19. The OCC conducted a joint CRA examination of eight of First Union's subsidiary banks in April 1994. In addition to FUNB, First Union's remaining seven subsidiary banks, First Union National Bank of Florida, First Union National Bank of Georgia, First Union National Bank of Maryland, First Union National Bank of South Carolina, First Union National Bank of Tennessee, First Union National Bank of Virginia, and First Union National Bank of Washington, D.C., each received a "satisfactory" rating from the OCC in the joint performance examination as of April 1994. First Union Bank of Connecticut and First Union Bank of Delaware, Wilmington, Delaware, each formerly a First Fidelity bank, each received a "satisfactory" rating from their primary federal supervisor, the FDIC, at their most recent examinations for CRA performance, as of January 1997 and April 1995, respectively. In addition, First Union National Bank, Avondale, Pennsylvania, and Boca Raton First National Bank, Boca Raton, Florida, each received a "satisfactory" rating from the OCC for CRA performance, as of July 1994 and September 1995, respectively. First Union Direct, Augusta, Georgia, a newly-chartered credit card bank, has not been examined for CRA performance.

20. *See First Union Corporation*, 82 *Federal Reserve Bulletin* 353 (1996) ("*First Union/Society First Order*"), and 82 *Federal Reserve Bulletin* 1123 (1996) ("*First Union/HFC Order*").

21. This supervisory information includes information developed by the OCC during its regularly scheduled examination of the CRA performance of First Union's subsidiary banks, which commenced in January 1997.

("HMDA"), particularly in Delaware, Virginia, and Washington, D.C.[22]

First Union has indicated that it has not developed final plans for branches after acquiring Signet. First Union has preliminarily and confidentially identified branches under review.[23] The Board has carefully reviewed First Union's branch closing policy. The policy provides for an 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 notice to the communities. The policy also requires additional analyses, community contacts and/or review of need ascertainment calls when any branch closing affects a LMI community.

In connection with its examination of the First Union's subsidiary banks, the OCC has considered the effect of branch closings under the policy on the communities served by the banks. The OCC's most recent publicly available CRA performance examinations concluded that First Union's subsidiary banks have satisfactory records of opening and closing branches and that First Union's subsidiary banks provide reasonable access to services for all segments of the banks' communities.[24] The most recent publicly available CRA performance evaluations also noted no materially adverse effects on LMI neighborhoods from branch closings by First Union. The Board also has carefully reviewed supervisory information from the OCC regarding branch closings by First Union's subsidiary banks since the 1994 public CRA performance evaluations.

The Board notes, moreover, that federal banking law addresses branch closings by specifically requiring an insured depository institution to provide notice to the appropriate regulatory agency prior to closing a branch, but does not authorize federal regulators to prevent the closing of any branch.[25]

The Board also has reviewed First Union's HMDA data for 1995 and 1996 in light of commenters' contentions that these data indicate noncompliance with fair lending laws and an inadequate record of CRA-related lending.[26] The HMDA data for First Union reflect some disparities in the rate of loan originations, denials and applications by racial group and income level. The Board is concerned when the record of an institution indicates such disparities in lending, and believes that all banks are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending but also equal access to credit by creditworthy applicants regardless of race. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community because these data cover only a few categories of housing-related lending. HMDA data, moreover, provide only limited information about the covered loans.[27] HMDA data, therefore, have limitations that make the data an inadequate basis, absent other information, for concluding that an institution has engaged in illegal lending discrimination.

Because of the limitations of HMDA data,[28] the Board

22. One commenter contends that First Union Home Equity Bank, N.A., Charlotte, North Carolina ("FUHE"), does not comply with HMDA reporting requirements because a substantial percentage of its loans does not indicate the race or national origin of the borrower. First Union responds that it is unable to report race information because the mortgage applications are received from brokers who submit loan applications by facsimile or telephone. Under regulations implementing the HMDA and the Equal Credit Opportunity Act (15 U.S.C. § 1691 *et seq.*), a HMDA reporter is not required to report the race or gender of an applicant if the information is not provided by the applicant in a written application form received by mail, if an application is taken by telephone, or if an application is received by other means that do not involve face-to-face communication. *See, e.g.*, 12 C.F.R. 203, Appendix A, § V(D)(2), and Appendix B § I(B)(4). Commenter has provided the information to the OCC, and the OCC has sufficient supervisory authority as FUHE's primary federal supervisor to address compliance deficiencies, if any, in the HMDA data.

23. One commenter asserts that branch closings should be disclosed under the Board's rules governing *ex parte* communications. The Board notes that its rules regarding access to information, which are governed by the Freedom of Information Act ("FOIA"), provide the appropriate framework for considering a commenter's challenge to confidential treatment accorded an applicant's submissions, and that commenter's challenge here was reviewed under those rules and denied. The Board's rules do not provide a commenter access to information that is otherwise exempt from disclosure under FOIA.

24. One commenter alleges, without providing specific facts, that inferior services are provided at branches located in communities with predominately LMI and minority residents. As noted, the general allegation is not supported by the supervisory record for First Union's subsidiary banks. Commenter has provided the OCC a copy of the contentions for its consideration.

25. Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1), as implemented by the Joint Policy Statement Regarding Branch Closing (58 *Federal Register* 49,083 (1993)), requires that a bank provide the public with at least 30 days notice and the primary federal supervisor with at least 90 days notice before the date of the proposed branch closing. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closing.

26. Commenters also contend that First Union's subsidiary banks charge excessive fees that disproportionately disadvantage low-income individuals. The Board previously has noted that First Union provides a full range of credit products and banking services to assist in meeting the credit and banking needs of its communities; and First Union recently introduced new products to lower the cost of maintaining banking relationships with First Union subsidiary banks. Commenters present no evidence that the fees and practices are illegally discriminatory, and there is no evidence in the record that the fees are based on any factor that would be prohibited by law. While the Board has recognized that banks help serve the needs of their community by offering basic services at nominal or no charge, the CRA does not impose any limitation on the fees or surcharges that can be assessed for services. Commenters also object to First Union's policy of requiring a thumbprint from noncustomers on any check cashed at a First Union subsidiary bank. First Union explains that the policy is designed to reduce fraud in check cashing, and commenters have not provided evidence that the policy is based on factors or applied in a manner that would be prohibited by law.

27. The data, for example, do not provide a basis for an independent assessment of whether an applicant who was denied credit was, in fact, creditworthy. Credit history problems and excessive debt levels relative to income (reasons most frequently cited by a credit denial) are not available from HMDA data.

28. Commenters provide no facts to show violations of fair lending laws or other practices that discourage applications for credit on a prohibited basis. Commenters, however, argue that First Union's HMDA data raise sufficient "red flags" to warrant a closer scrutiny of fair lending law compliance by First Union's banking and nonbanking subsidiaries.

has carefully considered that data in light of other information, particularly examination reports and other supervisory information that provide an on-site evaluation of compliance within the fair lending laws by First Union. As discussed in the *First Union/HFC Order*, examiners found no evidence of prohibited discrimination or other illegal credit practices at the institutions.[29] Moreover, the 1994 examinations of First Union's subsidiary banks found that the banks' delineations of their local communities were reasonable and did not arbitrarily exclude LMI communities, and that the banks solicited and accepted credit applications from all segments of their delineated communities.

First Union also has taken a number of steps to increase lending by its subsidiary banks to LMI and minority borrowers. First Union, for example, has a second review of denied loans for mortgages and consumer loans to ensure that consistent decisions are made. Other corporate fair lending programs include semi-annual reviews of files to assess the level of assistance to applicants and the basis for lending decisions, 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 First Union's 1994 examinations that management of all the subsidiary banks had implemented comprehensive training and compliance programs to support equal treatment in lending and to ensure that all applicants were treated fairly. The Board also has reviewed supervisory information assessing First Union's record of fair lending law compliance since the 1994 examinations.

In addition, the Board has considered supervisory information assessing First Union's record of helping to meet the credit needs of all its communities, including areas with predominately LMI and minority residents, in Delaware, Virginia, and Washington, D.C.[30] First Union's programs include outreach and marketing efforts that focus on LMI areas and specialized lending programs such as the Affordable Home Mortgage Loan, which offers flexible debt-to-income requirements and lower down payments. First Union's Special Home Improvement Loan Program offers rebates for timely payments, flexible debt-to-income ratios, and no origination fee. In addition to lending products, the record indicates that, in 1996, First Union invested more than $3.5 million in minority-owned banks, credit unions, community development financial institutions, and community development corporations.

First Union also has established a Small Business Banking Division that can guarantee conditional approval or denial of a credit application within 24 hours. The record indicates that First Union originated $4.7 billion in small business lending, in 1996, and that two-thirds of the loans were for amounts less than $100,000. First Union also has played a major role in initiating micro-lending programs in the District of Columbia and Virginia. These programs are designed to assist start-up business owners and individuals who need small loans. First Union also has invested over $2.8 million in small business investment corporations.

Conclusion on Convenience and Needs Considerations

The Board has carefully considered all the facts of record, including the comments received, responses to those comments, and the CRA performance records of the subsidiary depository institutions of First Union and Signet, including relevant reports of examination and other supervisory information.[31] Based on a review of the entire record and for the reasons discussed above and in the *First Union/HFC Order* and the *First Union/Society First Order*, the Board concludes that convenience and needs considerations, including the CRA records of performance of each organization's subsidiary depository institutions, are consistent with approval of this proposal.[32]

29. One commenter contends that FUHE focuses on minority communities in making higher-than-normal interest rate loans. Another commenter contends that FUNB has entered into a three-year, $800 million revolving credit facility as a co-agent with an unscrupulous consumer and commercial finance company. The commenter does not provide facts to show illegal discriminatory or other illegal credit practices. These comments have been submitted to the OCC for consideration.

30. A commenter contends that anecdotal evidence from the organization's credit counsellors shows that First Union makes mortgages on property in Prince Georges County, Maryland, but rejects comparable mortgages on property in Washington, D.C. The commenter also describes a case in which a husband and wife were denied a loan by First Union because the husband had no credit history, and several commenters cite a complaint of substandard service to an accountholder of Home Savings Bank after the savings association was acquired by First Union. These matters have been considered in light of the overall record of First Union.

31. Commenters contend that consummation of the proposal could result in significant job losses. The convenience and needs factor has been consistently interpreted by the federal banking agencies, the courts, and Congress to relate to the effect of a proposal on the availability and quality of banking services in the community, and does not extend to the effect of a proposed acquisition on employment in a community. *See Wells Fargo & Company*, 82 *Federal Reserve Bulletin* 445, 457 (1996).

32. The Board has considered commenters' requests to delay consideration of the proposal until they have had an opportunity to receive and comment on the 1997 CRA performance evaluations of First Union's subsidiary banks by the OCC and the report of First Union's small business lending data for 1996. The Board also has considered one commenter's contentions that the record contains insufficient information regarding litigation involving First Union.

To allow interested persons to provide information, analyses, and arguments regarding the record of an applicant and other relevant companies, the Board provides a public comment period for all bank acquisition proposals. In this case, the Board has provided interested persons a period of approximately 47 days to submit their views, and any relevant information and analyses regarding the proposal. Delay of consideration of this proposal to permit commenters to obtain and comment on information that may become available in the future is unwarranted in this case and would prevent consideration of this proposal at any time because new information and reports are continuously available. Commenters have provided substantial submissions that have been considered by the Board as discussed above. Based on all the facts available to the Board, including supervisory information, and for all the reasons discussed in the order, the Board concludes that the record of the proposal contains sufficient facts to warrant action at this time, and that delay or denial of the proposal on the basis that the record is factually incomplete is not warranted.

Nonbanking Activities

First Union also has filed notice, pursuant to section 4(c)(8) of the BHC Act, to acquire the nonbanking subsidiary of Signet and thereby engage in providing lending, trust and fiduciary, investment advisory, discount brokerage, insurance, futures commission merchant, foreign exchange advisory, and transactional services. The Board previously has determined by regulation that each of these activities is closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[33] First Union proposes to conduct the activities in accordance with Regulation Y and relevant Board interpretations and orders.

In order to approve this proposal, the Board also must determine that the performance of the proposed activities is a proper incident to banking, that is, that the proposed transaction "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[34] As part of its evaluation of these factors, the Board considers the financial and managerial resources of the notificant, its subsidiaries, and any company to be acquired; the effect the transaction would have on such resources; and the management expertise, internal control and risk-management systems, and capital of the entity conducting the activity.[35] For the reasons discussed above, and based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of these notices.

The Board also has carefully considered the competitive effects of the proposed acquisition of Signet's nonbanking subsidiaries. The Board notes that each of the markets for the nonbanking services is unconcentrated, and that there are numerous providers of the services. Consummation of the proposal, therefore, would have a *de minimis* effect on competition, and the Board has determined that the proposal would not have a significantly adverse effect on competition in any relevant market.

First Union has indicated that the proposed transaction would result in an increased ability to serve the needs of its customers, and would allow the combined organization to provide both existing and new customers with a broader range of products and services through an expanded delivery system and enhanced technology. First Union also has indicated that the proposed acquisition would create a stronger organization and result in operational efficiencies, allowing the combined organization to be a more effective competitor. Additionally, there are public benefits to be derived from both permitting capital markets to operate so that bank holding companies can make potentially profitable investments in nonbanking companies when those investments are consistent, as in this case, with the relevant considerations under the BHC Act, and from permitting banking organizations to allocate their resources in the manner they consider most efficient.

Based on the foregoing and all the other facts of record, the Board has concluded that consummation of the proposal would not result in adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that would not be outweighed by the public benefits of the proposal. Accordingly, based on all the facts of record, the Board has determined that the balance of public benefits that the Board must consider under the proper incident to banking standard of section 4(c)(8) of the BHC Act is favorable and consistent with approval of the proposal.

Conclusion

The Board has carefully considered all the facts of record, including all comments received on the proposal and responses from First Union. Based on all these facts, including all the commitments and representations made by First Union, and subject to all of the terms and conditions set forth in this order, the Board has determined that the application and notice should be, and hereby are, approved.[36] This determination is subject to all the conditions set forth in the Board's Regulation Y, including those in sections 225.7 and 225.25(c), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries 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 Board's decision is specifically condi-

33. *See* 12 C.F.R. 225.28(b)(1), (b)(5), (b)(6), (b)(7), (b)(8) and (b)(11)(iv).

34. *See* 12 U.S.C. § 1843(c)(8).

35. *See* 12 C.F.R. 225.26.

36. Several commenters have requested a 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, the Board has not received such a recommendation from any state supervisory authority. The BHC Act, furthermore, and the Board's rules thereunder, provide for a hearing on a notice under section 4 of the BHC Act only if the proposal involves the acquisition of a savings association. *See* 12 U.S.C. § 1843(c)(8). This case does not involve the acquisition of a savings association.

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. 225.16(e) and 225.25(a)(2). The Board has carefully considered commenters' requests for a hearing in light of all the facts of record. In the Board's view, the commenters had ample opportunity to submit their views, and have submitted written comments that have been carefully considered by the Board in acting on the application. The requests of the commenters fail to demonstrate why their written presentations do not adequately present their evidence, allegations, and views. After a careful review of all the facts of record, moreover, the Board has concluded that commenters dispute the weight that should be accorded to, and the conclusions that the Board should draw from, the facts of record, but do not identify disputed issues of fact that are material to the Board's decision. For these reasons, and based on all the facts of record, the Board has determined that a public hearing or meeting is not required or warranted to clarify the factual record in the application, or otherwise warranted in this case. Accordingly, the request for a hearing on the proposal is hereby denied.

tioned on compliance with all the commitments and representations made in the notice, including the commitments and conditions discussed in this order. The commitments, representations, and conditions relied on in reaching this decision 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.

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

By order of the Board of Governors, effective October 14, 1997.

This action was taken pursuant to the Board's Rules Regarding Delegation of Authority (12 C.F.R. 265.4(b)(1)) by a committee of Board members. Voting for this action: Vice Chair Rivlin and Governors Phillips, and Meyer. Absent and not voting: Chairman Greenspan and Governor Kelley.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix A

Nonbanking Subsidiaries and Activities of Signet

First Union proposes to acquire all the voting shares of the following nonbanking subsidiaries of Signet:[1]

(a) Signet Commercial Credit Corporation, Richmond, Virginia, and thereby engage in making revolving extensions of credit secured by inventory, accounts receivable and similar security interests, pursuant to section 225.28(b)(1) of Regulation Y.
(b) Signet Financial Services, Inc., Richmond, Virginia, and thereby engage in providing discount brokerage services, pursuant to section 225.28(b)(7) of Regulation Y.
(c) Signet Insurance Services, Inc., Richmond, Virginia, a grandfathered insurance subsidiary, and thereby engage in providing life and property/casualty insurance, as agent, pursuant to section 225.28(b)(11)(iv) of Regulation Y.
(d) Signet Strategic Capital Corporation, Richmond, Virginia, and thereby engage in providing futures commission merchant services and foreign exchange advisory and transactional services, pursuant to sections 225.28(b)(7) and (8) of Regulation Y.
(e) Signet Trust Company, Richmond, Virginia, and thereby engage in providing trust services, pursuant to section 225.28(b)(5) of Regulation Y.
(f) Virtus Capital Management, Inc., Baltimore, Maryland, and thereby engage in providing investment advisory services, pursuant to section 225.28(b)(6) of Regulation Y.

1. First Union also proposes to acquire Signet Nequity Corporation, an inactive subsidiary of Signet. First Union has no present plans to conduct any activities through this company.

Appendix B

(1) Banking markets in which consummation of the proposal would not exceed DOJ Guidelines without divestitures.

Annapolis: Approximated by the Annapolis, Maryland, Ranally Metropolitan Area ("RMA"). After consummation of the proposal, First Union would control 2.3 percent of the market deposits and would become the third largest depository institution in the market. The HHI would increase 3 points to 1112.

Baltimore: Approximated by the Baltimore, Maryland, RMA and the rest of Harford County. After consummation of the proposal, First Union would control 14.5 percent of the market deposits and would become the third largest depository institution in the market. The HHI would increase 101 points to 1185.

Fredericksburg: Approximated by Fredericksburg, Virginia, and the counties of Caroline, King George, Spotsylvania, and Stafford, excluding the Washington, D.C.-Maryland-Virginia RMA portion. After consummation of the proposal, First Union would control 7.8 percent of the market deposits and would become the third largest depository institution in the market. The HHI would increase 25 points to 1302.

Johnson City/Kingsport/Bristol: Approximated by the Johnson City-Kingsport-Bristol, Tennessee-Virginia, RMA and Unicoi County, Tennessee, and the rest of the Tennessee counties of Carter and Washington and Scott County, Virginia. After consummation of the proposal, First Union would control 8.2 percent of the market deposits and would become the third largest depository institution in the market. The HHI would increase 32 points to 1332.

Newport News/Hampton: Approximated by the Newport News-Hampton, Virginia, RMA and the rest of James City County. After consummation of the proposal, First Union would control 11.7 percent of the market deposits and would become the third largest depository institution in the market. The HHI would increase 68 points to 1477.

Norfolk/Portsmouth: Approximated by the Norfolk-Portsmouth, Virginia, RMA and Currituck County, North Carolina. After consummation of the proposal, First Union would control 12.0 percent of the market deposits and would become the third largest depository institution in the market. The HHI would increase 68 points to 1174.

Norton: Approximated by Norton, Virginia, and Wise County, Virginia. After consummation of the proposal, First Union would control 33.7 percent of the market deposits and would become the third largest depository institution in the market. The HHI would increase 135 points to 2058.

Pulaski/Radford: Approximated by Pulaski-Radford, Virginia, and the counties of Montgomery and Pulaski. After consummation of the proposal, First Union would control

11.1 percent of the market deposits and would become the third largest depository institution in the market. The HHI would increase 62 points to 1408.

Richmond/Petersburg: Approximated by the Richmond-Petersburg, Virginia, RMA and the rest of the counties Chesterfield, Dinwiddie, Goochland, Hanover, Henrico, Powhatan, and Prince George, and the counties of Charles City, King William, and New Kent, Virginia. After consummation of the proposal, First Union would control 25.7 percent of the market deposits and would become the third largest depository institution in the market. The HHI would increase 125 points to 1606.

Washington, D.C.: Approximated by the Washington, D.C.-Maryland-Virginia RMA and the rest of Loudoun County, Virginia. After consummation of the proposal, First Union would control 15.1 percent of the market deposits and would become the third largest depository institution in the market. The HHI would increase 61 points to 1103.

(2) Banking markets in which consummation of the proposal would not exceed DOJ Guidelines with divestitures, all in Virginia.

Roanoke: Approximated by the Roanoke RMA and the rest of the counties of Botetourt and Roanoke, and Boones Mill in Franklin County. After consummation of the proposal and the proposed divestitures to an out-of-market competitor, First Union would control 38.9 percent of the market deposits and would become the largest depository institution in the market. The HHI would increase 175 points to 1968.

Galax: Approximated by Galax and the counties of Carroll and Grayson, excluding the portion that is within the Mount Airy, North Carolina, banking market. After consummation of the proposal and the proposed divestitures to an out-of-market competitor, First Union would control 22.5 percent of the market deposits and would become the largest depository institution in the market. The HHI would increase 186 points to 1759.

Russell: Approximated by Russell County. After consummation of the proposal and the proposed divestitures to an out-of-market competitor, First Union would control 30.3 percent of the market deposits and would become the largest depository institution in the market. The HHI would increase 175 points to 2916.

Wachovia Corporation
Winston-Salem, North Carolina

Order Approving the Merger of Bank Holding Companies

Wachovia Corporation, Winston-Salem, North Carolina ("Wachovia"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to merge with Central Fidelity Banks, Inc. ("CFB"), and thereby acquire CFB's subsidiary bank, Central Fidelity National Bank ("CFB Bank"), both in Richmond, Virginia.[1] Wachovia also has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire CFB's nonbank subsidiary, CFB Insurance Agency, Inc., Richmond, Virginia ("Insurance Agency"), and thereby engage in credit life insurance activities pursuant to section 225.28(b)(11)(i) of Regulation Y (12 C.F.R. 225.28(b)(11)(i)).

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 44,130 (1997)). The time for filing comments has expired, and the Board has considered the proposals and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

Wachovia, with total consolidated assets of $47.6 billion, is the 21st largest banking organization in the United States, controlling approximately 1.2 percent of the total banking assets of insured commercial banks in the nation ("total banking assets").[2] The subsidiary banks of Wachovia operate in North Carolina, South Carolina, and Virginia. Wachovia also engages through other subsidiaries in a number of permissible nonbanking activities. CFB, with total consolidated assets of $10.6 billion, is the 58th largest banking organization in the United States, controlling less than 1 percent of total banking assets in the nation. CFB operates one subsidiary bank, which is located in Virginia, and engages through a subsidiary in permissible nonbanking activities. On consummation of the proposal, Wachovia would become the 16th largest banking organization in the United States, with consolidated assets of $58.2 billion, representing approximately 1.4 percent of the total banking assets in the United States.

Wachovia is the seventh largest depository institution in Virginia, controlling $1.8 billion in deposits, representing approximately 2.5 percent of total deposits in depository institutions in Virginia.[3] CFB is the third largest depository institution in Virginia, controlling approximately $8 billion in deposits, representing approximately 11.1 percent of total deposits in depository institutions in the state. On consummation of the proposal, and taking into account all proposed divestitures, Wachovia would become the second largest depository institution in Virginia, controlling $9.6 billion in deposits, representing approximately 13.2 percent of total deposits in depository institutions in Virginia.

1. Wachovia also has requested the Board's approval to exercise an option to purchase up to 19.9 percent of the voting shares of CFB. The option would terminate on consummation of the proposal.

2. Asset data are as of June 30, 1997. State and market data are as of June 30, 1996, adjusted to reflect Wachovia's acquisition of Jefferson Bancshares, Inc., Charlottesville, Virginia.

3. In this context, depository institutions include commercial banks, savings banks, and savings associations.

Interstate Banking 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 a bank located in a state other than the home state of such bank holding company if certain conditions are met.[4] For purposes of the BHC Act, the home state of Wachovia is North Carolina, and Wachovia proposes to acquire a bank located in Virginia. The conditions for an interstate acquisition under section 3(d) are met in this case.[5] In view of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Competitive Considerations

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

Wachovia and CFB compete directly in ten banking markets. The Board has carefully reviewed the competitive effects of the proposal in these banking markets in light of all the facts of record, including the number of competitors that would remain in the markets, the characteristics of the markets, the projected increase in the concentration of total deposits in depository institutions in the markets ("market deposits"),[6] as measured by the Herfindahl–Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines"),[7] and commitments made by Wachovia to divest certain branches.[8] Consummation of the proposal would be consistent with the DOJ Guidelines in seven banking markets without divestitures and in two additional banking markets with divestitures.[9]

Consummation of the proposal in the remaining banking market—the Charlottesville, Virginia, banking market ("Charlottesville banking market")[10]—would exceed the DOJ guidelines with the proposed divestiture. The HHI would increase 277 points to 2237, and Wachovia would become the largest depository institution in the market, controlling approximately 36.8 percent of market deposits.

In evaluating the competitive effects of the proposal in the Charlottesville banking market, the Board has considered that, following consummation of the proposal, seven competitors, in addition to Wachovia, would remain in the market, including a large bank holding company competitor with a substantial share of market deposits. In addition, the proposed transaction would not decrease the number of competitors in the Charlottesville banking market because Wachovia would divest nine branches to an out-of-market competitor.

The Board also has considered that the Charlottesville banking market is attractive for entry. The Charlottesville Metropolitan Statistical Area ("MSA"), for example, which closely approximates the Charlottesville banking market, substantially exceeds all MSAs in the southeastern United States with respect to median household income, per capita income, and percentage of households with income over $50,000. In addition, two commercial banks recently announced plans to enter the banking market *de novo*.

The Board sought comments from the office of the United States Attorney General ("Attorney General") and the Office of the Comptroller of the Currency ("OCC") on the competitive effects of the proposal. The Attorney Gen-

4. Pub. L. No. 103-328, 108 Stat. 2338 (1994). A bank holding company's home state is the 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.

5. *See* 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). Wachovia is adequately capitalized and adequately managed. In addition, on consummation of the proposal, Wachovia 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 Virginia. CFB Bank also has been in existence and continuously operated for at least the minimum period required under Virginia law. All other requirements of section 3(d) of the BHC Act also would be met on consummation of the proposal.

6. 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). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

7. Under the DOJ Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is more than 1800 is considered highly concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal threshold for an increase in the HHI when screening bank mergers and acquisitions for anticompetitive effects implicitly recognizes the competitive effects of limited-purpose lenders and other non-depository financial entities.

8. In each market in which Wachovia has committed to divest offices to mitigate the anticompetitive effects of the proposal, Wachovia has committed to execute sales agreements with a competitively suitable purchaser prior to consummation of the acquisition of CFB and to complete the divestitures within 180 days of consummation of the acquisition. Wachovia also has committed that, in the event it is unsuccessful in completing any divestiture within 180 days of consummation of the proposal, Wachovia will transfer the unsold branch(es) to an independent trustee that is acceptable to the Board and that will be instructed to sell the branches promptly. *BankAmerica Corporation*, 78 *Federal Reserve Bulletin* 338 (1992); *United New Mexico Financial Corporation*, 77 *Federal Reserve Bulletin* 484 (1991). Wachovia has further committed that, prior to consummation, it will submit to the Board an executed trust agreement acceptable to the Board stating the terms of these divestitures.

9. These banking markets are discussed in the Appendix.

10. The Charlottesville banking market is approximated by the Charlottesville Ranally Metropolitan Area ("RMA"), the remainder of Albemarle County, plus Fluvanna, Greene, and Nelson Counties, all in Virginia.

eral has advised the Board that, in light of the proposed divestitures, it does not object to consummation of the proposal. The OCC also has not objected to consummation of the proposal. Based on all the facts of record, including the proposed divestitures, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in the Charlottesville banking market or in any relevant banking market.

Other Considerations

The BHC Act also requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in the proposal, the convenience and needs of the communities to be served, and certain supervisory factors. Based on all the facts of record, the Board concludes that the financial and managerial resources and the future prospects of Wachovia, CFB, and their respective subsidiaries are consistent with approval, as are the other supervisory factors that the Board must consider under section 3 of the BHC Act. In addition, considerations relating to the convenience and needs of the communities to be served are consistent with approval of the proposal.[11]

Wachovia also has filed notice, under section 4(c)(8) of the BHC Act to acquire Insurance Agency and thereby engage in credit life insurance activities. The Board has determined by regulation that credit life insurance activities are closely related to banking, and Wachovia has committed to conduct these activities in accordance with Regulation Y.[12] In order to approve the proposal, the Board also must determine that the proposed activities are a proper incident to banking, that is, that the proposed transaction "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[13] As part of the Board's evaluation of these factors, the Board considers the financial and managerial resources of the notificant and its subsidiaries, including any company to be acquired, and the effect the transaction would have on such resources.[14] For the reasons noted above, and based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of the proposal.

The Board also has considered the competitive effects of the proposed acquisition of Insurance Agency. Wachovia operates a nonbanking subsidiary that engages in credit life insurance activities. This subsidiary, however, does not compete with Insurance Agency in any relevant market. As a result, the Board has concluded that the proposal would not result in a significantly adverse effect on competition in any relevant market. In addition, the Board expects that the acquisition would provide added convenience to CFB's customers and the public. Accordingly, based on all the facts of record, the Board has determined that the balance of public benefits that the Board must consider under the proper incident to banking standard of section 4(c)(8) of the BHC Act is favorable and consistent with approval of the proposal.

Conclusion

Based on the foregoing and all the other facts of record, the Board has determined that the application and notice should be, and hereby are, approved. The Board's approval is specifically conditioned on compliance by Wachovia with all the commitments made in connection with the proposal, including the divestiture commitments discussed in this order.

The Board's determination on the nonbanking activities also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y (12 C.F.R. 225.7 and 225.25(c)), 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 CFB Bank shall not be consummated before the fifteenth calendar day following the effective date of this order, and the proposal shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective October 20, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

A. Banking markets in which consummation of the proposal would not exceed the DOJ Guidelines:

(1) *Fredericksburg Banking Market:* The Fredericksburg banking market is approximated by Caroline, King George, Spotsylvania, and Stafford Counties, and the City of Fredericksburg, all in Virginia, except for the portions of these counties that are included in the Washington DC-MD-VA

11. The Board received a comment from the Piedmont Housing Alliance stating that the proposal would broaden the financial services and assets available to the region.

12. *See* 12 C.F.R. 225.28(b)(11)(i).

13. *See* 12 U.S.C. § 1843(c)(8).

14. *See* 12 C.F.R. 225.26.

RMA. After consummation of the proposal, Wachovia would control 11.5 percent of market deposits and would become the fifth largest depository institution in the market. The HHI would increase by 63 points to 1280.

(2) *Harrisonburg Banking Market:* The Harrisonburg banking market is approximated by Rockingham County and the City of Harrisonburg, both in Virginia. After consummation of the proposal, Wachovia would control 10.4 percent of market deposits and would become the fifth largest depository institution in the market. The HHI would increase by 37 points to 1391.

(3) *Newport News/Hampton Banking Market:* The Newport News/Hampton banking market is approximated by the Newport News-Hampton, Virginia RMA plus the remainder of James City County. After consummation of the proposal, Wachovia would control 15.8 percent of market deposits and would become the third largest depository institution in the market. The HHI would increase by 39 points to 1414.

(4) *Norfolk/Portsmouth Banking Market*: The Norfolk/ Portsmouth banking market is approximately by the Norfolk-Portsmouth, Virginia RMA plus Currituck County, North Carolina. After consummation of the proposal, Wachovia would control 18.6 percent of market deposits and would become the largest depository institution in the market. The HHI would increase by 47 points to 1070.

(5) *Richmond/Petersburg Banking Market:* The Richmond/ Petersburg banking market is approximated by the Richmond-Petersburg, Virginia RMA, the remainder of Chesterfield, Dinwiddie, Goochland, Hanover, Henrico, Powhatan, and Prince George Counties, and Charles City, King William, and New Kent Counties, all in Virginia. After consummation of the proposal, Wachovia would control 16.5 percent of market deposits and would become the third largest depository institution in the market. The HHI would increase by 78 points to 1469.

(6) *Washington, D.C. Market:* The Washington, D.C. banking market is approximated by the Washington DC-MD-VA RMA and the remainder of Loudon County, Virginia. After consummation of the proposal, Wachovia would control 3 percent of market deposits and would become the eighth largest depository institution in the market. The HHI would increase by 1 point to 1038.

(7) *Winchester Banking Market:* The Winchester banking market is approximated by Clark and Frederick Counties, the City of Winchester, and the town of Strasburg, all in Virginia, and Hampshire County, West Virginia. After consummation of the proposal, Wachovia would control 12.1 percent of market deposits and would become the third largest depository institution in the market. The HHI would increase by 61 points to 1718.

B. Banking markets in which consummation of the proposal would not exceed the DOJ Guidelines with divestitures:

(1) *Culpeper Banking Market:* The Culpeper banking market is approximated by Culpeper County, Virginia. After divestiture of one branch and consummation of the proposal, Wachovia would control 44.6 percent of market deposits and would become the largest depository institution in the market. The HHI would increase 135 points to 3772.

(2) *Farmville Banking Market*: The Farmville banking market is approximated by Cumberland and Prince Edward Counties and the City of Farmville, all in Virginia. After divestiture of one branch and consummation of the proposal, Wachovia would control 26.2 percent of market deposits and would become the largest depository institution in the market. The HHI would not increase.

Orders Issued Under Bank Merger Act

Centura Bank
Rocky Mount, North Carolina

Order Approving Acquisition and Establishment of Bank Branches

Centura Bank, a state member bank in Rocky Mount, North Carolina ("Centura"), has requested the Board's approval under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act") to acquire five branches of NationsBank, N.A., Charlotte, North Carolina ("NationsBank NC"). Centura also has applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321) to establish branches at the locations of the NationsBank NC branches to be acquired.[1]

Notice of the applications, affording interested persons an opportunity to submit comments, has been given in accordance with the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. 262.3(b)). As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency ("OCC"), and the Federal Deposit Insurance Corporation ("FDIC"). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in the Bank Merger Act and section 9 of the Federal Reserve Act.

Centura is a subsidiary of Centura Banks, Inc., Rocky Mount, North Carolina, which is the sixth largest commercial banking organization in North Carolina, controlling $4.6 billion of deposits, representing 6 percent of total deposits in commercial banking organizations in the state.[2] The five branches of NationsBank NC to be acquired control deposits of $98.7 million, representing less than 1 percent of deposits in the state. On consummation of the proposal, Centura Banks, Inc., would remain the sixth largest commercial banking organization in North Carolina, controlling $4.7 billion of deposits, representing 6 percent of total deposits in commercial banking organizations in the state.

1. The branches are listed in Appendix A.

2. State data are as of June 30, 1996, and have been updated to reflect transactions as of June 30, 1997.

Competitive Considerations

The Bank Merger Act provides that the Board may not approve an application if the effect of the acquisition is to create a monopoly or substantially to lessen competition in any section of the country unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community.[3] In evaluating the competitive factors in this case, the Board has carefully considered the comments of individuals ("commenters") who maintain that the proposal would create a monopoly for banking services in the town of Hertford in Perquimans County, North Carolina.

The Board and the courts have found that the relevant geographic market for analyzing the competitive effect of a proposal must reflect commercial and banking realities and should consist of the local area where the banks involved offer their services and where local customers can practicably turn for alternatives.[4] In making a determination on the geographic market in this case, the Board has considered worker commuting patterns (as indicated by census data) and other indicia of economic integration and transmission of competitive forces among depository institutions.

Perquimans County is a small county in the northeast corner of North Carolina.[5] Census Bureau data for 1990 indicate that 58 percent of the workers who reside in Perquimans County work outside the county and that 27 percent of Perquimans County residents commute to Elizabeth City in the adjacent county of Pasquotank County, North Carolina. Elizabeth City is approximately 15 miles from Hertford and has a population of approximately 19,700. Hertford, which has a population of approximately 2244, is connected to Elizabeth City by U.S. Highway 17.

In addition to having the area's major employers, Elizabeth City has a shopping mall, hospital, and movie theaters. Perquimans County has none of these facilities. Elizabeth City also has the area's only daily newspaper and radio station, thereby providing the primary advertisement media for Perquimans County residents.

Based on all the facts of record, and for the reasons discussed above, the Board concludes that the relevant banking market for assessing the competitive effects of this proposal includes Perquimans and Pasquotank Counties, in addition to Camden County ("Tri-County banking market").

Centura is the second largest depository institution in the Tri-County banking market, controlling deposits of approximately $89 million, representing approximately 19 percent of the total deposits in depository institutions in the market ("market deposits").[6] The NationsBank NC branch to be acquired is the seventh largest depository institution in the banking market, controlling deposits of approximately $17 million, representing approximately 4 percent of market deposits. On consummation of the proposal, Centura would remain the second largest depository institution in the Tri-County banking market, controlling deposits of approximately $106 million, representing approximately 23 percent of market deposits. The market, as measured by the Herfindahl–Hirschman Index ("HHI"), would remain moderately concentrated after consummation of the transaction, and the HHI would increase 145 points to 1765.[7] Eight other depository institutions would remain as competitors in the Tri-County banking market.

Centura and NationsBank NC also compete in the Jacksonville, Raleigh, Statesville and Wilmington banking markets, all in North Carolina. *See* Appendix B. Numerous competitors would remain in each market; in each market, the branch to be acquired is small in relation to the total market deposits; and consummation of the transaction would not alter relevant measures of market concentration. The Department of Justice has reviewed the proposal and advised the Board that consummation of the proposal would not likely have any significantly adverse competitive effects in these banking markets or any relevant banking market.[8]

In light of all the facts of record, the Board concludes that consummation of the proposal would not result in any significantly adverse effects on competition or the concentration of banking resources in the Tri-County banking market or any other relevant banking market.[9]

3. 12 U.S.C. § 1828(c)(5).

4. *See St. Joseph Valley Bank*, 68 *Federal Reserve Bulletin* 673 (1982). The key question to be considered in making this selection "is not where the parties to the merger do business or even where they compete, but where, within the area of competitive overlap, the effect of the merger on competition will be direct and immediate." *United States v. Philadelphia Nat'l Bank*, 374 U.S. 321, 374 (1963); *United States v. Phillipsburg Nat'l Bank*, 399 U.S. 350 (1969).

5. The county has an area of approximately 247 square miles and a population of approximately 10,900.

6. Market data are as of June 30, 1996. In this context, depository institutions include commercial banks, savings banks, and savings associations. Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin*ñ

7. As discussed in Appendix B, the HHI for the Jacksonville, Raleigh, Statesville and Wilmington banking markets would not increase as a result of the proposal. 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.

8. The OCC and the FDIC also have not objected to the proposal.

9. Some commenters contend that no alternative provider of banking services would remain in Hertford if the acquisition was made. Another commenter maintains that the loss of a banking organization would adversely affect economic development in Perquimans County. As discussed, eight depository institution competitors would remain in the relevant banking market, including a savings association in Hert-

Other Considerations

The Board has carefully considered the financial and managerial resources and future prospects of Centura and NationsBank NC in light of all the facts of record. The facts of record include supervisory reports of examination assessing the financial and managerial resources of the organizations and financial information provided by Centura. The Board notes that Centura is in satisfactory financial condition and would remain so after consummation of the proposal. In addition, reports of examination assessing the managerial resources of Centura indicate this factor is consistent with approval.

Based on all the facts of record, the Board concludes that considerations related to the financial and managerial resources and future prospects of the institutions involved are consistent with approval. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval of this application, as are the factors required to be considered under the Federal Reserve Act.

Conclusion

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 the proposal is specifically conditioned on compliance by Centura with all 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 proposed acquisition of the NationsBank NC branches 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 Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective October 6, 1997.

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

BARBARA R. LOWREY
Associate Secretary of the Board

ford. In addition, Centura received a "satisfactory" rating under the Community Reinvestment Act at its most recent performance rating and offers a wide range of services and products to help in meeting the credit needs of all its communities. Examiners noted that Centura offered a variety of products, including residential mortgages, residential construction, home improvement, small business, commercial, consumer, agricultural, and community development loans and that these products were considered responsive to the significant credit needs in the various communities.

Appendix A

Branch offices of NationsBank NC to be established by Centura, all in North Carolina:

Address	City	State Zip
1. 10267 Beach Drive, SW	Calabash	28467
2. 100 East Cumberland Street	Dunn	28334
3. 3364 Harmany Highway	Harmony	28634
4. 8800 Richland Highway	Richlands	28574
5. 400 West Grubb Street[1]	Hertford	27944

Appendix B

Other local banking markets where Centura and NationsBank NC compete, all in North Carolina:

(1) *Jacksonville*—approximated by the Jacksonville RMA and the rest of Onslow County. After consummation of the proposal, Centura would control 17.6 percent of the market deposits and would remain the fourth largest depository institution in the market. The HHI would not increase and would be 2484 points.

(2) *Raleigh*—approximated by the Raleigh RMA and the rest of Franklin, Harnett, Johnston, and Wake Counties. After consummation of the proposal, Centura would control 6.5 percent of the market deposits and would remain the seventh largest depository institution in the market. The HHI would not increase and would be 1390 points.

(3) *Statesville*—approximated by Iredell County, excluding the portion of Iredell County that is in the Charlotte-Rock Hill banking market. After consummation of the proposal, Centura would control 6.6 percent of the market deposits and would become the fourth largest depository institution in the market. The HHI would not increase and would be 2110 points.

(4) *Wilmington*—approximated by the Wilmington RMA and the rest of Brunswick and Pender Counties. After consummation of the proposal, Centura would control 8.5 percent of the market deposits and would remain the fifth largest depository institution in the market. The HHI would not increase and would be 1679 points.

ORDERS ISSUED UNDER INTERNATIONAL BANKING ACT

Crédit Agricole Indosuez
Paris, France

Order Approving Establishment of Branches and Representative Offices

Crédit Agricole Indosuez, Paris, France ("Bank"), a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under sections 7(d) and 10(a) of

1. The loans and deposits of the NationsBank NC Hertford branch will be transferred to the existing Centura branch, which is less than one mile away.

the IBA (12 U.S.C. §§ 3105(d) and 3107(a)) to establish state-licensed branches in Chicago, Illinois, and New York, New York; and representative offices in Houston, Texas, and San Francisco, California. The Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"), which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a branch or representative office in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in Chicago (*Chicago Tribune*, July 3, 1997); New York (*The New York Times*, July 10, 1997); Houston (*Houston Chronicle*, July 2, 1997); and San Francisco (*San Francisco Chronicle*, July 2, 1997). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank has total assets equivalent to approximately $88 billion.[1] Caisse Nationale de Crédit Agricole, Paris, France ("CNCA"), a foreign bank, holds 100 percent of the shares of Bank.[2]

Bank engages in a wide range of banking and capital market activities worldwide directly and through subsidiaries. Bank currently operates a state-licensed branch in New York, New York. In addition, Bank operates a number of U.S. subsidiaries engaged in, among other activities, securities and futures trading, leasing, financing, brokerage, and financial consulting activities.

In the United States, CNCA operates branches in Chicago, Illinois, and New York, New York; and representative offices in Houston, Texas, and San Francisco, California. Bank proposes to acquire through merger the U.S. banking operations of CNCA as part of a restructuring of the worldwide operations of CNCA and Bank. After the restructuring and the establishment of the proposed offices by Bank, CNCA and Bank would remain qualifying foreign banking organizations within the meaning of Regulation K. (12 C.F.R. 211.23(b)).

CNCA acquired 53 percent of Bank on July 1, 1996.[3] CNCA's home state under the IBA and Regulation K is Illinois and Bank's home state is New York. Collectively, CNCA and Bank are entitled to only one home state under Regulation K.[4] On approval of the proposed offices by the Board and the relevant state banking authorities, CNCA would change its home state to New York.[5]

Bank proposes to establish a branch in Illinois, which is outside of Bank's home state.[6] Under section 5(a)(2) of the IBA,[7] a foreign bank, with the approval of the Board and the appropriate state banking supervisor, may establish and operate a state-licensed branch outside the home state of the foreign bank to the extent a state bank with the same home state as the foreign bank could do so under section 44 of the Federal Deposit Insurance Act (FDI Act).[8] Bank proposes to acquire through the proposed merger all of the U.S. banking operations of CNCA, a transaction that would constitute an interstate merger transaction as defined in the FDI Act.[9] Section 44(a) of the FDI Act permits the Board to approve a merger transaction under the Bank Merger Act between state banks with different home states provided neither of the states has elected to prohibit interstate merger transactions pursuant to section 44(a)(2) of the FDI Act. New York and Illinois both permit interstate merger transactions.[10] Accordingly, the proposed interstate merger transaction would be permitted under section 44 of the FDI Act and the Board is permitted to approve the establishment by Bank of the branch outside its home state of New York provided the remaining criteria of section 5(a) of the IBA are met, including the criteria for establishment of a branch or agency.

In order to approve an application by a foreign bank to establish a branch or agency in the United States, the IBA and Regulation K require the Board to determine that the foreign bank applicant engages directly in the business of banking outside of the United States, and has furnished to the Board the information it needs to assess the application adequately. The Board also generally must determine that the foreign bank is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3105(d)(2); 12 C.F.R. 211.24(c)(1)).[11] The Board may also take into account additional standards as set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)).

1. Financial data are as of December 31, 1996.

2. CNCA is a cooperative bank organized under the laws of France. CNCA coordinates the operations of 57 regional and 2,775 local credit cooperatives. CNCA, together with its affiliated regional and local credit cooperatives, comprise the Crédit Agricole Group ("CA Group"). The CA Group has total consolidated assets equivalent to approximately $477 billion. The CA Group is the largest retail banking organization in France and the eighth largest banking organization in the world.

3. CNCA acquired the remainder of Bank's shares on December 23, 1996.

4. *See* 12 C.F.R. 211.22(c)(1). However, in connection with the acquisition of Bank's shares by CNCA the Board gave CNCA and Bank a limited period of time within which to conform to the home state requirements of Regulation K. *See* letter dated June 26, 1996, from Jennifer J. Johnson, Deputy Secretary of the Board, to Michael Bradfield, Esq.

5. Under Regulation K, a foreign bank may change its home state once. 12 C.F.R. 211.22(b).

6. Upon consummation of this proposal, CNCA would continue to operate its Illinois branch for a limited period of time in order to wind down its business in accordance with applicable law. Bank would limit temporarily the deposit-taking of its Illinois branch to that authorized for an Edge corporation operating under section 25A of the Federal Reserve Act until the Illinois branch of CNCA surrenders its license.

7. 12 U.S.C. § 3103(a)(2).

8. 12 U.S.C. § 1831u.

9. *See* 12 U.S.C. § 1831u(f)(6)&(7); 12 U.S.C. § 1828(c).

10. N.Y. [Banking] Law § 223 (McKinney Supp. 1997); 205 Ill. Comp. Stat. 5/21(c) (West 1997).

11. In acting on an application to establish a representative office, the Board must take into account the standards applicable to the establishment of a branch, agency, or commercial lending company. 12 U.S.C. § 3107(a)(2); 12 C.F.R. 211.24(d)(2). Because Bank has applied to establish branches and representative offices, the Board has made its findings with respect to the proposed representative offices in accordance with the stricter standards applicable to branch applications.

Section 5(a)(3) of the IBA also establishes additional criteria that must be met in order for the Board to approve the establishment of branches outside a foreign bank's home state under section 5(a)(2) of the IBA.

As noted above, CNCA and Bank engage directly in the business of banking outside the United States through banking operations in France and elsewhere. Bank also has provided the Board with the information necessary to assess the application through submissions that address the relevant issues.

Regulation K provides that a foreign bank will be considered to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised and regulated in such a manner that its home country supervisor receives sufficient information on the foreign bank's worldwide operations, including the relationship of the foreign bank to any affiliate, to assess the overall financial condition of the foreign bank and its compliance with law and regulation (12 C.F.R. 211.24(c)(1)).[12]

With respect to supervision by home country authorities, the Board has considered the following information. The Board previously has determined that CNCA is subject to comprehensive, consolidated home country supervision.[13] No material changes have occurred in the manner of CNCA's supervision since that time that would alter the Board's previous determination. In this case, Bank is supervised on the same terms and conditions as CNCA. Based on all facts of record, the Board has determined that CNCA and Bank are subject to comprehensive supervision on a consolidated basis by their home country supervisors.

The Board also has taken into account the additional standards set forth in section 7 of the IBA and Regulation K (*see* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). In this regard, the Banque de France has approved the establishment of the proposed offices.

France is a signatory to the Basle risk-based capital standards, and French risk-based capital standards meet those established by the Basle Capital Accord ("Accord"). Bank's capital is in excess of the minimum levels required by the Accord and can be considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Bank also are considered consistent with approval, and Bank appears to have the experience and capacity to support the proposed offices.

The Board has reviewed the restrictions on disclosure in certain jurisdictions where Bank and CNCA operate and has communicated with appropriate governmental authorities regarding access to information. Bank and CNCA have committed to make available to the Board such information on their operations and the operations of their affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable Federal law. To the extent that the provision of such information may be prohibited by law, Bank and CNCA have committed to cooperate with the Board in obtaining any consents or waivers that might be required from third parties for disclosure. In addition, subject to certain conditions, the Commission Bancaire may share information on Bank's and CNCA's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

Finally, with respect to the proposed establishment by Bank of a branch outside its home state pursuant to section 5(a)(2) of the IBA, the Board has determined that the additional conditions specified in section 5(a)(3) of the IBA are satisfied. The Board finds, pursuant to section 5(a)(3)(B) of the IBA, that the financial resources of Bank are equivalent to those required for a domestic bank to receive approval for interstate branching under section 44 of the FDI Act. The Board has consulted with the Department of the Treasury concerning capital equivalency. Additionally, the Board finds that all applicable requirements under section 5(a)(3)(C) of the IBA have been met.

On the basis of all the facts of record, and subject to the commitments made by Bank and CNCA, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish branches and representative offices should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank or any of its affiliates subsequently interfere with the Board's ability to determine the compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on compliance by Bank and CNCA with the commitments made in connection with this application, and with the conditions in this order.[14] The commitments

12. In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisors:

(i) Ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide;

(ii) Obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;

(iii) Obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;

(iv) Receive from the bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis;

(v) Evaluate 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.

13. *Caisse National de Crédit Agricole*, 81 *Federal Reserve Bulletin* 1055 (1995).

14. The Board's authority to approve the establishment of the proposed offices parallels the continuing authority of the states of California, Illinois, New York, and Texas to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of those states to license the proposed offices of

and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 against Bank, its offices, and its affiliates.

By order of the Board of Governors, effective October 27, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

The Cyprus Popular Bank, Ltd.
Nicosia, Cyprus

Order Approving Establishment of a Representative Office

The Cyprus Popular Bank, Ltd. ("Bank"), Nicosia, Cyprus, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in New York, New York. The Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in New York, New York (*The Wall Street Journal*, July 13, 1992). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank, with $5 billion in consolidated assets,[1] is a commercial bank chartered in Cyprus. The Hongkong and Shanghai Banking Corporation ("HSBC"), a commercial banking organization, and Lanitis EC Estates Ltd., a Cypriot property development company, each own more than 10 percent but less than 25 percent of the shares of Bank. Bank's remaining shares are widely held.

Bank is principally engaged in commercial and retail lending, trade finance, foreign exchange, and money market transactions. Bank operates approximately 140 branches in Cyprus, six branches in the United Kingdom, five representative offices in Australia, and representative offices in Canada and South Africa.[2] Bank does not engage, directly or indirectly, in any activities in the United States. The proposed representative office would provide market research, advisory, solicitation, and customer relations services on behalf of Bank.

In acting on an application to establish a representative office, the IBA and Regulation K provide that the Board shall take into account whether the foreign bank engages directly in the business of banking outside of the United States, has furnished to the Board the information it needs to assess adequately the application, is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor, and has provided adequate assurances of access to information on the operations of the bank and its affiliates to determine compliance with U.S. laws. (12 U.S.C. § 3107(a); 12 C.F.R. 211.24(d)). The Board also may take into account additional standards as set forth in the IBA (12 U.S.C. § 3105(d)(3),(4)) and Regulation K (12 C.F.R. 211.24(c)).

