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# FEDERAL RESERVE BULLETIN

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# Interstate Banking Developments

*Donald T. Savage of the Board's Division of Research and Statistics prepared this article. Elaine J. Peterson provided research assistance.*

After years of confinement to a single state, and in many cases to a single location within that state, banking organizations are now being permitted to expand their deposit-taking operations over wider geographic areas. Federal laws have not been changed, but the states are lowering the barriers to interstate bank expansion by exercising an option provided by the Bank Holding Company Act of 1956. This article offers data on interstate banking and discusses the continuing deregulation of geographic expansion by banking organizations.

*A BRIEF HISTORY*

The first and second Bank of the United States, which combined commercial banking with some central banking functions, operated branch offices throughout the country. After the 1836 decision not to recharter the second Bank, however, commercial banking came under the regulatory control of the individual states. Each state chartered its own banks, and no state provided a general method for the entry of banks chartered in other states. Banking became an industry characterized by relatively small, locally oriented firms.

The national banking system, following the pattern of state banking laws, made no provision for a bank to expand beyond the borders of its home state. Indeed, the general interpretation of the National Banking Act of 1863 was that a national bank could not operate branches even in its home state. This interpretation created a competitive disadvantage for those national banks operating in states that allowed state-chartered banks to operate branch offices. Therefore, many national banks in the branch banking states converted from national to state charters; the pressure of these conversions contributed to the passage of federal branching legislation in 1927 (McFadden Act) and 1933 (Glass–Steagall Act). These relaxations of federal law gave the national banks in each state the same branching powers enjoyed by the state-chartered banks in that state.

Early in the twentieth century, the bank holding company became a second vehicle for banking organizations to expand the geographic scope of their operations. A bank holding company could own and operate subsidiary banks in any number of states. The formation of a few large, multistate, multibank holding companies, especially in the upper midwest, led to numerous attempts to regulate the corporate ownership of more than one bank. The Glass–Steagall Act of 1933, better known for the separation of commercial and investment banking, also called for limited regulation of bank holding companies by the Federal Reserve System but did not prohibit their interstate expansion.

Although there were many subsequent proposals for more comprehensive regulation of multibank holding companies, further legislation was not forthcoming until the passage of the Bank Holding Company Act of 1956. The act increased Federal Reserve Board regulation of multibank holding companies and established standards for regulatory approval of future bank and nonbank acquisitions by bank holding companies. An amendment to the draft act, which came to be known as the Douglas Amendment, prohibited bank holding companies from acquiring banks in more than one state unless acquisitions were specifically permitted by the statutes of the state in which the bank to be acquired was located.

The 1956 legislation permitted the continued operation of the small number of multistate bank holding companies that existed when the law was passed. Most of the smaller multistate companies restructured or divested themselves of one or more of their banks in order to avoid regulation as multibank holding companies. Seven major domestic interstate bank holding companies remained in operation; the largest of these organizations now operates in 12 states.

With the Bank Holding Company Act of 1956 regulating multibank holding companies, subsequent federal legislative proposals focused on the extension of bank holding company regulation to one-bank holding companies and the nonbank activities of all bank holding companies. The 1970 Amendments to the Bank Holding Company Act of 1956 extended regulation to one-bank holding companies and established standards for the approval of proposed nonbank activities of holding companies. State legislation focused on branch banking laws and regulation of intrastate multibank holding companies. Most discussions of interstate banking were on an academic level, and the limited efforts to change the federal law were unsuccessful.

Except for some minor state provisions allowing additional bank acquisitions by the grandparented interstate bank holding companies, no state took advantage of its right to allow acquisitions by out-of-state bank holding companies until 1975. In that year, Maine passed the first state law providing for general entry by out-of-state bank holding companies under the provisions of the Douglas Amendment to the Bank Holding Company Act of 1956. No more state laws were enacted until 1982, when Massachusetts adopted a New England regional reciprocal law and New York enacted a nationwide reciprocal law.

The New England regional laws were challenged in the courts because they did not provide equal entry rights for banks headquartered in all states. The United States Supreme Court ruled in favor of the regional laws in June 1985 in Northeast Bancorp, Inc. *v*. Board of Governors of the Federal Reserve System. Knowing that they could allow entry by bank holding companies from selected states without having to open their borders to the states containing the money center banks, more states revised their laws. By the end of 1986, 36 states and the District of Columbia had enacted some provisions allowing entry by out-of-state bank holding companies. Other states had adopted laws permitting entry to acquire a failing bank or entry by limited-purpose banks, such as those only issuing credit cards.

### *The Causes of Change*

After the protracted legislative battles that usually have accompanied even relatively minor changes in state branch banking and bank holding company laws, the speed with which the states have adopted interstate banking laws is surprising. There may be no one explanation for the speed of change, but several factors have played a role in various states. Maine's motivation in enacting the first interstate banking law was to attract new capital into the state. It was thought that the ownership of Maine financial institutions by out-of-state firms might expand the supply of economic development funds. Some also believed that the purchase of Maine institutions by out-of-state firms would free Maine funds for other uses, and that new banks organized by out-of-state firms would augment the supply of capital.

A second factor, also related to economic development, has contributed to the spread of regional interstate banking laws. Especially in the southeast, those advocating regional interstate banking laws argue that the development of large regional banks promotes the area's economic growth. The theory is that such banks, by understanding and supporting regional industries, will do more for economic growth than the money center banks would if they were permitted to acquire the major regional banks under a national interstate banking law.

Third, the reduction of barriers to entry affords bank holding companies expansion opportunities more nearly equal to those of other financial service firms. Nondepository financial institutions are not subject to expansion restrictions, and some thrift institutions have been able to expand interstate by acquiring troubled thrifts in other states. Banking organizations, however, were able to supply only limited financial services on an interstate basis. Loan production offices, nonbank subsidiaries of the bank holding company, and Edge act offices provided a way to offer some services across state lines, but full-service deposit-taking offices could not be operated outside the home state.

In addition, regional interstate deposit-taking constitutes a recognition of the fact that some banks have always offered nearly all their other services throughout a particular region. For example, the large Boston and Hartford banks had supplied certain services, usually to business firms, throughout the region long before they were permitted to take retail deposits in other New England states.

Fourth, in some states, the desire to maximize the number of potential acquirors of troubled institutions was a motivating factor in the passage of interstate banking laws. Some states have limited interstate acquisitions to the purchase of failed or failing banks; others, though motivated by the same fear of failures, have made all banks eligible for interstate acquisition.

Finally, an imitation effect has been at work in the spread of interstate banking laws. This effect is reminiscent of the rapid spread of the bank holding company form of organization in the 1970s. Seeing their colleagues in other states receiving new powers, bankers have desired equal expansion rights and have pressed for legislation. Moreover, many of the larger banks have feared being left out of a new alignment of the banking industry. The imitation effect has been strengthened by the perceived effect of the interstate banking laws on the price of the stock of those banks regarded as possible acquisition targets. The likely positive effect of interstate banking on bank stock prices is strengthened by the prohibition in many states of de novo entry by out-of-state bank holding companies. Thus entry can be gained only by acquiring the stock of banks already operating in the state.

Given these factors, most of which have been present to some degree throughout the country, many state laws have been liberalized to lower the barriers to out-of-state entry. But despite the rapid change in the laws, actual change in the geographic structure of the banking industry has only begun. Part of the framework of an interstate banking system has been erected, but its utilization to build interstate banking organizations will take time.

## *Interstate Banking Now*

The details of the laws of those states that have passed statutes providing for interstate banking are presented in table 1. This and subsequent tables exclude state laws that provide for entry only by limited-service banks. Of the 37 state laws listed in table 1, 7 have not yet become effective, and not many acquisitions have taken place under the laws that are already in effect.

Eighteen of the interstate banking laws provide for eventual entry from all other states, although in some states the move to nationwide entry is preceded by a period of entry from a limited number of states. Only one major banking state, Texas, and a few smaller states—Arizona, Alaska, Maine, Oklahoma, Nevada, and Utah—do not require reciprocal entry rights for their banks as a condition for out-of-state entry. Those states are not the home of large numbers of major banks that would be expected to make numerous interstate acquisitions.

In geographic terms, regional interstate banking has proven to be most popular in the southeast. All of the states along the coast from Maryland through Louisiana have adopted the regional approach, although not all have defined their region in the same way. An upper midwestern region has also been formed, but it involves fewer states and its definition is even less uniform. The New England region, which began developing the earliest, does not yet embrace all six states because New Hampshire and Vermont have yet to enact interstate banking laws.

Approximately 77 percent of all federally insured U.S. commercial banks are located in states that have enacted interstate banking laws; they hold more than 91 percent of all U.S. domestic banking assets. Although most banks now have some opportunity for interstate expansion, few organizations have been able to achieve a full banking operation in a large number of states because of the limited time that most laws have been in effect.

Table 2 presents another view of the state laws, taking into account interactions between the state laws, the effects of reciprocity requirements, and delays in the effectiveness of some of the laws. This table, which includes laws in effect or enacted as of January 1, 1987, indicates the opportunities for expansion available to bank holding companies in each state. It tells when a banking organization in a given state can enter each other state (the columns), and by the same

1. Interstate banking legislation, by state, January 1, 1987

| State | Effective date | Area covered by interstate legislation[1] |
|---|---|---|
| Alabama | July 1, 1987 | Reciprocal, 12 states (AR, FL, GA, KY, LA, MD, MS, NC, SC, TN, VA, WV) and DC |
| Alaska | Currently | National, no reciprocity |
| Arizona | Currently | National, no reciprocity |
| California | July 1, 1987 | Reciprocal, 11 states (AK, AZ, CO, HI, ID, NV, NM, OR, TX, UT, WA) |
| | January 1, 1991 | National, reciprocal |
| Connecticut | Currently | Reciprocal, 5 states (MA, ME, NH, RI, VT) |
| District of Columbia | Currently | Reciprocal, 11 states (AL, FL, GA, LA, MD, MS, NC, SC, TN, VA, WV) |
| Florida | Currently | Reciprocal, 11 states (AL, AR, GA, LA, MD, MS, NC, SC, TN, VA, WV) and DC |
| Georgia | Currently | Reciprocal, 9 states (AL, FL, KY, LA, MS, NC, SC, TN, VA) |
| Idaho | Currently | Reciprocal, 6 states (MT, NV, OR, UT, WA, WY) |
| Illinois | Currently | Reciprocal, 6 states (IA, IN, KY, MI, MO, WI) |
| Indiana | Currently | Reciprocal, 4 states (IL, KY, MI, OH) |
| Kentucky | Currently | National, reciprocal |
| Louisiana | July 1, 1987 | Reciprocal, 14 states (AL, AR, FL, GA, KY, MD, MS, NC, OK, SC, TN, TX, VA, WV) and DC |
| | January 1, 1989 | National, reciprocal |
| Maine | Currently | National, no reciprocity |
| Maryland | Currently | Reciprocal, 3 states (DE, VA, WV, and DC) |
| | July 1, 1987 | Reciprocal, 14 states (AL, AR, DE, FL, GA, KY, LA, MS, NC, PA, SC, TN, VA, WV) and DC |
| Massachusetts | Currently | Reciprocal, 5 states (CT, ME, NH, RI, VT) |
| Michigan | Currently | Reciprocal, 5 states (IL, IN, MN, OH, WI) |
| | October 10, 1988 | National, reciprocal |
| Minnesota | Currently | Reciprocal, 4 states (IA, ND, SD, WI) |
| Mississippi | July 1, 1988 | Reciprocal, 4 states (AL, AR, LA, TN) |
| | July 1, 1990 | Reciprocal, 13 states (AL, AR, FL, GA, KY, LA, MO, NC, SC, TN, TX, VA, WV) |
| Missouri | Currently | Reciprocal, 8 states (AR, IA, IL, KS, KY, NE, OK, TN) |
| Nevada | Currently | Reciprocal, 11 states (AK, AZ, CO, HI, ID, MT, NM, OR, UT, WA, WY) |
| | January 1, 1989 | National, no reciprocity |
| New Jersey | Currently | Reciprocal, 13 states (DE, IL, IN, KY, MD, MI, MO, OH, PA, VA, TN, WI, WV) and DC |
| | Trigger of 13 states with reciprocity for NJ. 4 of 13 must be among 10 states with largest bank deposits. | National, reciprocal |
| New York | Currently | National, reciprocal |
| North Carolina | Currently | Reciprocal, 12 states (AL, AR, FL, GA, KY, LA, MD, MS, SC, TN, VA, WV) and DC |
| Ohio | Currently | Reciprocal, 13 states (DE, IL, IN, KY, MD, MI, MO, NJ, PA, TN, VA, WV, WI) and DC |
| | October 17, 1988 | National, reciprocal |
| Oklahoma | July 1, 1987 | National. After initial entry, BHC must be from state offering reciprocity or wait 4 years to expand. |
| Oregon | Currently | 8 states, no reciprocity (AK, AZ, CA, HI, ID, NV, UT, WA) |
| Pennsylvania | Currently | Reciprocal, 7 states (DE, KY, MD, NJ, OH, VA, WV) and DC |
| | March 4, 1990 | National, reciprocal |
| Rhode Island | Currently | Reciprocal, 5 states (CT, MA, ME, NH, VT) |
| | July 1, 1988 | National, reciprocal |
| South Carolina | Currently | Reciprocal. 12 states (AL, AR, FL, GA, KY, LA, MD, MS, NC, TN, VA, WV) and DC |
| Tennessee | Currently | Reciprocal, 13 states (AL, AR, FL, GA, IN, KY, LA, MO, MS, NC, SC, VA, WV) |
| Texas | Currently | National, no reciprocity |
| Utah | Currently | Reciprocal, 11 states (AK, AZ, CO, HI, ID, MT, NM, NV, OR, WA, WY) |
| | December 31, 1987 | National, no reciprocity |
| Virginia | Currently | Reciprocal, 12 states (AL, AR, FL, GA, KY, LA, MD, MS, NC, SC, TN, WV) and DC |
| Washington | July 1, 1987 | National, reciprocal |
| West Virginia | January 1, 1988 | National, reciprocal |
| Wisconsin | Currently | Reciprocal, 8 states (IA, IL, IN, KY, MI, MN, MO, OH) |

1. Several states prohibit acquisition of banks in operation for less than a specified number of years. Some allow out-of-state firms to acquire problem institutions.

token, when banks in other states can enter that state (the rows).

Because of unmet reciprocity requirements and the distant effective dates of some statutes, banks have fewer opportunities for expansion than expected given the number of laws. In only 334 (13 percent) of the 2,550 possible combinations (indicated by "now") is entry currently permitted. Even if all of the laws that have been enacted were fully in effect at the moment, that percentage would rise to only 28 percent.

Fifty-one banking organizations have subsidiary banks in one or more states besides their home state. On average, these bank holding companies have bank subsidiaries in only two other states; only 11 own banks in three or more additional states, and 4 of these are grandparented organizations that predate the current move to interstate banking.

Banking assets held by bank holding companies outside their home states total $148.4 billion, or approximately 6 percent of total U.S. domestic commercial banking assets (see table 2A). The table does not include other means by which banking organizations have been able to attain an interstate presence, such as nonbank subsidiaries of bank holding companies, limited-purpose banks, nondeposit trust companies, Edge act subsidiaries, or thrift institutions owned by bank holding companies.

Again reflecting the early stage of interstate banking and the relative importance of their grandparented bank holding companies, California and Minnesota bank holding companies hold a relatively large percentage of the interstate banking assets, as table 2A suggests. The collective interstate banking assets of grandparented interstate organizations account for 35.5 percent of the interstate banking assets, a percentage that reveals the early stage of the current interstate banking movement.

While the assets of the grandparented banks remain important, acquisitions under the new state interstate banking laws account for 55.8 percent of the interstate banking assets reported in table 2A. In only a few years, such assets have come to exceed those held under the grandparent provisions of the federal law. Given the short time that these laws have been in effect, the volume of assets that has been acquired is impressive.

A variety of state and federal statutes are responsible for the remaining 8.7 percent of interstate assets. The provisions for emergency interstate acquisitions of large failed banks resulted in entry into Florida and Oklahoma. A state emergency acquisition law allowed one large interstate bank acquisition. In a few instances, bank holding companies were permitted by the states and by the Federal Reserve System to acquire failed state-insured thrift institutions and convert them to commercial banks. These commercial banks are included in table 2A, which excludes several thrift institutions acquired by bank holding companies and maintained as such.

### *Early Trends*

Interstate banking is still in its initial stages. But, in light of its significance for the structure of the banking system, the early trends are important. At this point, any perceived problems can still be addressed by state or federal legislation.

The first clear trend is the attempt by banking organizations to enter states whose volume or growth of deposits makes them especially attractive. Thus substantial interstate activity has involved the acquisition of Florida banks, particularly by Georgia and North Carolina organizations under the regional interstate banking laws. Florida banking organizations, on the other hand, have not yet completed any out-of-state acquisitions, contrary to the expectation that Florida would become the region's banking center. Florida banks, already in an attractive market, had less incentive to enter other markets than other banks had to enter Florida.

In a second trend, nearly all interstate expansion has been via acquisition rather than de novo entry. Thus, although interstate banking has not reduced the number of firms competing in local banking markets, it has not yet increased that number. Therefore, interstate banking has neither increased nor decreased local banking market concentration.

Banking organizations generally prefer to enter new markets by acquisition; moreover, de novo entry in the context of interstate banking is prohibited by many interstate banking laws. The usual means of preventing de novo entry is

2. Interstate banking laws, January 1, 1987[1]—Continued

Date of permitted entry

| State permitting entry | State whose banks are permitted entry | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Alabama | Alaska | Arizona | Arkansas | California | Colorado | Connecticut | Delaware | District of Columbia | Florida | Georgia | Hawaii | Idaho |
| Alabama[2] | ... | | | (3) | | | | | JL 87 | JL 87 | JL 87 | | |
| Alaska | now | ... | now | now | now | now | now | now | now | now | now | now | now |
| Arizona | now | now | ... | now | now | now | now | now | now | now | now | now | now |
| Arkansas | | | | ... | | | | | | | | | |
| California | (3) | JL 87 | JL 87 | (3) | ... | (3) | (3) | (3) | (3) | (3) | (3) | (3) | (3) |
| Colorado | | | | | | ... | | | | | | | |
| Connecticut[2] | | | | | | | ... | | | | | | |
| Delaware | | | | | | | | ... | | | | | |
| District of Columbia[2] | JL 87[4] | | | | | | | | ... | now | (5) | | |
| Florida[2] | JL 87[4] | | | (5) | | | | | now | ... | now | | |
| Georgia[2] | JL 87[4] | | | | | | | | | now | ... | | |
| Hawaii | | | | | | | | | | | | ... | |
| Idaho[2] | | | | | | | | | | | | | ... |
| Illinois[2] | | | | | | | | | | | | | |
| Indiana[2] | | | | | | | | | | | | | |
| Iowa | | | | | | | | | | | | | |
| Kansas | | | | | | | | | | | | | |
| Kentucky[2] | JL 87[4] | now | now | (5) | JL 91[4] | (5) | (5) | (5) | (5) | (5) | now | (5) | (5) |
| Louisiana[2] | JL 87 | JA 89 | JA 89 | (3) | JL 91[6] | (3) | (3) | (3) | JL 87 | JL 87 | JL 87 | (3) | (3) |
| Maine | now | now | now | now | now | now | now | now | now | now | now | now | now |
| Maryland[2] | JL 87 | | | (3) | | | | (5) | now | JL 87 | (3) | | |
| Massachusetts[2] | | | | | | | now | | | | | | |
| Michigan[2] | (3) | OC 88 | OC 88 | (3) | JL 91[6] | (3) | (3) | (3) | (3) | (3) | (3) | (3) | (3) |
| Minnesota[2] | | | | | | | | | | | | | |
| Mississippi[2] | JL 88 | | | (3) | | | | | | JL 90 | JL 90 | | |
| Missouri[2] | | | | (5) | | | | | | | | | |
| Montana | | | | | | | | | | | | | |
| Nebraska | | | | | | | | | | | | | |
| Nevada[7] | JA 89 | now | now | JA 89 | JA 89 | JA 89[5] | JA 89 | JA 89 | JA 89 | JA 89 | JA 89 | JA 89[5] | now |
| New Hampshire | | | | | | | | | | | | | |
| New Jersey[2] | (8) | (8) | (8) | (8) | (8) | (8) | (8) | (5) | (5) | (8) | (8) | (8) | (8) |
| New Mexico | | | | | | | | | | | | | |
| New York[2] | (5) | now | now | (5) | JL 91[4] | (5) | (5) | (5) | (5) | (5) | (5) | (5) | (5) |
| North Carolina[2] | JL 87[4] | | | (5) | | | | | now | now | now | | |
| North Dakota | | | | | | | | | | | | | |
| Ohio[2] | (3) | OC 88 | OC 88 | (3) | JL 91[6] | (3) | (3) | (5) | (5) | (3) | (3) | (3) | (3) |
| Oklahoma | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] |
| Oregon | | now | now | | now | | | | | | | now | now |
| Pennsylvania[2] | (3) | MR 90 | MR 90 | (3) | JL 91[6] | (3) | (3) | (5) | (5) | (3) | (3) | (3) | (3) |
| Rhode Island[2] | (3) | JL 88 | JL 88 | (3) | JL 91[6] | (3) | now | (3) | (3) | (3) | (3) | (3) | (3) |
| South Carolina[2] | JL 87[4] | | | (5) | | | | | now | now | now | | |
| South Dakota | | | | | | | | | | | | | |
| Tennessee[2] | JL 87[4] | | | (5) | | | | | | now | now | | |
| Texas | now | now | now | now | now | now | now | now | now | now | now | now | now |
| Utah[10] | DE 87 | now | now | DE 87 | DE 87 | DE 87[5] | DE 87 | DE 87 | DE 87 | DE 87 | DE 87 | DE 87[5] | now |
| Vermont | | | | | | | | | | | | | |
| Virginia[2] | JL 87[4] | | | (5) | | | | | now | now | now | | |
| Washington[2] | (3) | JL 87 | JL 87 | (3) | JL 91[6] | (3) | (3) | (3) | (3) | (3) | (3) | (3) | JL 87 |
| West Virginia[2] | JA 88 | JA 88 | JA 88 | (3) | JL 91[6] | (3) | (3) | (3) | JA 88 | JA 88 | (3) | (3) | (3) |
| Wisconsin[2] | | | | | | | | | | | | | |
| Wyoming | | | | | | | | | | | | | |

Notes appear on page 87.

to require that banks that are the object of out-of-state acquisition must have been in existence for some minimum number of years before their acquisition. Many states adopted prohibitions against de novo entry to answer concerns that allowing large banks to enter de novo would destroy the franchise value of existing bank charters.

Third, a trend has developed toward control by out-of-state organizations of banking in states with relatively low deposits and relatively small banking organizations. Maine illustrates this development. Banks that have entered that state own its five largest commercial banking organizations and control 83 percent of its commercial banking assets.

2. Continued

| State permitting entry | State whose banks are permitted entry | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Illinois | Indiana | Iowa | Kansas | Kentucky | Louisiana | Maine | Maryland | Massachusetts | Michigan | Minnesota | Mississippi | Missouri |
| Alabama[2] | | | | | JL 87 | JL 87 | | JL 87 | | | | JL 88[6] | |
| Alaska | now | now | now | now | now | now | now | now | now | now | now | now | now |
| Arizona | now | now | now | now | now | now | now | now | now | now | now | now | now |
| Arkansas | | | | | | | | | | | | | |
| California | (3) | (3) | (3) | (3) | JA 91 | JA 91 | JA 91 | (3) | (3) | JA 91 | (3) | (3) | (3) |
| Colorado | | | | | | | | | | | | | |
| Connecticut[2] | | | | | | | now | | now | | | | |
| Delaware | | | | | | | | | | | | | |
| District of Columbia[2] | | | | | | JL 87[4] | | now | | | | (5) | |
| Florida[2] | | | | | | JL 87[4] | | JL 87[4] | | | | JL 90[4] | |
| Georgia[2] | | | | | now | | JL 87[4] | | | | | | JL 90[4] |
| Hawaii | | | | | | | | | | | | | |
| Idaho[2] | | | | | | | | | | | | | |
| Illinois[2] | ... | now | (5) | | now | | | | | now | | | now |
| Indiana[2] | now | ... | | | now | | | | | now | | | |
| Iowa | | | ... | | | | | | | | | | |
| Kansas | | | | ... | | | | | | | | | |
| Kentucky[2] | now | now | (5) | (5) | ... | JL 87[4] | now | JL 87[4] | (5) | OC 88[4] | (5) | JL 90[4] | now |
| Louisiana[2] | (3) | (3) | (3) | (3) | JL 87 | ... | JA 89 | JL 87 | (3) | JA 89 | (3) | JL 88[6] | (3) |
| Maine | now | now | now | now | now | now | ... | now | now | now | now | now | now |
| Maryland[2] | | | | | JL 87 | JL 87 | | ... | | | | (3) | |
| Massachusetts[2] | | | | | | | now | | ... | | | | |
| Michigan[2] | now | now | (3) | (3) | OC 88 | JA 89[6] | OC 88 | (3) | (3) | ... | (5) | (3) | (3) |
| Minnesota[2] | | | (5) | | | | | | | | ... | | |
| Mississippi[2] | | | | | JL 90 | JL 88 | | | | | | ... | (3) |
| Missouri[2] | now | | (5) | (5) | now | | | | | | | | ... |
| Montana | | | | | | | | | | | | | |
| Nebraska | | | | | | | | | | | | | |
| Nevada[7] | JA 89 | JA 89 | JA 89 | JA 89 | JA 89 | JA 89 | JA 89 | JA 89 | JA 89 | JA 89 | JA 89 | JA 89 | JA 89 |
| New Hampshire | | | | | | | | | | | | | |
| New Jersey[2] | (5) | (5) | (8) | (8) | now | (8) | (8) | (5) | (8) | OC 88[4] | (8) | (8) | (5) |
| New Mexico | | | | | | | | | | | | | |
| New York[2] | (5) | (5) | (5) | (5) | now | JA 89[4] | now | (5) | (5) | OC 88[4] | (5) | (5) | (5) |
| North Carolina[2] | | | | | now | JL 87[4] | | JL 87[4] | | | | JL 90[4] | |
| North Dakota | | | | | | | | | | | | | |
| Ohio[2] | (5) | now | (3) | (3) | now | JA 89[6] | OC 88 | (5) | (3) | now | (3) | (3) | (5) |
| Oklahoma | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] |
| Oregon | | | | | | | | | | | | | |
| Pennsylvania[2] | (3) | (3) | (3) | (3) | now | MR 90 | MR 90 | JL 87[4] | (3) | MR 90 | (3) | (3) | (3) |
| Rhode Island[2] | (3) | (3) | (3) | (3) | JL 88 | JA 89[6] | now | (3) | now | OC 88[6] | (3) | (3) | (3) |
| South Carolina[2] | | | | | now | JL 87[4] | | JL 87[4] | | | | JL 90[4] | |
| South Dakota | | | | | | | | | | | | | |
| Tennessee[2] | | (5) | | | now | JL 87[4] | | | | | | JL 88[4] | now |
| Texas | now | now | now | now | now | now | now | now | now | now | now | now | now |
| Utah[10] | DE 87 | DE 87 | DE 87 | DE 87 | DE 87 | DE 87 | DE 87 | DE 87 | DE 87 | DE 87 | DE 87 | DE 87 | DE 87 |
| Vermont | | | | | | | | | | | | | |
| Virginia[2] | | | | | now | JL 87[4] | | now | | | | JL 90[4] | |
| Washington[2] | (3) | (3) | (3) | (3) | JL 87 | JA 89[6] | JL 87 | (3) | (3) | OC 88[6] | (3) | (3) | (3) |
| West Virginia | (3) | (3) | (3) | (3) | JA 88 | JA 88 | JA 88 | JA 88 | (3) | OC 88[6] | (3) | JL 90[6] | (3) |
| Wisconsin[2] | now | (5) | (5) | | now | | | | | now | now | | (5) |
| Wyoming | | | | | | | | | | | | | |

Fourth, the Maine experience also indicates the greater possibilities offered by nationwide rather than regional interstate entry. Entry into Maine came from Boston, Hartford, and Providence, as expected, but bank holding companies from outside New England also have been important participants. One money center bank from outside New England established a de novo bank, and two upstate New York bank holding companies acquired major Maine organizations. These entrants would have been excluded had Maine chosen a New England regional banking policy.

A fifth trend is the development of "superregional" banking organizations formed by the merger of major banking organizations from two or more of a region's states. The regional banking laws have prevented the acquisition of a

2. Interstate banking laws, January 1, 1987[1]—Continued

Date of permitted entry

| State permitting entry | State whose banks are permitted entry | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Montana | Nebraska | Nevada | New Hampshire | New Jersey | New Mexico | New York | North Carolina | North Dakota | Ohio | Oklahoma | Oregon | Pennsylvania |
| Alabama[2] | | | | | | | | JL 87 | | | | | |
| Alaska | now | now | now | now | now | now | now | now | now | now | now | now | now |
| Arizona | now | now | now | now | now | now | now | now | now | now | now | now | now |
| Arkansas | | | | | | | | | | | | | |
| California[2] | (3) | (3) | JA 89[6] | (3) | (8) | (3) | JA 91 | (3) | (3) | JA 91 | JA 91 | JL 87 | JA 91 |
| Colorado | | | | | | | | | | | | | |
| Connecticut[2] | | | | (5) | | | | | | | | | |
| Delaware | | | | | | | | | | | | | |
| District of Columbia[2] | | | | | | | | now | | | | | |
| Florida[2] | | | | | | | | now | | | | | |
| Georgia[2] | | | | | | | | now | | | | | |
| Hawaii | | | | | | | | | | | | | |
| Idaho[2] | (5) | | now | | | | | | | | | now | |
| Illinois[2] | | | | | | | | | | | | | |
| Indiana[2] | | | | | | | | | | now | | | |
| Iowa | | | | | | | | | | | | | |
| Kansas | | | | | | | | | | | | | |
| Kentucky[2] | (5) | (5) | JA 89[4] | (5) | now | (5) | now | now | (5) | now | JL 87[4] | (5) | now |
| Louisiana[2] | (3) | (3) | JA 89 | (3) | (8) | (3) | JA 89 | JL 87 | (3) | JA 89 | JL 87 | (3) | MR 90[6] |
| Maine | now | now | now | now | now | now | now | now | now | now | now | now | now |
| Maryland[2] | | | | | | | | JL 87 | | | | | JL 87 |
| Massachusetts[2] | | | | (5) | | | | | | | | | |
| Michigan[2] | (3) | (3) | JA 89[6] | (3) | OC 88 | (3) | OC 88 | (3) | (3) | now | OC 88 | (3) | MR 90[6] |
| Minnesota[2] | | | | | | | | | (5) | | | | |
| Mississippi[2] | | | | | | | | JL 90 | | | | | |
| Missouri[2] | | (5) | | | | | | | | | JL 87[4] | | |
| Montana | ... | | | | | | | | | | | | |
| Nebraska | | ... | | | | | | | | | | | |
| Nevada[7] | JA 89[5] | JA 89 | ... | JA 89 | JK 89 | JA 89[5] | JA 89 | JA 89 | JA 89 | JA 89 | JA 89 | now | JA 89 |
| New Hampshire | | | | ... | | | | | | | | | |
| New Jersey[2] | (8) | (8) | (8) | (8) | ... | (8) | (8) | (8) | (8) | now | (8) | (8) | now |
| New Mexico | | | | | | ... | | | | | | | |
| New York[2] | (5) | (5) | JA 89[4] | (5) | (5) | (5) | ... | (5) | (5) | OC 88[4] | JL 87[4] | (5) | MR 90[4] |
| North Carolina[2] | | | | | | | | ... | | | | | |
| North Dakota | | | | | | | | | ... | | | | |
| Ohio[2] | (3) | (3) | JA 89[6] | (3) | now | (3) | OC 88 | (3) | (3) | ... | OC 88 | (3) | now |
| Oklahoma | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | ... | JL 87[9] | JL 87[9] |
| Oregon | | | now | | | | | | | | | ... | |
| Pennsylvania[2] | (3) | (3) | MR 90 | (3) | now | (3) | MR 90 | (3) | (3) | now | MR 90 | (3) | ... |
| Rhode Island[2] | (3) | (3) | JA 89[6] | (5) | (8) | (3) | JL 88 | (3) | (3) | OC 88[6] | JL 88 | (3) | MR 90[6] |
| South Carolina[2] | | | | | | | | now | | | | | |
| South Dakota | | | | | | | | | | | | | |
| Tennessee[2] | | | | | | | | now | | | | | |
| Texas | now | now | now | now | now | now | now | now | now | now | now | now | now |
| Utah[10] | DE 87[5] | DE 87 | now | DE 87 | DE 87 | DE 87[5] | DE 87 | DE 87 | DE 87 | DE 87 | DE 87 | now | DE 87 |
| Vermont | | | | | | | | | | | | | |
| Virginia[2] | | | | | | | | now | | | | | |
| Washington[2] | (3) | (3) | JL 87 | (3) | (8) | (3) | JL 87 | (3) | (3) | OC 88[6] | JL 87 | JL 87 | MR 90[6] |
| West Virginia[2] | (3) | (3) | JA 89[6] | (3) | JA 88 | (3) | JA 88 | JA 88 | (3) | JA 88 | JA 88 | (3) | JA 88 |
| Wisconsin[2] | | | | | | | | | | now | | | |
| Wyoming | | | | | | | | | | | | | |

region's major banks by money center banks. Thus banks with a strong regional orientation have grown through mergers to a size that now limits the number of potential acquirors.

Finally, interstate banking appears likely to increase the concentration of banking assets in the nation over the long run because most geographic expansion is attributable to large banks and is conducted through mergers and acquisitions. In the case of interstate banking, many of the organizations resulted from mergers between relatively large banks. Of the 51 interstate organizations noted in table 2A, all but 6 rank among the country's top 200 banking firms.

2. Continued

| State permitting entry | State whose banks are permitted entry | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rhode Island | South Carolina | South Dakota | Tennessee | Texas | Utah | Vermont | Virginia | Washington | West Virginia | Wisconsin | Wyoming |
| Alabama[2] | | JL 87 | | JL 87 | | | | JL 87 | | JA 88[6] | | |
| Alaska | now | now | now | now | now | now | now | now | now | now | now | now |
| Arizona | now | now | now | now | now | now | now | now | now | now | now | now |
| Arkansas | | | | | | | | | | | | |
| California | JA 91 | (3) | (3) | (3) | JL 87 | DE 87[6] | (3) | (3) | JL 87 | JA 91 | (3) | (3) |
| Colorado | | | | | | | | | | | | |
| Connecticut[2] | now | | | | | | (5) | | | | | |
| Delaware | | | | | | | | | | | | |
| District of Columbia[2] | | now | | (5) | | | | now | | JA 88[4] | | |
| Florida[2] | | now | | now | | | | now | | JA 88[4] | | |
| Georgia[2] | | now | | now | | | | now | | | | |
| Hawaii | | | | | | | | | | | | |
| Idaho[2] | | | | | | now | | | JL 87[4] | | | (5) |
| Illinois[2] | | | | | | | | | | | now | |
| Indiana[2] | | | | | | | | | | | | |
| Iowa | | | | | | | | | | | | |
| Kansas | | | | | | | | | | | | |
| Kentucky[2] | JL 88[4] | now | (5) | now | now | DE 87[4] | (5) | now | JL 87[4] | JA 88[4] | now | (5) |
| Louisiana[2] | JA 89 | JL 87 | (3) | JL 87 | JL 87 | JA 89 | (3) | JL 87 | JA 89 | JA 88[6] | (3) | (3) |
| Maine | now | now | now | now | now | now | now | now | now | now | now | now |
| Maryland[2] | | JL 87 | | (3) | | | | now | | JA 88[4] | | |
| Massachusetts[2] | now | | | | | | (5) | | | | | |
| Michigan[2] | OC 88 | (3) | (3) | (3) | OC 88 | OC 88 | (3) | (3) | OC 88 | OC 88 | now | (3) |
| Minnesota[2] | | | (5) | | | | | | | | now | |
| Mississippi[2] | | JL 90 | | JL 88 | JL 90 | | | JL 90 | | JL 90 | | |
| Missouri[2] | | | | now | | | | | | | | |
| Montana | | | | | | | | | | | | |
| Nebraska | | | | | | | | | | | | |
| Nevada[7] | JA 89 | JA 89 | JA 89 | JA 89 | JA 89 | now | JA 89 | JA 89 | JL 87[4] | JA 89 | JA 89 | JA 89[5] |
| New Hampshire | | | | | | | | | | | | |
| New Jersey[2] | (8) | (8) | (8) | (5) | (8) | (8) | (8) | (5) | (8) | JA 88[4] | (5) | (8) |
| New Mexico | | | | | | | | | | | | |
| New York[2] | JL 88[4] | (5) | (5) | (5) | now | DE 87[4] | (5) | (5) | JL 87[4] | JA 88[4] | (5) | (5) |
| North Carolina[2] | | now | | now | | | | now | | JA 88[4] | | |
| North Dakota | | | | | | | | | | | | |
| Ohio[2] | OC 88 | (3) | (3) | (5) | OC 88 | OC 88 | (3) | (5) | OC 88 | JA 88[4] | now | (3) |
| Oklahoma | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] | JL 87[9] |
| Oregon | | | | | | now | | | now | | | |
| Pennsylvania[2] | MR 90 | (3) | (3) | (3) | MR 90 | MR 90 | (3) | (5) | MR 90 | JA 88[4] | (3) | (3) |
| Rhode Island[2] | . . . | (3) | (3) | (3) | JL 88 | JL 88 | (5) | (3) | JL 88 | JL 88 | (3) | (3) |
| South Carolina[2] | | . . . | | now | | | | now | | JA 88[4] | | |
| South Dakota | | | . . . | | | | | | | | | |
| Tennessee[2] | | now | | . . . | | | | now | | JA 88[4] | | |
| Texas | now | now | now | now | . . . | now | now | now | now | now | now | now |
| Utah[10] | DE 87 | DE 87 | DE 87 | DE 87 | DE 87 | . . . | DE 87 | DE 87 | JL 87[4] | DE 87 | DE 87 | DE 87[5] |
| Vermont | | | | | | | . . . | | | | | |
| Virginia[2] | | now | | now | | | | . . . | | JA 88[4] | | |
| Washington[2] | JL 88[6] | (3) | (3) | (3) | JL 87 | JL 87 | (3) | (3) | . . . | JA 88[6] | (3) | (3) |
| West Virginia[2] | JL 88[6] | JA 88 | (3) | JA 88 | JA 88 | JA 88 | (3) | JA 88 | JA 88 | . . . | (3) | (3) |
| Wisconsin[2] | | | | | | | | | | | . . . | |
| Wyoming | | | | | | | | | | | | . . . |

1. Laws already in effect or with established effective dates.
2. Reciprocity required.
3. Entry would be allowed at a future date, but the state in the column has not enacted a law granting reciprocity to the state in the row.
4. Entry would be allowed now, but the reciprocity requirement is not met. The state in the column has enacted a law providing for entry from the state in the row, but the law does not become effective until the date given.
5. Entry would be allowed now, but the reciprocity requirement is not met. The state in the column has not enacted a law permitting entry from the state in the row.
6. Entry would be allowed at an earlier date, but the law of the state in the column granting reciprocity will not be effective until this later date.
7. Reciprocity is required until January 1989.
8. Future reciprocity is provided for, but the trigger date is indeterminate because it depends on the action of other states.
9. Entry is permitted but subsequent expansion depends on reciprocity.
10. Reciprocity is required until December 1987.

Since the days of the first and second Bank of the United States, concentration has been a concern in the regulation of American banking. Unlike other countries, where a relatively small number of banks hold the vast bulk of banking assets, the United States has designed a policy that avoids concentration of control over the allocation of credit. Whether the nation would be better served by a small number of large banks or a large number of small banks is a central question in all discussions of branch banking and bank holding company expansion policy.

The issue of aggregate concentration embodies both economic and sociopolitical questions. On the economic side, higher concentration means fewer, but larger, banks. In face of the difficulties arising from the failure of a large bank and the limited number of firms able to acquire a large failed bank, should economic policy foster even larger banks? On the sociopolitical side, how dispersed should power over the allocation of credit be in a free enterprise society? Credit is a key input in the production and distribution of all other goods, and the access to credit on fair and competitive terms has always been important to policymakers. Therefore, heavy emphasis has been placed on ensuring that no firm or group of firms gains monopoly control over the allocation of credit.

While traditional policy is oriented toward preventing an increase in the aggregate concentration of banking, other views suggest that ag-

2A. Interstate banking assets[1]

Millions of dollars

| State permitting entry | State whose banks are permitted entry | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | California | Connecticut | District of Columbia | Georgia | Idaho | Illinois | Indiana | Kentucky | Massachusetts | Michigan | Minnesota | Missouri |
| Alaska | | | | | | | | | | | | |
| Arizona | 10,281 | | | | | | | | | | | |
| Colorado | 2,568 | | | | | | | | | | | |
| Connecticut | | | | | | | | | 9,542 | | | |
| District of Columbia | | | | | | | | | | | | |
| Florida | | | | 15,347 | | 347 | | | | | | |
| Georgia | | | | | | | | | | | | |
| Idaho | 789 | | | | | | | | | | | |
| Illinois | | | | | | | | | | | | 910 |
| Indiana | | | | | | | | 339 | | 603 | | |
| Iowa | | | | | | | | | | | 2,130 | |
| Kentucky | | | | | | | 117 | | | | | |
| Maine | | | | | | | | | 1,928 | | | |
| Maryland | | | 845 | | | | | | | | | |
| Massachusetts | | 2,594 | | | | | | | | | | |
| Michigan | | | | | | | 88 | | | | | |
| Montana | 301 | | | | | | | | | | 2,873 | |
| Nebraska | | | | | | | | | | | 1,424 | |
| Nevada | 2,844 | | | | | | | | | | | |
| New Jersey | | | | | | | | | | | | |
| New Mexico | 931 | | | | | | | | | | | |
| New York | | | 956 | | | | | | | | | |
| North Dakota | | | | | | | | | | | 2,467 | |
| Ohio | | | | | | | | | | | | |
| Oklahoma | 1,754 | | | | | | | | | | | |
| Oregon | 5,418 | | | | 272 | | | | | | | |
| Rhode Island | | 3 | | | | | | | 3,555 | | | |
| South Carolina | | | | 3,167 | | | | | | | | |
| South Dakota | | | | | | | | | | | 2,915 | |
| Tennessee | | | 397 | | | | | | | | | 446 |
| Utah | 943 | | | | 352 | | | | | | | |
| Virginia | | | 2,601 | | | | | | | | | |
| Washington | 12,184 | | | | | | | | | | | |
| Wisconsin | | | | | | | | | | | 1,303 | |
| Wyoming | 476 | | | | | | | | | | | |
| **Total** | **38,489** | **2,597** | **4,799** | **18,513** | **624** | **347** | **204** | **339** | **15,025** | **603** | **13,111** | **1,355** |

gregate concentration poses less threat than it did in the past. Such views stress the larger number of credit-granting organizations in the economy. These include U.S. agencies and branches of foreign banks and thrift institutions that have only recently gained the power to make commercial and industrial loans and all types of consumer loans. In addition, the wide variety of nondepository institutions would offer competition if large banks were not allocating credit to its most efficient uses. The ease of entry into the banking industry would permit the formation of new banks to seek profits by meeting those credit needs. According to this view, aggregate concentration would be a problem only if there were substantial barriers both to the formation of new banking organizations and to the expanded lending activity of entities other than domestic commercial banks.

For a long time, the barriers to interstate banking have maintained a relatively deconcentrated banking industry because the inability to acquire banks in other states has limited the share of national banking assets that any one firm could acquire. The shares of total domestic banking assets held by the 5, 10, 25, 50, and 100 largest insured banking organizations are indicated in table 3. In recent years, the shares of banking assets held by the 50 and 100 largest banking organizations have increased. With in-

2A. Continued

| State permitting entry | State whose banks are permitted entry | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Nebraska | New York | North Carolina | Ohio | Pennsylvania | Rhode Island | Tennessee | Utah | Vermont | Virginia | Washington | Wisconsin | Total[2] |
| Alaska | | 558 | | | | | | | | | 130 | | **688** |
| Arizona | 19 | 1,127 | | | | | | 26 | | | | 243 | **11,695** |
| Colorado | | | | | | | | | | | | | **2,568** |
| Connecticut | | | | | | 1,501 | | | | | | | **11,042** |
| District of Columbia | | | | | | | | | | 1,854 | | | **1,854** |
| Florida | | 580 | 13,979 | | | | | | | | | | **30,253** |
| Georgia | | | 9,988 | | | | | | | | | | **9,988** |
| Idaho | | | | | | | | 1,753 | | | | | **2,543** |
| Illinois | | | | | | | | | | | | | **910** |
| Indiana | | | | 2,898 | | | | | | | | | **3,839** |
| Iowa | 33 | | | | | | | | | | | | **2,163** |
| Kentucky | | | | 703 | | | 168 | | | | | | **987** |
| Maine | | 1,975 | | | | 779 | | | 39 | | | | **4,721** |
| Maryland | | 484 | | | 235 | | | | | 6,357 | | | **7,923** |
| Massachusetts | | | | | | 5 | | | | | | | **2,599** |
| Michigan | | | | 359 | | | | | | | | | **446** |
| Montana | | | | | | | | | | | | | **3,174** |
| Nebraska | | | | | | | | | | | | | **1,424** |
| Nevada | | | | | | | | 211 | | | | | **3,055** |
| New Jersey | | | | | 2,070 | | | | | | | | **2,070** |
| New Mexico | | | | | | | | | | | | | **931** |
| New York | | | | | | | | | | | | | **956** |
| North Dakota | | | | | | | | | | | | | **2,467** |
| Ohio | | 394 | | | | | | | | | | | **394** |
| Oklahoma | | | | | | | | | | | | | **1,754** |
| Oregon | | 128 | | | | | | | | | | | **5,818** |
| Rhode Island | | | | | | | | | | | | | **3,558** |
| South Carolina | | | 3,721 | | | | | | | | | | **6,887** |
| South Dakota | | | | | | | | | | | | | **2,915** |
| Tennessee | | | | | | | | | | | | | **842** |
| Utah | | 41 | | | | | | | | | | | **1,335** |
| Virginia | | | | | | | | | | | | | **2,601** |
| Washington | | | | | | | | | | | | | **12,184** |
| Wisconsin | | | | | | | | | | | | | **1,303** |
| Wyoming | | | | | | | | 68 | | | | | **543** |
| **Total** | **53** | **5,287** | **27,688** | **3,959** | **2,305** | **2,285** | **168** | **2,058** | **39** | **8,212** | **130** | **243** | **148,432** |

1. All the data on assets are as of June 30, 1986, except for California banks in Oklahoma, for which data are as of March 31, 1986. The table reflects acquisitions and mergers reported in the FEDERAL RESERVE BULLETIN through the issue for November 1986.
2. Details may not add to totals because of rounding.

3. Shares of domestic commercial banking assets held by largest banking organizations[1]

Percent

| Year | Top 5 | Top 10 | Top 25 | Top 50 | Top 100 |
|---|---|---|---|---|---|
| 1970.. | 14.0 | 21.4 | 32.8 | 41.1 | 50.4 |
| 1971.. | 13.4 | 20.5 | 31.7 | 40.1 | 49.5 |
| 1972.. | 13.5 | 20.7 | 31.8 | 40.3 | 50.3 |
| 1973.. | 13.3 | 20.9 | 32.4 | 41.1 | 51.2 |
| 1974.. | 14.2 | 22.2 | 33.9 | 42.3 | 52.3 |
| 1975.. | 13.7 | 21.3 | 32.6 | 41.1 | 50.8 |
| 1976.. | 13.4 | 20.8 | 31.7 | 40.2 | 49.9 |
| 1977.. | 13.5 | 21.0 | 32.0 | 40.5 | 50.2 |
| 1978.. | 13.4 | 21.1 | 32.4 | 41.1 | 50.8 |
| 1979.. | 13.4 | 21.3 | 32.6 | 41.5 | 51.2 |
| 1980.. | 13.5 | 21.6 | 33.1 | 41.6 | 51.4 |
| 1981.. | 13.2 | 21.1 | 33.1 | 41.6 | 51.7 |
| 1982.. | 13.4 | 21.8 | 34.2 | 43.0 | 53.6 |
| 1983.. | 13.1 | 21.0 | 33.8 | 43.2 | 54.3 |
| 1984.. | 13.0 | 20.3 | 33.1 | 43.5 | 55.0 |
| 1985.. | 12.8 | 20.3 | 33.1 | 45.7 | 57.7 |

1. Banks are ranked by domestic banking assets. Only insured commercial banks are included; nondeposit trust companies are excluded.

terstate banking expected to result in higher concentration, the choice is either to develop new methods to maintain deconcentration or to accept the greater banking concentration on the hypothesis that it does not necessarily mean greater control over the allocation of credit.

Various proposals have been advanced for the prevention of a substantially higher level of nationwide banking concentration under a system of interstate banking. One relatively simple alternative would be to bar mergers among the 10, 25, or 50 largest banking organizations. These large organizations, which are the most likely to become regional or nationwide organizations, would be forced to expand either on a de novo basis or by acquiring organizations outside the top tier. Any bank ranked below the top 50 nationwide holds less than ½ percent of nationwide banking assets. Therefore, expansion of the major banks by acquisitions outside the top 50 would have no real effect on the level of banking concentration in the short term, although it might in the long run.

An alternative way of controlling aggregate concentration would be to establish a limit on the percentage of total nationwide banking assets that any one banking organization could hold. Once a firm reached this limit, it could not expand by merger, although it would still be free to increase its national share by internal growth or de novo entry into new markets.

## *Federal Reserve Policy toward Interstate Banking*

The Federal Reserve Board has supported the concept of interstate banking. In 1956, the Board supported the original draft of proposed bank holding company legislation that did not yet contain the Douglas Amendment barrier to interstate banking. Then-Chairman William McC. Martin, Jr., added the Board's support to a proposal advanced in 1969 that would have permitted interstate banking within the Washington, D.C., area. Hearings were held by the Senate Committee on Banking and Currency, but the bill did not advance.

One interstate banking measure the Board suggested was the provision for emergency interstate acquisitions, which was ultimately included in the Garn–St Germain Act of 1982. This technique for dealing with the failure of a large banking organization was proposed annually by the Board after the difficulties in arranging an acquisition of Franklin National Bank in 1974.

The most recent Board statement on interstate banking is the testimony by Chairman Paul A. Volcker before a subcommittee of the House Committee on Banking, Finance and Urban Affairs on April 24, 1985. In his testimony, the chairman focused on the survival of small banks, aggregate concentration, states' rights, and the potential "Balkanization" of the banking industry. He stressed that small banks continue to operate profitably in all varieties of banking markets. Probably because substantial economies of scale are not available in banking, no evidence suggests that small banks cannot compete with much larger organizations. Indeed, even in large metropolitan markets, small banks can compete with larger ones and frequently earn higher rates of return on assets.

Chairman Volcker described a variety of approaches to limiting aggregate concentration in banking. The plan he suggested would prohibit mergers among banks ranked in the top 25 nationwide. In addition, no organization could acquire, through large acquisitions, more than 2.5 percent of total domestic deposits in depository institutions.

While recognizing the value of the dual banking system and the right of the states to enact their own legislation, Chairman Volcker expressed the Board's concern over the regionalization of the banking industry resulting from the new state laws. To reconcile the desire for a uniform national policy with the desire to maintain a dual system of bank regulation, Chairman Volcker recommended a federally legislated limit on the number of years that states could maintain a system of regional interstate banking. After a suggested interval of three years, the state would have to allow entry from any state that was open to its banking organizations. A draft interstate banking bill incorporating most of the Board's recommendations was adopted by the House Banking Committee, but was not acted upon by the full House of Representatives.

## *Likely Future Developments*

If the experience of the last few years persists, most of the states that have not already done so will pass some form of interstate banking legislation. Because the major banking states already have enacted laws, however, the initial legislative phase of interstate banking is already over. The next phase will focus on attempts to expand the limited regions that have been selected by many states. If the process depends on a gradual state-by-state expansion of interstate banking rights, however, full nationwide banking is likely to be achieved only in the distant future, and the expansion opportunities of the money center banks will remain limited.

The current high level of interstate mergers, as well as intrastate mergers, gives every sign of persisting. A few bank holding companies will acquire more banks as they attempt to develop nationwide banking organizations, and a larger number will form regional organizations. These organizations will be seeking added diversification of their deposit bases and loan portfolios. They may also expect their growth to yield lower costs, although the empirical evidence does not support this view.

Over the longer run, the merger activity may involve more relatively small banks. For the short term, however, the development of interstate banking will continue to involve mainly large banking organizations. The development of the superregional banks is likely to continue; their growth and expansion into new states and markets will result from the acquisition of relatively large banking organizations.

Thus far interstate banking has not increased concentration in local banking markets because the interstate banks are acquiring banks in markets in which they were not previously allowed to operate a full-service bank. Their entry into a new market via the acquisition of a firm already in that market has merely replaced one competitor with another without changing market concentration.

As noted, the expansion of interstate banking does not appear to threaten the small banks. In the long run, as interstate organizations expand beyond major banking markets into smaller cities and towns, fewer small banks will be isolated from large bank competitors. Yet, just as the small banks have survived decades of competition from major branch banks in the relatively concentrated statewide banking states, they will survive competition from the nationwide banking organizations.

Nevertheless, the issue of the aggregate concentration of the banking industry will continue to be important as the expansion of interstate banking intensifies nationwide concentration of assets beyond the degree attainable before interstate banking. Taking a long view and assuming no restrictions on mergers among large banks, one can argue that the banking system will comprise thousands of small banks, and a few very large banking organizations operating in most major banking markets and collectively holding a large share of the nation's banking assets. These large banks will be competing against both the small banks and many other depository and nondepository financial institutions.

Finally, at some point in the development of interstate banking, efforts will be made to change the state laws to allow interstate branch banking as well as interstate bank holding companies. Generally, after the liberalization of state branching laws, banking organizations have sought to reduce costs by consolidating many subsidiary banks into one bank with many branch offices.

*SUMMARY*

After being prohibited for most of the nation's history, interstate banking is now being permitted by state statutes. Although the laws have been changed only recently in most states, many interstate acquisitions have already taken place as firms have attempted to build regional or national bank holding companies.

Interstate banking will continue to develop in the next several years and will significantly affect the structure of the American banking system. While the aggregate concentration of banking is the issue that has raised the most concern, it could be addressed by appropriate policies. In the long run, geographic deregulation could be as important to the banking system as the deregulation of interest rates and the provision of new bank products and services.

# Structure and Uses of the MPS Quarterly Econometric Model of the United States

*Flint Brayton and Eileen Mauskopf of the Board's Division of Research and Statistics prepared this article.*

In the late 1960s, staff members of the Board of Governors of the Federal Reserve System, along with several university economists, undertook to build a quarterly model of the U.S. economy. Their goal was to develop a model that focused more intensively than did existing models on the channels through which monetary policy affected the real sectors of the economy. The model has generally become known by the abbreviation MPS, which reflects the academic affiliations of two of its key developers, Franco Modigliani (Massachusetts Institute of Technology) and Albert Ando (University of Pennsylvania), and the organization (Social Science Research Council) through which Federal Reserve support for the project was channeled.[1]

Since 1970, when the first working version was completed, the Board's Division of Research and Statistics has used the model for forecasting, for analyzing the consequences of exogenous economic shocks and alternative monetary or fiscal policies, and for various research projects. Although many key elements of the original model remain intact, considerable effort has been devoted over the years to maintaining and improving the model. These efforts stem from new insights provided by theoretical and applied economic research, from revisions in data, and from institutional and technological developments that have caused the performance of some equations to deteriorate. This article provides a general description of the current structure and uses of the model.[2]

## SUMMARY OF MODEL STRUCTURE

As of late 1986, the MPS model consists of 334 equations, of which 128 are stochastic and 206 are identities. In addition, it has 188 exogenous variables. The theoretical core of the model is based on the behavior of cost-minimizing producers and utility-maximizing consumers.

In the long run, when markets clear and expectations are fulfilled, the model behaves like a neoclassical growth model. The long-run growth rate of the economy is determined by the rate of population growth and the rate of technological progress, both of which are exogenous to this model. The level of per capita output depends on the capital–output ratio and the characteristics of

1. Papers describing early versions of the model and citing contributors to the development of the model include Frank de Leeuw and Edward Gramlich, "The Federal Reserve–MIT Econometric Model," FEDERAL RESERVE BULLETIN, vol. 54 (January 1968), pp. 11–40; Frank de Leeuw and Edward Gramlich, "The Channels of Monetary Policy: A Further Report on the Federal Reserve–MIT Econometric Model," FEDERAL RESERVE BULLETIN, vol. 55 (June 1969), pp. 472–91; Robert H. Rasche and Harold T. Shapiro, "The F.R.B.–M.I.T. Econometric Model: Its Special Features," *American Economic Review*, vol. 58 (May 1968, Papers and Proceedings, 1967), pp. 123–49; and Albert Ando and Franco Modigliani, "Econometric Evaluation of Stabilization Policies," *American Economic Review*, vol. 59 (May 1969, Papers and Proceedings, 1968), pp. 296–314.

Jared Enzler, Associate Director of the Division of Research and Statistics, was involved in the model development work, managed the model through much of its first decade of operation, and continues to maintain an active interest in and oversight of model developments. Other current and former Board staff who have worked with the model in its operational phase include Robert Anderson, Douglas Battenberg, Richard Berner, Flint Brayton, Tim Grunwald, William Lee, Eileen Mauskopf, Stephan Thurman, David Wilcox, Anne Williams, and David Wyss.

2. A more detailed description of the model, containing a complete list of the equations (as of 1985), is presented in Flint Brayton and Eileen Mauskopf, "The Federal Reserve Board MPS Quarterly Econometric Model of the U.S. Economy,"*Economic Modelling*, vol. 2 (July 1985), pp. 170–292.

the production function.[3] Although an optimal capital–output ratio exists at which the sustainable level of per capita consumption is highest, there is no guarantee that the actual path to which the model converges is this "golden rule" path. The capital–output ratio that prevails in the long run will be affected by fiscal policy, among other things. The long-run unemployment rate will be consistent with nonaccelerating inflation—which, in the model, depends both on the pace of productivity growth and the ratio of unemployment benefits to take-home pay. In the long run, the rate of inflation will equal the excess of the rate of growth of money over that needed to support the growth rate of real activity; inflation also will depend on any exogenous trend in the ratio of income to money. Money is neutral in the long run in the sense that a permanent change in the amount of money in the economy will cause a proportionate change in the price level, leaving all real magnitudes unchanged. A permanent change in the rate of growth of money, however, will not be neutral in the long run. The consequent changes in the rate of inflation and the nominal rate of interest will have real effects because the demand for money depends on the nominal rate of interest and because some provisions of the tax code are defined with respect to nominal, rather than real, magnitudes.

In the short run, the properties of the model are quite different. Because wages and prices are estimated to adjust slowly, neither labor nor goods markets are continuously in equilibrium. This disequilibrium reflects the presence of adjustment costs and the assumption that expectations are formed autoregressively (for example, expected inflation depends on past inflation). Thus, in the short run, the model has properties that may be characterized as Keynesian: aggregate demand largely determines the level of output, and the unemployment rate of labor (and the utilization rate of capital) may be either below or above the natural rate; fiscal policy affects real output directly through the contribution of government spending to aggregate demand and less directly through the impact of tax policy on disposable income and investment incentives; changes in the supply of money affect both nominal and real interest rates, and the latter influence investment and consumption.

The transition from the short-run responses of the model to the long-run state after either a change in policy or some other disturbance is often lengthy. As shown in simulation results described below, however, after about one year wages and prices are sufficiently flexible that the short-run effects of fiscal and monetary policy on demand begin to be offset by supply responses reflected in movements in wages, prices, and interest rates.

A crucial issue in building economic models is the appropriate way to model expectations. The use in the MPS model of autoregressive (AR) expectations contrasts to the approach using rational expectations (RE) that has prevailed in theoretical macroeconomic analysis during the past decade. The rational expectations hypothesis is based on the assumption that economic agents use all available information in forming expectations. In its strong form (SRE), this hypothesis requires that expectations appearing in a model be consistent with the forecasts of that model.[4] For several reasons, the MPS model has not adopted this constraint on modeling expectations. One is practical: the computational difficulties in estimating and simulating a large-scale model incorporating SRE are formidable; consequently, most of the empirical models that have incorporated this approach have been small. Another reason is our belief that the SRE approach is extreme. The economy is sufficiently complex that economic agents are likely to un-

3. The level of per capita output also depends upon the level of technology embodied in the existing capital stock and on the relative price of energy. The latter determines the energy intensity of production. Energy prices are exogenous in the model.

4. A weaker definition of rational expectations postulates that expectations are optimal forecasts based on *available* information. Costs of acquiring and evaluating information could cause economic agents to make use solely of past observations of a variable in forming their expectations of its future values. In this restricted case, the AR model would be rational, but its parameters need not be constant over time: they could vary with changes in policy rules. The distinction between strong and weak rational expectations is made by P. A. V. B. Swamy, J. R. Barth, and P. A. Tinsley, "The Rational Expectations Approach to Economic Modelling," *Journal of Economic Dynamics and Control*, vol. 4 (May 1982), pp. 125–47.

derstand it only imperfectly. Moreover, once sluggish adjustments owing to sources other than expectational lags (such as long-term contracts) are introduced into economic behavior, SRE models show characteristics similar to those of models with AR expectations: both types of models generate business cycles and permit (expected) policy actions to affect real outcomes.[5]

Nevertheless, the AR expectations approach does have some limitations, and it may not be well suited for the analysis of issues such as the consequences of large, well-understood shifts in policy, policy changes that are widely anticipated before they occur, or policies that would continuously surprise economic agents who were assumed to be using AR expectations. In these cases, we accept Lucas's critique that macroeconomic models not based on rational expectations may fail to predict correctly the response to a policy action.[6] In general, however, the practical importance of the Lucas critique may not be that substantial. Sims argues that policymaking should be viewed as a gradually evolving random process (and that it is viewed as such by the public), not as discrete shifts in policy regimes.[7] Blanchard and Blinder present evidence that, even after the major policy changes of the past decade, key macroeconomic equations with AR expectations do not show the signs of instability that should have emerged if the Lucas critique were important.[8]

5. One area of research on sources of adjustment lags unrelated to the formation of expectations is that on nominal contracts. See, for example, Stanley Fisher, "Long-Term Contracts, Rational Expectations, and the Optimal Money Supply Rule," *Journal of Political Economy*, vol. 85 (February 1977), pp. 191–205, and John B. Taylor, "Aggregate Dynamics and Staggered Contracts," *Journal of Political Economy*, vol. 88 (February 1980), pp. 1–23.

6. Robert E. Lucas, Jr., "Econometric Policy Evaluation: A Critique," in Karl Brunner and Allan H. Meltzer, eds., *The Phillips Curve and Labor Markets*, Carnegie-Rochester Conference Series on Public Policy, vol. 1 (Amsterdam: North Holland, 1976), pp. 19–46.

7. Christopher A. Sims, "Policy Analysis with Econometric Models," *Brookings Papers on Economic Activity, 1:1982*, pp. 107–52.

8. Olivier J. Blanchard, "The Lucas Critique and the Volcker Deflation," *American Economic Review*, vol. 74 (May 1984, Papers and Proceedings, 1983), pp. 211–15; Alan S. Blinder, "Reaganomics and Growth: The Message in the Models," in Charles R. Hulten and Isabel V. Sawhill, eds., *The Legacy of Reaganomics* (Urban Institute, 1984), pp. 199–228.

To describe the structure of the model in more detail, we split it into aggregate demand, aggregate supply, and financial components, although a precise division between the demand and supply components of the model does not exist.

### *Aggregate Demand*

The categories of aggregate demand specified in the model follow the National Income and Product Account (NIPA) disaggregation of gross national product into consumption, investment, government purchases, and exports and imports. Within each category, further disaggregation has been made to ensure that the components modeled are reasonably homogeneous.

*Consumption.* The key variable in the consumption sector *(CON)* consists of spending on nondurable goods and services plus the imputed value of services from the stock of consumer durables. *CON* measures consumption of durables and thus differs from the NIPA measure of personal consumption because the latter includes the purchase of durables rather than their use.

The modeling of the behavior of *CON* is based on the life-cycle theory, which maintains that consumers maximize utility over their lifetimes, subject to the initial value of their wealth and their expectations regarding nonproperty income and the rate of interest. The rate of interest measures the return to postponing consumption to a later period. In the equation, nonproperty income is disaggregated into labor and transfer components because of the different life-cycle characteristics of the two—labor income ceases with retirement whereas transfer income may continue for the remainder of an individual's lifetime. The estimated long-run marginal propensities to consume (MPC) out of labor and transfer income are 0.52 and 0.93 respectively. Wealth also is disaggregated into two components—corporate equities and all other types of wealth—with estimated MPCs of 0.05 and 0.09 respectively. In theory, the nonproperty income and wealth MPCs are not simply constants but are functions of the rate of interest. Only in the case of the wealth MPCs, however, is this dependence recognized in the estimated equation, and it is recognized indirectly through the inclusion of property income—the product of the rate of interest and wealth—as an additional explanatory variable.[9] The estimated long-run MPC out of property income is 0.40.

Because both property income and the market value of wealth depend on the rate of interest, the model has two channels through which interest rates affect consumption. The latter channel—variations in the market value of wealth—is estimated to be by far the stronger one, except over very long periods. An increase in the rate of interest, for example, quickly reduces the market value of wealth, lowering consumption and raising saving. But the higher level of saving then causes wealth to grow more rapidly, and thus the effect of wealth gradually diminishes over time.[10] The effects of interest rates on consumption through the former channel—variations in property income—occur more gradually because property income reflects the average returns on existing assets and thus responds slowly to changes in interest rates. The estimated MPC out of property income is positive but less than one, and therefore an increase in the rate of interest raises both consumption and saving through this channel. However, because the proportion of the increase in property income that is consumed is less than the propensity to consume out of nonproperty income, the ratio of consumption to total income (property and nonproperty income) falls, and the ratio of saving to income rises. The effect on the saving ratio is very small given the estimated MPCs: in the long run each percentage point change in the real after-tax rate of interest moves the private saving ratio in the same direction 0.1 to 0.2 percentage point.[11]

The consumption sector of the model also includes equations for the purchase of consumer durables; these purchases are treated as investment decisions. Consumer durables are disaggregated into two components—new automobiles and other consumer durables—and the equations for both are specified in stock-adjustment form with the desired stocks depending on income, the real rate of interest, relative prices, and the rate of depreciation. The desired stock of cars is also a function of the price of gasoline and the fuel efficiency of cars.

*Investment.* Fixed investment is divided into four categories: residential structures, producers' durable equipment, producers' structures excluding public utility structures and those used in petroleum drilling and mining, and other nonresidential structures. The last category is exogenous. Equations for the other three are based on

9. This formulation is based on the simplifying assumption that the wealth MPCs are linear functions of the rate of interest. Property income is measured as the sum of rental, interest, dividend, and proprietors' income, corporate retained earnings, and imputed income on consumer durables, less an adjustment for losses due to inflation on fixed interest assets.

10. In the life-cycle model, the gradual lessening of the wealth effect reflects the fact that only those cohorts of consumers subject to unexpected gains or losses on their assets change their consumption plans. As time passes, these cohorts form a smaller and smaller fraction, weighted by wealth, of the aggregate population of consumers. From this perspective, the rate at which the wealth effect diminishes should be gradual, and the parameter estimates in the *CON* equation support this conclusion. Assuming that saving flows into (or out of) the same wealth category that is subject to the shock to its market value, the rate at which the initial wealth effect dies out over time equals the corresponding wealth MPC. Thus the induced changes in saving reduce the effect of wealth on consumption about 5 percent per year in the case of a change in the market value of corporate equities and about 9 percent per year for changes in the value of other forms of wealth.

11. The exact relation between the saving ratio and the rate of interest is derived in Brayton and Mauskopf, "Federal Reserve Board MPS Quarterly Econometric Model," p. 184. The private saving measure determined by the equation for *CON* differs from NIPA private saving in the definitions of both the consumption and the income measures upon which the measure is based. The definition of consumption for the model includes the service flow of the durable stock, measured by the sum of the real interest rate and the depreciation rate times the durable stock. By contrast, the NIPA consumption measure includes the purchase of durables. On average, this difference is likely to be small and would, in fact, be zero if the real rate of interest equaled the real growth rate of the stock of consumer durables. The income measure in the *CON* equation differs from aggregate business and household income in the NIPA accounts by including the imputed income on the stock of consumer durables and by excluding the inflation premium in the return on private holdings of government- and foreign-issued debt. The difference in the income measure is more important than the difference in the consumption measure in accounting for the divergence of the two saving measures. Note that NIPA private saving equals the sum of personal and business saving, and that the saving concept in the model includes business saving because retained earnings are part of the household income measure.

the neoclassical approach, in which producers add to the capital stock until its marginal product equals its implicit rental price. The implicit rental price, which is often called the cost of capital, is calculated from the purchase price of capital, the after-tax costs of debt and equity finance, economic depreciation, tax depreciation allowances, and other tax parameters.