The Board previously has stated that the standards that apply to the establishment of a branch or agency need not in every case apply to the establishment of a representative office, because representative offices do not engage in a banking business and cannot take deposits or make loans.[3] In evaluating an application to establish a representative office under the IBA and Regulation K, the Board will take into account the standards that apply to the establishment of branches and agencies, subject generally to the following considerations. With respect to supervision by home country authorities, a foreign bank that proposes to establish a representative office should be subject to a significant degree of supervision by its home country supervisor.[4] A foreign bank's financial and managerial resources will be reviewed to determine whether its financial condition and performance demonstrate that it is capable of complying with applicable laws and has an operating record that would be consistent with the establishment of a representative office in the United States. Finally, all foreign banks, whether operating through branches, agencies or representative offices, will be required to provide adequate assurances of access to information on the operations of the bank and its affiliates necessary to determine compliance with U.S. laws.

With respect to home country supervision of Bank, the Board has considered the following information. Bank is subject to the supervisory authority of the Central Bank of Cyprus ("Central Bank"). The Central Bank is the supervisory authority for all banks licensed in Cyprus, including Bank. The Central Bank obtains information on Bank's financial condition and compliance with law through direct on-site examinations, which generally are conducted every one to two years. The examiners assess Bank's operations through the review of management, lending procedures, asset quality, liquidity management, capital adequacy, profitability, internal controls, and compliance with regulations

Bank in accordance with any terms or conditions that the states may impose.

1. Data are as of December 31, 1996.
2. Bank also holds a 57 percent ownership interest in European Popular Bank S.A., a commercial bank in Greece established as a joint venture among Bank, HSBC and other Cypriot corporations and individuals. In addition, Bank has six wholly owned nonbanking subsidiaries, all of which are registered in Cyprus, engaged in installment finance, insurance, investment banking, factoring, and property development.

3. *See* 58 *Federal Register* 6348, 6351 (1993).
4. *See Citizens National Bank*, 79 *Federal Reserve Bulletin* 805 (1993).

and guidelines. Examination findings are reviewed with Bank management. The Central Bank also meets with representatives of Bank and its external auditors each year to discuss any significant supervisory issues that may have arisen during examinations.

In addition to oversight through direct examinations, the Central Bank receives periodic financial reports from Bank. These include weekly liquidity returns as well as monthly balance sheets. Foreign exchange position reports are submitted quarterly, and income statements, capital adequacy reports, credit card operations reports, and reports on credit facilities to customers and directors are submitted semi-annually. The Central Bank uses these reports to identify problems and to verify regulatory compliance. Bank's financial statements are audited annually by an independent external auditor.

The Central Bank requires Bank to establish a system of internal monitoring and control that permits Bank to properly administer its operations. Bank monitors its domestic and overseas operations through periodic reports and on-site reviews by its internal audit staff. The proposed representative office would submit periodic reports to Bank's head office. Bank's internal auditors would conduct on-site examinations of the proposed representative office at least biannually, and senior Bank officers would visit the office periodically to ensure that the office is complying with applicable laws and regulations and with Bank policies and procedures.

Based on all the facts of record, the Board has determined that factors relating to the supervision of Bank by its home country supervisors are consistent with approval of the proposed representative office. The Board also has determined that, for purposes of the IBA and Regulation K, Bank engages directly in the business of banking outside of the United States through its operations in Cyprus. Bank has provided the Board with the information necessary to assess the application through submissions that address relevant issues.

The Board also has taken into account the additional standards set forth in section 7 of the IBA and Regulation K (*see* 12 U.S.C. § 3105(d)(3),(4); 12 C.F.R. 211.24(c)(2)). As noted above, the Central Bank does not object to Bank's establishing the proposed representative office.

The Board also has determined that the financial and managerial factors are consistent with approval of the proposed representative office. Bank appears to have the experience and capacity to support the proposed office and also has established controls and procedures for the proposed representative office to ensure compliance with U.S. law.

Finally, with respect to access to information about Bank's operations, the Board has reviewed the applicable provisions of law in relevant jurisdictions, and has communicated with appropriate government authorities regarding access to information. Bank has committed to make available to the Board such information on the operations of Bank and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable Federal law. To the extent that the provision of such information to the Board may be prohibited or impeded by law, Bank has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties in connection with disclosure of certain information. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a representative office should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank and any of its affiliates subsequently interfere with the Board's ability to determine the compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on Bank's compliance with the commitments made in connection with this application, and with the conditions in this order.[5] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 against Bank and its affiliates.

By order of the Board of Governors, effective October 27, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

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

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

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

Section 3

Applicant(s)	Bank(s)	Effective Date
Compass Bancshares, Inc., Birmingham, Alabama	GSB Investments, Inc., Gainesville, Florida Gainesville State Bank, Gainesville, Florida	October 10, 1997
Horizon Bancorp of South Arkansas, Inc., Magnolia, Arkansas	Horizon Bank of Columbia County, Magnolia, Arkansas	October 29, 1997

Section 4

Applicant(s)	Bank(s)	Effective Date
The Bank of New York Company, Inc., New York, New York	ESI Securities Company, New York, New York B-Trade Services LLC, New York, New York	October 27, 1997

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
Albrecht Financial Services, Inc., Norwalk, Iowa	Heartland Bankshares, Inc., Madrid, Iowa City State Bank, Grimes, Iowa	Chicago	October 15, 1997
Bank Capital Corporation, Strasburg, Colorado	Guaranty Corporation, Denver, Colorado	Kansas City	October 1, 1997
BEO Bancorp, Heppner, Oregon	Bank of Eastern Oregon, Heppner, Oregon	San Francisco	October 22, 1997
Centre 1 Bancorp, Inc., Beloit, Wisconsin	First Winnebago Corporation, Winnebago, Illinois First National Bank of Winnebago, Winnebago, Illinois	Chicago	October 1, 1997
Citizens Financial Corp., Midwest City, Oklahoma	U.S. National Bank, Midwest City, Oklahoma	Kansas City	October 21, 1997
Community First Bankshares, Inc., Fargo, North Dakota	First National Summit Bankshares, Inc., Gunnison, Colorado First National Summit Bank, Gunnison, Colorado	Minneapolis	October 16, 1997

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Community First Bankshares, Inc., Fargo, North Dakota	Republic National Bancorp, Inc., Phoenix, Arizona Republic National Bank of Arizona, N.A., Phoenix, Arizona	Minneapolis	October 16, 1997
Community National Corporation, Lexington, Tennessee	Community National Bank of Tennessee, Lexington, Tennessee	St. Louis	October 22, 1997
Cortez Investment Co., Cortez, Colorado	The Cortez State Bank, Cortez, Colorado	Kansas City	October 15, 1997
Exchange National Bancshares, Inc., Jefferson City, Missouri	Union State Bancshares, Inc., Clinton, Missouri Union State Bank and Trust Company of Clinton, Clinton, Missouri	St. Louis	October 7, 1997
FBOP Corporation, Oak Park, Illinois	First Capital Bank of Arizona, Phoenix, Arizona	Chicago	October 7, 1997
First Commercial Corporation, Little Rock, Arkansas	First Charter Bancshares, Inc., North Little Rock, Arkansas Charter State Bank, Beebe, Arkansas	St. Louis	September 26, 1997
First National Bank of Las Animas ESOP, Las Animas, Colorado	First Bankshares of Las Animas, Inc., Las Animas, Colorado	Kansas City	October 9, 1997
First United Bancshares, Inc., El Dorado, Arkansas	City Bank & Trust of Shreveport, Louisiana, Shreveport, Louisiana	St. Louis	October 14, 1997
F.N.B. Corporation, Hermitage, Pennsylvania	Mercantile Bank of Southwest Florida, Naples, Florida	Cleveland	October 16, 1997
Griffin Investments, L.P., Cameron, Missouri Griffin General Partner, Inc., Cameron, Missouri	Griffin Bancshares, Inc., Cameron, Missouri	Kansas City	October 22, 1997
Iron Bancshares, Inc., Salisbury, Connecticut	The National Iron Bank, Salisbury, Connecticut	Boston	October 10, 1997
Mahaska Investment Company, Oskaloosa, Iowa	Pella State Bank, Pella, Iowa	Chicago	October 10, 1997
MainStreet BankGroup Incorporated, Martinsville, Virginia	Commerce Bank Corporation, College Park, Maryland	Richmond	October 14, 1997
Marengo Bancshares, Inc., Marengo, Illinois	Prairie State Bank, Marengo, Illinois	Chicago	October 20, 1997
The Marine BanCorp, Inc., Chincoteague, Virginia	The Marine Bank, Chincoteague, Virginia	Richmond	October 9, 1997
Medford Bancorp, Inc., Medford, Massachusetts	Medford Savings Bank, Medford, Massachusetts	Boston	October 17, 1997
Mercantile Bank Corporation, Grand Rapids, Michigan	Mercantile Bank of West Michigan, Grand Rapids, Michigan	Chicago	October 15, 1997
National City Bancshares, Inc., Evansville, Indiana	Fourth First Bancorp, Huntingburg, Indiana First Bank of Huntingburg, Huntingburg, Indiana	St. Louis	October 9, 1997

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
New Amboy, Inc., Old Bridge, New Jersey Amboy Bancorporation, Old Bridge, New Jersey	Amboy National Bank, Old Bridge, New Jersey	New York	October 1, 1997
Olympian New York Corporation, Brooklyn, New York	Olympian Bank, Brooklyn, New York	New York	October 15, 1997
Olympic Bancorp, Inc., Port Orchard, Washington	Kitsap Bank, Port Orchard, Washington	San Francisco	September 25, 1997
One Valley Bancorp, Inc., Charleston, West Virginia	One Valley Bank-Central Virginia, National Association, Lynchburg, Virginia	Richmond	October 16, 1997
Peoples Commercial Bancorp, Stilwell, Oklahoma	Bank of Commerce, Stilwell, Oklahoma Peoples Bank, Westville, Oklahoma	Kansas City	October 3, 1997
Popular, Inc., Hato Rey, Puerto Rico Popular International Bank, Inc., Hato Rey, Puerto Rico Popular North America, Inc., Wilmington, Delaware	Houston Bancorporation, Inc., Houston, Texas Citizens National Bank, Houston, Texas	New York	October 22, 1997
Queenstown Bancorp of Maryland, Inc., Queenstown, Maryland	Queenstown Bank of Maryland, Queenstown, Maryland	Richmond	October 8, 1997
Republic Security Financial Corporation, West Palm Beach, Florida	County National Corporation, North Miami Beach, Florida County National Bank of South Florida, North Miami Beach, Florida	Atlanta	September 30, 1997
Rice Lake Bancorp, Inc., Rice Lake, Wisconsin	First Bank and Trust, Menomonie, Wisconsin	Minneapolis	October 20, 1997
Trustbank Financial Corporation, Denver, Colorado	Trust Bank of Colorado, Denver, Colorado	Kansas City	October 17, 1997
Union Planters Corporation, Memphis, Tennessee	Capital Bancorp, Miami, Florida Capital Bank, Miami, Florida	St. Louis	October 8, 1997
United Security Bancorporation, Spokane, Washington	Community Ban Corporation, Pullman, Washington Bank of Pullman, Pullman, Washington	San Francisco	October 2, 1997
Vail Banks, Inc., Vail, Colorado	Cedaredge Financial Services, Inc., Cedaredge, Colorado	Kansas City	October 9, 1997
Zions Bancorporation, Salt Lake City, Utah	GB Bancorporation, San Diego, California Grossmont Bank, San Diego, California Rancho Vista National Bank, Vista, California Pacific Commerce Bank, Chula Vista, California	San Francisco	September 30, 1997

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
KeyCorp, Cleveland, Ohio Banc One Corporation, Columbus, Ohio PNC Bank Corp., Pittsburgh, Pennsylvania	Electronic Payment Services, Inc., Wilmington, Delaware	Cleveland	September 29, 1997
Norwest Corporation, Minneapolis, Minnesota Norwest Financial Services, Inc., Des Moines, Iowa Norwest Financial, Inc., Des Moines, Iowa	Cityside Financial Services of Wisconsin, Inc., Eden Prairie, Minnesota Cityside Savings & Financial Services Co., Eden Prairie, Minnesota Cityside Insurance Company, Ltd., Eden Prairie, Minnesota	Minneapolis	October 22, 1997
Premier Bancshares, Inc., Atlanta, Georgia	Traditional Mortgage Corporation, Atlanta, Georgia	Atlanta	October 16, 1997
Spectrum Bancorporation, Inc., Omaha, Nebraska	First Savings & Loan Association of South Dakota, Inc., Aberdeen, South Dakota	Minneapolis	October 16, 1997
Suez Lyonnaise des Eaux, Paris, France Societe Generale de Belgique, Brussels, Belgium Generale de Banque, Brussels, Belgium	Harbor Capital Management, Inc., Boston, Massachusetts	New York	September 26, 1997
Triangle Bancorp, Inc., Raleigh, North Carolina	Coastal Leasing Corporation, Greenville, North Carolina	Richmond	October 20, 1997

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Mutual Bancorp of the Berkshires, Inc., Pittsfield, Massachusetts	City Savings Bank of Pittsfield, Pittsfield, Massachusetts First National Bank of the Berkshires, Lee, Massachusetts Lee National Banc Corp., Lee, Massachusetts Trust Company of the Berkshires, N.A., Pittsfield, Massachusetts	Boston	October 17, 1997

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
Compass Bank, Birmingham, Alabama	Gainesville State Bank, Gainesville, Florida	October 10, 1997

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
Citizens Bank, Lawton, Oklahoma	First Commercial Bank, ssb, Lawton, Oklahoma	Kansas City	October 22, 1997
The Citizens Banking Company, Salineville, Ohio	The Metropolitan Savings Bank of Ohio, Youngstown, Ohio	Cleveland	October 10, 1997
Community Bank & Trust Company, Neosho, Missouri	Citizens Bank of Missouri, Carl Junction, Missouri	Kansas City	October 3, 1997
First Farmers Bank & Trust Company, Converse, Indiana	NBD Bank, N.A., Indianapolis, Indiana	Chicago	September 29, 1997
Republic Security Bank, West Palm Beach, Florida	County National Bank of South Florida, North Miami Beach, Florida	Atlanta	September 30, 1997
WestStar Bank, Vail, Colorado	Western Community Bank, Cedaredge, Colorado	Kansas City	October 9, 1997

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.

Patrick v. United States, No. 97–75017 (E.D. Mich., filed September 30, 1997). Action for damages arising out of tax dispute.

Artis v. Greenspan, No. 97–5234 (D.C. Cir., filed September 19, 1997). Appeal of district court order dismissing employment discrimination action.

Artis v. Greenspan, No. 97–5235 (D.C. Cir., filed September 19, 1997). Appeal of district court order dismissing class complaint alleging race discrimination in employment.

Branch v. Board of Governors, No. 97–5229 (D.C. Cir., filed September 12, 1997). Appeal of district court order denying motion to compel production of pre-decisional supervisory documents and testimony sought in connection with an action by Bank of New England Corporation's trustee in bankruptcy against the Federal Deposit Insurance Corporation.

Wilkins v. Reno, No. 97–2275 (4th Cir., filed September 12, 1997). Appeal of district court dismissal of complaint concerning customer dispute with bank.

Clarkson v. Greenspan, No. 97-CV-2035 (D.D.C., filed September 5, 1997). Freedom of Information Act case.

Banking Consultants of America v. Board of Governors, No. 97–2791 (W.D. Tenn., filed September 2, 1997). Action to enjoin investigation by the Board, the Office of the Comptroller of the Currency, and the Department of Labor.

Bettersworth v. Board of Governors, No. 97-CA-624 (W.D. Tex., filed August 21, 1997). Privacy Act case.

Wilkins v. Warren, No. 97-CV-590 (E.D. Va., filed August 4, 1997). Customer dispute with a bank.

Eliopulos v. Board of Governors, No. 97–1442 (D.C. Cir., filed July 17, 1997). Petition for review of a Board order dated June 23, 1997, approving the application of First Bank System, Inc., Minneapolis, Minnesota, to acquire U.S. Bancorp, Portland, Oregon, and thereby acquire U.S. Bancorp's banking and nonbanking subsidiaries. On September 12, 1997, the Board filed a motion to dismiss the petition.

Greeff v. Board of Governors, No. 97–1976 (4th Cir., filed June 17, 1997). Petition for review of a Board order dated May 19, 1997, approving the application of by Allied Irish Banks, plc, Dublin, Ireland, and First Maryland Bancorp, Baltimore, Maryland, to acquire Dauphin Deposit Corporation, Harrisburg, Pennsylvania, and thereby acquire Dauphin's banking and nonbanking subsidiaries.

Inner City Press/Community on the Move v. Board of Governors, No. 97-1394 (D.C. Cir., filed June 12, 1997). Petition to review a Board order dated May 14, 1997, approving the application of Banc One Corporation, Inc., Columbus, Ohio, to merge with First USA, Inc., Dallas, Texas. On June 16, 1997, petitioners moved for a stay pending appeal. The motion was denied on June 27, 1997. On August 11, 1997, the Board filed a motion to dismiss the petition.

Vickery v. Board of Governors, No. 97–1344 (D.C. Cir., filed May 9, 1997). Petition for review of a Board order dated April 14, 1997, prohibiting Charles R. Vickery, Jr., from further participation in the banking industry.

Pharaon v. Board of Governors, No. 97–1114 (D.C. Cir., filed February 28, 1997). Petition for review of a Board order dated January 31, 1997, imposing civil money penalties and an order of prohibition for violations of the Bank Holding Company Act. Oral argument is scheduled for December 8, 1997.

Research Triangle Institute v. Board of Governors, No. 97–1282 (4th Cir., filed February 24, 1997). Appeal of district court's dismissal of contract claim. Oral argument was held on October 30, 1997.

Jones v. Board of Governors, No. CV97–0198 (W.D. Louisiana, filed January 30, 1997). Complaint alleging violations of the Fair Housing Act. On October 6, 1997, the Board filed a motion to dismiss the action.

The New Mexico Alliance v. Board of Governors, No. 96–9552 (10th Cir., filed December 24, 1996). Petition for review of a Board order dated December 16, 1996, approving the acquisition by NationsBank Corporation and NB Holdings Corporation, both of Charlotte, North Carolina, of Boatmen's Bancshares, Inc., St. Louis, Missouri. Also on December 24, 1996, petitioners moved for an emergency stay of the Board's order. The motion for a stay was denied by the 10th Circuit on January 3, 1997; on January 6, 1997, petitioners' application for emergency stay was denied by the Supreme Court.

American Bankers Insurance Group, Inc. v. Board of Governors, No. 96-CV-2383-EGS (D.D.C., filed October 16, 1996). Action seeking declaratory and injunctive relief invalidating a new regulation issued by the Board under the Truth in Lending Act relating to treatment of fees for debt cancellation agreements. On October 18, 1996, the district court denied plaintiffs' motion for a temporary restraining order. On January 17, 1997, the parties filed cross-motions for summary judgment.

Leuthe v. Office of Financial Institution Adjudication, No. 97–1826 (3d Cir., filed October 22, 1997). Appeal of district court dismissal of action against the Board and other Federal banking agencies challenging the constitutionality of the Office of Financial Institution Adjudication.

Inner City Press/Community on the Move v. Board of Governors, No. 96-4008 (2nd Cir., filed January 19, 1996). Petition for review of a Board order dated January 5, 1996, approving the applications and notices by Chemical Banking Corporation to merge with The Chase Manhattan Corporation, both of New York, New York, and by Chemical Bank to merge with The Chase Manhattan Bank, N.A., both of New York, New York. Petitioners' motion for an emergency stay of the transaction was denied following oral argument on March 26, 1996. The Board's brief on the merits was filed July 8, 1996. The case was consolidated for oral argument and decision with *Lee v. Board of Governors,* No. 95–4134 (2d Cir.); oral argument was held on January 13, 1997. On July 2, 1997, the court of appeals dismissed the petition for review.

Lee v. Board of Governors, No. 95–4134 (2nd Cir., filed August 22, 1995). Petition for review of Board orders dated July 24, 1995, approving certain steps of a corporate reorganization of U.S. Trust Corporation, New York, New York, and the acquisition of U.S. Trust by Chase Manhattan Corporation, New York, New York. On September 12, 1995, the court denied petitioners' motion for an emergency stay of the Board's orders. The Board's brief was filed on April 16, 1996. Oral argument, consolidated with *Inner City Press/Community on the Move v. Board of Governors,* took place on January 13, 1997. On July 2, 1997, the court of appeals dismissed the petition for review.

Board of Governors v. Pharaon, No. 91-CIV-6250 (S.D. New York, filed September 17, 1991). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On September 17, 1991, the court issued an order temporarily restraining the transfer or disposition of the individual's assets.

Final Enforcement Orders Issued by the Board of Governors

Gregory D. Cannon
Ann Arbor, Michigan

The Federal Reserve Board announced on October 10, 1997, the issuance of an Order of Removal and of Prohibition against Gregory D. Cannon, a current officer and institution-affiliated party of the University Bank, Ann Arbor, Michigan, a state nonmember bank, and a former officer and institution-affiliated party of the Bank of Lenawee, Adrian, Michigan, a state member bank.

Kang Soo Lee
Flushing, New York

The Federal Reserve Board announced on October 21, 1997, the issuance of an Order of Prohibition against Kang Soo Lee, a former officer and institution-affiliated party of the Flushing branch of the Korea Exchange Bank, Flushing, New York, a state licensed insured branch of the Korea Exchange Bank, Seoul, South Korea.

Membership of the Board of Governors of the Federal Reserve System, 1913–97

APPOINTIVE MEMBERS[1]

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership[2]
Charles S. Hamlin	Boston	Aug. 10, 1914	Reappointed in 1916 and 1926. Served until Feb. 3, 1936.[3]
Paul M. Warburg	New York	Aug. 10, 1914	Term expired Aug. 9, 1918.
Frederic A. Delano	Chicago	Aug. 10, 1914	Resigned July 21, 1918.
W.P.G. Harding	Atlanta	Aug. 10, 1914	Term expired Aug. 9, 1922.
Adolph C. Miller	San Francisco	Aug. 10, 1914	Reappointed in 1924. Reappointed in 1934 from the Richmond District. Served until Feb. 3, 1936.[3]
Albert Strauss	New York	Oct. 26, 1918	Resigned Mar. 15, 1920.
Henry A. Moehlenpah	Chicago	Nov. 10, 1919	Term expired Aug. 9, 1920.
Edmund Platt	New York	June 8, 1920	Reappointed in 1928. Resigned Sept. 14, 1930.
David C. Wills	Cleveland	Sept. 29, 1920	Term expired Mar. 4, 1921.
John R. Mitchell	Minneapolis	May 12, 1921	Resigned May 12, 1923.
Milo D. Campbell	Chicago	Mar. 14, 1923	Died Mar. 22, 1923.
Daniel R. Crissinger	Cleveland	May 1, 1923	Resigned Sept. 15, 1927.
George R. James	St. Louis	May 14, 1923	Reappointed in 1931. Served until Feb. 3, 1936.[4]
Edward H. Cunningham	Chicago	May 14, 1923	Died Nov. 28, 1930.
Roy A. Young	Minneapolis	Oct. 4, 1927	Resigned Aug. 31, 1930.
Eugene Meyer	New York	Sept. 16, 1930	Resigned May 10, 1933.
Wayland W. Magee	Kansas City	May 18, 1931	Term expired Jan. 24, 1933.
Eugene R. Black	Atlanta	May 19, 1933	Resigned Aug. 15, 1934.
M.S. Szymczak	Chicago	June 14, 1933	Reappointed in 1936 and 1948. Resigned May 31, 1961.
J.J. Thomas	Kansas City	June 14, 1933	Served until Feb. 10, 1936.[3]
Marriner S. Eccles	San Francisco	Nov. 15, 1934	Reappointed in 1936, 1940, and 1944. Resigned July 14, 1951.
Joseph A. Broderick	New York	Feb. 3, 1936	Resigned Sept. 30, 1937.
John K. McKee	Cleveland	Feb. 3, 1936	Served until Apr. 4, 1946.[3]
Ronald Ransom	Atlanta	Feb. 3, 1936	Reappointed in 1942. Died Dec. 2, 1947.
Ralph W. Morrison	Dallas	Feb. 10, 1936	Resigned July 9, 1936.
Chester C. Davis	Richmond	June 25, 1936	Reappointed in 1940. Resigned Apr. 15, 1941.
Ernest G. Draper	New York	Mar. 30, 1938	Served until Sept. 1, 1950.[3]
Rudolph M. Evans	Richmond	Mar. 14, 1942	Served until Aug. 13, 1954.[3]
James K. Vardaman, Jr.	St. Louis	Apr. 4, 1946	Resigned Nov. 30, 1958.
Lawrence Clayton	Boston	Feb. 14, 1947	Died Dec. 4, 1949.
Thomas B. McCabe	Philadelphia	Apr. 15, 1948	Resigned Mar. 31, 1951.
Edward L. Norton	Atlanta	Sept. 1, 1950	Resigned Jan. 31, 1952.
Oliver S. Powell	Minneapolis	Sept. 1, 1950	Resigned June 30, 1952.
Wm. McC. Martin, Jr.	New York	April 2, 1951	Reappointed in 1956. Term expired Jan. 31, 1970.
A.L. Mills, Jr.	San Francisco	Feb. 18, 1952	Reappointed in 1958. Resigned Feb. 28, 1965.
J.L. Robertson	Kansas City	Feb. 18, 1952	Reappointed in 1964. Resigned Apr. 30, 1973.
C. Canby Balderston	Philadelphia	Aug. 12, 1954	Served through Feb. 28, 1966.
Paul E. Miller	Minneapolis	Aug. 13, 1954	Died Oct. 21, 1954.
Chas. N. Shepardson	Dallas	Mar. 17, 1955	Retired Apr. 30, 1967.
G.H. King, Jr.	Atlanta	Mar. 25, 1959	Reappointed in 1960. Resigned Sept. 18, 1963.
George W. Mitchell	Chicago	Aug. 31, 1961	Reappointed in 1962. Served until Feb. 13, 1976.[3]
J. Dewey Daane	Richmond	Nov. 29, 1963	Served until Mar. 8, 1974.[3]
Sherman J. Maisel	San Francisco	Apr. 30, 1965	Served through May 31, 1972.
Andrew F. Brimmer	Philadelphia	Mar. 9, 1966	Resigned Aug. 31, 1974.
William W. Sherrill	Dallas	May 1, 1967	Reappointed in 1968. Resigned Nov. 15, 1971.
Arthur F. Burns	New York	Jan. 31, 1970	Term began Feb. 1, 1970. Resigned Mar. 31, 1978.
John E. Sheehan	St. Louis	Jan. 4, 1972	Resigned June 1, 1975.
Jeffrey M. Bucher	San Francisco	June 5, 1972	Resigned Jan. 2, 1976.
Robert C. Holland	Kansas City	June 11, 1973	Resigned May 15, 1976.
Henry C. Wallich	Boston	Mar. 8, 1974	Resigned Dec. 15, 1986.
Philip E. Coldwell	Dallas	Oct. 29, 1974	Served through Feb. 29, 1980.

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership[2]
Philip C. Jackson, Jr.	Atlanta	July 14, 1975	Resigned Nov. 17, 1978.
J. Charles Partee	Richmond	Jan. 5, 1976	Served until Feb. 7, 1986.[3]
Stephen S. Gardner	Philadelphia	Feb. 13, 1976	Died Nov. 19, 1978.
David M. Lilly	Minneapolis	June 1, 1976	Resigned Feb. 24, 1978.
G. William Miller	San Francisco	Mar. 8, 1978	Resigned Aug. 6, 1979.
Nancy H. Teeters	Chicago	Sept. 18, 1978	Served through June 27, 1984.
Emmett J. Rice	New York	June 20, 1979	Resigned Dec. 31, 1986.
Frederick H. Schultz	Atlanta	July 27, 1979	Served through Feb. 11, 1982.
Paul A. Volcker	Philadelphia	Aug. 6, 1979	Resigned August 11, 1987.
Lyle E. Gramley	Kansas City	May 28, 1980	Resigned Sept. 1, 1985.
Preston Martin	San Francisco	Mar. 31, 1982	Resigned April 30, 1986.
Martha R. Seger	Chicago	July 2, 1984	Resigned March 11, 1991.
Wayne D. Angell	Kansas City	Feb. 7, 1986	Served through Feb. 9, 1994.
Manuel H. Johnson	Richmond	Feb. 7, 1986	Resigned August 3, 1990.
H. Robert Heller	San Francisco	Aug. 19, 1986	Resigned July 31, 1989.
Edward W. Kelley, Jr.	Dallas	May 26, 1987	Reappointed in 1990.
Alan Greenspan	New York	Aug. 11, 1987	Reappointed in 1992.
John P. LaWare	Boston	Aug. 15, 1988	Resigned April 30, 1995.
David W. Mullins, Jr.	St. Louis	May 21, 1990	Resigned Feb. 14, 1994.
Lawrence B. Lindsey	Richmond	Nov. 26, 1991	Resigned Feb. 5, 1997.
Susan M. Phillips	Chicago	Dec. 2, 1991	
Alan S. Blinder	Philadelphia	June 27, 1994	Term expired Jan. 31, 1996.
Janet L. Yellen	San Francisco	Aug. 12, 1994	Resigned Feb. 17, 1997.
Laurence H. Meyer	St. Louis	June 24, 1996	
Alice M. Rivlin	Philadelphia	June 25, 1996	
Roger W. Ferguson, Jr.	Boston	Nov. 5, 1997	
Edward M. Gramlich	Richmond	Nov. 5, 1997	

Chairmen[4]

Charles S. Hamlin	Aug. 10, 1914–Aug. 9, 1916
W.P.G. Harding	Aug. 10, 1916–Aug. 9, 1922
Daniel R. Crissinger	May 1, 1923–Sept. 15, 1927
Roy A. Young	Oct. 4, 1927–Aug. 31, 1930
Eugene Meyer	Sept. 16, 1930–May 10, 1933
Eugene R. Black	May 19, 1933–Aug. 15, 1934
Marriner S. Eccles	Nov. 15, 1934–Jan. 31, 1948[5]
Thomas B. McCabe	Apr. 15, 1948–Mar. 31, 1951
Wm. McC. Martin, Jr.	Apr. 2, 1951–Jan. 31, 1970
Arthur F. Burns	Feb. 1, 1970–Jan. 31, 1978
G. William Miller	Mar. 8, 1978–Aug. 6, 1979
Paul A. Volcker	Aug. 6, 1979–Aug. 11, 1987
Alan Greenspan	Aug. 11, 1987–[6]

Vice Chairmen[4]

Frederic A. Delano	Aug. 10, 1914–Aug. 9, 1916
Paul M. Warburg	Aug. 10, 1916–Aug. 9, 1918
Albert Strauss	Oct. 26, 1918–Mar. 15, 1920
Edmund Platt	July 23, 1920–Sept. 14, 1930
J.J. Thomas	Aug. 21, 1934–Feb. 10, 1936
Ronald Ransom	Aug. 6, 1936–Dec. 2, 1947
C. Canby Balderston	Mar. 11, 1955–Feb. 28, 1966
J.L. Robertson	Mar. 1, 1966–Apr. 30, 1973
George W. Mitchell	May 1, 1973–Feb. 13, 1976
Stephen S. Gardner	Feb. 13, 1976–Nov. 19, 1978
Frederick H. Schultz	July 27, 1979–Feb. 11, 1982
Preston Martin	Mar. 31, 1982–Apr. 30, 1986
Manuel H. Johnson	Aug. 4, 1986–Aug. 3, 1990
David W. Mullins, Jr.	July 24, 1991–Feb. 14, 1994
Alan S. Blinder	June 27, 1994–Jan. 31, 1996
Alice M. Rivlin	June 25, 1996–

EX-OFFICIO MEMBERS[1]

Secretaries of the Treasury

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

Comptrollers of the Currency

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

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

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

3. Successor took office on this date.

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

5. Served as Chairman Pro Tempore from February 3, 1948, to April 15, 1948.

6. Served as Chairman Pro Tempore from March 3, 1996, to June 20, 1996.

Financial and Business Statistics

Guide to Tabular Presentation

SYMBOLS AND ABBREVIATIONS

c	Corrected
e	Estimated
n.a.	Not available
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
. . .	Cell not applicable
ATS	Automatic transfer service
BIF	Bank insurance fund
CD	Certificate of deposit
CMO	Collateralized mortgage obligation
FFB	Federal Financing Bank
FHA	Federal Housing Administration
FHLBB	Federal Home Loan Bank Board
FHLMC	Federal Home Loan Mortgage Corporation
FmHA	Farmers Home Administration
FNMA	Federal National Mortgage Association
FSLIC	Federal Savings and Loan Insurance Corporation
G-7	Group of Seven
G-10	Group of Ten
GNMA	Government National Mortgage Association
GDP	Gross domestic product
HUD	Department of Housing and Urban Development
IMF	International Monetary Fund
IO	Interest only
IPCs	Individuals, partnerships, and corporations
IRA	Individual retirement account
MMDA	Money market deposit account
MSA	Metropolitan statistical area
NOW	Negotiable order of withdrawal
OCD	Other checkable deposit
OPEC	Organization of Petroleum Exporting Countries
OTS	Office of Thrift Supervision
PO	Principal only
REIT	Real estate investment trust
REMIC	Real estate mortgage investment conduit
RP	Repurchase agreement
RTC	Resolution Trust Corporation
SCO	Securitized credit obligation
SDR	Special drawing right
SIC	Standard Industrial Classification
VA	Department of Veterans Affairs

GENERAL INFORMATION

In many of the tables, components do not sum to totals because of rounding.

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury.

"State and local government" also includes municipalities, special districts, and other political subdivisions.

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

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1996	1997			1997[r]				
	Q4	Q1	Q2[r]	Q3	May	June	July	Aug.	Sept.
Reserves of depository institutions[2]									
1 Total	−17.2	−8.3	−14.3	−1.8	−9.7	1.5	−5.7	13.5	−19.0
2 Required	−18.5	−8.4	−15.0	−2.5	−15.8	.5	−3.8	12.6	−20.7
3 Nonborrowed	−16.2	−7.2	−16.0	−3.4	−9.3	−1.6	−6.8	8.8	−15.1
4 Monetary base[3]	5.1	5.6	3.3	6.0	3.6	4.7	7.3	5.8	7.5
Concepts of money, liquid assets, and debt[4]									
5 M1	−7.3	−.7	−5.5	0	−2.8	.3	−1.2	8.1	−10.0
6 M2	4.2[r]	5.5[r]	4.2	5.4	−.3	4.6	3.7	11.1	6.6
7 M3	7.5[r]	7.8[r]	7.1	8.6	1.9	5.0	10.5	12.2	9.2
8 L	6.2[r]	6.3[r]	8.1	n.a.	3.8	4.5	6.7	14.2	n.a.
9 Debt	4.7[r]	4.3[r]	4.6	n.a.	3.6	2.1	4.0	4.2	n.a.
Nontransaction components									
10 In M2[5]	9.0[r]	8.0[r]	8.0	7.5	.7	6.2	5.5	12.2	12.8
11 In M3 only[6]	19.6	15.9[r]	16.7	19.2	9.1	6.1	33.2	15.6	17.8
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	17.0	14.0	10.7	8.6	−3.2	5.7	6.7	14.3	20.1
13 Small time[7]	4.7	2.9	5.9	9.0	6.2	11.6	12.6	3.3	6.2
14 Large time[8,9]	22.9	12.8	23.2	27.3	4.1	23.1	44.0	14.4	29.5
Thrift institutions									
15 Savings, including MMDAs	.8	2.7	5.8	.1	7.7	.0	−2.6	.6	−.6
16 Small time[7]	3.0	−.1[r]	−3.4	−6.2	3.4	−4.4	−13.4	−1.7	−6.6
17 Large time[8]	9.1	12.8	5.6	11.6	−2.9	14.6	20.1	5.7	5.6
Money market mutual funds									
18 Retail	10.5[r]	12.9[r]	14.9	17.5	−5.2	12.4	13.2	34.4	27.4
19 Institution-only	19.8	15.5	12.5	21.3	.0	28.1	19.6	18.9	35.4
Repurchase agreements and Eurodollars									
20 Repurchase agreements[10]	3.0	10.7[r]	4.3	13.0	2.9	−34.0	55.5	17.3	−15.9
21 Eurodollars[10]	48.2	40.2[r]	33.4	.5	65.4	−42.2	.0	16.8	−5.5
Debt components[4]									
22 Federal	3.4[r]	1.8	.4	n.a.	−4.3	−4.2	.9	1.6	n.a.
23 Nonfederal	5.2[r]	5.1[r]	6.1	n.a.	6.3	4.3	5.1	5.1	n.a.

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

2. Figures incorporate adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.20.)

3. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

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

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

M2: M1 plus (1) savings (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than $50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of $100,000 or more), (2) balances in institutional money funds (money funds with minimum initial investments of $50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

5. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances, each seasonally adjusted separately.

6. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees, each seasonally adjusted separately.

7. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits.

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

9. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

10. Includes both overnight and term.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT[1]

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1997			1997						
	July	Aug.	Sept.	Aug. 13	Aug. 20	Aug. 27	Sept. 3	Sept. 10	Sept. 17	Sept. 24
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	448,800	449,742[r]	452,943	449,586	449,017	450,750	453,886	453,091	451,553	453,055
U.S. government securities[2]										
2 Bought outright—System account[3]	410,681	409,254	410,759	410,183	408,976	408,991	409,585	409,868	410,918	411,338
3 Held under repurchase agreements	3,618	6,571	8,724	4,795	5,774	8,692	10,482	9,679	7,608	8,509
Federal agency obligations										
4 Bought outright	1,220	1,035	938	1,039	1,030	1,030	1,010	955	925	925
5 Held under repurchase agreements	814	1,333	1,102	809	1,981	1,369	2,164	1,819	560	725
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	105	205	71	8	704	74	162	62	84	17
8 Seasonal credit	330	387	372	365	385	407	411	372	374	379
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	497	398	486	617	430	278	310	554	698	458
11 Other Federal Reserve assets	31,534	30,559	30,490	31,770	29,736	29,909	29,763	29,783	30,387	30,705
12 Gold stock	11,050	11,051	11,050	11,051	11,051	11,051	11,050	11,051	11,051	11,050
13 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	25,355[r]	25,403[r]	25,463	25,390[r]	25,404[r]	25,418[r]	25,432	25,446	25,460	25,474
ABSORBING RESERVE FUNDS										
15 Currency in circulation	456,100[r]	456,711[r]	458,558	456,662[r]	456,634[r]	456,449[r]	459,797	460,069	458,625	457,543
16 Treasury cash holdings	336	296	260	305	301	283	275	260	260	262
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	4,750	4,855	6,303	4,965	4,444	4,866	5,131	4,712	6,807	6,949
18 Foreign	175	201	173	170	226	197	208	174	167	165
19 Service-related balances and adjustments	7,309	7,073	7,024	7,090	7,005	7,080	7,054	6,997	6,999	7,073
20 Other	319	357	360	352	372	365	344	338	362	365
21 Other Federal Reserve liabilities and capital	15,354	15,437	16,072	15,063	15,455	15,952	16,076	16,055	15,904	16,183
22 Reserve balances with Federal Reserve Banks[4]	10,063	10,465[r]	9,906	10,620	10,235	11,226	10,683	10,184	8,140	10,241
	End-of-month figures			Wednesday figures						
	July	Aug.	Sept.	Aug. 13	Aug. 20	Aug. 27	Sept. 3	Sept. 10	Sept. 17	Sept. 24
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	448,944[r]	453,808[r]	458,404	457,796	451,262	459,555	454,843	456,310	452,741	457,421
U.S. government securities[2]										
2 Bought outright—System account[3]	407,839	409,409	411,822	411,365	408,893	408,873	409,981	409,814	411,268	411,030
3 Held under repurchase agreements	6,326	10,547	12,696	10,943	4,750	16,113	10,930	12,518	8,925	12,519
Federal agency obligations										
4 Bought outright	1,209	1,030	925	1,030	1,030	1,030	960	925	925	925
5 Held under repurchase agreements	743	2,622	1,222	2,005	1,681	2,350	1,346	2,508	916	1,056
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	14	55	3	0	4,863	26	8	0	29	11
8 Seasonal credit	398	412	310	375	399	412	399	368	384	372
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	957[r]	−91[r]	−262	−174	244	276	1,646	−42	−299	409
11 Other Federal Reserve assets	31,459	29,823[r]	31,689	32,251	29,401	30,475	29,572	30,219	30,593	31,099
12 Gold stock	11,051	11,050	11,050	11,051	11,051	11,051	11,050	11,051	11,050	11,050
13 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	25,376[r]	25,432[r]	25,488	25,390[r]	25,404[r]	25,418[r]	25,432	25,446	25,460	25,474
ABSORBING RESERVE FUNDS										
15 Currency in circulation	455,074[r]	459,497[r]	458,288	457,571[r]	457,141[r]	458,358[r]	461,293	460,260	458,707	458,018
16 Treasury cash holdings	311	278	255	304	284	278	260	259	263	255
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,014	4,700	7,692	4,678	4,863	5,200	5,001	5,558	10,987	7,328
18 Foreign	175	169	188	191	512	162	166	156	159	162
19 Service-related balances and adjustments	7,135[r]	7,054[r]	7,013	7,090	7,005	7,080	7,054	6,997	6,999	7,073
20 Other	325	327	386	359	363	375	357	343	373	366
21 Other Federal Reserve liabilities and capital	14,785	16,144	16,536	15,299	15,365	15,816	15,792	15,829	15,643	15,962
22 Reserve balances with Federal Reserve Banks[4]	11,753[r]	11,323[r]	13,784	17,945	11,385	17,955	10,604	12,605	5,321	13,982

1. Amounts of cash held as reserves are shown in table 1.12, line 2.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities.
4. Excludes required clearing balances and adjustments to compensate for float.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1994	1995	1996	1997						
	Dec.	Dec.	Dec.	Mar.	Apr.	May	June	July	Aug.[r]	Sept.
1 Reserve balances with Reserve Banks[2]	24,658	20,440	13,395	11,515	12,308	10,916	10,291	9,851	10,489	9,742
2 Total vault cash[3]	40,378	42,094	44,426	42,116	41,381	41,111	42,398	43,129	42,363	43,052
3 Applied vault cash[4]	36,682	37,460	37,848	36,029	35,571	35,081	36,319	36,529	36,156	36,313
4 Surplus vault cash[5]	3,696	4,634	6,578	6,087	5,810	6,030	6,079	6,600	6,208	6,739
5 Total reserves[6]	61,340	57,900	51,243	47,543	47,879	45,997	46,610	46,380	46,645	46,056
6 Required reserves	60,172	56,622	49,819	46,383	46,869	44,757	45,330	45,179	45,392	44,754
7 Excess reserve balances at Reserve Banks[7]	1,168	1,278	1,424	1,160	1,010	1,240	1,280	1,201	1,253	1,302
8 Total borrowings at Reserve Banks[8]	209	257	155	156	261	243	367	409	598	438
9 Seasonal borrowings	100	40	68	37	88	173	243	330	385	368
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0
	Biweekly averages of daily figures for two week periods ending on dates indicated									
	1997									
	June 4	June 18	July 2	July 16	July 30	Aug. 13	Aug. 27	Sept. 10[r]	Sept. 24	Oct. 8
1 Reserve balances with Reserve Banks[2]	11,030	9,782	10,639	10,560	9,003[r]	10,226	10,754	10,417	9,201	9,883
2 Total vault cash[3]	40,929	43,447	41,664	42,756	43,703	43,250	41,480	42,573	43,588	42,603
3 Applied vault cash[4]	35,176	36,911	36,009	36,565	36,559	36,650	35,596	36,507	36,170	36,325
4 Surplus vault cash[5]	5,753	6,536	5,655	6,191	7,144	6,600	5,884	6,066	7,418	6,279
5 Total reserves[6]	46,205	46,693	46,648	47,125	45,562[r]	46,876	46,350	46,924	45,371	46,208
6 Required reserves	44,821	45,417	45,398	45,739	44,561	45,562	45,153	45,679	44,101	44,736
7 Excess reserve balances at Reserve Banks[7]	1,384	1,276	1,250	1,386	1,001[r]	1,314	1,197	1,245	1,269	1,472
8 Total borrowings at Reserve Banks[8]	336	222	547	314	484	426	785	503	427	356
9 Seasonal borrowings	210	205	300	299	363	371	396	392	377	308
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover. Data are not break-adjusted or seasonally adjusted.
2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.
3. Total "lagged" vault cash held by depository institutions subject to reserve requirements. Dates refer to the maintenance periods during which the vault cash may be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.
4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.
5. Total vault cash (line 2) less applied vault cash (line 3).
6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).
7. Total reserves (line 5) less required reserves (line 6).
8. Also includes adjustment credit.
9. Consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit[1]			Seasonal credit[2]			Extended credit[3]		
	On 11/7/97	Effective date	Previous rate	On 11/7/97	Effective date	Previous rate	On 11/7/97	Effective date	Previous rate
Boston	5.00	2/1/96	5.25	5.60	11/6/97	5.60	6.10	11/6/97	6.10
New York		1/31/96							
Philadelphia		1/31/96							
Cleveland		1/31/96							
Richmond		2/1/96							
Atlanta		1/31/96							
Chicago		2/1/96							
St. Louis		2/5/96							
Minneapolis		1/31/96							
Kansas City		2/1/96							
Dallas		1/31/96							
San Francisco	5.00	1/31/96	5.25	5.60	11/6/97	5.60	6.10	11/6/97	6.10

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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6.5	6.5
20	6.5	6.5
May 11	6.5–7	7
12	7	7
July 3	7–7.25	7.25
10	7.25	7.25
Aug. 21	7.75	7.75
Sept. 22	8	8
Oct. 16	8–8.5	8.5
20	8.5	8.5
Nov. 1	8.5–9.5	9.5
3	9.5	9.5
1979—July 20	10	10
Aug. 17	10–10.5	10.5
20	10.5	10.5
Sept. 19	10.5–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
1981—May 5	13–14	14
8	14	14

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1981—Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11.5–12	11.5
23	11.5	11.5
Aug. 2	11–11.5	11
3	11	11
16	10.5	10.5
27	10–10.5	10
30	10	10
Oct. 12	9.5–10	9.5
13	9.5	9.5
Nov. 22	9–9.5	9
26	9	9
Dec. 14	8.5–9	9
15	8.5–9	8.5
17	8.5	8.5
1984—Apr. 9	8.5–9	9
13	9	9
Nov. 21	8.5–9	8.5
26	8.5	8.5
Dec. 24	8	8
1985—May 20	7.5–8	7.5
24	7.5	7.5
1986—Mar. 7	7–7.5	7
10	7	7
Apr. 21	6.5–7	6.5
23	6.5	6.5
July 11	6	6
Aug. 21	5.5–6	5.5
22	5.5	5.5
1987—Sept. 4	5.5–6	6
11	6	6

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1988—Aug. 9	6–6.5	6.5
11	6.5	6.5
1989—Feb. 24	6.5–7	7
27	7	7
1990—Dec. 19	6.5	6.5
1991—Feb. 1	6–6.5	6
4	6	6
Apr. 30	5.5–6	5.5
May 2	5.5	5.5
Sept. 13	5–5.5	5
17	5	5
Nov. 6	4.5–5	4.5
7	4.5	4.5
Dec. 20	3.5–4.5	3.5
24	3.5	3.5
1992—July 2	3–3.5	3
7	3	3
1994—May 17	3–3.5	3.5
18	3.5	3.5
Aug. 16	3.5–4	4
18	4	4
Nov. 15	4–4.75	4.75
17	4.75	4.75
1995—Feb. 1	4.75–5.25	5.25
9	5.25	5.25
1996—Jan. 31	5.00–5.25	5.00
Feb. 5	5.00	5.00
In effect Nov. 7, 1997	5.00	5.00

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

2. Available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intrayearly movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates charged by market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period, however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

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

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment-credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. A surcharge of 2 percent was reimposed on Nov. 17, 1980; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981, the formula for applying the surcharge was changed from a calendar quarter to a moving thirteen-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Type of deposit	Requirement	
	Percentage of deposits	Effective date
Net transaction accounts[2]		
1 $0 million–$49.3 million[3]	3	1/2/97
2 More than $49.3 million[4]	10	1/2/97
3 Nonpersonal time deposits[5]	0	12/27/90
4 Eurocurrency liabilities[6]	0	12/27/90

1. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmember institutions may maintain reserve balances with a Federal Reserve Bank indirectly, on a pass-through basis, with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* or the *Federal Reserve Bulletin*. Under the Monetary Control Act of 1980, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. Transaction accounts include all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, or telephone or preauthorized transfers for the purpose of making payments to third persons or others. However, accounts subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month (of which no more than three may be by check, draft, debit card, or similar order payable directly to third parties) are savings deposits, not transaction accounts.

3. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 of each year. Effective with the reserve maintenance period beginning January 2, 1997, for depository institutions that report weekly, and with the period beginning January 16, 1997, for institutions that report quarterly, the amount was decreased from $52.0 million to $49.3 million.

Under the Garn–St Germain Depository Institutions Act of 1982, the Board adjusts the amount of reservable liabilities subject to a zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is made in the event of a decrease. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement. Effective with the reserve maintenance period beginning January 2, 1997, for depository institutions that report weekly, and with the period beginning January 16, 1997, for institutions that report quarterly, the exemption was raised from $4.3 million to $4.4 million.

4. The reserve requirement was reduced from 12 percent to 10 percent on Apr. 2, 1992, for institutions that report weekly, and on Apr. 16, 1992, for institutions that report quarterly.

5. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to 1½ percent for the maintenance period that began Dec. 13, 1990, and to zero for the maintenance period that began Dec. 27, 1990. For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan. 17, 1991

The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1994	1995	1996	1997 Feb.	Mar.	Apr.	May	June	July	Aug.
U.S. TREASURY SECURITIES[2]										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	17,484	10,932	9,901	0	0	4,006	0	596	0	0
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	380,327	405,296	426,928	33,997	31,720	33,160	47,456	33,022	41,643	35,666
4 For new bills	380,327	405,296	426,928	33,647	31,720	33,160	47,456	33,022	41,643	35,666
5 Redemptions	0	900	0	0	0	0	0	0	0	0
Others within one year										
6 Gross purchases	733	390	524	818	0	0	383	494	0	0
7 Gross sales	0	0	0	0	0	0	0	0	0	0
8 Maturity shifts	0	43,574	30,512	5,086	3,143	2,006	5,666	1,476	4,359	7,487
9 Exchanges	−31,949	−35,407	−41,394	−2,864	−1,534	−2,100	−4,229	−2,250	−1,087	−2,780
10 Redemptions	2,337	1,776	2,015	0	0	376	0	0	598	0
One to five years										
11 Gross purchases	9,916	5,366	3,898	1,125	2,861	1,924	1,102	2,797	0	0
12 Gross sales	0	0	0	0	0	0	0	0	0	0
13 Maturity shifts	−6,004	−34,646	−25,022	−4,926	−3,143	−2,006	−4,685	−1,476	−4,359	−5,247
14 Exchanges	26,458	26,387	31,459	1,874	1,534	1,700	2,479	2,250	1,087	1,170
Five to ten years										
15 Gross purchases	3,575	1,432	1,116	0	0	0	734	499	0	0
16 Gross sales	0	0	0	0	0	0	0	0	0	0
17 Maturity shifts	−3,145	−3,093	−5,469	1,236	0	0	−981	0	0	−2,240
18 Exchanges	4,717	7,220	6,666	890	0	400	1,750	0	0	880
More than ten years										
19 Gross purchases	3,606	2,529	1,655	0	1,117	0	988	906	0	0
20 Gross sales	0	0	0	0	0	0	0	0	0	0
21 Maturity shifts	−918	−2,253	−20	−1,396	0	0	0	0	0	0
22 Exchanges	775	1,800	3,270	450	0	0	0	0	0	730
All maturities										
23 Gross purchases	35,314	20,649	17,094	1,943	3,978	5,930	3,206	5,292	0	0
24 Gross sales	0	0	0	0	0	0	0	0	0	0
25 Redemptions	2,337	2,676	2,015	0	0	376	0	0	598	0
Matched transactions										
26 Gross purchases	1,700,836	2,197,736	3,092,399	250,867	288,373	303,056	287,229	293,506	307,101	317,028
27 Gross sales	1,701,309	2,202,030	3,094,769	254,741	288,073	301,177	287,826	293,008	309,578	315,418
Repurchase agreements										
28 Gross purchases	309,276	331,694	457,568	48,805	60,425	102,578	46,552	60,286	44,503	54,561
29 Gross sales	311,898	328,497	450,359	45,747	60,718	62,685	89,477	47,070	53,217	27,204
30 Net change in U.S. Treasury securities	29,882	16,875	19,919	1,127	3,984	47,326	−40,316	19,006	−11,789	28,967
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
31 Gross purchases	0	0	0	0	0	0	0	0	0	0
32 Gross sales	0	0	0	0	0	0	0	0	0	0
33 Redemptions	942	1,003	409	27	17	24	0	474	287	179
Repurchase agreements										
34 Gross purchases	52,696	36,851	75,354	9,795	14,300	10,178	7,954	8,401[r]	10,437	13,131
35 Gross sales	52,696	36,776	74,842	9,454	14,830	10,285	7,096	9,131	10,811	11,252
36 Net change in federal agency obligations	−942	−928	103	314	−547	−131	858	−1,204[r]	−661	1,700
37 Total net change in System Open Market Account	**28,940**	**15,948**	**20,021**	**1,441**	**3,437**	**47,195**	**−39,458**	**17,802[r]**	**−12,450**	**30,667**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

2. Transactions exclude changes in compensation for the effects of inflation on the principal of inflation-indexed securities.