For producers' durable equipment and the endogenous component of producers' structures, it is assumed that the production technologies in which each is used are of the constant-elasticity-of-substitution class. This assumption implies that the long-run response of each capital–output ratio has a constant elasticity with respect to changes in the cost of capital. For producers' structures, the estimated elasticity is about 0.5 (in absolute value); therefore, the percentage change in the long-run ratio of structures to output is one-half the percentage change in the inverse of its cost of capital. In the case of equipment, the estimated elasticity is not significantly different from one (in absolute value); and, to simplify elements of the supply side of the model, an elasticity of one is imposed. The long-run ratio of equipment to output thus moves proportionately to the inverse of its cost of capital.

The equations for these two categories of business fixed investment also indicate differences in the paths of adjustment of the types of capital to their new, desired levels following a change in the cost of capital. Investment in producers' durable equipment adjusts only gradually to the cost of capital, with the maximum response achieved in the long run. By contrast, the short-run response of investment in producers' structures to its cost of capital exceeds the long-run effect. These dynamic response patterns suggest that the two types of capital differ in the degree to which existing units of capital can be modified for use with new quantities of other inputs (labor and energy). On the one hand, when the factor proportions embodied in the initial design cannot be changed subsequently (*putty–clay capital*), investment occurs only to replace existing production capacity as it wears out, assuming output is constant. A change in the cost of capital thus modifies only the amount of investment associated with this stream of replacement capacity. On the other hand, investment in capital whose existing units can be freely modified (*putty–putty capital*) responds more in the short run than in the long run to a change in the cost of capital. The short-run response is greater because it includes the one-time alteration of existing capital as well as the replacement of depreciating capital. The estimated paths of adjustment indicate that producers' durable equipment is more likely to be putty–clay and producers' structures to be putty–putty.[12]

The principal housing equation explains real per capita expenditures on nonsubsidized housing exclusive of brokers' commissions. The desired stock depends on consumption (serving as a proxy for permanent income) and on the ratio of the rental price to the consumption deflator. The rental price is a function of the real after-tax mortgage rate, of tax parameters, and of the price of new residential construction. The desired housing stock also depends on the nominal mortgage rate, which is a proxy for qualification standards imposed by mortgage lenders based on the level of monthly mortgage payments. The elasticity of the housing stock with respect to the rental price is not constant, and the adjustment pattern of expenditures is consistent with a putty–putty response. Brokers' commissions, which are a significant fraction of NIPA housing expenditures, are a function of the value of expenditures on new single-family housing and of capital gains on existing homes. The latter is a proxy for sales of existing houses.

Real inventory investment is divided into four categories: nondurable, retail durable, nonretail durable, and farm. The first three are modeled using a stock-adjustment specification in which the desired inventory–sales ratios are functions of the real rate of interest and tax parameters. In addition, short-run movements in inventories are influenced by the degree to which sales are higher or lower than the level anticipated by firms. The unexpected component of sales is likely to cause unintended changes in inventory stocks because of time lags in the process of producing and distribut-

12. The pattern of estimated response to the cost of capital is not a precise indication of whether or not capital is ex post malleable because the response may also reflect adjustment, expectational, and decisionmaking lags.

ing most goods. This buffer-stock element of inventory behavior is captured by including the change in sales in the inventory equations. Farm inventories are exogenous.

*Government Purchases.* Federal, state, and local government purchases are each divided into three components: employee compensation, construction spending, and other purchases. The federal components are exogenous. Behavioral equations explain the three categories of state and local purchases. The principal explanatory variables are the level and growth rate of disposable income, the fraction of the population that is of school age, the unemployment rate, and the amount of federal grants-in-aid.

*Exports and Imports.* Exports and imports are each divided into three general groups: merchandise trade, service receipts and payments, and factor income flows. The principal behavioral equations in the merchandise trade group are for nonagricultural exports and nonpetroleum imports. In each case the key explanatory variables are the level of GNP—domestic GNP for imports and foreign GNP for exports—and the relative prices of goods produced domestically and abroad. Agricultural exports are exogenous, and petroleum imports depend on the difference between domestic petroleum demand and supply. Service exports and imports depend on the appropriate GNP measure, the relative prices for foreign and domestic goods, and the magnitude of trade flows. Factor-income flows are modeled as the product of interest rates and stocks of assets.

In the model, the U.S. exchange rate (defined as a weighted average of 10 bilateral exchange rates) is determined endogenously by the requirement that the net capital inflow (outflow) equal the current account deficit (surplus). The specification of the capital account includes equations for domestic investors' holdings of foreign assets and foreign investors' holdings of domestic assets. The demand for these assets depends mainly on the differential between the short-term interest rate on domestic assets and that on foreign assets, adjusted for the expected rate of change of the exchange rate. This expected rate of change is represented by several proxies: the exchange rate forward premium, past changes in the exchange rate, and the deviation of the real exchange rate from a level that was consistent historically with balance of the current account. Equation estimates indicate that expectations of the level of the exchange rate are regressive: a movement of the exchange rate in one direction generates the expectation that the exchange rate will move in the opposite direction.

## *Aggregate Supply*

The supply side of the model includes the production technology, the specification of firms' production and pricing behavior, and the demand for inputs into the production process—labor, capital, and energy. Besides treating these facets of the model, this section describes wage dynamics and briefly discusses how the model's structure relates to several supply-side issues. These issues include the interest elasticity of private saving, the response of consumption to debt-financed tax cuts, and the response of labor supply to changes in marginal tax rates.

*The Behavior of Producers: Factor Demands and Prices.* The cornerstone of the supply side of the model is the production function. Output of the principal sector of the economy—nonfarm business exclusive of services of the housing stock—is assumed to be produced using labor, capital, and energy inputs with a Cobb–Douglas production function. Thus, for a given level of production, the minimizing of costs by firms causes the demand for each input to be inversely proportional to its own price relative to the price of output. This relation between factor demands and factor prices is based on the estimated parameters in the equation for producers' durable equipment, which is the only type of capital included in the production function for this sector.[13] As described below, however, the demand for energy does not appear to be based on the

13. The role of the stock of producers' structures in the production process is much less clear than the role of equipment. Clearly, structures are required for most forms of production to occur, but the degree to which structures contribute to output and can be substituted for other input

simple Cobb–Douglas technology, and research is planned to resolve this inconsistency in the structure of the model.

The specification of the supply side is complicated by the empirical observation that producers' durable equipment is putty–clay. In designing this type of capital, producers choose particular amounts of labor and energy to be used with the capital from the possibilities offered by the ex ante Cobb–Douglas production function. Once designed and installed, however, that unit of capital is operable only with those amounts of labor and energy. Because of this characteristic, it is important to distinguish between the determination of the optimal factor intensities on a particular vintage of capital and the specification of the aggregate demands for capital, labor, and energy. In general, only the demands for these inputs associated with new vintages of capital will be responsive to changes in factor prices; consequently, the aggregate input demands will be relatively insensitive to factor prices in the short run.[14] Only in the longer run, when the capital stock has been totally replaced, will the full (inverse) proportionality between factor prices and aggregate factor demands hold. These characteristics were described above for investment in producers' durable equipment.

The aggregate demand for energy is the sum of energy required on each vintage of capital in use. It may be expressed as the product of output and a weighted average of the energy–output ratios on the various vintages in use, where the weights represent the share of output produced by each vintage. The energy–output ratios for each vintage depend on the real price of energy at the time the capital was installed. In the estimated equation, no attempt is made to use specific vintage weights. Rather, the aggregate energy–output ratio is made a function of a long distributed lag on the relative price of energy, and the slow estimated response of the aggregate ratio to the relative price is consistent with the putty–clay characteristic. However, the estimated long-run real price elasticity of $-0.33$ is lower than expected and casts doubt on the appropriateness of the Cobb–Douglas production function.

Analogous to the aggregate demand for energy, the aggregate demand for labor (measured in hours) is the sum of labor required across the different vintages of capital in use. Because the optimal labor intensity of each vintage is modeled as a function of the optimal intensities of capital and energy and the parameters of the ex ante production function, aggregate labor demand depends on actual output and the average capital–output and energy–output ratios in use. In addition, the ex ante production function assumes a constant rate of labor-augmenting technological change; and, therefore, the intensity of the labor input in production falls over time, ceteris paribus. Hours per unit of output also depend on the level of capacity utilization: an increase in utilization rates increases labor productivity as overhead labor is used more efficiently, but it reduces productivity as machines with higher operating costs (due primarily to higher labor requirements) must be brought into production. The latter relation between capacity utilization and productivity attempts to capture indirectly variations over time in the vintages actually used.

Prices are set as a markup over unit labor costs.[15] The existence of the markup stems from

factors (particularly labor and equipment) is difficult to define. For this reason, they are not included in the production function.

This specification of production technology and firm behavior is for the nonfarm business sector exclusive of the services of the housing stock (the implicit rental value). The other sectors of the economy have much simpler production relationships: output is proportional to labor input (government, household, and institution sectors) and to capital input (housing output) and is exogenous (farm) or equal to net factor income (the rest of the economy). The discussion in the remainder of this section applies only to the nonfarm business sector exclusive of housing output.

14. On the one hand, the factor intensities on the current vintage of capital depend, in principle, not only on current real factor prices but also on their expected values over the lifetime of the vintage because of the putty–clay characteristic. On the other hand, lags in decisionmaking and delivery cause the factor proportions on the current vintage to depend on lagged real factor prices. The use of lagged factor prices in the model equations should thus be interpreted as reflecting both autoregressive expectations and these other sources of lagged adjustment.

15. An alternative but equivalent way of specifying prices is as a markup over unit factor costs. In this case, prices move proportionately with all factor costs (with the sum of the elasticities of factor costs equal to unity) and inversely with the rate of technological progress.

the assumption that firms generally operate as oligopolists, setting prices above the level that would obtain under perfect competition, but not so high as to induce additional firms to enter the market. As specified in the equation, the actual markup varies positively with the degree of utilization of capital and labor and inversely with the degree of price competition from foreign goods. In principle, the putty–clay nature of capital also complicates the specification of price behavior. Prices should be set such that the revenue stream of the newest vintage of capital equals the markup times the cost stream, both discounted over the lifetime of the capital. A consequence of this rule for setting prices is that labor productivity of only the most recent vintage of capital rather than labor productivity averaged across all vintages of capital should affect the price. The model's price equation, by contrast, uses average labor productivity, a use that may be justified in part on the basis of short-run adjustment costs for investment in new capital.

*Wage Determination and the Natural Unemployment Rate.* The rate of change in compensation per hour is explained by an expectations-augmented Phillips curve. Each percentage point decrease in the unemployment rate is estimated to raise the rate of change in hourly compensation in the same quarter by 0.85 percentage point at an annual rate. The behavior of compensation per hour also depends on the rate of inflation in the prices of consumer goods, the change in the minimum wage, the ratio of unemployment benefits to wages, the change in female representation in the labor force, and changes in employer contributions to social security and unemployment insurance.[16]

As is well known, when the wage equation is of the Phillips-curve variety, the coefficient on price change determines the existence of a long-run tradeoff between inflation and unemployment. If the coefficient is less than unity, there is such a long-run tradeoff. If the coefficient is unity, as it is estimated to be in the model's equation, the long-run Phillips curve is vertical, and a natural rate of unemployment exists.[17] This rate is consistent with the maintenance of a constant rate of inflation but is independent of the actual inflation rate. The economy cannot deviate permanently from the natural rate without causing an unbounded acceleration or deceleration of prices. In the model, the natural rate moves positively with the ratio of unemployment benefits to wages and negatively with the rate of growth of productivity. With trend productivity growth of 1.0 percent and unemployment benefits at their current level, the natural rate of unemployment is 6.4 percent.

*Labor Supply.* The specification of labor supply depends largely on demographic factors, with some cyclical influence by the employment rate. Although the responsiveness of the labor supply to the real after-tax wage rate is a critical element in the revival of classical economics, the equation for aggregate labor supply does not contain such a term. The failure to find empirical support for this hypothesis may stem from (1) offsetting income and substitution effects generated by a change in the real wage of primary workers, and (2) the behavior of nonprimary workers, who respond positively to their own real wage but negatively to the real wage of primary workers.

*Private Saving.* Another tenet of supply-side theory that our empirical work fails to substantiate is a large positive response of the saving rate to the real after-tax rate of interest. As described above, the consumption equation indicates that, although the response of the saving rate to the real after-tax rate of interest is positive, the effect in the long run is weak. In addition, net foreign saving is estimated to be relatively insensitive to the differential between interest rates on U.S. assets and those on foreign assets. One consequence of the relative insensitivity to the real interest rate of both private and net foreign saving is that persistent government budget deficits—which are a form of dissaving—reduce the

16. Compensation is inclusive of employee and employer social security insurance contributions and of other fringe benefits.

17. The equation imposes a unitary price response, but the coefficient value when freely estimated is not significantly different from this value. The existence of a natural unemployment rate also requires that the elasticities of the output price with respect to factor prices sum to one. The model's price equation implicitly has this characteristic.

amount of wealth in individuals' portfolios allocated to the private capital stock. Thus, in the long run, per capita output is smaller than it would otherwise be.[18]

The relation between government debt policy and private saving also hinges on the extent to which individuals' consumption decisions are sensitive to expected future tax liabilities. Under what has become known as the Ricardian equivalence proposition, a shift between tax and deficit (bond) finance of government expenditures has no effect on consumption.[19] This conclusion is based on the intertemporal budget constraint faced by the government, which ensures that short-run changes in the financing mix change only the time profile of tax liabilities, not their present value. This view also requires that consumers are forward-looking and see that changes in the short-run financing mix do not affect their own intertemporal budget constraints.

For both empirical and theoretical reasons, the specification of the model's consumption equation is not based on the Ricardian equivalence approach. The specification used has explained past consumption well, even over recent years, when there has been a marked shift toward deficit finance. In the Ricardian view, the resulting increase in aftertax income should have been saved. Instead, consumption has increased and private saving has remained low, as predicted by the model's consumption equation. From a theoretical perspective, the Ricardian equivalence proposition is not valid if such factors as liquidity constraints, finite planning horizons, or uncertainty significantly influence consumer behavior.[20]

18. In the long run, government deficits always crowd out gross output; and, unless the capital–output ratio exceeds that consistent with maximum sustainable net output, deficits crowd out net output also.

19. Robert J. Barro, "Are Government Bonds Net Wealth?" *Journal of Political Economy*, vol. 82 (November/December 1974), pp. 1095–117.

20. See Robert B. Barsky, N. Gregory Mankiw, and Stephen R. Zeldes, "Ricardian Consumers with Keynesian Propensities," *American Economic Review*, vol. 76 (September 1986), pp. 676–91, and the references cited therein. To the extent that these potential factors affect the sensitivity of consumption to contemporaneous aftertax income, they are consistent with the general specification of the model's consumption equation, which freely estimates this parameter.

### *Financial Sectors*

The financial sector includes equations for the components of the money stock measures M1 and M2 and for the behavior of bank reserves. A term-structure equation links the long-term rate of interest to the current and past values of a short-term interest rate and the rate of inflation. Another equation equates the expected rate of return on equity (net of a risk premium) to the expected rate of return on bonds.

*M1 and M2 Components.* M1 is modeled as the sum of four components: currency plus travelers checks, demand deposits, Super NOWs, and other checking deposits excluding Super NOWs. The specification of each equation is based on the inventory–theoretic transactions model. The principal explanatory variables are the opportunity cost (market rate of interest less any explicit return on the deposit), the price level (with homogeneity of degree one imposed), and real output or consumption. Except in the case of currency, the elasticity of deposits with respect to the opportunity cost increases as the opportunity cost rises, and it approaches zero as the opportunity cost approaches zero. The demand for currency has a constant elasticity with respect to the opportunity cost.

At the M2 level, all deposit categories in M2 but not in M1, except overnight RPs and Eurodollars, are aggregated for modeling purposes. The share of household wealth allocated to this aggregate depends on measures of the opportunity cost as well as on the change in wealth due to personal saving (to reflect a temporary rise in the share of wealth allocated to these more liquid deposits when saving increases).

*The Yields on Bonds and Equity.* The term-structure equation relates the yield on corporate bonds to current and lagged values of the commercial paper rate and the rate of inflation. Because the effective duration or maturity of a coupon bond shortens as interest rates rise, the length of the distributed lags on both the commercial paper and inflation rates is allowed to vary with the recent level of the commercial paper rate.[21] The lag length is estimated to be

21. The duration shortens as the interest rate rises because a larger fraction of the present value of all payments on a bond—

shorter the higher are recent values of the short-term rate. The real return on equity is calculated as a weighted average of dividends and cash flow, divided by the market value of equity; most of the weight is on dividends. This real rate is equated to the real return on bonds—the corporate bond rate less a long distributed lag on the rate of inflation—plus a constant to reflect a risk premium.

### *Model Properties*

The previous sections have described key components of the structure of the model. This part presents simulations to demonstrate more concretely the properties of the model, particularly in the short run. Each case has a base simulation in which the model is adjusted to replicate the historical path of the economy. Then a second simulation, in which the time path of an exogenous variable is altered, is performed. The results presented below are differences between the second simulation and the base simulation.[22]

### *Response to a Fiscal Shock*

In this simulation, real federal purchases are permanently increased by 1 percent of real GNP. All tax rates are held constant. The simulation is performed four different ways to show the relative importance of demand and supply responses and the dependence of the outcome on the stance of monetary policy. In the first case, the supply side of the model is suppressed by holding wages, prices, and relative factor proportions at their base values to highlight the demand effects of the fiscal change; thus the supply of output is assumed to move one for one with changes in demand at an unchanged price. Monetary policy is characterized by holding the federal funds rate at its base value. From the perspective of the loanable funds market, fixing the federal funds rate requires the monetary authority to increase M1 by purchasing through open market operations the fraction of the increase in government debt that the nongovernment sectors do not wish to hold at the base value of the short-term interest rate. As shown in entry 1 in table 1, these assumptions result in a response of the level of real GNP that peaks at 3.8 percent after four years and subsides a bit thereafter. This is a typical multiplier–accelerator pattern: the adjustment dynamics of most of the investment equations cause the short-run response to exceed the long-run response. The size of the long-run response depends inversely on the degree to which increases in income escape from the domestic spending chain in the form of increases in saving, a rise in taxes, and purchases of foreign goods.

The second entry shows the consequence of altering the monetary policy assumption to one in which M1 is held at its base path. The higher level of activity generated by the change in fiscal policy requires an increase in interest rates to hold money demand equal to the fixed supply. (In the loanable funds market, the rise in interest rates is necessary to induce the nongovernment sectors to hold all of the increase in government debt.) Under this monetary policy assumption, the boost to real GNP is considerably damped as the higher level of the interest rate crowds out some interest-sensitive private spending. The peak response is 1.4 percent after two to four quarters.

In entry 3, prices are endogenized, but wages are still exogenous.[23] Monetary policy is again characterized by fixed M1. In this case, producers are permitted to choose the price at which to supply output although labor is still available at the fixed wage rate. Given these assumptions, the real GNP response is further damped after the first two years, but only by a little. After the first two quarters, prices rise slightly, reflecting some upward slope to the supply curve for output. The higher price level retards aggregate demand through a shift in the distribution of income toward profits and away from real disposable income (such a shift reduces demand in the short run but not in the long run when households recognize their gains as shareholders). It retards

both the coupon and the repayment of principal—is then due to the nearer-term payments.

22. Because the model is nonlinear, the size of the multiplier depends on the characteristics of the base simulation. Experiments have shown that this dependence on initial conditions can be significant.

23. The mix of inputs in the production process also is allowed to change, but this change is of only small quantitative importance over the period being simulated.

1. Simulated responses to an increase in purchases by the federal government[1]

Percent, except where noted

| Type of simulation | Quarter following shock 1 | 2 | 4 | 8 | 12 | 16 | 20 |
|---|---|---|---|---|---|---|---|
| 1. *Exogenous supply side: federal funds rate fixed* | | | | | | | |
| Real GNP | 1.3 | 1.7 | 2.3 | 3.1 | 3.7 | 3.8 | 3.1 |
| 2. *Exogenous supply side: M1 fixed* | | | | | | | |
| Real GNP | 1.2 | 1.4 | 1.4 | 1.2 | 1.1 | .8 | .4 |
| Federal funds rate (percentage points) | 1.02 | 1.24 | 1.12 | .80 | .89 | .68 | .32 |
| 3. *Exogenous wages: M1 fixed* | | | | | | | |
| Real GNP | 1.3 | 1.5 | 1.4 | 1.2 | 1.0 | .5 | .1 |
| GNP deflator | 0 | 0 | .1 | .3 | .4 | .5 | .5 |
| Federal funds rate (percentage points) | .98 | 1.36 | 1.30 | 1.05 | 1.18 | .98 | .48 |
| 4. *Full model: M1 fixed* | | | | | | | |
| Real GNP | 1.3 | 1.4 | 1.3 | 1.0 | .2 | −.9 | −2.0 |
| GNP deflator | 0 | .1 | .3 | .9 | 1.8 | 2.7 | 3.0 |
| Federal funds rate (percentage points) | 1.00 | 1.42 | 1.49 | 1.67 | 2.20 | 2.15 | 1.31 |

1. Real federal purchases are increased by 1 percent of the base value of real gross national product. The responses were calculated over the period 1981–85, with the base simulation constructed to replicate historical values.

aggregate demand also by further raising interest rates, given the fixed M1 policy.

In each of these three cases, the more expansionary fiscal policy leads to a permanent increase in output because of the suppression of one or more elements of the supply side of the model. In a fourth case, when wages are endogenized and the full model is simulated (with fixed M1), the picture changes dramatically. The stimulative fiscal policy now has only a transitory positive effect on real activity. No longer can firms boost employment at a fixed wage rate; rather, the increase in employment required to produce the initially higher level of output leads to higher wages. Higher wages boost prices, which in turn put further upward pressure on wages. The wage–price acceleration (relative to the values of wages and prices in the base simulation) stops as higher prices push up interest rates and crowd out private spending. Private spending is fully displaced by the higher level of government purchases after about 3½ years. The response of output then turns negative because the higher price level is inconsistent with the unchanged supply of money. In general, the dynamic path to the long-run equilibrium will be characterized by gradually damped oscillations.[24] The expansive fiscal policy also sets off a supply-side response that will cause the long-run real output multiplier to be negative: the crowding out of private investment lowers the private capital stock. This is a very gradual process, however, and is not apparent over the five-year period shown in the table.

Comparing entries 2 and 4 indicates the relative importance of the supply side of the model over short periods. Both of these multipliers are based on the same monetary policy assumption, but entry 2 suppresses the supply side of the model whereas entry 4 includes it. The results for real GNP are virtually the same for the first quarter and are fairly close after one year, but then diverge significantly. For the period simulated, supply-side influences work primarily through the wage–price sectors; however, in the long run, the effect on potential output of changes in the private capital stock becomes the dominant factor.

The response of the model to other exogenous shifts in aggregate demand, such as a shift in the investment function, is similar over a five-year period to that from a change in government purchases. Over longer periods, however, the responses will not be the same to the extent that

24. The model tends to oscillate after a shock, especially if monetary policy takes the form of holding a monetary aggregate unchanged. There are two basic reasons for the cycling. One is the longer lag between interest rates and real activity compared with the lag between interest rates and money demand. With a fixed supply of money, an increase in real activity requires that interest rates rise to hold money demand equal to the unchanged supply. The higher interest rates eventually lower activity. The scenario is then repeated in reverse. The other, and more important, source of cycling is the specification of the wage equation in growth-rate form. As a result, the real wage oscillates in response to a shock.

they have different implications for the private capital stock and potential output.

### *Response to a Shock in the Level of Money*

Because a principal reason for building the model was to focus on monetary and financial forces, much attention has been paid over the years to exploring the channels through which monetary factors affect the real economy. This issue has long been a subject of controversy at both the theoretical and the empirical levels. The role of money in the model lies well between the extremes of the monetarist school, on the one hand, and the view that money is a relatively unimportant factor in business cycles, on the other. There is, however, a fundamental difference between the short- and the long-run effects of money in the model. Over the short run, an autonomous change in the money supply significantly affects aggregate demand because of the estimated importance of the real interest rate and of wealth in influencing demand. Nevertheless, the effect on demand occurs solely through changes in the interest rate—neither the level nor the rate of growth of money enters the behavioral equations (except, of course, the money demand equations). In the long run, an autonomous change in the level of money has no effect on the real economy and, instead, will determine only the level of prices.

To isolate some of the factors influencing the full model response to a permanent change in the level of money, the simulations were decomposed into several steps. The results are presented in table 2.

In the first stage, the level of M1 is permanently increased by 1 percent relative to the baseline value of M1. Only interest rates and the interest-sensitive components of wealth are endogenized.[25] Because prices and output are held fixed, changes in the rest of the economy do not feed back to the financial sectors, so we can measure the direct effect of monetary policy on financial markets. The effects on selected financial variables are presented in the top third of the table. An increase in M1 initially depresses the short-term interest rate by a disproportionately large amount. The "overshooting" of interest rates stems from the small contemporaneous elasticity of M1 (relative to its long-run elasticity) with respect to the short-term interest rate. Because the corporate bond rate is modeled by a distributed lag on the commercial paper rate—and the dividend–price ratio by a distributed lag on the bond rate—these rates can also overshoot initially. By the end of the fifth year, the effect on the commercial paper rate is close to 1 percentage point; the effect on the bond rate is slightly smaller; and the change in the dividend–price ratio is about half the change in the bond rate, reflecting the historical average of the dividend–earnings payout ratio. The percentage increase in stock market wealth equals the percentage decline in the dividend–price ratio, and the change in land prices moves inversely but slowly with the decline in the bond rate. By quarter 20, the percentage increase in land prices is about 70 percent of the long-run change consistent with the decline in the bond rate.[26]

In panel 2, the changes in interest rates and wealth after 20 quarters, as reported in the last column of panel 1, are fed through to the equations for the components of demand. By using the long-run changes in interest rates and wealth (that is, those that appear after 20 quarters) rather than the complete path as reported in panel 1, the simulation compresses the period over which these demand responses would appear. Each component of demand is treated separately from all other components, and aggregate output and income are held fixed to abstract from multiplier–accelerator effects on spending. Thus the direct effects of changes in interest rates and wealth on individual components of demand are isolated.[27]

25. Although market values of housing, consumer durables, and bonds (with a maturity in excess of one period) would also change with interest rates, the model captures changes only in the capitalized values of the stock market and of land.

26. The estimated long-run elasticities of land values with respect to the bond rate are (in absolute value) 0.81 for farmland, 0.73 for household ownership of land, and 1.02 for other noncorporate land.

27. The percentage change in land prices that is used for the simulations reported in panel 2 is the change in land prices in evidence when land prices have fully adjusted to the changes in the bond rate.

In the model, the principal channel through which money and interest rates affect spending is the cost of capital, which is the gross return on capital given the rate of return on investor equity, the rate at which capital depreciates, the tax rate, the cost of debt, and the rate of inflation. A reduction in the rate of return on equity or debt—holding fixed the rate of inflation—lowers the cost of capital and raises the optimal capital–output ratio and the rate of spending at a given level of output. The modeling of consumer durables, business fixed investment, housing, and inventory investment explicitly recognizes this link between the cost of capital and investment spending.

Panel 2 reveals considerable variation in the way various kinds of investment respond to a decline in the interest rate. Several factors account for this variation. A change in the interest rate has a bigger impact on the cost of capital the

2. Simulated responses to an increase in money[1]

| Economic variable | Quarter following shock | | | | | |
|---|---|---|---|---|---|---|
| | 1 | 4 | 8 | 12 | 16 | 20 |
| | 1. M1 increased: only interest rates endogenous | | | | | |
| Commercial paper rate (basis points) | −252 | −111 | −83 | −89 | −99 | −97 |
| Corporate bond rate (basis points) | −81 | −76 | −51 | −59 | −88 | −94 |
| Dividend–price ratio (basis points) | −47 | −51 | −30 | −25 | −42 | −44 |
| Corporate equity | | | | | | |
| Billions of dollars | 149 | 141 | 103 | 130 | 203 | 293 |
| Percent | | | | | | 12.2 |
| Noncorporate land | | | | | | |
| Billions of dollars | 9 | 28 | 47 | 68 | 86 | 104 |
| Percent | | | | | | 4.1 |
| | 2. Interest rate and wealth changed by long-run effect (as reported in quarter 20 of panel one); aggregate output, income, and prices exogenous | | | | | |
| Producers' durable equipment | | | | | | |
| Billions of 1982 dollars | .7 | 2.4 | 4.2 | 8.4 | 10.7 | 13.2 |
| Percent | .3 | 1.0 | 2.0 | 3.2 | 3.6 | 4.1 |
| Producers' structures | | | | | | |
| Billions of 1982 dollars | 0 | 3.7 | 5.3 | 7.4 | 7.5 | 6.9 |
| Percent | 0 | 2.4 | 3.9 | 5.6 | 5.1 | 4.5 |
| Housing investment | | | | | | |
| Billions of 1982 dollars | 2.6 | 10.0 | 8.6 | 9.6 | 7.8 | 6.3 |
| Percent | 1.9 | 9.1 | 7.4 | 6.0 | 4.6 | 3.5 |
| Inventory investment | | | | | | |
| Billions of 1982 dollars | .5 | 1.7 | 1.7 | 1.1 | .8 | .7 |
| Consumer purchases of new autos | | | | | | |
| Billions of 1982 dollars | 0 | .8 | 1.0 | 1.0 | .9 | .8 |
| Percent | 0 | 1.9 | 1.7 | 1.4 | 1.2 | 1.1 |
| Consumer durables other than autos | | | | | | |
| Billions of 1982 dollars | .2 | 1.7 | 2.9 | 3.2 | 3.1 | 3.1 |
| Percent | .1 | .8 | 1.4 | 1.4 | 1.2 | 1.2 |
| Consumption[2] | | | | | | |
| Without consumption price change | | | | | | |
| Billions of 1982 dollars | 2.2 | 8.7 | 13.1 | 21.0 | 25.2 | 27.9 |
| Percent | .1 | .4 | .6 | 1.0 | 1.1 | 1.2 |
| With consumption price change | | | | | | |
| Billions of 1982 dollars | 4.7 | 14.6 | 20.0 | 29.0 | 33.2 | 35.8 |
| Percent | .2 | .7 | .9 | 1.3 | 1.5 | 1.5 |
| | 3. Full-model responses for M1 increase | | | | | |
| Real GNP | | | | | | |
| Billions of 1982 dollars | 11 | 38 | 36 | 17 | −24 | −61 |
| Percent | .3 | 1.2 | 1.1 | .5 | −.7 | −1.7 |
| GNP deflator (percent) | 0 | .1 | .6 | 1.4 | 2.1 | 2.4 |
| Commercial paper rate (basis points) | −229 | −15 | 53 | 89 | 56 | 1 |
| Corporate bond rate (basis points) | −82 | −20 | 34 | 34 | 49 | 41 |
| Unemployment rate (percentage points) | −.1 | −.4 | −.5 | −.4 | 0 | .6 |
| Exchange rate (percent) | −2.9 | −2.4 | −2.8 | −.3 | .1 | 2.8 |

1. The level of M1 is permanently increased by 1 percent. The responses were calculated over the period 1981–85 with the base simulation constructed to replicate historical values.

2. Includes the service flow from the stock of consumer durables but not expenditure on new durables.

longer the life of the capital.[28] Therefore, housing and nonresidential structures are more sensitive to interest rate changes than are consumer and producers' durables, ceteris paribus. Differences in the estimated elasticity of each type of capital to the cost of capital also matter. The larger response of producers' durable equipment to the cost of capital, compared with that of structures, offsets some of the greater sensitivity of the cost of capital to interest rates that longer-lived structures have. In addition, because the figures in panel 2 represent the dynamic paths of spending rather than the steady-state effects, the responses reflect differences among the markets for the various capital goods in the time between placing an order and receiving the capital and in the speed with which actual changes in interest rates lead to expected changes. Equally important for the dynamic paths is the ex post possibility for factor substitution. Because of its putty–clay nature, producers' durable equipment adjusts relatively slowly to the change in interest rates, and the short-run response of investment in this type of capital never exceeds the long-run response. By contrast, all other categories of capital show a tendency to overshoot in the short run.

Another way financial variables affect the real economy is by inducing short-run variations in household net worth. In the model, the market value of corporate equity is determined by capitalizing the dividend stream by the dividend–price ratio, and the market value of land is determined by capitalizing the expected real output of land by the real rate of interest on bonds. A dollar increase in the value of the stock market and the value of land is estimated to increase consumption by five cents and nine cents respectively. The first consumption row in panel 2 shows the dynamic response of consumption to changes in wealth (consistent with a decline in the bond rate of a little less than 1 percentage point), assuming no change in property income. By quarter 20, the effects of wealth on consumption approximately equal the sum of the effects of the cost of capital on the other categories of demand.

The second consumption row in panel 2 allows for an additional influence of interest rate changes on consumption spending. The model definition of consumption includes the imputed flow of services from the stock of consumer durables. Because an element of the price of these services is the (real) interest expense on a unit of consumer durables, a decline in the interest rate directly lowers the price of consumption, thus stimulating consumption for a given level of nominal income.[29] As shown in the last row, including this effect boosts the consumption response about 50 percent.

Another channel that at one time was important in linking the financial and real sectors of the model was nonprice credit rationing in the mortgage market. However, the causes of credit rationing—deposit rate ceilings, usury constraints on mortgage rates, and the lack of integration of the mortgage and general capital markets—have diminished considerably over the past decade with the deregulation of both the deposit and the mortgage markets. The structure of the model's housing sector thus assumes that the influence of credit rationing has been negligible since the mid-1970s.

The full-model response to a permanent increase in the level of M1, reported in panel 3, allows for the feedback from output to prices and interest rates and for multiplier–accelerator effects on output. Initially, interest rates are lowered and output is stimulated by the factors described in the first two panels of the table. The higher level of output then leads to increases in prices, and the higher output and higher prices together subsequently raise interest rates—despite the increase in M1. Higher interest rates then depress spending relative to the base path, and prices and interest rates will eventually reverse direction. By quarter 20, the model solution remains far from its steady-state response: the increase in the price level (2.4 percent) is well above the 1 percent that in the long run is

28. This effect occurs because for longer-lived assets the rate of interest is a larger fraction and the depreciation rate a smaller fraction of the cost of capital.

29. One component of the model's measure of nominal property income is not held constant in this case. A decline in consumption prices—given past prices—initially reduces the capital gains households earn on their holdings of government and foreign debt. Because this change in the price level is permanent, the rate of inflation is ultimately unchanged, so this effect does die out.

consistent with the change in money, and the level of output is 1.7 percent below its long-run response of no change.

## USES OF THE MODEL

### *Forecasting*

The staff of the Federal Reserve Board regularly prepares forecasts of the economy, and one element in the forecasts is a projection derived from the quarterly model. The model forecast is not a purely mechanical projection; rather, it typically depends on constant adjustments (*add factors*) applied to many of the behavioral equations. Add factors are introduced for three reasons: (1) to adjust equations whose post-sample errors have deviated from the estimated error characteristics and for which there has been either insufficient time to reestimate the equation or lack of success at respecifying the equation; (2) to reflect shocks to behavior that can be identified with events not captured by the structure of an equation and whose magnitude and persistence can be roughly predicted; and (3) to incorporate an estimate of an equation's near-term error based on high-frequency data observations. In the last case, a pooled forecast from the quarterly model and a monthly short-term forecasting model are used as aids in generating add factors.[30] The monthly model combines direct observations on high-frequency data with a mix of behavioral and autoregressive equations.[31]

As part of the forecasting process, a stochastic simulation technique is used to generate confidence ranges or probability distributions for the model projection. The approach involves repeatedly simulating the model, subjecting each behavioral equation and most exogenous variables to random shocks based on their historical error characteristics. The errors for exogenous variables are derived as residuals from autoregressive equations.[32]

### *Policy Alternatives*

The model offers a convenient framework for analyzing the effects of alternative monetary and fiscal policies or of changes in other exogenous variables. Despite the complexity of the model, such simulations often require judgmental adjustments or adaptations of model equations to capture fully the important aspects of the issue being analyzed. For instance, in simulating the effect of lower energy prices, a judgmental adjustment has to be made both to the projection of domestic production of petroleum and to investment in petroleum drilling rigs because those variables are exogenous to the current structure of the model.

### *Special Uses of the Model*

In addition to its use for forecasting and short-run multiplier analysis, the model has served other purposes over the years. Often it has been simulated to determine the long-run implications of policy changes. A study by Anderson, Ando, and Enzler, for example, examined the effect of various fiscal policies on the steady-state values of output and the real rate of interest.[33] In one set of simulations reported, the long-term ratio of net federal debt to nominal GNP was increased from 0 to 100 percent with the consequence that the new steady state had a real rate of interest that was higher by 5 percentage points and a level of real GNP that was 5 percent lower. In another study of fiscal policy, Brayton and Clark used the model to investigate the longer-run consequences of the 1981 Economic Recovery Tax Act (ERTA).[34] In this case, rather than

30. Carol Corrado and Mark Greene, "Reducing Uncertainty in Short-Term Projections: The Linkage of Monthly and Quarterly Models" (Board of Governors of the Federal Reserve System, Division of Research and Statistics, Special Studies Section, December 1983).

31. Carol Corrado and David Reifschneider, "A Monthly Forecasting Model of the U.S. Economy" (Board of Governors of the Federal Reserve System, Division of Research and Statistics, Special Studies Section, September 1986).

32. The stochastic simulation methodology was developed and implemented by Peter Tinsley, James Berry, Gerhard Fries, Doug Handler, and Arthur Kennickell. It has also been extensively used for the analysis of policy strategies as described in the text.

33. Robert Anderson, Albert Ando, and Jared Enzler, "Interaction between Fiscal and Monetary Policy and the Real Rate of Interest," *American Economic Review*, vol. 74 (May 1984, Papers and Proceedings, 1983), pp. 55–60.

34. Flint Brayton and Peter B. Clark, *The Macroeconomic and Sectoral Effects of the Economic Recovery Tax Act: Some Simulation Results*, Staff Studies 148 (Board of Governors of the Federal Reserve System, 1985).

simulating the model until it reached an equilibrium growth path, they adjusted monetary policy to offset the impact of ERTA on real output. Several results emerged from the study: real interest rates were significantly higher as a result of ERTA; investment was depressed as the increase in real interest rates more than offset the stimulus to investment from the acceleration of depreciation allowances; and the shift from tax to bond finance of federal expenditures, implicit in ERTA, would have led eventually to an unstable budgetary position in which government debt grew explosively.

Some other special uses of the model have centered on the analysis of alternative strategies for conducting monetary policy. Two papers by Kalchbrenner and Tinsley in the mid-1970s applied optimal control techniques to this topic.[35] Subsequent studies have used the stochastic simulation methodology, described above, to analyze a wider range of policy design issues than can be studied using deterministic simulations (for example, policies that react to shocks) and to evaluate policies on the basis of the degree of control achieved over ultimate targets such as inflation and unemployment. A series of papers by Tinsley and von zur Muehlen used stochastic model simulations for three purposes: (1) to rank strategies that focused directly on the ultimate targets with those based on intermediate targets (M1, M2, nominal GNP, the federal funds rate, and the monetary base); (2) to determine whether the choice of an intermediate target more closely related to the ultimate targets was superior to targeting on variables causally further removed; and (3) to evaluate conditional intermediate targeting in which policy settings were revised in light of events affecting the ultimate targets.[36] Most recently, Anderson and Enzler extended this approach to develop a hierarchical policy reaction function and used stochastic simulation to contrast it to the case of M1 targeting.[37] This study also investigated these types of policies in a forward-looking framework that permits the policy setting in each period to depend on the consequences of the policy as given by deterministic simulations of the model.

### *CHANGES TO THE STRUCTURE OF THE MODEL*

All macroeconomic models are at best approximations to the true structure of the economy. Exact models cannot be created because of the complexity of the economy. Moreover, empirical methods are limited to estimating behavioral relations based on available data, however imperfect. Although one hopes to model the important features of the economy accurately, the passage of time inevitably reveals the failure of parts of a model's structure to explain adequately economic events. Thus a need to reexamine the structure of a model persists.

The process of reexamination has led over time to many modifications of the quarterly model structure. Among the most important changes was the replacement of the original wage equation—which implied a long-run tradeoff between inflation and unemployment—with one in which no such tradeoff existed.[38] The long-run characteristics of the model's supply side also were altered with the inclusion of the average capital–output ratio (and, at a later time, the energy–output ratio) in the productivity equa-

35. J. H. Kalchbrenner and P. A. Tinsley, "On the Use of Optimal Control in the Design of Monetary Policy," Special Studies Papers 76 (Board of Governors of the Federal Reserve System, Division of Research and Statistics, Special Studies Section, July 1975), and J. H. Kalchbrenner and P. A. Tinsley, "On the Use of Feedback Control in the Design of Aggregate Monetary Policy," *American Economic Review*, vol. 66 (May 1976, Papers and Proceedings, 1975), pp. 349–55.

36. P. Tinsley, and P. von zur Muehlen, "A Maximum Probability Approach to Short-Run Policy," *Journal of Econometrics*, vol. 15 (January 1981), pp. 31–48; P. Tinsley and P. von zur Muehlen, "The Reliability of Alternative Intermediate Targets (Board of Governors of the Federal Reserve System, Division of Research and Statistics, Special Studies Section, November 1983); and P. A. Tinsley and P. von zur Muehlen, "Conditional Intermediate Targetting" (Board of Governors of the Federal Reserve System, Division of Research and Statistics, Special Studies Section, October 1983).

37. Robert Anderson and Jared Enzler, "Policy Design: Policy Rules That Use Forecasts," in R. Dornbush and S. Fisher, eds., *Macroeconomics and Finance: Essays in Honor of Franco Modigliani* (Cambridge, Mass., and London: M.I.T. Press, forthcoming).

38. The original wage equation embodying the long-run tradeoff is described in George de Menil and Jared Enzler, "Prices and Wages in the FR–MIT–Penn Econometric Model," in O. Eckstein, ed., *The Econometrics of Price Determination* (Board of Governors of the Federal Reserve System, 1972), pp. 277–308.

tion. The foreign sector of the model was elaborated considerably in the mid-1970s in response to the shift from fixed to floating exchange rates and to the expansion of international trade. As mentioned above, the structure of the model's housing sector has changed from one in which credit rationing and the supply of mortgage funds played an important role to one in which interest rates capture all supply factors.

Work is now planned in several areas to improve the current structure of the model. Recently, considerable effort has been devoted to explaining the surprisingly strong growth of M1 since 1985. New equations are anticipated for components of M1 and M2 as well as for the own rates of return on several components.[39] The portfolio equations that determine international capital flows have been another source of problems. These equations do not adequately capture the portfolio shifts and exchange rate movements that have taken place since the early 1980s. Finally, the role of energy in the production technology will be reexamined, given the inconsistency between the estimated price elasticity of the demand for energy and the use of a Cobb–Douglas production function. Work in this area is likely to affect the labor demand equation, and it may have implications for the specification of the investment equations. □

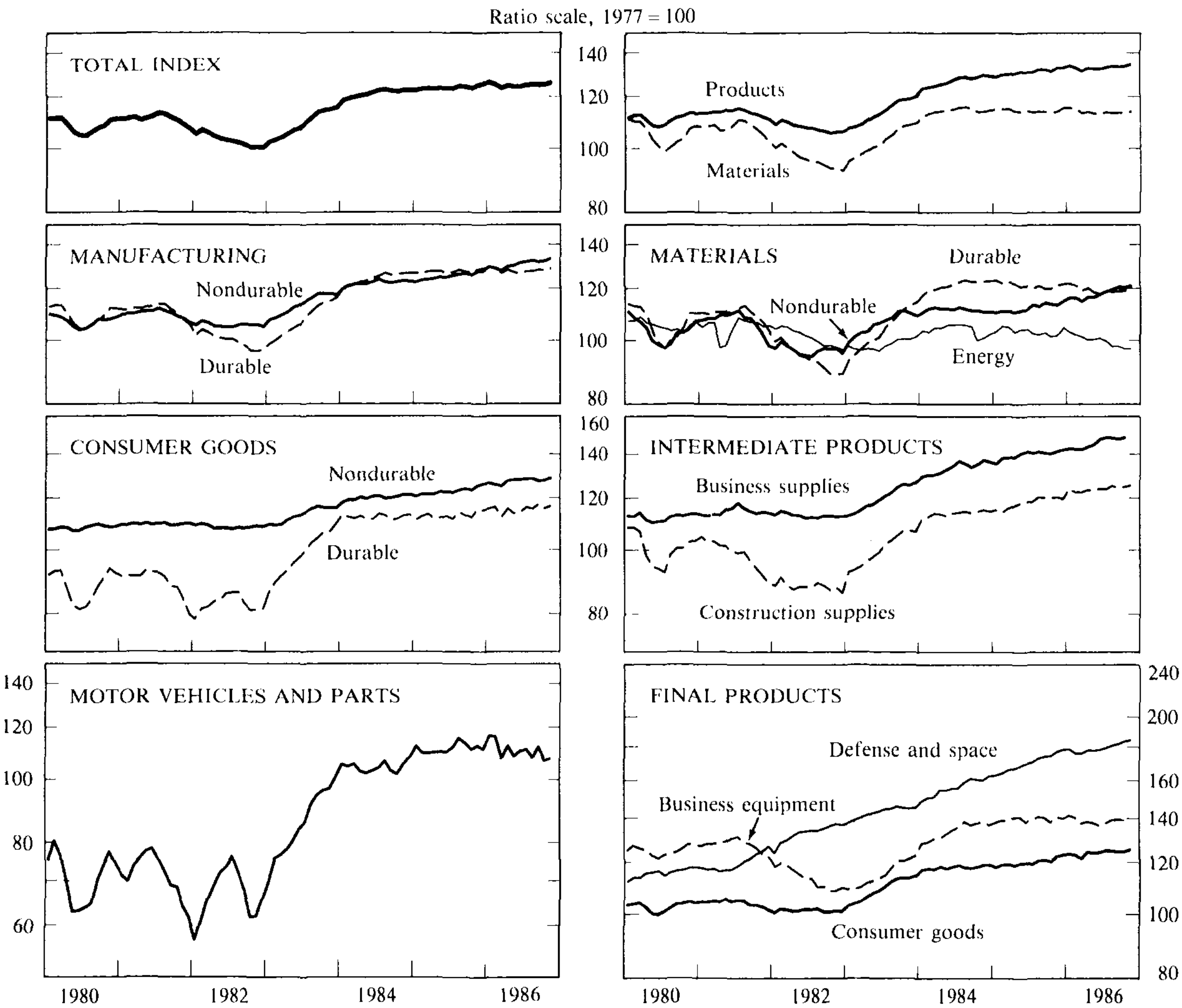
39. This research, which is being undertaken by Richard Porter, George Moore, David Small, Jong Park, and Dan Bagatell, is summarized in Richard D. Porter, Paul A. Spindt, and David E. Lindsey, "Econometric Modeling of the Demands for the U.S. Monetary Aggregates: Conventional and Experimental Approaches" (paper presented at the Pacific Basin Central Bank Conference on Economic Modeling, Sydney, Australia, December 1986). Over the years, money demand has proved to be a difficult area to model, and it has been the subject of considerable research by members of the Division of Research and Statistics as well as by other researchers. Previous studies of money demand by division economists include Jared Enzler, Lewis Johnson, and John Paulus, "Some Problems of Money Demand," *Brookings Papers on Economic Activity, 1:1976*, pp. 261–80; Richard D. Porter, Thomas D. Simpson, and Eileen Mauskopf, "Financial Innovation and the Monetary Aggregates," *Brookings Papers on Economic Activity, 1:1979*, pp. 213–29; P. A. Tinsley and B. Garrett, with M. E. Friar, "The Measurement of Money Demand," Special Studies Papers 133 (Board of Governors of the Federal Reserve System, Division of Research and Statistics, Special Studies Section, October 1978); Thomas D. Simpson and Richard D. Porter, "Some Issues Involving the Definition and Interpretation of the Monetary Aggregates," in Federal Reserve Bank of Boston, *Controlling the Monetary Aggregates III*, Conference Series 23 (FRBB, October 1980), pp. 161–234; and Flint Brayton, Terry Farr, and Richard Porter, "Alternative Money Demand Specifications and Recent Growth in M1" (Board of Governors of the Federal Reserve System, Division of Research and Statistics, Econometric and Computer Applications Section, May 1983).

# Industrial Production

*Released for publication December 15*

Industrial production increased an estimated 0.6 percent in November following three months of virtually no change. Gains prevailed in all major market groups except energy materials, which edged down further. Nondurable materials, home goods, defense equipment, and construction supplies continued to show strength. At 125.9 percent of the 1977 average, industrial output in November was less than 1 percent higher than it was a year earlier.

In market groups, output of total consumer goods rose 0.7 percent in November—the first gain since July. Autos were assembled at an annual rate of 7.3 million units—the same as October; schedules for output were not met in part because of a strike at a parts manufacturing




All series are seasonally adjusted. Latest figures: November.

| Group | 1977 = 100 | | | Percentage change from preceding month | | | | Percentage change, Nov. 1985 to Nov. 1986 |
|---|---|---|---|---|---|---|---|---|
| | 1986 | | | 1986 | | | | |
| | Oct. | Nov. | Dec. | Aug. | Sept. | Oct. | Nov. | |
| | Major market groups | | | | | | | |
| **Total industrial production** | **125.2** | **125.9** | **.5** | **.1** | **.0** | **.1** | **.6** | **.8** |
| Products, total | 133.8 | 134.6 | .6 | .4 | -.2 | .2 | .6 | 1.3 |
| Final products | 132.7 | 133.5 | .7 | .4 | -.1 | .1 | .6 | .3 |
| Consumer goods | 124.7 | 125.6 | .6 | .0 | -.3 | .0 | .7 | 2.4 |
| Durable | 115.9 | 116.8 | 1.7 | -.5 | 1.5 | -1.3 | .7 | 1.2 |
| Nondurable | 127.9 | 128.8 | .3 | .1 | -.9 | .4 | .7 | 2.8 |
| Business equipment | 139.4 | 140.1 | 1.0 | 1.0 | .1 | .0 | .5 | -.5 |
| Defense and space | 183.6 | 184.4 | .7 | .8 | .6 | .9 | .4 | 4.1 |
| Intermediate products | 137.8 | 138.4 | .2 | .4 | -.5 | .4 | .5 | 5.0 |
| Construction supplies | 125.0 | 125.7 | -.1 | 1.1 | -.6 | .3 | .5 | 4.3 |
| Materials | 113.3 | 113.9 | .4 | -.3 | .2 | -.1 | .5 | .0 |
| | Major industry groups | | | | | | | |
| Manufacturing | 129.6 | 130.5 | .7 | .2 | .0 | .1 | .7 | 2.1 |
| Durable | 127.9 | 128.6 | 1.0 | .1 | .4 | -.1 | .6 | .3 |
| Nondurable | 132.0 | 133.1 | .4 | .4 | -.5 | .3 | .8 | 4.6 |
| Mining | 94.9 | 94.2 | -1.8 | -.7 | -1.0 | -.7 | -.7 | -11.9 |
| Utilities | 110.9 | 111.3 | 1.0 | -1.2 | 1.3 | 1.0 | .4 | -.5 |

NOTE. Indexes are seasonally adjusted.

plant. Besides another strong increase in production of home goods, output increased in nondurable consumer goods—in particular clothing, food, and other staples. Production of equipment strengthened 0.5 percent in November, with gains in most types of equipment. Nevertheless, production of equipment is below year-earlier levels as a result of weakness earlier this year in output of business equipment and in oil and gas well drilling. In particular, although activity in oil and gas well drilling has improved somewhat in recent months, it is still almost 50 percent lower than it was in November 1985.

Production of construction and business supplies expanded further in November, about in line with the pace of the past year. Output of materials also posted a gain in November following a lackluster performance throughout most of 1986. Sizable increases occurred in both durable and nondurable components, with gains especially strong for nondurable groups such as textile, paper, and chemicals.

In industry groups, manufacturing output advanced 0.7 percent in November after little change in recent months. Most durable goods industries, including metals, appliances, lumber, and furniture, increased during November, but total durable manufacturing remained about the same as a year earlier. In contrast, nondurable manufacturing, which also increased in November, is almost 5 percent higher than it was in the same month last year. Utility output rose 0.4 percent in November, but mining activity was reduced further.

# Announcements

## *Henry C. Wallich: Resignation as a Member of the Board of Governors*

Henry C. Wallich resigned as a member of the Board of Governors, effective December 15. The text of Governor Wallich's letter of resignation to President Reagan and a Board announcement follow:

December 15, 1986

The President
The White House
Washington, D.C.

My dear Mr. President:

It is with great sadness that, because of poor health, I submit my resignation as a Member of the Board of Governors of the Federal Reserve System. The resignation is to be effective as of the date of this letter.

My association with the Federal Reserve System began over forty years ago when, in 1941, I joined the staff of the Federal Reserve Bank of New York. After many years at Yale University, I resumed this association when I was appointed a Member of the Board of Governors of the Reserve System. It is an office to which I was proud to be called and in which I have been honored to have served for the past twelve years.

Throughout these four decades, the Federal Reserve System has been the cornerstone of our monetary system. I have every confidence that its strength and soundness will continue and I wish it well in the future.

Very sincerely yours,

Henry C. Wallich

On December 15, Henry C. Wallich resigned, after long service as a member of the Board of Governors, due to poor health.

Governor Wallich has been the senior member of the Board in terms of service, having joined the Board on March 8, 1974. He was appointed by President Richard Nixon. That appointment came after an already distinguished career as an economist engaged in central banking, teaching, and writing.

Educated in Germany, at Oxford University in England, and at Harvard University, Governor Wallich was Professor of Economics at Yale University for 23 years immediately before joining the Board in 1974. He began his career with the Federal Reserve 45 years ago at the Federal Reserve Bank of New York and served as chief of that bank's Foreign Research Division from 1946 to 1951. He took leave from Yale on two occasions, first when he served as Assistant to the Secretary of the Treasury in 1958–59 and later from 1959–61 when he was appointed by President Eisenhower as a member of the President's Council of Economic Advisers. Governor Wallich also served as chief economic consultant to the Treasury Department for a number of years before his appointment to the Federal Reserve Board.

Paul A. Volcker, Chairman of the Federal Reserve Board, paid special tribute to Governor Wallich's long service to the Board, to the profession of economics, and to his country. His statement follows:

Henry brought unique talents to the Board. He has been widely known throughout his career as a prolific writer, bringing to a large public audience incisive analysis of a variety of economic issues, large and small, in highly readable form. He has a lot to say, and said it exceptionally well in books, in speeches, in magazine columns, and informal commentary.

Many fewer were privileged to work with him at the Board table and within the Federal Open Market Committee.

Henry is, first of all, an inflation fighter, deeply committed to the need for currency and financial stability. That belief motivated his service on the Board, and he brought to that effort a combination of theoretical insight and practical experience rare in any individual. And all his colleagues came to know him as a man to combine incisiveness and persistence with wit, goodwill, and unfailing courtesy.

Throughout his time at the Board, Henry also carried particular responsibilities for maintaining and enlarging the international work of the Federal Reserve. It was an area for which he was exceptionally well fitted by training and personal interest. To many abroad, he came to be the personification of the Federal Reserve, and his financial diplomacy stands as a lasting contribution to international monetary cooperation.

To all of us at the Board, he has been not only a colleague but a friend. We wish him well in official retirement, while looking forward to further contributions from his vast experience.

## *NEW MEMBERS APPOINTED TO CONSUMER ADVISORY COUNCIL*

The Federal Reserve Board on December 18, 1986, named seven new members to its Consumer Advisory Council to replace those members whose terms are expiring and designated a new Chairman and Vice Chairman of the Council for 1987.

The Consumer Advisory Council was established by the Board in 1976, at the direction of the Congress, to represent the interests of the financial industry and consumers. The Council advises and consults with the Board in the exercise of the Board's functions under the Consumer Credit Protection Act and with regard to other consumer-related matters of interest to the Board. The Council consists of 30 members whose three-year terms are staggered.

Mr. Edward N. Lange was designated as Chairman to succeed Ms. Margaret M. Murphy. Mr. Lange is a partner with the law firm of Davis, Wright, Todd, Riese, and Jones in Seattle, Washington. His term on the Council runs through December 1987.

Mr. Steven W. Hamm was named to a one-year term as Vice Chairman to succeed Mr. Lawrence S. Okinaga. Mr. Hamm is the Administrator for the South Carolina Department of Consumer Affairs. He will serve on the Council through December 1988.

The seven new members, named for three-year terms beginning January 1, 1987, are the following:

Judith N. Brown, Edina, Minnesota, serves as the National Treasurer of the American Association of Retired Persons (AARP), an organization representing the interests of 24 million older Americans. She is a member of the Ad Hoc Advisory Committee on the Women's Initiative, an advisory group to the National Board of Directors of AARP. She is a licensed investment adviser, and since 1980 has headed her own financial planning firm. Ms. Brown recently co-authored *A Second Start: A Widow's Guide to Financial Survival at a Time of Emotional Crisis*, published by Simon and Schuster. She currently is on the Board of the Minnesota Women's Network, is a member of the National Business and Professional Women's Council, and serves on the Governor's Appointments Commission. She also is a member of the Board of Governors at Mt. Sinai Hospital. Ms. Brown previously served on the Board of the National Women's Alliance for Professional and Executive Women.

Richard B. Doby, Denver, Colorado, is the Bank Commissioner for the state of Colorado and chairs the State Banking Board. He previously spent 12 years as a commercial banker with the United Bank of Denver. Mr. Doby is a member of the Board of Directors of the Conference of State Bank Supervisors. He also serves on the Advisory Board of the Salvation Army. He is a past president of the Colorado Consumer Credit Counseling Service, past chairman of the Colorado Urban League's membership committee, past member of the Board of Directors of the Mile High United Way, and past chairman (appointed by the Governor) of the Colorado Health Facilities Authority. Mr. Doby has been a guest lecturer on banking and economic financial issues at the University of Denver and Colorado University. He has an undergraduate degree in banking and finance and holds a degree from the Graduate School of Banking at the University of Wisconsin. In 1983, Mr. Doby led a delegation of Colorado bankers to Russia and China to study their monetary systems.

Richard H. Fink, Washington, D.C., is founder and President of Citizens for a Sound Economy, a 250,000-member citizens organization. He also founded and is Chairman of the Center for the Study of Market Processes at George Mason University and is on the Board of Trustees of the Center for the Study of Public Choice, also at George Mason University. Mr. Fink is editor of *Supply-Side Economics: A Critical Appraisal* and *A Nation in Debt: Economists Debate the Federal Budget Deficit*. His articles have appeared in numerous newspapers, magazines, and journals, including the *American Economic Review*. He holds a Master's degree in economics from the University of California, Los Angeles, and is a magna cum laude graduate of Rutgers University.

Stephen Gardner, Dallas, Texas, is an Assistant Attorney General of the state of Texas for the Dallas regional office. He is a member of the Council of the Consumer Law Section of the State Bar of Texas and of a Texas State Bar Committee. Mr. Gardner has been active in conducting training conferences for lawyers and non-lawyers in consumer law and trial tactics, and has authored numerous publications on consumer law. He was formerly with the New York State Bureau of Consumer Frauds and Protection and the Legal Aid Society of Central Texas. He also served as the Students' Attorney at the University of Texas at Austin and was a Consumer Law Fellow at the National Consumer Law Center in Boston during 1980.

Elena G. Hanggi, Little Rock, Arkansas, is National President of the Association of Community Organizations for Reform Now (ACORN), a community-based organization in 26 states with a membership that exceeds 60,000 low- and moderate-income families. She has been an active participant in local and national discussions pertaining to the credit needs of low- and moderate-income communities. Ms. Hanggi has worked with ACORN chapters around the country regarding efforts to bring about basic banking offerings by financial institutions. She has also consulted with these groups in negotiations with financial institutions concerning compliance with the federal Community Reinvestment Act. Ms. Hanggi is a member of the Coalition of Women's Economic Needs in Arkansas and is on the Board of the Arkansas Peace Center. She also serves on the Board of Directors of a community radio station, KABF, in Little Rock. She holds a B.A. from the University of Arkansas, Little Rock, with a major in English and Sociology and a minor in Urban Affairs, and will graduate in January 1987 from the University of Arkansas Law School.

Ramon E. Johnson, Salt Lake City, Utah, is Professor of Finance in the Graduate School of Business at the University of Utah. He also conducts research on a variety of matters concerning finance and business management, including the structure of interest rates. Dr. Johnson has been an administrator at the university, serving six years as Chairman of the Department of Finance and four years as Associate Dean of the Graduate School of Business. He has also served as President of the University of Utah Credit Union. As a Chartered Financial Analyst, Dr. Johnson has consulted with the U.S. Federal Home Loan Bank Board, as well as numerous savings and loan associations, commercial banks, and other corporate organizations in Salt Lake City. In 1981 and 1982, he served on the Mayor's blue ribbon panel to evaluate the financial status of Salt Lake City.

Richard L.D. Morse, Manhattan, Kansas, is a Professor of Family Economics at Kansas State University, actively involved in research on consumer credit and consumer savings. He has testified before committees of the U.S. Senate and House of Representatives, and drafted the U.S. Department of Defense's Directive on Consumer Credit. As a member of President Kennedy's Consumer Advisory Council, he developed the concepts of APR (annual percentage rate) and PPR (periodic percentage rate). Dr. Morse has been a consultant to the New York State Banking Department for drafting Truth in Savings regulations, and is frequently quoted in consumer finance articles appearing in national publications. He has written several textbooks and is the author of more than 100 professional articles and publications including *Check Your Interest* and *Cents-ible Interest*.

The other members of the Council are the following (the date each term expires appears in parentheses):

Edwin B. Brooks
President
Security Federal
Savings & Loan Association
Richmond, Virginia (December 31, 1988)

Jonathan A. Brown
Director, BankWatch
Washington, D.C. (December 31, 1987)

Michael S. Cassidy
Senior Vice President, Chase Manhattan Bank
New York, New York (December 31, 1988)

Theresa Faith Cummings
Social Services Consultant
Springfield, Illinois (December 31, 1987)

Neil J. Fogarty
Senior Attorney, Hudson County Legal Services
Jersey City, New Jersey (December 31, 1988)

Kenneth A. Hall
President, Great Southern National Bank
Jackson, Mississippi (December 31, 1988)

Robert J. Hobbs
Senior Attorney, National Consumer Law Center
Boston, Massachusetts (December 31, 1988)

Robert W. Johnson
Professor of Management and Director
Credit Research Center, Purdue University
West Lafayette, Indiana (December 31, 1988)

John M. Kolesar
President, Ameritrust Development Bank
Cleveland, Ohio (December 31, 1988)

Alan B. Lerner
Senior Executive Vice President
Associates Corporation of North America
Dallas, Texas (December 31, 1988)

Fred S. McChesney
Visiting Fellow of Law and Economics
University of Chicago Law School
Chicago, Illinois (December 31, 1987)

Helen E. Nelson
President, Consumer Research Foundation
Mill Valley, California (December 31, 1987)

Sandra R. Parker
Chairman, Banking Committee
Richmond United Neighborhoods
Richmond, Virginia (December 31, 1988)

Joseph L. Perkowski
Chief Executive Officer
Minneapolis Federal Employees Credit Union
Centerville, Minnesota (December 31, 1987)

Brenda L. Schneider
Director of Community Relations
Manufacturers National Bank
Detroit, Michigan (December 31, 1987)

Jane Shull
Director, Institute for the Study of Civic Values
Philadelphia, Pennsylvania (December 31, 1988)

Ted L. Spurlock
Vice President and Director
of Credit and Consumer Banking Services
J.C. Penney Company, Inc.
Dallas, Texas (December 31, 1987)

Mel R. Stiller
Executive Director
Consumer Credit Counseling Service
of Eastern Massachusetts
Boston, Massachusetts (December 31, 1987)

Christopher J. Sumner
President and CEO
Western Savings & Loan Company
Salt Lake City, Utah (December 31, 1987)

Edward J. Williams
Senior Vice President, Consumer Banking Group
Harris Trust and Savings Bank
Chicago, Illinois (December 31, 1988)

Michael Zoroya
Retail Services Consultant
The May Department Stores
St. Louis, Missouri (December 31, 1987)

## *Change in Regulation Z*

The Federal Reserve Board issued on December 18, 1986, a final rule that modifies a provision of Regulation Z (Truth in Lending), exempting refinancings by original creditors from the right of rescission. The rule states that if the original creditor finances nonfinance charges such as attorney's fees, title examination fees, and insurance premiums, the right of rescission will not apply. This final rule is effective immediately.

At the same time, the Board withdrew its proposal, issued on August 6, to exempt refinancings secured by the consumer's principal dwelling by other than the original creditor. The proposal would have excluded refinancings when (1) no new advances of money are made to the consumer, (2) the annual percentage rate on the new obligation is not subject to increase after consummation and is the same as or lower than the annual percentage rate on the obligation being replaced, and (3) the new transaction does not have a balloon payment feature.

## *Proposed Actions*

The Federal Reserve Board on December 10, 1986, issued for comment a series of proposals to reduce and control the payments system risk faced by the Federal Reserve and individual depository institutions participating in large-dollar wire transfer networks, book-entry transfer systems, and automated clearinghouses (ACHs). These proposals supplement the payment system risk policy announced by the Board on May 17, 1985.

The Board also issued for public comment a revised interpretation to its official staff commentary on Regulation Z. The proposed revision to the commentary describes what constitutes a new advance of money in a refinancing that is exempt from the rescission provision. Comment is requested by January 30.

The Federal Reserve Board on December 8, 1986, issued a series of questions and answers relating to its ACH proposal that was issued on September 17. The proposal relates to the cost of float generated by ACH transactions processed during the night cycle and a corresponding reduction in the current per-item surcharge assessed on night-cycle ACH transactions. These questions and answers have been developed to aid the public with its comments on the proposal. Comment is requested by December 22.

The Federal Reserve Board also requested comment by February 23, 1987, on proposed rulemaking to permit bank holding companies to engage in real estate investment activity within certain limits.

## *Changes in Board Staff*

The Board of Governors has announced the temporary appointment of Franklin D. Dreyer as Deputy Director in the Division of Banking Supervision and Regulation.

The Board announced the retirement of Frederick R. Dahl, Associate Director, Division of Banking Supervision and Regulation, effective December 31, 1986.

The Board also announced the retirement of Walter W. Kreimann, Associate Director, Division of Support Services, effective January 2, 1987.

Mr. Dreyer is currently Vice President for Supervision and Regulation at the Federal Reserve Bank of Chicago and will be on loan to the Board for one year. Mr. Dreyer began his assignment with the Board on January 5, 1987.

## *System Membership: Admission of State Banks*

The following bank was admitted to membership in the Federal Reserve System during the period December 1 through December 31, 1986:

*Illinois*

Bartonville . . . . . . . . . . . . . . . Bartonville Bank

# Record of Policy Actions of the Federal Open Market Committee

## *MEETING HELD ON NOVEMBER 5, 1986*

### *1. Domestic Policy Directive*

The information reviewed at this meeting suggested that economic activity grew at a moderate rate in the third quarter, after rising only slightly in the previous quarter. Payroll employment expanded somewhat further in September, although manufacturing jobs declined following little change in August. Consumer spending, which had been quite robust in the first half of the year, strengthened further in the third quarter. Business capital spending, however, remained sluggish, reflecting declines in outlays for nonresidential construction; new orders rose in September and equipment spending picked up. Residential construction expenditures advanced further in the third quarter, but housing starts fell in September. Wage increases have continued to moderate, while prices have increased a bit because of developments in food and energy markets.

Industrial production rose another 0.1 percent in September. The gain partly reflected a surge in the production of cars and light trucks. Other production was unchanged on balance; production of defense equipment rose, but output of nondefense goods edged down and materials production remained sluggish. Domestic automakers apparently cut back assemblies during October, but still were planning relatively large production for the fourth quarter as a whole. Capacity utilization in manufacturing, mining, and utilities was unchanged in September at 79.2 percent. The utilization rate in mining continued to decline, while the rate in manufacturing edged up, reflecting the pickup in motor vehicle production.