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

Millions of dollars

Account	Wednesday					End of month		
	1997					1997		
	Aug. 27	Sept. 3	Sept. 10	Sept. 17	Sept. 24	July 31	Aug. 31	Sept. 30
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,051	11,050	11,051	11,050	11,050	11,051	11,050	11,050
2 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
3 Coin	492	475	487	506	524	484	485	526
Loans								
4 To depository institutions	438	407	368	413	383	411	468	313
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	1,030	960	925	925	925	1,209	1,030	925
8 Held under repurchase agreements	2,350	1,346	2,508	916	1,056	743	2,622	1,222
9 **Total U.S. Treasury securities**	**424,986**	**420,911**	**422,332**	**420,193**	**423,549**	**414,165**	**419,956**	**424,518**
10 Bought outright[2]	408,873	409,981	409,814	411,268	411,030	407,839	409,409	411,822
11 Bills	194,086	195,194	195,027	194,794	194,556	193,053	194,623	193,693
12 Notes	159,795	159,795	159,796	161,482	161,483	160,524	159,795	163,138
13 Bonds	54,991	54,991	54,991	54,991	54,991	54,261	54,991	54,991
14 Held under repurchase agreements	16,113	10,930	12,518	8,925	12,519	6,326	10,547	12,696
15 **Total loans and securities**	**428,804**	**423,624**	**426,133**	**422,447**	**425,913**	**416,529**	**424,076**	**426,978**
16 Items in process of collection	6,543	10,660	6,924	6,801	6,425	4,833	4,252	8,652
17 Bank premises	1,266	1,264	1,265	1,267	1,269	1,257	1,265	1,268
Other assets								
18 Denominated in foreign currencies[3]	17,229	17,324	17,332	17,339	17,346	17,204	17,320	17,592
19 All other[4]	11,946	11,105	11,687	11,966	12,467	12,976	11,302	12,822
20 **Total assets**	**486,529**	**484,704**	**484,078**	**480,576**	**484,194**	**473,534**	**478,950**	**488,088**
LIABILITIES								
21 Federal Reserve notes	433,709	436,595	435,560	434,015	433,322	430,492	434,827	433,581
22 **Total deposits**	**30,903**	**23,095**	**26,386**	**24,496**	**29,042**	**23,646**	**23,693**	**30,057**
23 Depository institutions	25,169	17,571	20,329	12,978	21,185	18,132	18,497	21,791
24 U.S. Treasury—General account	5,200	5,001	5,558	10,987	7,328	5,014	4,700	7,692
25 Foreign—Official accounts	162	166	156	159	162	175	169	188
26 Other	375	357	343	373	366	325	327	386
27 Deferred credit items	6,101	9,221	6,304	6,422	5,869	4,611	4,286	7,914
28 Other liabilities and accrued dividends[5]	5,037	4,903	4,928	4,715	4,991	4,919	5,005	4,947
29 **Total liabilities**	**475,750**	**473,815**	**473,178**	**469,647**	**473,223**	**463,667**	**467,811**	**476,499**
CAPITAL ACCOUNTS								
30 Capital paid in	5,150	5,163	5,213	5,212	5,225	5,087	5,150	5,227
31 Surplus	4,496	4,496	4,496	4,496	4,496	4,317	4,496	4,496
32 Other capital accounts	1,133	1,230	1,191	1,220	1,251	462	1,493	1,866
33 **Total liabilities and capital accounts**	**486,529**	**484,704**	**484,078**	**480,576**	**484,194**	**473,534**	**478,950**	**488,088**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	643,568	647,076	644,140	641,530	637,243	634,814	642,699	637,992
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	544,930	546,205	546,727	547,679	549,104	541,783	546,295	549,745
36 LESS: Held by Federal Reserve Banks	111,221	109,609	111,167	113,664	115,782	111,291	111,467	116,164
37 Federal Reserve notes, net	433,709	436,595	435,560	434,015	433,322	430,492	434,827	433,581
Collateral held against notes, net								
38 Gold certificate account	11,051	11,050	11,051	11,050	11,050	11,051	11,050	11,050
39 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	413,458	416,345	415,309	413,765	413,072	410,241	414,577	413,331
42 **Total collateral**	**433,709**	**436,595**	**435,560**	**434,015**	**433,322**	**430,492**	**434,827**	**433,581**

1. Some of the data in this table also appear in the Board's H.4.1 (503) weekly statistical release. For ordering address, see inside front cover.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities. Excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1997					1997		
	Aug. 27	Sept. 3	Sept. 10	Sept. 17	Sept. 24	July 31	Aug. 31	Sept. 30
1 **Total loans**	**438**	**407**	**368**	**412**	**383**	**412**	**468**	**313**
2 Within fifteen days[1]	417	139	41	344	357	193	294	174
3 Sixteen days to ninety days	21	267	328	69	26	218	174	139
4 **Total U.S. Treasury securities[2]**	**424,986**	**420,911**	**422,332**	**420,193**	**423,549**	**414,165**	**419,956**	**420,473**
5 Within fifteen days[1]	25,050	23,983	24,078	23,047	20,441	9,419	12,146	16,403
6 Sixteen days to ninety days	90,752	87,042	87,123	90,361	90,302	88,758	91,288	88,467
7 Ninety-one days to one year	136,171	137,114	138,359	132,971	138,991	139,787	143,510	141,248
8 One year to five years	90,614	90,373	90,373	91,415	91,415	93,174	90,614	91,956
9 Five years to ten years	37,657	37,657	37,657	37,657	37,657	39,016	37,657	37,658
10 More than ten years	44,741	44,741	44,741	44,741	44,741	44,011	44,741	44,741
11 **Total federal agency obligations**	**3,380**	**2,306**	**3,433**	**1,841**	**1,981**	**2,130**	**3,757**	**1,929**
12 Within fifteen days[1]	2,455	1,381	2,508	976	1,116	922	2,727	1,004
13 Sixteen days to ninety days	106	106	106	46	46	185	106	76
14 Ninety-one days to one year	154	154	202	202	202	130	154	202
15 One year to five years	351	351	338	338	338	401	351	303
16 Five years to ten years	290	290	255	255	255	290	290	255
17 More than ten years	25	25	25	25	25	25	25	25

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

2. Includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities.

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

Billions of dollars, averages of daily figures

Item	1993 Dec.	1994 Dec.	1995 Dec	1996 Dec.	1997							
					Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]	Seasonally adjusted											
1 Total reserves[3]	60.55	59.40	56.39	50.06	49.01	48.31	47.43	47.05	47.11	46.89	47.41	46.67
2 Nonborrowed reserves[4]	60.46	59.20	56.13	49.91	48.97	48.16	47.17	46.81	46.74	46.48	46.82	46.23
3 Nonborrowed reserves plus extended credit[5]	60.46	59.20	56.13	49.91	48.97	48.16	47.17	46.81	46.74	46.48	46.82	46.23
4 Required reserves	59.48	58.24	55.11	48.64	47.98	47.15	46.42	45.81	45.83	45.68	46.16	45.36
5 Monetary base[6]	386.88	418.48	434.52	452.67	456.28	457.62	458.24	459.60	461.40	464.21[r]	466.46	469.38
	Not seasonally adjusted											
6 Total reserves[7]	62.37	61.13	58.02	51.52	48.12	47.69	48.09	46.26	46.93	46.76	47.09	46.55
7 Nonborrowed reserves	62.29	60.92	57.76	51.37	48.08	47.53	47.83	46.02	46.56	46.35	46.49	46.11
8 Nonborrowed reserves plus extended credit[5]	62.29	60.92	57.76	51.37	48.08	47.53	47.83	46.02	46.56	46.35	46.49	46.11
9 Required reserves[8]	61.31	59.96	56.74	50.10	47.09	46.53	47.08	45.02	45.65	45.56	45.83	45.25
10 Monetary base[9]	390.59	422.51	439.03	456.72	452.56	455.26	458.17	458.29	461.81	465.55[r]	467.25	468.66
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	62.86	61.34	57.90	51.24	48.04	47.54	47.88	46.00	46.61	46.38	46.65	46.06
12 Nonborrowed reserves	62.78	61.13	57.64	51.09	48.00	47.39	47.62	45.75	46.24	45.97	46.05	45.62
13 Nonborrowed reserves plus extended credit[5]	62.78	61.13	57.64	51.09	48.00	47.39	47.62	45.75	46.24	45.97	46.05	45.62
14 Required reserves	61.80	60.17	56.62	49.82	47.01	46.38	46.87	44.76	45.33	45.18	45.39	44.75
15 Monetary base[12]	397.62	427.25	444.45	463.49	459.64	462.22	465.06	465.22	468.78	472.58[r]	474.01	475.34
16 Excess reserves[13]	1.06	1.17	1.28	1.42	1.03	1.16	1.01	1.24	1.28	1.20	1.25	1.30
17 Borrowings from the Federal Reserve	.08	.21	.26	.16	.04	.16	.26	.24	.37	.41	.60	.44

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	1993 Dec	1994 Dec.	1995 Dec.	1996 Dec.	1997[r] June	1997[r] July	1997[r] Aug.	1997[r] Sept.
	Seasonally adjusted							
Measures[2]								
1 M1	1,129.8	1,150.7	1,129.0	1,081.1	1,063.1	1,062.0	1,069.2	1,060.3
2 M2	3,486.6	3,502.1	3,655.0	3,819.3[r]	3,902.2	3,914.1	3,950.3	3,972.0
3 M3	4,254.4	4,327.3	4,592.5	4,918.0[r]	5,081.5	5,126.0	5,178.0	5,217.9
4 L	5,167.8	5,308.4	5,697.6	6,069.3[r]	6,279.3	6,314.5	6,389.2	n.a
5 Debt	12,457.3	13,072.1	13,768.1	14,485.7	14,785.8	14,835.5	14,887.3	n.a.
M1 components								
6 Currency[3]	322.2	354.4	372.6	395.2	407.7	410.2	412.1	415.4
7 Travelers checks[4]	7.9	8.5	8.9	8.6	8.0	8.2	8.3	8.1
8 Demand deposits[5]	385.2	384.1	391.1	402.6	397.2	396.2	401.5	389.9
9 Other checkable deposits[6]	414.5	403.8	356.5	274.8	250.1	247.3	247.3	246.9
Nontransaction components								
10 In M2[7]	2,356.8	2,351.4	2,526.0	2,738.2[r]	2,839.1	2,852.1	2,881.0	2,911.7
11 In M3 only[8]	767.8	825.3	937.5	1,098.7	1,179.3	1,211.9	1,227.7	1,245.9
Commercial banks								
12 Savings deposits, including MMDAs	785.2	752.4	776.0	903.9	949.9	955.2	966.6	982.8
13 Small time deposits[9]	468.3	503.2	576.0	592.0	607.8	614.2	615.9	619.1
14 Large time deposits[10, 11]	271.9	298.4	344.7	412.3	449.6	466.1	471.7	483.3
Thrift institutions								
15 Savings deposits, including MMDAs	434.0	397.2	361.1	367.1	375.5	374.7	374.9	374.7
16 Small time deposits[9]	314.3	314.3	357.7	353.7	350.2	346.3	345.8	343.9
17 Large time deposits[10]	61.5	64.7	75.1	79.2	83.4	84.8	85.2	85.6
Money market mutual funds								
18 Retail	354.9	384.3	455.2	521.5[r]	555.7	561.8	577.9	591.1
19 Institution-only	209.5	198.5	246.9	299.3	318.9	324.1	329.2	338.9
Repurchase agreements and Eurodollars								
20 Repurchase agreements[12]	158.6	182.9	182.1	194.1[r]	198.8	208.0	211.0	208.2
21 Eurodollars[12]	66.4	80.8	88.7	113.9	128.8	128.8	130.6	130.0
Debt components								
22 Federal debt	3,322.9	3,491.9	3,638.5	3,780.0	3,776.5	3,779.4	3,784.5	n.a.
23 Nonfederal debt	9,134.4	9,580.2	10,129.6	10,705.7	11,009.3	11,056.1	11,102.8	n.a.
	Not seasonally adjusted							
Measures[2]								
24 M1	1,153.7	1,174.4	1,152.8	1,103.1	1,062.4	1,063.5	1,067.2	1,057.2
25 M2	3,506.6	3,522.5	3,675.3	3,837.7[r]	3,899.8	3,919.0	3,953.8	3,964.2
26 M3	4,274.8	4,347.4	4,612.0	4,935.0[r]	5,077.8	5,123.8	5,180.0	5,205.0
27 L	5,197.7	5,338.8	5,729.5	6,098.1[r]	6,264.0	6,304.4	6,389.3	n.a.
28 Debt	12,459.4	13,073.9	13,768.5	14,485.1	14,748.3	14,786.1	14,843.4	n.a.
M1 components								
29 Currency[3]	324.8	357.5	376.2	397.9	408.4	411.3	413.4	414.3
30 Travelers checks[4]	7.6	8.1	8.5	8.3	8.2	8.7	8.8	8.4
31 Demand deposits[5]	401.8	400.3	407.3	418.9	396.2	398.0	400.1	388.9
32 Other checkable deposits[6]	419.4	408.6	360.8	278.0	249.6	245.6	244.8	245.6
Nontransaction components								
33 In M2[7]	2,352.9	2,348.1	2,522.6	2,734.6[r]	2,837.4	2,855.5	2,886.6	2,907.0
34 In M3 only[8]	768.2	824.9	936.6	1,097.3[r]	1,178.0	1,204.8	1,226.2	1,240.8
Commercial banks								
35 Savings deposits, including MMDAs	784.3	751.7	775.3	902.9	952.7	958.5	969.9	983.9
36 Small time deposits[9]	466.8	501.5	573.8	589.8	608.2	614.8	615.8	618.3
37 Large time deposits[10, 11]	272.0	298.9	345.7	413.7	449.8	463.6	470.4	482.4
Thrift institutions								
38 Savings deposits, including MMDAs	433.4	396.8	360.8	366.7	376.6	376.0	376.1	375.1
39 Small time deposits[9]	313.3	313.2	356.3	352.4	350.5	346.7	345.8	343.5
40 Large time deposits[10]	61.5	64.8	75.4	79.5	83.4	84.4	84.9	85.5
Money market mutual funds								
41 Retail	355.0	385.0	456.3	522.9	549.5	559.5	579.0	586.3
42 Institution-only	210.6	199.8	248.2	300.5	313.1	321.0	328.3	333.1
Repurchase agreements and Eurodollars								
43 Repurchase agreements[12]	156.6	179.6	178.0	188.8	203.9	208.7	213.0	210.6
44 Eurodollars[12]	67.6	81.8	89.4	114.7	127.8	127.2	129.5	129.1
Debt components								
45 Federal debt	3,329.5	3,499.0	3,645.9	3,787.9	3,766.2	3,759.9	3,774.4	n.a.
46 Nonfederal debt	9,129.9	9,574.9	10,122.6	10,697.1	10,982.1	11,026.2	11,069.0	n.a.

Footnotes appear on following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data starting in 1959 are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

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

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

M2: M1 plus (1) savings deposits (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than $50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of $100,000 or more) issued by all depository institutions, (2) balances in institutional money funds (money funds with minimum initial investments of $50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

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

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

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

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

7. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances.

8. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees.

9. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRAs and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.

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

11. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

12. Includes both overnight and term.

1.22 DEPOSIT INTEREST RATES AND AMOUNTS OUTSTANDING Commercial and BIF-insured saving banks[1]

Item	1995 Dec.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar	1997 Apr.	1997 May	1997 June	1997 July	1997 Aug.	1997 Sept.
	Interest rates (annual effective yields)										
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts[2]	1.91	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2 Savings deposits[2,3]	3.10	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
3 7 to 91 days	4.10	4.03	4.03	4.05	4.02	4.01	4.07	4.09	4.08	4.10	4.10
4 92 to 182 days	4.68	4.63	4.63	4.62	4.67	4.72	4.77	4.79	4.76	4.79	4.79
5 183 days to 1 year	5.02	5.00	5.01	5.02	5.08	5.13	5.15	5.16	5.15	5.14	5.14
6 More than 1 year to 2½ years	5.17	5.22	5.25	5.27	5.36	5.46	5.45	5.44	5.41	5.41	5.41
7 More than 2½ years	5.40	5.46	5.49	5.51	5.60	5.69	5.68	5.69	5.63	5.67	5.65
BIF-INSURED SAVINGS BANKS[4]											
8 Negotiable order of withdrawal accounts[2]	1.91	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
9 Savings deposits[2,3]	2.98	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
10 7 to 91 days	4.43	4.66	4.75	4.73	4.80	4.83	4.81	4.82	4.87	4.78	4.76
11 92 to 182 days	4.95	5.02	5.05	5.04	5.06	5.13	5.15	5.13	5.13	5.09	5.07
12 183 days to 1 year	5.18	5.28	5.31	5.31	5.37	5.43	5.45	5.47	5.44	5.44	5.43
13 More than 1 year to 2½ years	5.33	5.53	5.58	5.59	5.69	5.75	5.77	5.72	5.74	5.69	5.69
14 More than 2½ years	5.46	5.72	5.77	5.78	5.84	5.91	5.91	5.90	5.89	5.85	5.85
	Amounts outstanding (millions of dollars)										
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts[2]	248,417	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
16 Savings deposits[2,3]	776,466	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
17 Personal	615,113	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
18 Nonpersonal	161,353	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
19 7 to 91 days	32,170	32,931	32,799	32,796	34,853	34,485	32,561	31,369	30,106	30,406	30,434
20 92 to 182 days	93,941	92,301	94,955	95,235	93,804	92,432	91,234	91,246	90,480	90,231	89,771
21 183 days to 1 year	183,834	201,449	201,491	202,329	203,336	207,006	209,296	211,256	211,331	212,011	210,816
22 More than 1 year to 2½ years	208,601	213,198	213,875	212,970	214,066	226,159	220,795	228,065	231,836	234,349	236,493
23 More than 2½ years	199,002	199,906	198,077	197,958	200,282	199,147	198,694	197,163	195,713	195,511	194,075
24 IRA and Keogh plan deposits	150,067	151,275	150,442	150,356	151,931	151,105	151,192	151,938	151,380	150,561	152,656
BIF-INSURED SAVINGS BANKS[4]											
25 Negotiable order of withdrawal accounts[2]	11,918	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
26 Savings deposits[2,3]	68,643	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
27 Personal	65,366	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28 Nonpersonal	3,277	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
29 7 to 91 days	2,001	2,428	2,542	2,535	2,656	2,698	2,738	2,679	2,591	2,538	2,407
30 92 to 182 days	12,140	13,013	13,112	13,099	13,377	13,463	13,731	13,721	13,603	13,470	13,568
31 183 days to 1 year	25,686	28,792	29,503	29,510	30,002	30,076	29,661	29,752	29,796	29,287	29,329
32 More than 1 year to 2½ years	27,482	29,095	29,163	29,699	31,028	31,616	31,664	32,101	32,702	33,178	33,426
33 More than 2½ years	22,866	22,254	21,828	21,877	21,731	21,640	21,391	21,439	21,137	20,893	20,519
34 IRA and Keogh plan accounts	21,408	21,365	20,405	20,423	20,860	20,860	20,683	20,654	20,616	20,649	20,667

NOTE. Effective October 2, 1997, the Federal Reserve Board has discontinued the Monthly Survey of Selected Deposits (FR 2042); accordingly, this table will be discontinued after this issue.

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. Owing to statistical difficulties associated in part with the implementation of sweep accounts, estimates for NOW and savings accounts are not available beginning December 1996.

3. Includes personal and nonpersonal money market deposits.

4. Includes both mutual and federal savings banks.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]

A. All commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1997[r]							1997			
	Sept.	Mar.	Apr.	May	June	July	Aug.	Sept.	Sept. 3	Sept. 10	Sept. 17	Sept. 24
	Seasonally adjusted											
Assets												
1 Bank credit	3,697.4	3,858.5	3,897.9	3,902.0	3,920.8	3,950.1	3,959.9	3,978.9	3,969.4	3,981.3	3,980.4	3,982.0
2 Securities in bank credit	972.3	1,013.9	1,033.4	1,014.4	1,010.3	1,029.6	1,022.9	1,028.3	1,027.1	1,026.2	1,021.7	1,036.2
3 U.S. government securities	705.0	709.0	724.1	723.8	726.9	727.9	715.3	723.7	723.2	720.6	715.1	727.2
4 Other securities	267.3	304.9	309.4	290.6	283.3	301.7	307.6	304.6	303.9	305.6	306.6	309.0
5 Loans and leases in bank credit[2]	2,725.1	2,844.6	2,864.5	2,887.7	2,910.5	2,920.5	2,937.0	2,950.6	2,942.3	2,955.1	2,958.6	2,945.8
6 Commercial and industrial	760.7	798.2	803.6	807.9	812.7	816.9	824.7	836.0	829.4	835.0	836.7	837.2
7 Real estate	1,112.3	1,154.0	1,167.5	1,178.5	1,188.0	1,192.6	1,198.2	1,204.9	1,202.8	1,207.1	1,205.6	1,202.2
8 Revolving home equity	81.9	87.8	89.7	90.9	92.5	93.4	94.2	95.5	95.0	95.2	95.2	95.6
9 Other	1,030.4	1,066.2	1,077.8	1,087.5	1,095.6	1,099.2	1,104.0	1,109.5	1,107.8	1,112.0	1,110.4	1,106.6
10 Consumer	517.3	517.9	515.0	516.5	517.7	516.9	517.4	513.1	516.7	516.3	516.6	509.9
11 Security[3]	73.3	87.3	89.4	88.3	92.7	94.0	93.8	94.1	91.8	96.8	95.2	91.4
12 Other loans and leases	261.5	287.1	289.1	296.5	299.3	300.2	302.9	302.4	301.7	299.9	304.5	305.1
13 Interbank loans	206.0	219.7	215.5	217.7	190.3	184.4	191.2	199.6	193.6	194.8	196.8	198.5
14 Cash assets[4]	226.8	239.8	246.4	243.7	247.8	244.4	261.4	256.6	269.2	247.9	249.0	249.9
15 Other assets[5]	256.3	276.4	278.5	280.7	286.9	282.4	285.3	285.2	284.6	283.5	282.9	286.8
16 **Total assets[6]**	**4,329.2**	**4,538.2**	**4,581.8**	**4,587.6**	**4,589.1**	**4,604.5**	**4,640.9**	**4,663.6**	**4,660.1**	**4,650.9**	**4,652.4**	**4,660.5**
Liabilities												
17 Deposits	2,771.5	2,916.3	2,948.5	2,934.3	2,967.0	2,988.2	3,011.6	3,024.9	3,040.0	3,004.8	3,019.5	3,015.9
18 Transaction	724.4	699.6	701.6	689.4	693.1	688.1	694.4	679.2	696.8	656.1	671.7	683.4
19 Nontransaction	2,047.2	2,216.8	2,246.9	2,244.9	2,273.9	2,300.1	2,317.2	2,345.7	2,343.2	2,348.6	2,347.7	2,332.4
20 Large time	469.0	549.0	567.2	561.4	577.6	596.4	602.5	616.5	615.1	618.4	620.2	615.0
21 Other	1,578.1	1,667.8	1,679.7	1,683.5	1,696.2	1,703.7	1,714.7	1,729.2	1,728.1	1,730.3	1,727.5	1,717.4
22 Borrowings	711.2	749.2	761.3	760.7	727.7	726.6	740.2	759.6	741.1	757.2	749.0	760.8
23 From banks in the U.S.	295.8	311.2	310.8	299.0	266.2	262.0	273.7	281.1	279.0	287.1	271.5	273.9
24 From others	415.4	438.0	450.5	461.7	461.5	464.6	466.4	478.5	462.1	470.1	477.5	486.9
25 Net due to related foreign offices	250.8	209.8	211.6	234.1	229.5	215.0	206.7	205.8	206.7	221.8	218.5	197.5
26 Other liabilities	222.6	276.7	271.4	265.1	267.1	280.5	286.6	275.3	285.7	277.1	272.7	272.5
27 **Total liabilities**	**3,956.0**	**4,152.1**	**4,192.8**	**4,194.1**	**4,191.3**	**4,210.3**	**4,245.0**	**4,265.6**	**4,273.6**	**4,260.9**	**4,259.7**	**4,246.6**
28 Residual (assets less liabilities)[7]	373.2	386.1	389.0	393.5	397.8	394.2	395.9	398.0	386.5	390.0	392.7	413.8
	Not seasonally adjusted											
Assets												
29 Bank credit	3,699.8	3,848.8	3,897.4	3,906.6	3,924.6	3,945.9	3,961.1	3,980.4	3,979.1	3,980.2	3,986.9	3,975.4
30 Securities in bank credit	972.9	1,016.5	1,035.9	1,023.4	1,016.8	1,026.9	1,028.1	1,028.5	1,035.7	1,029.1	1,021.7	1,031.3
31 U.S. government securities	706.0	713.6	726.8	726.2	726.8	723.8	718.0	724.8	727.5	723.4	717.2	725.7
32 Other securities	266.9	302.9	309.1	297.2	290.0	303.0	310.1	303.7	308.2	305.7	304.6	305.6
33 Loans and leases in bank credit[2]	2,726.9	2,832.4	2,861.5	2,883.2	2,907.8	2,919.0	2,933.0	2,951.9	2,943.5	2,951.1	2,965.2	2,944.1
34 Commercial and industrial	755.6	800.8	810.9	814.7	816.2	818.2	820.4	830.2	823.3	826.0	832.4	831.6
35 Real estate	1,115.4	1,148.0	1,163.0	1,174.1	1,186.3	1,192.6	1,199.9	1,208.2	1,205.1	1,210.9	1,209.6	1,204.3
36 Revolving home equity	82.5	87.0	89.0	90.7	92.5	93.4	94.5	96.1	95.6	95.8	96.0	96.3
37 Other	1,032.9	1,061.0	1,074.0	1,083.4	1,093.9	1,099.2	1,105.4	1,112.1	1,109.6	1,115.1	1,113.6	1,108.0
38 Consumer	519.5	513.3	512.6	514.4	514.9	514.6	517.8	515.3	518.8	517.9	519.3	512.6
39 Security[3]	72.5	87.0	89.9	88.7	92.3	92.5	91.9	93.2	90.7	94.5	97.1	90.0
40 Other loans and leases	263.9	283.2	285.2	291.4	298.0	301.2	302.9	304.9	305.5	301.8	306.9	305.6
41 Interbank loans	200.4	216.2	213.9	213.2	187.8	182.2	186.8	194.0	195.5	193.4	191.6	185.9
42 Cash assets[4]	224.0	230.6	241.6	241.5	244.4	240.8	247.8	253.3	283.0	249.0	244.9	238.4
43 Other assets[5]	258.7	271.8	276.2	283.0	287.1	284.5	288.7	287.8	294.1	289.6	283.9	285.5
44 **Total assets[6]**	**4,325.3**	**4,511.3**	**4,572.6**	**4,587.7**	**4,587.1**	**4,596.7**	**4,627.3**	**4,658.6**	**4,694.7**	**4,655.1**	**4,650.2**	**4,628.4**
Liabilities												
45 Deposits	2,772.1	2,905.1	2,945.9	2,925.6	2,962.2	2,979.5	3,001.5	3,025.0	3,069.2	3,023.7	3,018.8	2,983.3
46 Transaction	722.8	687.4	704.8	679.5	687.5	681.8	681.8	677.8	720.3	666.1	671.9	657.5
47 Nontransaction	2,049.3	2,217.7	2,241.1	2,246.1	2,274.8	2,297.7	2,319.7	2,347.2	2,348.9	2,357.6	2,346.9	2,325.8
48 Large time	465.9	549.1	562.8	566.2	577.4	592.1	601.6	611.7	610.4	612.8	613.2	610.7
49 Other	1,583.3	1,668.7	1,678.3	1,679.9	1,697.3	1,705.6	1,718.1	1,735.5	1,738.5	1,744.8	1,733.7	1,715.1
50 Borrowings	715.5	729.7	762.1	770.9	748.2	741.3	745.4	763.4	748.5	746.0	759.2	777.6
51 From banks in the U.S.	298.3	299.6	309.5	307.5	279.9	270.9	278.9	282.8	286.0	283.7	276.4	280.3
52 From others	417.3	430.2	452.6	463.4	468.2	470.3	466.5	480.6	462.5	462.4	482.8	497.2
53 Net due to related foreign offices	245.0	219.0	210.0	236.5	219.8	211.4	202.4	198.4	197.5	208.6	203.3	201.1
54 Other liabilities	223.1	275.0	271.7	268.7	269.4	278.9	285.6	275.9	286.9	279.5	271.9	270.9
55 **Total liabilities**	**3,955.7**	**4,128.8**	**4,189.7**	**4,201.8**	**4,199.6**	**4,211.1**	**4,235.0**	**4,262.6**	**4,302.1**	**4,257.9**	**4,253.2**	**4,232.9**
56 Residual (assets less liabilities)[7]	369.6	382.5	382.9	385.9	387.5	385.5	392.4	395.9	392.6	397.2	397.0	395.5
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	n.a.	90.4	90.1	81.4	76.1	84.3	86.1	78.0	82.2	79.7	78.7	77.7
58 Revaluation losses on off-balance-sheet items[8]	n.a.	86.9	87.8	85.2	79.9	87.5	89.3	81.2	86.3	82.5	81.6	80.4

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

B. Domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1997[r]							1997			
	Sept.	Mar.	Apr.	May	June	July	Aug.	Sept.	Sept. 3	Sept. 10	Sept. 17	Sept. 24
	Seasonally adjusted											
Assets												
1 Bank credit	3,227.5	3,333.1	3,366.7	3,367.8	3,387.0	3,414.0	3,427.9	3,445.5	3,428.1	3,444.6	3,446.7	3,448.4
2 Securities in bank credit	822.5	841.0	856.5	841.3	836.8	849.2	844.6	847.1	837.2	844.1	841.7	854.9
3 U.S. government securities	621.3	625.0	636.3	634.7	636.2	636.1	628.4	635.2	627.7	632.2	629.5	641.4
4 Other securities	201.2	216.0	220.1	206.6	200.5	213.1	216.2	211.9	209.5	211.8	212.2	213.5
5 Loans and leases in bank credit[2]	2,405.0	2,492.2	2,510.2	2,526.5	2,550.3	2,564.9	2,583.3	2,598.4	2,590.9	2,600.5	2,605.0	2,593.5
6 Commercial and industrial	560.6	582.3	587.9	590.0	595.1	599.5	605.9	615.0	610.1	614.2	614.9	615.8
7 Real estate	1,079.7	1,122.5	1,136.1	1,148.0	1,158.6	1,164.2	1,170.2	1,177.6	1,175.2	1,179.5	1,178.2	1,175.0
8 Revolving home equity	81.9	87.8	89.7	90.9	92.5	93.4	94.2	95.5	95.0	95.2	95.2	95.6
9 Other	997.8	1,034.7	1,046.4	1,057.0	1,066.1	1,070.8	1,076.0	1,082.1	1,080.2	1,084.4	1,083.0	1,079.4
10 Consumer	517.3	517.9	515.0	516.5	517.7	516.9	517.4	513.1	516.7	516.3	516.6	509.9
11 Security[3]	44.4	47.6	46.5	45.6	47.9	50.3	51.3	51.1	50.1	53.4	52.0	48.7
12 Other loans and leases	203.1	221.8	224.7	226.5	231.0	233.9	238.5	241.6	238.8	237.0	243.4	244.2
13 Interbank loans	185.0	197.0	196.9	197.9	171.7	166.2	173.8	182.7	179.1	176.8	180.9	181.2
14 Cash assets[4]	196.6	207.4	213.8	210.1	212.7	211.1	227.5	222.1	234.8	211.6	214.2	216.8
15 Other assets[5]	219.2	235.4	239.5	242.1	246.1	239.9	242.7	244.0	239.7	238.9	243.6	247.0
16 **Total assets**[6]	**3,771.0**	**3,917.1**	**3,960.7**	**3,961.7**	**3,961.1**	**3,974.5**	**4,015.3**	**4,038.0**	**4,025.1**	**4,015.4**	**4,028.8**	**4,036.9**
Liabilities												
17 Deposits	2,586.3	2,673.7	2,691.8	2,685.0	2,712.9	2,721.7	2,744.7	2,755.7	2,766.9	2,732.2	2,746.6	2,749.0
18 Transaction	714.8	689.1	690.9	678.5	682.5	677.3	682.9	668.0	685.3	645.1	661.1	672.6
19 Nontransaction	1,871.5	1,984.5	2,000.9	2,006.5	2,030.4	2,044.4	2,061.8	2,087.7	2,081.6	2,087.1	2,085.5	2,076.4
20 Large time	295.5	320.3	323.8	325.5	336.7	343.3	349.6	361.3	356.0	359.4	360.5	361.5
21 Other	1,576.0	1,664.3	1,677.1	1,681.0	1,693.7	1,701.1	1,712.2	1,726.4	1,725.5	1,727.7	1,724.9	1,714.9
22 Borrowings	587.1	609.4	622.7	620.0	591.1	593.3	604.7	620.4	607.4	620.7	619.2	617.6
23 From banks in the U.S.	262.5	276.8	278.9	267.7	238.1	233.8	244.6	247.9	249.1	256.8	244.1	237.8
24 From others	324.6	332.6	343.7	352.3	353.0	359.6	360.1	372.5	358.4	364.0	375.1	379.8
25 Net due to related foreign offices	74.6	68.0	77.3	85.7	81.1	85.6	79.5	83.2	76.2	89.8	88.3	85.3
26 Other liabilities	156.2	182.8	179.7	176.4	177.9	185.2	190.2	182.4	183.7	179.6	181.0	181.4
27 **Total liabilities**	**3,404.2**	**3,533.8**	**3,571.4**	**3,567.0**	**3,563.1**	**3,585.8**	**3,619.1**	**3,641.8**	**3,634.1**	**3,622.2**	**3,635.0**	**3,633.3**
28 Residual (assets less liabilities)[7]	366.8	383.3	389.3	394.7	398.1	388.7	396.2	396.2	391.0	393.1	393.8	403.6
	Not seasonally adjusted											
Assets												
29 Bank credit	3,231.2	3,323.8	3,366.1	3,369.8	3,390.4	3,409.4	3,425.2	3,449.1	3,434.1	3,444.5	3,455.5	3,447.2
30 Securities in bank credit	824.2	843.0	858.5	845.5	842.6	847.6	846.2	849.0	842.3	846.9	843.8	854.6
31 U.S. government securities	623.4	626.7	639.6	636.6	637.4	634.7	629.6	637.4	630.7	635.2	632.4	642.3
32 Other securities	200.9	216.3	218.9	208.8	205.3	212.9	216.6	211.6	211.6	211.7	211.4	212.3
33 Loans and leases in bank credit[2]	2,407.0	2,480.9	2,507.6	2,524.3	2,547.8	2,561.8	2,578.9	2,600.1	2,591.8	2,597.6	2,611.7	2,592.6
34 Commercial and industrial	556.7	585.3	594.4	596.6	597.8	599.6	601.5	610.7	604.9	607.2	611.8	611.8
35 Real estate	1,082.6	1,116.5	1,132.1	1,143.8	1,157.0	1,164.4	1,171.9	1,180.8	1,177.4	1,183.2	1,182.1	1,177.0
36 Revolving home equity	82.5	87.0	89.0	90.7	92.5	93.4	94.5	96.1	95.6	95.8	96.0	96.3
37 Other	1,000.1	1,029.5	1,043.1	1,053.1	1,064.5	1,070.9	1,077.4	1,084.7	1,081.9	1,087.4	1,086.1	1,080.7
38 Consumer	519.5	513.3	512.6	514.4	514.9	514.6	517.8	515.3	518.8	517.9	519.3	512.6
39 Security[3]	43.6	47.3	47.0	46.0	47.5	48.8	49.4	50.2	49.0	51.2	53.8	47.3
40 Other loans and leases	204.6	218.4	221.5	223.6	230.6	234.4	238.3	243.2	241.7	238.2	244.7	244.0
41 Interbank loans	179.3	193.5	195.3	193.4	169.2	163.9	169.4	177.2	181.0	175.3	175.6	168.6
42 Cash assets[4]	194.4	198.8	209.9	207.8	208.6	207.2	214.0	219.7	249.1	214.0	211.3	205.8
43 Other assets[5]	221.2	231.4	238.6	243.4	246.4	242.8	245.3	246.2	248.1	243.3	244.6	246.2
44 **Total assets**[6]	**3,768.7**	**3,891.6**	**3,953.8**	**3,958.2**	**3,958.0**	**3,966.8**	**3,997.1**	**4,035.4**	**4,055.5**	**4,020.3**	**4,030.1**	**4,011.1**
Liabilities												
45 Deposits	2,587.3	2,662.6	2,695.6	2,675.8	2,707.7	2,716.0	2,736.8	2,756.8	2,799.7	2,755.4	2,750.0	2,715.6
46 Transaction	712.9	677.1	694.6	669.1	676.9	671.0	670.7	666.1	708.7	654.9	660.9	646.0
47 Nontransaction	1,874.4	1,985.4	2,001.0	2,006.7	2,030.8	2,045.0	2,066.1	2,090.7	2,091.0	2,100.5	2,089.1	2,069.7
48 Large time	293.2	320.3	325.3	329.4	336.0	341.9	350.6	358.0	355.0	358.2	358.0	357.1
49 Other	1,581.2	1,665.1	1,675.8	1,677.3	1,694.8	1,703.1	1,715.5	1,732.7	1,736.0	1,742.2	1,731.1	1,712.6
50 Borrowings	590.2	595.8	621.0	630.5	606.5	599.1	604.8	623.1	610.9	605.9	624.3	635.6
51 From banks in the U.S.	265.7	266.7	277.4	276.7	250.2	241.1	249.2	250.4	254.7	252.1	248.5	247.5
52 From others	324.6	329.1	343.6	353.8	356.4	358.0	355.6	372.7	356.2	353.8	375.8	388.1
53 Net due to related foreign offices	70.8	72.5	78.8	92.3	79.6	83.2	77.1	79.0	71.6	84.1	80.4	85.8
54 Other liabilities	156.9	181.2	180.2	177.3	179.3	185.6	188.7	183.1	183.8	180.4	180.8	181.0
55 **Total liabilities**	**3,405.1**	**3,512.0**	**3,575.6**	**3,576.0**	**3,573.2**	**3,583.9**	**3,607.4**	**3,642.1**	**3,666.0**	**3,625.7**	**3,635.5**	**3,618.1**
56 Residual (assets less liabilities)[7]	363.6	379.6	378.2	382.2	384.9	382.9	389.7	393.3	389.5	394.6	394.6	393.0
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	n.a.	49.0	49.5	42.0	38.5	44.3	45.1	37.5	39.5	38.3	38.2	37.4
58 Revaluation losses on off-balance-sheet items[8]	n.a.	43.2	44.6	43.4	40.2	45.7	46.5	40.0	41.7	40.0	40.6	39.8
59 Mortgage-backed securities[9]	n.a.	245.1	248.7	248.8	249.9	251.4	253.2	255.7	253.7	252.5	251.6	258.8

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

C. Large domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1997[r]							1997			
	Sept.	Mar.	Apr.	May	June	July	Aug.	Sept.	Sept. 3	Sept. 10	Sept. 17	Sept. 24
	Seasonally adjusted											
Assets												
1 Bank credit	1,896.3	1,960.4	1,979.7	1,971.0	1,981.7	2,001.8	2,004.3	2,015.8	1,999.5	2,015.4	2,016.6	2,017.7
2 Securities in bank credit	424.3	439.2	450.6	434.0	430.0	442.8	438.3	442.0	431.7	437.7	436.8	451.1
3 U.S. government securities	302.5	304.3	313.6	310.5	311.9	311.1	303.5	311.3	303.6	307.3	305.8	319.0
4 Trading account	21.0	18.3	20.3	19.4	23.1	24.9	21.8	25.6	23.6	26.4	22.1	27.9
5 Investment account	281.5	286.1	293.3	291.1	288.8	286.2	281.7	285.7	280.0	280.8	283.7	291.1
6 Other securities	121.8	134.8	137.0	123.5	118.1	131.7	134.8	130.6	128.1	130.5	131.0	132.1
7 Trading account	56.3	69.4	72.0	58.4	51.8	64.2	63.7	59.5	57.8	60.2	60.1	60.2
8 Investment account	65.5	65.4	65.0	65.1	66.3	67.5	71.2	71.1	70.3	70.3	70.9	71.9
9 State and local government	20.3	20.7	20.8	21.1	21.7	22.1	22.3	22.1	22.1	22.0	22.0	22.1
10 Other	45.2	44.8	44.2	44.0	44.6	45.3	48.9	49.0	48.2	48.3	48.8	49.9
11 Loans and leases in bank credit[2]	1,472.0	1,521.2	1,529.2	1,537.1	1,551.7	1,559.0	1,566.1	1,573.9	1,567.8	1,577.6	1,579.8	1,566.6
12 Commercial and industrial	393.8	408.1	412.4	412.7	416.0	418.5	423.1	430.7	426.5	430.5	430.9	431.1
13 Bankers acceptances	1.8	1.7	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5
14 Other	392.0	406.4	410.8	411.2	414.4	416.9	421.7	429.2	425.0	429.0	429.4	429.6
15 Real estate	598.3	610.7	614.1	620.7	625.6	624.9	625.2	626.6	627.4	629.4	627.3	623.1
16 Revolving home equity	57.8	60.6	61.3	62.2	63.5	64.2	64.8	65.7	65.6	65.7	65.6	65.8
17 Other	540.6	550.2	552.8	558.5	562.1	560.7	560.4	560.9	561.8	563.7	561.7	557.3
18 Consumer	298.4	301.5	300.2	301.5	301.9	302.3	300.1	297.9	299.4	300.3	299.7	295.5
19 Security[3]	39.8	42.7	41.9	41.0	43.3	45.7	46.5	46.2	45.2	48.8	47.0	43.7
20 Federal funds sold to and repurchase agreements with broker–dealers	25.3	26.3	23.8	23.4	26.5	28.6	30.0	29.0	30.2	31.2	28.7	27.0
21 Other	14.5	16.5	18.1	17.6	16.9	17.2	16.6	17.2	15.0	17.6	18.3	16.7
22 State and local government	11.5	11.6	11.3	11.1	11.2	11.2	11.3	11.4	11.3	11.4	11.5	11.3
23 Agricultural	8.9	8.8	8.8	8.9	8.8	8.7	8.7	8.9	8.7	8.9	8.9	8.9
24 Federal funds sold to and repurchase agreements with others	4.2	6.3	7.4	5.8	6.3	7.3	6.3	6.5	4.8	5.8	6.6	6.8
25 All other loans	61.4	64.0	64.0	64.7	66.2	66.0	68.6	68.7	67.7	65.9	71.1	68.8
26 Lease-financing receivables	55.5	67.5	69.1	70.5	72.2	74.3	76.1	77.0	76.7	76.7	76.8	77.2
27 Interbank loans	142.2	142.2	148.8	149.5	121.4	115.2	121.2	128.3	125.3	126.2	126.5	125.5
28 Federal funds sold to and repurchase agreements with commercial banks	93.4	92.0	96.7	93.2	69.7	69.5	73.8	81.3	78.0	78.3	79.8	79.3
29 Other	48.8	50.2	52.1	56.3	51.7	45.7	47.3	47.0	47.3	47.9	46.6	46.1
30 Cash assets[4]	136.4	140.7	145.9	143.7	143.5	142.8	156.1	150.6	159.9	143.6	144.4	144.9
31 Other assets[5]	172.2	178.3	181.3	185.2	184.6	178.3	180.0	184.2	182.1	179.6	183.9	186.2
32 **Total assets**[6]	**2,309.1**	**2,385.0**	**2,418.9**	**2,412.8**	**2,394.6**	**2,401.3**	**2,425.0**	**2,442.6**	**2,430.6**	**2,428.5**	**2,435.1**	**2,438.0**
Liabilities												
33 Deposits	1,431.6	1,459.3	1,472.0	1,461.8	1,477.6	1,472.3	1,486.2	1,494.1	1,504.5	1,481.1	1,487.8	1,486.2
34 Transaction	415.1	387.3	387.5	376.9	380.0	374.2	378.4	367.0	381.8	352.6	361.9	367.4
35 Nontransaction	1,016.5	1,072.0	1,084.4	1,084.9	1,097.6	1,098.1	1,107.8	1,127.1	1,122.7	1,128.6	1,125.9	1,118.8
36 Large time	153.6	164.9	169.3	169.4	177.7	182.3	187.7	197.8	193.1	196.3	197.2	198.4
37 Other	862.9	907.1	915.2	915.5	920.0	915.8	920.1	929.3	929.6	932.3	928.7	920.4
38 Borrowings	436.7	455.1	467.0	466.3	436.9	436.4	445.4	463.1	448.0	462.0	460.4	460.4
39 From banks in the U.S.	178.0	192.1	193.7	181.7	157.7	157.6	167.2	174.1	172.5	181.2	170.9	164.3
40 From others	258.8	263.0	273.2	284.5	279.2	278.8	278.1	289.0	275.5	280.9	289.5	296.1
41 Net due to related foreign offices	68.7	64.1	72.9	81.5	77.3	80.8	75.0	78.4	71.7	84.8	83.4	80.2
42 Other liabilities	130.1	157.1	154.3	150.2	151.1	159.0	163.1	154.6	156.0	151.4	152.7	153.8
43 **Total liabilities**	**2,067.2**	**2,135.6**	**2,166.1**	**2,159.8**	**2,143.0**	**2,148.5**	**2,169.7**	**2,190.1**	**2,180.2**	**2,179.4**	**2,184.3**	**2,180.7**
44 Residual (assets less liabilities)[7]	241.9	249.4	252.9	253.0	251.6	252.8	255.3	252.5	250.4	249.1	250.8	257.3

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

C. Large domestically chartered commercial banks—Continued

Account	Monthly averages								Wednesday figures			
	1996	1997[r]							1997			
	Sept.	Mar.	Apr.	May	June	July	Aug.	Sept.	Sept. 3	Sept. 10	Sept. 17	Sept. 24
	Not seasonally adjusted											
Assets												
45 Bank credit	1,896.0	1,955.6	1,978.7	1,973.2	1,984.1	1,996.7	2,001.9	2,015.5	2,005.3	2,013.1	2,020.5	2,011.4
46 Securities in bank credit	425.8	439.8	449.1	436.3	434.1	442.0	441.7	443.4	438.6	441.2	437.9	448.7
47 U.S. government securities	304.1	304.9	313.7	310.9	311.1	310.5	306.2	313.0	308.1	310.5	307.7	317.7
48 Trading account	21.1	19.4	20.5	19.6	21.6	23.8	22.5	25.6	24.9	27.1	23.0	26.5
49 Investment account	283.0	285.5	293.1	291.2	289.5	286.7	283.7	287.4	283.2	283.4	284.7	291.2
50 Mortgage-backed securities		184.9	187.1	187.0	187.4	188.7	188.0	189.7	188.0	186.8	185.9	192.7
51 Other		100.7	106.0	104.2	102.0	98.0	95.8	97.7	95.3	96.5	98.8	98.5
52 One year or less	n.a.	26.9	29.5	27.9	27.8	26.2	26.2	27.0	25.9	26.6	28.0	27.3
53 Between one and five years		57.2	58.4	57.6	55.1	51.1	48.7	48.6	48.0	48.5	49.3	48.6
54 More than five years		16.6	18.2	18.7	19.1	20.6	20.9	22.1	21.4	21.4	21.5	22.6
55 Other securities	121.6	135.0	135.4	125.4	122.9	131.5	135.5	130.5	130.5	130.7	130.2	131.0
56 Trading account	56.1	69.8	70.8	60.6	57.0	64.9	64.8	59.4	60.2	60.4	59.2	59.4
57 Investment account	65.6	65.1	64.6	64.8	65.9	66.6	70.7	71.1	70.2	70.3	71.0	71.6
58 State and local government	20.3	20.7	20.9	21.2	21.8	21.7	22.0	22.0	22.0	22.0	22.0	22.1
59 Other	45.2	44.4	43.7	43.7	44.2	44.8	48.7	49.1	48.2	48.3	48.9	49.5
60 Loans and leases in bank credit[2]	1,470.3	1,515.7	1,529.6	1,536.9	1,550.1	1,554.7	1,560.2	1,572.1	1,566.7	1,571.9	1,582.6	1,562.7
61 Commercial and industrial	391.0	410.5	417.7	417.9	417.5	418.6	419.9	427.4	422.7	424.9	428.6	427.9
62 Bankers acceptances	1.8	1.6	1.5	1.5	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5
63 Other	389.2	408.9	416.2	416.3	416.0	417.1	418.4	425.9	421.2	423.4	427.1	426.3
64 Real estate	599.1	607.8	612.8	618.1	624.2	624.6	625.7	627.6	628.3	631.4	628.8	622.9
65 Revolving home equity	58.0	60.1	60.9	62.1	63.5	64.2	65.0	66.1	65.9	65.9	66.0	66.1
66 Other	n.a.	337.4	341.2	343.7	346.8	346.8	347.8	347.7	349.3	351.8	348.8	342.5
67 Commercial	n.a.	210.4	210.7	212.3	213.9	213.6	212.9	214.1	213.1	213.6	214.1	214.2
68 Consumer	299.5	298.8	298.1	299.9	300.9	300.1	300.6	299.3	301.3	301.4	301.3	297.2
69 Security[3]	39.2	42.4	42.4	41.6	43.1	44.4	44.7	45.3	44.0	46.3	49.1	42.7
70 Federal funds sold to and repurchase agreements with broker–dealers	25.1	26.0	24.8	24.1	26.0	27.9	28.5	28.6	29.1	29.8	30.7	26.4
71 Other	14.1	16.4	17.6	17.4	17.0	16.5	16.2	16.7	15.0	16.5	18.4	16.3
72 State and local government	11.6	11.5	11.2	11.1	11.3	11.3	11.4	11.4	11.4	11.5	11.5	11.4
73 Agricultural	9.1	8.5	8.6	8.9	8.9	9.0	9.0	9.1	9.0	9.1	9.2	9.1
74 Federal funds sold to and repurchase agreements with others	4.6	6.2	7.1	5.9	6.5	7.5	6.2	7.2	5.1	6.5	7.9	7.5
75 All other loans	61.1	62.2	62.7	63.2	65.7	65.4	67.5	68.4	68.9	65.0	70.2	67.7
76 Lease-financing receivables	55.1	67.8	69.0	70.4	72.0	73.8	75.1	76.3	75.8	75.9	76.1	76.4
77 Interbank loans	138.2	138.7	146.8	148.5	121.8	115.6	117.7	124.5	125.4	120.7	123.9	120.1
78 Federal funds sold to and repurchase agreements with commercial banks	90.1	90.0	96.8	94.2	71.1	68.9	70.8	78.0	78.2	73.4	78.3	74.6
79 Other	48.1	48.7	50.0	54.3	50.6	46.7	47.0	46.4	47.2	47.3	45.6	45.4
80 Cash assets[4]	135.7	134.3	143.4	141.7	140.8	139.4	144.9	149.7	169.7	144.9	144.4	139.1
81 Other assets[5]	173.8	175.3	181.4	187.0	186.9	181.2	182.4	185.9	186.7	182.2	185.0	186.7
82 **Total assets**[6]	**2,305.5**	**2,367.2**	**2,413.7**	**2,413.8**	**2,396.9**	**2,396.2**	**2,410.3**	**2,439.1**	**2,450.5**	**2,424.2**	**2,437.3**	**2,421.0**
Liabilities												
83 Deposits	1,430.5	1,453.2	1,473.5	1,455.2	1,474.3	1,470.0	1,481.0	1,493.0	1,524.0	1,490.6	1,490.7	1,462.3
84 Transaction	413.9	379.6	390.9	370.9	376.0	370.1	369.4	365.7	396.1	355.0	363.4	351.1
85 Nontransaction	1,016.6	1,073.6	1,082.7	1,084.4	1,098.3	1,099.9	1,111.6	1,127.2	1,127.9	1,135.7	1,127.4	1,111.2
86 Large time	151.6	164.1	169.7	172.4	177.5	181.7	189.0	194.9	192.9	195.6	195.1	193.5
87 Other	865.0	909.5	912.9	912.0	920.8	918.2	922.6	932.3	935.0	940.0	932.3	917.7
88 Borrowings	440.3	447.0	467.7	472.8	448.7	442.2	446.9	466.4	453.8	452.4	468.4	474.0
89 From banks in the U.S.	180.3	185.8	193.0	188.2	166.6	163.3	171.9	175.9	178.3	178.4	175.0	170.6
90 From nonbanks in the U.S.	260.0	261.2	274.7	284.6	282.0	279.0	275.0	290.4	275.5	274.0	293.4	303.4
91 Net due to related foreign offices	64.9	68.6	74.4	88.1	75.8	78.4	72.6	74.2	67.1	79.1	75.5	80.8
92 Other liabilities	131.1	155.1	154.5	151.5	153.0	159.3	161.5	155.6	156.6	152.5	152.9	153.7
93 **Total liabilities**	**2,066.7**	**2,123.9**	**2,170.2**	**2,167.6**	**2,151.8**	**2,149.9**	**2,162.0**	**2,189.1**	**2,201.6**	**2,174.7**	**2,187.5**	**2,170.8**
94 Residual (assets less liabilities)[7]	238.8	243.3	243.5	246.1	245.1	246.3	248.3	250.0	248.9	249.5	249.8	250.2
MEMO												
95 Revaluation gains on off-balance-sheet items[8]		49.0	49.5	42.0	38.5	44.3	45.1	37.5	39.5	38.3	38.2	37.4
96 Revaluation losses on off-balance-sheet items[8]		43.2	44.6	43.4	40.2	45.7	46.5	40.0	41.7	40.0	40.6	39.8
97 Mortgage-backed securities[9]	n.a.	203.0	205.0	204.5	204.4	204.8	204.3	206.1	204.1	203.0	202.2	209.1
98 Pass-through securities		139.3	140.7	141.2	142.1	142.7	141.7	143.1	141.2	140.1	139.7	146.6
99 CMOs, REMICs, and other mortgage-backed securities		63.7	64.3	63.3	62.4	62.1	62.6	63.0	63.0	62.9	62.5	62.5
100 Net unrealized gains (losses) on available-for-sale securities[10]		2.6	1.8	2.1	2.6	3.1	3.7	3.3	3.4	3.1	3.3	3.3
101 Offshore credit to U.S. residents[11]	29.5	32.9	33.3	33.6	33.4	33.7	34.0	34.1	34.6	34.0	34.1	34.0

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

D. Small domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1997[r]							1997			
	Sept.	Mar.	Apr.	May	June	July	Aug.	Sept.	Sept. 3	Sept. 10	Sept. 17	Sept. 24
	Seasonally adjusted											
Assets												
1 Bank credit	1,331.2	1,372.8	1,387.0	1,396.8	1,405.3	1,412.2	1,423.6	1,429.7	1,428.5	1,429.2	1,430.0	1,430.7
2 Securities in bank credit	398.1	401.8	405.9	407.3	406.8	406.4	406.3	405.1	405.5	406.3	404.9	403.8
3 U.S. government securities	318.8	320.7	322.7	324.2	324.4	325.0	324.9	323.9	324.1	325.0	323.7	322.4
4 Other securities	79.4	81.1	83.2	83.1	82.4	81.4	81.4	81.3	81.4	81.4	81.2	81.4
5 Loans and leases in bank credit[2]	933.1	971.0	981.1	989.4	998.5	1,005.8	1,017.3	1,024.6	1,023.1	1,022.9	1,025.1	1,026.9
6 Commercial and industrial	166.7	174.3	175.5	177.3	179.0	181.0	182.7	184.3	183.6	183.7	183.9	184.7
7 Real estate	481.3	511.7	522.0	527.3	533.0	539.3	545.0	551.0	547.8	550.2	550.9	551.8
8 Revolving home equity	24.1	27.2	28.4	28.7	29.0	29.2	29.4	29.7	29.5	29.5	29.6	29.8
9 Other	457.2	484.5	493.6	498.5	504.0	510.1	515.6	521.3	518.4	520.6	521.2	522.1
10 Consumer	219.0	216.4	214.9	215.0	215.8	214.6	217.3	215.2	217.2	216.0	216.9	214.3
11 Security[3]	4.5	4.9	4.6	4.6	4.6	4.6	4.8	4.9	4.9	4.7	4.9	5.0
12 Other loans and leases	61.5	63.7	64.1	65.3	66.2	66.3	67.5	69.1	69.5	68.3	68.5	71.1
13 Interbank loans	42.8	54.8	48.1	48.4	50.3	50.9	52.6	54.5	53.7	50.6	54.4	55.7
14 Cash assets[4]	60.2	66.7	67.9	66.4	69.1	68.3	71.5	71.5	74.9	68.0	69.8	71.9
15 Other assets[5]	46.9	57.1	58.2	56.9	61.5	61.6	62.8	59.9	57.6	59.3	59.7	60.8
16 **Total assets[6]**	**1,462.0**	**1,532.1**	**1,541.8**	**1,548.8**	**1,566.6**	**1,573.2**	**1,590.3**	**1,595.3**	**1,594.5**	**1,586.9**	**1,593.7**	**1,598.9**
Liabilities												
17 Deposits	1,154.7	1,214.3	1,219.8	1,223.1	1,235.3	1,249.4	1,258.5	1,261.7	1,262.4	1,251.0	1,258.8	1,262.8
18 Transaction	299.8	301.9	303.4	301.6	302.5	303.1	304.5	301.0	303.6	292.5	299.2	305.2
19 Nontransaction	855.0	912.5	916.4	921.6	932.8	946.3	954.0	960.6	958.8	958.5	959.5	957.6
20 Large time	141.9	155.3	154.5	156.1	159.1	161.0	161.9	163.5	163.0	163.1	163.3	163.1
21 Other	713.1	757.2	761.9	765.4	773.7	785.2	792.1	797.2	795.9	795.4	796.3	794.5
22 Borrowings	150.4	154.3	155.7	153.7	154.2	156.9	159.4	157.3	159.4	158.7	158.8	157.2
23 From banks in the U.S.	84.6	84.7	85.2	86.0	80.4	76.2	77.4	73.8	76.6	75.6	73.2	73.5
24 From others	65.8	69.6	70.5	67.7	73.7	80.7	82.0	83.5	82.9	83.1	85.6	83.7
25 Net due to related foreign offices	5.9	3.9	4.4	4.2	3.8	4.8	4.5	4.8	4.5	4.9	4.9	5.0
26 Other liabilities	26.1	25.7	25.4	26.1	26.8	26.1	27.1	27.8	27.6	28.2	28.3	27.6
27 **Total liabilities**	**1,337.0**	**1,398.2**	**1,405.4**	**1,407.2**	**1,420.1**	**1,437.2**	**1,449.4**	**1,451.7**	**1,453.9**	**1,442.9**	**1,450.7**	**1,452.7**
28 Residual (assets less liabilities)[7]	124.9	133.9	136.4	141.6	146.5	136.0	140.9	143.7	140.6	144.0	143.0	146.3
	Not seasonally adjusted											
Assets												
29 Bank credit	1,335.2	1,368.3	1,387.4	1,396.6	1,406.2	1,412.7	1,423.3	1,433.6	1,428.8	1,431.4	1,435.0	1,435.8
30 Securities in bank credit	398.5	403.1	409.4	409.1	408.6	405.6	404.5	405.5	403.7	405.7	405.9	405.9
31 U.S. government securities	319.3	321.8	325.9	325.8	326.2	324.2	323.4	324.4	322.6	324.7	324.7	324.6
32 Other securities	79.2	81.4	83.4	83.4	82.3	81.4	81.2	81.1	81.1	81.0	81.2	81.3
33 Loans and leases in bank credit[2]	936.7	965.1	978.0	987.4	997.7	1,007.1	1,018.8	1,028.1	1,025.2	1,025.7	1,029.1	1,029.9
34 Commercial and industrial	165.7	174.8	176.7	178.7	180.3	181.1	181.6	183.3	182.2	182.3	183.2	183.9
35 Real estate	483.5	508.7	519.3	525.8	532.8	539.7	546.2	553.2	549.1	551.9	553.2	554.1
36 Revolving home equity	24.5	27.0	28.1	28.6	29.0	29.2	29.5	30.0	29.7	29.8	30.0	30.2
37 Other	459.1	481.7	491.2	497.2	503.8	510.5	516.6	523.1	519.5	522.0	523.2	523.9
38 Consumer	220.0	214.6	214.5	214.5	214.0	214.4	217.2	216.0	217.5	216.4	218.0	215.4
39 Security[3]	4.4	4.9	4.6	4.4	4.5	4.5	4.7	4.8	5.0	4.9	4.8	4.6
40 Other loans and leases	63.1	62.2	62.9	64.1	66.2	67.4	69.1	70.7	71.4	70.3	70.0	71.9
41 Interbank loans	41.1	54.8	48.5	44.9	47.4	48.3	51.7	52.7	55.6	54.6	51.7	48.5
42 Cash assets[4]	58.7	64.5	66.5	66.1	67.7	67.9	69.1	69.9	79.4	69.1	66.8	66.7
43 Other assets[5]	47.4	56.1	57.2	56.4	59.5	61.6	62.9	60.3	61.4	61.1	59.6	59.4
44 **Total assets[6]**	**1,463.3**	**1,524.4**	**1,540.1**	**1,544.4**	**1,561.2**	**1,570.6**	**1,586.8**	**1,596.3**	**1,605.1**	**1,596.1**	**1,592.8**	**1,590.2**
Liabilities												
45 Deposits	1,156.8	1,209.4	1,222.1	1,220.6	1,233.4	1,246.0	1,255.8	1,263.9	1,275.7	1,264.7	1,259.2	1,253.3
46 Transaction	299.0	297.5	303.7	298.3	300.9	301.0	301.3	300.4	312.5	300.0	297.5	294.9
47 Nontransaction	857.8	911.8	918.4	922.3	932.5	945.1	954.6	963.5	963.1	964.8	961.7	958.5
48 Large time	141.7	156.2	155.6	156.9	158.6	160.2	161.6	163.1	162.1	162.6	162.9	163.6
49 Other	716.1	755.6	762.8	765.4	773.9	784.9	792.9	800.4	801.0	802.2	798.9	794.9
50 Borrowings	150.0	148.8	153.2	157.6	157.9	156.9	157.8	156.7	157.1	153.5	155.9	161.6
51 From banks in the U.S.	85.4	80.9	84.4	88.5	83.5	77.8	77.3	74.4	76.4	73.8	73.6	76.9
52 From others	64.6	67.9	68.9	69.2	74.3	79.1	80.5	82.3	80.6	79.8	82.4	84.7
53 Net due to related foreign offices	5.9	3.9	4.4	4.2	3.8	4.8	4.5	4.8	4.5	4.9	4.9	5.0
54 Other liabilities	25.8	26.0	25.7	25.8	26.3	26.3	27.2	27.5	27.2	27.8	27.9	27.3
55 **Total liabilities**	**1,338.4**	**1,388.2**	**1,405.4**	**1,408.3**	**1,421.4**	**1,434.0**	**1,445.4**	**1,453.0**	**1,464.5**	**1,451.0**	**1,448.0**	**1,447.3**
56 Residual (assets less liabilities)[7]	124.9	136.2	134.7	136.1	139.8	136.6	141.4	143.3	140.6	145.1	144.9	142.8
MEMO												
57 Mortgage-backed securities[9]	n.a.	42.1	43.7	44.3	45.5	46.6	48.9	49.5	49.6	49.5	49.4	49.7

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

E. Foreign-related institutions

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1997[r]							1997			
	Sept.	Mar.	Apr.	May	June	July	Aug.	Sept.	Sept. 3	Sept. 10	Sept. 17	Sept. 24
	Seasonally adjusted											
Assets												
1 Bank credit	469.9	525.3	531.2	534.2	533.8	536.1	532.0	533.4	541.4	536.8	533.7	533.6
2 Securities in bank credit	149.8	172.9	176.9	173.1	173.5	180.4	178.3	181.2	189.9	182.2	180.1	181.3
3 U.S. government securities	83.7	84.0	87.7	89.1	90.7	91.8	86.9	88.6	95.5	88.4	85.6	85.8
4 Other securities	66.1	88.9	89.2	84.0	82.8	88.6	91.4	92.7	94.4	93.8	94.4	95.5
5 Loans and leases in bank credit[2]	320.1	352.4	354.3	361.1	360.3	355.7	353.7	352.1	351.5	354.6	353.6	352.2
6 Commercial and industrial	200.1	215.9	215.8	217.9	217.7	217.4	218.8	220.9	219.3	220.7	221.8	221.4
7 Real estate	32.6	31.5	31.3	30.5	29.5	28.4	28.0	27.3	27.6	27.6	27.4	27.2
8 Security[3]	28.9	39.7	42.8	42.7	44.8	43.6	42.5	43.0	41.7	43.4	43.3	42.7
9 Other loans and leases	58.4	65.2	64.4	70.0	68.3	66.3	64.4	60.8	62.9	62.9	61.1	60.9
10 Interbank loans	21.1	22.7	18.6	19.8	18.6	18.3	17.4	16.8	14.5	18.0	16.0	17.4
11 Cash assets[4]	30.2	32.4	32.5	33.6	35.1	33.4	33.9	34.5	34.5	36.3	34.8	33.1
12 Other assets[5]	37.1	41.0	39.0	38.6	40.8	42.5	42.5	41.2	44.9	44.6	39.3	39.8
13 **Total assets**[6]	**558.2**	**621.1**	**621.1**	**625.9**	**628.0**	**630.0**	**625.6**	**625.6**	**635.0**	**635.5**	**623.5**	**623.5**
Liabilities												
14 Deposits	185.2	242.7	256.7	249.3	254.1	266.5	266.9	269.1	273.1	272.6	272.9	266.9
15 Transaction	9.5	10.4	10.6	10.9	10.6	10.8	11.5	11.2	11.5	11.1	10.6	10.8
16 Nontransaction	175.7	232.2	246.0	238.4	243.5	255.7	255.5	258.0	261.7	261.6	262.3	256.0
17 Large time	173.5	228.7	243.4	235.9	240.9	253.2	252.9	255.2	259.1	259.0	259.7	253.5
18 Other	2.2	3.5	2.6	2.5	2.5	2.6	2.6	2.7	2.6	2.6	2.6	2.5
19 Borrowings	124.1	139.8	138.6	140.7	136.6	133.3	135.4	139.2	133.7	136.4	129.8	143.1
20 From banks in the U.S.	33.2	34.5	31.8	31.3	28.1	28.2	29.1	33.2	30.0	30.4	27.4	36.1
21 From others	90.9	105.4	106.8	109.4	108.6	105.1	106.3	106.0	103.7	106.1	102.4	107.0
22 Net due to related foreign offices	176.2	141.8	134.4	148.4	148.4	129.4	127.2	122.6	130.6	132.0	130.1	112.2
23 Other liabilities	66.3	93.9	91.7	88.7	89.1	95.4	96.4	92.9	102.1	97.6	91.8	91.1
24 **Total liabilities**	**551.8**	**618.3**	**621.3**	**627.1**	**628.2**	**624.6**	**625.9**	**623.8**	**639.4**	**638.7**	**624.6**	**613.3**
25 Residual (assets less liabilities)[7]	6.4	2.8	−0.3	−1.2	−0.3	5.4	−0.4	1.8	−4.5	−3.2	−1.1	10.2
	Not seasonally adjusted											
Assets												
26 Bank credit	468.6	525.0	531.3	536.8	534.2	536.5	536.0	531.3	545.0	535.6	531.4	528.2
27 Securities in bank credit	148.7	173.5	177.4	177.9	174.2	179.3	181.9	179.6	193.4	182.2	177.9	176.7
28 U.S. government securities	82.6	87.0	87.2	89.6	89.4	89.1	88.4	87.5	96.8	88.2	84.8	83.5
29 Trading account	n.a.	19.9	18.5	18.6	18.3	17.8	18.7	17.5	25.9	17.0	16.5	14.7
30 Investment account	n.a.	66.6	68.3	70.6	70.6	70.9	69.3	69.5	70.9	71.2	68.3	68.8
31 Other securities	66.0	86.5	90.2	88.3	84.8	90.2	93.5	92.1	96.6	94.0	93.2	93.3
32 Trading account	n.a.	57.9	60.8	58.8	56.9	59.4	60.8	59.1	63.7	60.8	59.7	60.3
33 Investment account	n.a.	29.1	29.9	29.9	28.2	31.2	33.2	33.4	33.0	33.2	33.4	33.0
34 Loans and leases in bank credit[2]	319.9	351.5	353.9	358.9	360.0	357.2	354.1	351.7	351.6	353.5	353.5	351.5
35 Commercial and industrial	198.9	215.5	216.5	218.1	218.4	218.5	218.9	219.5	218.4	218.8	220.5	219.8
36 Real estate	32.7	31.5	30.9	30.2	29.3	28.3	28.0	27.4	27.7	27.7	27.5	27.3
37 Security[3]	28.9	39.7	42.8	42.7	44.8	43.6	42.5	43.0	41.7	43.4	43.3	42.7
38 Other loans and leases	59.3	64.8	63.7	67.8	67.4	66.8	64.6	61.8	63.8	63.6	62.2	61.6
39 Interbank loans	21.1	22.7	18.6	19.8	18.6	18.3	17.4	16.8	14.5	18.0	16.0	17.4
40 Cash assets[4]	29.5	31.8	31.7	33.6	35.9	33.6	33.8	33.7	33.9	35.0	33.6	32.6
41 Other assets[5]	37.5	40.4	37.6	39.6	40.7	41.7	43.4	41.6	46.0	46.3	39.4	39.3
42 **Total assets**[6]	**556.6**	**619.7**	**618.8**	**629.5**	**629.0**	**629.8**	**630.3**	**623.1**	**639.1**	**634.8**	**620.1**	**617.2**
Liabilities												
43 Deposits	184.8	242.5	250.3	249.8	254.5	263.5	264.8	268.1	269.5	268.3	268.8	267.7
44 Transaction	9.9	10.2	10.2	10.4	10.5	10.8	11.2	11.7	11.6	11.2	11.0	11.6
45 Nontransaction	174.9	232.3	240.1	239.4	244.0	252.8	253.6	256.5	257.9	257.2	257.8	256.1
46 Large time	172.7	228.8	237.5	236.9	241.4	250.2	251.0	253.7	255.3	254.6	255.3	253.6
47 Other	2.1	3.5	2.6	2.6	2.5	2.5	2.5	2.7	2.5	2.5	2.5	2.5
48 Borrowings	125.3	134.0	141.1	140.5	141.6	142.2	140.7	140.3	137.6	140.2	134.9	141.9
49 From banks in the U.S.	32.6	32.9	32.1	30.8	29.8	29.9	29.7	32.5	31.3	31.6	27.9	32.8
50 From others	92.7	101.1	109.0	109.6	111.9	112.3	111.0	107.8	106.3	108.6	107.0	109.1
51 Net due to related foreign offices	174.3	146.5	131.2	144.2	140.2	128.2	125.3	119.4	125.9	124.6	122.9	115.3
52 Other liabilities	66.2	93.8	91.5	91.4	90.1	93.3	96.9	92.7	103.1	99.1	91.1	89.9
53 **Total liabilities**	**550.6**	**616.7**	**614.2**	**625.9**	**626.4**	**627.2**	**627.6**	**620.5**	**636.0**	**632.2**	**617.7**	**614.7**
54 Residual (assets less liabilities)[7]	6.0	2.9	4.7	3.7	2.6	2.7	2.6	2.6	3.1	2.6	2.4	2.5
MEMO												
55 Revaluation gains on off-balance-sheet items[8]	n.a.	41.4	40.5	39.4	37.6	40.0	41.1	40.6	42.7	41.4	40.5	40.3
56 Revaluation losses on off-balance-sheet items[8]	n.a.	43.7	43.2	41.8	39.8	41.8	42.7	41.2	44.6	42.5	41.0	40.7

Footnotes appear on p. A21.

NOTES TO TABLE 1.26

NOTE. Tables 1.26, 1.27, and 1.28 have been revised to reflect changes in the Board's H.8 statistical release, "Assets and Liabilities of Commercial Banks in the United States." Table 1.27, "Assets and Liabilities of Large Weekly Reporting Commercial Banks," and table 1.28, "Large Weekly Reporting U.S. Branches and Agencies of Foreign Banks," are no longer being published in the *Bulletin*. Instead, abbreviated balance sheets for both large and small domestically chartered banks have been included in table 1.26, parts C and D. Data are both merger-adjusted and break-adjusted. In addition, data from large weekly reporting U.S. branches and agencies of foreign banks have been replaced by balance sheet estimates of all foreign-related institutions and are included in table 1.26, part E. These data are break-adjusted.

The not-seasonally-adjusted data for all tables now contain additional balance sheet items, which were available as of October 2, 1996.

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic); other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks, and Edge Act and agreement corporations (foreign-related institutions). Excludes International Banking Facilities. Data are Wednesday values or *pro rata* averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign-related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.

The data for large and small domestic banks presented on pp A17–19 are adjusted to remove the estimated effects of mergers between these two groups. The adjustment for mergers changes past levels to make them comparable with current levels. Estimated quantities of balance sheet items acquired in mergers are removed from past data for the bank group that contained the acquired bank and put into past data for the group containing the acquiring bank. Balance sheet data for acquired banks are obtained from Call Reports, and a ratio procedure is used to adjust past levels.

2. Excludes federal funds sold to, reverse RPs with, and loans made to commercial banks in the United States, all of which are included in "Interbank loans."

3. Consists of reverse RPs with brokers and dealers and loans to purchase and carry securities.

4. Includes vault cash, cash items in process of collection, balances due from depository institutions, and balances due from Federal Reserve Banks.

5. Excludes the due-from position with related foreign offices, which is included in "Net due to related foreign offices."

6. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.

7. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis. On a seasonally adjusted basis this item reflects any differences in the seasonal patterns estimated for total assets and total liabilities.

8. Fair value of derivative contracts (interest rate, foreign exchange rate, other commodity and equity contracts) in a gain/loss position, as determined under FASB Interpretation No. 39.

9. Includes mortgage-backed securities issued by U.S government agencies, U.S. government-sponsored enterprises, and private entities.

10. Difference between fair value and historical cost for securities classified as available-for-sale under FASB Statement No. 115. Data are reported net of tax effects Data shown are restated to include an estimate of these tax effects.

11. Mainly commercial and industrial loans but also includes an unknown amount of credit extended to other than nonfinancial businesses.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1997					
	1992 Dec.	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	Mar.	Apr.	May	June	July	Aug.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**545,619**	**555,075**	**595,382**	**674,904**	**775,371**	**836,979**	**838,366**	**855,178**	**864,758**	**889,494**	**885,601**
Financial companies[1]											
2 Dealer-placed paper[2], total	226,456	218,947	223,038	275,815	361,147	402,291	404,727	413,776	414,475	440,262	437,340
3 Directly placed paper[3], total	171,605	180,389	207,701	210,829	229,662	246,215	248,920	252,856	256,165	253,971	253,934
4 Nonfinancial companies[4]	147,558	155,739	164,643	188,260	184,563	188,473	184,719	188,546	194,119	195,260	194,327
	Bankers dollar acceptances (not seasonally adjusted)[5]										
5 **Total**	**38,194**	**32,348**	**29,835**	**29,242**	**25,754**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By holder											
6 Accepting banks	10,555	12,421	11,783	n.a.	n.a.						
7 Own bills	9,097	10,707	10,462								
8 Bills bought from other banks	1,458	1,714	1,321								
Federal Reserve Banks[6]											
9 Foreign correspondents	1,276	725	410								
10 Others	26,364	19,202	17,642								
By basis											
11 Imports into United States	12,209	10,217	10,062								
12 Exports from United States	8,096	7,293	6,355								
13 All other	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 are reported annually in September.
6. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1994—Mar. 24	6.25	1994	7.15	1995—Jan.	8.50	1996—Jan.	8.50
Apr. 19	6.75	1995	8.83	Feb.	9.00	Feb.	8.25
May 17	7.25	1996	8.27	Mar.	9.00	Mar.	8.25
Aug. 16	7.75			Apr.	9.00	Apr.	8.25
Nov. 15	8.50	1994—Jan.	6.00	May	9.00	May	8.25
		Feb.	6.00	June	9.00	June	8.25
1995—Feb. 1	9.00	Mar.	6.06	July	8.80	July	8.25
July 7	8.75	Apr.	6.45	Aug.	8.75	Aug.	8.25
Dec. 20	8.50	May	6.99	Sept.	8.75	Sept.	8.25
		June	7.25	Oct.	8.75	Oct.	8.25
1996—Feb. 1	8.25	July	7.25	Nov.	8.75	Nov.	8.25
1997—Mar. 26	8.50	Aug.	7.51	Dec.	8.65	Dec.	8.25
		Sept.	7.75				
		Oct.	7.75			1997—Jan.	8.25
		Nov.	8.15			Feb.	8.25
		Dec.	8.50			Mar.	8.30
						Apr.	8.50
						May	8.50
						June	8.50
						July	8.50
						Aug.	8.50
						Sept.	8.50
						Oct.	8.50

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most recent Call Report. Data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Percent per year; figures are averages of business day data unless otherwise noted

Item	1994	1995	1996	1997				1997, week ending				
				June	July	Aug.	Sept.	Aug. 29	Sept. 5	Sept. 12	Sept. 19	Sept. 26
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	4.21	5.83	5.30	5.56	5.52	5.54	5.54	5.56	5.64	5.48	5.58	5.45
2 Discount window borrowing[2,4]	3.60	5.21	5.02	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Commercial paper[3,4,5,6]												
Nonfinancial												
3 1-month	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.49	n.a.	5.49	5.48	5.49	5.49
4 2-month	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.48	n.a.	5.48	5.48	5.48	5.48
5 3-month	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.48	n.a.	5.49	5.48	5.48	5.47
Financial												
6 1-month	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.51	n.a.	5.51	5.50	5.50	5.51
7 2-month	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.51	n.a.	5.51	5.51	5.50	5.50
8 3-month	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	5.51	n.a.	5.51	5.51	5.50	5.50
Commercial paper (historical)[3,5,6,7]												
9 1-month	4.43	5.93	5.43	5.60	5.56	5.55	n.a.	5.55	n.a.	n.a.	n.a.	n.a.
10 3-month	4.66	5.93	5.41	5.65	5.57	5.56	n.a.	5.55	n.a.	n.a.	n.a.	n.a.
11 6-month	4.93	5.93	5.42	5.69	5.60	5.59	n.a.	5.58	n.a.	n.a.	n.a.	n.a.
Finance paper, directly placed (historical)[3,5,7,8]												
12 1-month	4.33	5.81	5.31	5.53	5.49	5.49	n.a.	5.49	n.a.	n.a.	n.a.	n.a.
13 3-month	4.53	5.78	5.29	5.57	5.50	5.49	n.a.	5.49	n.a.	n.a.	n.a.	n.a.
14 6-month	4.56	5.68	5.21	5.57	5.50	5.50	n.a.	5.51	n.a.	n.a.	n.a.	n.a.
Bankers acceptances[3,5,9]												
15 3-month	4.56	5.81	5.31	5.59	5.53	5.53	5.54	5.53	5.53	5.58	5.53	5.52
16 6-month	4.83	5.80	5.31	5.63	5.54	5.56	5.58	5.55	5.57	5.67	5.55	5.55
Certificates of deposit, secondary market[3,10]												
17 1-month	4.38	5.87	5.35	5.57	5.54	5.54	5.56	5.55	5.55	5.56	5.56	5.57
18 3-month	4.63	5.92	5.39	5.66	5.60	5.60	5.60	5.60	5.60	5.60	5.59	5.59
19 6-month	4.96	5.98	5.47	5.78	5.70	5.71	5.71	5.72	5.72	5.73	5.69	5.69
20 Eurodollar deposits, 3-month[3,11]	4.63	5.93	5.38	5.66	5.61	5.58	5.59	5.56	5.59	5.60	5.59	5.59
U.S. Treasury bills												
Secondary market[3,5]												
21 3-month	4.25	5.49	5.01	4.93	5.05	5.14	4.95	5.13	5.03	5.00	4.97	4.85
22 6-month	4.64	5.56	5.08	5.13	5.12	5.19	5.09	5.18	5.17	5.14	5.09	4.99
23 1-year	5.02	5.60	5.22	5.38	5.24	5.27	5.23	5.29	5.28	5.29	5.19	5.18
Auction average[3,5,12]												
24 3-month	4.29	5.51	5.02	4.92	5.07	5.13	4.97	5.12	5.07	5.01	4.91	4.90
25 6-month	4.66	5.59	5.09	5.14	5.12	5.17	5.11	5.14	5.19	5.14	5.08	5.04
26 1-year	5.02	5.69	5.23	5.35	5.26	5.28	5.30	n.a.	n.a.	n.a.	5.30	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[13]												
27 1-year	5.32	5.94	5.52	5.69	5.54	5.56	5.52	5.59	5.58	5.59	5.48	5.47
28 2-year	5.94	6.15	5.84	6.09	5.89	5.94	5.88	5.98	5.97	5.98	5.83	5.80
29 3-year	6.27	6.25	5.99	6.24	6.00	6.06	5.98	6.11	6.08	6.08	5.91	5.89
30 5-year	6.69	6.38	6.18	6.38	6.12	6.16	6.11	6.22	6.22	6.23	6.04	6.00
31 7-year	6.91	6.50	6.34	6.46	6.20	6.29	6.20	6.35	6.33	6.34	6.13	6.08
32 10-year	7.09	6.57	6.44	6.49	6.22	6.30	6.21	6.36	6.34	6.34	6.14	6.08
33 20-year	7.49	6.95	6.83	6.84	6.56	6.65	6.56	6.71	6.68	6.70	6.49	6.43
34 30-year	7.37	6.88	6.71	6.77	6.51	6.58	6.50	6.63	6.61	6.64	6.43	6.36
Composite												
35 More than 10 years (long-term)	7.41	6.93	6.80	6.82	6.55	6.64	6.54	6.69	6.66	6.68	6.47	6.41
STATE AND LOCAL NOTES AND BONDS												
Moody's series[14]												
36 Aaa	5.77	5.80	5.52	5.33	5.24	5.25	5.19	5.25	5.20	5.25	5.17	5.15
37 Baa	6.17	6.10	5.79	5.53	5.39	5.37	5.33	5.37	5.32	5.37	5.33	5.29
38 *Bond Buyer* series[15]	6.18	5.95	5.76	5.53	5.35	5.41	5.39	5.45	5.42	5.44	5.33	5.36
CORPORATE BONDS												
39 Seasoned issues, all industries[16]	8.26	7.83	7.66	7.68	7.42	7.48	7.40	7.52	7.49	7.52	7.35	7.29
Rating group												
40 Aaa	7.97	7.59	7.37	7.41	7.14	7.22	7.15	7.28	7.25	7.28	7.09	7.02
41 Aa	8.15	7.72	7.55	7.62	7.36	7.40	7.34	7.46	7.44	7.46	7.29	7.23
42 A	8.28	7.83	7.69	7.68	7.42	7.46	7.39	7.52	7.49	7.52	7.34	7.28
43 Baa	8.63	8.20	8.05	8.02	7.75	7.82	7.70	7.82	7.79	7.81	7.67	7.63
44 A-rated, recently offered utility bonds[17]	8.29	7.86	7.77	7.85	7.62	7.67	7.58	7.68	7.72	7.66	7.45	7.44
MEMO												
Dividend–price ratio[18]												
45 Common stocks	2.82	2.56	2.19	1.77	1.66	1.65	1.65	1.69	1.66	1.68	1.63	1.63

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. Series ended August 29, 1997.
8. An average of offering rates on paper directly placed by finance companies.
9. Representative closing yields for acceptances of the highest-rated money center banks.
10. An average of dealer offering rates on nationally traded certificates of deposit.
11. Bid rates for Eurodollar deposits at approximately 11:00 a.m. London time. Data are for indication purposes only.
12. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
13. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
14. General obligation bonds based on Thursday figures; Moody's Investors Service.
15. State and local government general obligation bonds maturing in twenty years are used in compiling this index. The twenty-bond index has a rating roughly equivalent to Moodys' A1 rating. Based on Thursday figures.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
18. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

NOTE. Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1994	1995	1996	1997 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
	Prices and trading volume (averages of daily figures)[1]											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	254.16	291.18	357.98	403.58	418.57	416.72	401.00	433.36	457.07	480.94	482.39	489.74
2 Industrial	315.32	367.40	453.57	509.18	524.30	523.08	506.69	549.65	578.57	610.42	609.54	617.94
3 Transportation	247.17	270.14	327.30	359.40	364.15	372.37	366.67	395.50	410.93	433.75	439.71	451.63
4 Utility	104.96	110.64	126.36	131.95	142.88	132.38	126.66	140.52	140.24	144.25	143.82	145.96
5 Finance	209.75	238.48	303.94	361.45	388.75	387.19	364.25	392.32	419.12	441.59	446.93	459.86
6 Standard & Poor's Corporation (1941–43 = 10)[2]	460.42	541.72	670.49	766.22	798.39	792.16	763.93	833.09	876.29	925.29	927.74	937.02
7 American Stock Exchange (Aug. 31, 1973 = 50)[3]	449.49	498.13	570.86	585.09	593.29	593.64	554.13	584.06	619.94	635.28	645.59	678.05
Volume of trading (thousands of shares)												
8 New York Stock Exchange	290,652	345,729	409,740	526,631	508,199	496,241	473,094	479,907	516,241	543,006	506,205	541,204
9 American Stock Exchange	17,951	20,387	22,567	24,019	21,250	19,232	19,122	19,634	23,277	25,562	24,095	28,252
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[4]	**61,160**	**76,680**	**97,400**	**99,460**	**100,000**	**100,160**	**98,870**	**106,010**	**113,440**	**116,190**	**119,810**	**126,050**
Free credit balances at brokers[5]												
11 Margin accounts[6]	14,095	16,250	22,540	22,870	22,200	22,930	22,700	22,050	23,860	24,290	23,375	23,630
12 Cash accounts	28,870	34,340	40,430	41,280	40,090	41,050	37,560	39,400	41,840	43,985	42,960[r]	43,770

Margin requirements (percent of market value and effective date)[7]

Indicator	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. Daily data on prices are available upon request to the Board of Governors. For ordering address, see inside front cover.
2. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
3. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.
4. Since July 1983, under the revised Regulation T, margin credit at broker–dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
5. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.
6. Series initiated in June 1984.
7. Margin requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

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

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year			Calendar year					
				1997					
	1994	1995	1996	Apr.	May	June	July	Aug.	Sept.
U.S. budget[1]									
1 Receipts, total	1,258,627	1,351,830	1,453,062	228,588	94,493	173,361	109,178	103,483	174,770
2 On-budget	923,601	1,000,751	1,085,570	187,997	63,146	135,922	79,599	70,902	138,847
3 Off-budget	335,026	351,079	367,492	40,591	31,347	37,439	29,579	32,581	35,923
4 Outlays, total	1,461,731	1,515,729	1,560,330	134,650	142,988	118,726	134,802	138,672	125,484
5 On-budget	1,181,469	1,227,065	1,259,872	107,842	112,625	105,267	107,049	109,810	91,678
6 Off-budget	279,372	288,664	300,458	26,807	30,362	13,459	27,753	28,862	33,805
7 Surplus or deficit (−), total	−203,104	−163,899	−107,268	93,939	−48,494	54,635	−25,624	−35,189	49,286
8 On-budget	−258,758	−226,314	−174,302	80,155	−49,479	30,655	−27,450	−38,908	47,169
9 Off-budget	55,654	62,415	67,034	13,784	985	23,980	1,826	3,719	2,118
Source of financing (total)									
10 Borrowing from the public	185,344	171,288	129,712	−39,001	−19,054	−11,147	−1,408	30,348	−18,318
11 Operating cash (decrease, or increase (−))	16,564	−2,007	−6,276	−55,908	72,532	−34,387	23,748	15,435	−31,545
12 Other[2]	1,196	−5,382	−16,168	970	−4,984	−9,101	3,284	−10,594	577
MEMO									
13 Treasury operating balance (level, end of period)	35,942	37,949	44,225	89,404	16,872	51,259	27,511	12,076	43,621
14 Federal Reserve Banks	6,848	8,620	7,700	52,215	5,174	16,368	5,014	4,700	7,692
15 Tax and loan accounts	29,094	29,329	36,525	37,189	11,698	34,891	22,496	7,376	35,930

1. Since 1990, off-budget items have been the social security trust funds (federal old-age survivors insurance and federal disability insurance) and the U.S. Postal Service.

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

SOURCE. Monthly totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government*.

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

Millions of dollars

Source or type	Fiscal year		Calendar year						
	1995	1996	1995	1996		1997	1997		
			H2	H1	H2[r]	H1	July	Aug.	Sept.
RECEIPTS									
1 **All sources**	**1,351,830**	**1,453,062**	**656,865**	**767,099**	**707,551**	**845,552**	**109,178**	**103,483**	**174,770**
2 Individual income taxes, net	590,244	656,417	292,393	347,285	323,884	400,435	53,868	45,669	78,199
3 Withheld	499,927	533,080	256,916	264,177	279,988	292,252	51,812	43,156	44,442
4 Nonwithheld	175,855	212,168	45,521	162,782	53,491	191,050	4,003	4,244	36,230
5 Refunds	85,538	88,897	10,058	79,735	9,604	82,926	1,950	1,732	2,474
Corporation income taxes									
6 Gross receipts	174,422	189,055	88,302	96,480	95,364	106,451	5,442	3,854	39,133
7 Refunds	17,418	17,231	7,518	9,704	10,053	9,635	1,739	1,575	1,795
8 Social insurance taxes and contributions, net	484,473	509,414	224,269	277,767	240,326	288,251	40,572	46,201	47,601
9 Employment taxes and contributions[2]	451,045	476,361	211,323	257,446	227,777	268,357	38,066	41,861	47,013
10 Unemployment insurance	28,878	28,584	10,702	18,068	10,302	17,709	2,081	4,002	247
11 Other net receipts[3]	4,550	4,469	2,247	2,254	2,245	2,184	425	338	342
12 Excise taxes	57,484	54,014	30,014	25,682	27,016	28,084	5,369	4,593	5,719
13 Customs deposits	19,301	18,670	9,849	8,731	9,294	8,619	1,799	1,749	1,590
14 Estate and gift taxes	14,763	17,189	7,718	8,775	8,835	10,477	1,552	1,655	1,849
15 Miscellaneous receipts[4]	28,561	25,534	11,839	12,087	12,888	12,866	2,315	1,338	2,474
OUTLAYS									
16 **All types**	**1,515,729**	**1,560,330**	**752,856**	**785,368**	**800,184**	**797,443**	**134,802**	**138,672[r]**	**125,484**
17 National defense	272,066	265,748	132,887	132,599	138,702	131,525	22,944	24,259	21,076
18 International affairs	16,434	13,496	6,908	8,076	8,596	5,779	1,541	494	1,312
19 General science, space, and technology	16,724	16,709	7,970	8,897	8,260	8,939	1,763	1,643	1,543
20 Energy	4,936	2,836	1,992	1,356	704	801	238	48	598
21 Natural resources and environment	22,078	21,614	11,392	10,254	10,309	9,688	1,909	1,555	2,071
22 Agriculture	9,778	9,159	3,065	73	10,977	1,433	−35	121	3,152
23 Commerce and housing credit	−17,808	−10,646	−3,947	−6,885	−5,899	−7,575	−415	−1,917	1,601
24 Transportation	39,350	39,565	20,725	18,290	22,211	18,046	3,667	3,730	3,818
25 Community and regional development	10,641	10,685	5,569	5,245	5,497	5,699	958	865	1,115
26 Education, training, employment, and social services	54,263	52,001	26,212	25,979	27,548	25,227	3,542	4,055	5,804
27 Health	115,418	119,378	57,128	59,989	61,596	61,808	9,821	10,024	10,771
28 Social security and Medicare	495,701	523,901	251,388	264,647	269,411	278,817	47,860	48,683	43,731
29 Income security	220,493	225,989	104,847	121,186	107,602	123,874	17,921	19,702	13,718
30 Veterans benefits and services	37,890	36,985	18,678	18,140	21,109	17,697	3,409	4,806	1,833
31 Administration of justice	16,216	17,548	8,091	9,015	9,584	10,643	1,863	1,484	1,470
32 General government	13,835	11,892	7,601	4,641	6,547	6,574	366	747	1,440
33 Net interest[5]	232,169	241,090	119,348	120,576	122,571	122,701	21,046	21,636[r]	17,061
34 Undistributed offsetting receipts[6]	−44,455	−37,620	−26,995	−16,716	−25,142	−24,234	−3,594	−3,262	−6,630

1. Functional details do not sum to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for receipts and outlays do not correspond to calendar year data because revisions from the *Budget* have not been fully distributed across months.

2. Old-age, disability, and hospital insurance, and railroad retirement accounts.

3. Federal employee retirement contributions and civil service retirement and disability fund.

4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.

5. Includes interest received by trust funds.

6. Rents and royalties for the outer continental shelf, U.S. government contributions for employee retirement, and certain asset sales.

SOURCE. Fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1998*; monthly and half-year totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1995		1996				1997		
	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30
1 **Federal debt outstanding**	**5,001**	**5,017**	**5,153**	**5,197**	**5,260**	**5,357**	**5,415**	**5,410**	n.a.
2 Public debt securities	4,974	4,989	5,118	5,161	5,225	5,323	5,381	5,376	5,413
3 Held by public	3,653	3,684	3,764	3,739	3,778	3,826	3,874	3,805	
4 Held by agencies	1,321	1,305	1,354	1,422	1,447	1,497	1,507	1,572	
5 Agency securities	27	28	36	36	35	34	34	34	n.a.
6 Held by public	27	28	28	28	27	27	26	26	
7 Held by agencies	0	0	8	8	8	8	8	7	
8 **Debt subject to statutory limit**	**4,885**	**4,900**	**5,030**	**5,073**	**5,137**	**5,237**	**5,294**	**5,290**	**5,328**
9 Public debt securities	4,885	4,900	5,030	5,073	5,137	5,237	5,294	5,290	5,328
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,900	4,900	5,500	5,500	5,500	5,500	5,500	5,500	5,950

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

SOURCE. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin.*

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

Billions of dollars, end of period

Type and holder	1993	1994	1995	1996	1996	1997		
					Q4	Q1	Q2	Q3
1 **Total gross public debt**	**4,535.7**	**4,800.2**	**4,988.7**	**5,323.2**	**5,323.2**	**5,380.9**	**5,376.2**	**5,413.2**
By type								
2 Interest-bearing	4,532.3	4,769.2	4,964.4	5,317.2	5,317.2	5,375.1	5,370.5	5,407.5
3 Marketable	2,989.5	3,126.0	3,307.2	3,459.7	3,459.7	3,504.4	3,433.1	3,439.6
4 Bills	714.6	733.8	760.7	777.4	777.4	785.6	704.1	701.9
5 Notes	1,764.0	1,867.0	2,010.3	2,112.3	2,112.3	2,131.0	2,132.6	2,122.2
6 Bonds	495.9	510.3	521.2	555.0	555.0	565.4	565.4	576.2
7 Inflation-indexed notes[1]	n.a.	n.a.	n.a.	n.a.	n.a.	7.4	15.9	24.4
8 Nonmarketable[2]	1,542.9	1,643.1	1,657.2	1,857.5	1,857.5	1,870.8	1,937.4	1,967.9
9 State and local government series	149.5	132.6	104.5	101.3	101.3	104.8	107.9	111.9
10 Foreign issues[3]	43.5	42.5	40.8	37.4	37.4	36.8	35.4	34.9
11 Government	43.5	42.5	40.8	47.4	47.4	36.8	35.4	34.9
12 Public	.0	.0	.0	.0	.0	.0	.0	.0
13 Savings bonds and notes	169.4	177.8	181.9	182.4	182.4	182.6	182.7	182.7
14 Government account series[4]	1,150.0	1,259.8	1,299.6	1,505.9	1,505.9	1,516.6	1,581.5	1,608.5
15 Non-interest-bearing	3.4	31.0	24.3	6.0	6.0	5.8	5.7	5.6
By holder[5]								
16 U.S. Treasury and other federal agencies and trust funds	1,153.5	1,257.1	1,304.5	1,497.2	1,497.2	1,506.8	1,571.6	
17 Federal Reserve Banks	334.2	374.1	391.0	410.9	410.9	405.6	426.4	
18 Private investors	3,047.4	3,168.0	3,294.9	3,411.2	3,411.2	3,451.7	3,361.7	
19 Commercial banks	322.2	290.4	278.7	261.7r	261.7r	282.3	290.0	
20 Money market funds	80.8	67.6	71.5r	91.6r	91.6r	84.0	76.3	
21 Insurance companies	234.5	240.1	241.5	235.9r	235.9r	238.2	239.0	
22 Other companies	213.0	224.5r	228.8	258.5	258.5	262.5	261.0	n.a.
23 State and local treasuries[6,7]	609.2r	540.2r	421.5r	358.0r	358.0r	360.7	358.0	
Individuals								
24 Savings bonds	171.9	180.5	185.0	187.0	187.0	186.5	186.3	
25 Other securities	137.9	150.7	162.7	169.6	169.6	168.9	169.1	
26 Foreign and international[8]	623.0	688.6	862.2	1,131.8r	1,131.8r	1,204.1	1,240.2	
27 Other miscellaneous investors[7,9]	655.0r	785.5r	843.0r	717.1r	717.1r	664.5	541.8	

1. The U.S. Treasury first issued inflation-indexed notes during the first quarter of 1997.
2. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
3. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.
4. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
5. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
6. Includes state and local pension funds.
7. In March 1996, in a redefinition of series, fully defeased debt backed by nonmarketable federal securities was removed from "Other miscellaneous investors" and added to "State and local treasuries." The data shown here have been revised accordingly.
8. Consists of investments of foreign balances and international accounts in the United States.
9. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally sponsored agencies.

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

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

Millions of dollars, daily averages

Item	1997			1997, week ending								
	June	July	Aug.	July 30	Aug. 6	Aug. 13	Aug. 20	Aug. 27	Sept. 3	Sept. 10	Sept. 17	Sept. 24
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	40,559	34,285	38,732	33,065	37,984	36,968	42,911	35,643	41,910	41,856	48,625	34,415
Coupon securities, by maturity												
2 Five years or less	112,860	102,092	117,232	95,979	128,597	126,523	104,348	113,125	113,755	101,097	118,731	108,945
3 More than five years	56,041	61,251	67,685	70,380	89,426	83,774	58,763	49,205	52,488	54,177	64,616	56,952
4 Federal agency	39,498	39,871	42,563	43,617	40,633	36,008	51,925	40,040	45,712	35,021	41,857	38,997
5 Mortgage-backed	48,439	50,317	47,848	45,711	57,973	63,852	41,189	34,619	37,308	65,574	47,327	37,121
By type of counterparty												
With interdealer broker												
6 U.S. Treasury	118,504	110,830	127,179	113,020	142,913	141,650	117,316	115,088	114,415	112,560	132,755	118,644
7 Federal agency	1,378	1,460	1,299	1,710	1,006	909	1,234	1,859	1,627	1,712	1,851	909
8 Mortgage-backed	15,552	15,503	15,481	15,535	20,322	18,527	13,321	11,840	12,688	18,202	17,024	13,644
With other												
9 U.S. Treasury	90,956	86,798	96,471	86,404	113,095	105,615	88,705	82,886	93,737	84,571	99,216	81,668
10 Federal agency	38,120	38,411	41,264	41,907	39,628	35,098	50,692	38,181	44,085	33,309	40,006	38,089
11 Mortgage-backed	32,887	34,815	32,367	30,176	37,651	45,325	27,868	22,778	24,620	47,372	30,303	23,476
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
12 U.S. Treasury bills	352	188	202	135	125	197	254	166	327	578	165	114
Coupon securities, by maturity												
13 Five years or less	2,430	1,399	2,220	1,425	1,700	2,322	1,550	2,812	3,200	2,077	3,514	1,789
14 More than five years	15,048	14,693	18,859	15,123	19,607	22,420	15,800	17,445	19,641	13,610	20,346	15,485
15 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
16 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
17 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
18 Five years or less	3,103	2,231	2,150	1,725	2,352	2,482	1,514	2,436	1,791	2,598	1,999	922
19 More than five years	4,018	6,038	6,122	5,726	6,224	6,146	4,922	7,981	4,209	3,940	6,103	5,963
20 Federal agency	0	0	0	0	0	0	0	0	0	0	n.a.	n.a.
21 Mortgage-backed	408	576	548	711	715	473	634	555	171	390	935	1,128

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Monthly averages are based on the number of trading days in the month. Transactions are assumed to be evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Outright transactions include immediate and forward transactions. Immediate delivery refers to purchases or sales of securities (other than mortgage-backed federal agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

3. Futures transactions are standardized agreements arranged on an exchange. All futures transactions are included regardless of time to delivery.