Total nonfarm payroll employment grew somewhat further in September. The sluggish pace of industrial production was reflected in a decline in manufacturing jobs that more than offset the increase reported for August. Employment in trade, finance, and services advanced further in September, but at a less rapid rate than in earlier months of the year. The civilian unemployment rate moved back up to 7 percent in September, close to its average level earlier in the year.

Total retail sales increased 4.6 percent in September because of a substantial jump in auto sales following the expansion of sales incentive programs by domestic automakers in late August. During September, domestic cars sold at a record 11¾ million unit annual rate, compared with an average 8¼ million unit pace in the preceding five months. Light trucks and foreign cars also sold at record monthly rates in September. Outside of the auto group, sales were virtually unchanged from August levels.

In the business sector, spending has remained sluggish. Business purchases of motor vehicles were up sharply in the third quarter, but spending for other equipment declined, and outlays for nonresidential structures dropped substantially further. However, new orders for nondefense capital goods rose sharply in September; although aircraft orders accounted for half of the increase, bookings for many other types of equipment also posted sizable gains. For structures, data on new commitments have continued to point to further declines in office building, but the drop in oil- and gas-well drilling appears to have ended.

Housing starts have declined since earlier in the year, but residential construction expenditures rose through the summer. Total private housing starts dropped in September to an annual rate of 1.68 million units from a rate of about 1.8 million units during July and August. Single family starts fell somewhat in September, registering the lowest monthly reading since December, but sales of new and existing homes increased during the month. Multifamily housing starts declined further, apparently reflecting in part record high vacancy rates and prospectively diminished rates of return on rental properties as a result of tax reform.

Labor cost increases have moderated further over the past year, but price increases have been a bit higher in recent months than earlier in the year due mainly to developments in food and energy markets. Consumer food prices rose sharply during the summer, reflecting in part weather-related disruptions in some supplies. By September conditions had improved, and increases in retail food prices slowed noticeably. In the energy sector, petroleum prices moved up at the wellhead and refinery levels in the September PPI, reflecting the OPEC agreement in early August to curtail production. This increase in crude oil costs apparently has already reached the retail level as gasoline and heating oil prices turned up in the September CPI, after steep declines throughout much of the year. Excluding food and energy, consumer prices have risen recently at about the same pace as earlier in the year.

The trade-weighted value of the dollar against major foreign currencies continued to decline for several weeks after the September 23 FOMC meeting, but it subsequently recovered and has risen somewhat on balance. Short-term and long-term interest rate differentials increased a bit during the intermeeting period; foreign rates moved up, particularly at the short end, while rates in the United States eased slightly. Real net exports of goods and services dropped further in the third quarter, mainly reflecting a surge in the volume of oil imports. After the recovery in real economic activity in most major foreign industrial countries in the second quarter, available data for the third quarter indicate further moderate expansion in Germany, France, the United Kingdom, and to a lesser extent in Japan.

At its meeting in September, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions. The members expected such an approach to policy to be consistent with growth in M2 and M3 from August to December at annual rates of 7 to 9 percent. Growth in M1 over the same period was expected to moderate from the exceptionally large increase during the previous several months. The Committee agreed that the growth in M1 would continue to be evaluated in view of the behavior of the broader aggregates and other factors. The members also decided that slightly greater reserve restraint would, or slightly lesser reserve restraint might, be acceptable depending on the behavior of the monetary aggregates, taking into account the strength of the business expansion, developments in foreign exchange markets, progress against inflation, and conditions in domestic and international credit markets. The intermeeting range for the federal funds rate was maintained at 4 to 8 percent.

M2 and M3 increased at annual rates of 8¾ and 7½ percent respectively, on average over September and October, well below their rates of growth since early spring. Through October, both aggregates were very close to the upper ends of their 6 to 9 percent annual growth ranges established by the Committee for 1986. Growth in M1 still was quite strong over September and October, but down substantially from its average over the previous several months.

Adjustment plus seasonal borrowing at the discount window averaged about $325 million in the two complete maintenance periods after the September meeting. Federal funds generally continued to trade close to 5⅞ percent over the intermeeting period. Most other interest rates eased somewhat on balance, with short-term rates about unchanged to down 15 basis points and long-term rates off as much as 35 basis points. Bond prices increased in the days just before the meeting in part reflecting perceptions of stronger foreign demand for dollar assets, prompted to some extent by the cut in the Japanese discount rate on October 31. In addition, market participants reportedly interpreted the cut in the Japanese rate as giving the Federal Reserve more leeway to ease domestic monetary policy.

The staff projections presented at this meeting suggested that real GNP would continue to grow at a moderate rate through the end of 1987. Anticipations of sustained growth in real exports, reflecting the improvement in the price competitiveness of U.S. goods, continued to be a key element supporting the expected expansion in domestic production. Growth in domestic spending was projected to be relatively sluggish over the forecast horizon. The staff's projection for inflation continued to show some step-up early next year associated with the effects of rapidly rising import prices on the prices of U.S. goods and with the turnaround in energy prices.

In the Committee's discussion of the economic situation and outlook, the members agreed that incoming data on business activity and reports on specific conditions in many industries were broadly consistent with the staff forecast of continuing expansion at a moderate pace. There were uncertainties nonetheless about the prospective performance of individual sectors of the economy and thus of the economy generally. In the view of most members the risks of a deviation from the staff projection appeared to be evenly balanced, but a few felt the risks were greater in the direction of less growth.

As they had at several previous meetings, the members focused on the performance of net exports as a key factor in the outlook for economic activity. The most recent data could be interpreted as suggesting that the trade balance was no longer worsening. However, clear evidence of an actual turnaround in the trade balance had not yet emerged and it was far from certain that there would be significant improvement during the months ahead. Some members reported that a growing number of firms were experiencing increases in orders from abroad, a development that lent support to expectations of a significant pickup in export sales over the next few quarters. To an important degree, the outlook for U.S. exports remained contingent on growing demands from major industrial nations. In that regard it was noted that the evidence was mixed. Domestic expansion—and also the demand for foreign goods—appeared to be strengthening in some major countries, but the outlook was less promising in others. On the import side, members observed that foreign competition remained intense, notably from countries whose exchange rates had not appreciated against the dollar. Nonetheless, there were reports that rising import prices were improving the competitive position of at least some domestic producers.

In the Committee's review of the outlook for spending by domestic sectors of the economy, the members generally expected demand to continue to increase, but at a slower pace than in recent quarters. Individual members again highlighted the uneven conditions in different industries and parts of the country. One member commented that the complex tax reform legislation constituted a major source of uncertainty. The members agreed that total consumer spending would tend to be held down in the current quarter by reduced purchases of automobiles following the bulge associated with attractive incentive programs. One member observed, however, that some offsetting expenditures on high-priced items might be induced before year-end because the deductibility of sales taxes in computing personal income taxes would be terminated starting in 1987. On the negative side, one member suggested that the adjustment in automobile sales might take longer than many observers currently expected and also stressed that consumer debt burdens were an important inhibiting factor on spending. In the area of business investment, members noted that construction activity would probably be held down by relatively high vacancy rates in office buildings, multifamily housing, and other commercial facilities such as hotels, especially in the context of the reportedly adverse impact of the tax reform legislation on such investments. Members also referred to a number of plant closings in the manufacturing sector. On the other hand, some current economic indicators pointed to a strengthening in the demand for business equipment. One member also commented that the prospects for improvement in the nation's balance of trade, if realized, would require more investment in domestic productive facilities over time. In regard to agriculture current conditions were mixed, but one member indicated that the overall situation in that industry and also in energy no longer appeared to be worsening and accordingly those key sectors of the economy had probably ceased to exert a negative influence on general economic activity. Likewise, the outlook for reduced government deficits, including surpluses for state and local governments, and the apparently favorable prospects for foreign trade implied a reduction in major structural imbalances and an improved basis for sustained economic expansion.

With regard to the outlook for inflation, the members agreed that the lagged impacts of the dollar's depreciation along with developments in energy markets were likely to contribute to somewhat faster price increases during the year ahead. Many domestic businesses reportedly continued to look for competitive opportunities to raise prices and widen profit margins. One member observed that a potential inflation risk, and one for business activity generally, would be the emergence of new protectionist measures in response to unsatisfactory progress in reducing the nation's trade deficit. On the favorable side, wages generally appeared to be continuing to rise more slowly than earlier and businesses were continuing to devote considerable attention to paring costs and improving their productivity. Some food prices might also tend to decline following increases in recent months. More generally, the prospect that capacity utilization rates were likely to remain relatively low in most industries over the year ahead implied that inflationary pressures would be muted during that period.

At its meeting in July the Committee reviewed the basic policy objectives that it had established in February for growth of the monetary and credit aggregates in 1986 and it set tentative objectives for expansion in 1987. For the period from the fourth quarter of 1985 to the fourth quarter of 1986, the Committee reaffirmed the ranges established in February for growth of 6 to 9 percent for both M2 and M3. The associated range for expansion in total domestic nonfinancial debt also was reaffirmed at 8 to 11 percent for the current year. With respect to M1, the Committee decided that growth in excess of the 3 to 8 percent range set in February would be acceptable and that such growth would be evaluated in relation to the velocity of M1, the expansion of the broader aggregates, developments in the economy and financial markets, and price pressures. For 1987 the Committee agreed on tentative monetary growth objectives that included reductions of ½ percentage point to ranges of 5½ to 8½ percent for both M2 and M3. In the case of M1 the Committee expressed the preliminary view that retaining the 1986 range of 3 to 8 percent, which implied a considerable reduction from the likely rate of growth in 1986, appeared appropriate for 1987 in the light of most historical experience. The Committee also retained the range of 8 to 11 percent for growth of total domestic nonfinancial debt in 1987. It was understood that all the ranges were provisional and that, notably in the case of M1, they would be reviewed in early 1987 against the background of intervening developments.

The Committee's discussion of policy implementation for the weeks immediately ahead reflected the sense that the economy was continuing to expand at a moderate rate and that, while price pressures could be strengthening somewhat in response to higher import prices, those price increases should be well contained. Externally, some signs of greater stability seemed to be emerging in exchange markets. In those circumstances, all of the members indicated that they were in favor of continuing to direct open market operations toward maintaining unchanged conditions of reserve availability. That conclusion was also warranted by indications that monetary growth had moderated somewhat over September and October, and an expectation that the broad aggregates might stay close to the Committee's earlier expectations for growth near the upper ends of their long-term ranges in the closing months of the year, assuming no significant changes in reserve conditions and in short-term interest rates.

In the Committee's discussion of possible intermeeting adjustments in the degree of reserve pressure, the members suggested that developments calling for more than a slight change in reserve conditions would be unlikely during the weeks ahead. Although a few members felt that policy implementation should remain especially alert to the potential need for some easing of reserve conditions, notably the need to respond to emerging indications, if any, of relatively weak business activity, most felt that there should be no presumptions about the likely direction of any small intermeeting adjustments, should they be desirable. With respect to the monetary aggregates, some members commented that a shortfall from current expectations would be a welcome development, given the rapid growth earlier in the year, and within limits a shortfall should be tolerated provided it occurred in the context of satisfactory economic performance and did not appear to be associated with upward pressures on market interest rates. One member commented, however, that a sharp and abrupt slowdown in M1 growth might well signal a weaker economy and, depending on the circumstances, might require more than a slight adjustment in policy implementation.

At the conclusion of the Committee's discussion, all of the members indicated that they favored a directive that called for no change in the current degree of pressure on reserve positions. The members expected this approach to policy implementation to be consistent with growth of M2 and M3 at annual rates of 7 to 9 percent over the fourth quarter from a September base. Over the same period, growth in M1 was expected to moderate from its exceptional pace during most of the period since early spring. Because the behavior of M1 remained subject to unusual uncertainty, the Committee decided to continue its recent practice of not specifying a rate of expected growth for purposes of short-run policy implementation but to evaluate this aggregate in the light of the performance of the broader monetary aggregates and other factors. The members indicated that slightly greater or slightly lesser reserve pressures might be acceptable over the intermeeting period depending on the behavior of the monetary aggregates, taking into account the strength of the business expansion, the performance of the dollar in foreign exchange markets, progress against inflation, and conditions in domestic and international credit markets. The members agreed that the intermeeting range for the federal funds rate, which provides a mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, should be left unchanged at 4 to 8 percent.

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

The information reviewed at this meeting indicates that economic activity grew at a moderate pace in the third quarter. In September total nonfarm payroll employment grew somewhat further, although employment in manufacturing fell after changing little in August. The civilian unemployment rate moved back up to 7.0 percent in September, close to its average level earlier in the year. Industrial production rose slightly further in September and posted a moderate gain over the third quarter. Consumer spending has remained strong in recent months, with gains in retail sales in August and especially in September paced by a sharp rise in auto sales. Housing starts fell in September, but residential investment increased further in the third quarter as a whole. Business capital spending appears to have remained sluggish; equipment spending picked up in the third quarter and new orders were strong in September, but outlays for nonresidential construction continued to decline. Real net exports of goods and services dropped further in the third quarter, reflecting in large part a surge in the volume of oil imports. Increases in labor compensation have slowed over the course of the year, while broad measures of prices have firmed somewhat recently due to developments in food and energy markets.

Growth of M2 moderated further in September, but appears to have picked up in October, while growth of M3 has tended to slow. Expansion of these two aggregates for the year through September has been at the upper end of their respective ranges established by the Committee for 1986. Growth of M1 slowed in the September–October period from the very rapid pace experienced since early spring. Expansion in total domestic nonfinancial debt remains appreciably above the Committee's monitoring range for 1986. Most interest rates have declined somewhat since the September 23 meeting of the Committee. Although the trade-weighted value of the dollar against major foreign currencies continued to decline for several weeks after the September meeting, it subsequently recovered and has risen somewhat on balance.

The Federal Open Market Committee seeks monetary and financial conditions that will foster reasonable price stability over time, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives the Committee agreed at the July meeting to reaffirm the ranges established in February for growth of 6 to 9 percent for both M2 and M3, measured from the fourth quarter of 1985 to the fourth quarter of 1986. With respect to M1, the Committee recognized that, based on the experience of recent years, the behavior of that aggregate is subject to substantial uncertainties in relation to economic activity and prices, depending among other things on the responsiveness of M1 growth to changes in interest rates. In light of these uncertainties and of the substantial decline in velocity in the first half of the year, the Committee decided that growth of M1 in excess of the previously established 3 to 8 percent range for 1986 would be acceptable. Acceptable growth of M1 over the remainder of the year will depend on the behavior of velocity, growth in the other monetary aggregates, developments in the economy and financial markets, and price pressures. Given its rapid growth in the early part of the year, the Committee recognized that the increase in total domestic nonfinancial debt in 1986 may exceed its monitoring range of 8 to 11 percent, but felt an increase in that range would provide an inappropriate benchmark for evaluating longer-term trends in that aggregate.

For 1987 the Committee agreed on tentative ranges of monetary growth, measured from the fourth quarter of 1986 to the fourth quarter of 1987, of 5½ to 8½ percent for M2 and M3. While a range of 3 to 8 percent for M1 in 1987 would appear appropriate in the light of most historical experience, the Committee recognized that the exceptional uncertainties surrounding the behavior of M1 velocity over the more recent period would require careful appraisal of the target range at the beginning of 1987. The associated range for growth in total domestic nonfinancial debt was provisionally set at 8 to 11 percent for 1987.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. This action is expected to be consistent with growth in M2 and M3 over the period from September to December at annual rates of 7 to 9 percent. While growth in M1 over the same period is expected to moderate from its exceptional pace during the previous several months, growth in this aggregate will continue to be judged in the light of the behavior of M2 and M3 and other factors. Slightly greater reserve restraint or slightly lesser reserve restraint might be acceptable depending on the behavior of the aggregates, taking into account the strength of the business expansion, developments in foreign exchange markets, progress against inflation, and conditions in domestic and international credit markets. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of 4 to 8 percent.

Votes for this action: Messrs. Volcker, Corrigan, Angell, Guffey, Heller, Mrs. Horn, Messrs. Johnson, Melzer, Morris, Rice, and Ms. Seger. Votes against this action: None. Absent and not voting: Mr. Wallich.

## 2. *Authorization for Domestic Open Market Operations*

Effective December 3, 1986, the Committee approved a temporary increase of $1 billion, to $7 billion, in the limit between Committee meetings on changes in System Account holdings of U.S. government and federal agency securities specified in paragraph 1(a) of the authorization for domestic open market operations. The increase was effective for the intermeeting period ending with the close of business on December 16, 1986.

Votes for this action: Messrs. Volcker, Corrigan, Angell, Guffey, Heller, Mrs. Horn, Messrs. Johnson, Melzer, Morris, Rice, and Ms. Seger. Votes against this action: None. Absent and not voting: Mr. Wallich.

This action was taken on the recommendation of the Manager for Domestic Operations. The Manager had advised that outright purchases of securities in the intermeeting interval through December 1, 1986, had reduced the leeway under the usual $6 billion limit to about $3.5 billion. Additional purchases of securities in excess of that leeway likely would be necessary over the remainder of the intermeeting period, chiefly reflecting seasonal increases in currency in circulation and required reserves.

# Legal Developments

*AMENDMENT TO REGULATION Z*

The Board of Governors is amending 12 C.F.R. Part 226, its Regulation Z, by issuing a final rule modifying the existing provision that exempts original creditors from providing the right of rescission in certain refinancings secured by the consumer's principal dwelling. The regulation provides that the right of rescission will not apply if the original creditor finances nonfinance charges such as attorney's fees, title examination fees, and insurance premiums.

Effective December 16, 1986, but reliance optional until October 1, 1987, the Board amends 12 C.F.R. Part 226 as follows:

*Part 226—Truth In Lending*

1. The authority citation for 12 C.F.R. Part 226 continues to read as follows:

*Authority:* 15 U.S.C. § 1601 *et seq.*

2. Part 226 is amended by revising section 226.23(f)(2) to read as follows:

## Section 226.23—Right of Rescission

* * * * *

(f) *Exempt transactions.*

* * * * *

(2) A refinancing or consolidation by the same creditor of an extension of credit already secured by the consumer's principal dwelling. The right of rescission shall apply, however, to the extent the new amount financed exceeds the unpaid principal balance, any earned unpaid finance charge on the existing debt, and amounts attributed solely to the costs of the refinancing or consolidation.

* * * * *

*AMENDMENT TO RULES REGARDING DELEGATION OF AUTHORITY*

The Board of Governors is amending 12 C.F.R. Part 265, its Rules Regarding Delegation of Authority, to delegate to the Director of the Division of Banking Supervision and Regulation with the concurrence of the Board's General Counsel, and to the Reserve Banks with the concurrence of the Director of the Division of Banking Supervision and Regulation and the Board's General Counsel, authority to waive the publication and solicitation of public comment requirements of the Change in Bank Control Act, 12 U.S.C. § 1817(j), as amended by the Anti-Drug Abuse Act of 1986, No. 99–750 (October 27, 1986), where it is determined in writing that such disclosure or solicitation would seriously threaten the safety or soundness of a bank. The Board has delegated similar authority to waive, dispense with or modify the procedural requirements, including publication requirements, of the Bank Holding Company Act, 12 U.S.C. § 1841 *et seq.*, where expeditious action is required. 12 C.F.R. §§ 262.3(k)(1) and 265.2(c)(30).

Effective December 15, 1986, the Board amends 12 C.F.R. Part 265 as follows:

*Part 265—Rules Regarding Delegation of Authority*

1. The authority citation for 12 C.F.R. Part 265 continues to read as follows:

*Authority:* Sec. 11, 38 Stat. 261 and 80 Stat. 1314; 12 U.S.C. 248.

2. Part 265 is amended by adding new paragraphs 265.2(c)(35) and 265.2(f)(48) to read as follows:

## Section 265.2—Specific Functions Delegated to Board Employees and to Federal Reserve Banks

* * * * *

(c)(35) Under section 1817(j)(2) of the Change in Bank Control Act (12 U.S.C. 1817(j)), and with the concurrence of the Board's General Counsel, to waive, dispense with, modify, or excuse the failure to comply with the requirement for publication and solicitation of public comment regarding a notice filed under the Change in Bank Control Act provided that a written finding is made that such disclosure or solicitation would seriously threaten the safety or soundness of a bank holding company or bank.

* * * * *

(f)(48) Under section 1817(j)(2) of the Change in Bank Control Act (12 U.S.C. 1817(j)) and with the concurrence of the Board's Director of Banking Supervision and Regulation and the Board's General Counsel or their designees, to waive, dispense with, modify, or excuse the failure to comply with the requirement for publication and solicitation of public comment regarding a notice filed under the Change in Bank Control Act provided that a written finding is made that such disclosure or solicitation would seriously threaten the safety or soundness of a bank holding company or bank.

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## *ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT, BANK MERGER ACT, BANK SERVICE CORPORATION ACT, AND FEDERAL RESERVE ACT*

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

### Banc One Corporation
### Columbus, Ohio

### American Fletcher Corporation
### Indianapolis, Indiana

#### *Order Approving Acquisition of a Bank Holding Company*

Banc One Corporation, Columbus, Ohio, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) ("Act" or "BHC Act"), has applied for the Board's approval under sections 3 and 4 of the Act (12 U.S.C. §§ 1842 and 1843) to acquire American Fletcher Corporation, Indianapolis, Indiana ("AFC"), also a bank holding company. As a result of this acquisition, Applicant would acquire indirectly AFC's five banking and four nonbanking subsidiaries.[1]

On the basis of the record, the application under section 3 of the Act is approved for the reasons set forth in the Board's Statement, which will be released at a later date. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Cleveland, acting pursuant to delegated authority.

By order of the Board of Governors, effective December 23, 1986.

1. Applicant's proposed acquisition of AFC's nonbanking subsidiaries under section 4 of the Act will be considered separately by the Board.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, Angell, and Heller. Absent and not voting: Governor Rice.

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

## *STATEMENT BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM REGARDING THE APPLICATION OF BANC ONE CORPORATION TO ACQUIRE AMERICAN FLETCHER CORPORATION*

By Order dated December 23, 1986, the Board approved the application of Banc One Corporation, Columbus, Ohio, to acquire American Fletcher Corporation, Indianapolis, Indiana ("AFC"), pursuant to section 3(a)(3) of the Bank Holding Company Act ("BHC Act" or "Act"). 12 U.S.C. § 1842(a)(3). In this Statement, the Board sets forth its reasons for approving the application.

Applicant, with assets of $11.2 billion, is the largest commercial banking organization in Ohio. Its 22 Ohio subsidiary banks control deposits of approximately $8.8 billion, representing 13.4 percent of the total deposits in commercial banks in Ohio.[1] AFC (assets of $4.4 billion) is the second largest commercial banking organization in Indiana. Its five subsidiary banks control deposits of approximately $3.0 billion, representing 7.4 percent of the total deposits in commercial banks in Indiana. AFC controls nonbank subsidiaries engaged in mortgage banking, consumer finance and reinsurance activities and also engages in certain insurance agency activities.[2]

Section 3(d) of the Act (12 U.S.C. § 1843(d)) prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside of the holding company's home state,[3] unless such acquisition is "specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication."

1. Banking data are as of June 30, 1986. Applicant also controls banking subsidiaries in Indiana, Michigan and Kentucky.
2. Applicant's proposed acquisition of AFC's nonbanking subsidiaries under section 4 of the Act will be considered separately by the Board.
3. A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or on the date on which the company became a bank holding company, whichever is later. Applicant's home state is Ohio.

The Board previously has concluded that Indiana has by statute expressly authorized an Ohio bank holding company, such as Applicant, to acquire an Indiana bank or bank holding company, such as AFC, subject to approval from the Indiana state banking commissioner. *Banc One Corporation,* 72 FEDERAL RESERVE BULLETIN 422 (1986). By letter dated December 4, 1986, the Director of the Indiana Department of Financial Institutions stated, pursuant to section 28–2–15–17 of the Indiana Code, that the statute laws of Indiana and Ohio are reciprocal and specifically authorize this interstate acquisition. Accordingly, the Board concludes that approval of Applicant's proposal to acquire indirectly AFC's banks in Indiana is not barred by the Douglas Amendment.

AFC's bank subsidiaries operate in four Indiana banking markets.[4] Applicant operates five subsidiary banks in Indiana and is the seventh largest commercial banking organization in the state, controlling approximately 2.2 percent of statewide commercial bank deposits. None of Applicant's Indiana banks operates in those banking markets in which AFC competes. Accordingly, consummation of the proposed acquisition would have no adverse effects on existing competition in any relevant market.

The Board also has considered the effects of the proposed acquisition on probable future competition in Ohio, Indiana, Michigan and Kentucky. In view of the existence of numerous other potential entrants from states within the interstate banking regions into each of the markets served by AFC or Applicant, the Board has concluded that consummation of the proposed transaction would not have any significant adverse effects on probable future competition in any relevant market.

The financial and managerial resources of Applicant, AFC, and their subsidiary banks are considered satisfactory and consistent with approval. In considering the convenience and needs of the communities to be served, the Board also has taken into account the records of Applicant and AFC under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA").[5] The Board has received comments from five organizations (collectively, "Protestants")[6] regarding the performance of two of Applicant's subsidiary banks, Bank One, Columbus, N.A., Columbus, Ohio ("Columbus Bank") and Bank One, Merriville, N.A., Merriville, Indiana ("Merriville Bank") and of AFC's lead bank subsidiary, American Fletcher National Bank & Trust Company, Indianapolis, Indiana ("Indianapolis Bank"). The Protestants have alleged that Columbus Bank, Merriville Bank, and Indianapolis Bank failed to adequately meet the credit needs of their respective communities, particularly with respect to individuals residing in low-income and minority neighborhoods.[7]

In an attempt to resolve differences among the individual parties, Applicant met privately with individual protestants on various occasions and also participated in joint meetings with representatives of the Federal Reserve Bank of Cleveland, the Financial Institutions Department, State of Indiana, and the individual community groups. Applicant reached agreement with two of the five organizations and has narrowed, but not entirely resolved, its differences with the remaining community groups.

The Board has carefully reviewed the records of Applicant and AFC in meeting the convenience and needs of all segments of their communities. Initially, the Board notes that Applicant's and AFC's subsidiary banks have achieved a satisfactory overall CRA rating based upon the most recent compliance examinations conducted by the Office of the Comptroller of the Currency.[8]

In addition, the Board has considered that Applicant has adopted the following corporate policies on behalf of its existing and future bank subsidiaries in order to enhance the provision of services to their local communities. Applicant has committed to:

(1) Adopt expanded guidelines for CRA programs at subsidiary banks, including ascertainment of community credit needs and the use of such information by Applicant product development personnel;

(2) Develop marketing plans designed to increase loan penetration in low- and moderate-income neighborhoods;

(3) Develop a regularly scheduled program designed to assure the adequate provision of information to subsidiary bank personnel regarding CRA require-

4. These markets are the Indianapolis, Elkhart-Niles-South Bend, and the Bluffton and Jay Counties, Indiana, banking markets.

5. The CRA requires the Board, in its evaluation of a bank holding company application, to assess the record of an applicant in meeting the credit needs of the entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation.

6. The commenting organizations are: The Main Street Business Association ("MSBA"); The Committee for Economic Justice ("CFEJ"); and The CRA Task Force ("CRA Task Force"), all of Columbus, Ohio; The Indianapolis Reinvestment Alliance, Indianapolis, Indiana ("IRA"); and The Northwest Indiana Open Housing Center, Gary, Indiana ("NWIOHC").

7. The Protestants generally allege that Applicant and AFC bank subsidiaries have had inadequate real estate lending records in minority/low-income neighborhoods, particularly in the Columbus community; that Applicant's efforts to ascertain community credit needs have been inadequate; that Applicant's credit practices have been discriminatory with respect to individuals residing in and/or companies located in low-income neighborhoods; and that Applicant's marketing effort to make members of the community aware of the credit services offered and provided by Applicant has been ineffective.

8. While Columbus Bank's record of mortgage lending to its community declined during 1985, Applicant attributes this trend to a decrease in mortgage lending generally, and not only with respect to minority and low-income areas. Applicant also states that it is now committed to undertake an active mortgage lending program generally within these sectors of the Columbus community.

ments and the 12 assessment factors of the Board's Regulation BB;
(4) Develop programs to train personnel to utilize more effectively programs for community and economic development; and
(5) Establish and maintain an officer-level CRA committee reporting directly to Applicant's Board of Directors, in order to monitor and evaluate subsidiary bank CRA compliance.

In order to increase its service to low- and moderate-income sectors of the Columbus community, Applicant has established goals, consistent with prudent banking practices, for residential, small business and home improvement lending totaling $50 million over five years. Applicant further has pledged to increase market penetration in low- and moderate-income neighborhoods through targeted advertising in neighborhood newspapers, creation of a neighborhood services guide, and development of a marketing plan directed to such neighborhoods. Applicant also has agreed to provide written reports to the community groups regarding Columbus Bank's home mortgage and small business lending activity in minority and low-income areas.[9]

Applicant has agreed to assist in the capitalization and funding of a community development corporation ("CDC") in Columbus to purchase, rehabilitate and sell homes and businesses in designated low- and moderate-income areas, at lower effective interest rates, and to participate in other local community economic revitalization programs. Applicant further has agreed to establish a loan review board, comprised of local small business representatives, representatives of community groups, and Columbus Bank loan officers, in order to investigate and review denied loan applications.

As a result of these commitments and programs, Applicant has reached an agreement with the MSBA in Columbus, which has withdrawn its protest to the acquisition. Another protest group in Columbus, the CRA Task Force, indicates its general acceptance of Applicant's CRA pledges and commitments, but claims that Applicant can only achieve such goals by providing interest rate incentives to credit recipients. Applicant states that its revised CRA programs and commitments outlined above as well as its enhanced relationship with neighborhood groups will enable Applicant to meet its improved lending objectives without the provision of below-market rates of interest. The Board previously has determined that neither the CRA nor the BHC Act requires it to establish the terms and conditions upon which lending activities must be conducted to meet community needs.[10] Accordingly, the Board declines to require Applicant to provide extensions of credit at below-market rates of interest, as urged by the CRA Task Force.

With respect to Merriville Bank's service to the Gary community, Applicant has committed to adopt programs substantially similar to those proposed in Columbus, including specific monetary goals over the next five years for residential, home improvement and small business lending in low-income and minority census tracts. In reliance on this commitment, the NWIOHC also has withdrawn its protest.

Upon acquisition of the Indianapolis Bank, Applicant has committed to implement in Indianapolis the general CRA programs outlined above for the Columbus and Gary communities, including targeted advertising, increased financing flexibility, and active cooperation with local CDCs. Applicant also will conduct an immediate inquiry to ascertain the credit needs of the low-income and minority neighborhoods served by the Indianapolis Bank. Where appropriate, Applicant has agreed to establish in Indianapolis programs substantially identical to those proposed in Columbus, including targeted monetary goals for residential, home improvement and small business lending. Applicant further has committed to implement its own branch closing procedures by providing advance notice to customers of a proposed closing, by consulting with the community regarding the restoration of a branch to efficient operation, and by offering assistance to customers in finding alternative sources of credit.[11]

Finally, Applicant will provide the Federal Reserve Bank of Cleveland with regular written reports detailing the progress of Applicant's subsidiary banks in implementing the proposed programs to assess and serve the credit needs of their respective communities and in fulfilling the commitments made in connection with this application.

Accordingly, based upon all of the evidence, including the programs and measures that Applicant has

9. Applicant also has pledged to adopt more flexible lending criteria, including the financing of loan points and closing costs (consistent with prudent lending practices), the consideration of all sources of family income, and allowing lower down payments and long term financing. Applicant also has agreed to participate in public/private consortia designed to stimulate rehabilitation of homes and businesses and to lower effective interest rates in residential and commercial areas.

10. *Hibernia Corporation*, 72 FEDERAL RESERVE BULLETIN 656, 658 (1986); *Commerce Bancshares, Inc.*, 64 FEDERAL RESERVE BULLETIN 576, 579 (1978).

11. In addition, after Applicant gains control of AFC's mortgage banking subsidiary, it will gather and report loan origination data by census tract as if the mortgage company were a bank.

proposed in order to enhance its service to the convenience and needs of its communities, including low- and moderate-income segments of the communities, and the additional monitoring of Applicant's programs by the Federal Reserve Bank of Cleveland, the Board concludes that convenience and needs considerations are consistent with approval of this application.[12]

Based on the foregoing and other facts of record, the Board has determined that consummation of the proposed acquisition would be in the public interest and that the application should be approved.[13] Accordingly, the application is approved for the reasons summarized above.

December 31, 1986.

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

## First Bancshares of Valley City, Inc. Valley City, North Dakota

*Order Approving the Acquisition of a Bank*

First Bancshares of Valley City, Inc., Valley City, North Dakota, has applied for Board approval under section 3 of the Bank Holding Company Act of 1956, as amended ("Act") (12 U.S.C. §§ 1841 *et seq.*), to acquire voting shares of First National Bank of Valley City, Valley City, North Dakota ("Bank"), and thereby become a bank holding company.

Notice of the application, affording an opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the Act. 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 Act (12 U.S.C. § 1842(c)).

Applicant is a non-operating corporation formed for the purpose of acquiring Bank. Bank is the 20th largest banking organization in the state,[1] with total domestic deposits of $45.8 million, representing 0.8 percent of total deposits in commercial banking organizations in the state. Consummation of this proposal would not result in the concentration of banking resources or in any significant adverse competitive effects in the state.

Bank operates in the Jamestown market,[2] where it is the fourth largest commercial banking organization, controlling 8.2 percent of total deposits in commercial banking organizations in the state. None of the principals of Applicant or Bank is associated with any other financial institutions located within the relevant banking market. Accordingly, consummation of this transaction would not result in the concentration of banking resources or in any significant adverse competitive effects in the relevant geographic area. Thus, competitive factors are consistent with approval.

The Board has indicated on previous occasions that a bank holding company should serve as a source of financial and managerial strength to its subsidiary banks, and that the Board would closely examine the condition of an applicant in each case with this consideration in mind.[3] This application represents the first of a number of proposals involving the divestiture by First Bank System, Inc., a large regional bank holding company, of small, rural banks to individuals or small bank holding companies. Under these circumstances, the Board is particularly concerned with the financial

12. Certain Protestants also have requested that the Board order a public meeting or hearing to receive public testimony on the issues presented by these applications. Although section 3(b) of the Act does not require a formal hearing in this instance, the Board may, in any case, order a formal or informal hearing. In the Board's view, the parties have had ample opportunity to present their arguments in writing and to respond to one another's submissions. In light of these facts, the proposals by Applicant to expand its services, and other facts of record, the Board has determined that a hearing would serve no useful purpose. Accordingly, the Protestants' request for a public hearing is hereby denied. The Protestants' request for a public meeting is denied for the same reason.

13. The American Council of Life Insurance, the American Insurance Association, the National Association of Independent Insurers, and the Alliance of American Insurers submitted comments protesting Board approval of this application on the grounds that the general insurance agency activities conducted by a department of AFC's subsidiary bank, Union Bank and Trust Company, Franklin, Indiana ("Franklin Bank"), are prohibited under the amendments to section 4 of the BHC Act contained in the 1982 Garn–St Germain Depository Institutions Act. The Independent Insurance Agents of America Inc., the National Association of Casualty and Surety Agents, and the National Association of Surety Bond Producers filed additional comments raising substantially the same arguments. In response to these protests, Applicant has agreed that Franklin Bank will divest or terminate its general insurance agency activities within two years of consummation of the acquisition, unless during such period Applicant receives approval pursuant to an application under section 4(c)(8) of the BHC Act to retain such activities. During this two-year period or unless authorization is granted pursuant to the BHC Act for broader activities, Applicant will limit the insurance agency activities of Franklin Bank to the renewal of existing policies and those credit-related insurance agency activities permitted under section 4(c)(8)(A) of the BHC Act. The Board believes that Applicant's divestiture commitments adequately address the issues raised by these protestants.

1. Deposit data are as of June 30, 1985.

2. The Jamestown market is comprised of the counties of Eddy, Foster, Stutsman, Lamoure, and Barnes, and parts of Steel and Griggs counties, North Dakota.

3. The Bank Holding Company Act requires that before an organization is permitted to become a bank holding company and thus obtain the benefits associated with the holding company structure, it must secure the Board's approval. Section 3(c) of the Act provides that the Board must, in every case, consider, among other things, the financial and managerial resources of both the applicant company and the bank to be acquired. The Board's action in this case is based on a consideration of such factors.

strength and future prospects of the banks to be divested, in part because of the uncertainty associated with a change in ownership from a large regional banking organization to individuals or bank holding companies with substantially fewer resources to support the banks.

These concerns are mitigated in this case by several factors. First, the proposal has been strengthened by the contribution of additional equity capital to Applicant by Applicant's principals. Second, First Bank System, Inc. has improved Bank's overall asset quality by purchasing a large portion of Bank's nonperforming and classified loans. Third, First Bank System, Inc. has agreed to retain an investment, in the form of a capital note, in Applicant until Applicant's initial leverage is reduced. This investment will not entail any debt service burden on Applicant or Bank and will be available to support Applicant's capital structure. Fourth, although Applicant will incur a certain amount of debt in connection with the proposed transaction, it appears that Applicant will have sufficient flexibility to retire the debt without adversely affecting the capital position of Bank, particularly in light of the foregoing considerations. All of these factors are designed to strengthen the acquiring organization and to facilitate the transfer of Bank to new ownership, thus ensuring that Bank will be financially protected following divestiture.

In light of these and other facts of record, the Board concludes that the financial and managerial resources and future prospects of Applicant and Bank are consistent with approval of the application.

Although Applicant does not anticipate any immediate changes in the services offered by Bank, considerations relating to the convenience and needs of the community to be served are also consistent with approval of the application.

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. The acquisition shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Minneapolis, acting pursuant to delegated authority.

By order of the Board of Governors, effective December 8, 1986.

Voting for this action: Chairman Volcker and Governors Seger, Angell, and Heller. Absent and not voting: Governors Johnson, Wallich, and Rice.

JAMES MCAFEE
*Associate Secretary of the Board*

[SEAL]

## First Chicago Corporation
## Chicago, Illinois

## American National Corporation
## Chicago, Illinois

*Order Approving Acquisition of a Bank*

First Chicago Corporation, Chicago, Illinois, and its wholly owned subsidiary, American National Corporation, Chicago, Illinois (together "Applicants"), both bank holding companies within the meaning of the Bank Holding Company Act of 1956, as amended (the "BHC Act") (12 U.S.C. § 1841 *et seq.*), have each applied for the Board's prior approval under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire all of the outstanding voting shares of Bank of Lansing, Lansing, Illinois ("Lansing Bank").

Notice of the applications, affording interested persons an opportunity to submit comments, has been given in accordance with section 3(b) of the BHC Act. The time for filing comments has expired and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the BHC Act (12 U.S.C. § 1842(c)).

Applicants comprise the largest commercial banking organization in Illinois, with five banks holding total deposits of $14.4 billion, representing 14 percent of the total deposits in commercial banks in the state.[1] Lansing Bank is the 150th largest commercial banking organization in Illinois, with total deposits of $102 million, representing 0.1 percent of the total deposits in commercial banks in the state. Upon consummation of the proposal, Applicants would remain the largest commercial banking organization in Illinois, with total deposits of $14.5 billion, representing 14.1 percent of the total deposits in commercial banks in the state. Consummation of the proposal would not result in a significant increase in the concentration of banking resources in Illinois.

Applicants are the largest of 234 commercial banking organizations in the Chicago banking market,[2] controlling 21.6 percent of the total deposits in commercial banks therein. Lansing Bank also competes in the Chicago banking market, where it is the 97th largest commercial banking organization, controlling 0.2 percent of the total deposits in commercial banks. Upon consummation of the proposal, Applicants would remain the largest commercial banking organi-

1. All banking data are as of December 31, 1985.
2. The Chicago banking market is approximated by Cook, DuPage and Lake Counties, all in Illinois.

zation in the market, controlling 21.8 percent of the total deposits in commercial banks.

The Chicago banking market is not highly concentrated, with the four largest commercial banking organizations holding 51.7 percent of the total deposits in commercial banks and a Herfindahl-Hirschman Index ("HHI") of 818 points. Upon consummation of the proposal, the four-firm concentration ratio would increase by 0.2 percent to 51.9 percent and the HHI would increase by 9 points to 827 points. Based upon these facts, the Board has determined that consummation of the proposal would not have any significant adverse competitive effects in any relevant banking market.

In its evaluation of Applicants' managerial resources, the Board has considered certain violations by Applicants' subsidiary banks, First National Bank of Chicago, Chicago, Illinois ("First Bank"), and American National Bank and Trust Company of Chicago, Chicago, Illinois ("American Bank"), of the Currency and Foreign Transactions Reporting Act ("CFTRA") and the regulations thereunder.[3] The Board notes that First Bank and American Bank have consulted with and cooperated with the appropriate supervisory authorities and law enforcement agencies following discovery of the violations.

In addition, First Bank and American Bank have filed corrective currency transaction reports and implemented comprehensive remedial programs to prevent further violations of the CFTRA, including:

1. Appointment of senior officials as compliance officers responsible for compliance by the banks with the CFTRA;
2. Institution of intensive training and periodic retraining for bank personnel in the requirements of the CFTRA;
3. Preparation of extensive and comprehensive manuals and policy statements so that bank personnel are aware of the requirements of the CFTRA and the procedures implemented by the banks to insure that all covered transactions are reported and that all currency transaction forms are properly completed;
4. Institution of review procedures, including review by senior bank officials, to insure that exemptions are properly granted, that exemption limits on currency transactions are appropriate, and that the exempt status of customers and exemption limits are periodically reviewed regarding whether such status and limits continue to be appropriate;
5. Institution of review procedures, including review by computer programs, to insure that all covered transactions are captured and reported; and
6. Expanded internal audits of their CFTRA programs to insure compliance with the CFTRA.

The sufficiency of the remedial programs has been reviewed by the Office of the Comptroller of the Currency. The Board has also consulted with appropriate enforcement agencies and has considered Applicants' past record of compliance with the law. For the foregoing reasons and based on all of the facts of record, the Board has determined that the managerial resources of Applicants are consistent with approval of the proposal.

The financial resources and future prospects of Applicants and Lansing Bank are consistent with approval of the proposal. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval of the proposal.

Based on the foregoing and all of the facts of record, the Board has determined that approval of the transaction is consistent with the public interest, and that the applications should be, and hereby are, approved. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless the latter period is extended for good cause by the Board, or by the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective December 1, 1986.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, and Heller. Absent and not voting: Governors Wallich, Rice, and Angell.

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

## James Madison Limited
## Washington, D.C.

*Order Approving Acquisition of a Bank*

James Madison Limited, Washington, D. C., a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C § 1841 *et seq.*) ("Act"), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire the successor by merger to First Continental Bank of Maryland, Silver Spring, Maryland ("Bank").

Notice of the application, affording an opportunity for interested persons to submit comments, has been given in accordance with section 3 of the Act. The time

3. 31 U.S.C. § 5311 *et seq.*; 31 U.S.C. § 103.

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 Act.

Applicant, a one-bank holding company, is the seventh largest commercial banking organization in the District of Columbia ("District"). Applicant controls total domestic deposits of $475.2 million, representing 3.5 percent of the total deposits in commercial banks in the District. Bank is the 52nd largest commercial banking organization in Maryland, controlling total domestic deposits of $28.5 million, representing 0.1 percent of the total deposits in commercial banks in Maryland.[1]

Section 3(d) of the Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside of the holding company's home state,[2] unless such acquisition is "specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication."

The statute laws of Maryland authorize the acquisition of a bank or bank holding company in Maryland by a bank holding company located in another state in a defined southeastern region, including the District, if the laws of that state permit Maryland bank holding companies to acquire banks and bank holding companies in that state.[3] The District has enacted a similar regional interstate banking statute, which permits the acquisition of a District bank holding company or bank by a bank holding company located in Maryland.[4]

The District statute appears to satisfy the requirements of Maryland Fin. Inst. Code § 5–1003. Based on the foregoing, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of Maryland and is thus permissible under the Douglas Amendment, subject to Applicant's receipt of the approval of the Maryland Commissioner of Banking pursuant to Maryland Fin. Inst. Code § 5–1003. The Board's Order is specifically conditioned upon satisfaction of the state regulatory approval requirement.

Applicant's subsidiary bank competes with Bank in the Washington, D.C., banking market.[5] Applicant is the 14th largest of 70 commercial banking organizations in the Washington, D.C., market, and controls deposits of $417.6 million, representing 1.9 percent of the total deposits in commercial banks therein.[6] Bank is the 54th largest commercial banking organization in the market, controlling domestic deposits of $19.5 million, representing less than 0.1 percent of the total deposits in commercial banks in the market. Upon acquisition of Bank, Applicant would become the 11th largest commercial banking organization in the Washington, D.C., market and would control 2.0 percent of the total deposits in commercial banks in the market.

The Washington, D.C., banking market is unconcentrated, and would remain unconcentrated after consummation of the proposed acquisition. The share of deposits held by the four largest commercial banking organizations in the market is 50.4 percent and the Herfindahl–Hirschman Index ("HHI") for the market is 817.[7] Moreover, a large number of commercial banking organizations would remain in the Washington, D.C., market after the proposed acquisition. On the basis of these and all other facts of record, the Board concludes that consummation of the acquisition would not have a significant adverse effect on existing competition in the Washington, D.C., market. In view of the existence of numerous other potential entrants into the relevant banking market, the Board has concluded that consummation of the proposed transaction would not have any significant adverse effects on probable future competition in any relevant market.

The financial and managerial resources and future prospects of Applicant, Bank, and their respective subsidiaries are consistent with approval of the application. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval.

1. Deposit data are as of December 31, 1985, and include Applicant's recent acquisition of UNB Bancshares, Washington, D.C., and Applicant's proposed acquisition of the successor by merger to The McLean Bank, McLean, Virginia, approved by the Board on November 3, 1986.

2. A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. Applicant's home state is the District of Columbia.

3. Md. Fin. Inst. Code Ann. § 5–1001 *et seq.* (Supp. 1985). The states in the region defined by Maryland law include, through June 30, 1987, Maryland, Delaware, Virginia, West Virginia, and the District of Columbia; and, on or after July 1, 1987, Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Pennsylvania, South Carolina, Tennessee, Virginia, West Virginia, and the District of Columbia.

4. D.C. Code Ann. § 26–801 *et seq.* (Supp. 1986), as amended by the District of Columbia Regional Interstate Banking Act of 1985 Amendments Act of 1985, D. C. Law 6–276.

5. The Washington, D. C., banking market is defined as the Washington, D. C., Ranally Metropolitan Area, which comprises the District of Columbia and the surrounding suburban areas of Maryland and Virginia.

6. Market data are as of June 30, 1985.

7. Consummation of the proposed transaction would increase the market's HHI by 0.4 points. Thus, the transaction is not likely to be challenged by the Department of Justice under its merger guidelines, 49 *Federal Register* 26,823 (1984).

Based on the foregoing and other facts of record, the Board has determined that this application should be, and hereby is, approved, subject to the express condition that Applicant obtain the approval of the Maryland Commissioner of Banking pursuant to section 5–1003 of the Maryland Financial Institutions Code. The acquisition of Bank shall not be consummated before the thirtieth calendar day following the effective date of the Order, or later than three months after the effective date of the 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 December 1, 1986.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, and Heller. Absent and not voting: Governors Wallich, Rice, and Angell.

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

## Mid AmeriBancorp, Inc.
## Chicago, Illinois

*Order Denying Formation of a Bank Holding Company*

Mid AmeriBancorp, Inc., Chicago, Illinois, has applied for the Board's approval pursuant to section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) ("Act") to become a bank holding company by acquiring 42.6 percent of the voting shares of Mid-America National Bank of Chicago, Chicago, Illinois ("Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been given in accordance with section 3(b) of the Act. 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 Act.

Applicant is a nonoperating corporation formed for the purpose of becoming a bank holding company by acquiring Bank. Bank is the 541st largest commercial banking organization in Illinois, controlling deposits of $39.2 million representing less than 0.1 percent of the total deposits in commercial banking organizations in the state.[1] Consummation of this acquisition would not result in a significant increase in the concentration of banking resources in Illinois.

Bank operates in the Chicago metropolitan banking market,[2] where it is the 265th largest commercial banking organization, controlling 0.1 percent of the total deposits in commercial banks therein. Applicant's principal is also a principal of three banks and/or their respective bank holding companies in the Chicago metropolitan banking market. Together these institutions would rank as the 59th largest commercial banking organization in the Chicago metropolitan banking market and would control 0.3 percent of the deposits in commercial banking organizations in the Chicago metropolitan banking market. Consummation of this proposal is not likely to have a significant adverse effect upon competition in the Chicago banking market.

The Board has indicated on previous occasions that a bank holding company should serve as a source of financial and managerial strength to its subsidiary bank, and that the Board would closely examine the condition of an applicant in each case with this consideration in mind. In this regard, the Board has cautioned against the assumption of substantial amounts of debt by a bank holding company because the Board was concerned that the bank holding company would no longer have the financial flexibility to meet unexpected problems of its subsidiary bank or would be forced to place substantial demands on its subsidiary bank to meet its debt servicing requirements. In connection with this proposal, Applicant would incur a sizeable amount of debt and would be dependent upon the earnings of Bank to service the debt. Bank has experienced declining earnings in recent years and, using projections based on Bank's past performance, it does not appear that Applicant would have sufficient financial flexibility to service its debt while maintaining adequate capital levels at Bank. In addition, Applicant would be an owner of less than a majority interest in Bank and would not be in a position to control the operations of bank and therefore improve its earnings prospects.[3] Accordingly, based on these and other facts of record, the Board concludes that considerations relating to Applicant's financial resources and future prospects are adverse and weigh against approval of this application.

Applicant has proposed no new services for Bank upon consummation of this proposal. Thus, considerations relating to the convenience and needs of the

1. All banking data are as of December 31, 1985.

2. The Chicago banking market is approximated by Cook, Lake and DuPage Counties, Illinois.

3. *See Lloyds Bank Plc*, 72 FEDERAL RESERVE BULLETIN 841 (1986) and *NBC Co.*, 60 FEDERAL RESERVE BULLETIN 782 (1974).

community to be served are consistent with, but lend no weight toward, approval of this application.

On the basis of all the facts of record, the Board concludes that the banking considerations involved in this proposal are adverse and are not outweighed by any relevant competitive or convenience and needs considerations. Accordingly, it is the Board's judgment that approval of the application would not be in the public interest and that the application should be, and hereby is, denied for the reasons summarized above.

By order of the Board of Governors, effective December 1, 1986.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, and Heller. Absent and not voting: Governors Wallich, Rice, and Angell.

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

## Minnwest, Inc.
## Minnetonka, Minnesota

*Order Approving Formation of Bank Holding Company*

Minnwest, Inc., Minnetonka, Minnesota, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act of 1956, as amended ("BHC Act") (12 U.S.C. § 1842(a)(1)), to become a bank holding company by acquiring 100 percent of the voting shares of each of the following *de novo* Minnesota banks: Minnwest Bank Dawson, Dawson; Minnwest Bank Luverne, Luverne; Minnwest Bank Montevideo, Montevideo; and Minnwest Bank Ortonville, Ortonville (collectively, "Banks"). Each of these banks is being formed to purchase certain assets and assume certain liabilities of each of the following existing Minnesota banks, respectively: Norwest Bank Dawson, Dawson; Norwest Bank Luverne, Luverne; Norwest Bank Montevideo, Montevideo; and Norwest Bank Ortonville, Ortonville.

Notice of the application, affording opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the BHC Act (51 *Federal Register* 31,370 (1986)). 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 (12 U.S.C. § 1842(c)).

Applicant is a non-operating corporation formed for the purpose of acquiring Banks. Norwest Bank Dawson is the 162nd largest commercial banking organization in Minnesota, with total deposits of $28.8 million, representing .08 percent of total deposits in commercial banks in the state.[1] Norwest Bank Luverne is the 140th largest commercial banking organization in Minnesota, with total deposits of $31.4 million, representing .09 percent of total deposits in commercial banks in the state. Norwest Bank Montevideo is the 95th largest commercial banking organization in Minnesota, with total deposits of $38.4 million, representing .11 percent of total deposits in commercial banks in the state. Norwest Bank Ortonville is the 190th largest commercial banking organization in Minnesota, with total deposits of $25.5 million, representing .07 percent of total deposits in commercial banks in the state. Upon consummation, Applicant would become the 16th largest bank holding company in Minnesota, and would control approximately .35 percent of deposits in commercial banks in the state. Consummation of this proposal would not result in the concentration of banking resources or in any significant adverse competitive effects in Minnesota.

Further, since Applicant does not have a presence in any of the relevant banking markets, consummation of this transaction would not result in the concentration of banking resources or in any significant adverse competitive effects in any relevant geographic area. Thus, competitive factors are consistent with approval.

The Board has indicated on previous occasions that a bank holding company should serve as a source of financial and managerial strength to its subsidiary banks, and that the Board would closely examine the condition of an applicant in each case with this consideration in mind.[2] This application represents the divestiture by Norwest Corporation, a large regional bank holding company, of small, rural banks to individuals or small bank holding companies. Under these circumstances, the Board is particularly concerned with the financial strength and future prospects of the banks to be divested, in part because of the uncertainty associated with a change in ownership from a large regional banking organization to individuals or bank holding companies with substantially fewer resources to support the banks.

These concerns are mitigated in this case by several factors. First, a significant portion of the purchase

1. Banking data are as of June 30, 1985.

2. The Bank Holding Company Act requires that before an organization is permitted to become a bank holding company and thus obtain the benefits associated with the holding company structure, it must secure the Board's approval. Section 3(c) of the Act provides that the Board must, in every case, consider, among other things, the financial and managerial resources of both the applicant company and the bank to be acquired. The Board's action in this case is based on a consideration of such factors.

price will be funded by capital provided by the principals of Applicant, and consequently, Applicant will not be highly leveraged. Second, Norwest has agreed to retain an investment, in the form of a capital note, in Applicant and Banks until Applicant's initial leverage is reduced. This investment will not entail any debt service burden on Applicant or Banks, will be available to support Applicant's capital structure, and will convert into common stock under certain circumstances. Third, although Applicant will incur a certain amount of debt in connection with the proposed transaction, it appears that Applicant will have sufficient flexibility to retire the debt without adversely affecting the capital position of Banks, particularly in light of the foregoing considerations. In addition, in contemplation of this transaction, Norwest has significantly strengthened the loan-loss reserves at each of the Banks. All of these factors are designed to strengthen the acquiring organization and to facilitate the transfer of Banks to new ownership, thus ensuring that Banks will be financially protected following divestiture.

In light of these and other facts of record, the financial and managerial resources and future prospects of Applicant and Banks are consistent with approval of the proposal. Considerations relating to the convenience and needs of the community to be served are also consistent with approval of the proposal.

Based on the foregoing and all the facts of record, the Board has determined that the application should be and hereby is approved. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order or later than three months after the effective date of this Order, unless such period is extended by the Board or by the Federal Reserve Bank of Minneapolis acting pursuant to delegated authority.

By order of the Board of Governors, effective December 18, 1986.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, Angell, and Heller. Absent and not voting: Governor Rice.

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

## Northern Trust Corporation
## Chicago, Illinois

*Order Approving Acquisition of a Bank Holding Company and a Bank*

Northern Trust Corporation, Chicago, Illinois, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.* ("BHC Act")), has applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire First Lake Forest Corporation, Lake Forest, Illinois ("FLFC"), and thereby indirectly acquire The First National Bank of Lake Bluff, Lake Bluff, Illinois; The First National Bank of Lake Forest, Lake Forest, Illinois; and Lake Forest National Bank, Lake Forest, Illinois (collectively, "Illinois Banks"). Applicant has also filed an application under section 3 of the BHC Act to acquire Northern Trust Bank of Arizona, N.A., Phoenix, Arizona ("Arizona Bank"),[1] the successor by merger of The Northern Trust Company of Arizona and Phoenix National Bank, both of Phoenix, Arizona.

Notice of the applications, affording interested persons an opportunity to submit comments, has been given in accordance with section 3(b) of the BHC Act. The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the BHC Act (12 U.S.C. § 1842(c)).

Applicant, the fourth largest commercial banking organization in Illinois, controls five subsidiary banks in Illinois with total deposits of $3.6 billion, representing 3.5 percent of total deposits in commercial banks in the state.[2] FLFC is the fortieth largest commercial banking organization in the state, controlling three subsidiary banks with total deposits of $336.7 million, representing 0.3 percent of total deposits in commercial banking organizations in the state. Upon consummation of the proposed transaction, Applicant would remain the fourth largest commercial banking organization in the state, with total deposits of $3.9 billion, representing 3.8 percent of total deposits in commercial banking organizations in the state. Consummation of this proposal would not have a significant effect upon the concentration of banking resources in Illinois.

Applicant and FLFC both compete in the Chicago banking market.[3] Applicant is the fourth largest of 387 commercial banking organizations in the market, with five bank subsidiaries controlling 5.4 percent of total deposits in commercial banking organizations in the market. FLFC is the 29th largest commercial banking

1. In a related application, Nortrust of Arizona Holding Corporation ("NAHC"), Applicant's wholly owned subsidiary, has applied under section 3(a)(1) of the BHC Act (12 U.S.C. § 1842(a)(1), for approval to become a bank holding company through its acquisition of Arizona Bank. NAHC has no significance except as a means to facilitate Applicant's acquisition of Arizona Bank.

2. All banking data are as of December 31, 1985. In addition, Applicant controls four subsidiary banks in Florida.

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

organization in the market with three bank subsidiaries controlling 0.5 percent of total deposits in commercial banking organizations in the market. Upon consummation of this proposal, Applicant would remain the fourth largest commercial banking organization in the market, controlling 5.9 percent of total deposits in commercial banking organizations in the market. The Chicago banking market is considered unconcentrated, with the four largest commercial banking organizations controlling 46.7 percent of the deposits in commercial banking organizations in the market. The Herfindahl–Hirschman Index ("HHI") for the market is 711 and would increase by only 5 points to 716 upon consummation of the proposal.[4]

Although consummation of the proposal would eliminate some existing competition between Applicant and FLFC in the Chicago banking market, numerous other commercial banking organizations would remain as competitors in the market upon consummation. Based upon the above considerations, the Board concludes that consummation of the proposal is not likely to substantially lessen competition in the Chicago banking market.

Regarding Applicant's proposed acquisition of Arizona Bank, section 3(d) of the BHC Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire a bank located outside the holding company's home state, unless such acquisition is "specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication." The statute laws of Arizona authorize an out-of-state bank holding company, with the approval of the Arizona Superintendent of Banks, to acquire an Arizona bank that had applied to operate in Arizona before May 31, 1984.[5]

The Arizona Superintendent of Banks has informed the Board that the proposal does not present any of the grounds for denial of the application under Arizona Revised Statutes § 6–326 and that the Superintendent anticipates approving the proposal. Based on the foregoing, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of Arizona and is thus permissible under the Douglas Amendment, subject to Applicant's obtaining the approval of the Superintendent pursuant to section 6–322 of Arizona Revised Statutes. The Board's Order is specifically conditioned upon satisfaction of the state regulatory approval requirement.

Applicant does not provide banking services in the Phoenix banking market, where Phoenix National Bank now competes, or elsewhere in Arizona.[6] Applicant's indirect Arizona subsidiary, Northern Trust Company of Arizona, Phoenix, Arizona, has operated only as a trust company.[7] The Arizona interstate banking statute permits banking organizations from any state to enter Arizona, and, accordingly, there are numerous potential entrants into the state and into the Phoenix market in which Phoenix National Bank now competes. Based on the foregoing, the Board concludes that the proposal would not have any adverse effects on the concentration of banking resources in any relevant area, and that the proposal would not result in the elimination of substantial existing or probable future competition in any relevant market. Thus, the competitive effects of the proposal are consistent with approval.

In its evaluation of Applicant's managerial resources, the Board has considered certain violations by two of Applicant's subsidiary banks, one of FLFC's subsidiary banks, and Phoenix National Bank of the Currency and Foreign Transactions Reporting Act ("CFTRA") and the regulations thereunder.[8] With regard to the CFTRA violations, the Board notes that Applicant brought violations of its lead bank to the attention of the appropriate supervisory authorities after the violations were discovered through its internal audit and has cooperated with law enforcement agencies.

Applicant has undertaken a comprehensive corporate-wide remedial program to correct the violations at both banks and to prevent violations from occurring in the future in any of its subsidiary banks. Applicant has advised the Board that it has filed corrective currency transaction reports and established a central control unit which has day-to-day responsibility for monitoring all reportable transactions and ensuring that reports are properly filed. Applicant has increased the scope and frequency of its audits of the compliance of its subsidiary banks with the CFTRA. Applicant has also instituted an intensive internal training program for bank personnel regarding compliance with the CFTRA.

The sufficiency of the compliance procedures adopted to address Applicant's subsidiary banks' CFTRA

4. Consummation of the proposed transaction would increase the market's HHI by only a slight amount. The market is considered unconcentrated under the Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (1984), and the increase in the HHI resulting from the transaction is not within the parameters the Department of Justice has stated are likely to result in its challenging the transaction.

5. Arizona Revised Statutes §§ 6–322 and 6–323 (effective October 1, 1986).

6. The Phoenix banking market is approximated by the Phoenix, Arizona RMA.

7. As of June 30, 1986, Northern Trust Company of Arizona, Phoenix, Arizona, administered $1.1 billion in trust assets.

8. 31 U.S.C. § 5311, *et seq.*; 31 C.F.R. § 103.

violations has been reviewed by examiners from the Office of the Comptroller of the Currency and the Federal Reserve System. The Board also has consulted with appropriate enforcement agencies, and has considered Applicant's past record of compliance with the law. In addition, Applicant has committed to implement its compliance program at the subsidiary banks of FLFC and NAHC within 30 days of consummation and to undertake a compliance review at those banks within 120 days of consummation.

Based upon a review of all of the facts of record, the Board concludes that the financial and managerial resources and future prospects of Applicant, FLFC, NAHC, and their respective subsidiary banks and Arizona Bank are consistent with approval of these transactions. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval of these transactions.

Based on the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved, subject to the express condition that with regard to the Arizona acquisition, Applicant obtain the approval of the Arizona Superintendent of Banks pursuant to section 6-322 of the Arizona Revised Statutes. The transactions shall not be consummated before the thirtieth calendar day following the effective date of this Order or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective December 1, 1986.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, and Heller. Absent and not voting: Governors Wallich, Rice, and Angell.

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

### *STATEMENT BY BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM REGARDING THE APPLICATION OF THE ONE BANCORP TO ACQUIRE BANK OF HARTFORD*

By Order dated November 7, 1986, the Board approved the application of The One Bancorp, Portland, Maine, under section 3(a)(3) of the Bank Holding Company Act ("Act"), to acquire the successor by merger to Bank of Hartford, Inc., Hartford, Connecticut ("Bank").

In this Statement, the Board sets forth its reasons for approving this application.

Bank is a state-chartered mutual savings and loan association, the accounts of which are insured by the Federal Savings and Loan Insurance Corporation ("FSLIC"). Bank has adopted a conversion plan by which it will convert to a state-chartered mutual savings bank insured by the Federal Deposit Insurance Corporation ("FDIC"), and will then convert to a state-chartered stock savings bank.[1]

The Board has previously determined that a state-chartered savings bank is a "bank" under section 2(c) of the Act if it accepts demand deposits, engages in the business of making commercial loans, and is not covered by the exemption created by the Garn-St Germain Depository Institutions Act of 1982 ("Garn-St Germain Act") for thrift institutions insured by the FSLIC.[2] Bank accepts demand deposits and engages in the business of making commercial loans, and its deposits will not be insured by the FSLIC. Accordingly, Bank is a "bank" for purposes of the Act, and Applicant has applied to acquire Bank under section 3 of the Act, which governs the acquisition of banks by bank holding companies.

Section 3(d) of the Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from approving the application by a bank holding company to acquire control of any bank located outside of the holding company's home state,[3] unless such acquisition is "specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication."

The statute laws of Connecticut authorize the acquisition of a Connecticut bank by a bank holding company located in a state in the New England region,[4] if that state has enacted legislation that permits the acquisition of a bank located in that state by a Connecticut bank holding company.[5] Maine has enacted a statute that permits the acquisition of a Maine bank by

1. In connection with the proposed acquisition, a newly chartered Connecticut stock savings bank, all of the shares of which are owned by Applicant and which has been formed solely to facilitate the acquisition, will be merged with and into Bank subsequent to Bank's conversion to a state-chartered stock savings bank and all of the shares of the interim bank will be automatically converted into the shares of Bank.

2. *The One Bancorp*, 70 FEDERAL RESERVE BULLETIN 359 (1984); *First NH Banks, Inc.*, 69 FEDERAL RESERVE BULLETIN 874 (1983).

3. A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. Applicant's home state is Maine.

4. Connecticut's regional interstate banking statute defines states in the New England region to include Maine, Massachusetts, New Hampshire, Rhode Island and Vermont, in addition to Connecticut. Conn. Gen. Stat. Ann. § 36-552 (West 1986).

5. Conn. Gen. Stat. Ann. § 36-553 (West 1986).

a bank holding company located in any state.[6] In this regard, the Connecticut Banking Commissioner has informed the Board that the proposed transaction appears to satisfy the requirements of Connecticut law regarding regional interstate banking acquisitions in Connecticut.

Based on the foregoing, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of Connecticut and is thus permissible under the Douglas Amendment, subject to Applicant's obtaining the approval of the Connecticut Banking Commissioner pursuant to Conn. Gen. Stat. Ann. § 36-553. The Board's Order is specifically conditioned upon satisfaction of the state regulatory approval requirement.

Applicant is the second largest depository institution among commercial banks and thrift institutions in Maine, with deposits of approximately $935 million, representing 10.7 percent of the total deposits in commercial banks and thrift institutions in the state. Bank is the 42d largest depository institution among commercial banks and thrift institutions in Connecticut, with deposits of approximately $209 million, representing 0.4 percent of the total deposits in commercial banks and thrift institutions in the state.[7]

Since Applicant's subsidiary bank does not operate in Connecticut, and Bank does not operate in Maine, consummation of the proposed acquisition would have no effect on existing competition in any Connecticut or Maine market. In view of the existence of numerous other potential entrants into each of the markets served by Bank or Applicant, the Board has concluded that consummation of the proposed transaction would not have any significant adverse effects on probable future competition in any relevant market.

The financial and managerial resources and future prospects of Applicant and its subsidiaries and Bank are consistent with approval of the application. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval.

The Board notes that this application involves the acquisition of a bank that results from a conversion of a nonfailing FSLIC-insured savings and loan association. The acquisition proposed here, however, does not fall within the scope of the Board's policy and rulings regarding acquisitions of thrift institutions under section 4 of the Act[8] or the provisions of the Garn–St Germain Act regarding acquisitions of thrift institutions. The Garn–St Germain Act does not treat savings banks like Bank as "thrift institutions" subject to the detailed provisions of that Act relating to acquisitions of thrift institutions, but rather treats them as "banks" under the Act, provided that they accept demand deposits and engage in commercial lending, as Bank does. Under this proposal, Applicant will acquire and operate Bank as a "bank" subject to all the banking standards of the Bank Holding Company Act, including the Douglas Amendment. As noted above, the proposal is consistent with those banking standards.

The Board notes that the Federal Home Loan Bank Board ("FHLBB") has promulgated a regulation that requires prior FHLBB approval for transfers of assets by insured institutions, whether by statutory conversion, merger, or consolidation.[9] In addition, the FHLBB has issued a letter to Bank stating that institutions, like Bank, that voluntarily terminate FSLIC insurance of accounts must pay a final insurance premium in an amount twice that of its last annual premium pursuant to the National Housing Act, 12 U.S.C. § 1730.[10]

The Board expects that Applicant will comply with all state and federal requirements necessary for consummation of the acquisition, and the Board's approval of this application under the Act is not intended to preempt any such requirements.[11] The Board has previously stated that its approval of transactions under section 3 of the Act does not relieve an applicant or the bank involved of the responsibility to obtain approval under other federal or state laws and regulations and does not shield an applicant from the consequences of violations of other laws.[12]

Based on the foregoing and other facts of record, the Board has determined that the application should be approved. Accordingly, the application is approved for the reasons summarized above.

December 31, 1986

[SEAL]

JAMES MCAFEE
*Associate Secretary of the Board*

6. Me. Rev. Stat. Ann. tit. 9-B, § 1013 sub. 2 (as amended, February 7, 1984).

7. Banking data are as of December 31, 1985.

8. *D.H. Baldwin Company*, 63 FEDERAL RESERVE BULLETIN 280 (1977).