4. Options transactions are purchases or sales of put and call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

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

Millions of dollars

Item	1997			1997, week ending							
	June	July	Aug.	July 30	Aug. 6	Aug. 13	Aug. 20	Aug. 27	Sept. 3	Sept. 10	Sept. 17
	Positions[2]										
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	−1,305	−2,696	4,548	−1,960	10,935	5,179	2,701	−2,291	9,063	2,601	5,882
Coupon securities, by maturity											
2 Five years or less	−20,661	−15,429	−27,559	−10,780	−16,112	−28,997	−35,270	−26,777	−30,087	−35,368	−38,435
3 More than five years	−20,191	−21,652	−16,447	−20,958	−13,167	−14,483	−18,062	−20,047	−15,681	−18,089	−17,565
4 Federal agency	31,556	36,617	31,886	38,716	34,147	32,110	33,278	29,487	29,868	29,156	31,229
5 Mortgage-backed	35,836	33,661	32,497	32,553	29,220	35,890	36,928	29,324	29,275	35,783	38,762
NET FUTURES POSITIONS[4]											
By type of deliverable security											
6 U.S. Treasury bills	633	303	−841	−1,461	−1,236	−669	−544	−1,158	−511	−717	n.a.
Coupon securities, by maturity											
7 Five years or less	2,705	3,187	7,431	2,751	4,797	7,946	7,678	8,377	8,390	9,447	5,173
8 More than five years	−13,430	−17,588	−16,452	−19,708	−20,172	−17,848	−15,650	−14,034	−14,064	−15,048	−19,183
9 Federal agency	0	0	0	0	0	0	0	0	0	0	0
10 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
By type of deliverable security											
11 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
12 Five years or less	2,660	2,361	−433	2,572	1,344	−904	−137	−1,805	−392	797	3,018
13 More than five years	2,466	4,960	5,444	7,709	6,198	6,003	6,814	3,806	3,805	3,606	5,335
14 Federal agency	0	0	0	0	0	0	0	0	0	0	n.a.
15 Mortgage-backed	240	470	1,000	955	1,325	636	1,565	613	835	63	−64
	Financing[5]										
Reverse repurchase agreements											
16 Overnight and continuing	290,312	296,334	298,973	296,772	311,349	283,101	318,142	280,410	307,125	299,000	296,749
17 Term	592,367	601,067	622,314	630,423	639,511	677,434	606,312	606,633	555,503	600,818	618,882
Securities borrowed											
18 Overnight and continuing	213,510	213,183	210,814	207,173	217,146	209,796	213,882	205,254	207,461	206,281	203,010
19 Term	87,422	91,863	93,092	89,853	96,254	95,296	94,625	93,753	80,651	89,112	94,908
Securities received as pledge											
20 Overnight and continuing	8,826	8,712	7,865	7,940	7,730	8,374	8,217	7,629	6,976	7,082	7,227
21 Term	163	121	102	104	107	99	89	118	95	77	79
Repurchase agreements											
22 Overnight and continuing	626,329	642,431	651,055	645,874	672,600	646,334	672,755	614,906	652,288	634,565	644,996
23 Term	538,571	550,542	569,029	581,231	589,607	635,022	554,278	553,300	476,014	526,804	542,843
Securities loaned											
24 Overnight and continuing	6,774	7,843	8,020	7,692	7,954	7,752	8,580	7,930	7,768	7,116	6,771
25 Term	4,574	4,688	5,014	4,980	5,750	6,150	4,979	3,975	3,800	3,114	3,186
Securities pledged											
26 Overnight and continuing	61,239	54,921	53,321	52,033	53,696	52,199	53,276	53,890	53,803	53,704	54,135
27 Term	1,736	1,904	2,332	1,646	1,943	2,554	2,242	2,530	2,340	5,039	6,682
Collateralized loans											
28 Overnight and continuing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
29 Term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	n.a.
30 Total	13,374	14,547	16,343	17,811	17,590	16,535	17,595	15,176	13,984	15,994	13,175
MEMO: Matched book[6]											
Securities in											
31 Overnight and continuing	290,345	291,783	281,860	282,362	304,460	276,360	293,653	257,684	279,257	276,218	273,443
32 Term	575,636	587,039	602,540	613,564	620,921	656,596	590,223	587,298	528,602	582,161	598,536
Securities out											
33 Overnight and continuing	380,179	381,031	383,828	379,418	407,652	377,356	396,674	359,593	379,346	380,443	377,293
34 Term	461,838	474,771	483,264	507,676	507,726	549,360	461,382	465,147	400,905	447,452	464,253

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	1993	1994	1995	1996	1997				
					Mar.	Apr.	May	June	July
1 **Federal and federally sponsored agencies**	**570,711**	**738,928**	**844,611**	**925,823**	**929,809**	**960,491**	**974,331**	**972,731**	**977,877**
2 Federal agencies	45,193	39,186	37,347	29,380	28,989	27,762	28,011	27,646	27,738
3 Defense Department[1]	6	6	6	6	6	6	6	6	6
4 Export-Import Bank[2,3]	5,315	3,455	2,050	1,447	1,363	1,357	1,357	1,357	1,326
5 Federal Housing Administration[4]	255	116	97	84	26	31	32	37	43
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]	9,732	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Tennessee Valley Authority	29,885	27,536	29,429	27,853	27,594	27,756	28,065	27,640	27,732
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]	523,452	699,742	807,264	896,443	900,820	932,729	946,320	945,085	950,139
11 Federal Home Loan Banks	139,512	205,817	243,194	263,404	266,456	277,880	284,861	290,028	291,931
12 Federal Home Loan Mortgage Corporation	49,993	93,279	119,961	156,980	153,621	162,872	167,407	161,900	161,476
13 Federal National Mortgage Association	201,112	257,230	299,174	331,270	336,174	341,789	344,350	345,462	348,599
14 Farm Credit Banks[8]	53,123	53,175	57,379	60,053	60,884	60,945	61,384	62,075	61,874
15 Student Loan Marketing Association[9]	39,784	50,335	47,529	44,763	43,105	48,515	47,620	44,841	45,536
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[r]	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt**[13]	**128,187**	**103,817**	**78,681**	**58,172**	**53,688**	n.a.	**51,866**	**50,962**	**50,119**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	5,309	3,449	2,044	1,431	1,357	1,357	1,357	1,357	1,326
21 Postal Service[6]	9,732	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
22 Student Loan Marketing Association	4,760	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
23 Tennessee Valley Authority	6,325	3,200	3,200	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other lending[14]									
25 Farmers Home Administration	38,619	33,719	21,015	18,325	16,675	16,675	16,505	15,455	18,700
26 Rural Electrification Administration	17,578	17,392	17,144	16,702	15,696	15,696	15,674	15,679	15,564
27 Other	45,864	37,984	29,513	21,714	21,317	23,919	18,330	18,471	14,529

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	1994	1995	1996	1997 Feb.	Mar.	Apr.	May	June	July[r]	Aug.	Sept.
1 **All issues, new and refunding**[1]	**153,950**	**145,657**	**171,222**	**12,052**	**13,701**	**15,741**	**15,447**	**19,376**	**16,740**	**16,635**	**19,797**
By type of issue											
2 General obligation	54,404	56,980	60,409	4,287	5,491	6,224	5,741	6,145	7,679	5,083	3,526
3 Revenue	99,546	88,677	110,813	7,765	8,210	9,517	9,706	13,231	9,061	11,552	16,271
By type of issuer											
4 State	19,186	14,665	13,651	713	4,037	1,126	1,219	1,197	1,984	1,352	1,278
5 Special district or statutory authority[2]	95,896	93,500	113,228	8,341	7,206	11,124	9,666	13,810	10,715	10,480	14,890
6 Municipality, county, or township	38,868	37,492	44,343	2,998	2,458	3,491	4,562	4,369	4,041	4,803	3,629
7 **Issues for new capital**	**105,972**	**102,390**	**112,298**	**8,409**	**8,736**	**11,835**[r]	**10,507**	**14,536**	**9,279**	**9,038**	**11,003**
By use of proceeds											
8 Education	21,267	23,964	26,851	1,924	2,330	3,264	2,844	3,498	2,701	2,741	1,976
9 Transportation	10,836	11,890	12,324	639	393	1,873	1,225	638	666	1,276	2,651
10 Utilities and conservation	10,192	9,618	9,791	901	954	425	1,608	1,615	1,182	583	1,168
11 Social welfare	20,289	19,566	24,583	1,281	2,644	1,929	1,291	4,438	1,789	1,654	3,062
12 Industrial aid	8,161	6,581	6,287	481	317	765	462	637	334	793	423
13 Other purposes	35,227	30,771	32,462	3,183	2,098	3,220	3,077	3,710	2,607	2,024	1,723

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

SOURCE. Securities Data Company beginning January 1990; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1994	1995	1996	1997 Jan.	Feb.	Mar.	Apr.	May	June[r]	July[r]	Aug.
1 **All issues**[1]	**583,240**	n.a.	n.a.	**57,186**	**53,027**	**62,411**	**43,956**	**54,750**	**83,932**	**67,807**	**50,499**
2 **Bonds**[2]	**498,039**	**573,206**	n.a.	**44,027**	**44,980**	**54,632**	**37,672**	**46,738**	**72,962**	**58,419**	**44,935**
By type of offering											
3 Public, domestic	365,222	408,804	386,280	35,449	35,245	45,886	29,797	38,594	60,804	45,829	40,045
4 Private placement, domestic[3]	76,065	87,492	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	56,755	76,910	74,793	8,577	9,735	8,746	7,875	8,144	12,158	12,590	4,890
By industry group											
6 Manufacturing	43,423	61,070	41,959	4,088	4,791	3,060	2,276	2,355	3,748	7,780	5,175
7 Commercial and miscellaneous	40,735	50,689	34,076	4,926	2,004	1,641	6,201	2,104	2,597	4,429	3,354
8 Transportation	6,867	8,430	5,111	366	100	324	257	6,566	424	544	406
9 Public utility	13,322	13,751	8,161	858	1,476	1,185	47	653	1,377	3,674	1,407
10 Communication	13,340	22,999	13,320	1,210	405	2,802	500	300	576	1,304	278
11 Real estate and financial	380,352	416,269	358,446	32,578	36,204	45,619	28,391	34,761	64,241	40,689	34,316
12 **Stocks**[2]	**85,155**	**100,573**	n.a.	**13,159**	**8,047**	**7,779**	**6,284**	**8,012**	**11,252**	**9,388**	**5,564**
By type of offering											
13 Public preferred	12,570	10,917	33,208	8,048	1,510	2,740	1,952	2,055	3,846	678	645
14 Common	47,828	57,556	83,052	5,111	6,537	5,039	4,332	5,957	7,406	8,710	4,919
15 Private placement[3]	24,800	32,100		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
16 Manufacturing	17,798	21,545		608	2,008	1,136	847	1,594	1,627	1,056	836
17 Commercial and miscellaneous	15,713	27,844	n.a.	1,827	3,041	1,923	1,181	1,912	2,938	2,804	1,673
18 Transportation	2,203	804		250	258	0	0	35	272	563	139
19 Public utility	2,214	1,936		1,847	96	841	570	200	1,046	483	48
20 Communication	494	1,077		0	28	0	25	0	374	120	52
21 Real estate and financial	46,733	47,367		8,292	2,575	3,879	3,661	4,219	5,384	3,875	2,438

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data cover only public offerings.
3. Monthly data are not available.

SOURCE. Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1995	1996	1997 Feb.	Mar.	Apr.	May	June	July	Aug.[r]	Sept.
1 **Sales of own shares**[2]	**871,415**	**1,149,918**	**102,169**	**101,390**	**110,721**	**103,470**	**112,318**	**125,710**	**114,358**	**115,900**
2 Redemptions of own shares	699,497	853,460	73,871	79,976	100,188	76,337	86,759	90,095	84,366	86,469
3 Net sales[3]	171,918	296,458	28,298	21,413	10,532	27,133	25,559	35,615	29,992	29,431
4 **Assets**[4]	**2,067,337**	**2,637,398**	**2,772,715**	**2,700,474**	**2,782,077**	**2,952,609**	**3,067,565**	**3,279,535**	**3,199,534**	**3,386,754**
5 Cash[5]	142,572	139,396	153,525	160,570	177,979	182,004	180,552	182,122	180,152	184,630
6 Other	1,924,765	2,498,002	2,619,189	2,539,906	2,604,098	2,770,606	2,887,013	3,097,413	3,019,382	3,202,124

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	1994	1995	1996	1995 Q4	1996 Q1	1996 Q2	1996 Q3	1996 Q4	1997 Q1	1997 Q2	1997 Q3
1 Profits with inventory valuation and capital consumption adjustment	570.5	650.0	735.9	685.7	717.7	738.5	739.6	747.8	779.6	795.1	n.a.
2 Profits before taxes	535.1	622.6	676.6	634.1	664.9	682.2	679.1	680.0	708.4	719.8	n.a.
3 Profits-tax liability	186.6	213.2	229.0	215.3	226.2	232.2	231.6	226.0	241.2	244.5	n.a.
4 Profits after taxes	348.5	409.4	447.6	418.8	438.7	450.0	447.5	454.0	467.2	475.3	n.a.
5 Dividends	216.2	264.4	304.8	274.4	300.7	303.7	305.7	309.1	326.8	333.0	339.1
6 Undistributed profits	132.3	145.0	142.8	144.5	138.0	146.4	141.8	144.9	140.3	142.3	n.a.
7 Inventory valuation	−16.1	−24.3	−2.5	.4	−5.1	−5.4	−2.7	3.3	3.5	5.9	7.8
8 Capital consumption adjustment	51.4	51.6	61.8	51.1	57.9	61.6	63.2	64.4	67.7	69.4	70.4

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1994	1995	1996	1996 Q1	1996 Q2	1996 Q3	1996 Q4	1997 Q1	1997 Q2	1997 Q3
ASSETS										
1 Accounts receivable, gross[2]	543.7	607.0	637.1	613.7	626.7	628.1	637.1	647.2	650.7	656.8
2 Consumer	201.9	233.0	244.9	235.9	240.6	244.4	244.9	248.6	254.3	255.0
3 Business	274.9	301.6	309.5	303.5	305.7	301.4	309.5	315.2	311.7	313.1
4 Real estate	66.9	72.4	82.7	74.3	80.4	82.2	82.7	83.4	84.8	88.7
5 LESS: Reserves for unearned income	52.9	60.7	55.6	58.9	57.2	54.8	55.6	51.3	57.0	58.0
6 Reserves for losses	11.3	12.8	13.1	12.8	12.7	12.9	13.1	12.8	13.3	13.7
7 Accounts receivable, net	479.5	533.5	568.3	542.0	556.7	560.5	568.3	583.1	580.4	585.1
8 All other	216.8	250.9	290.0	255.0	258.7	268.7	290.0	289.9	308.1	310.5
9 **Total assets**	**696.3**	**784.4**	**858.3**	**796.9**	**815.4**	**829.2**	**858.3**	**873.0**	**888.6**	**895.6**
LIABILITIES AND CAPITAL										
10 Bank loans	14.8	15.3	19.7	15.4	17.7	18.3	19.7	18.4	18.9	19.3
11 Commercial paper	171.6	168.6	177.6	168.2	169.6	173.1	177.6	185.3	193.8	190.2
Debt										
12 Owed to parent	41.8	51.1	60.3	50.5	56.3	57.9	60.3	61.0	61.4	61.7
13 Not elsewhere classified	247.4	300.0	332.5	307.5	319.0	322.3	332.5	324.4	344.6	348.5
14 All other liabilities	146.2	163.6	174.7	165.6	163.2	164.8	174.7	189.1	170.9	177.2
15 Capital, surplus, and undivided profits	74.6	85.9	93.5	89.7	89.7	92.8	93.5	94.8	98.8	98.7
16 **Total liabilities and capital**	**696.3**	**784.4**	**858.3**	**796.9**	**815.4**	**829.2**	**858.3**	**873.0**	**888.6**	**895.6**

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are amounts carried on the balance sheets of finance companies; securitized pools are not shown, as they are not on the books.
2. Before deduction for unearned income and losses.

1.52 DOMESTIC FINANCE COMPANIES Owned and Managed Receivables[1]

Billions of dollars, amounts outstanding

Type of credit	1994	1995	1996	1997 Mar.	1997 Apr.	1997 May	1997 June	1997 July	1997 Aug.
	Seasonally adjusted								
1 **Total**	**607.3**	**682.4**	**762.4**	**773.8**	**775.6**	**775.9**	**782.9**	**786.0[r]**	**791.3**
2 Consumer	244.4	281.9	306.6	312.5	318.2	318.5	320.8	323.1[r]	323.3
3 Real estate	66.9	72.4	111.9	115.5	116.9	118.0	120.1	121.8	123.5
4 Business	295.9	328.1	343.8	345.8	340.5	339.3	342.0	341.1[r]	344.4
	Not seasonally adjusted								
5 **Total**	**613.5**	**689.5**	**769.7**	**775.0**	**776.6**	**777.8**	**786.9**	**780.3[r]**	**785.9**
6 Consumer	248.0	285.8	310.6	311.0	315.6	317.5	320.9	322.1[r]	323.1
7 Motor vehicles loans	70.2	81.1	86.7	85.8	83.2	85.1	87.0	88.3[r]	88.4
8 Motor vehicle leases	67.5	80.8	92.5	95.6	96.7	97.3	98.5	99.4[r]	98.8
9 Revolving[2]	25.9	28.5	32.5	33.2	34.3	34.4	34.0	33.1	33.6
10 Other[3]	38.4	42.6	33.2	34.0	34.3	34.7	34.8	34.7	35.4
Securitized assets[4]									
11 Motor vehicle loans	32.8	34.8	36.8	34.5	38.3	36.8	37.8	38.0	38.2
12 Motor vehicle leases	2.2	3.5	8.7	8.4	9.4	9.3	9.2	9.0	8.9
13 Revolving	n.a.	n.a.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14 Other	11.2	14.7	20.1	19.6	19.3	19.9	19.7	19.5	19.7
15 Real estate	66.9	72.4	111.9	115.5	116.9	118.0	120.1	121.8	123.5
16 One- to four-family	n.a.	n.a.	52.1	53.3	55.0	54.9	54.5	56.8	58.9
17 Other	n.a.	n.a.	30.5	30.1	30.3	30.3	30.3	30.3	30.4
Securitized real estate assets[4]									
18 One- to four-family	n.a.	n.a.	28.9	31.8	31.3	32.5	35.0	34.4	33.9
19 Other	n.a.	n.a.	0.4	0.4	0.3	0.3	0.3	0.3	0.3
20 Business	298.6	331.2	347.2	348.5	344.1	342.2	345.9	336.4[r]	339.3
21 Motor vehicles	62.0	66.5	67.1	73.8	71.7	70.4	70.7	63.6	65.2
22 Retail loans	18.5	21.8	25.1	25.1	24.6	24.4	25.2	24.4	25.3
23 Wholesale loans[5]	35.2	36.6	33.0	39.6	37.9	36.6	36.3	29.8[r]	30.5
24 Leases	8.3	8.0	9.0	9.1	9.2	9.3	9.3	9.3	9.4
25 Equipment	8.3	8.0	9.0	192.1	189.9	188.0	188.8	188.3	189.0
26 Loans	8.3	8.0	9.0	55.0	53.8	52.3	52.6	51.7	51.3
27 Leases	8.3	8.0	9.0	137.1	136.1	135.6	136.2	136.6	137.6
28 Other business receivables[6]	8.3	8.0	9.0	49.3	49.6	50.3	52.2	51.6	52.5
Securitized assets[4]									
29 Motor vehicles	8.3	8.0	9.0	20.5	20.3	21.1	21.3	19.9	19.8
30 Retail loans	8.3	8.0	9.0	2.2	2.1	2.6	2.5	2.4	2.3
31 Wholesale loans	8.3	8.0	9.0	18.2	18.2	18.5	18.7	17.4	17.5
32 Leases	8.3	8.0	9.0	0.0	0.0	0.0	0.0	0.0	0.0
33 Equipment	8.3	8.0	9.0	10.3	9.9	9.9	10.4	10.6[r]	10.3
34 Loans	8.3	8.0	9.0	4.0	3.8	4.0	3.9	4.2	4.1
35 Leases	8.3	8.0	9.0	6.3	6.2	5.9	6.5	6.4[r]	6.2
36 Other business receivables[6]	8.3	8.0	9.0	2.5	2.6	2.5	2.5	2.5	2.4

NOTE. This table has been revised to incorporate several changes resulting from the benchmarking of finance company receivables to the June 1996 Survey of Finance Companies. In that benchmark survey, and in the monthly surveys that have followed, more detailed breakdowns have been obtained for some components. In addition, previously unavailable data on securitized real estate loans are now included in this table. The new information has resulted in some reclassification of receivables among the three major categories (consumer, real estate, and business) and in discontinuities in some component series between May and June 1996.

Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

1. Owned receivables are those carried on the balance sheet of the institution. Managed receivables are outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator. Data are shown before deductions for unearned income and losses. Components may not sum to totals because of rounding.

2. Excludes revolving credit reported as held by depository institutions that are subsidiaries of finance companies.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, boats, and recreation vehicles.

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

5. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

6. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1994	1995	1996	1997						
				Mar.	Apr.	May	June	July	Aug.	Sept.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	170.4	175.8	182.4	169.2	172.5	177.6	181.4	181.4	191.2	190.6
2 Amount of loan (thousands of dollars)	130.8	134.5	139.2	132.1	134.8	137.7	140.6	142.7	148.2	147.0
3 Loan-to-price ratio (percent)	78.8	78.6	78.2	80.8	81.1	80.0	79.9	81.2	79.8	79.3
4 Maturity (years)	27.5	27.7	27.2	28.0	27.8	28.2	28.0	28.7	28.2	28.3
5 Fees and charges (percent of loan amount)[2]	1.29	1.21	1.21	0.99	1.04	1.00	1.04	1.05	1.06	1.12
Yield (percent per year)										
6 Contract rate[1]	7.26	7.65	7.56	7.72	7.86	7.85	7.79	7.62	7.42	7.43
7 Effective rate[1,3]	7.47	7.85	7.77	7.88	8.03	8.01	7.95	7.78	7.59	7.61
8 Contract rate (HUD series)[4]	8.58	8.05	8.03	8.25	8.19	8.08	7.82	7.62	7.67	7.51
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	8.68	8.18	8.19	8.55	8.56	8.05	8.02	7.61	8.02	7.52
10 GNMA securities[6]	7.96	7.57	7.48	7.69	7.80	7.59	7.37	7.04	7.16	7.10
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	222,057	253,511	287,052	292,115	295,804	297,023	297,471	300,439	304,528	307,256
12 FHA/VA insured	27,558	28,762	30,592	30,100	30,839	31,437	31,198	31,065	31,193	31,847
13 Conventional	194,499	224,749	256,460	262,015	264,965	265,586	266,273	269,374	273,335	275,409
14 Mortgage transactions purchased (during period)	62,389	56,598	68,618	5,839	6,683	4,148	3,594	6,417	7,606	6,544
Mortgage commitments (during period)										
15 Issued[7]	54,038	56,092	65,859	8,299	3,898	1,704	6,196	6,956	5,960	7,573
16 To sell[8]	1,820	360	130	1	0	23	115	75	219	215
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	72,693	107,424	137,755	144,558	147,190	148,698	149,250	151,582	155,169	157,165
18 FHA/VA insured	276	267	220	208	205	210	210	210	210	210
19 Conventional	72,416	107,157	137,535	144,350	146,985	148,488	149,040	151,372	154,959	156,955
Mortgage transactions (during period)										
20 Purchases	124,697	98,470	128,566	7,403	8,981	8,195	8,884	8,374	9,917	10,496
21 Sales	117,110	85,877	119,702	6,796	8,269	7,596	8,321	7,757[r]	9,187	9,727
22 Mortgage commitments contracted (during period)[9]	136,067	118,659	128,995	7,595	9,746	7,408	9,099	9,054	9,913	10,877

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	1993	1994	1995	1996			1997	
				Q2	Q3	Q4	Q1	Q2[p]
1 **All holders**	**4,261,151**	**4,462,816**	**4,691,812**	**4,861,363**	**4,940,700**	**5,022,445**	**5,080,199**	**5,162,447**
By type of property								
2 One- to four-family residences	3,225,011	3,424,018	3,616,440	3,719,650	3,792,425	3,850,579	3,898,042	3,955,964
3 Multifamily residences	270,380	275,287	287,593	301,063	305,081	312,984	315,578	321,955
4 Nonfarm, nonresidential	685,021	680,540	703,218	754,457	756,462	771,749	778,940	795,708
5 Farm	80,739	82,971	84,561	86,193	86,732	87,134	87,639	88,821
By type of holder								
6 Major financial institutions	1,763,410	1,811,018	1,884,714	1,919,622	1,945,088	1,968,859	1,983,813	2,021,318
7 Commercial banks[2]	940,603	1,003,923	1,080,483	1,099,643	1,112,914	1,135,133	1,149,721	1,186,255
8 One- to four-family	556,660	611,092	663,715	670,756	678,565	692,180	702,553	727,211
9 Multifamily	38,657	39,346	43,837	45,368	46,410	46,676	47,620	48,752
10 Nonfarm, nonresidential	324,420	330,934	349,101	358,956	363,124	371,394	374,317	384,232
11 Farm	20,866	22,551	23,830	24,563	24,815	24,883	25,231	26,060
12 Savings institutions[3]	598,435	596,191	596,763	611,735	628,037	628,335	627,564	629,045
13 One- to four-family	470,000	477,626	482,353	498,219	513,794	513,712	514,575	516,699
14 Multifamily	67,366	64,343	61,987	60,680	61,308	61,570	60,645	60,102
15 Nonfarm, nonresidential	60,764	53,933	52,135	52,522	52,614	52,723	52,007	51,906
16 Farm	305	289	288	315	320	331	336	338
17 Life insurance companies	224,372	210,904	207,468	208,244	204,138	205,390	206,529	206,018
18 One- to four-family	8,593	7,018	7,316	7,270	6,190	6,772	6,799	6,684
19 Multifamily	25,376	23,902	23,435	23,534	23,155	23,197	23,320	23,251
20 Nonfarm, nonresidential	180,934	170,421	167,095	167,800	165,096	165,399	166,277	165,779
21 Farm	9,469	9,563	9,622	9,640	9,697	10,022	10,133	10,304
22 Federal and related agencies	326,040	315,580	306,774	305,963	302,793	300,935	295,203	292,966
23 Government National Mortgage Association	22	6	2	2	2	2	6	7
24 One- to four-family	15	6	2	2	2	2	6	7
25 Multifamily	7	0	0	0	0	0	0	0
26 Farmers Home Administration[4]	41,386	41,781	41,791	41,547	41,575	41,596	41,485	41,400
27 One- to four-family	18,030	18,098	17,705	17,396	17,374	17,303	17,175	17,239
28 Multifamily	10,940	11,319	11,617	11,645	11,652	11,685	11,692	11,706
29 Nonfarm, nonresidential	5,406	5,670	6,248	6,552	6,681	6,841	6,969	7,135
30 Farm	7,012	6,694	6,221	5,954	5,869	5,768	5,649	5,321
31 Federal Housing and Veterans' Administrations	12,215	10,964	9,809	8,052	6,627	6,244	4,330	4,200
32 One- to four-family	5,364	4,753	5,180	3,861	3,190	3,524	2,335	2,299
33 Multifamily	6,851	6,211	4,629	4,191	3,438	2,719	1,995	1,900
34 Resolution Trust Corporation	17,284	10,428	1,864	0	0	0	0	0
35 One- to four-family	7,203	5,200	691	0	0	0	0	0
36 Multifamily	5,327	2,859	647	0	0	0	0	0
37 Nonfarm, nonresidential	4,754	2,369	525	0	0	0	0	0
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	14,112	7,821	4,303	5,016	4,025	2,431	2,217	1,816
40 One- to four-family	2,367	1,049	492	840	675	365	333	272
41 Multifamily	1,426	1,595	428	955	766	413	377	309
42 Nonfarm, nonresidential	10,319	5,177	3,383	3,221	2,584	1,653	1,508	1,235
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	165,668	174,312	176,824	176,692	175,472	174,556	172,829	170,386
45 One- to four-family	150,336	158,413	161,322	161,407	160,541	160,205	159,056	157,167
46 Multifamily	15,332	15,899	15,502	15,285	14,931	14,351	13,773	13,219
47 Federal Land Banks	28,460	28,555	28,428	29,362	29,579	29,602	29,668	29,963
48 One- to four-family	1,675	1,671	1,673	1,728	1,740	1,742	1,746	1,763
49 Farm	26,785	26,885	26,755	27,634	27,839	27,860	27,922	28,200
50 Federal Home Loan Mortgage Corporation	46,892	41,712	43,753	45,292	45,513	46,504	44,668	45,194
51 One- to four-family	44,345	38,882	39,901	41,095	41,149	41,758	39,640	40,092
52 Multifamily	2,547	2,830	3,852	4,197	4,364	4,746	5,028	5,102
53 Mortgage pools or trusts[5]	1,570,691	1,726,365	1,861,489	1,963,345	2,008,356	2,056,276	2,099,448	2,134,311
54 Government National Mortgage Association	414,066	450,934	472,283	485,316	497,018	506,340	513,471	520,938
55 One- to four-family	404,864	441,198	461,438	473,825	485,073	494,158	500,591	507,618
56 Multifamily	9,202	9,736	10,845	11,491	11,945	12,182	12,880	13,320
57 Federal Home Loan Mortgage Corporation	447,147	490,851	515,051	536,671	545,608	554,260	562,894	567,187
58 One- to four-family	442,612	487,725	512,238	534,238	543,341	551,513	560,369	564,445
59 Multifamily	4,535	3,126	2,813	2,433	2,267	2,747	2,525	2,742
60 Federal National Mortgage Association	495,525	530,343	582,959	621,285	636,362	650,780	663,668	673,931
61 One- to four-family	486,804	520,763	569,724	606,271	619,869	633,210	645,324	654,826
62 Multifamily	8,721	9,580	13,235	15,014	16,493	17,570	18,344	19,105
63 Farmers Home Administration[4]	28	19	11	9	7	3	3	2
64 One- to four-family	5	3	2	1	0	0	0	0
65 Multifamily	0	0	0	0	0	0	0	0
66 Nonfarm, nonresidential	13	9	5	4	4	0	0	0
67 Farm	10	7	4	4	3	3	3	2
68 Private mortgage conduits	213,925	254,218	291,185	320,064	329,360	344,894	359,413	372,253
69 One- to four-family[6]	179,755	202,519	222,526	238,715	244,884	247,740	256,834	259,950
70 Multifamily	8,701	14,925	21,279	26,809	28,141	33,689	35,498	39,461
71 Nonfarm, nonresidential	25,469	36,774	47,380	54,541	56,336	63,464	67,081	72,842
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[7]	601,010	609,853	638,836	672,433	684,462	696,375	701,735	713,853
74 One- to four-family	446,383	448,002	470,163	464,027	476,038	486,395	490,708	499,692
75 Multifamily	65,393	69,615	73,486	79,462	80,212	81,438	81,880	82,987
76 Nonfarm, nonresidential	72,943	75,253	77,345	110,862	110,023	110,275	110,781	112,579
77 Farm	16,292	16,983	17,841	18,083	18,190	18,268	18,366	18,595

1. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. Includes securitized home equity loans.
7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCE. Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve. Line 69 from Inside Mortgage Securities and other sources.

1.55 CONSUMER CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1994	1995	1996	1997					
				Mar.	Apr.	May	June[r]	July[r]	Aug.
	Seasonally adjusted								
1 **Total**	**964,568**	**1,100,712**	**1,184,022**	**1,205,508**	**1,215,133**	**1,217,847[r]**	**1,218,431**	**1,224,395**	**1,228,712**
2 Automobile	326,356	362,097	390,308	390,450	394,260	395,043[r]	398,810	400,672	400,092
3 Revolving	364,616	441,862	497,977	509,476	512,381	514,126	514,307	520,766	523,827
4 Other[2]	273,596	296,753	295,738	305,583	308,492	308,678[r]	305,315	302,957	304,792
	Not seasonally adjusted								
5 **Total**	**988,079**	**1,128,618**	**1,214,882**	**1,193,945**	**1,203,255**	**1,207,669**	**1,212,811**	**1,217,367**	**1,228,960**
By major holder									
6 Commercial banks	462,923	507,753	529,417	511,535	517,261	518,762	517,096	521,357	523,029
7 Finance companies	134,421	152,123	152,391	152,995	151,897	154,177	155,805	156,137	157,466
8 Credit unions	119,594	131,939	144,148	144,415	146,265	147,558	148,667	150,011	151,252
9 Savings institutions	38,468	40,106	44,711	45,860	46,243	46,626	47,009	47,392	47,400
10 Nonfinancial business[3]	86,621	85,061	77,745	69,954	69,346	67,744	67,987	67,600	68,556
11 Pools of securitized assets[4]	146,052	211,636	266,470	269,186	272,243	272,802	276,247	274,870	281,257
By major type of credit[5]									
12 Automobile	328,576	364,726	393,189	386,713	389,844	391,898	397,916	400,756	402,426
13 Commercial banks	141,895	149,094	153,983	150,458	150,937	151,842	152,535	154,299	154,971
14 Finance companies	70,157	81,073	86,690	85,754	83,230	85,106	86,979	88,323	88,428
15 Pools of securitized assets[4]	36,689	44,635	52,363	49,334	53,504	51,505	53,731	52,823	52,592
16 Revolving	383,187	464,134	522,860	502,850	504,916	509,207	511,070	515,630	521,953
17 Commercial banks	182,021	210,298	228,615	207,251	209,031	212,796	213,318	218,992	217,466
18 Finance companies	25,880	28,460	32,493	33,225	34,345	34,411	34,011	33,076	33,626
19 Nonfinancial business[3]	56,790	53,525	44,901	39,433	38,953	37,078	37,283	36,791	37,578
20 Pools of securitized assets[4]	96,130	147,934	188,712	194,549	193,798	195,800	196,746	196,618	202,528
21 Other	276,316	299,758	298,833	304,382	308,495	306,564	303,825	300,981	304,581
22 Commercial banks	139,007	148,361	146,819	153,826	157,293	154,124	151,243	148,066	150,592
23 Finance companies	38,384	42,590	33,208	34,016	34,322	34,660	34,815	34,738	35,412
24 Nonfinancial business[3]	29,831	31,536	32,844	30,521	30,393	30,666	30,704	30,809	30,978
25 Pools of securitized assets[4]	13,233	19,067	25,395	25,303	24,941	25,497	25,770	25,429	26,137

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Comprises mobile home loans and all other loans that are not included in automobile or revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.
3. Includes retailers and gasoline companies.
4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.
5. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER CREDIT[1]

Percent per year except as noted

Item	1994	1995	1996	1997						
				Feb.	Mar.	Apr.	May	June	July	Aug.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	8.12	9.57	9.05	8.92	n.a.	n.a.	9.20	n.a.	n.a.	8.99
2 24-month personal	13.19	13.94	13.54	13.46	n.a.	n.a.	13.81	n.a.	n.a.	13.84
Credit card plan										
3 All accounts	15.69	16.02	15.63	15.88	n.a.	n.a.	15.75	n.a.	n.a.	15.78
4 Accounts assessed interest	15.77	15.79	15.50	15.13	n.a.	n.a.	15.72	n.a.	n.a.	15.79
Auto finance companies										
5 New car	9.79	11.19	9.84	7.44	8.08	8.56	7.80	7.64	6.71	5.93
6 Used car	13.49	14.48	13.53	13.08	13.18	13.29	13.48	13.55	13.51	13.38
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.0	54.1	51.6	54.6	53.5	52.8	53.2	53.3	54.6	55.5
8 Used car	50.2	52.2	51.4	51.1	51.1	51.2	51.3	51.3	51.4	51.2
Loan-to-value ratio										
9 New car	92	92	91	92	90	91	93	93	94	93
10 Used car	99	99	100	99	99	99	99	99	99	99
Amount financed (dollars)										
11 New car	15,375	16,210	16,987	16,837	17,198	17,620	18,060	18,171	18,281	18,329
12 Used car	10,709	11,590	12,182	12,202	12,194	12,195	12,261	12,239	12,307	12,204

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Data are available for only the second month of each quarter.
3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1992	1993	1994	1995	1996	1995	1996				1997	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**539.9**	**619.6**	**594.0**	**698.2**	**715.3**	**586.6**	**855.1**	**694.0**	**680.8**	**631.2**	**686.2**	**544.7**
By sector and instrument												
2 Federal government	304.0	256.1	155.9	144.4	145.0	64.9	227.3	62.7	163.2	126.9	81.2	−97.1
3 Treasury securities	303.8	248.3	155.7	142.9	146.6	59.7	229.6	60.5	166.3	130.2	82.6	−97.3
4 Budget agency securities and mortgages	.2	7.8	.2	1.5	−1.6	5.1	−2.3	2.2	−3.1	−3.3	−1.4	.2
5 Nonfederal	235.9	363.4	438.1	553.7	570.3	521.7	627.8	631.3	517.6	504.4	605.0	641.7
By instrument												
6 Commercial paper	8.6	10.0	21.4	18.1	−.9	14.1	25.7	9.1	−14.2	−24.4	7.8	21.4
7 Municipal securities and loans	30.5	74.8	−35.9	−48.2	1.3	−38.9	−4.1	30.2	−65.2	44.2	23.2	76.5
8 Corporate bonds	67.6	75.2	23.3	73.3	72.5	82.0	60.9	71.5	67.8	89.9	79.4	86.1
9 Bank loans n.e.c.	−12.3	5.1	75.0	100.4	69.9	89.6	41.5	69.7	132.2	36.3	142.0	125.2
10 Other loans and advances	5.7	−18.9	37.3	46.5	22.0	53.5	20.4	38.0	45.6	−15.8	1.2	−7.1
11 Mortgages	131.5	155.3	191.9	223.1	319.2	201.3	359.9	323.7	261.6	331.6	265.4	287.2
12 Home	189.1	184.1	199.0	192.4	267.8	171.6	316.1	255.4	248.3	251.6	240.3	203.9
13 Multifamily residential	−10.7	−6.0	1.7	10.4	17.9	13.3	14.7	18.3	11.8	26.9	5.1	20.9
14 Commercial	−47.4	−23.9	−11.0	18.8	30.9	15.2	27.5	45.1	−.6	51.5	18.0	57.7
15 Farm	.5	1.0	2.2	1.6	2.6	1.0	1.6	4.9	2.2	1.6	2.0	4.7
16 Consumer credit	4.2	62.0	125.1	140.5	86.3	120.1	123.5	89.0	89.9	42.6	85.9	52.4
By borrowing sector												
17 Household	191.2	246.3	343.7	354.9	363.8	329.7	443.0	376.5	348.8	286.8	335.5	291.1
18 Nonfinancial business	23.6	54.9	140.8	241.8	193.9	226.3	177.2	216.8	219.7	161.8	234.5	266.4
19 Corporate	39.6	49.1	135.3	213.7	148.1	200.8	132.9	172.1	192.9	94.4	179.3	190.9
20 Nonfarm noncorporate	−16.4	3.2	2.2	26.6	43.4	26.4	44.2	38.5	29.2	61.5	54.4	72.0
21 Farm	.5	2.6	3.3	1.5	2.4	−.9	.1	6.2	−2.5	6.0	.8	3.6
22 State and local government	21.1	62.3	−46.4	−42.9	12.7	−34.2	7.7	38.0	−50.8	55.8	35.0	84.2
23 Foreign net borrowing in United States	23.7	70.4	−15.2	71.2	70.1	81.3	53.2	35.4	106.0	85.7	27.2	50.7
24 Commercial paper	5.2	−9.0	−27.3	13.6	10.9	−3.9	−5.4	8.9	37.8	2.2	16.2	10.0
25 Bonds	16.8	82.9	12.2	49.7	49.4	76.1	47.7	11.2	60.2	78.5	11.0	29.7
26 Bank loans n.e.c.	2.3	.7	1.4	8.5	9.1	11.9	8.7	15.1	4.7	7.8	−.6	11.0
27 Other loans and advances	−.6	−4.2	−1.5	−.5	.8	−2.8	2.3	.1	3.4	−2.7	.7	.1
28 **Total domestic plus foreign**	**563.6**	**690.0**	**578.7**	**769.3**	**785.4**	**667.9**	**908.3**	**729.4**	**786.8**	**716.9**	**713.4**	**595.4**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**241.4**	**293.4**	**465.9**	**449.0**	**530.6**	**598.4**	**341.2**	**707.1**	**432.7**	**641.4**	**281.9**	**629.4**
By instrument												
30 Federal government-related	155.8	165.3	287.5	204.1	231.5	306.8	148.8	301.4	222.9	252.8	105.7	286.2
31 Government-sponsored enterprise securities	40.3	80.6	176.9	105.9	90.4	132.1	31.4	126.9	80.0	123.3	−8.9	198.1
32 Mortgage pool securities	115.6	84.7	115.4	98.2	141.1	174.7	117.4	174.5	142.9	129.6	114.6	88.1
33 Loans from U.S. government	.0	.0	−4.8	.0	.0	.0	.0	.0	0	.0	.0	.0
34 Private	85.6	128.2	178.4	244.9	299.2	291.6	192.4	405.7	209.9	388.6	176.2	343.2
35 Open market paper	−.7	−6.2	41.6	42.6	92.7	57.0	16.1	106.1	84.2	164.3	175.4	78.1
36 Corporate bonds	85.6	122.8	118.1	188.8	151.1	196.3	150.6	219.6	76.3	157.8	−6.1	173.9
37 Bank loans n.e.c.	.7	−14.4	−13.7	4.2	16.8	−1.5	23.4	20.6	2.6	20.4	7.0	10.4
38 Other loans and advances	−.6	22.4	22.6	3.4	27.2	32.0	−5.5	48.6	33.9	31.8	−16.1	66.8
39 Mortgages	.6	3.6	9.8	5.9	11.4	7.7	7.7	10.8	12.9	14.3	16.0	14.0
By borrowing sector												
40 Commercial banking	10.0	13.4	20.1	22.5	11.7	−7.9	−34.2	40.5	14.7	25.7	16.1	83.0
41 Savings institutions	−7.0	11.3	12.8	2.6	26.0	31.5	11.0	42.1	26.4	24.7	−14.6	33.9
42 Credit unions	.0	.2	.2	−.1	.1	.0	−.1	−.2	.3	.3	−.2	.2
43 Life insurance companies	.0	.2	.3	−.1	1.1	−.4	2.5	.3	−.4	2.0	.8	.1
44 Government-sponsored enterprises	40.2	80.6	172.1	105.9	90.4	132.1	31.4	126.9	80.0	123.3	−8.9	198.1
45 Federally related mortgage pools	115.6	84.7	115.4	98.2	141.1	174.7	117.4	174.5	142.9	129.6	114.6	88.1
46 Issuers of asset-backed securities (ABSs)	57.3	82.8	68.8	132.9	132.4	186.7	138.9	162.8	88.2	139.6	58.1	86.3
47 Finance companies	−2.3	−.8	49.1	50.8	43.2	61.7	41.5	56.8	30.7	43.8	6.4	124.3
48 Mortgage companies	8.0	.0	−11.5	.4	12.4	−10.0	20.0	16.0	1.7	12.1	5.9	10.0
49 Real estate investment trusts (REITs)	.3	3.4	13.7	6.0	12.8	8.3	8.2	11.5	13.7	17.7	19.1	18.6
50 Brokers and dealers	2.7	12.0	.5	−5.0	−2.0	7.7	−31.8	13.2	5.7	4.9	−2.9	42.4
51 Funding corporations	16.6	5.7	24.2	34.9	61.5	13.9	36.3	62.9	28.8	118.0	87.5	−55.6

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Transaction category or sector	1992	1993	1994	1995	1996	1995	1996				1997	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
	All sectors											
52 **Total net borrowing, all sectors**	**805.0**	**983.4**	**1,044.7**	**1,218.3**	**1,316.0**	**1,266.3**	**1,249.5**	**1,436.5**	**1,219.6**	**1,358.4**	**995.3**	**1,224.7**
53 Open market paper	13.1	−5.1	35.7	74.3	102.6	67.2	36.4	124.2	107.7	142.1	199.4	109.4
54 U.S. government securities	459.8	421.4	448.1	348.5	376.5	371.7	376.1	364.1	386.1	379.7	186.9	189.1
55 Municipal securities	30.5	74.8	−35.9	−48.2	1.3	−38.9	−4.1	30.2	−65.2	44.2	23.2	76.5
56 Corporate and foreign bonds	169.9	280.8	153.6	311.8	273.0	354.4	259.3	302.4	204.2	326.2	84.3	289.7
57 Bank loans n.e.c.	−9.3	−8.6	62.8	113.0	95.7	100.1	73.5	105.4	139.5	64.5	148.3	146.6
58 Other loans and advances	4.6	−.8	53.6	49.3	50.0	82.7	17.2	86.7	82.9	13.2	−14.2	59.8
59 Mortgages	132.1	158.9	201.7	229.0	330.6	209.0	367.6	334.5	274.5	346.0	281.4	301.2
60 Consumer credit	4.2	62.0	125.1	140.5	86.3	120.1	123.5	89.0	89.9	42.6	85.9	52.4
	Funds raised through mutual funds and corporate equities											
61 **Total net issues**	**293.9**	**422.1**	**124.8**	**145.1**	**241.3**	**223.4**	**319.1**	**386.6**	**78.4**	**181.2**	**194.4**	**205.7**
62 Corporate equities	103.4	130.1	24.1	−2.3	3.8	−4.7	21.5	82.1	−93.5	4.9	−59.0	−36.1
63 Nonfinancial corporations	27.0	21.3	−44.9	−58.3	−64.2	−58.4	−73.6	.4	−127.6	−56.0	−86.2	−83.6
64 Foreign shares purchased by U.S. residents	32.4	63.4	48.1	50.4	58.8	55.9	90.1	70.1	32.7	42.3	47.0	55.6
65 Financial corporations	44.0	45.4	20.9	5.6	9.2	−2.2	5.1	11.6	1.5	18.6	−19.8	−8.1
66 Mutual fund shares	190.5	292.0	100.6	147.4	237.6	228.1	297.6	304.5	171.9	176.3	253.4	241.8

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.4. For ordering address, see inside front cover.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

Billions of dollars except as noted; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1992	1993	1994	1995	1996	1995	1996				1997	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**805.0**	**983.4**	**1,044.7**	**1,218.3**	**1,316.0**	**1,266.3**	**1,249.5**	**1,436.5**	**1,219.6**	**1,358.4**	**995.3**	**1,224.7**
2 Domestic nonfederal nonfinancial sectors	117.2	80.0	257.1	−86.5	−8.9	−167.4	−40.9	305.7	−183.8	−116.7	−300.7	−90.2
3 Household	87.8	39.3	293.9	−2.1	31.7	−79.4	−76.5	277.9	−43.3	−31.5	−241.2	−63.8
4 Nonfinancial corporate business	27.8	9.1	17.7	−2.4	15.3	−5.2	29.2	31.7	9.5	−9.4	42.3	−14.4
5 Nonfarm noncorporate business	−.1	−1.1	.6	.3	.4	.3	.4	.4	.4	.4	.5	.5
6 State and local governments	1.7	32.6	−55.0	−82.4	−56.2	−83.1	6.0	−4.4	−150.4	−76.2	−102.2	−12.5
7 Federal government	−10.4	−17.2	−22.6	−20.4	−20.9	−22.7	−19.9	−14.3	−25.0	−24.3	−18.7	−12.9
8 Rest of the world	98.4	129.3	132.3	273.9	409.1	160.2	350.0	268.9	485.4	532.2	366.3	306.3
9 Financial sectors	599.8	791.3	677.9	1,051.3	936.7	1,296.2	960.3	876.2	943.0	967.1	948.4	1,021.6
10 Monetary authority	27.9	36.2	31.5	12.7	12.3	23.2	17.5	11.7	11.5	8.4	37.4	47.2
11 Commercial banking	95.3	142.2	163.4	265.9	187.8	176.5	126.0	179.7	196.1	249.4	319.6	330.1
12 U.S.-chartered banks	69.5	149.6	148.1	186.5	119.6	126.0	78.3	121.9	119.5	158.9	212.3	321.9
13 Foreign banking offices in United States	16.5	−9.8	11.2	75.4	63.3	38.5	50.8	50.7	71.1	80.5	97.3	1.1
14 Bank holding companies	5.6	.0	9	−.3	3.9	4.6	−5.1	5.4	4.8	10.5	2.2	5.1
15 Banks in U.S.-affiliated areas	3.7	2.4	3.3	4.2	1.0	7.4	2.1	1.7	7	−.6	7.8	2.0
16 Savings institutions	−79.0	−23.3	6.7	−7.6	19.9	−68.4	34.1	44.7	49.7	−48.8	−3.0	21.1
17 Credit unions	17.7	21.7	28.1	16.2	25.5	19.0	23.6	33.0	21.1	24.3	14.0	18.9
18 Bank personal trusts and estates	8.0	9.5	7.1	−18.8	3.9	−20.2	−3.5	4.2	7.8	7.2	8.2	8.9
19 Life insurance companies	79.5	100.9	66.7	99.2	72.5	51.7	47.6	.9	123.2	118.1	94.3	84.4
20 Other insurance companies	6.7	27.7	24.9	21.5	21.5	22.3	13.6	30.5	14.2	27.7	3.9	11.4
21 Private pension funds	37.5	49.5	47.7	63.1	46.6	81.3	69.5	45.4	41.9	29.5	57.5	57.8
22 State and local government retirement funds	5.9	21.1	30.7	22.7	34.5	20.1	54.9	47.9	19.0	16.1	38.7	21.1
23 Money market mutual funds	4.7	20.4	30.0	86.5	88.8	130.4	164.1	27.0	83.0	81.3	65.2	19.7
24 Mutual funds	126.2	159.5	−7.1	52.5	48.9	146.0	88.5	54.3	27.5	25.3	61.9	108.1
25 Closed-end funds	18.2	14.4	−3.3	13.3	9.3	13.2	10.9	9.8	9.0	7.5	6.7	5.3
26 Government-sponsored enterprises	68.8	87.8	117.8	84.7	92.0	185.1	33.9	114.7	81.2	138.1	45.1	119.0
27 Federally related mortgage pools	115.6	84.7	115.4	98.2	141.1	174.7	117.4	174.5	142.9	129.6	114.6	88.1
28 Asset-backed securities issuers (ABSs)	53.1	80.2	61.7	111.1	102.1	137.1	119.7	135.7	62.0	91.1	34.5	71.3
29 Finance companies	.4	−20.9	48.3	49.9	18.4	45.1	30.4	36.3	13.1	−6.3	41.4	1.8
30 Mortgage companies	.1	.0	−24.0	−3.4	8.2	−36.4	51.8	−26.8	3.4	4.1	−8.2	.0
31 Real estate investment trusts (REITs)	1.1	.6	4.7	2.2	3.0	3.4	3.4	3.4	3.4	2.0	2.0	3.4
32 Brokers and dealers	−1.3	14.8	−44.2	90.1	−17.1	189.3	−109.0	−72.0	35.5	77.0	−12.8	23.0
33 Funding corporations	13.3	−35.6	−28.4	−8.6	17.5	3.0	65.9	21.1	−2.4	−14.5	27.2	−19.1
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
34 **Net flows through credit markets**	**805.0**	**983.4**	**1,044.7**	**1,218.3**	**1,316.0**	**1,266.3**	**1,249.5**	**1,436.5**	**1,219.6**	**1,358.4**	**995.3**	**1,224.7**
Other financial sources												
35 Official foreign exchange	−1.6	.8	−5.8	8.8	−6.3	−1.9	−.9	1.6	−26.6	.7	−17.6	.4
36 Special drawing rights certificates	−2.0	.0	.0	2.2	−.5	.0	.0	.0	−1.8	.0	−2.1	.0
37 Treasury currency	.2	.4	.7	.6	.0	.0	.0	.0	2.3	−2.3	.4	.2
38 Foreign deposits	−3.4	−18.5	52.9	35.3	82.0	21.1	100.8	3.0	119.7	104.5	188.6	79.0
39 Net interbank transactions	49.4	50.5	89.8	9.9	−52.6	57.0	−78.6	−51.8	−102.5	22.3	−85.2	−33.9
40 Checkable deposits and currency	113.5	117.3	−9.7	−12.8	15.8	−40.4	6.8	3.9	105.9	−53.4	81.3	54.0
41 Small time and savings deposits	−57.2	−70.3	−40.0	96.5	97.1	110.2	207.7	−3.2	92.7	91.2	165.0	30.2
42 Large time deposits	−73.2	−23.5	19.6	65.6	113.9	−1.5	57.4	83.1	181.8	133.2	48.1	177.4
43 Money market fund shares	4.5	20.2	43.3	142.3	145.8	148.9	227.6	23.1	145.1	187.5	182.4	58.5
44 Security repurchase agreements	43.1	71.2	78.3	110.7	38.7	56.7	−4.7	98.5	−15.9	77.0	51.8	217.3
45 Corporate equities	103.4	130.1	24.1	−2.3	3.8	−4.7	21.5	82.1	−93.5	4.9	−59.0	−36.1
46 Mutual fund shares	190.5	292.0	100.6	147.4	237.6	228.1	297.6	304.5	171.9	176.3	253.4	241.8
47 Trade payables	46.6	52.0	93.7	105.2	75.4	93.6	77.7	120.4	−4.3	107.6	90.3	66.3
48 Security credit	4.6	61.4	−.1	26.7	52.4	42.8	114.0	−34.8	5.3	125.1	117.6	114.4
49 Life insurance reserves	28.0	36.0	34.5	44.9	43.6	38.3	19.0	32.5	56.6	66.3	44.0	66.4
50 Pension fund reserves	230.3	254.7	253.2	241.2	235.7	189.5	236.1	196.2	231.9	278.5	287.0	278.9
51 Taxes payable	9.7	5.2	1.5	1.6	3.2	−7.2	4.5	4.7	−.1	3.5	−9.3	−11.4
52 Investment in bank personal trusts	−7.1	9	17.8	−49.7	12.5	−39.2	−6	11.8	19.2	19.8	23.5	26.3
53 Noncorporate proprietors' equity	37.7	14.2	43.7	28.0	5.7	26.9	2.2	6.4	27.5	−15.6	−12.3	−6.7
54 Miscellaneous	246.3	336.6	243.1	466.0	454.8	765.1	506.5	431.0	348.0	533.7	604.8	631.1
55 **Total financial sources**	**1,768.0**	**2,314.6**	**2,086.0**	**2,686.4**	**2,874.4**	**2,949.4**	**3,044.1**	**2,749.4**	**2,482.8**	**3,219.1**	**2,948.0**	**3,179.0**
Liabilities not identified as assets (−)												
56 Treasury currency	−.2	−.2	−.2	−.5	−1.0	−1.0	−1.1	−1.0	1.3	−3.1	−.3	−.6
57 Foreign deposits	−2.7	−5.7	43.0	25.7	58.1	18.0	73.2	26.6	91.3	41.3	179.0	54.5
58 Net interbank liabilities	−4.9	4.2	−2.7	−3.1	−3.3	−32.5	9.3	−22.5	−4.4	4.2	26.5	−24.9
59 Security repurchase agreements	4.7	46.1	57.3	55.1	24.2	29.9	27.7	124.8	−133.3	77.6	−102.1	166.7
60 Taxes payable	11.9	9.6	15.6	14.8	5.5	9.4	−14.6	20.4	7.7	8.5	−27.5	15.1
61 Miscellaneous	−68.8	−201.7	−178.8	−98.2	−99.2	104.4	−149.4	−134.8	−156.2	43.6	−112.4	−378.1
Floats not included in assets (−)												
62 Federal government checkable deposits	.7	−1.5	−4.8	−6.0	.5	−13.9	2.7	−6.6	27.1	−21.4	−9.4	16.1
63 Other checkable deposits	1.6	−1.3	−2.8	−3.8	−4.0	−4.7	−2.8	−5.0	−4.7	−3.7	−2.6	−4.8
64 Trade credit	11.8	−4.1	.7	−30.5	−32.0	−114.4	6.5	−9.8	−101.5	−23.4	28.4	−57.4
65 **Total identified to sectors as assets**	**1,814.1**	**2,469.1**	**2,158.2**	**2,732.4**	**2,925.3**	**2,954.2**	**3,092.6**	**2,757.3**	**2,755.7**	**3,095.5**	**2,968.5**	**3,392.3**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.1 and F.5. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