9. 12 C.F.R. § 563.22(b). The Board notes that the promulgation of this FHLBB regulation has been challenged in litigation brought by Barnett Banks of Florida against the FHLBB. *United First Federal Savings and Loan Association, et al., v. Federal Home Loan Bank Board*, No. 86-661-Civ-J-16 (Order denying Defendant's motion to dismiss Plaintiff's complaint and granting Plaintiff's motion for preliminary injunction, M.D. Florida, Jacksonville Div., December 19, 1986). The FHLBB has appealed from the district court decision and moved to expedite the appeal.

10. *See* Letter of September 22, 1986, from Julie L. Williams, Deputy General Counsel, Federal Home Loan Bank Board, to H. Langedon Bell, Jr., Chairman and President, The Bank of Hartford, Inc.

11. The Board may not approve an application that would result in a violation of federal or state law. *Whitney National Bank v. Bank of New Orleans*, 379 U.S. 411 (1964).

12. *Crocker National Corporation*, 66 FEDERAL RESERVE BULLETIN 66 (1979); *Royal Trust Company*, 37 *Federal Register* 18,414, 18,415 (1972).

## SafraCorp
## Miami, Florida

*Order Approving Acquisition of a Bank*

SafraCorp, Miami, Florida, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) ("Act") has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire all of the voting shares of Colonial Savings Bank, N.A., Ocala, Florida ("Bank").

Notice of the application, affording opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the Act (51 *Federal Register* 37,237 (1986)). 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 Act (12 U.S.C. § 1842(c)).

Applicant is the 18th largest commercial banking organization in Florida, with total deposits of $169 million, representing less than one percent of the total deposits in commercial banking organizations in the state.[1] Bank is among the smaller commercial banking organizations in Florida, with total deposits of $14 million, also representing less than one percent of the total deposits in commercial banking organizations in the state. Consummation of this proposal would not result in a significant increase in the concentration of banking resources in Florida.

Bank operates in the Marion County banking market,[2] a market where Applicant does not operate. Based on all the facts of record, consummation of the proposed transaction would not result in any significant adverse effects on existing or potential competition or increase the concentration of banking resources in any relevant area.

The financial and managerial resources and future prospects of Applicant and its subsidiary banks and of Bank are considered satisfactory and consistent with approval. Considerations related to the convenience and needs of the communities to be served also are consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. This approval is subject to Applicant's compliance with all state and federal requirements necessary for consummation of the acquisition. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors, effective December 23, 1986.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, Angell, and Heller. Absent and not voting: Governor Rice.

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

1. Banking data are as of December 31, 1985.
2. The Marion County banking market is approximated by Marion County, Florida.

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

## BankEast Corporation
## Manchester, New Hampshire

*Order Approving the Acquisition of a Discount Broker*

BankEast Corporation, Manchester, New Hampshire, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), 12 U.S.C. §§ 1841–48, has applied for the Board's approval under section 4(c)(8) of the Act, 12 U.S.C. § 1843(c)(8), and section 225.23 of the Board's Regulation Y, 12 C.F.R. § 225.23, to acquire all of the voting shares of Royal/Grimm & Davis, Inc., New York, New York ("Company"), a discount broker. The Board has previously determined that discount brokerage is closely related to banking and permissible for bank holding companies. 12 C.F.R. § 225.25(b)(15).

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published. 51 *Federal Register* 26,058 (1986). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act.

Applicant, with consolidated assets of $953 million,[1] is the fourth largest commercial banking organization in New Hampshire. Applicant's subsidiary banks have deposits of $737 million, representing 9.1 percent of all deposits in commercial banks in the state. In addition, Applicant engages in mortgage lending, trust, and other activities through nonbank subsidiaries.

1. All data are as of June 30, 1986.

Company, with assets of $399,070, provides discount brokerage services from a single office in New York City. Under Applicant's proposal, Company's brokerage activities would be limited to buying and selling securities solely upon the order and for the account of its customers, and would not include underwriting, dealing, investment advice, or research services.

The market for discount brokerage services is nationwide and unconcentrated. Because Applicant does not currently provide such services, the proposed acquisition would not eliminate any existing competition. The acquisition could make Company a stronger competitor by enabling it to raise capital at a lower cost and by giving it access to Applicant's marketing, managerial, financial, and technical resources. In view of the large number of prospective providers of discount brokerage services, the acquisition would have no significant adverse effect on probable future competition. The Board accordingly concludes that competitive factors lend weight toward approval of the application.

Company's president and chief executive officer, Mr. Jay V. Grimm ("Protestant"), has protested the proposed acquisition, asserting that it would violate his contractual rights to manage Company and thus expose Applicant to litigation and possible liability; would cause Company to lose money and could result in the loss of valuable employees and customers; and would yield no offsetting public benefits. He also asserts that Applicant has exercised control over Company without the prior approval required under section 4(c)(8) of the Act.

Having reviewed Protestant's arguments, the Board concludes that they do not warrant denial of the application. In light of the entire record, the Board concludes that Applicant has the financial and managerial resources to handle any foreseeable problems associated with the proposed acquisition or with Protestant's contractual claims. The Board also finds that Applicant has not exercised control over Company. Accordingly, the Board concludes that financial and managerial considerations are consistent with approval of the application.[2]

There is no evidence of record indicating that the proposed acquisition would result in conflicts of interest, undue concentration of resources, unsound banking practices, or other adverse effects.

2. Protestant's request for a formal hearing was untimely, having been submitted more than two months after the close of the comment period. *See* 12 C.F.R. § 262.3(e). Moreover, the parties have had ample opportunity to present evidence and arguments in writing, and to respond to one another's submissions. The Board has accordingly denied Protestant's request for a formal hearing.

Based on the foregoing and other facts of record, the Board concludes that the balance of the public interest factors it is required to consider under section 4(c)(8) favors approval of the application. Accordingly, the application is hereby approved. This approval is subject to all of the conditions set forth in Regulation Y, including those in sections 225.4(d) and 225.23(b), 12 C.F.R. §§ 225.4(d), 225.23(b), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasions of, the provisions and purposes of the Act and the Board's regulations and orders issued thereunder.

The proposed acquisition shall not be consummated later than three months after the effective date of this Order unless that period is extended for good cause by the Federal Reserve Bank of Boston, pursuant to delegated authority, or by the Board.

By order of the Board of Governors, effective December 23, 1986.

Voting for this action: Chairman Volcker and Governors Johnson, Seger and Heller. Abstaining from this action: Governor Angell. Absent and not voting: Governor Rice.

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

## Bankers Trust New York Corporation
## New York, New York

### *Order Approving Application to Engage in Commercial Paper Placement to a Limited Extent*

Bankers Trust New York Corporation, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act, 12 U.S.C. § 1841 *et seq.* ("BHC Act"), has applied pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.21(a) of the Board's Regulation Y (12 C.F.R. 225.21(a)) to act as agent and adviser to issuers of commercial paper in connection with the placement of such commercial paper with institutional purchasers. The activity will be conducted through BT Commercial Corporation, Chicago, Illinois ("Company"), a wholly owned commercial finance subsidiary of Applicant's direct subsidiary, B.T. Leasing Services, Inc., New York, New York.

Pursuant to prior Board approval under section 4(c)(8) of the BHC Act, Company engages in making and servicing loans and leasing, activities that are permissible for bank holding companies under sections 225.25(b)(1) and 225.25(b)(5) of Regulation Y

(12 C.F.R. 225.25(b)(1) and (5)). Company would provide the proposed commercial paper placement activity in addition to the previously approved commercial finance activities, with Company serving customers through offices in New York, Chicago and Los Angeles.

Applicant, with consolidated assets of $50.7 billion,[1] is the sixth largest banking organization in New York. It operates two subsidiary banks and engages in a broad range of permissible nonbanking activities in the United States and abroad.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been duly published, 50 *Federal Register* 25,465 (1985). The majority of the written comments were in favor of the proposals. The Board received three written comments opposing the application from the Securities Industry Association ("SIA"), a trade association of the investment banking industry, the Investment Company Institute ("ICI"), a trade association of the mutual fund industry, and Merrill Lynch Money Markets, Inc., a dealer in commercial paper, who contended that the activity would violate the Glass–Steagall Act.

Under this proposal, Company would assume the commercial paper placement activity currently conducted by Applicant's subsidiary, Bankers Trust Company ("Bankers Trust"), a state member bank. Thus, Company would enter into agreements with corporate issuers of commercial paper to act as the issuer's agent in facilitating the placement of the issuer's commercial paper in minimum denominations of $250,000 with a limited number of institutions, such as banks, insurance companies, mutual funds, and nonfinancial businesses.[2] Company may also advise the issuers of commercial paper with respect to the rates and maturities of the proposed issue that are likely to be accepted in the market.

Because Company would be affiliated through common ownership with a member bank,[3] the Board must determine whether, upon consummation of the proposal, Company would be "engaged principally" in the "issue, flotation, underwriting, public sale, or distribution" of securities within the meaning of section 20 of the Banking Act of 1933 (the "Glass–Steagall Act").[4] If so, the Board may not approve the proposal.[5] In addition, the Board must determine whether the proposed activity is so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act and is, on this basis, a permissible activity for bank holding companies.

## Part I. Glass–Steagall Act Analysis

### *A. Commercial Paper Placement Is Not Covered By Section 20*

Applicant contends that Company would not be engaged in underwriting, distributing or any other activity covered by section 20 of the Glass–Steagall Act on the basis of the Board's conclusions in its 1985 ruling with respect to the commercial paper placement activities of Bankers Trust. *Statement Concerning Applicability of the Glass–Steagall Act to the Commercial Paper Placement Activities of Bankers Trust Company* (June 4, 1985) ("Statement"). In the Statement, the Board ruled that the commercial paper placement activity as conducted by the bank as an agent for customers is a permissible securities activity and does not constitute the "underwriting," "distribution" or impermissible "selling" of such securities for purposes of section 16 or 21 of the Glass–Steagall Act (12 U.S.C. §§ 24 Seventh and 378(a)(1)), the provisions of the Act applying directly to banks.[6]

In the Board's view, Company would not be engaged in underwriting, distributing or the public sale of

1. Asset data are as of September 30, 1986.

2. Commercial paper refers to prime quality, short-term promissory notes (maturities not exceeding nine months) issued or backed by large financial, industrial, and commercial companies to finance seasonal or other current needs. Commercial paper is placed with a limited number of large institutions and is not offered to the general public. Issuers placing commercial paper in the recognized market do not register the paper pursuant to the Securities Act of 1933, relying on the exemption in section 3(a)(3) of that Act. 15 U.S.C. 377c(a)(3).

3. Under the Glass–Steagall Act, companies are affiliated if, as relevant here, more than 50 percent of their voting shares is held by the same shareholder. 12 U.S.C. § 221a(b).

4. Section 20 of the Glass–Steagall Act (12 U.S.C. § 377) provides that

> . . . no member bank shall be affiliated . . . with any . . . organization engaged principally in the issue, flotation, underwriting, public sale, or distribution at wholesale or retail or through syndicate participation of stocks, bonds, debentures, notes, or other securities. . . .

In *Securities Industry Ass'n. v. Board of Governors of the Federal Reserve System*, 468 U.S. 137 (1984) (hereinafter "*Bankers Trust*"), the Court held that commercial paper is a security for purposes of sections 16 and 21 of the Glass–Steagall Act (12 U.S.C. §§ 24 Seventh and 378), which taken together prohibit banks, such as Bankers Trust, from underwriting any issue of securities or stock, subject to certain exceptions for U.S. government and agency securities, state and municipal general obligations, and other specified securities. On the basis of this decision, the Board concludes that commercial paper is a security for purposes of section 20.

5. *See Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 468 U.S. 207, 216 (1984) (hereinafter "*Schwab*").

6. In its Statement, the Board concluded that so long as the bank acted only as agent for the issuer and did not assume the risk of a principal by making commercial paper-related loans, letters of credit or other credit facilities, it would be engaged in selling activity as agent, which does not violate sections 16 and 21 of the Glass–Steagall Act and is authorized for member banks. In addition, the Board concluded that the bank would not be "underwriting" or "distributing" securities because there would be no public offering of commercial paper.

securities for purposes of section 20 for the same reasons the Board concluded in its Statement that Bankers Trust would not be engaged in these types of activities under sections 16 and 21, so long as Company's activity conforms to that approved for Bankers Trust under the Board's Statement. As the Supreme Court's opinions interpreting the Glass-Steagall Act indicate, where a particular activity is found not to be the type of activity prohibited to banks by sections 16 and 21, it should not be viewed as the kind of activity described in section 20.[7]

The protestants have disputed the Board's conclusions concerning the permissibility of this activity for a member bank under the Glass-Steagall Act, and the SIA has also challenged the Board's Statement in court. On December 23, 1986, the United States Court of Appeals for the District of Columbia Circuit upheld the Board's determination that Bankers Trust's commercial paper placement activity does not constitute "underwriting" or the impermissible "selling" of commercial paper under sections 16 and 21 of the Glass-Steagall Act. *Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, Nos. 86-5089 *et al.* ("*Bankers Trust II*").

Applicant argues, however, that even if the proposed commercial paper placement activity is viewed as "underwriting" or similar activity covered by section 20 of the Glass-Steagall Act, the proposal would nevertheless comply with section 20 because Company would not be "engaged principally" in such activity. The Board believes it should respond to this alternative basis for approval of the proposal advanced by Applicant.

The Board also believes it is appropriate to act on this application at this time because it does not involve the same complex factual and legal issues that arise from the separate applications of Applicant, Citicorp, and J.P. Morgan & Co. Incorporated to underwrite commercial paper, mortgage-backed securities, municipal revenue bonds and consumer-related receivables in an affiliate that also underwrites U.S. government securities. These applications are substantially different from the Applicant's commercial lending affiliate proposal because the proposed underwriting would be conducted in an affiliate predominantly engaged in underwriting U.S. government securities and because of issues concerning the effectiveness of the sales volume limitations proposed in these applications.

7. *Board of Governors of the Federal Reserve System v. Investment Company Institute*, 450 U.S. 46, 60-61 n.26 (1981) ("*ICI II*"). *See also Schwab*, 468 U.S. at 219.

The Board has ordered a hearing on these applications and the legal and factual issues that prompted this decision are explained in a statement issued by the Board today. Press Release, dated December 24, 1986. This Order, therefore, examines the question of whether Applicant's commercial paper placement proposal is consistent with the "engaged principally" provisions of section 20 and the Bank Holding Company Act.

### *B. The Term "Engaged Principally" in Section 20 Denotes Substantial Activity*

*Applicant's Contentions*

Applicant contends that, even if Company's commercial paper placement activities were deemed to constitute underwriting under section 20, Company would not be "engaged principally" in underwriting securities under section 20 because its placement activity would represent only a minor aspect of Company's overall business activity. To assure that the activity will be relatively insubstantial, Applicant has committed that Company will limit its commercial paper placement activity so that its gross revenue (fee and similar income) from the activity will not in any year exceed 5 percent of Company's gross revenues.

The Applicant and other commenters supporting approval of the application contend that under the "engaged principally" test in section 20, Company may underwrite commercial paper so long as this activity does not constitute more than 50 percent of its total business activity or represent its single largest business activity.[8] On this basis and subject to the proposed limitation on its commercial paper activity, Applicant contends Company would be "engaged principally" in commercial lending activities and, therefore, Company could not by definition be engaged principally in underwriting securities in violation of section 20 of the Glass-Steagall Act. Applicant further claims that, even under the narrowest reading of "principally" as denoting any substantial activity, Company would not be engaged principally in underwriting securities under the 5 percent gross revenue limitation proposed in its application.

8. Applicant and some of the commenters rely on a dictionary definition of the term "principally" to mean the single largest activity and statements in the U.S. Supreme Court decision in *Board of Governors of the Federal Reserve System v. Agnew*, 329 U.S. 441, 446, 448 (1947), concerning section 32 of the Glass-Steagall Act, which prohibits member banks and companies "primarily engaged" in the underwriting or public sale of securities from having a common officer, director or employee. 12 U.S.C. § 78.

*Protestants' Comments*

The protestants claim that Applicant's view of the term "principally" would vitiate the central purpose of the Glass–Steagall Act by allowing member banks to reestablish "security affiliates" that could rival the largest investment banking firms. For this reason, the protestants contend that the term "principally" must be interpreted consistent with Congressional intent to denote any substantial, significant, regular or non-incidental activity, whether or not it is the largest activity of the affiliate.

Protestants also contend that the proposed activity is not closely related to banking under the BHC Act and would result in substantial risk and conflicts of interest not outweighed by public benefits.

*Literal Terms and Structure of the Glass–Steagall Act*

In interpreting a statute, the Board must be guided by the ordinary meaning of the words Congress chose to express its intention and the underlying purpose of the statute as evident in its structure and legislative history.[9] In interpreting the term "engaged principally" in section 20, the Board believes it important to note at the outset that, while the overall objective of the Glass–Steagall Act is to separate commercial and investment banking,[10] section 20 by its terms does not require that this separation be complete. In contrast to the flat prohibitions of sections 16 and 21 on securities underwriting and dealing by banks (other than as specifically authorized),[11] section 20 prohibits underwriting and dealing activity by a member bank affiliate only where the affiliate would be "engaged principally" in such activity. In other words, Congress has not abolished underwriting affiliates of member banks, but has allowed such affiliates where their conduct of underwriting activity would not represent a principal line of business for the affiliate. S. Rep. No. 77, 73d Cong., 1st Sess. 10 (1933).

As the Supreme Court has recognized, it is evident in the terms and structure of the Glass–Steagall Act that Congress intended to "treat banks separately from their affiliates"[12] and to apply a "significantly less stringent" standard to affiliates than to banks under the Act.[13] Indeed, the Court has stated that under the Glass–Steagall Act "a bank affiliate may engage in activities that would be impermissible for the bank itself."[14]

Thus, the Board's decision in this case does not turn upon whether a member bank affiliate may engage in section 20 activity. The statute by its terms plainly authorizes such activity by member bank affiliates where the affiliate is not "engaged principally" in the activity. Rather, the Board must determine at what level and by what measurement a member bank affiliate would be "engaged principally" in this activity.

Given the fact that section 20 plainly permits some amount of otherwise impermissible securities underwriting activity, but that a fundamental purpose of the Act as a whole is to separate securities affiliates as far as possible from member banks, the Board believes, for the reasons set out below, that the term "engaged principally" in section 20 denotes an activity of the affiliate that is substantial, even if the activity does not represent more than 50 percent of the affiliate's total business activity or its single largest or most important activity.

While the term "engaged principally" may, as Applicant and others contend, mean that activity accounting for more than 50 percent of the firm's business or its single largest activity, the term may also mean engaged "primarily" or "in a principal manner" and refer to a number of different activities that are

9. *See, e.g., Steadman v. S.E.C.*, 450 U.S. 91, 97 (1981); *Southeastern Community College v. Davis*, 442 U.S. 397, 405 (1979). *See also e.g., Bankers Trust* 468 U.S. at 149; *Schwab*, 468 U.S. at 217; *Agnew*, 329 U.S. at 447.

10. *See Bankers Trust*, 468 U.S. at 147; *ICI II*, 450 U.S. at 61–62, 70, citing S. Rep. No. 77, 73d Cong., 1st Sess. 10 (1933); *Investment Company Institute v. Camp*, 401 U.S. 617, 629 (1971) ("*ICI I*").

11. Section 16 provides:

> The business of dealing in securities and stock by [a member bank] shall be limited to purchasing and selling such securities and stock without recourse, solely upon the order, and for the account of, customers, and in no case for its own account, and [a member bank] shall not underwrite any issue of securities or stock . . .
>
> * * * * *
>
> The limitations and restrictions herein contained as to dealing in, underwriting and purchasing for its own account, investments securities shall not apply to obligations of the United States, or general obligations of any State or any political subdivision thereof, or [other specified obligations].

12 U.S.C. § 24 Seventh.

Section 21 makes it unlawful—

> For any person . . . engaged in the business of issuing, underwriting, selling, or distributing . . . stocks, bonds, debentures, notes, or other securities, to engage at the same time to any extent whatever in the business of receiving deposits . . . Provided, That the provisions of this paragraph shall not prohibit . . . banks . . . or other financial institutions . . . from dealing in, underwriting, purchasing and selling investment securities, or issuing securities, to the extent permitted to [member banks under section 16].

12 U.S.C. § 378(a)(1).

12. *ICI II*, 450 U.S. at 58 n.24.

13. *Id.* at 71 n.46 and 60 n.26.

14. *Id.* at 64. In the *Agnew* case, the Court also recognized that the Glass–Steagall Act does not mandate a complete separation between member banks and underwriting firms. 329 U.S. at 447, 449.

"main," "leading," "important" or "outstanding."[15] For example, Webster's 1933 dictionary—the version available at the time the Glass-Steagall Act was enacted—states that the term "principal" may refer to a number of the most considerable or important objects, as in "the principal officers; the principal men; the principal productions; the principal arguments." The Board also notes that courts often use the term "principal" to denote a number of important or leading objects, as in the "principal cities" of a nation.[16]

Moreover, the Supreme Court has held in the context of section 32 of the Glass-Steagall Act that the term "primarily," which as noted can be a synonym for "principally," denotes any substantial activity even if not the most important activity. *Agnew,* 329 U.S. at 446.

In light of the two alternative meanings for the term "principally," the decision as to the proper meaning of that term in section 20 must, in the Board's judgment, be made on the basis of legislative intent. This was the rationale adopted by the Supreme Court in the *Agnew* case in upholding, as "more consonant with the legislative purpose" of the Glass-Steagall Act, the Board's decision that the term "primarily engaged" in section 32 of the Glass-Steagall Act must be given its alternative meaning as denoting a substantial, even if not the largest, activity. 329 U.S. at 446-447. Given the similarity in language of sections 20 and 32 and the fact that they were enacted at the same time for the same purpose and that "principally" and "primarily" can be synonyms, the Board believes that these sections should be construed together and that the term "principally" in section 20 must, like the term "primarily" in section 32, denote any substantial activity.[17] In the *Schwab* case, the Supreme Court also observed that, because of the parallels between sections 20 and 32, a long accepted interpretation of section 32 should apply equally to section 20. 468 U.S. at 219.

*Legislative History of Section 20*

The Board believes that a construction of the term "engaged principally" to denote any substantial line of business activity is the only reasonable construction that would carry out the legislative intent of the Glass-Steagall Act to separate commercial and investment banking in the country as far as possible[18] and of section 20 in particular "to provide for the divorce of security affiliates from member banks."[19]

In this regard, the Board is concerned that Applicant's interpretation would substantially negate the purpose of section 20 by allowing affiliations between large member banks and the largest investment banks in the country, the precise situation at which the Glass-Steagall Act was directed.[20] As the Supreme Court noted in the *Agnew* case, because investment banking concerns engage in numerous activities other than underwriting, an interpretation of "primarily en-

15. *Webster's New International Dictionary of the English Language* 1706 (1933); *Webster's New International Dictionary of the English Language* 1966 (2d ed. 1934), 1802; *Webster's Third New International Dictionary of the English Language* 1802-03 (1981).

The Board finds no support in the accepted definition of the term "principally" or, as discussed below, in prior Board rulings for protestants' assertion that the term also denotes activity that is regular or non-incidental, even if not substantial or important. See note 28, below.

16. *E.g., Marquette National Bank of Minneapolis v. First of Omaha Service Corp.,* 439 U.S. 299, 315 n.29 (1978) ("the principal cities along the Atlantic coast"); *B. & O. R. Co. v. United States,* 386 U.S. 372, 380 (1967) ("the principal cities [served by a railroad system]"); *Chicago & N.W. Ry. Co. v. Atchison, T. & S. F. Ry. Co.,* 387 U.S. 326, 340 (1967) ("eight principal Midwestern roads"); *National Labor Relations Board v. Fruehauf Trailer Co.,* 301 U.S. 49, 53 (1937) ("principal cities of the country").

The fact that "principally" is used in other statutory or regulatory contexts to denote the single largest activity (*e.g.,* 12 U.S.C. § 1861(b)(7) and 12 C.F.R. 211.23(b) and 211.32 implementing 12 U.S.C. §§ 1841(h) and 1843(c)(14)(F)) is not dispositive under section 20. For example, the term is used in other regulatory contexts to denote a number of main or important objects: *e.g.,* 12 C.F.R. 347.4(d) ("principal locations"); 12 C.F.R. 335.312, Item 1(b)(3) ("principal services" and "principal markets"). In any event, these interpretations pertain to statutes that were enacted for different purposes than section 20 and the use of the alternative definition of "principally" was determined to be appropriate in the context of those statutes to carry out their different legislative purposes.

17. In prior rulings under the Glass-Steagall Act, the Board has applied the terms "principally" and "primarily" to the same levels of activity and treated the sections in a parallel fashion. *See, e.g.,* 20 FEDERAL RESERVE BULLETIN 485-86 (1934); letter from the Board to the Federal Reserve Bank of Kansas City (August 8, 1935) (concerning First Trust Company of Lincoln, Lincoln, Nebraska); 12 C.F.R. 218.104.

18. *ICI II,* 450 U.S. at 61-62; *ICI I* 401 U.S. at 629-633; S. Rep. No. 77, 73rd Cong., 1st Sess. 10 (1933). *Accord:* 75 Cong. Rec. 9888-9889 (1932) (statement of Sen. Glass); 15 Cong. Rec. 9905 (1932) (statement of Sen. Walcott); 77 Cong. Rec. 3835 (1933) (statement of Rep. Steagall); and 77 Cong. Rec. 3907 (1933) (statement of Rep. Koppleman).

19. *Operation of the National and Federal Reserve Banking Systems, 1932: Hearings on S. 4115 before the Senate Comm. on Banking and Currency,* 72d Cong., 1st Sess. 388 (1932) (statement of Governor Eugene Meyer delivering Federal Reserve Board's Comments and Recommendations on the Glass Bill (S. 4115)) (hereinafter "*1932 Hearings*").

20. On this basis, the Board in connection with the withdrawal of an earlier proposal by Citicorp to underwrite corporate debt, municipal revenue bonds, and mortgage-backed securities through a subsidiary engaged predominantly in underwriting U.S. government and other securities authorized under section 16 of the Glass-Steagall Act, stated its preliminary view that the proposal was inconsistent with the Glass-Steagall Act, where the proposal would have allowed the applicant to underwrite a volume of securities equal to or greater than that of the largest securities underwriters. Board Press Release, dated February 27, 1985.

This conclusion is also supported by the court of appeals emphasis in *Bankers Trust II* on the fact that Congress intended, through the Glass-Steagall Act, to prevent member banks from establishing affiliates "having a far-flung retail network to distribute securities to the public." Slip op. at 27.

gaged" as denoting the largest activity would mean that section 32 of the Glass–Steagall Act "would apply to no one."[21] This same reasoning applies to the "engaged principally" standard of section 20.

The Board's interpretation of principally as denoting any substantial line of business activity also seems appropriate in light of the fact that the alternative interpretation advanced by Applicant and other commenters would produce the anomalous result that a member bank could be affiliated through common stock ownership with an investment banking concern that is "substantially" but not "predominantly" engaged in underwriting activities, but could not, under section 32 of the Glass–Steagall Act, have an officer, director or employee in common with the affiliate. In other words, in such a situation, the Act would prohibit management interlocks because of the potential for conflicts, unsound practices and other hazards that Congress found could arise when commercial banking and investment banking functions were combined, but would permit the member bank and the securities company to be commonly owned, share a common name and pursue common policies dictated by the corporate owner, a situation that raises a far greater potential for the types of adverse effects that lead Congress to enact section 20 of Glass–Steagall Act.

The Board has considered the reliance by some commenters on the statement by Senator Bulkley in urging deletion of the term "principally" from the "engaged principally in the business" language in the proposed section 21 of the Glass–Steagall Act, that "at least some of the great investment houses are engaged in so many forms of business that there is some doubt as to whether the investment business is the principal one."[22] The Board does not, however, believe that the phraseology of this remark should be given controlling weight in interpreting the provisions of section 20. Senator Bulkley was a major proponent of the Glass–Steagall Act and was in accord with the other proponents of the Act in believing that the legislation would require a separation between member banks and their security affiliates.[23] As explained above, this objective would not be accomplished if the term "engaged principally" meant only the single largest activity of an affiliate. The implications of interpreting the word "principally" to mean the single largest activity would be that—insofar as the Glass–Steagall Act is concerned—major banks could affiliate with major investment banks and large investment banks could acquire commercial banks.[24]

Moreover, Senator Bulkley's amendment was to the proposed section 21, which as originally drafted, covered a company "engaged principally in *the* business" of underwriting or similar activity. Accordingly, his remark concerning the use of "principally" in section 21 is not necessarily applicable to section 20, which does not contain the words "engaged principally in the business . . . ."[25]

*The Agnew Decision*

As noted above, the Board believes the reasoning of the *Agnew* case supports the Board's conclusion that the term "principally" in section 20 means substantially because this interpretation is "more consonant with the legislative purpose" of the Glass–Steagall Act and section 20 in particular. 329 U.S. at 447.

In this regard, the Board has considered Applicant's reliance on statements in the *Agnew* case suggesting that through the use of different terminology in section 32 ("primarily" engaged) and section 20 ("principally" engaged), Congress meant to describe different levels of underwriting activity in the two sections, and that "primarily" denoted any substantial activity, suggesting that "principally" meant the single most important activity. 329 U.S. at 448. The Board notes, however, that the meaning of the term "principally" in section 20 was not before the Court in the *Agnew* case because there was no affiliation through common

21. 329 U.S. at 447. The Board also notes that, under Applicant's interpretation, section 20 would have failed to accomplish its basic purpose of requiring the separation of member banks from their security affiliates, because, at least in certain cases, the most important activity of some security affiliates in the early 1930s was not underwriting and dealing, but operating as an investment trust or holding the stock of affiliated companies. *See* W. Peach, *The Security Affiliates of Banks* 85 (1941); *Operation of the National and Federal Reserve Banking Systems: Hearings Pursuant to S. Res. 71 Before a Subcommittee of the Senate Comm. on Banking and Currency*, 71st Cong., 3d Sess. 1057–61 (1931). However, there is little doubt that securities underwriting was a substantial activity of these security affiliates.

22. 77 Cong. Rec. 4180 (1933). Section 21 prohibits a firm "engaged in the business of issuing, underwriting, selling or distributing" securities from accepting deposits. 12 U.S.C. § 378(a)(1). As originally drafted, section 21 would have applied to firms "engaged principally in the business of" issuing or underwriting securities. S. 1631, 73d Cong., 1st Sess. (1933).

23. 75 Cong. Rec. 9909–13 (1932).

24. In any event, the statements of a single legislator are not dispositive as to the meaning of a statute. *Consumer Product Safety Comm'n v. GTE Sylvania*, 447 U.S. 102, 118 (1979).

25. For the same reasons, the statement by Senator Glass (77 Cong. Rec. 3730) that section 21 would prohibit large "private banks, whose chief business is an investment business, from receiving deposits," does not mean that the term principally in section 20 denotes the single largest activity.

Certain commenters also note that Representative Bacon described section 20 as applying to companies "chiefly engaged in the flotation, underwriting, or sale of investment securities." 77 Cong. Rec. 3954 (1933). However, "chiefly" like "principally" may refer to more than one leading activity. There is no evidence that Representative Bacon intended chiefly to be limited to the single largest activity, since he, like Senator Bulkley, was a proponent of the separation of security affiliates from member banks. *Id.*

stock ownership between Eastman, Dillon & Co., the underwriter in that case, and the member bank involved. Thus, the *Agnew* case does not as a legal matter compel a finding that "principally" in section 20 means the single most important activity, particularly in view of the broad inconsistency of such an interpretation with the purpose of section 20 of the Glass–Steagall Act.

Moreover, there is nothing in the legislative history of the Glass–Steagall Act suggesting that Congress meant to describe different levels of underwriting activity in sections 20 and 32. If anything, the legislative history of section 20 indicates that section 20 was intended to be more rigorous than section 32, which was described as "ineffective" in many cases to achieve the Congressional goal of separating commercial and investment banking and "capable of easy evasion."[26] Further, as noted, common sense would suggest that a stricter standard for underwriting should be applied in the case of affiliations through common stock ownership than in the case of interlocking relationships between otherwise unaffiliated companies.

*Prior Board Interpretations*

The Board notes that the Applicant's interpretation of section 20 is also inconsistent with the Board's prior interpretations, in which the Board has viewed the engaged principally test as calling on it to weigh the substantiality of the securities activity even though the activity in question is not the single largest activity of the firm. On this basis, the Board has long permitted bank holding company subsidiaries affiliated with member banks to issue securities—an activity described in section 20—so long as the issuing activity did not become frequent and in substantial amounts[27] or "necessary to permit maintenance of the holding company's activities without substantial contraction" or an "integral part of [the holding company's] operations."[28] The Board has also allowed bank holding company consumer finance subsidiaries affiliated with member banks to issue thrift note securities that did not exceed 25 percent of the issuer's total consolidated assets on the basis that the activity would not be "a principal activity" of the company.[29]

*Subtle Hazards Implicated by the Glass–Steagall Act*

Finally, the Board believes that constraining the level of otherwise impermissible securities activity to the point where it represents only an insubstantial line of activity for the affiliate would minimize the potential for conflicts of interest and the other so-called "subtle hazards" that Congress concluded are raised when investment and commercial banking functions are combined.[30] This is consistent in the Board's view with the Congressional intent underlying section 20 that an insubstantial quantitative level of activity that is not conducted within a bank but by an affiliate of a bank is acceptable from the point of view of the safety and soundness of the bank and the interests of its depositors.

On the other hand, the interpretation advanced by the Applicant and certain commenters permitting a substantial amount of possibly speculative and hazardous securities activity, so long as it is not the single largest activity, would not necessarily lead to a reduction in the potential for subtle hazards. For example, the potential for conflicts and damage to a bank's reputation would not appear to be reduced simply because the affiliate's underwriting activity constitutes 49 percent of its total activity rather than 51 percent.

The fact that, under the Board's interpretation, the potential for "subtle hazards" may continue to exist, albeit at a minimized level, even where underwriting activity is not substantial does not, however, alter the clear Congressional decision to allow some limited level of underwriting by member bank affiliates. As the Supreme Court recognized in *Agnew*, even though the potential for conflicts and other hazards may exist

26. *1932 Hearings* at 387.

27. 12 C.F.R. 218.104(b). *See also* 12 C.F.R. 225.125(c).

28. 12 C.F.R. 250.221(d). Protestants' reliance on these Board rulings for the proposition that any frequent or recurring underwriting activity is covered by section 20 regardless of whether the activity is important or substantial is misplaced. In these cases, the Board held—consistent with its decision in this case—that the underwriting or issuing activity must not only be frequent but must also be substantial relative to the affiliate's total business activity.