Transaction category or sector	1993	1994	1995	1996	1995	1996				1997	
					Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**12,486.9**	**13,087.1**	**13,785.2**	**14,500.5**	**13,785.2**	**13,980.9**	**14,134.3**	**14,308.4**	**14,500.5**	**14,658.4**	**14,769.2**
By sector and instrument											
2 Federal government	3,336.5	3,492.3	3,636.7	3,781.8	3,636.7	3,717.2	3,693.8	3,733.1	3,781.8	3,829.8	3,760.6
3 Treasury securities	3,309.9	3,465.6	3,608.5	3,755.1	3,608.5	3,689.6	3,665.5	3,705.7	3,755.1	3,803.5	3,734.3
4 Budget agency securities and mortgages	26.6	26.7	28.2	26.6	28.2	27.6	28.2	27.4	26.6	26.3	26.3
5 Nonfederal	9,150.4	9,594.8	10,148.5	10,718.8	10,148.5	10,263.7	10,440.6	10,575.3	10,718.8	10,828.6	11,008.6
By instrument											
6 Commercial paper	117.8	139.2	157.4	156.4	157.4	174.2	181.7	173.0	156.4	168.7	179.3
7 Municipal securities and loans	1,377.5	1,341.7	1,293.5	1,294.8	1,293.5	1,290.3	1,296.1	1,279.8	1,294.8	1,298.8	1,315.5
8 Corporate bonds	1,229.7	1,253.0	1,326.3	1,398.8	1,326.3	1,341.5	1,359.4	1,376.4	1,398.8	1,418.7	1,440.2
9 Bank loans n.e.c.	680.8	755.7	856.1	926.0	856.1	864.4	887.0	915.5	926.0	962.1	998.4
10 Other loans and advances	629.3	673.0	719.4	741.4	719.4	728.8	737.4	745.1	741.4	746.2	743.3
11 Mortgages	4,252.2	4,444.1	4,667.2	4,986.4	4,667.2	4,744.0	4,832.2	4,908.3	4,986.4	5,040.2	5,118.9
12 Home	3,225.0	3,424.0	3,616.4	3,850.6	3,616.4	3,682.3	3,719.7	3,792.4	3,850.6	3,898.0	3,956.0
13 Multifamily residential	267.4	269.1	279.5	301.1	279.5	283.2	291.4	294.4	301.1	302.4	307.6
14 Commercial	679.0	668.0	686.8	747.6	686.8	693.6	734.9	734.7	747.6	752.1	766.6
15 Farm	80.7	83.0	84.6	87.1	84.6	85.0	86.2	86.7	87.1	87.6	88.8
16 Consumer credit	863.0	988.1	1,128.6	1,214.9	1,128.6	1,120.5	1,146.9	1,177.3	1,214.9	1,193.9	1,213.0
By borrowing sector											
17 Household	4,203.5	4,550.0	4,910.1	5,244.7	4,910.1	4,969.5	5,043.5	5,148.5	5,244.7	5,275.0	5,362.8
18 Nonfinancial business	3,785.0	3,929.4	4,165.9	4,388.9	4,165.9	4,221.2	4,316.5	4,358.9	4,388.9	4,460.7	4,534.5
19 Corporate	2,528.6	2,667.5	2,875.9	3,053.1	2,875.9	2,922.9	3,003.6	3,038.7	3,053.1	3,113.8	3,165.3
20 Nonfarm noncorporate	1,118.5	1,120.7	1,147.3	1,190.7	1,147.3	1,158.3	1,167.9	1,174.6	1,190.7	1,204.2	1,222.2
21 Farm	137.9	141.2	142.7	145.1	142.7	140.0	145.0	145.5	145.1	142.7	147.0
22 State and local government	1,161.8	1,115.4	1,072.5	1,085.1	1,072.5	1,073.1	1,080.6	1,068.0	1,085.1	1,093.0	1,111.3
23 **Foreign credit market debt held in United States**	**385.7**	**370.6**	**441.7**	**511.8**	**441.7**	**452.7**	**461.5**	**489.1**	**511.8**	**516.4**	**528.8**
24 Commercial paper	68.7	41.4	55.0	65.8	55.0	51.5	53.4	64.8	65.8	67.9	69.8
25 Bonds	230.1	242.3	291.9	341.3	291.9	303.8	306.7	321.7	341.3	344.1	351.5
26 Bank loans n.e.c.	24.6	26.1	34.6	43.7	34.6	36.8	40.5	41.7	43.7	43.5	46.2
27 Other loans and advances	62.3	60.8	60.2	61.0	60.2	60.6	60.9	61.0	61.0	61.0	61.2
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**12,872.6**	**13,457.6**	**14,227.0**	**15,012.3**	**14,227.0**	**14,433.6**	**14,595.9**	**14,797.5**	**15,012.3**	**15,174.8**	**15,298.0**
	Financial sectors										
29 **Total credit market debt owed by financial sectors**	**3,327.0**	**3,800.7**	**4,252.3**	**4,782.9**	**4,252.3**	**4,333.0**	**4,511.9**	**4,623.1**	**4,782.9**	**4,848.5**	**5,008.7**
By instrument											
30 Federal government-related	1,885.2	2,172.7	2,376.8	2,608.3	2,376.8	2,414.0	2,489.4	2,545.1	2,608.3	2,634.7	2,706.2
31 Government-sponsored enterprise securities	523.7	700.6	806.5	896.9	806.5	814.4	846.1	866.1	896.9	894.7	944.2
32 Mortgage pool securities	1,356.8	1,472.1	1,570.3	1,711.4	1,570.3	1,599.7	1,643.3	1,679.0	1,711.4	1,740.0	1,762.1
33 Loans from U.S. government	4.8	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	1,441.8	1,627.9	1,875.4	2,174.6	1,875.4	1,919.0	2,022.5	2,078.1	2,174.6	2,213.8	2,302.5
35 Open market paper	393.5	442.8	488.0	580.7	488.0	491.9	518.5	539.6	580.7	624.5	644.0
36 Corporate bonds	867.9	985.9	1,174.7	1,325.8	1,174.7	1,208.5	1,265.2	1,287.6	1,325.8	1,319.9	1,365.8
37 Bank loans n.e.c.	62.6	48.9	53.1	69.8	53.1	58.6	63.9	64.2	69.8	71.3	74.3
38 Other loans and advances	108.9	131.6	135.0	162.2	135.0	133.6	145.8	154.2	162.2	158.2	174.9
39 Mortgages	8.9	18.7	24.6	36.0	24.6	26.5	29.2	32.4	36.0	40.0	43.5
By borrowing sector											
40 Commercial banks	84.6	94.5	102.6	112.3	102.6	100.5	103.6	106.7	112.3	114.5	125.2
41 Bank holding companies	123.4	133.6	148.0	150.0	148.0	141.4	148.4	149.1	150.0	151.7	161.7
42 Savings institutions	99.6	112.4	115.0	141.1	115.0	117.8	128.3	134.9	141.1	137.4	145.9
43 Credit unions	.2	.5	4	4	4	.4	.3	.4	.4	.4	.4
44 Life insurance companies	.2	.6	5	1.6	.5	1.1	1.2	1.1	1.6	1.8	1.8
45 Government-sponsored enterprises	528.5	700.6	806.5	896.9	806.5	814.4	846.1	866.1	896.9	894.7	944.2
46 Federally related mortgage pools	1,356.8	1,472.1	1,570.3	1,711.4	1,570.3	1,599.7	1,643.3	1,679.0	1,711.4	1,740.0	1,762.1
47 Issuers of asset-backed securities (ABSs)	485.3	554.1	687.0	819.5	687.0	717.3	756.7	781.3	819.5	829.0	849.5
48 Brokers and dealers	33.7	34.3	29.3	27.3	29.3	21.4	24.6	26.1	27.3	26.6	37.2
49 Finance companies	386.7	435.8	486.6	529.8	486.6	493.8	506.3	513.7	529.8	528.2	557.7
50 Mortgage companies	30.2	18.7	19.1	31.5	19.1	24.1	28.1	28.5	31.5	33.0	35.5
51 Real estate investment trusts (REITs)	17.4	31.1	37.1	49.9	37.1	39.1	42.0	45.4	49.9	54.6	59.3
52 Funding corporations	180.3	212.3	249.8	311.3	249.8	262.2	283.0	290.7	311.3	336.7	328.2
	All sectors										
53 **Total credit market debt, domestic and foreign**	**16,199.6**	**17,258.3**	**18,479.2**	**19,795.2**	**18,479.2**	**18,766.6**	**19,107.8**	**19,420.7**	**19,795.2**	**20,023.4**	**20,306.7**
54 Open market paper	580.0	623.5	700.4	803.0	700.4	717.6	753.6	777.4	803.0	861.1	893.1
55 U.S. government securities	5,216.9	5,665.0	6,013.6	6,390.0	6,013.6	6,131.2	6,183.1	6,278.2	6,390.0	6,464.5	6,466.8
56 Municipal securities	1,377.5	1,341.7	1,293.5	1,294.8	1,293.5	1,290.3	1,296.1	1,279.8	1,294.8	1,298.8	1,315.5
57 Corporate and foreign bonds	2,327.6	2,481.2	2,793.0	3,066.0	2,793.0	2,853.8	2,931.3	2,985.7	3,066.0	3,082.6	3,157.5
58 Bank loans n.e.c.	768.0	830.8	943.8	1,039.5	943.8	959.7	991.4	1,021.3	1,039.5	1,076.9	1,118.9
59 Other loans and advances	805.3	865.3	914.6	964.6	914.6	923.0	944.1	960.3	964.6	965.3	979.4
60 Mortgages	4,261.2	4,462.8	4,691.8	5,022.4	4,691.8	4,770.5	4,861.4	4,940.7	5,022.4	5,080.2	5,162.4
61 Consumer credit	863.0	988.1	1,128.6	1,214.9	1,128.6	1,120.5	1,146.9	1,177.3	1,214.9	1,193.9	1,213.0

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4 For ordering address, see inside front cover.

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

Transaction category or sector	1993	1994	1995	1996	1995	1996				1997	
					Q4	Q1	Q2	Q3	Q4	Q1	Q2
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**16,199.6**	**17,258.3**	**18,479.2**	**19,795.2**	**18,479.2**	**18,766.6**	**19,107.8**	**19,420.7**	**19,795.2**	**20,023.4**	**20,306.7**
2 Domestic nonfederal nonfinancial sectors	2,795.8	3,085.7	2,964.1	3,000.3	2,964.1	2,928.4	3,013.5	2,982.4	3,000.3	2,899.1	2,855.3
3 Household	1,702.4	2,029.1	1,991.8	2,068.6	1,991.8	1,970.0	2,040.5	2,047.5	2,068.6	2,007.8	1,961.4
4 Nonfinancial corporate business	271.5	289.2	286.8	302.1	286.8	273.6	285.7	286.8	302.1	289.6	291.6
5 Nonfarm noncorporate business	37.0	37.6	37.9	38.3	37.9	38.0	38.1	38.2	38.3	38.4	38.6
6 State and local governments	784.9	729.9	647.5	591.3	647.5	646.8	649.1	609.9	591.3	563.3	563.7
7 Federal government	234.7	212.0	191.6	170.7	191.6	186.6	183.0	176.8	170.7	166.0	162.8
8 Rest of the world	1,147.8	1,254.8	1,563.1	1,953.5	1,563.1	1,656.5	1,722.0	1,844.6	1,953.5	2,050.7	2,125.8
9 Financial sectors	12,021.3	12,705.7	13,760.4	14,670.7	13,760.4	13,995.1	14,189.3	14,416.8	14,670.7	14,907.5	15,162.9
10 Monetary authority	336.7	368.2	380.8	393.1	380.8	379.6	386.3	386.2	393.1	397.1	412.4
11 Commercial banking	3,090.8	3,254.3	3,520.1	3,707.9	3,520.1	3,541.6	3,590.8	3,643.3	3,707.9	3,780.5	3,866.8
12 U.S.-chartered banks	2,721.5	2,869.6	3,056.1	3,175.8	3,056.1	3,068.8	3,101.3	3,135.3	3,175.8	3,222.2	3,304.5
13 Foreign banking offices in United States	326.0	337.1	412.6	475.8	412.6	422.2	437.1	454.2	475.8	499.5	501.8
14 Bank holding companies	17.5	18.4	18.0	22.0	18.0	16.8	18.1	19.3	22.0	22.5	23.8
15 Banks in U.S.-affiliated areas	25.8	29.2	33.4	34.4	33.4	33.9	34.3	34.5	34.4	36.3	36.8
16 Savings institutions	914.1	920.8	913.3	933.2	913.3	921.8	933.0	945.4	933.2	932.4	937.7
17 Credit unions	218.7	246.8	263.0	288.5	263.0	267.0	276.9	282.6	288.5	290.1	296.4
18 Bank personal trusts and estates	240.9	248.0	229.2	233.1	229.2	228.3	229.4	231.3	233.1	235.2	237.4
19 Life insurance companies	1,416.0	1,482.6	1,581.8	1,654.3	1,581.8	1,596.2	1,596.7	1,627.0	1,654.3	1,680.2	1,701.5
20 Other insurance companies	422.7	446.4	468.7	490.2	468.7	472.1	479.7	483.2	490.2	491.2	494.0
21 Private pension funds	611.4	659.2	722.3	768.8	722.3	739.6	751.0	761.4	768.8	783.2	797.7
22 State and local government retirement funds	423.4	454.1	476.8	511.3	476.8	491.9	505.0	506.3	511.3	522.5	529.1
23 Money market mutual funds	429.0	459.0	545.5	634.3	545.5	595.6	594.7	606.6	634.3	659.0	656.5
24 Mutual funds	725.9	718.8	771.3	820.2	771.3	795.9	809.0	818.3	820.2	838.3	864.7
25 Closed-end funds	82.0	78.7	92.0	101.3	92.0	94.8	97.2	99.5	101.3	103.0	104.3
26 Government-sponsored enterprises	545.5	663.3	748.0	813.6	748.0	755.8	758.9	779.3	813.6	824.3	854.8
27 Federally related mortgage pools	1,356.8	1,472.1	1,570.3	1,711.4	1,570.3	1,599.7	1,643.3	1,679.0	1,711.4	1,740.0	1,762.1
28 Asset-backed securities issuers (ABSs)	455.1	516.8	627.9	730.0	627.9	653.3	686.0	704.1	730.0	733.7	750.5
29 Finance companies	427.9	476.2	526.2	544.5	526.2	530.3	539.9	538.3	544.5	551.6	552.3
30 Mortgage companies	60.4	36.5	33.0	41.2	33.0	46.0	39.3	40.2	41.2	39.2	39.2
31 Real estate investment trusts (REITs)	8.6	13.3	15.5	18.5	15.5	16.3	17.2	18.0	18.5	19.0	19.9
32 Brokers and dealers	137.5	93.3	183.4	166.3	183.4	156.2	138.2	147.1	166.3	163.1	168.9
33 Funding corporations	117.9	97.3	91.3	108.8	91.3	113.2	116.8	119.8	108.8	124.1	116.9
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
34 **Total credit market debt**	**16,199.6**	**17,258.3**	**18,479.2**	**19,795.2**	**18,479.2**	**18,766.6**	**19,107.8**	**19,420.7**	**19,795.2**	**20,023.4**	**20,306.7**
Other liabilities											
35 Official foreign exchange	53.4	53.2	63.7	53.7	63.7	62.1	61.4	54.3	53.7	46.3	46.7
36 Special drawing rights certificates	8.0	8.0	10.2	9.7	10.2	10.2	10.2	9.7	9.7	9.2	9.2
37 Treasury currency	17.0	17.6	18.2	18.2	18.2	18.2	18.2	18.8	18.2	18.3	18.3
38 Foreign deposits	271.8	324.6	359.2	438.1	359.2	384.4	385.2	415.1	438.1	485.2	505.0
39 Net interbank liabilities	189.3	280.1	290.7	239.7	290.7	266.0	249.1	223.6	239.7	210.1	199.4
40 Checkable deposits and currency	1,251.7	1,242.0	1,229.3	1,245.1	1,229.3	1,183.3	1,212.3	1,220.8	1,245.1	1,219.0	1,261.8
41 Small time and savings deposits	2,223.2	2,183.3	2,279.7	2,376.8	2,279.7	2,342.3	2,340.1	2,357.4	2,376.8	2,428.7	2,435.3
42 Large time deposits	391.7	411.2	476.9	590.7	476.9	493.6	511.1	557.6	590.7	605.4	646.4
43 Money market fund shares	559.6	602.9	745.3	891.1	745.3	816.9	809.5	838.1	891.1	950.8	952.4
44 Security repurchase agreements	471.1	549.4	660.1	698.8	660.1	666.1	692.1	687.6	698.8	716.6	774.3
45 Mutual fund shares	1,375.4	1,477.3	1,852.8	2,342.4	1,852.8	1,997.0	2,129.9	2,211.6	2,342.4	2,411.5	2,731.1
46 Security credit	279.0	279.0	305.7	358.0	305.7	326.9	318.6	317.8	358.0	380.0	409.1
47 Life insurance reserves	470.8	505.3	550.2	593.8	550.2	555.0	563.1	577.2	593.8	604.8	621.4
48 Pension fund reserves	4,663.3	4,871.8	5,597.3	6,257.7	5,597.3	5,753.0	5,874.0	5,989.4	6,257.7	6,339.9	6,789.1
49 Trade payables	1,047.8	1,141.5	1,246.7	1,322.1	1,246.7	1,235.5	1,271.5	1,267.7	1,322.1	1,313.8	1,336.1
50 Taxes payable	84.8	86.3	88.0	91.1	88.0	93.0	89.2	91.1	91.1	93.0	85.0
51 Investment in bank personal trusts	691.3	699.4	767.4	872.0	767.4	793.7	811.7	829.0	872.0	890.4	969.7
52 Miscellaneous	5,109.8	5,379.1	5,783.0	6,135.1	5,783.0	5,951.7	5,948.9	6,027.7	6,135.1	6,327.6	6,267.5
53 **Total liabilities**	**35,358.5**	**37,370.5**	**40,803.4**	**44,329.3**	**40,803.4**	**41,715.4**	**42,403.7**	**43,115.3**	**44,329.3**	**45,074.0**	**46,364.4**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	20.1	21.1	22.1	21.4	22.1	22.1	22.0	21.2	21.4	20.9	21.1
55 Corporate equities	6,257.6	6,237.9	8,331.3	10,061.1	8,331.3	8,809.7	9,105.0	9,340.5	10,061.1	10,072.3	11,719.8
56 Household equity in noncorporate business	3,219.2	3,416.3	3,620.8	3,850.3	3,620.8	3,664.6	3,731.0	3,797.3	3,850.3	3,908.2	3,901.6
Liabilities not identified as assets (−)											
57 Treasury currency	−5.1	−5.4	−5.8	−6.8	−5.8	−6.1	−6.3	−6.0	−6.8	−6.9	−7.0
58 Foreign deposits	233.2	276.2	301.2	356.4	301.2	319.5	326.1	348.9	356.4	401.1	414.7
59 Net interbank transactions	−4.7	−6.5	−9.0	−10.6	−9.0	−2.6	−8.0	−11.6	−10.6	−1.7	−8.3
60 Security repurchase agreements	−1.6	55.7	110.9	135.1	110.9	121.7	149.2	126.5	135.1	110.8	150.3
61 Taxes payable	26.8	33.7	42.8	44.3	42.8	22.6	36.9	40.9	44.3	30.5	28.6
62 Miscellaneous	−887.6	−988.6	−1,081.0	−1,354.7	−1,081.0	−1,098.4	−1,213.2	−1,246.8	−1,354.7	−1,295.8	−1,364.8
Floats not included in assets (−)											
63 Federal government checkable deposits	5.6	3.4	3.1	−1.6	3.1	.0	−3.4	−1.7	−1.6	−9.7	−6.8
64 Other checkable deposits	40.7	38.0	34.2	30.1	34.2	29.6	31.8	23.1	30.1	25.6	27.9
65 Trade credit	−247.5	−247.7	−278.2	−310.2	−278.2	−332.0	−343.4	−383.6	−310.2	−361.2	−381.5
66 **Total identified to sectors as assets**	**45,695.7**	**47,887.0**	**53,659.6**	**59,380.2**	**53,659.6**	**55,157.5**	**56,292.1**	**57,384.6**	**59,380.2**	**60,182.7**	**63,153.8**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.1 and L.5. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1992=100, except as noted

Measure	1994	1995	1996	1997 Jan.	Feb.	Mar.	Apr.	May	June[r]	July[r]	Aug.	Sept.
1 **Industrial production**[1]	**108.6**	**112.1**	**115.2**	**117.8**	**118.4**	**118.8**	**119.3**	**119.5[r]**	**119.9**	**120.9**	**121.5**	**122.4**
Market groupings												
2 Products, total	106.8	109.3	112.0	114.2	114.8	115.3	115 4	115.9[r]	116.0	116.5	117.3	117.9
3 Final, total	107 1	109.9	112.8	115.1	115.6	116.3	116.6	117.1[r]	117.4	117.8	119.0	119.4
4 Consumer goods	107.4	108.9	110.5	111.7	111.6	112.1	112.1	112.6[r]	112.3	112.6	113.2	114.0
5 Equipment	106.6	111.6	116.8	120.8	122.6	123.5	124.3	124.9[r]	126.2	126.7	129.1	128.8
6 Intermediate	106.1	107.5	109.4	111.6	112.0	112.1	112.0	112.2[r]	112.0	112.3	112 3	113 1
7 Materials	111.3	116.6	120.3	123.4	124.1	124.5	125.5	125.2	126.0	128.0	128.2	129.6
Industry groupings												
8 Manufacturing	109.4	113.2	116.3	119.3	120.1	120.6	120.9	121.0	121.6	122.7	123.6	124.2
9 Capacity utilization, manufacturing (percent)[2]	83.1	83.1	82.1	82.4	82.6	82.7	82.6	82.4	82.5	82.9	83.3	83.4
10 Construction contracts[3]	117.6[r]	121.9[r]	130.5[r]	131.0[r]	132.0[r]	135.0[r]	138.0[r]	140.0[r]	139.0	134.0	134.0	131.0
11 Nonagricultural employment, total[4]	112.0	115.0	117.3	118.6	118.8	119.0	119.3	119.5	119.7	120.1	120.1	120.3
12 Goods-producing, total	96.9	98.1	98.3	99.6	99.9	100.0	100.0	100.1	100.2	100.2	100.4	100.3
13 Manufacturing, total	96.4	97.2	96.2	97.2	97.2	97.3	97.4	97.4	97.5	97.5	97.7	97.6
14 Manufacturing, production workers	97.5	98.7	97.5	98.5	98.5	98.6	98.6	98.7	98.8	98.8	99.0	98.9
15 Service-producing	116.8	120.3	123.3	124.6	124.9	125.1	125.5	125.7	126.0	126.5	126.4	126.7
16 Personal income, total	148.9	158.2	167.0	172.3	173.6	174.6	174.9	175.5	176.5	176.9	177.9	n.a.
17 Wages and salary disbursements	142.6	150.9	159.8	165.2	167.2	168.1	168.2	168.7	170.2	170.3	171.7	n.a.
18 Manufacturing	124.9	130.4	135.7	138.9	139.5	140.5	140.7	140.9	141.0	141 1	142.3	n.a.
19 Disposable personal income[5]	149.7	158.7	166.2	170.6	171.7	172.5	172.8[r]	173.2[r]	174.1	174.5	175.4	n.a.
20 Retail sales[5]	144.6	151.2	158.6[r]	163.9	166.1	165.6	163.7	163.3	164.5	166.5	167.6	168.1
Prices[6]												
21 Consumer (1982–84=100)	148.2	152.4	156.9	159.1	159.6	160.0	160.2	160.1	160.3	160.5	160.8	161.2
22 Producer finished goods (1982=100)	125.5	127.9	131.3	132.6	132.2	132.1	131.6	131.6[r]	131.6	131.3	131 7	131.8

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 January 1997 See "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. The article contains a description of the new aggregation system for industrial production and capacity utilization. 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	1994	1995	1996	1997 Feb.	Mar.	Apr.	May	June	July[r]	Aug.[r]	Sept.
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	131.056	132,304	133,943	135.634	136.319	136.098	136,173	136,200	136,290	136,480	136,467
Employment											
2 Nonagricultural industries[3]	119.651	121,460	123,264	125.138	125,789	125,887	126,209	125,973	126,226	126,421	126,265
3 Agriculture	3,409	3,440	3,443	3,292	3,386	3,497	3,430	3,391	3,482	3,383	3,450
Unemployment											
4 Number	7.996	7,404	7,236	7.205	7.144	6,714	6,534	6,836	6,583	6,677	6,752
5 Rate (percent of civilian labor force)	6.1	5.6	5.4	5.3	5.2	4.9	4.8	5.0	4.8	4.9	4.9
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**114.172**	**117.203**	**119,549**	**121.162**	**121,344**	**121,671**	**121,834**	**122,056**	**122,440**	**122,480**	**122,695**
7 Manufacturing	18,321	18,468	18,282	18.475	18,489	18,495	18,498	18.518	18,514	18,562	18,546
8 Mining	601	580	570	574	572	573	576	574	574	572	575
9 Contract construction	4,986	5.158	5,405	5.604	5,609	5,599	5,628	5,622	5,625	5,637	5.636
10 Transportation and public utilities	5.993	6.165	6.318	6,376	6,405	6,421	6,431	6,434	6,443	6,284	6,451
11 Trade	26.670	27.585	28.178	28,515	28,556	28,651	28,656	28,713	28,823	28,865	28,898
12 Finance	6,896	6.830	6,977	6,980	6,992	7,019	7,029	7,034	7,058	7,066	7,075
13 Service	31,579	33,107	34,360	35,091	35,176	35,334	35,451	35,522	35,684	35,699	35,797
14 Government	19,128	19,310	19,459	19,547	19,545	19,579	19,565	19,639	19,719	19,795	19.717

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	1996 Q4	1997 Q1	1997 Q2[r]	1997 Q3	1996 Q4	1997 Q1	1997 Q2	1997 Q3	1996 Q4	1997 Q1	1997 Q2[r]	1997 Q3
	Output (1992=100)				Capacity (percent of 1992 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**117.0**	**118.3**	**119.6**	**121.6**	**140.5**	**141.8**	**143.2**	**144.6**	**83.3**	**83.5**	**83.5**	**84.1**
2 Manufacturing	118.4	120.0	121.2	123.5	143.9	145.3	146.9	148.5	82.3	82.5	82.5	83.2
3 Primary processing[3]	113.9	114.7	115.7	116.9	131.5	132.2	132.9	133.7	86.6	86.8	87.0	87.4
4 Advanced processing[4]	120.7	122.6	123.9	126.7	150.0	151.9	153.8	155.8	80.4	80.7	80.5	81.3
5 Durable goods	128.1	130.7	133.0	137.0	156.9	159.3	161.8	164.5	81.7	82.0	82.2	83.3
6 Lumber and products	110.1	111.3	114.0	113.0	130.0	131.0	132.0	133.1	84.7	84.9	86.4	84.9
7 Primary metals	119.8	119.7	122.2	124.7	131.0	132.1	133.3	134.5	91.5	90.6	91.7	92.7
8 Iron and steel	118.6	118.3	121.1	122.2	133.5	134.9	136.0	137.2	88.9	87.7	89.0	89.0
9 Nonferrous	121.1	121.3	123.5	127.5	127.8	128.6	129.8	130.9	94.8	94.3	95.2	97.4
10 Industrial machinery and equipment	161.5	166.2	171.3	179.7	181.3	186.5	192.3	198.2	89.1	89.1	89.1	90.7
11 Electrical machinery	167.2	172.1	178.9	187.8	208.5	216.3	224.2	232.4	80.2	79.6	79.8	80.8
12 Motor vehicles and parts	126.0	130.2	125.4	131.8	177.3	178.2	178.7	179.3	71.0	73.0	70.1	73.5
13 Aerospace and miscellaneous transportation equipment	90.4	93.5	96.4	98.9	119.8	119.7	120.5	121.4	75.5	78.1	80.0	81.5
14 Nondurable goods	108.1	108.6	108.6	109.3	130.1	130.6	131.1	131.6	83.0	83.1	82.8	83.0
15 Textile mill products	107.4	107.1	108.3	111.2	130.8	131.3	131.4	131.6	82.1	81.6	82.4	84.5
16 Paper and products	109.8	111.2	112.2	114.7	123.3	123.6	123.9	124.2	89.0	89.9	90.6	92.4
17 Chemicals and products	112.4	112.8	112.7	112.8	140.3	141.5	142.6	143.7	80.1	79.8	79.1	78.5
18 Plastics materials	125.3	127.0	127.8	...	134.0	136.2	138.1	...	93.5	93.3	92.6	...
19 Petroleum products	107.7	108.1	111.4	110.4	113.8	113.9	114.2	114.5	94.6	94.9	97.5	96.4
20 Mining	103.8	105.8	107.3	106.6	113.7	113.8	114.3	114.8	91.3	93.0	93.9	92.8
21 Utilities	113.0	110.9	112.5	113.5	125.9	126.5	127.0	127.4	89.8	87.7	88.7	89.1
22 Electric	112.4	111.5	111.8	114.2	124.4	125.1	125.6	126.1	90.4	89.1	89.0	90.5

Series	1973 High	1975 Low	Previous cycle[5] High	Previous cycle[5] Low	Latest cycle[6] High	Latest cycle[6] Low	1996 Sept.	1997 Apr	1997 May	1997 June[r]	1997 July[r]	1997 Aug.	1997 Sept.[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.1**	**85.3**	**78.1**	**83.1**	**83.6**	**83.5[r]**	**83.5**	**83.9**	**84.1**	**84.4**
2 Manufacturing	88.5	70.5	86.9	69.0	85.7	76.6	82.1	82.6	82.4	82.5	82.9	83.3	83.4
3 Primary processing[3]	91.2	68.2	88.1	66.2	88.9	77.8	86.6	87.1	87.1[r]	86.9	87.3	87.3	87.7
4 Advanced processing[4]	87.2	71.8	86.7	70.4	84.2	76.1	80.2	80.6	80.3	80.6	81.0	81.5	81.4
5 Durable goods	89.2	68.9	87.7	63.9	84.5	73.2	81.9	82.2	82.0	82.4	82.8	83.6	83.5
6 Lumber and products	88.7	61.2	87.9	60.8	93.6	75.5	85.5	86.3	86.3[r]	86.5	85.4	84.7	84.5
7 Primary metals	100.2	65.9	94.2	45.1	92.7	73.7	91.8	90.5	92.5[r]	92.1	92.3	91.8	94.0
8 Iron and steel	105.8	66.6	95.8	37.0	95.2	71.8	88.7	87.9	90.8	88.2	88.2	87.2	91.7
9 Nonferrous	90.8	59.8	91.1	60.1	89.3	74.2	95.7	93.7	94.8[r]	97.0	97.4	97.5	97.1
10 Industrial machinery and equipment	96.0	74.3	93.2	64.0	85.4	72.4	89.6	90.0	88.7	88.6	90.0	91.5	90.5
11 Electrical machinery	89.2	64.7	89.4	71.6	84.0	75.1	81.3	79.8	79.4	80.1	81.0	80.9	80.5
12 Motor vehicles and parts	93.4	51.3	95.0	45.5	89.1	55.9	71.9	70.2	69.2	71.0	70.7	74.9	74.8
13 Aerospace and miscellaneous transportation equipment	78.4	67.6	81.9	66.6	87.3	79.2	73.3	79.5	80.0	80.6	81.2	81.5	81.8
14 Nondurable goods	87.8	71.7	87.5	76.4	87.3	80.7	82.4	83.0	82.9[r]	82.6	83.1	82.8	83.2
15 Textile mill products	91.4	60.0	91.2	72.3	90.4	77.7	82.2	82.7	81.7[r]	82.8	84.7	84.3	84.5
16 Paper and products	97.1	69.2	96.1	80.6	93.5	85.0	88.4	90.6	91.1[r]	90.1	92.5	91.7	92.8
17 Chemicals and products	87.6	69.7	84.6	69.9	86.2	79.3	78.6	79.6	79.0[r]	78.5	78.9	77.9	78.6
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	95.4	93.3	92.5	92.0	94.4	...	...
19 Petroleum products	96.7	81.1	90.0	66.8	88.5	85.1	94.0	97.0	98.2[r]	97.4	95.2	96.8	97.3
20 Mining	94.3	88.2	96.0	80.3	86.8	86.1	91.0	92.9	94.6[r]	94.2	93.8	92.6	92.0
21 Utilities	96.2	82.9	89.1	75.9	92.6	83.4	88.6	89.6	88.5[r]	87.9	88.5	87.4	91.2
22 Electric	99.0	82.7	88.2	78.9	95.0	87.1	89.6	90.6	88.0	88.4	90.0	88.6	93.0

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in January 1997. See "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. The article contains a description of the new aggregation system for industrial production and capacity utilization. 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	1996 avg.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.	1997 Apr.	1997 May	1997 June[r]	1997 July[r]	1997 Aug.	1997 Sept.[p]
			Index (1992 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**115.2**	**116.0**	**116.2**	**117.2**	**117.7**	**117.8**	**118.4**	**118.8**	**119.3**	**119.5**	**119.9**	**120.9**	**121.5**	**122.4**
2 Products	60.5	112.0	112.7	112.8	114.1	114.3	114.2	114.8	115.3	115.4	115.9	116.0	116.5	117.3	117.9
3 Final products	46.3	112.8	113.3	113.6	114.8	115.3	115.1	115.6	116.3	116.6	117.1	117.4	117.8	119.0	119.4
4 Consumer goods, total	29.1	110.5	110.5	110.8	112.3	112.7	111.7	111.6	112.1	112.1	112.6	112.3	112.6	113.2	114.0
5 Durable consumer goods	6.1	126.2	127.1	124.5	127.1	128.4	127.3	129.2	131.0	126.9	128.4	130.6	129.3	133.0	132.8
6 Automotive products	2.6	125.8	127.7	122.0	127.4	127.2	129.6	131.0	131.7	124.4	126.4	128.4	123.1	133.0	134.8
7 Autos and trucks	1.7	132.6	134.6	125.7	133.8	135.5	138.7	138.9	138.9	127.1	130.0	132.6	123.5	140.2	143.4
8 Autos, consumer	.9	120.2	129.9	112.3	123.5	115.9	120.1	122.3	123.3	116.0	117.7	114.9	118.0	124.3	125.1
9 Trucks, consumer	.7	147.2	146.6	147.4	152.4	164.9	167.0	165.0	163.8	146.1	150.5	159.5	135.8	165.4	171.7
10 Auto parts and allied goods	.9	114.5	116.2	114.4	116.4	114.0	115.5	118.1	119.7	118.0	118.8	120.1	119.2	121.3	121.4
11 Other	3.5	126.3	126.6	126.2	126.8	129.1	125.5	127.8	130.4	128.6	129.7	132.0	133.6	132.8	131.3
12 Appliances, televisions, and air conditioners	1.0	173.0	174.2	176.5	176.9	181.1	171.2	179.5	183.6	179.0	181.1	187.3	193.9	192.9	187.2
13 Carpeting and furniture	.8	109.9	110.5	108.6	110.7	109.3	106.0	106.9	111.6	108.6	111.7	114.2	110.3	112.6	112.3
14 Miscellaneous home goods	1.6	107.9	107.6	106.5	106.4	109.6	109.2	109.2	109.9	110.0	109.6	109.7	111.9	109.6	109.5
15 Nondurable consumer goods	23.0	106.5	106.3	107.3	108.5	108.7	107.8	107.2	107.4	108.3	108.6	107.8	108.5	108.3	109.4
16 Foods and tobacco	10.3	106.1	106.1	106.6	107.2	108.2	107.7	108.0	108.7	107.8	107.6	106.9	108.0	108.3	108.5
17 Clothing	2.4	95.5	95.1	95.5	95.0	94.9	94.0	93.8	94.2	94.4	94.8	94.1	93.7	93.2	93.6
18 Chemical products	4.5	112.7	113.5	115.5	117.3	118.8	117.9	116.2	114.9	117.2	118.0	117.3	117.1	116.1	117.9
19 Paper products	2.9	101.1	101.9	102.9	102.9	103.0	101.1	101.5	102.3	102.6	103.4	104.5	105.4	104.4	105.0
20 Energy	2.9	112.0	109.4	110.7	115.3	111.8	110.4	107.6	107.5	113.0	113.5	110.4	111.3	112.1	115.3
21 Fuels	.8	106.6	105.4	108.1	107.8	106.0	105.1	106.2	108.5	110.1	111.9	111.8	108.9	112.2	111.8
22 Residential utilities	2.1	114.3	110.9	111.7	118.5	114.2	112.6	108.0	106.8	114.1	114.0	109.5	112.1	111.8	116.6
23 Equipment	17.2	116.8	118.1	118.4	119.0	119.6	120.8	122.6	123.5	124.3	124.9	126.2	126.7	129.1	128.8
24 Business equipment	13.2	126.6	128.3	128.8	129.8	130.7	132.1	133.8	134.3	135.5	136.1	137.4	139.0	142.1	142.1
25 Information processing and related	5.4	143.2	146.3	147.4	147.1	148.5	149.6	152.4	153.6	155.1	156.5	159.9	162.0	164.3	166.2
26 Computer and office equipment	1.1	292.0	314.3	318.8	323.5	327.1	335.7	343.0	349.9	358.6	366.5	378.4	395.5	409.3	421.6
27 Industrial	4.0	126.9	126.3	127.0	127.1	127.3	127.9	128.2	127.5	130.3	129.3	129.2	131.6	134.7	132.8
28 Transit	2.5	100.0	103.8	101.9	106.6	107.2	109.8	111.8	113.1	110.1	112.1	112.1	112.3	117.6	118.4
29 Autos and trucks	1.2	115.3	117.7	109.4	115.9	113.7	117.2	118.7	118.3	110.0	111.7	110.1	108.9	117.7	118.1
30 Other	1.3	116.4	115.5	118.7	119.9	121.4	123.4	124.4	125.1	128.8	128.2	129.2	129.6	130.7	128.4
31 Defense and space equipment	3.3	77.0	77.7	77.0	76.1	76.2	74.7	75.4	75.6	75.2	75.6	76.1	75.0	75.6	75.2
32 Oil and gas well drilling	.6	120.5	117.5	120.2	120.7	123.6	130.8	140.7	153.4	152.5	154.2	161.4	149.6	147.1	141.3
33 Manufactured homes	.2	162.0	165.6	165.3	159.8	.	156.3	163.5	160.9	168.0	166.4	163.1	166.3	164.4	...
34 Intermediate products, total	14.2	109.4	110.6	110.2	111.9	111.3	111.6	112.0	112.1	112.0	112.2	112.0	112.3	112.3	113.1
35 Construction supplies	5.3	116.8	119.8	117.7	120.7	117.8	117.0	120.0	121.8	120.1	120.6	120.6	119.8	120.9	121.0
36 Business supplies	8.9	105.1	105.3	105.8	106.8	107.4	108.4	107.3	106.5	107.2	107.3	106.9	107.9	107.3	108.5
37 Materials	39.5	120.3	121.2	121.7	122.2	123.1	123.4	124.1	124.5	125.5	125.2	126.0	128.0	128.2	129.6
38 Durable goods materials	20.8	134.0	135.5	135.8	136.5	137.8	138.4	139.2	140.2	141.7	141.7	143.3	145.9	147.4	148.6
39 Durable consumer parts	4.0	128.8	128.3	126.6	129.7	130.3	132.1	129.7	129.8	130.5	127.2	130.1	134.9	135.3	134.8
40 Equipment parts	7.6	159.2	162.6	163.4	165.3	167.9	169.4	172.6	175.6	178.1	180.4	183.2	187.2	190.4	193.3
41 Other	9.2	118.2	119.2	120.0	119.1	119.9	119.3	119.8	120.0	121.0	121.0	121.2	122.2	123.0	123.7
42 Basic metal materials	3.1	113.1	114.7	117.2	114.4	115.7	114.9	116.4	116.4	116.7	118.4	118.7	118.5	118.8	121.3
43 Nondurable goods materials	8.9	106.4	106.9	108.0	108.4	109.5	109.6	110.5	110.6	111.3	109.8	109.9	111.7	110.7	111.5
44 Textile materials	1.1	106.3	107.1	108.4	108.5	105.9	106.8	107.7	104.9	109.5	105.4	107.8	113.7	111.3	112.0
45 Paper materials	1.8	107.4	107.0	108.0	110.9	112.5	111.5	113.2	113.8	114.4	114.8	111.7	116.4	115.6	116.9
46 Chemical materials	3.9	105.9	106.8	109.3	107.7	110.2	111.1	111.2	111.2	111.7	109.7	109.4	110.8	109.9	110.8
47 Other	2.1	106.1	106.2	103.9	106.8	106.3	105.3	107.5	108.4	107.8	107.4	109.7	108.3	107.7	108.0
48 Energy materials	9.7	103.9	103.9	103.9	104.0	103.9	103.8	104.0	103.5	103.8	104.1	103.9	104.6	103.1	105.7
49 Primary energy	6.3	102.6	102.2	102.0	101.6	102.6	101.6	102.8	102.3	101.7	102.5	101.9	103.2	101.4	103.2
50 Converted fuel materials	3.3	106.2	107.0	107.5	108.5	106.3	108.0	106.2	105.9	107.6	107.0	107.6	107.4	106.5	110.4
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.1	114.9	115.7	116.1	116.9	117.4	117.4	118.0	118.5	119.3	119.4	119.8	120.9	121.3	122.1
52 Total excluding motor vehicles and parts	95.1	114.6	115.4	115.9	116.6	117.2	117.1	117.8	118.3	119.0	119.3	119.5	120.6	120.9	121.8
53 Total excluding computer and office equipment	98.2	112.9	113.5	113.7	114.6	115.1	115.1	115.6	116.0	116.4	116.5	116.8	117.7	118.2	118.9
54 Consumer goods excluding autos and trucks	27.4	109.2	109.2	109.9	111.0	111.4	110.3	110.1	110.7	111.1	111.5	111.1	111.9	111.7	112.5
55 Consumer goods excluding energy	26.2	110.2	110.6	110.8	111.8	112.8	111.9	112.1	112.7	111.9	112.4	112.6	112.8	113.3	113.8
56 Business equipment excluding autos and trucks	12.0	127.7	129.3	130.7	131.2	132.4	133.6	135.3	135.9	138.0	138.5	140.1	142.0	144.5	144.5
57 Business equipment excluding computer and office equipment	12.1	115.8	116.3	116.6	117.5	118.2	119.2	120.5	120.7	121.5	121.7	122.4	123.3	125.9	125.4
58 Materials excluding energy	29.8	125.4	126.6	127.1	127.8	129.0	129.4	130.3	131.0	132.2	131.8	132.8	135.2	135.9	136.9

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

Group	SIC[2] code	1992 proportion	1996 avg.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.	1997 Apr.	1997 May	1997 June[r]	1997 July[r]	1997 Aug.	1997 Sept.[p]
				Index (1992 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	.	**100.0**	**115.2**	**116.0**	**116.2**	**117.2**	**117.7**	**117.8**	**118.4**	**118.8**	**119.3**	**119.5**	**119.9**	**120.9**	**121.5**	**122.4**
60 Manufacturing	...	85.4	116.3	117.4	117.6	118.5	119.2	119.3	120.1	120.6	120.9	121.0	121.6	122.7	123.6	124.2
61 Primary processing	..	26.5	112.2	113.5	113.8	113.8	114.0	113.8	114.8	115.6	115.6	115.8	115.7	116.5	116.7	117.5
62 Advanced processing	..	58.9	118.4	119.3	119.5	120.8	121.7	122.0	122.6	123.0	123.5	123.6	124.5	125.7	127.0	127.5
63 Durable goods	.	45.0	125.7	127.2	127.1	128.4	128.8	129.5	130.8	131.7	132.3	132.7	134.1	135.5	137.5	138.0
64 Lumber and products	24	2.0	109.7	110.7	109.2	113.1	108.0	108.6	112.0	113.3	113.6	114.0	114.6	113.4	112.7	112.8
65 Furniture and fixtures	25	1.4	108.9	108.8	110.4	110.5	110.5	109.7	110.3	111.0	112.7	113.9	114.5	113.6	112.6	113.4
66 Stone, clay, and glass products	32	2.1	111.0	113.1	111.7	111.8	111.3	112.7	112.5	113.5	113.8	112.8	113.5	114.1	114.3	114.2
67 Primary metals	33	3.1	117.2	119.5	122.1	118.5	118.8	117.8	120.0	121.3	120.2	123.4	123.1	123.8	123.4	126.8
68 Iron and steel	331,2	1.7	116.4	117.4	123.2	115.9	116.7	118.0	118.2	118.7	119.3	123.6	120.3	120.7	119.7	126.2
69 Raw steel	331PT	.1	112.2	112.6	111.5	108.7	112.5	111.7	112.3	114.2	115.5	115.8	115.1	115.4	116.3	123.6
70 Nonferrous	333–6,9	1.4	118.0	121.8	120.7	121.4	121.2	117.6	122.1	124.2	121.3	123.1	126.2	127.2	127.7	127.5
71 Fabricated metal products	34	5.0	118.6	119.3	119.3	119.1	119.5	119.2	119.5	120.4	120.8	121.1	120.8	121.5	122.1	122.4
72 Industrial machinery and equipment	35	8.0	156.4	159.4	159.9	161.7	162.9	164.7	166.6	167.4	171.3	170.5	172.2	176.6	181.4	181.0
73 Computer and office equipment	357	1.8	296.9	319.0	323.6	328.3	332.5	340.3	347.8	354.7	363.8	371.8	383.9	401.1	415.2	427.6
74 Electrical machinery	36	7.3	163.3	165.2	165.6	167.2	168.8	168.6	172.5	175.2	176.7	178.1	181.7	186.0	188.0	189.4
75 Transportation equipment	37	9.5	106.1	107.3	105.3	109.5	109.6	111.9	111.5	111.9	110.6	110.2	112.4	112.7	116.7	116.9
76 Motor vehicles and parts	371	4.9	126.9	127.0	121.2	128.9	127.9	132.0	129.6	128.9	125.3	123.7	127.1	126.7	134.4	134.3
77 Autos and light trucks	371PT	2.6	124.6	127.4	117.3	125.7	125.6	128.8	129.4	129.5	119.1	121.6	123.1	116.9	130.8	133.3
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.6	85.6	87.9	89.4	90.3	91.5	92.2	93.5	94.8	95.5	96.4	97.4	98.3	98.9	99.5
79 Instruments	38	5.4	102.8	103.0	103.4	103.0	104.1	103.3	104.6	104.7	104.4	105.2	105.9	105.4	106.8	106.5
80 Miscellaneous	39	1.3	112.9	113.0	113.0	114.1	116.6	116.3	117.1	116.3	116.9	117.0	117.5	118.9	118.3	118.1
81 Nondurable goods	..	40.4	106.3	106.9	107.4	107.9	108.8	108.5	108.6	108.7	108.7	108.7	108.4	109.2	109.0	109.6
82 Foods	20	9.4	106.3	106.2	107.1	107.6	108.2	108.2	108.4	109.2	108.3	108.1	107.9	108.7	108.5	108.9
83 Tobacco products	21	1.6	105.6	104.9	104.0	105.4	108.9	104.6	105.7	106.9	105.5	104.2	101.8	103.3	104.9	104.4
84 Textile mill products	22	1.8	106.6	107.2	107.6	108.2	106.3	106.3	106.9	108.2	108.6	107.3	108.9	111.3	111.0	111.2
85 Apparel products	23	2.2	98.2	98.2	97.8	97.3	97.2	96.2	95.8	96.3	96.1	96.4	96.4	96.1	95.5	95.7
86 Paper and products	26	3.6	108.0	108.8	107.6	110.1	111.6	110.3	111.1	112.1	112.2	112.8	111.7	114.8	113.9	115.3
87 Printing and publishing	27	6.7	98.4	99.1	99.7	100.0	99.8	100.5	100.6	99.7	99.6	99.8	99.7	100.1	99.8	100.1
88 Chemicals and products	28	9.9	108.9	109.7	111.3	111.8	114.0	113.7	112.8	112.0	113.3	112.7	112.3	113.1	112.0	113.3
89 Petroleum products	29	1.4	106.5	106.9	108.4	107.4	107.3	107.4	108.6	108.1	110.7	112.1	111.3	108.9	110.8	111.5
90 Rubber and plastic products	30	3.5	120.5	122.8	121.4	121.7	122.6	121.1	123.1	124.0	122.3	123.4	124.0	124.2	126.8	126.6
91 Leather and products	31	.3	80.0	79.4	78.4	77.3	80.1	78.3	77.6	78.4	78.8	77.0	75.6	75.4	73.8	73.5
92 Mining	...	6.9	102.9	103.4	103.4	103.5	104.5	103.6	106.3	107.5	106.0	108.1	107.8	107.6	106.3	105.8
93 Metal	10	.5	102.0	105.3	105.6	102.5	106.3	105.7	105.7	104.8	103.5	104.2	107.4	104.0	103.9	105.4
94 Coal	12	1.0	105.9	106.2	107.5	108.8	109.5	106.4	109.6	105.2	104.1	115.9	107.4	114.1	109.8	109.3
95 Oil and gas extraction	13	4.8	100.3	100.5	100.0	100.2	100.7	100.8	103.1	105.4	104.5	105.0	105.8	104.9	103.5	102.6
96 Stone and earth minerals	14	.6	118.7	118.5	120.0	120.2	122.9	117.2	125.0	128.8	122.3	121.3	123.7	119.7	123.1	123.3
97 Utilities	...	7.7	112.8	111.1	111.9	114.5	112.6	112.7	110.2	109.9	113.6	112.4	111.7	112.7	111.4	116.3
98 Electric	491,493PT	6.2	112.7	110.9	112.0	112.7	112.6	113.2	110.9	110.3	113.6	110.5	111.1	113.4	111.8	117.4
99 Gas	492,493PT	1.6	113.2	111.8	111.3	120.9	112.7	110.9	107.6	108.7	113.2	119.0	113.5	110.3	110.1	112.5
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	...	80.5	115.7	116.8	117.3	117.9	118.6	118.6	119.5	120.0	120.6	120.8	121.2	122.4	123.0	123.6
101 Manufacturing excluding office and computing machines	..	83.6	113.7	114.5	114.7	115.5	116.1	116.2	116.9	117.3	117.5	117.6	118.0	118.9	119.7	120.2
	Gross value (billions of 1992 dollars, annual rates)															
MAJOR MARKETS																
102 **Products, total**	...	**2,001.9**	**2,258.7**	**2,273.4**	**2,270.7**	**2,303.5**	**2,301.1**	**2,302.9**	**2,315.3**	**2,327.5**	**2,324.7**	**2,337.5**	**2,338.5**	**2,341.2**	**2,370.6**	**2,380.9**
103 Final	...	1,552.1	1,760.9	1,771.6	1,771.8	1,795.1	1,796.8	1,798.4	1,808.8	1,819.6	1,816.4	1,827.8	1,830.4	1,832.5	1,862.5	1,868.6
104 Consumer goods	..	1,049.6	1,162.2	1,163.0	1,164.7	1,182.2	1,182.3	1,176.3	1,177.7	1,184.7	1,179.4	1,187.3	1,184.6	1,183.2	1,197.4	1,204.3
105 Equipment	..	502.5	598.0	607.8	606.3	612.1	613.7	621.4	630.4	634.2	636.4	639.9	645.1	648.8	664.7	663.8
106 Intermediate	.	449.9	498.2	502.1	499.3	508.6	504.9	505.1	507.2	508.7	508.9	510.5	509.1	509.7	509.8	513.8

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 January 1997. See "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. 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	1994	1995	1996	1996		1997							
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,372	1,333	1,426	1,391	1,405	1,395	1,438	1,457	1,442	1,432	1,402	1,414	1,397
2 One-family	1,069	997	1,070	1,016	999	1,052	1,069	1,034	1,060	1,053	1,049	1,030	1,027
3 Two-family or more	303	335	356	375	406	343	369	423	382	379	353	384	370
4 Started	1,457	1,354	1,477	1,486	1,353	1,375	1,554	1,479	1,483	1,402	1,503	1,465	1,390
5 One-family	1,198	1,076	1,161	1,133	1,024	1,125	1,237	1,142	1,133	1,098	1,134	1,149	1,094
6 Two-family or more	259	278	316	353	329	250	317	337	350	304	369	316	296
7 Under construction at end of period[1]	755	775	819	828	815	818	821	814	812	815	829	834	830
8 One-family	584	554	584	584	571	573	574	566	563	564	566	569	566
9 Two-family or more	171	221	235	244	244	245	247	248	249	251	263	265	264
10 Completed	1,346	1,319	1,407	1,431	1,484	1,362	1,572	1,471	1,460	1,388	1,318	1,318	1,321
11 One-family	1,161	1,073	1,124	1,151	1,177	1,109	1,267	1,156	1,158	1,101	1,096	1,066	1,049
12 Two-family or more	185	246	283	280	307	253	305	315	302	287	222	252	272
13 Mobile homes shipped	305	341	362	354	338	339	353	353	372	356	356	358	357
Merchant builder activity in one-family units													
14 Number sold	670	667	757	788	794	822	826	825	765	764	815	818	800
15 Number for sale at end of period[1]	340	374	326	327	322	308	300	287	291	288	287	287	284
Price of units sold (thousands of dollars)[2]													
16 Median	130.0	133.9	140.0	143.5	144.9	145.0	143.0	148.0	150.0	141.0	144.9	145.9	145.0
17 Average	154.5	158.7	166.4	172.0	171.8	171.9	171.1	172.7	179.5	170.7	177.6	175.3	172.3
EXISTING UNITS (one-family)													
18 Number sold	3,967	3,812	4,087	4,060	3,950	3,910	4,230	4,160	4,060	4,250	4,150	4,180	4,310
Price of units sold (thousands of dollars)[2]													
19 Median	109.9	113.1	118.2	117.4	118.8	120.6	117.5	120.0	120.7	123.1	127.2	126.5	127.5
20 Average	136.8	139.1	145.5	144.1	147.1	149.6	144.7	147.5	150.4	153.1	158.4	157.6	159.1
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 **Total put in place**	**518,644**	**534,463**	**567,179**	**586,226**	**579,109**	**577,116**	**592,365**	**593,908**	**596,907[r]**	**595,763**	**594,195**	**603,653**	**601,775**
22 Private	398,646	407,370	435,929	448,907	447,045	444,391	452,037	452,728	457,604[r]	459,882	456,927	464,691	464,150
23 Residential	238,423	231,230	246,659	248,259	247,899	246,661	251,402	253,974	259,917[r]	259,662	257,277	259,431	259,969
24 Nonresidential	160,223	176,140	189,271	200,648	199,146	197,730	200,635	198,754	197,687[r]	200,220	199,650	205,260	204,181
25 Industrial buildings	28,893	32,505	31,997	33,244	30,752	31,871	32,161	30,520	29,331[r]	30,501	31,046	33,236	33,002
26 Commercial buildings	59,480	68,223	74,593	80,144	78,395	81,979	83,107	81,015	76,545[r]	78,670	79,009	81,218	78,976
27 Other buildings	26,988	27,089	30,525	33,454	34,409	34,257	35,561	36,012	38,229[r]	37,738	35,775	36,312	36,893
28 Public utilities and other	44,862	48,323	52,156	53,806	55,590	49,623	49,806	51,207	53,582[r]	53,311	53,820	54,494	55,310
29 Public	119,998	127,092	131,250	137,319	132,064	132,725	140,328	141,180	139,304[r]	135,882	137,268	138,962	137,625
30 Military	2,310	2,983	2,541	2,365	2,241	2,542	2,564	2,232	2,408[r]	2,548	2,580	2,738	2,770
31 Highway	36,933	36,319	37,898	38,610	39,585	37,869	41,060	41,473	42,356[r]	40,694	41,531	41,289	40,730
32 Conservation and development	6,459	6,391	5,807	5,710	5,223	5,807	5,727	6,114	5,134[r]	5,242	4,952	4,941	5,288
33 Other	74,297	81,399	85,005	90,634	85,015	86,507	90,977	91,361	89,406[r]	87,398	88,205	89,994	88,837

1. Not at annual rates.
2. Not seasonally adjusted
3. Recent data on value of new construction may not be strictly comparable with data for previous periods because of changes by the Bureau of the Census in its estimating techniques For a description of these changes, see *Construction Reports* (C-30-76-5), issued by the Census Bureau in July 1976.

SOURCE. Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 19,000 jurisdictions beginning in 1994.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, Sept. 1997[1]
	1996 Sept.	1997 Sept.	1996	1997			1997					
			Sept.	Mar.	June	Sept.	May	June	July	Aug.	Sept.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**3.0**	**2.2**	**3.3**	**1.8**	**1.0**	**2.5**	**.1**	**.1**	**.2**	**.2**	**.2**	**161.2**
2 Food	3.8	2.1	3.4	.3	1.5	3.4	.4	.2	.3	.4	.1	157.9
3 Energy items	5.2	2.0	16.2	−2.8	−14.7	11.9	−2.4	.0	−.1	1.7	1.3	113.9
4 All items less food and energy	2.7	2.2	2.4	2.4	2.4	1.7	.2	.1	.2	.1	.2	170.0
5 Commodities	1.2	.4	.9	1.1	.6	−.6	.1	−.2	−.1	−.3	.2	142.0
6 Services	3.3	2.9	3.1	2.7	3.5	2.4	.3	.3	.3	.2	.2	186.0
PRODUCER PRICES (1982=100)												
7 Finished goods	3.0	.0	4.3	−3.3	−3.6	2.8	−.2^{r}	−.2^{r}	−.1	.3	.5	131.8
8 Consumer foods	4.2	−.6	2.4	−2.0	−3.5	.6	.4	−1.0^{r}	−.2	.3	.1	134.8
9 Consumer energy	8.0	−.1	26.2	−16.9	−15.1	12.4	−1.3^{r}	.5^{r}	.1	1.4	1.5	85.2
10 Other consumer goods	1.6	.6	.6	.6	−.6	1.7	−.2^{r}	.1	−.1	.1	.5	144.4
11 Capital equipment	1.2	−.1	−.6	.0	−1.2	.9	−.2	.0^{r}	−.1	.0	.3	137.1
Intermediate materials												
12 Excluding foods and feeds	−.1	−.2	2.2	−1.9	−1.9	1.0	−.2	.1^{r}	−.2	.2	.2	126.0
13 Excluding energy	−1.6	.3	−.3	.6	.3	.3	.1^{r}	.0^{r}	.0	.1	.0	134.3
Crude materials												
14 Foods	14.8	−11.0	−28.5	−2.8	−10.1	−.4	−.2	−5.4	.3	−.1	−.3	111.1
15 Energy	20.2	1.4	235.2	−75.5	10.2	16.6	5.8^{r}	−2.2^{r}	−.4	1.7	2.6	82.1
16 Other	−10.1	1.7	−1.3	15.7	−3.5	−3.0	1.3^{r}	.1^{r}	−.5	.8	−1.0	156.1

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	1994	1995	1996	1996 Q2	1996 Q3	1996 Q4	1997 Q1	1997 Q2
GROSS DOMESTIC PRODUCT								
1 **Total**	**6,947.0**	**7,265.4**	**7,636.0**	**7,607.7**	**7,676.0**	**7,792.9**	**7,933.6**	**8,034.3**
By source								
2 Personal consumption expenditures	4,717.0	4,957.7	5,207.6	5,189.1	5,227.4	5,308.1	5,405.7	5,432.1
3 Durable goods	579.5	608.5	634.5	638.6	634.5	638.2	658.4	644.5
4 Nondurable goods	1,428.4	1,475.8	1,534.7	1,532.3	1,538.3	1,560.1	1,587.4	1,578.9
5 Services	2,709.1	2,873.4	3,038.4	3,018.2	3,054.6	3,109.8	3,159.9	3,208.7
6 Gross private domestic investment	1,007.9	1,038.2	1,116.5	1,105.4	1,149.2	1,151.1	1,193.6	1,242.0
7 Fixed investment	946.6	1,008.1	1,090.7	1,082.0	1,112.0	1,119.2	1,127.5	1,160.8
8 Nonresidential	660.6	723.0	781.4	769.3	798.6	807.2	811.3	836.3
9 Structures	184.5	200.6	215.2	210.6	217.7	227.0	227.4	226.8
10 Producers' durable equipment	476.1	522.4	566.2	558.7	580.9	580.2	583.9	609.5
11 Residential structures	286.0	285.1	309.2	312.7	313.5	312.0	316.2	324.6
12 Change in business inventories	61.2	30.1	25.9	23.4	37.1	31.9	66.1	81.1
13 Nonfarm	50.5	38.1	23.0	17.2	31.3	28.7	62.2	74.9
14 Net exports of goods and services	−90.9	−86.0	−94.8	−93.8	−114.0	−88.6	−98.8	−88.7
15 Exports	721.2	818.4	870.9	865.0	863.7	904.6	922.2	960.3
16 Imports	812.1	904.5	965.7	958.7	977.6	993.2	1,021.0	1,049.0
17 Government consumption expenditures and gross investment	1,313.0	1,355.5	1,406.7	1,407.0	1,413.5	1,422.3	1,433.1	1,449.0
18 Federal	510.2	509.6	520.0	524.6	521.6	517.6	516.1	526.1
19 State and local	802.8	846.0	886.7	882.4	891.9	904.7	917.0	923.0
By major type of product								
20 Final sales, total	6,885.7	7,235.3	7,610.2	7,584.3	7,638.9	7,761.0	7,867.4	7,953.2
21 Goods	2,520.2	2,637.9	2,759.3	2,759.3	2,760.7	2,795.0	2,838.4	2,854.9
22 Durable	1,072.5	1,133.9	1,212.0	1,214.8	1,216.3	1,233.5	1,248.0	1,275.3
23 Nondurable	1,447.6	1,503.9	1,547.3	1,544.5	1,544.4	1,561.5	1,590.4	1,579.6
24 Services	3,772.4	3,980.7	4,187.3	4,162.2	4,208.1	4,282.7	4,338.2	4,400.1
25 Structures	593.2	616.8	663.6	662.8	670.1	683.3	690.8	698.2
26 Change in business inventories	61.2	30.1	25.9	23.4	37.1	31.9	66.1	81.1
27 Durable goods	33.6	29.1	16.9	18.1	33.3	−1.1	31.8	46.8
28 Nondurable goods	27.7	1.1	9.0	5.3	3.9	33.0	34.3	34.4
MEMO								
29 **Total GDP in chained 1992 dollars**	**6,610.7**	**6,742.1**	**6,928.4**	**6,926.0**	**6,943.8**	**7,017.4**	**7,101.6**	**7,159.6**
NATIONAL INCOME								
30 **Total**	**5,590.7**	**5,912.3**	**6,254.5**	**6,229.4**	**6,303.3**	**6,376.5**	**6,510.0**	**6,599.0**
31 Compensation of employees	4,012.0	4,215.4	4,426.9	4,403.9	4,461.0	4,520.7	4,606.3	4,663.4
32 Wages and salaries	3,254.0	3,442.6	3,633.6	3,612.3	3,664.0	3,718.0	3,792.7	3,842.7
33 Government and government enterprises	602.2	623.0	642.6	640.3	645.5	648.9	657.8	662.0
34 Other	2,651.8	2,819.6	2,991.0	2,972.0	3,018.4	3,069.0	3,134.9	3,180.8
35 Supplement to wages and salaries	758.0	772.9	793.3	791.5	797.0	802.7	813.6	820.7
36 Employer contributions for social insurance	353.0	366.0	385.7	383.6	388.6	393.6	401.3	405.6
37 Other labor income	405.0	406.8	407.6	407.9	408.4	409.1	412.3	415.1
38 Proprietors' income[1]	471.6	489.0	520.3	520.0	523.8	528.3	534.6	543.6
39 Business and professional[1]	434.7	465.5	483.1	483.5	483.7	487.9	494.4	500.0
40 Farm[1]	36.9	23.4	37.2	36.5	40.1	40.4	40.2	43.6
41 Rental income of persons[2]	124.4	132.8	146.3	144.6	148.0	149.2	149.0	148.7
42 Corporate profits[1]	570.5	650.0	735.9	738.5	739.6	747.8	779.6	795.1
43 Profits before tax[3]	535.1	622.6	676.6	682.2	679.1	680.0	708.4	719.8
44 Inventory valuation adjustment	−16.1	−24.3	−2.5	−5.4	−2.7	3.3	3.5	5.9
45 Capital consumption adjustment	51.4	51.6	61.8	61.6	63.2	64.4	67.7	69.4
46 Net interest	412.3	425.1	425.1	422.5	430.9	430.6	440.5	448.1

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1994	1995	1996	1996 Q2	1996 Q3	1996 Q4	1997 Q1	1997 Q2
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**5,791.8**	**6,150.8**	**6,495.2**	**6,461.3**	**6,541.9**	**6,618.4**	**6,746.2**	**6,829.1**
2 Wage and salary disbursements	3,240.7	3,429.5	3,632.5	3,611.2	3,662.8	3,716.9	3,791.5	3,841.6
3 Commodity-producing industries	824.4	864.4	909.1	906.3	917.2	927.8	942.9	952.8
4 Manufacturing	620.8	648.4	674.7	674.1	680.1	685.6	694.1	700.3
5 Distributive industries	741.4	783.1	823.3	819.2	829.0	840.6	856.8	867.0
6 Service industries	1,072.7	1,159.0	1,257.5	1,245.3	1,271.1	1,299.5	1,334.1	1,359.8
7 Government and government enterprises	602.2	623.0	642.6	640.3	645.5	648.9	657.8	662.0
8 Other labor income	405.0	406.8	407.6	407.9	408.4	409.1	412.3	415.1
9 Proprietors' income[1]	471.6	489.0	520.3	520.0	523.8	528.3	534.6	543.6
10 Business and professional[1]	434.7	465.5	483.1	483.5	483.7	487.9	494.4	500.0
11 Farm[1]	36.9	23.4	37.2	36.5	40.1	40.4	40.2	43.6
12 Rental income of persons[2]	124.4	132.8	146.3	144.6	148.0	149.2	149.0	148.7
13 Dividends	204.8	251.9	291.2	290.0	292.0	295.2	312.5	318.3
14 Personal interest income	668.1	718.9	735.7	727.8	742.7	749.8	757.2	766.1
15 Transfer payments	954.7	1,015.0	1,068.0	1,064.8	1,072.4	1,081.5	1,107.2	1,117.0
16 Old-age survivors, disability, and health insurance benefits	473.0	507.8	537.6	535.4	540.0	545.6	558.9	564.4
17 LESS: Personal contributions for social insurance	277.5	293.1	306.3	305.0	308.2	311.5	318.2	321.3
18 EQUALS: Personal income	5,791.8	6,150.8	6,495.2	6,461.3	6,541.9	6,618.4	6,746.2	6,829.1
19 LESS: Personal tax and nontax payments	739.1	795.1	886.9	887.8	897.3	922.6	955.7	979.2
20 EQUALS: Disposable personal income	5,052.7	5,355.7	5,608.3	5,573.5	5,644.6	5,695.8	5,790.5	5,849.9
21 LESS: Personal outlays	4,842.1	5,101.1	5,368.8	5,347.8	5,390.6	5,475.4	5,574.6	5,602.8
22 EQUALS: Personal saving	210.6	254.6	239.6	225.7	254.0	220.4	215.9	247.0
MEMO								
Per capita (chained 1992 dollars)								
23 Gross domestic product	25,357.0	25,615.9	26,085.8	26,106.4	26,114.4	26,331.6	26,597.8	26,765.0
24 Personal consumption expenditures	17,207.2	17,459.3	17,748.9	17,761.8	17,744.2	17,847.8	18,045.2	18,053.9
25 Disposable personal income	18,431.0	18,861.0	19,116.0	19,081.0	19,161.0	19,152.0	19,331.0	19,439.0
26 Saving rate (percent)	4.2	4.8	4.3	4.1	4.5	3.9	3.7	4.2
GROSS SAVING								
27 **Gross saving**	**1,079.2**	**1,165.5**	**1,267.8**	**1,256.3**	**1,295.9**	**1,303.0**	**1,332.9**	**1,396.9**
28 Gross private saving	1,030.2	1,093.1	1,125.5	1,106.3	1,145.1	1,131.4	1,134.0	1,178.1
29 Personal saving	210.6	254.6	239.6	225.7	254.0	220.4	215.9	247.0
30 Undistributed corporate profits[1]	167.6	172.4	202.1	202.6	202.3	212.6	211.5	217.6
31 Corporate inventory valuation adjustment	−16.1	−24.3	−2.5	−5.4	−2.7	3.3	3.5	5.9
Capital consumption allowances								
32 Corporate	412.3	428.9	452.3	448.5	455.5	462.0	467.4	472.6
33 Noncorporate	226.3	224.1	230.5	228.3	232.2	235.2	238.0	239.7
34 Gross government saving	49.0	72.4	142.3	150.0	150.8	171.6	198.9	218.8
35 Federal	−117.2	−103.6	−39.3	−40.2	−28.3	−5.9	15.9	34.7
36 Consumption of fixed capital	69.5	70.9	71.2	71.4	71.2	71.3	71.4	71.5
37 Current surplus or deficit (−), national accounts	−186.7	−174.4	−110.5	−111.6	−99.5	−77.1	−55.5	−36.8
38 State and local	166.2	176.0	181.5	190.2	179.1	177.5	182.9	184.1
39 Consumption of fixed capital	69.4	72.9	76.2	75.8	76.5	77.2	78.2	79.2
40 Current surplus or deficit (−), national accounts	96.8	103.1	105.3	114.4	102.6	100.4	104.7	104.9
41 **Gross investment**	**1,093.8**	**1,137.2**	**1,207.9**	**1,206.0**	**1,216.4**	**1,243.5**	**1,268.6**	**1,323.4**
42 Gross private domestic investment	1,007.9	1,038.2	1,116.5	1,105.4	1,149.2	1,151.1	1,193.6	1,242.0
43 Gross government investment	206.0	213.4	224.3	226.3	223.6	225.3	223.3	227.4
44 Net foreign investment	−120.0	−114.4	−132.9	−125.6	−156.4	−132.9	−148.4	−146.0
45 **Statistical discrepancy**	**14.6**	**−28.2**	**−59.9**	**−50.2**	**−79.5**	**−59.5**	**−64.3**	**−73.5**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. U.S. Department of Commerce, *Survey of Current Business.*

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted except as noted[1]

Item credits or debits	1994	1995	1996	1996			1997	
				Q2	Q3	Q4	Q1	Q2[p]
1 Balance on current account	−133,538	−129,095	−148,184	−35,585	−42,833	−36,874	−39,972	−39,030
2 Merchandise trade balance[2]	−166,192	−173,560	−191,170	−47,562	−52,493	−48,190	−49,787	−46,903
3 Merchandise exports	502,398	575,871	612,069	153,411	150,764	157,846	162,527	171,489
4 Merchandise imports	−668,590	−749,431	−803,239	−200,973	−203,257	−206,036	−212,314	−218,392
5 Military transactions, net	1,874	3,866	3,786	1,214	792	1,295	437	782
6 Other service transactions, net	59,902	67,837	76,344	18,569	19,185	20,697	20,050	19,708
7 Investment income, net	9,723	6,808	2,824	883	−1,370	1,250	−1,990	−3,554
8 U.S. government grants	−15,671	−11,096	−14,933	−2,423	−2,690	−5,499	−2,109	−2,255
9 U.S. government pensions and other transfers	−4,544	−3,420	−4,331	−1,081	−1,064	−1,050	−1,083	−1,128
10 Private remittances and other transfers	−18,630	−19,530	−20,704	−5,185	−5,193	−5,377	−5,490	−5,680
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	−352	−549	−690	−358	162	−284	−21	−238
12 Change in U.S. official reserve assets (increase, −)	5,346	−9,742	6,668	−523	7,489	−315	4,480	−236
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−441	−808	370	−133	848	−146	72	−133
15 Reserve position in International Monetary Fund	494	−2,466	−1,280	−220	−183	−28	1,055	54
16 Foreign currencies	5,293	−6,468	7,578	−170	6,824	−141	3,353	−157
17 Change in U.S. private assets abroad (increase, −)	−165,510	−296,916	−358,422	−48,817	−85,193	−153,837	−132,428	−95,018
18 Bank-reported claims[3]	−4,200	−75,108	−98,186	192	−33,589	−66,657	−62,026	−29,612
19 Nonbank-reported claims	−31,739	−34,997	−64,234	−5,047	−17,294	−26,115	−29,466	...
20 U.S. purchases of foreign securities, net	−60,309	−100,074	−108,189	−20,328	−23,206	−30,200	−14,510	−21,325
21 U.S. direct investments abroad, net	−69,262	−86,737	−87,813	−23,634	−11,104	−30,865	−26,426	−29,081
22 Change in foreign official assets in United States (increase, +)	40,385	110,729	122,354	13,154	24,089	33,097	28,891	−3,719
23 U.S. Treasury securities	30,750	68,977	111,253	−3,383	25,472	33,564	23,289	−8,444
24 Other U.S. government obligations	6,077	3,735	4,381	1,258	1,217	1,854	651	644
25 Other U.S. government liabilities[4]	2,366	744	720	−204	907	160	478	804
26 Other U.S. liabilities reported by U.S. banks[3]	3,665	34,008	4,722	14,198	−1,922	−4,270	7,698	2,346
27 Other foreign official assets[5]	−2,473	3,265	1,278	1,285	−1,585	1,789	−3,225	931
28 Change in foreign private assets in United States (increase, +)	256,952	340,505	425,201	92,960	134,540	161,482	153,347	155,368
29 U.S. bank-reported liabilities[3]	104,338	30,176	9,784	2,319	2,040	38,960	17,387	27,143
30 U.S. nonbank-reported liabilities	−7,710	34,588	31,786	7,288	20,610	−2,912	15,210	..
31 Foreign private purchases of U.S. Treasury securities, net	57,674[r]	111,848[r]	172,878[r]	36,152[r]	50,798[r]	75,326[r]	51,289	50,816
32 Foreign purchases of other U.S. securities, net	56,971	96,367	133,798	29,761	35,115	32,447	38,820	51,537
33 Foreign direct investments in United States, net	45,679	67,526	76,955	17,440	25,977	17,661	30,641	28,872
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	−3,283	−14,931	−46,927	−20,831	−38,254	−3,269	−14,297	−17,127
36 Due to seasonal adjustment	..	...	..	−1,076	−7,830	2,669	7,059	−1,768
37 Before seasonal adjustment	−3,284	−14,931	−46,926	−19,755	−30,424	−5,938	−21,356	−15,359
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	5,346	−9,742	6,668	−523	7,489	−315	4,480	−236
39 Foreign official assets in United States, excluding line 25 (increase, +)	38,019	109,985	121,634	13,358	23,182	32,937	28,413	−4,523
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	−1,529	4,239	12,278	5,239	5,263	3,315	9,272	2,563

1. Seasonal factors are not calculated for lines 12–16, 18–20, 22–34, and 38–40.
2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.
3. Reporting banks include all types of depository institutions as well as some brokers and dealers.
4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1994	1995	1996	1997						
				Feb.	Mar.	Apr.	May	June	July	Aug.^{p}
1 Goods and services, balance	−104,416	−101,857	−111,040	−9,856	−7,831	−8,794	−9,557	−8,293	−10,018	−10,358
2 Merchandise	−166,192	−173,560	−191,170	−16,761	−14,877	−15,527	−16,363	−15,244	−16,848	−17,375
3 Services	61,776	71,703	80,130	6,905	7,046	6,733	6,806	6,951	6,830	7,017
4 Goods and services, exports	699,646	794,610	848,833	74,282	78,124	77,791	77,742	78,515	77,787	77,957
5 Merchandise	502,398	575,871	612,069	53,687	57,155	57,162	56,871	57,378	56,745	56,819
6 Services	197,248	218,739	236,764	20,595	20,969	20,629	20,871	21,137	21,042	21,138
7 Goods and services, imports	−804,062	−896,467	−959,873	−84,138	−85,955	−86,585	−87,299	−86,808	−87,805	−88,315
8 Merchandise	−668,590	−749,431	−803,239	−70,448	−72,032	−72,689	−73,234	−72,622	−73,593	−74,194
9 Services	−135,472	−147,036	−156,634	−13,690	−13,923	−13,896	−14,065	−14,186	−14,212	−14,121

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. *FT900*, U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1994	1995	1996	1997							
				Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.^{p}
1 **Total**	**74,335**	**85,832**	**75,090**	**67,482**	**67,222**	**65,873**	**68,054**	**67,813**	**66,120**	**66,640**	**67,148**
2 Gold stock, including Exchange Stabilization Fund[1]	11,051	11,050	11,049	11,051	11,050	11,051	11,051	11,050	11,051	11,050	11,050
3 Special drawing rights[2,3]	10,039	11,037	10,312	9,866	9,879	9,726	10,050	10,023	9,810	9,985	9,997
4 Reserve position in International Monetary Fund[2]	12,030	14,649	15,435	14,037	13,846	13,660	13,805	13,805	13,677	13,959	14,042
5 Foreign currencies[4]	41,215	49,096	38,294	32,528	32,447	31,436	32,935	32,935	31,582	31,646	32,059

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce.
2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.
3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million; 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Asset	1994	1995	1996	1997							
				Feb.	Mar.	Apr	May	June	July	Aug.	Sept.^{p}
1 **Deposits**	**250**	**386**	**167**	**229**	**16**	**169**	**176**	**178**	**175**	**169**	**188**
Held in custody											
2 U.S. Treasury securities[2]	441,866	522,170	638,049	662,375	672,059	668,536	662,747	652,077	653,157	660,461	655,406
3 Earmarked gold[3]	12,033	11,702	11,197	11,175	11,034	10,944	10,868	10,794	10,793	10,793	10,793

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.
3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1995	1996	1997 Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June[r]	July	Aug.[p]
1 **Total**[1]	**630,918**	**758,351[r]**	**777,899**	**785,877**	**780,795**	**784,977**	**779,904**	**780,210**	**791,826**
By type									
2 Liabilities reported by banks in the United States[2]	107,394	113,098	118,019	120,594	118,838	127,073	125,129	129,388	127,464
3 U.S. Treasury bills and certificates[3]	168,534	198,921	196,555	196,219	186,432	178,366	163,950	161,270	165,453
U.S. Treasury bonds and notes									
4 Marketable	293,690	379,851[r]	397,654	405,041	412,143	415,520	425,575	423,076	431,532
5 Nonmarketable[4]	6,491	5,968	6,043	6,084	5,692	5,730	5,767	5,804	5,841
6 U.S. securities other than U.S. Treasury securities[5]	54,809	60,513	59,628	57,939	57,690	58,288	59,483	60,672	61,536
By area									
7 Europe[1]	222,406	257,480	265,438	269,214	268,337	268,536	272,973	270,794	270,599
8 Canada	19,473	21,343	21,237	21,997	19,677	20,196	20,577	21,009	20,681
9 Latin America and Caribbean	66,721	81,173[r]	78,885	80,631	76,632	81,926	89,185	93,765	95,104
10 Asia	311,016	385,048	401,419	401,331	403,814	402,475	382,281	380,318	390,265
11 Africa	6,296	7,379	7,411	7,908	7,765	8,643	8,890	8,882	8,934
12 Other countries	5,004	5,926	3,507	4,794	4,568	3,199	5,996	5,440	6,241

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes current value of zero-coupon Treasury bond issues to foreign governments as follows: Mexico, beginning March 1988, 20-year maturity issue and beginning March 1990, 30-year maturity issue; Venezuela, beginning December 1990, 30-year maturity issue; Argentina, beginning April 1993, 30-year maturity issue.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1993	1994	1995	1996 Sept.	1996 Dec.	1997 Mar.	1997 June
1 Banks' liabilities	78,259	89,258	109,713	111,140	103,383	109,238	109,433
2 Banks' claims	62,017	60,711	74,016	68,120	66,018	72,589	84,665
3 Deposits	20,993	19,661	22,696	24,026	22,467	24,542	26,503
4 Other claims	41,024	41,050	51,320	44,094	43,551	48,047	58,162
5 Claims of banks' domestic customers[2]	12,854	10,878	6,145	7,390	10,978	9,357	11,292

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Item	1994	1995	1996	1997						
				Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June[r]	July	Aug.[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**1,014,996**	**1,099,549**	**1,161,993**	**1,179,209**	**1,173,099**	**1,181,419**	**1,193,134**	**1,185,139**	**1,202,281**	**1,191,858**
2 Banks' own liabilities	718,591	753,461	758,998	782,639	782,633	796,344	812,513	802,640	809,366	788,048
3 Demand deposits	23,386	24,448	27,034	24,921	27,675	29,252	26,204	29,538	27,658	27,103
4 Time deposits[2]	186,512	192,558	187,956	190,257	189,873	183,860	184,347	187,765	190,144	190,674
5 Other[3]	113,215	140,165	142,464	161,374	151,545	161,607	162,470	166,747	178,767	161,552
6 Own foreign offices[4]	395,478	396,290	401,544	406,087	413,540	421,625	439,492	418,590	412,797	408,719
7 Banks' custodial liabilities[5]	296,405	346,088	402,995	396,570	390,466	385,075	380,621	382,499	392,915	403,810
8 U.S. Treasury bills and certificates[6]	162,938	197,355	236,874	231,280	230,074	221,387	207,894	205,792	202,630	209,121
9 Other negotiable and readily transferable instruments[7]	42,539	52,200	72,011	66,809	63,102	67,074	72,716	75,235	88,057	89,375
10 Other	90,928	96,533	94,110	98,481	97,290	96,614	100,011	101,472	102,228	105,314
11 Nonmonetary international and regional organizations[8]	8,606	11,039	13,972	14,714	12,227	13,059	12,547	13,952	11,796	10,064
12 Banks' own liabilities	8,176	10,347	13,355	14,297	11,808	12,787	12,332	13,496	11,384	9,563
13 Demand deposits	29	21	29	51	49	30	16	775	86	217
14 Time deposits[2]	3,298	4,656	5,784	5,035	6,952	5,238	4,857	6,669	4,726	4,519
15 Other[3]	4,849	5,670	7,542	9,211	4,807	7,519	7,459	6,052	6,572	4,827
16 Banks' custodial liabilities[5]	430	692	617	417	419	272	215	456	412	501
17 U.S. Treasury bills and certificates[6]	281	350	352	307	246	174	122	65	47	166
18 Other negotiable and readily transferable instruments[7]	149	341	265	110	158	98	88	383	365	314
19 Other	0	1	0	0	15	0	5	8	0	21
20 Official institutions[9]	212,957	275,928	312,019	314,574	316,813	305,270	305,439	289,079	290,658	292,917
21 Banks' own liabilities	59,935	83,447	79,406	87,310	90,679	86,808	92,845	97,024	101,957	97,947
22 Demand deposits	1,564	2,098	1,511	1,371	2,368	2,341	1,855	1,481	1,711	2,184
23 Time deposits[2]	23,511	30,717	33,336	34,457	32,691	33,428	36,627	39,694	41,936	40,125
24 Other[3]	34,860	50,632	44,559	51,482	55,620	51,039	54,363	55,849	58,310	55,638
25 Banks' custodial liabilities[5]	153,022	192,481	232,613	227,264	226,134	218,462	212,594	192,055	188,701	194,970
26 U.S. Treasury bills and certificates[6]	139,571	168,534	198,921	196,555	196,219	186,432	178,366	163,950	161,270	165,453
27 Other negotiable and readily transferable instruments[7]	13,245	23,603	33,266	30,362	29,532	31,883	33,976	27,676	26,878	29,349
28 Other	206	344	426	347	383	147	252	429	553	168
29 Banks[10]	678,532	691,412	694,835	693,131	696,864	710,231	718,282	728,415	736,039	731,292
30 Banks' own liabilities	563,617	567,834	562,898	562,578	567,501	579,775	591,027	576,577	575,399	567,433
31 Unaffiliated foreign banks	168,139	171,544	161,354	156,491	153,961	158,150	151,535	157,987	162,602	158,714
32 Demand deposits	10,633	11,758	13,692	11,561	13,014	14,451	12,686	14,792	13,700	13,337
33 Time deposits[2]	111,171	103,471	90,811	89,725	88,786	83,542	81,587	80,291	81,126	82,651
34 Other[3]	46,335	56,315	56,851	55,205	52,161	60,157	57,262	62,904	67,776	62,726
35 Own foreign offices[4]	395,478	396,290	401,544	406,087	413,540	421,625	439,492	418,590	412,797	408,719
36 Banks' custodial liabilities[5]	114,915	123,578	131,937	130,553	129,363	130,456	127,255	151,838	160,640	163,859
37 U.S. Treasury bills and certificates[6]	11,264	15,872	23,106	19,499	19,088	19,567	14,127	27,115	28,642	30,532
38 Other negotiable and readily transferable instruments[7]	14,506	13,035	17,027	15,063	15,318	16,693	18,918	28,866	35,522	33,960
39 Other	89,145	94,671	91,804	95,991	94,957	94,196	94,210	95,857	96,476	99,367
40 Other foreigners	114,901	121,170	141,167	156,790	147,195	152,859	156,866	153,693	163,788	157,585
41 Banks' own liabilities	86,863	91,833	103,339	118,454	112,645	116,974	116,309	115,543	120,626	113,105
42 Demand deposits	11,160	10,571	11,802	11,938	12,244	12,430	11,647	12,490	12,161	11,365
43 Time deposits[2]	48,532	53,714	58,025	61,040	61,444	61,652	61,276	61,111	62,356	63,379
44 Other[3]	27,171	27,548	33,512	45,476	38,957	42,892	43,386	41,942	46,109	38,361
45 Banks' custodial liabilities[5]	28,038	29,337	37,828	38,336	34,550	35,885	40,557	38,150	43,162	44,480
46 U.S. Treasury bills and certificates[6]	11,822	12,599	14,495	14,919	14,521	15,214	15,279	14,662	12,671	12,970
47 Other negotiable and readily transferable instruments[7]	14,639	15,221	21,453	21,274	18,094	18,400	19,734	18,310	25,292	25,752
48 Other	1,577	1,517	1,880	2,143	1,935	2,271	5,544	5,178	5,199	5,758
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	17,895	9,103	14,573	12,904	13,927	15,130	15,030	15,771	16,453	16,040

1. Reporting banks include all types of depository institutions as well as some brokers and dealers. Excludes bonds and notes of maturities longer than one year.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks for foreign customers.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued

Item	1994	1995	1996	1997 Feb.[r]	Mar.[r]	Apr.[r]	May[r]	June[r]	July	Aug.[p]
AREA										
50 **Total, all foreigners**	**1,014,996**	**1,099,549**	**1,161,993**	**1,179,209**	**1,173,099**	**1,181,419**	**1,193,134**	**1,185,139**	**1,202,281**	**1,191,858**
51 **Foreign countries**	**1,006,390**	**1,088,510**	**1,148,021**	**1,164,495**	**1,160,872**	**1,168,360**	**1,180,587**	**1,171,187**	**1,190,485**	**1,181,794**
52 Europe	390,869	362,819	376,590	386,867	381,716	380,617	382,253	397,129	414,360	407,960
53 Austria	3,588	3,537	5,128	4,017	4,606	3,003	3,231	3,252	3,257	3,404
54 Belgium and Luxembourg	21,877	24,792	24,084	24,111	22,318	19,243	21,256	41,286	45,291	46,063
55 Denmark	2,884	2,921	2,565	1,594	1,827	1,782	2,112	2,098	2,289	1,736
56 Finland	1,436	2,831	1,958	2,663	2,422	3,149	1,868	1,851	1,814	1,751
57 France	44,365	39,218	35,078	35,764	35,337	40,702	38,742	41,211	43,464	41,213
58 Germany	27,109	24,035	24,660	24,227	25,458	25,793	26,081	26,683	26,063	22,626
59 Greece	1,400	2,014	1,835	1,951	2,419	1,740	2,296	1,701	1,726	1,591
60 Italy	10,885	10,868	10,946	10,807	8,844	9,499	9,691	10,191	9,490	9,182
61 Netherlands	16,033	13,745	11,110	11,005	11,076	11,758	8,702	8,292	8,440	7,820
62 Norway	2,338	1,394	1,288	1,538	1,896	1,357	1,121	841	846	604
63 Portugal	2,846	2,761	3,562	3,493	3,022	3,010	2,712	2,582	2,075	1,931
64 Russia	2,726	7,948	7,623	6,991	7,859	7,863	9,582	12,302	13,604	13,216
65 Spain	14,675	10,011	17,707	18,238	18,847	17,697	15,027	16,274	15,158	15,202
66 Sweden	3,094	3,246	1,623	1,529	2,113	2,216	1,658	1,514	1,925	2,317
67 Switzerland	40,724	43,625	44,538	47,009	43,614	42,128	44,028	39,124	44,283	40,252
68 Turkey	3,341	4,124	6,738	6,763	7,191	6,585	6,757	6,545	6,594	5,945
69 United Kingdom	163,733	139,183	153,420	158,543	155,843	158,258	163,227	156,944	163,267	168,988
70 Yugoslavia[11]	245	177	206	384	248	266	324	228	267	244
71 Other Europe and other former U.S.S.R.[12]	27,770	26,389	22,521	26,240	26,776	24,568	23,838	24,210	24,507	23,875
72 Canada	24,768	30,468	38,920	34,557	38,053	40,331	38,441	37,970	30,444	27,510
73 Latin America and Caribbean	423,847	440,213	467,374	474,624	467,352	479,595	494,607	495,708	500,309	496,346
74 Argentina	17,203	12,235	13,877	17,232	16,907	14,224	16,486	18,229	17,100	18,044
75 Bahamas	104,014	94,991	88,895	98,859	90,075	105,465	100,935	90,166	92,136	86,269
76 Bermuda	8,424	4,897	5,527	9,184	8,417	7,450	6,358	5,358	5,919	7,786
77 Brazil	9,145	23,797	27,701	23,888	23,822	23,408	25,452	26,058	28,340	31,569
78 British West Indies	229,599	239,083	251,310	249,067	254,809	251,752	268,284	272,142	264,986	268,183
79 Chile	3,127	2,826	2,915	3,484	3,309	3,117	3,239	3,371	3,440	3,352
80 Colombia	4,615	3,659	3,256	2,855	2,807	3,165	2,776	2,836	2,652	2,585
81 Cuba	13	8	21	18	18	52	54	55	54	64
82 Ecuador	875	1,314	1,767	1,633	1,484	1,469	1,608	1,466	1,640	1,511
83 Guatemala	1,121	1,276	1,282	1,410	1,378	1,514	1,457	1,497	1,455	1,390
84 Jamaica	529	481	628	576	585	525	472	465	532	534
85 Mexico	12,227	24,560	31,240	27,455	27,299	27,855	28,223	32,611	34,579	30,797
86 Netherlands Antilles	5,217	4,673	6,099	6,176	3,590	5,486	3,755	6,134	10,986	8,285
87 Panama	4,551	4,264	4,099	4,156	3,868	3,711	4,026	3,976	4,424	3,803
88 Peru	900	974	834	917	926	881	1,117	919	958	1,007
89 Uruguay	1,597	1,836	1,890	1,859	1,842	1,753	2,062	2,153	2,392	2,070
90 Venezuela	13,986	11,808	17,363	18,128	18,456	18,968	18,899	19,187	19,114	20,159
91 Other	6,704	7,531	8,670	7,727	7,760	8,800	9,404	9,085	9,602	8,938
92 Asia	154,346	240,595	249,083	253,895	257,779	250,070	249,131	222,695	227,555	231,109
China										
93 Mainland	10,066	33,750	30,438	31,631	31,366	28,575	29,429	7,283	9,480	10,450
94 Taiwan	9,844	11,714	15,995	15,623	15,803	14,664	12,442	12,363	13,464	11,803
95 Hong Kong	17,104	20,197	18,789	20,064	20,107	18,941	19,397	20,236	18,737	17,647
96 India	2,338	3,373	3,930	4,746	5,428	4,755	4,367	4,241	4,555	4,474
97 Indonesia	1,587	2,708	2,298	2,474	2,679	2,430	2,770	2,531	2,817	3,736
98 Israel	5,157	4,041	6,051	6,210	5,963	6,097	6,416	5,751	5,180	5,202
99 Japan	62,981	109,193	117,316	115,854	122,760	122,194	118,921	118,413	118,410	119,549
100 Korea (South)	5,124	5,749	5,949	6,259	6,555	7,158	7,866	7,657	8,928	9,646
101 Philippines	2,714	3,092	3,378	2,437	2,389	2,340	2,387	2,469	2,908	2,541
102 Thailand	6,466	12,279	10,912	10,752	9,394	10,361	7,808	6,159	5,262	4,956
103 Middle Eastern oil-exporting countries[13]	15,494	15,582	16,285	14,916	13,671	14,214	14,425	12,946	14,112	15,480
104 Other	15,471	18,917	17,742	22,929	21,664	18,341	22,903	22,646	23,702	25,625
105 Africa	6,524	7,641	8,116	8,158	8,564	8,986	9,821	9,967	9,734	9,730
106 Egypt	1,879	2,136	2,012	2,043	2,010	2,056	2,257	1,986	1,921	1,973
107 Morocco	97	104	112	97	107	130	91	65	112	94
108 South Africa	433	739	458	718	819	780	1,985	1,758	1,697	1,693
109 Zaire	9	10	10	7	9	4	9	17	8	7
110 Oil-exporting countries[14]	1,343	1,797	2,626	2,481	2,945	3,344	2,731	3,153	2,981	3,211
111 Other	2,763	2,855	2,898	2,812	2,674	2,672	2,748	2,988	3,015	2,752
112 Other	6,036	6,774	7,938	6,394	7,408	8,761	6,334	7,718	8,083	9,139
113 Australia	5,142	5,647	6,479	5,170	6,066	7,546	4,991	6,433	6,782	7,917
114 Other	894	1,127	1,459	1,224	1,342	1,215	1,343	1,285	1,301	1,222
115 Nonmonetary international and regional organizations	8,606	11,039	13,972	14,714	12,227	13,059	12,547	13,952	11,796	10,064
116 International[15]	7,537	9,300	12,099	13,088	10,307	11,691	10,873	12,297	10,341	8,929
117 Latin American regional[16]	613	893	1,339	1,220	1,459	1,050	1,435	1,071	794	579
118 Other regional[17]	456	846	534	406	461	318	239	584	661	556

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	1994	1995	1996	1997						
				Feb.	Mar.	Apr.[r]	May[r]	June[r]	July	Aug.[p]
1 **Total, all foreigners**	**485,432**	**532,444**	**599,685[r]**	**633,414[r]**	**636,478[r]**	**640,974**	**632,547**	**651,460**	**646,724**	**650,322**
2 **Foreign countries**	**480,841**	**530,513**	**597,081[r]**	**631,159[r]**	**634,972[r]**	**638,686**	**630,215**	**649,530**	**645,571**	**647,905**
3 Europe	124,124	132,150	165,555[r]	193,048[r]	204,661[r]	183,035	196,157	192,443	186,518	189,679
4 Austria	692	565	1,662	1,284	1,911	1,541	1,440	1,394	1,690	1,739
5 Belgium and Luxembourg	6,923	7,624	6,727	6,855	8,439	8,054	8,017	8,159	8,089	8,117
6 Denmark	1,129	403	492	571	546	888	924	981	806	811
7 Finland	512	1,055	971	976	1,684	1,194	1,121	1,414	1,247	1,773
8 France	12,149	15,033	15,246	20,354[r]	24,780[r]	14,933	17,296	16,764	18,694	16,239
9 Germany	7,623	9,263	8,472	9,077	11,971	9,532	9,054	10,075	8,403	8,685
10 Greece	604	469	568	530	755	453	477	630	461	481
11 Italy	6,044	5,370	6,457	5,587	6,427	6,166	6,478	7,865	7,443	8,015
12 Netherlands	2,960	5,346	7,080	8,658	7,612[r]	8,866	8,190	10,687	12,050	11,074
13 Norway	504	665	808	766	1,226	846	1,199	750	745	849
14 Portugal	938	888	418	310	421	326	306	468	439	732
15 Russia	973	660	1,669	1,704	2,028	1,799	1,881	2,020	2,098	2,194
16 Spain	3,536	2,166	3,211	5,407	6,633	6,301	5,854	6,811	6,583	6,176
17 Sweden	4,098	2,080	1,739[r]	2,314	2,311	1,942	1,870	2,539	1,740	1,639
18 Switzerland	5,747	7,474	19,798	25,258	20,851[r]	21,301	24,574	22,523	24,883	24,338
19 Turkey	878	803	1,109	1,221	1,240[r]	1,216	1,306	1,392	1,362	1,305
20 United Kingdom	66,863	67,784	85,057	97,031[r]	99,153[r]	91,217	101,629	94,070	84,176	90,172
21 Yugoslavia[2]	265	147	115	107	87	78	79	75	75	76
22 Other Europe and other former U.S.S.R.[3]	1,686	4,355	3,956	5,038	6,586	6,382	4,462	3,826	5,534	5,264
23 Canada	18,490	20,874	26,436	27,807[r]	35,782	33,727	31,613	35,916	26,289	24,441
24 Latin America and Caribbean	224,229	256,944	274,127	275,255	261,159[r]	282,478	264,378	281,227	300,423	298,757
25 Argentina	5,854	6,439	7,400	6,952	6,995	6,884	7,251	7,293	7,088	7,283
26 Bahamas	66,410	58,818	71,871	66,780[r]	67,728	68,219	65,546	66,804	69,819	70,041
27 Bermuda	8,533	5,741	4,103	5,980	6,216	8,132	6,603	7,086	8,226	9,803
28 Brazil	9,583	13,297	17,259	17,758	17,752	17,590	18,588	18,757	18,882	19,248
29 British West Indies	96,373	124,037	105,510	110,134[r]	98,778	111,276	106,898	122,088	134,435	128,370
30 Chile	3,820	4,864	5,136	5,602	5,784	5,636	5,745	5,599	5,801	5,919
31 Colombia	4,004	4,550	6,247	6,033	6,099	6,026	6,041	6,324	6,419	6,609
32 Cuba	0	0	0	0	0	0	0	0	0	0
33 Ecuador	682	825	1,031	1,134	1,155	995	1,092	1,132	1,165	1,195
34 Guatemala	366	457	620	634	629	633	619	651	679	693
35 Jamaica	258	323	345	336	366	325	328	336	359	373
36 Mexico	17,749	18,024	18,425	18,297	19,516	20,292	19,168	19,201	19,585	18,681
37 Netherlands Antilles	1,404	9,229	25,209	24,250	18,926	25,235	14,759	14,016	15,759	18,408
38 Panama	2,198	3,008	2,786	2,911	3,110	3,243	3,347	3,183	3,272	3,487
39 Peru	997	1,829	2,720	2,944	2,510	2,473	2,580	2,597	2,697	2,846
40 Uruguay	503	466	589	766	741	682	735	705	778	702
41 Venezuela	1,832	1,661	1,702	1,452	1,520[r]	1,561	1,710	1,801	1,734	1,750
42 Other	3,663	3,376	3,174	3,292	3,334	3,276	3,368	3,654	3,725	3,349
43 Asia	107,800	115,336	122,478[r]	127,085[r]	124,292[r]	129,326	128,708	129,744	122,500	124,907
China										
44 Mainland	836	1,023	1,401	1,766	1,456	2,201	2,168	2,023	2,370	2,588
45 Taiwan	1,448	1,713	1,894	1,201	1,709	1,532	1,500	1,851	1,523	1,521
46 Hong Kong	9,222	12,821	12,802	11,877	14,143	13,389	14,969	16,014	12,247	13,188
47 India	994	1,846	1,946	1,957	2,194	2,147	2,257	2,342	2,184	2,110
48 Indonesia	1,472	1,696	1,762	1,896	2,081	2,206	2,435	2,536	2,521	2,576
49 Israel	688	739	633	617	612	586	909	631	855	749
50 Japan	59,569	61,468	59,967	64,242[r]	56,483	58,872	56,484	59,679	55,592	54,427
51 Korea (South)	10,286	13,975	18,901[r]	19,993[r]	19,901[r]	20,802	20,864	20,606	21,274	21,690
52 Philippines	663	1,318	1,697	1,794	1,600	1,746	1,937	2,119	1,723	1,834
53 Thailand	2,902	2,612	2,679	3,092	3,429	3,233	3,069	3,187	2,825	2,641
54 Middle Eastern oil-exporting countries[4]	13,982	9,639	10,424	8,889	10,078	11,315	10,590	9,115	9,750	9,470
55 Other	5,738	6,486	8,372	9,761	10,606	11,297	11,526	9,641	9,636	12,113
56 Africa	3,053	2,742	2,776	2,772	2,735	3,282	2,847	3,273	3,125	3,280
57 Egypt	225	210	247	245	244	231	270	312	267	288
58 Morocco	429	514	524	522	473	478	463	465	463	554
59 South Africa	674	465	584	564	470	452	569	602	493	489
60 Zaire	2	1	0	0	0	1	0	0	0	0
61 Oil-exporting countries[5]	856	552	420	474	605	1,177	679	1,129	1,134	1,178
62 Other	867	1,000	1,001	967	943	943	866	765	768	771
63 Other	3,145	2,467	5,709	5,192	6,343	6,838	6,512	6,927	6,716	6,841
64 Australia	2,192	1,622	4,577	3,176	4,101	4,918	4,088	5,042	4,934	5,265
65 Other	953	845	1,132	2,016	2,242	1,920	2,424	1,885	1,782	1,576
66 Nonmonetary international and regional organizations[6]	4,591	1,931	2,604	2,255	1,506	2,288	2,332	1,930	1,153	2,417

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	1994	1995	1996	1997						
				Feb.	Mar.[r]	Apr.[r]	May[r]	June[r]	July	Aug.[p]
1 **Total**	**601,814**	**655,211**	**743,700[r]**	...	**798,450**	..	..	**813,697**	.	..
2 Banks' claims	485,432	532,444	599,685[r]	633,414[r]	636,478	640,974	632,547	651,460	646,724	650,322
3 Foreign public borrowers	23,416	22,518	22,241	24,755	28,864	29,176	27,264	29,394	26,918	28,250
4 Own foreign offices[2]	283,015	307,427	341,574[r]	360,541	360,340	362,790	367,977	379,421	370,502	370,690
5 Unaffiliated foreign banks	110,410	101,595	113,505	118,113[r]	118,444	116,071	113,013	119,527	117,761	115,204
6 Deposits	59,368	37,771	33,826	38,155	37,284	34,592	34,581	35,789	36,001	35,433
7 Other	51,042	63,824	79,679	79,958[r]	81,160	81,479	78,432	83,738	81,760	79,771
8 All other foreigners	68,591	100,904	122,365[r]	130,005[r]	128,830	132,937	124,293	123,118	131,543	136,178
9 Claims of banks' domestic customers[3]	116,382	122,767	144,015	...	161,972	...	...	162,237	..	...
10 Deposits	64,829	58,519	77,673	...	95,147	...	...	94,591	.	...
11 Negotiable and readily transferable instruments[4]	36,111	44,161	51,207	.	49,518	.	.	50,301	.	..
12 Outstanding collections and other claims	15,442	20,087	15,135	...	17,307	.	..	17,345	..	.
MEMO										
13 Customer liability on acceptances	8,427	8,410	10,372[r]	..	11,202	...	...	11,442	.	..
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	32,796	30,717	42,679	47,270	38,815	42,719	44,870	38,358	41,604	47,552

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.
Reporting banks include all types of depository institution as well as some brokers and dealers.
2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and from foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
3. Assets held by reporting banks in the accounts of their domestic customers.
4. Principally negotiable time certificates of deposit, bankers acceptances, and commercial paper.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area[2]	1993	1994	1995	1996		1997	
				Sept.	Dec.	Mar.	June[p]
1 **Total**	**202,566**	**202,282**	**224,932**	**232,945[r]**	**257,866[r]**	**275,945**	**271,882**
By borrower							
2 Maturity of one year or less	172,662	170,411	178,857	188,995[r]	211,682[r]	223,686	211,175
3 Foreign public borrowers	17,828	15,435	14,995	15,983[r]	15,411	19,876	17,978
4 All other foreigners	154,834	154,976	163,862	173,012[r]	196,271[r]	203,810	193,197
5 Maturity of more than one year	29,904	31,871	46,075	43,950	46,184	52,259	60,707
6 Foreign public borrowers	10,874	7,838	7,522	6,922	6,815	8,861	11,216
7 All other foreigners	19,030	24,033	38,553	37,028	39,369	43,398	49,491
By area							
Maturity of one year or less							
8 Europe	57,413	56,381	55,622	58,527[r]	55,513	74,886	69,286
9 Canada	7,727	6,690	6,751	8,811	8,339	10,404	10,322
10 Latin America and Caribbean	60,490	59,583	72,504	79,622	103,254	96,891	87,056
11 Asia	41,418	40,567	40,296	37,165[r]	38,078[r]	36,465	38,417
12 Africa	1,820	1,379	1,295	1,320	1,316	1,451	1,899
13 All other[3]	3,794	5,811	2,389	3,550	5,182[r]	3,589	4,195
Maturity of more than one year							
14 Europe	5,310	4,358	4,995	7,117	6,928	9,474	11,828
15 Canada	2,581	3,505	2,751	3,533	2,645	2,953	3,152
16 Latin America and Caribbean	14,025	15,717	27,681	21,382	24,917	26,771	30,973
17 Asia	5,606	5,323	7,941	9,808	9,392	10,773	12,510
18 Africa	1,935	1,583	1,421	1,349	1,361	1,204	1,264
19 All other[3]	447	1,385	1,286	761	941	1,084	980

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	1993	1994	1995			1996				1997	
			June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June[p]
1 **Total**	**409.5**	**499.5**	**531.9**	**535.3**	**551.9**	**574.6**	**612.7**	**586.0**	**645.0**	**647.7**	**678.7**
2 G-10 countries and Switzerland	161.9	191.2	206.5	203.0	206.0	203.4	226.9	220.0	228.1	231.5	249.9
3 Belgium and Luxembourg	7.4	7.2	9.7	11.0	13.6	11.0	11.4	11.3	11.7	14.1	9.3
4 France	12.0	19.1	19.9	18.0	19.4	17.9	18.0	17.4	16.6	19.9	17.9
5 Germany	12.6	24.7	30.0	27.5	27.3	31.5	31.4	33.9	29.8	32.1	34.1
6 Italy	7.7	11.8	10.7	12.6	11.5	13.2	14.9	15.2	16.0	14.4	20.2
7 Netherlands	4.7	3.6	4.3	4.5	3.7	3.0	4.7	5.9	3.9	4.5	6.4
8 Sweden	2.7	2.7	3.1	2.9	2.7	3.3	2.7	3.0	2.6	3.4	3.6
9 Switzerland	5.9	5.1	6.2	6.6	6.7	5.2	6.3	6.3	5.3	6.0	5.4
10 United Kingdom	84.4	85.8	87.1	80.4	82.4	84.7	101.6	90.5	104.6	99.2	109.7
11 Canada	6.9	10.0	11.3	12.9	10.3	10.8	12.2	14.8	14.0	16.3	15.8
12 Japan	17.6	21.1	24.4	26.6	28.5	22.7	23.6	21.7	23.6	21.7	27.4
13 Other industrialized countries	26.5	45.7	43.3	50.5	50.2	61.3	55.5	62.1	65.7	66.4	71.8
14 Austria	.7	1.1	.7	1.2	.9	1.3	1.2	1.0	1.1	1.9	1.5
15 Denmark	1.0	1.3	1.1	1.8	2.6	3.4	3.3	1.7	1.5	1.7	2.8
16 Finland	.4	.9	.5	.7	.8	.7	.6	.6	.8	.7	1.4
17 Greece	3.2	4.5	5.0	5.1	5.7	5.6	5.6	6.1	6.7	6.3	6.1
18 Norway	1.7	2.0	1.8	2.3	3.2	2.1	2.3	3.0	8.0	5.3	4.7
19 Portugal	.8	1.2	1.2	1.9	1.3	1.6	1.6	1.4	.9	1.0	1.1
20 Spain	9.9	13.6	13.0	13.3	11.6	17.5	13.6	16.1	13.2	14.4	15.4
21 Turkey	2.1	1.6	1.4	2.0	1.9	2.0	2.3	2.8	2.7	2.7	3.5
22 Other Western Europe	3.2	3.2	2.9	3.3	4.7	3.8	3.4	4.8	4.7	6.3	5.5
23 South Africa	1.1	1.0	1.4	1.3	1.2	1.7	2.0	1.7	2.0	1.9	1.9
24 Australia	2.3	15.4	14.3	17.4	16.4	21.7	19.6	22.8	24.0	24.4	27.8
25 OPEC[2]	17.6	24.1	20.3	22.7	22.1	21.2	20.1	19.2	19.7	21.8	22.2
26 Ecuador	.5	.5	.7	.7	.7	.8	.9	.9	1.1	1.1	.9
27 Venezuela	5.1	3.7	3.5	3.0	2.7	2.9	2.3	2.3	2.4	1.9	2.1
28 Indonesia	3.3	3.8	4.1	4.4	4.8	4.7	4.9	5.4	5.2	4.9	5.6
29 Middle East countries	7.6	15.3	11.5	13.9	13.3	12.3	11.5	10.1	10.6	13.2	12.4
30 African countries	1.2	.9	.6	.6	.6	.6	.5	.4	.4	.7	1.2
31 Non-OPEC developing countries	83.2	96.0	103.7	104.1	112.6	118.6	126.4	124.1	130.1	128.1	140.7
Latin America											
32 Argentina	7.7	11.2	12.3	10.9	12.9	12.7	14.1	15.0	14.3	14.3	16.4
33 Brazil	12.0	8.4	10.0	13.6	13.7	18.3	21.7	17.8	20.7	22.0	27.6
34 Chile	4.7	6.1	7.1	6.4	6.8	6.4	6.7	6.6	7.0	6.8	7.6
35 Colombia	2.1	2.6	2.6	2.9	2.9	2.9	2.8	3.1	4.1	3.7	3.3
36 Mexico	17.9	18.4	17.6	16.3	17.3	16.1	15.4	16.1	16.2	17.2	16.6
37 Peru	.4	.5	.8	.7	.8	.9	1.2	1.3	1.6	1.6	1.4
38 Other	3.1	2.7	2.6	2.6	2.8	3.1	3.0	3.0	3.3	3.4	3.4
Asia											
China											
39 Mainland	2.0	1.1	1.4	1.7	1.8	3.3	2.9	2.6	2.5	2.7	3.6
40 Taiwan	7.3	9.2	9.0	9.0	9.4	9.7	9.8	10.3	10.2	10.5	10.6
41 India	3.2	4.2	4.0	4.4	4.4	4.7	4.2	3.8	4.3	4.9	5.3
42 Israel	.5	.4	.7	.5	.5	.5	.6	.5	.5	.6	.8
43 Korea (South)	6.7	16.2	18.7	18.0	19.1	19.3	21.7	21.9	21.5	14.6	16.3
44 Malaysia	4.4	3.1	4.1	4.3	4.4	5.2	5.3	5.5	5.9	6.5	6.2
45 Philippines	3.1	3.3	3.6	3.3	4.1	3.9	4.7	5.4	5.8	6.0	7.0
46 Thailand	3.1	2.1	3.8	3.9	4.9	5.2	5.4	4.8	5.7	6.8	7.3
47 Other Asia	3.1	4.7	3.5	3.7	4.5	4.3	4.8	4.1	4.1	4.3	4.7
Africa											
48 Egypt	.4	.3	.4	.4	.4	.5	.5	.6	.7	.9	1.1
49 Morocco	.7	.6	.9	.9	.7	.7	.8	.7	.7	.6	.6
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.1	.0	.0
51 Other Africa[3]	.8	.8	.6	.8	.9	.8	.8	1.0	.9	.9	.9
52 Eastern Europe	3.2	2.7	1.8	3.4	4.2	6.3	5.1	5.3	6.9	8.9	7.1
53 Russia[4]	1.6	.8	.4	.6	1.0	1.4	1.0	1.8	3.7	3.5	4.2
54 Other	1.6	1.9	1.3	2.8	3.2	4.9	4.1	3.5	3.2	5.4	2.9
55 Offshore banking centers	73.5	72.9	83.8	87.5	99.2	101.3	106.2	105.3	134.9	131.3	128.9
56 Bahamas	10.9	10.2	8.4	12.6	11.0	13.9	17.3	14.2	20.3	20.9	16.0
57 Bermuda	8.9	8.4	8.4	6.1	6.3	5.3	4.1	4.0	4.5	6.7	7.7
58 Cayman Islands and other British West Indies	18.4	21.4	25.3	25.1	32.4	28.8	26.1	32.0	37.2	32.8	35.2
59 Netherlands Antilles	2.8	1.6	2.8	5.7	10.3	11.1	13.2	11.7	26.1	19.9	15.8
60 Panama[5]	2.4	1.3	1.2	1.3	1.4	1.6	1.7	1.7	2.0	2.0	2.6
61 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
62 Hong Kong, China	18.8	20.0	23.1	23.7	25.0	25.3	27.8	26.2	28.1	30.8	35.3
63 Singapore	11.2	10.1	14.8	13.3	13.1	15.4	15.9	15.4	16.7	17.9	16.1
64 Other[6]	.1	.1	.0	.1	.1	.1	.1	.1	.1	.1	.3
65 Miscellaneous and unallocated[7]	43.6	66.9	72.6	64.2	57.6	62.6	72.7	50.0	59.5	59.6	58.1

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

These data are on a gross claims basis and do not necessarily reflect the ultimate country risk or exposure of U.S. banks. More complete data on the country risk exposure of U.S. banks are available in the quarterly Country Exposure Lending Survey published by the Federal Financial Institutions Examination Council.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).
3. Excludes Liberia. Beginning March 1994 includes Namibia.
4. As of December 1992, excludes other republics of the former Soviet Union.
5. Includes Canal Zone.
6. Foreign branch claims only.
7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of liability, and area or country	1993	1994	1995	1996				1997	
				Mar.	June	Sept.	Dec.	Mar.	June[p]
1 **Total**	**50,597**	**54,309**	**46,448**	**49,907**	**48,990**	**51,651**	**54,822**	**54,616**	**52,699**
2 Payable in dollars	38,728	38,298	33,903	36,273	35,385	36,421	39,003	39,361	37,842
3 Payable in foreign currencies	11,869	16,011	12,545	13,634	13,605	15,230	15,819	15,255	14,857
By type									
4 Financial liabilities	29,226	32,954	24,241	26,570	24,844	25,492	26,089	25,499	24,379
5 Payable in dollars	18,545	18,818	12,903	13,831	12,212	11,319	11,374	11,264	10,551
6 Payable in foreign currencies	10,681	14,136	11,338	12,739	12,632	14,173	14,715	14,235	13,828
7 Commercial liabilities	21,371	21,355	22,207	23,337	24,146	26,159	28,733	29,117	28,320
8 Trade payables	8,802	10,005	11,013	10,815	11,081	11,791	12,720	11,515	11,122
9 Advance receipts and other liabilities	12,569	11,350	11,194	12,522	13,065	14,368	16,013	17,602	17,198
10 Payable in dollars	20,183	19,480	21,000	22,442	23,173	25,102	27,629	28,097	27,291
11 Payable in foreign currencies	1,188	1,875	1,207	895	973	1,057	1,104	1,020	1,029
By area or country									
Financial liabilities									
12 Europe	18,810	21,703	15,622	16,950	16,434	16,133	16,242	15,970	16,099
13 Belgium and Luxembourg	175	495	369	483	498	547	632	769	238
14 France	2,539	1,727	999	1,679	1,011	1,220	1,091	1,205	1,280
15 Germany	975	1,961	1,974	2,161	1,850	2,276	1,834	1,589	1,765
16 Netherlands	534	552	466	479	444	519	556	507	466
17 Switzerland	634	688	895	1,260	1,156	830	699	694	591
18 United Kingdom	13,332	15,543	10,138	10,246	10,790	9,884	10,224	9,752	10,537
19 Canada	859	629	632	1,166	951	973	1,401	602	456
20 Latin America and Caribbean	3,359	2,034	1,783	1,876	969	1,169	1,668	1,876	1,279
21 Bahamas	1,148	101	59	78	31	50	236	293	124
22 Bermuda	0	80	147	126	28	25	50	27	55
23 Brazil	18	207	57	57	8	52	78	75	97
24 British West Indies	1,533	998	866	946	826	764	1,030	965	769
25 Mexico	17	0	12	16	11	13	17	16	15
26 Venezuela	5	5	2	2	1	1	1	1	1
27 Asia	5,956	8,403	5,988	6,390	6,351	6,969	6,400	6,347	5,961
28 Japan	4,887	7,314	5,436	5,980	6,051	6,602	5,846	5,771	5,412
29 Middle Eastern oil-exporting countries[1]	23	35	27	26	26	25	25	72	39
30 Africa	133	135	150	131	72	153	38	29	29
31 Oil-exporting countries[2]	123	123	122	122	61	121	0	0	0
32 All other[3]	109	50	66	57	67	95	340	675	555
Commercial liabilities									
33 Europe	6,827	6,773	7,700	8,425	7,916	8,680	9,767	9,551	8,711
34 Belgium and Luxembourg	239	241	331	370	326	427	479	643	738
35 France	655	728	481	648	678	657	680	680	709
36 Germany	684	604	767	867	839	949	1,002	1,047	852
37 Netherlands	688	722	500	659	617	668	766	553	290
38 Switzerland	375	327	413	428	516	405	624	481	430
39 United Kingdom	2,039	2,444	3,568	3,525	3,266	3,663	4,303	4,165	3,827
40 Canada	879	1,037	1,040	959	998	1,144	1,090	1,068	1,136
41 Latin America and Caribbean	1,658	1,857	1,740	2,110	2,301	2,386	2,574	2,563	2,501
42 Bahamas	21	19	1	28	35	33	63	43	33
43 Bermuda	350	345	205	570	509	355	297	479	397
44 Brazil	214	161	98	128	119	198	196	201	225
45 British West Indies	27	23	56	10	10	15	14	14	26
46 Mexico	481	574	416	468	475	446	665	633	594
47 Venezuela	123	276	221	243	283	341	328	318	304
48 Asia	10,980	10,741	10,421	10,474	11,389	12,227	13,422	13,968	13,926
49 Japan	4,314	4,555	3,315	3,725	3,943	4,149	4,614	4,502	4,440
50 Middle Eastern oil-exporting countries[1]	1,534	1,576	1,912	1,747	1,784	1,951	2,168	2,495	2,420
51 Africa	453	428	619	708	924	1,020	1,040	1,037	941
52 Oil-exporting countries[2]	167	256	254	254	462	490	532	479	423
53 Other[3]	574	519	687	661	618	702	840	930	1,105

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Comprises Algeria, Gabon, Libya, and Nigeria.

3. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of claim, and area or country	1993	1994	1995	1996				1997	
				Mar.	June	Sept.	Dec.	Mar.	June[p]
1 **Total**	**49,159**	**57,888**	**52,509**	**55,406**	**60,195**	**59,092**	**63,642**	**64,343**	**65,542**
2 Payable in dollars	45,161	53,805	48,711	51,007	55,350	55,014	58,630	60,177	60,817
3 Payable in foreign currencies	3,998	4,083	3,798	4,399	4,845	4,078	5,012	4,166	4,725
By type									
4 Financial claims	27,771	33,897	27,398	30,772	35,251	34,200	35,268	36,788	38,006
5 Deposits	15,717	18,507	15,133	17,595	19,507	19,877	21,404	19,628	22,385
6 Payable in dollars	15,182	18,026	14,654	17,044	19,069	19,182	20,631	18,548	21,474
7 Payable in foreign currencies	535	481	479	551	438	695	773	1,080	911
8 Other financial claims	12,054	15,390	12,265	13,177	15,744	14,323	13,864	17,160	15,621
9 Payable in dollars	10,862	14,306	10,976	11,290	13,347	12,234	12,069	15,383	13,243
10 Payable in foreign currencies	1,192	1,084	1,289	1,887	2,397	2,089	1,795	1,777	2,378
11 Commercial claims	21,388	23,991	25,111	24,634	24,944	24,892	28,374	27,555	27,536
12 Trade receivables	18,425	21,158	22,998	22,123	22,353	22,454	25,751	24,801	24,853
13 Advance payments and other claims	2,963	2,833	2,113	2,511	2,591	2,438	2,623	2,754	2,683
14 Payable in dollars	19,117	21,473	23,081	22,673	22,934	23,598	25,930	26,246	26,100
15 Payable in foreign currencies	2,271	2,518	2,030	1,961	2,010	1,294	2,444	1,309	1,436
By area or country									
Financial claims									
16 Europe	7,299	7,936	7,609	8,929	10,498	9,777	9,282	9,317	10,189
17 Belgium and Luxembourg	134	86	193	159	151	126	185	119	203
18 France	826	800	803	1,015	679	733	694	761	681
19 Germany	526	540	436	320	296	272	276	324	281
20 Netherlands	502	429	517	486	488	520	493	567	519
21 Switzerland	530	523	498	470	461	432	474	570	447
22 United Kingdom	3,585	4,649	4,303	5,568	7,426	6,603	6,119	6,075	7,112
23 Canada	2,032	3,581	2,851	5,269	4,773	4,502	3,445	4,917	6,422
24 Latin America and Caribbean	16,224	19,536	14,500	13,827	17,644	17,241	19,577	19,742	18,725
25 Bahamas	1,336	2,424	1,965	1,538	2,168	1,746	1,452	1,894	2,064
26 Bermuda	125	27	81	77	84	113	140	157	188
27 Brazil	654	520	830	1,019	1,242	1,438	1,468	1,404	1,617
28 British West Indies	12,699	15,228	10,393	10,100	13,024	12,809	15,182	15,166	13,442
29 Mexico	872	723	554	461	392	413	457	517	498
30 Venezuela	161	35	32	40	23	20	31	22	21
31 Asia	1,657	1,871	1,579	1,890	1,571	1,834	2,221	2,068	1,938
32 Japan	892	953	871	1,171	852	1,001	1,035	831	770
33 Middle Eastern oil-exporting countries[1]	3	141	3	13	9	13	22	12	20
34 Africa	99	373	276	277	197	177	174	182	179
35 Oil-exporting countries[2]	1	0	5	5	5	13	14	14	15
36 All other[3]	460	600	583	580	568	669	569	562	553
Commercial claims									
37 Europe	9,105	9,540	9,824	9,776	9,842	9,288	10,443	9,863	9,601
38 Belgium and Luxembourg	184	213	231	247	239	213	226	364	327
39 France	1,947	1,881	1,830	1,803	1,659	1,532	1,644	1,514	1,377
40 Germany	1,018	1,027	1,070	1,410	1,335	1,250	1,337	1,364	1,234
41 Netherlands	423	311	452	442	481	424	562	582	613
42 Switzerland	432	557	520	579	602	594	642	418	385
43 United Kingdom	2,377	2,556	2,656	2,607	2,658	2,516	2,946	2,626	2,836
44 Canada	1,781	1,988	1,951	2,045	2,074	2,083	2,165	2,381	2,464
45 Latin America and Caribbean	3,274	4,117	4,364	4,151	4,347	4,409	5,276	5,067	5,230
46 Bahamas	11	9	30	30	28	14	35	40	28
47 Bermuda	182	234	272	273	264	290	275	159	197
48 Brazil	460	612	898	809	838	968	1,303	1,216	1,134
49 British West Indies	71	83	79	106	103	119	190	127	97
50 Mexico	990	1,243	993	870	1,021	936	1,128	1,102	1,138
51 Venezuela	293	348	285	308	313	316	357	330	450
52 Asia	6,014	6,982	7,312	7,100	6,939	7,289	8,376	8,348	8,456
53 Japan	2,275	2,655	1,870	2,010	1,877	1,919	2,003	2,065	2,059
54 Middle Eastern oil-exporting countries[1]	704	708	974	1,024	903	945	971	1,078	1,014
55 Africa	493	454	654	667	688	731	746	718	618
56 Oil-exporting countries[2]	72	67	87	107	83	142	166	100	81
57 Other[3]	721	910	1,006	895	1,054	1,092	1,368	1,178	1,167

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Comprises Algeria, Gabon, Libya, and Nigeria.

3. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction, and area or country	1995	1996	1997 Jan.–Aug.	1997 Feb.	Mar.[r]	Apr.	May	June	July	Aug.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	462,950	623,760	635,257	73,088[r]	68,468	70,267	82,604	87,060	89,271	91,463
2 Foreign sales	451,710	611,832	586,261	69,208[r]	68,166	64,454[r]	75,674	76,826	78,435	83,366
3 **Net purchases, or sales (−)**	**11,240**	**11,928**	**48,996**	**3,880[r]**	**302**	**5,813[r]**	**6,930**	**10,234**	**10,836**	**8,097**
4 **Foreign countries**	**11,445**	**12,002**	**49,071**	**3,880[r]**	**294**	**5,833[r]**	**6,949**	**10,245**	**10,825**	**8,140**
5 Europe	4,912	5,046	36,117	5,506[r]	2,120	6,686	2,440	5,571	6,121	4,402
6 France	−1,099	−2,354	2,619	427	−308	679	238	−602	1,188	465
7 Germany	−1,837	1,104	6,513	1,086	699	648	601	857	1,080	583
8 Netherlands	3,507	1,389	1,224	−334	378	378	382	126	80	−108
9 Switzerland	−2,283	2,710	4,893	798[r]	310	810	184	1,036	920	546
10 United Kingdom	8,066	4,119	12,703	2,954[r]	488	3,274	218	2,565	1,180	2,158
11 Canada	−1,517	2,221	535	309[r]	374	141	27	35	−482	−291
12 Latin America and Caribbean	5,814	5,563	10,404	405	−1,433	−1,987[r]	2,912	2,380	4,363	2,400
13 Middle East[1]	−337	−1,598	44	26	10	203	−246	164	−51	−61
14 Other Asia	2,503	906	1,121	−2,550[r]	−894	713[r]	1,541	2,246	684	1,556
15 Japan	−2,725	−372	3,619	−500	−253	1,294	1,763	1,121	849	904
16 Africa	2	−81	325	58	96	−7	4	81	99	2
17 Other countries	68	−55	525	126	21	84	271	−232	91	132
18 **Nonmonetary international and regional organizations**	**−205**	**−74**	**−75**	**0**	**8**	**−20**	**−19**	**−11**	**11**	**−43**
BONDS[2]										
19 Foreign purchases	293,533	423,149[r]	415,128	48,929[r]	43,649	42,663	44,749[r]	58,904	63,319	63,833
20 Foreign sales	206,951	294,636	324,472	36,425[r]	38,104	31,741[r]	36,358	47,673	46,761	50,275
21 **Net purchases, or sales (−)**	**86,582**	**128,513[r]**	**90,656**	**12,504[r]**	**5,545**	**10,922[r]**	**8,391[r]**	**11,231**	**16,558**	**13,558**
22 **Foreign countries**	**87,036**	**128,342[r]**	**90,515**	**12,491[r]**	**5,531**	**10,926[r]**	**8,483[r]**	**11,099**	**16,544**	**13,490**
23 Europe	70,318	76,767[r]	55,137	9,722[r]	4,766	5,362	5,601[r]	7,117	9,874	6,480
24 France	1,143	5,124	2,822	290	511	602	−4	90	520	740
25 Germany	5,938	5,164	2,047	184	493	30	145	−250	1,842	−123
26 Netherlands	1,463	2,470[r]	2,328	125	105	67	978	154	−140	702
27 Switzerland	494	1,063[r]	−806	−189	98	189	−54	4	−378	−418
28 United Kingdom	57,591	58,595[r]	44,736	9,339[r]	2,872	4,298[r]	3,888[r]	6,522	6,618	5,161
29 Canada	2,569	4,197	3,535	1,055	390	512	446	−98	303	548
30 Latin America and Caribbean	6,141	22,901	12,150	−627	−2,434	2,550	1,569	1,964	3,471	2,468
31 Middle East[1]	1,869	1,637	1,451	691	480	16	−179	16	−9	−44
32 Other Asia	5,659	22,570[r]	16,522	1,231	2,165	2,185	874	1,800	2,699	3,907
33 Japan	2,250	13,499[r]	11,467	535	1,213	1,229	399	1,618	1,884	2,992
34 Africa	234	600	883	243	47	190	44	61	104	105
35 Other countries	246	−330	837	176	117	111	128	239	102	26
36 **Nonmonetary international and regional organizations**	**−454**	**171**	**141**	**13**	**14**	**−4**	**−92**	**132**	**14**	**68**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	−50,291	−57,122	−40,811	−4,353	−3,827	−4,089	−3,684[r]	−5,529	−7,576	−8,107
38 Foreign purchases	345,540	456,826	448,584	50,139	47,780	49,725	57,647	64,388	69,677	62,144
39 Foreign sales	395,831	513,948	489,395	54,492	51,607	53,814	61,331[r]	69,917	77,253	70,251
40 Bonds, net purchases, or sales (−)	−48,405	−48,793	−29,659	−1,626	−2,978	5,720	−1,328	−13,006	−11,203	−4,528
41 Foreign purchases	889,541	1,118,678	990,622	110,510	131,454	117,761	127,985	123,406	139,907	130,032
42 Foreign sales	937,946	1,167,471	1,020,281	112,136	134,432	112,041	129,313	136,412	151,110	134,560
43 **Net purchases, or sales (−), of stocks and bonds**	**−98,696**	**−105,915**	**−70,470**	**−5,979**	**−6,805**	**1,631**	**−5,012[r]**	**−18,535**	**−18,779**	**−12,635**
44 **Foreign countries**	**−97,891**	**−105,044**	**−70,807**	**−6,061**	**−6,871**	**1,617**	**−5,069[r]**	**−18,551**	**−18,816**	**−12,652**
45 Europe	−48,125	−55,948	−16,150	−2,030	−3,004	5,732	377	−2,001	−10,385	−5,579
46 Canada	−7,812	−6,279	−3,428	1,855	−110	−239	−841	−1,356	−1,814	−1,448
47 Latin America and Caribbean	−7,634	−9,503	−19,620	−3,417	−1,574	−1,240	−1,286	−8,473	−2,382	1,016
48 Asia	−34,056	−27,745	−28,612	−2,284	−1,517	−3,650	−3,549	−5,865	−3,910	−5,007
49 Japan	−25,072	−5,888	−15,829	−2,269	−674	−2,349	−2,878	−4,945	−2,350	−32
50 Africa	−327	−1,529	−1,530	−7	−74	−121	15	−588	−79	−710
51 Other countries	63	−4,040	−1,467	−178	−592	1,135	215	−268	−246	−924
52 **Nonmonetary international and regional organizations**	**−805**	**−871**	**337**	**82**	**66**	**14**	**57**	**16**	**37**	**17**

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	1995	1996	1997	1997						
			Jan.–Aug.	Feb.	Mar.	Apr.[r]	May[r]	June[r]	July	Aug.[p]
1 **Total estimated**	**134,115**	**244,010[r]**	**159,002**	**30,595[r]**	**22,357[r]**	**25,307**	**7,752**	**24,795**	**5,195**	**22,319**
2 Foreign countries	133,676	245,852[r]	157,441	29,687[r]	22,667[r]	24,847	7,909	23,845	4,824	22,514
3 Europe	49,976	118,345	96,296	17,117	13,473	10,625	9,688	10,393	12,238	19,359
4 Belgium and Luxembourg	591	1,486	2,502	657	83	944	309	−37	406	92
5 Germany	6,136	17,647	7,475	−1,227	−3,124	−1,480	721	1,417	6,527	4,085
6 Netherlands	1,891	−582	2,666	546	343	1,412	194	−408	368	882
7 Sweden	358	2,343	−452	−346	−581	−86	90	141	2	583
8 Switzerland	−472	327	1,090	992	−1,431	1,029	−223	329	141	12
9 United Kingdom	34,754	65,381	64,186	13,423	14,242	6,482	6,951	4,922	3,038	13,192
10 Other Europe and former U.S.S.R.	6,718	31,743	18,829	3,072	3,941	2,324	1,646	4,029	1,756	513
11 Canada	252	2,389	988	−402	−317	17	348	1,278	776	−1,379
12 Latin America and Caribbean	48,609	24,664[r]	−5,203	−762	−3,135[r]	1,101	−9,494	1,266	−3,558	−491
13 Venezuela	−2	−69	878	69	10	−8	93	635	57	25
14 Other Latin America and Caribbean	25,152	12,311[r]	9,198	1,577	3,964[r]	−2,937	2,005	2,787	524	−4,810
15 Netherlands Antilles	23,459	12,422	−15,279	−2,408	−7,109	4,046	−11,592	−2,156	−4,139	4,294
16 Asia	32,467	98,001	65,879	14,217	12,227	13,200	7,536	8,406	−3,266	4,966
17 Japan	16,979	41,390	31,825	6,326	1,747	6,604	7,657	5,972	2,612	−3,357
18 Africa	1,464	1,085	826	57	−22	−16	27	340	193	218
19 Other	908	1,368	−1,345	−540[r]	441[r]	−80	−196	2,162	−1,559	−159
20 Nonmonetary international and regional organizations	439	−1,842	1,561	908	−310	460	−157	950	371	−195
21 International	9	−1,390	952	530	−384	467	−172	1,068	117	−190
22 Latin American regional	261	−779	271	362	80	24	−2	−145	70	−117
MEMO										
23 Foreign countries	133,676	245,852[r]	157,441	29,687[r]	22,667[r]	24,847	7,909	23,845	4,824	22,514
24 Official institutions	39,631	86,161[r]	51,681	10,081[r]	7,387[r]	7,102	3,377	10,055	−2,499	8,456
25 Other foreign	94,045	159,691[r]	105,760	19,606[r]	15,280	17,745	4,532	13,790	7,323	14,058
Oil-exporting countries										
26 Middle East[2]	3,075	10,227	9,333	2,604	2,533	2,879	541	−1,735	−2,251	3,455
27 Africa[3]	2	1	−13	−1	0	1	−6	0	0	−7

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, 1997		Country	Rate on Oct. 31, 1997	
	Percent	Month effective		Percent	Month effective
Austria	2.5	Apr. 1996	Germany	2.5	Apr. 1996
Belgium	2.75	Oct. 1997	Italy	6.25	June 1997
Canada	3.75	Oct. 1997	Japan	.5	Sept. 1995
Denmark	3.25	Nov. 1996	Netherlands	2.5	Apr. 1996
France[2]	3.3	Oct. 1997	Switzerland	1.0	Sept. 1996

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1994	1995	1996	1997						
				Apr.	May	June	July	Aug.	Sept.	Oct.
1 Eurodollars	4.63	5.93	5.38	5.70	5.69	5.66	5.61	5.58	5.59	5.63
2 United Kingdom	5.45	6.63	5.99	6.35	6.41	6.63	6.93	7.12	7.19	7.24
3 Canada	5.57	7.14	4.49	3.49	3.35	3.30	3.57	3.67	3.66	3.83
4 Germany	5.25	4.43	3.21	3.14	3.09	3.05	3.06	3.19	3.24	3.51
5 Switzerland	4.03	2.94	1.92	1.76	1.51	1.25	1.43	1.39	1.36	1.73
6 Netherlands	5.09	4.30	2.91	3.15	3.15	3.14	3.17	3.33[r]	3.35	3.50
7 France	5.72	6.43	3.81	3.28	3.37	3.30	3.27	3.31	3.29	3.47
8 Italy	8.45	10.43	8.79	7.09	6.82	6.85	6.87	6.85	6.65	6.63
9 Belgium	5.65	4.73	3.19	3.22	3.22	3.23	3.39	3.55	3.55	3.76
10 Japan	2.24	1.20	.58	.55	.58	.60	.67	.58	.55	.52

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	1994	1995	1996	1997					
				May	June	July	Aug.	Sept.	Oct.
1 Australia/dollar[2]	73.161	74.073	78.283	77.510	75.422	74.199	74.036	72.310	71.971
2 Austria/schilling	11.409	10.076	10.589	11.998	12.158	12.620	12.946	12.568	12.360
3 Belgium/franc	33.426	29.472	30.970	35.188	35.651	37.040	38.011	36.876	36.266
4 Canada/dollar	1.3664	1.3725	1.3638	1.3804	1.3843	1.3775	1.3905	1.3872	1.3869
5 China, P.R./yuan	8.6397	8.3700	8.3389	8.3229	8.3224	8.3162	8.3187	8.3171	8.3135
6 Denmark/krone	6.3561	5.5999	5.8003	6.4926	6.5804	6.8317	7.0109	6.8001	6.6922
7 Finland/markka	5.2340	4.3763	4.5948	5.1444	5.1794	5.3164	5.5046	5.3455	5.2674
8 France/franc	5.5459	4.9864	5.1158	5.7482	5.8293	6.0511	6.2010	6.0031	5.8954
9 Germany/deutsche mark	1.6216	1.4321	1.5049	1.7048	1.7277	1.7939	1.8400	1.7862	1.7575
10 Greece/drachma	242.50	231.68	240.82	271.95	273.83	281.43	288.41	281.69	276.84
11 Hong Kong/dollar	7.7290	7.7357	7.7345	7.7431	7.7445	7.7454	7.7436	7.7440	7.7373
12 India/rupee	31.394	32.418	35.506	35.825	35.820	35.747	36.009	36.476	36.302
13 Ireland/pound[2]	149.69	160.35	159.95	151.11	150.60	149.45	145.34	148.06	146.92
14 Italy/lira	1,611.49	1,629.45	1,542.76	1,684.33	1,694.54	1,745.91	1,797.12	1,743.22	1,721.09
15 Japan/yen	102.18	93.96	108.78	119.19	114.29	115.38	117.93	120.89	121.06
16 Malaysia/ringgit	2.6237	2.5073	2.5154	2.5070	2.5167	2.5815	2.7589	3.0254	3.2972
17 Netherlands/guilder	1.8190	1.6044	1.6863	1.9173	1.9438	2.0201	2.0709	2.0116	1.9800
18 New Zealand/dollar[2]	59.358	65.625	68.765	69.097	68.713	66.097	64.211	63.604	63.556
19 Norway/krone	7.0553	6.3355	6.4594	7.0797	7.2240	7.4545	7.6224	7.3008	7.0807
20 Portugal/escudo	165.93	149.88	154.28	171.72	174.56	181.20	186.50	181.49	179.07
21 Singapore/dollar	1.5275	1.4171	1.4100	1.4368	1.4271	1.4521	1.4977	1.5164	1.5597
22 South Africa/rand	3.5526	3.6284	4.3011	4.4668	4.5005	4.5611	4.6856	4.6890	4.7145
23 South Korea/won	806.93	772.69	805.00	894.67	891.40	893.09	898.71	912.50	929.42
24 Spain/peseta	133.88	124.64	126.68	143.93	145.98	151.33	155.51	150.75	148.32
25 Sri Lanka/rupee	49.170	51.047	55.289	58.862	58.531	58.732	59.189	59.713	59.723
26 Sweden/krona	7.7161	7.1406	6.7082	7.6856	7.7506	7.8188	7.9886	7.6887	7.5765
27 Switzerland/franc	1.3667	1.1812	1.2361	1.4331	1.4424	1.4824	1.5128	1.4702	1.4516
28 Taiwan/dollar	26.465	26.495	27.468	27.791	27.903	28.032	28.824	28.731	29.696
29 Thailand/baht	25.161	24.921	25.359	25.751	24.534	30.274	32.399	35.256	37.543
30 United Kingdom/pound[2]	153.19	157.85	156.07	163.22	164.49	166.94	160.35	160.13	163.30
MEMO									
31 United States/dollar[3]	91.32	84.25	87.34	95.29	95.42	97.48	99.96	98.29	97.07

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.

2. Value in U.S. cents.

3. Index of weighted-average exchange value of U.S. dollar against the currencies of ten industrial countries. The weight for each of the ten countries is the 1972–76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).

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H.6. Money Stock, Liquid Assets, and Debt Measures[3]	$35.00	n.a.	Thursday	Week ended Monday of previous week	1.21
H.8. Assets and Liabilities of Commercial Banks in the United States[3]	$30.00	n.a.	Friday	Week ended previous Wednesday	1.26
H.10. Foreign Exchange Rates[3]	$20.00	$20.00	Monday	Week ended previous Friday	3.28
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G.5. Foreign Exchange Rates[3]	$ 5.00	$ 5.00	First of month	Previous month	3.28
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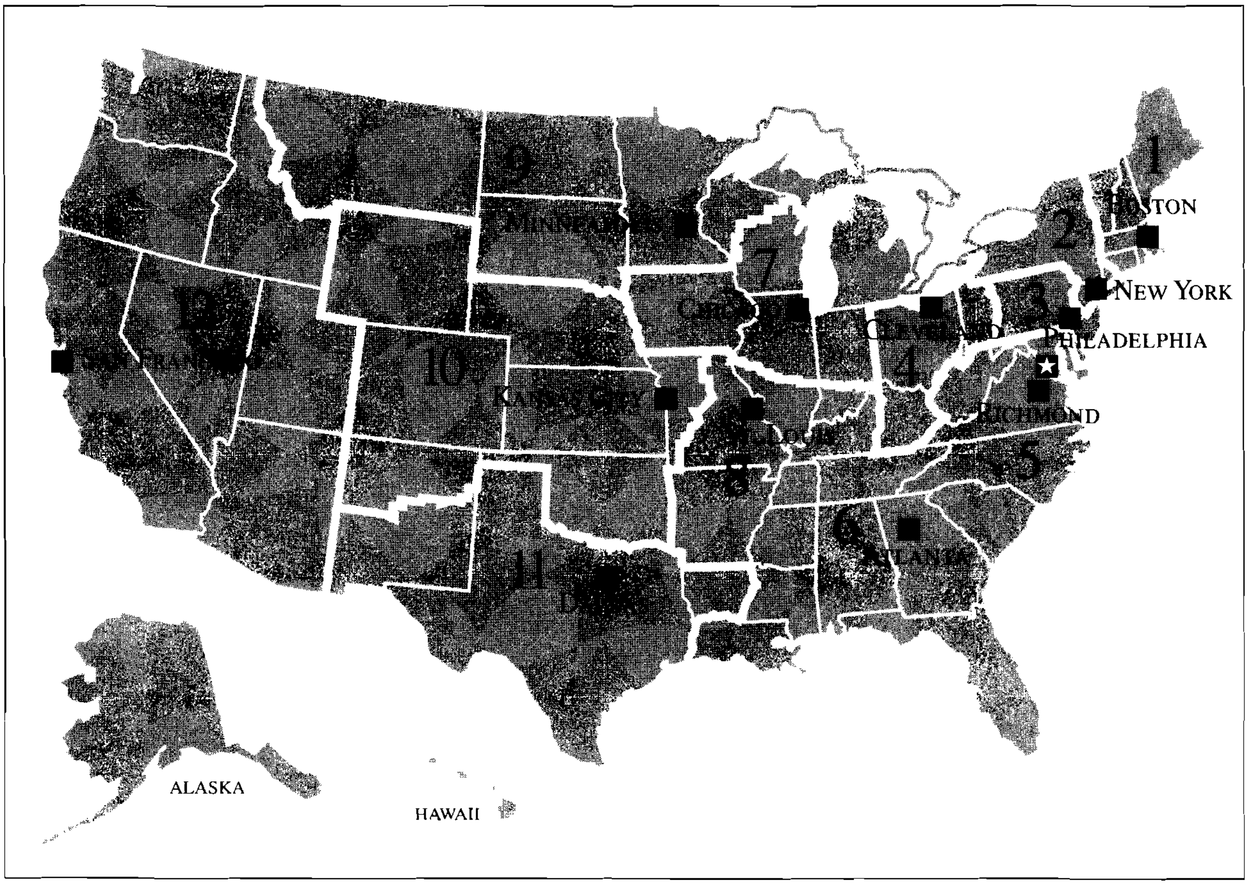

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Both pages

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Facing page

- • Federal Reserve Branch city
- — Branch boundary

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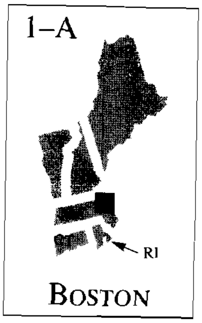
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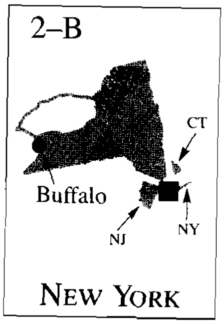
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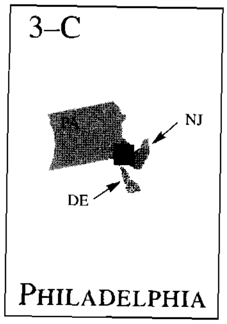
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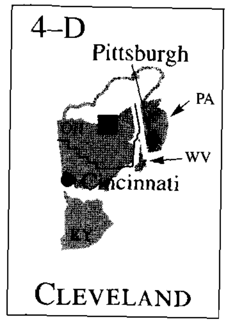
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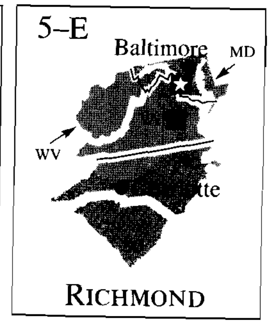
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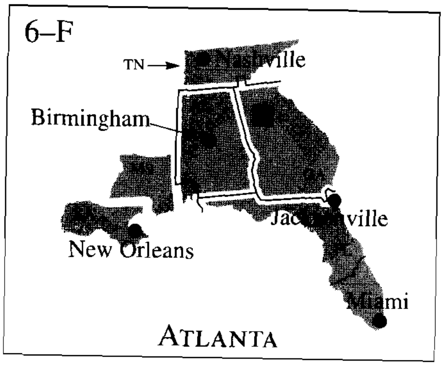
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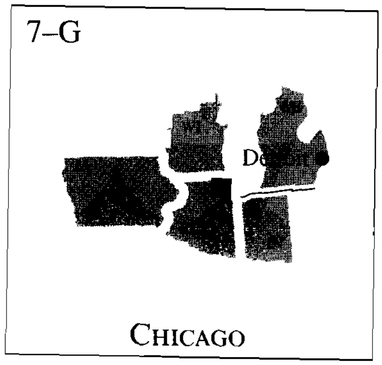
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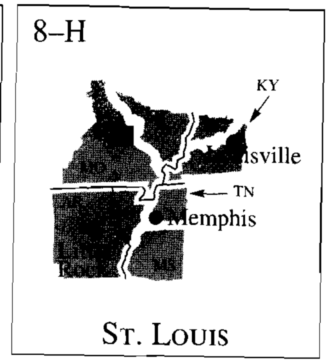
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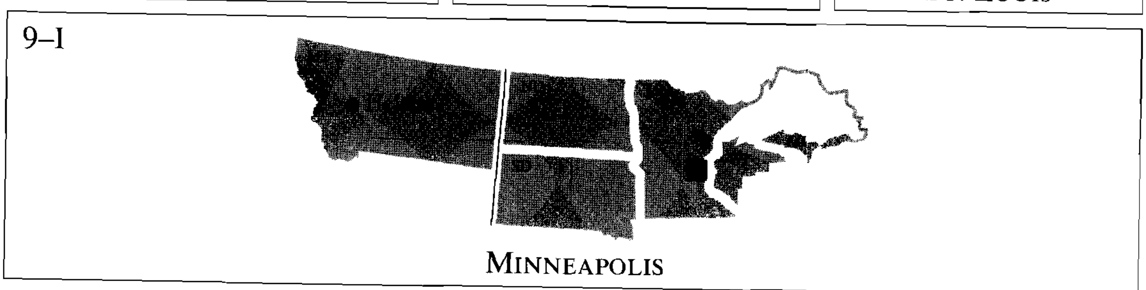
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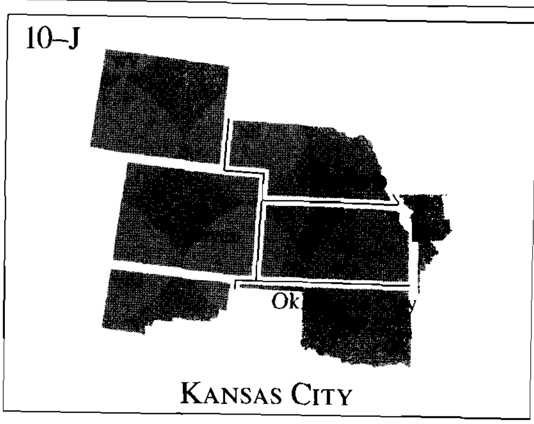
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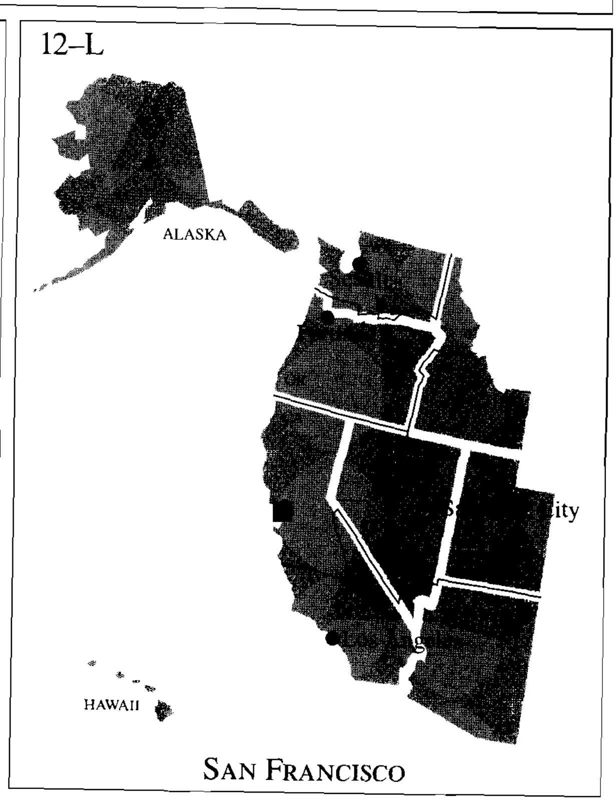
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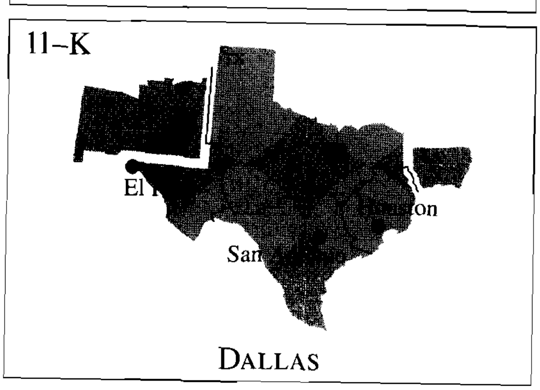
11–K
DALLAS

Federal Reserve Banks, Branches, and Offices

FEDERAL RESERVE BANK branch, or *facility*	Zip	Chairman / Deputy Chairman	President / First Vice President	Vice President in charge of branch
BOSTON*	02106	William C. Brainard Frederick J. Mancheski	Cathy E. Minehan Paul M. Connolly	
NEW YORK*	10045	John C. Whitehead Thomas W. Jones	William J. McDonough Ernest T. Patrikis	
Buffalo	14240	Bal Dixit		Carl W. Turnipseed[1]
PHILADELPHIA	19105	Donald J. Kennedy Joan Carter	Edward G. Boehne William H. Stone, Jr.	
CLEVELAND*	44101	G. Watts Humphrey, Jr. David H. Hoag	Jerry L. Jordan Sandra Pianalto	
Cincinnati	45201	George C. Juilfs		Charles A. Cerino[1]
Pittsburgh	15230	John T. Ryan, III		Robert B. Schaub
RICHMOND*	23219	Claudine B. Malone Robert L. Strickland	J. Alfred Broaddus, Jr. Walter A. Varvel	
Baltimore	21203	Rebecca Hahn Windsor		William J. Tignanelli[1]
Charlotte	28230	Dennis D. Lowery		Dan M. Bechter[1]
ATLANTA	30303	Hugh M. Brown David R. Jones	Jack Guynn Patrick K. Barron	James M. Mckee
Birmingham	35283	D. Bruce Carr		Fred R. Herr[1]
Jacksonville	32231	Patrick C. Kelly		James D. Hawkins[1]
Miami	33152	Kaaren Johnson-Street		James T. Curry III
Nashville	37203	James E. Dalton, Jr.		Melvyn K. Purcell
New Orleans	70161	Jo Ann Slaydon		Robert J. Musso
CHICAGO*	60690	Lester H. McKeever, Jr. Arthur C. Martinez	Michael H. Moskow William C. Conrad	
Detroit	48231	Florine Mark		David R. Allardice[1]
ST. LOUIS	63166	John F. McDonnell Susan S. Elliott	Thomas C. Melzer W. LeGrande Rives	
Little Rock	72203	Robert D. Nabholz, Jr.		Robert A. Hopkins
Louisville	40232	John A. Williams		Thomas A. Boone
Memphis	38101	John V. Myers		Martha L. Perine
MINNEAPOLIS	55480	Jean D. Kinsey David A. Koch	Gary H. Stern Colleen K. Strand	
Helena	59601	Matthew J. Quinn		John D. Johnson
KANSAS CITY	64198	A. Drue Jennings Jo Marie Dancik	Thomas M. Hoenig Richard K. Rasdall	
Denver	80217	Peter I. Wold		Carl M. Gambs[1]
Oklahoma City	73125	Barry L. Eller		Kelly J. Dubbert
Omaha	68102	Arthur L. Shoener		Bradley C. Cloverdyke
DALLAS	75201	Roger R. Hemminghaus Cece Smith	Robert D. McTeer, Jr. Helen E. Holcomb	
El Paso	79999	Alvin T. Johnson		Sammie C. Clay
Houston	77252	I. H. Kempner, III		Robert Smith, III[1]
San Antonio	78295	H. B. Zachry, Jr.		James L. Stull[1]
SAN FRANCISCO	94120	Judith M. Runstad Gary G. Michael	Robert T. Parry John F. Moore	
Los Angeles	90051	Anne L. Evans		Mark L. Mullinix[1]
Portland	97208	Carol A. Whipple		Raymond H. Laurence[1]
Salt Lake City	84125	Gerald R. Sherratt		Andrea P. Wolcott
Seattle	98124	Richard R. Sonstelie		Gordon R. G. Werkema[2]

*Additional offices of these Banks are located at Windsor Locks, Connecticut 06096; East Rutherford, New Jersey 07016; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; Milwaukee, Wisconsin 53202; and Peoria, Illinois 61607.

1. Senior Vice President.
2. Executive Vice President

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