In the case of the Board's closed-end mutual fund interpretation (12 C.F.R. 225.125(c)), the Board noted that a closed-end fund does not, after the initial distribution, obtain a substantial or material portion of its capital structure from issuing securities, as opposed to an open-end fund which must continually issue securities to maintain its capital and prevent shrinkage of its assets. *ICI II*, 450 U.S. at 51, 60–61 n.26. If the fund, however, issued securities frequently, it would be obtaining a major portion of its capital and could be engaged principally within the context of prior Board interpretations of section 20.

29. Letters from the Board to Philadelphia National Corporation, Centran Corporation and Virginia National Bankshares (September 9, 1974). *See also Financial Services Corporation of the Midwest*, 63 FEDERAL RESERVE BULLETIN 948 (1977); and letter from the Board to the SIA (December 27, 1977) (concerning a $25 million notes issue by Citicorp).

The Board's determination to permit a member bank affiliate to obtain 25 percent of its *funding* through issuance of securities does not constitute a test that would allow a company to provide underwriting services to third parties up to 25 percent of total activity. In the thrift note cases, the companies issued their own notes as an activity incidental to their main consumer finance business and therefore a finding that they were not "engaged principally" in securities activity was consistent with the terms and purposes of section 20. Moreover, as a share of *total* business, thrift note issuance would have been considerably less than 25 percent.

30. *See ICI I*, 401 U.S. at 629–638; *ICI II*, 450 U.S. at 66–67; *Schwab*, 468 U.S. at 220–221; *Bankers Trust*, 468 U.S. at 145–148.

whatever proportion of the firm's business derives from underwriting, the Glass–Steagall Act does not by its terms establish a complete barrier between banks and underwriting firms. 329 U.S. at 447.

In any event, the potential for these subtle hazards and other conflicts of interest and unsound banking practices that Congress identified when commercial banking and investment banking are combined would not be present to any significant degree under the limitations described in Part II of this Order for the conduct of the activity under the proper incident to banking standard of section 4(c)(8) of the BHC Act. As the Board has previously noted, the Supreme Court in *ICI II*, 450 U.S. at 62, 67, explicitly recognized that where a particular activity is permissible under the terms of the Act, the Board may rely upon restrictions to insure that the activity is insulated from the subtle hazards associated with investment banking.[31] The court of appeals in *Bankers Trust II*, also recognized that the Board may examine the realities of a particular situation, including representations by an applicant as to the manner in which an activity will be conducted, in determining whether the potential for conflicts of interest and other subtle hazards are present in a particular proposal. Slip op. at 30.

### *C. Appropriate Measure of "Engaged Principally"*

Having determined that the "engaged principally" standard of section 20 denotes any substantial activity by a member bank affiliate, the Board must determine whether under the limitations proposed by Applicant, Company's proposed commercial placement activity, assuming that it constitutes underwriting, would be substantial.

Applicant has suggested that Company would not be "engaged principally" in underwriting activity based on a gross revenue test, *i.e.*, the annual gross revenue from its commercial placement activity will not exceed 5 percent of its total gross revenues, which otherwise will be derived from commercial lending operations. Applicant also notes that the amount of Company's assets devoted to the commercial paper activity will be "virtually nil" and has projected that commercial paper activity would not be large, accounting for less than 5 percent of the average outstanding volume for all dealer-placed commercial paper.

The Board believes that the gross revenue a member bank affiliate derives from commercial paper activity relative to its total gross revenue would be an appropriate measure of "engaged principally," when coupled with the affiliate's overall share of the market for the particular type of security underwritten. This is consistent with the Board's practice under the "primarily engaged" standard of section 32 of the Glass–Steagall Act, which gives controlling weight to the revenues derived by the company from underwriting activity relative to its total business revenues and the significance of the organization's presence in the market for the particular activity.[32]

The Board believes that revenue is an appropriate test to determine whether a subsidiary is "principally engaged" because it is an objective and meaningful measure of the importance of the activity to the enterprise as a whole and often reflects the level of risk involved in the activity, a major consideration under the Glass–Steagall Act.[33] In addition, a gross revenue test avoids the potential for manipulation present in a test based solely or predominantly on sales volume. The sales volume of an affiliate, particularly of a government securities subsidiary, could be increased through churning of the affiliate's dealing activity in U.S. government and other authorized securities in order to create a larger base against which the section 20 securities activity would not appear to be substantial. The Board has ordered a hearing to take evidence on these questions in connection with the underwriting applications by Applicant, Citicorp and J.P. Morgan & Co., which propose to use sales volume to measure "engaged principally" status under section 20.[34]

In addition, in the Board's judgment, the fact that an affiliate would be a relatively substantial force in a particular securities market would be a factor suggesting that the affiliate is "engaged principally" in underwriting securities. Thus, the Board has consistently taken into account a firm's market share in decisions under section 32 the Glass–Steagall Act.

31. *National Westminster Bank PLC*, 72 FEDERAL RESERVE BULLETIN 584, 595 (1986). Moreover, reliance on these restrictions does not constitute the kind of regulatory approach the Supreme Court has disfavored in construction of the Glass–Steagall Act. *Bankers Trust*, 468 U.S. at 149–154. In that case, the Court indicated that an agency may not rely on regulatory limitations to overcome the explicit language of the Glass–Steagall Act. Here, as noted, the Glass–Steagall Act explicitly permits some level of otherwise impermissible underwriting activity for member bank affiliates.

32. Letter from the Board to the Federal Reserve Banks (August 11, 1958), *reprinted in* F.R.R.S. ¶ 3–895.

33. The Board notes that the protestant SIA is of the view that gross revenue (as well as assets devoted to the activity), not sales volume, is the appropriate measure of an affiliate's section 20 activities on the basis that revenue is a better indicator of the risk involved in securities activities. Protestant Merrill Lynch claims that to avoid manipulation, net, not gross, revenues are the appropriate standard. However, a test based on net revenues is itself subject to manipulation, since by allowing its costs to rise, an affiliate could reduce its net revenue but the volume and gross revenues from its securities operations would not necessarily decrease and could even increase.

34. Board Press Release, dated December 24, 1986.

The Board also believes that a market share test could provide a useful and objective proxy for volume, which the Board believes is an important factor to be taken into account under the principally engaged test of section 20. Unlike the sales volume test, the market share test would not be subject to manipulation, but would provide for consideration of the volume of business activity of the affiliate.

In the Board's view, where Company would not be engaged in a general securities or investment banking business and where its gross revenue from commercial paper activities in any one year would constitute less than 5 percent of its total gross revenue and the volume of commercial paper outstanding at any one time placed by Company represents less than 5 percent of the average amount of dealer-placed commercial paper outstanding during the previous four calendar quarters, Company would not be "engaged principally" in underwriting securities within the meaning of section 20. The conduct of the commercial paper placement activity at these less than 5 percent levels is consistent with the Board's past practice for many years under the "primarily engaged" standard of section 32,[35] and would, in the Board's judgment, be within the Congressional intent underlying section 20 to allow member bank affiliates to engage in underwriting activities at levels that are not substantial and thus minimize problems of safety or soundness or risk for affiliated member banks.

The Board recognizes that its past decisions have permitted somewhat higher levels of activity as consistent with the "primarily engaged" test under section 32. Accordingly, the Board does not determine definitively in this case at what quantitative level of activity a company would be "engaged principally" in section 20 activity or whether this level should be the same in all cases.

In its evaluation of this case, the Board has carefully considered the fact that, in connection with the transfer of the commercial paper placement activity to Company, Applicant will also transfer to Company a portion of the commercial finance activity of Bankers Trust. As indicated, Company is currently engaged in commercial finance pursuant to approval by the Board under the BHC Act. Accordingly, although hardly a welcome result from some perspectives, Applicant's proposed transfer of a segment of its commercial finance activities to Company is necessary in order to meet the engaged principally test of section 20 and is authorized under both the BHC Act and Board regulations. While the transfer could result in the deliberate creation of a large base of permissible non-section 20 activity, the size of the securities activity that may be conducted by the affiliate on this basis is limited by the "engaged principally" provisions of the Glass-Steagall Act as interpreted by the Board. As previously noted, these provisions involve the concept of a quantitative limitation on underwriting activity which is embodied in the revenue and market share criteria for establishing "substantiality" contained in this Order. The Board wishes to stress that the latter criterion, in particular, creates a limitation on underwriting activity which is independent of the size of the affiliate that might be established by purposeful transfer of activities from the bank to the holding company affiliate.

## Part II. Bank Holding Company Act Analysis

In every application under section 4(c)(8) of the BHC Act, the Board must find that the proposed activity is "so closely related to banking . . . as to be a proper incident thereto." This statutory standard requires that two separate tests be met for an activity to be permissible for a bank holding company. First, the Board must determine that the activity is, as a general matter, "closely related to banking." Second, the Board must find in a particular case that the performance of the activity by the applicant bank holding company may reasonably be expected to produce public benefits that outweigh possible adverse effects.[36]

Based on guidelines established in the *National Courier* decision, a particular activity may be found to meet the "closely related to banking" test if it is demonstrated that:

(1) banks generally have in fact provided the proposed activity;

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

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

The *National Courier* guidelines are not the exclusive basis for finding a proposed activity closely related to banking (516 F.2d at 1237), and the Board may consider any other basis that may demonstrate that the activity has a reasonable or close relationship to banking. 49 *Federal Register* 806 (1984). The U.S. Supreme Court stated in *Schwab* that the use of these

35. *See* letter, dated December 14, 1981, *reprinted in* F.R.R.S. ¶ 3-939.

36. *See ICI II*, 450 U.S. at 57 n.22; *National Courier Ass'n v. Board of Governors of the Federal Reserve System*, 516 F.2d 1229, 1237 (D.C. Cir. 1975).

factors by the Board in determining the closely-relatedness of an activity is reasonable and within the Board's discretion. 468 U.S. at 210 n. 5.

### A. Closely Related to Banking Analysis

After carefully considering the facts of record, the Board concludes that placing commercial paper with institutional purchasers, as the agent of third party issuers, is closely related to banking, because banks provide services that are operationally and functionally so similar to the proposed services that banking organizations are particularly well equipped to provide the proposed services. As noted below, the proposed activity is a natural extension of commercial lending activities traditionally conducted by banks, involving little additional risk or new conflicts of interest, and potentially yielding significant public benefits in the form of increased competition and convenience.[37] On this basis, the Board has urged the Congress to authorize bank holding companies to engage in a wider range of activities than that proposed here—underwriting and distributing commercial paper as principals, underwriting certain other types of securities that are very similar to obligations currently underwritten by banks, *i.e.*, municipal revenue bonds and mortgage related securities, and sponsoring mutual funds. This view is not held by the Board alone. The other federal banking agencies as well as the U.S. Departments of Treasury and Justice support the conduct of these activities by bank holding companies.[38]

As noted above, the Board's June 1985 Statement concludes that the proposed activity is lawful for member banks and that determination has been upheld by the court of appeals. Applicant's subsidiary bank, Bankers Trust, and certain other banks have placed commercial paper, in some cases using procedures slightly different than those proposed here, since the late 1970's. Protestants argue that the lawfulness of this activity has been continuously under challenge and that there is little if any evidence that banks traditionally acted on behalf of issuers in the commercial paper market.[39] However, even if it were assumed that banks historically have not and legally may not engage in the proposed placement activity, the Board nevertheless has the discretion to determine that this activity is closely related to banking.[40]

Placing commercial paper as the agent of the issuer is an activity that is similar in function to the traditional commercial banking function of arranging loan participations or syndications with other banks and institutional lenders. Although commercial paper technically is a security for purposes of the Glass–Steagall Act, this kind of instrument has many of the characteristics of a traditional commercial loan.[41] A commercial loan in its traditional form represents a short-term extension of credit to a business to finance working capital needs. (*E.g., United States v. Connecticut Nat'l Bank*, 418 U.S. 656, 665 (1974)). Because of its short term, commercial paper is customarily held to maturity—like a commercial loan. There is virtually no secondary market. Because of its large denominations, commercial paper is generally purchased only by large, financially sophisticated institutions, such as trust departments of banks, money market mutual funds, insurance companies, and pension funds. As the activity is proposed by Applicant, Company will sell commercial paper only to these large institutions. Thus, Company's role will be, in effect, that of arranging short-term commercial loans from the institutional buyers of commercial paper to the issuers of the paper.

In arranging a loan participation or syndication, a bank, serving as the lead bank, solicits other institutional lenders that may be interested in lending funds to a borrowing firm. The lead bank furnishes financial information concerning the borrower to the prospective lenders. In certain types of shared loan arrangements, *i.e.*, syndications, the lead bank sells a note issued by the borrower to the participating lenders. The lead bank ordinarily receives a fee from the borrower for its services in arranging the participation or syndication, and this reimbursement is contingent

37. *See, e.g.*, Statement of Chairman Volcker Before the Sub-Comm. on Commerce, Consumer & Monetary Affairs of the House Comm. on Government Operations (June 11, 1986), *reprinted in* 72 FEDERAL RESERVE BULLETIN 541, 549 (1986); *Financial Restructuring: The Road Ahead: Hearings on H.R. 5342, 4506 and 3537 Before the Subcomm. on Telecommunications, Consumer Protection, and Finance of the House Comm. on Energy and Commerce*, 98th Cong., 2d Sess. 91 (1984) (statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System), *reprinted in* 70 FEDERAL RESERVE BULLETIN 312, 316 (1984); S. Rep. No. 560, 98th Cong., 2d Sess. 15–16 (1984).

38. *Competitive Equity in the Financial Services Industry: Hearings on S.2181 Before the Senate Comm. on Banking, Housing, and Urban Affairs*, 98th Cong., 2d Sess. 1221, 1274, 1550, 1714 (1984) (Statements of C. Todd Conover, Comptroller of the Currency, William M. Isaac, Chairman, F.D.I.C., Douglas H. Ginsburg, Deputy Assistant Attorney General, U.S. Department of Justice, and Donald T. Regan, Secretary of the Treasury, respectively).

39. *See Bankers Trust*, 468 U.S. at 160.

40. *ICI II*, 450 U.S. at 64 ("In both the Glass–Steagall Act itself and in the [BHC] Act, Congress indicated that a bank affiliate may engage in activities that would be impermissible for the bank itself.").

41. In *Bankers Trust*, the Supreme Court found that commercial paper fell within the literal terminology of the Act ("notes, or other securities"), but did not directly dispute the Board's determination that commercial paper has the functional characteristics of a commercial loan. 468 U.S. at 150–59.

on the lead bank's successful completion of the arrangement function.[42]

Accordingly, the Board concludes that the proposed commercial paper placement activity is so functionally and operationally similar to the role of a bank that arranges a loan participation or syndication that banking organizations are particularly well suited to perform the commercial paper placement function.[43]

*B. Proper Incident to Banking Analysis*

In order to approve an application to engage in a nonbanking activity under section 4(c)(8), the Board must also determine that a proposed activity is a "proper incident" to banking by determining whether the performance of the activity by the applicant bank holding company may reasonably be expected to produce public benefits, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. 12 U.S.C. § 1843(c)(8). Based upon the facts of record and for the reasons and subject to the limitations set out below, the Board finds that consummation of this proposal may reasonably be expected to result in public benefits that outweigh possible adverse effects.

*Public Benefits*

The Board believes that consummation of this proposal will produce significant benefits to the public in the form of increased competition and greater convenience and efficiency. Company will offer the proposed commercial paper placement service on a nationwide basis. In light of the fact that currently the commercial paper market is dominated by a small number of dealers, the expansion of Applicant's commercial paper activities can only foster competition in that market. Moreover, the establishment of this activity in a holding company subsidiary will allow applicant to provide greater convenience to customers of the service and to offer the service more efficiently on a nationwide scale. The Board considers these two factors—increased competition and more convenient service to investors and borrowers—to be substantial and important public benefits.

*Adverse Effects*

After a review of the application and other facts of record the Board finds no evidence that Applicant's conduct of the activity through Company, acting solely as the agent for issuers, is likely to result in any significant adverse effects under the framework for conducting this activity proposed by Bankers Trust and approved in this Order.

The Board's Statement concluded that placing commercial paper as the agent of the issuer within the terms of that Statement would not give rise to any significant conflicts of interest and other hazards the Glass–Steagall Act was enacted to eliminate. In its recent opinion the court of appeals affirmed this determination, with one exception that, as explained below, is not material to this application.[44]

In addition, the Board believes that the consideration of potential hazards that has been employed in analyzing the legality of a particular activity conducted directly by a bank is less controlling where, as here, the same activity would be performed by an affiliate of the bank. As explained above, section 20 of the Glass–Steagall Act by its terms allows member bank affiliates to engage, to a limited extent, in general securities underwriting and distributing, activities that clearly involve the promotional incentive and subtle hazards Congress associated with investment banking activity.

In any event, a proposal by a bank holding company to engage in securities activities that is consistent with section 20 must also comply with the public benefits test of section 4(c)(8); the expected benefits to the public from the proposal must outweigh likely adverse effects. Moreover, unlike the Glass–Steagall Act, the BHC Act authorizes the Board to impose conditions on a proposal to assure the specific adverse effects do not result.

*Insulation of Proposed Activities from Affiliated Banks.* At the outset, the Board notes that a great many of the adverse effects it is charged with considering under the proper incident to banking test of section 4(c)(8), like unsound banking practices and conflicts of interest, relate to potential damage to the holding

42. *E.g.*, Note, *Loan Participation Agreements as Securities: Judicial Interpretations of the Securities Act of 1933 and the Securities Exchange Act of 1934*, 24 Wm. & Mary L. Rev. 295, 296–297 (1983); Pollock, *Notes Issued in Syndicated Loans—A New Test to Define Securities*, 32 Bus. Law. 537, 538 (1977); Comment, *International Loan Syndication, the Securities Acts, and the Duties of a Lead Bank*, 64 Va. L. Rev. 897, 899–900 (1978).

43. For many years, banks have also acted as agents on behalf of issuers of long-term debt and equity securities in soliciting a limited number of institutions to purchase the securities in private placement transactions. *See* Federal Reserve Board Staff, *Commercial Bank Private Placement Activities* (1977); Comptroller of the Currency, Federal Deposit Insurance Corporation, Federal Reserve Board, *Commercial Bank Private Placement Activities* (1978). These private placement operations of banks regarding various other types of securities are clearly very close in function to the proposed commercial paper placement activities.

44. *Bankers Trust II*, slip op. at 29–34.

company's subsidiary bank that might result from the proposed nonbanking activity. The Board has previously indicated that although a bank cannot be completely insulated from the fortunes of an affiliated nonbanking subsidiary, the greater the extent to which the nonbanking activity of a nonbank subsidiary of a holding company is insulated, both structurally and operationally, from the holding company's subsidiary bank, the less likely it is that these kinds of adverse effects will result from the conduct of the nonbanking activity.[45]

While the Board has found that the proposed placement activity may be conducted directly by a bank without danger of significant conflicts of interest, unsound banking practices, or other abuses, the transfer of this activity to a separate subsidiary of Applicant will negate further any possibility of adverse effects. In particular, under the proposal made by Applicant, the activity would be separated from the activities of Applicant's subsidiary banks, both through separate incorporation and through financial and operational limitations specifically designed to ensure that the proposed placement activity is insulated from the subsidiary banks. For example, as explained below, under section 23A of the Federal Reserve Act (12 U.S.C. § 371c), transactions between the affiliated banks and Company will be strictly limited, and under Applicant's proposal Company will not have officers, directors, or employees in common with Applicant's subsidiary banks. Similarly, as explained in greater detail below, Company's lending affiliates will be restricted in extending credit to issuers of commercial paper placed by Company and, significantly, these affiliates will not purchase, as principal or fiduciary, or recommend to customers the purchase of, commercial paper placed by Company. The Board also requires that Company's access to customer records of the affiliated banks be limited.

Finally, although to some extent the potential for conflicts of interest and other adverse effects exists in connection with permissible loan participation and private placement activities of member banks, there is no evidence in recent experience or in the past that these operations have produced conflicts of interest or other abuses.[46]

*Unsound Banking Practices.* The Board has considered the extent to which the proposal would result in unsound banking practices or excessive financial risk to Applicant, Company, or Applicant's other subsidiaries through Company's activity or through imprudent financial transactions with Company or made for its benefit. In addition, the Board has considered whether the public association and corporate linkages between Company and Applicant's subsidiary banks could lead to a loss of public confidence in the banks if losses are sustained by Company or by persons dealing with Company. The Board is of the view that the proposal as structured will not produce any unsound banking practices, as discussed below.

Protestants first allege that Company could lose its own funds as a result of the commercial paper placement activity. The Board finds, however, that the risk of loss to Applicant or to Company as a result of this proposal is not excessive or inconsistent with prudent banking standards. As the activity is proposed by Applicant, Company would not purchase or repurchase any commercial paper for its own account or inventory unsold portions of a commercial paper issue in connection with its proposed placement activity. Since Company would act solely as agent, it would not assume any credit or market risk with respect to the paper it places.[47]

The Board also has determined that, contrary to protestants' assertions, the proposed activities are not likely to damage public confidence in Applicant's subsidiary banks. First, damage to the reputation of affiliated banks is most likely to occur if Company or depositors of these banks suffer losses. As noted, Company will not purchase commercial paper for its own account. Moreover, Company would not advertise or offer commercial paper to the public generally, but would place the paper in private transactions with a limited number of institutions, only some of whom may be depositors of Applicant's subsidiary banks.

In addition, under Applicant's proposal, its subsidiary banks will not purchase, for accounts managed or advised by their trust departments, commercial paper placed by Company or even recommend that a customer purchase such paper, and no affiliate of Company will purchase such commercial paper for an account for which the affiliate has investment discretion or acts as investment adviser.[48] Moreover, under this proposal, commercial paper will be placed by Company, not by Applicant's subsidiary banks, so that commercial paper will be purchased not from the bank but from Company, which is not a bank, and has no depositors, and whose operations will be separated

45. *National Westminster Bank, PLC*, 72 FEDERAL RESERVE BULLETIN at 588.

46. *See* Federal Reserve Board Staff Study, *Commercial Bank Private Placement Activities* 65 (1977).

47. Moreover, as explained below, neither Company nor its affiliates will make any loans that are the functional equivalent of purchasing the paper being placed.

48. Bankers Trust will execute orders for commercial paper placed by Company only when specifically directed by the purchaser.

from the functions of Applicant's subsidiary banks.[49] Thus, there is no reasonable likelihood that the reputation of Applicant's subsidiary banks will be damaged by Company's activities or that the banks will be associated or identified by the public with the success or failure of specific obligations or issuers.

*Conflicts of Interest.* In determining whether the proposed placement activities are a proper incident to banking, the Board also has considered whether the activities would result in conflicts of interest. Given that the proposed activities would not be a significant activity of Company, the fact that banks have engaged in substantially similar activities for a number of years without giving rise to significant conflicts, and the limitations on the activity as proposed by Applicant, the Board believes that any potential conflicts arising from the proposal would not be significant.

In particular, the protestants allege that Company's "salesman's interest" in the success of its commercial paper placement activity may affect its affiliate banks' ability to function as an impartial source of credit and as a disinterested financial advisor to its corporate, trust, correspondent, and other customers.[50] First, the protestants allege that Applicant's subsidiary banks may be encouraged to make imprudent loans to finance the purchase of commercial paper placed by the affiliate. However, because the yields on commercial paper are generally lower than the rates charged for loans by banks, purchase of commercial paper with borrowed funds is unprofitable. Thus, the potential for this kind of abuse as a result of this proposal is negligible.

Protestants also assert that a related conflict might also arise because Applicant's subsidiary banks may not be objective in extending credit to issuers of the commercial paper placed by Company. In conducting this activity at present, Bankers Trust does not provide any letter of credit or other guarantee arrangement to support an issue of commercial paper placed by the bank. Nor does Bankers Trust make loans to issuers of commercial paper it places where the loans are the functional equivalent of purchasing the paper for its own account, since any credit it extends to the issuer of paper being placed is under different terms, at different times and for different purposes than the terms and timing of the paper being placed.

Moreover, to insure that in practice funds borrowed from Bankers Trust are not used to support commercial paper placed by the bank, the bank assures itself that any advances by the bank to an issuer of commercial paper under any line of credit are not used to repay paper placed by the bank or to cover any unsold portion of a commercial paper issue placed by the bank.[51]

Since under Applicant's proposal Company would conduct its placement activity in a manner identical to the procedures currently followed by Bankers Trust, Company's operations and the lending operations of Applicant's subsidiary banks and other lending subsidiaries will also be conducted within these limitations.

The Board also finds that there is no significant potential for Applicant's subsidiary banks to make unsound loans to issuers of commercial paper placed by Company in an attempt to improve the issuer's financial condition. The potential loss to the bank if such loans are not repaid would greatly exceed the very small commissions Company would receive for its placement services, typically one-eighth of one percent of the amount of paper placed, so that it is unreasonable to expect the bank to make such loans. In sum, Applicant and its affiliates will not use their credit to support commercial paper placed by Company, and the danger of imprudent loans to commercial paper issuers as a result of the application is not significant.

Protestants also assert that Applicant's subsidiary banks may be tempted to make imprudent extensions of credit or other investments to support Company if it encounters financial difficulties. This conflict is inherent in transactions between banks and their affiliates generally and is addressed by section 23A of the Federal Reserve Act. (12 U.S.C. § 371c). That provision limits extensions of credit by a bank to its nonbank affiliates, as well as asset purchases from an affiliate, to 10 percent of the bank's capital and requires that any extensions of credit be well collateralized (*e.g.*, 110 percent of the extension of credit if the collateral is composed of revenue bonds). Section 23A also prohibits a bank from purchasing low quality assets from an affiliate or accepting them as collateral for loans to an affiliate. In addition, the likelihood that

49. The court of appeals decision in *Bankers Trust II* stated that the Supreme Court had rejected the argument that commercial paper placement would not damage the reputation of the bank because purchasers are financially sophisticated institutions. Slip op. at 32–33. However, the Supreme Court's finding was made where bank depositors could purchase commercial paper "through their bank." *Id.* at 32. In contrast, here the bank's affiliate, not the bank, is placing the paper. Moreover, as was the case in the court of appeals Glass–Steagall analysis in *Bankers Trust II*, the existence of a potential unsound practice is not fatal to a proposal under section 4(c)(8), since the likelihood of that adverse effect can be outweighed by the benefits to the public expected from the proposal.

50. *See generally ICI I* at 630–632; *Bankers Trust*, 468 U.S. at 145–47.

51. It is clear that lines of credit are not for these purposes if there is documentary evidence, for example, of substantial participation in the credit by other lenders or that the loan is for a documented special purpose, such as equipment financing, plant expansion, or inventory or receivables.

Company will encounter losses that might motivate Bankers Trust or other subsidiaries of Applicant to make unsound loans or investments to shore up Company is not significant, given that Company will not hold or maintain an inventory of any paper with its own funds, and that the placement operation will not constitute a significant activity of Company or involve any significant amount of its assets.

An additional potential conflict cited by protestants is the possibility that commercial paper placed by Company might be "palmed off" on Applicant's subsidiary banks. Currently, none of Bankers Trust's affiliates purchases for its own account commercial paper placed by Bankers Trust. After the function is transferred to Company, none of Company's affiliates (including Bankers Trust) will purchase paper being placed by Company either for its own account or a customer's account, and accordingly, there is no significant possibility that this conflict of interest will occur.

Protestants also raise concerns relating to whether the proposals will impair Applicant's obligation to provide unbiased investment advice to trust department customers and customers relying on Applicant's advice in seeking to raise funds.[52] This conflict will not arise as a result of this proposal because Company's affiliates will not purchase commercial paper placed by Company for accounts they manage or advise or provide investment advice to customers concerning the purchase of commercial paper placed by Company. The Board understands this limitation to mean that affiliates of Company will not advertise or distribute sales literature relating to commercial paper placed by Company.[53]

The final category of potential conflicts of interest cited by protestants involves possible harm to the interests of those who purchase commercial paper placed by Company. For example, protestants contend that Company might encourage issuers to issue commercial paper the proceeds of which will be used to repay loans made by Applicant's subsidiary banks, especially where the issuer is having difficulty repaying the loans. The Board notes that because of the existence of commercial paper rating services, it is extremely difficult for corporations experiencing financial difficulties to obtain the high rating necessary to raise funds in the commercial paper market. In addition, the disclosure requirements of the federal securities laws require disclosure of material facts concerning the issuer's financial condition and the intended use of the proceeds of the offering. In the Board's view, these requirements mean at a minimum that if Company or any of its affiliates has a lending relationship with a particular issuer of commercial paper being placed, Company would disclose the existence of that relationship to each purchaser of that issuer's paper.

Accordingly, subject to the foregoing limitations as proposed by Bankers Trust, the Board believes that the proposal does not pose the potential for any significant conflicts of interest.[54]

*Unfair Competition.* The Board has also considered protestants' contention that Company would have unfair competitive advantages over nonbank-affiliated commercial paper dealers. In particular, the SIA alleges that Company would enjoy unfair advantages in, for example, the rates it would pay for funding and having access to the credit files of affiliate banks to obtain information useful in marketing its services to issuers. The Board finds that this limited proposal would not result in unfair competition for the following reasons.

With respect to the unfair funding claim, the Board notes at the outset that since Company will act only as agent in placing commercial paper, it will not be required to finance holdings or inventory of commercial paper purchased with its own funds. In addition, funding for Company would be provided by its parent holding company, which is not a bank. Rates paid by Applicant and other bank holding companies on their commercial paper have generally been the same as those paid by corporations of similar size and credit ratings.

Moreover, since Company would be a corporation legally separate and apart from Applicant's subsidiary banks, Company could not obtain funding directly through federally insured deposits or the Federal Reserve's discount window, which is ordinarily available only to depository institutions. Furthermore, the Board does not believe that funds from such sources could effectively be provided to Company in view of

52. *See Bankers Trust*, 468 U.S. at 146–147; *ICI I*, 401 U.S. at 633.

53. Protestants have also raised the possibility that Applicant might not provide impartial advice to customers about the best method of obtaining funds. However, the potential financial benefit to Company from the placement service is so small in relation to other services offered by Applicant that it would not be reasonable for Company to provide this kind of biased advice. Moreover, commercial paper is issued only by a small number of the nation's largest and financially strongest corporations, which clearly have the resources and expertise to evaluate independently the best methods of obtaining short-term financing. Indeed, Applicant states that this activity was developed in response to the decision of Bankers Trust's most creditworthy borrowers to seek short-term funds in the commercial paper market rather than through bank loans.

54. In light of the fact that the placement activity would, as a result of the proposal, be conducted by an affiliate of Bankers Trust rather than by the bank itself, any disclosure should also describe the difference between Company and its affiliated banks.

the statutory lending limitations and collateral requirements of section 23A of the Federal Reserve Act, and the fact that any such loans or investments would be subject to review in the supervision and examination process.

In any event, as the Board noted in its *BankAmerica/Schwab* decision, the legislative history of section 4(c)(8) of the Act indicates that the term "unfair competition" was intended to refer to unfair or unethical business conduct under the law, and not to disparities established by existing federal regulation of providers of financial services.[55] Accordingly, for the reasons set out in *BankAmerica/Schwab*, even if Company might obtain some funding advantage by reason of its affiliation with Applicant, the Board finds that any such advantage is not unfair competition within the meaning of section 4(c)(8) of the Act.

The Board has also considered the allegation that unfair competition would result from sharing of confidential information between Company and its affiliates, such as granting Company access to the credit files of its affiliates so that Company could identify potential issuers of commercial paper and thus have an advantage in offering its services to those prospective issuers. There is no evidence that in conducting the commercial paper placement activity Bankers Trust has obtained any unfair advantage as a result of its purported access to confidential financial information concerning prospective customers.

In any event, to remove even the possibility that some unwarranted competitive advantage might occur, as a condition of the Board's approval of this application, no lending affiliate of Company may disclose to Company any non-public customer information concerning an evaluation of the financial condition of an issuer whose paper is placed by Company or of any other customer of Company, except as expressly required by securities law or regulation.

The Board does not believe that unfair competition or conflicts could arise from the potential for disclosure of confidential information held by Company to its affiliates. The Board notes that trading on inside information about issuers would violate the federal securities laws. Moreover, Applicant would have little incentive to gain access to confidential information possessed by Company since, as discussed above, Applicant and Company's other affiliates may not purchase as principal or in a fiduciary capacity any commercial paper placed by Company.

*Undue Concentration of Resources or Decreased Competition.* The Board has carefully considered the possibility that these proposals would result in an undue concentration of resources, in view of the size of Applicant and the concern expressed in the BHC Act regarding the concentration of control over credit resources.[56] The Board finds that this proposal is not likely to lead to undue concentration of resources or decreased competition under the facts and circumstances of record.

Applicant seeks to transfer an existing operation currently being conducted by Bankers Trust to Applicant's commercial finance subsidiary. Thus, the proposal does not involve any combination of existing competitors or elimination of any existing provider of these services, but would instead enable the existing service to be offered on a nationwide basis. Moreover, as explained above, Company's share of the commercial paper market as a result of this proposal would be relatively insubstantial.

In sum, the Board finds that this proposal, as limited by Applicant, is consistent with section 20 of the Glass–Steagall Act, and may reasonably be expected to result in public benefits that outweigh possible adverse effects. Accordingly, the Board finds that Applicant may conduct the proposed activities to the extent and in the manner described in this Order consistent with section 20 of the Glass–Steagall Act and section 4(c)(8) of the BHC Act.[57] The Board's approval of this application extends only to the activity conducted within the following limitations proposed by Applicant for Company and Applicant's subsidiary banks and other subsidiaries, and the placement of commercial paper in any manner other than as described below and in this Order is not within the scope of the Board's approval here and is not authorized for Company:

1. Company will place only commercial paper that is prime quality, short-term (with maturities not exceeding nine months), in minimum denominations of at least $250,000, and that is exempt from the registration and prospectus requirements of the Securities Act of 1933 pursuant to section 3(a)(3) of that Act.
2. Company will place only commercial paper with a limited number of financially sophisticated institutions, which normally purchase large amounts of

55. 69 Federal Reserve Bulletin 105, 111 (1983), affirmed by the Supreme Court in *Schwab*.

56. *See* Conf. Rep. No. 1747, 91st Cong., 2d Sess. 17 (1970) (Statement of the Managers on the Part of the House).

57. Merrill Lynch requested the Board to hold a hearing on the application. Since the proposal involves only the transfer to Company of the commercial paper placement activity currently being conducted by Bankers Trust, this application presents no disputed issue of material fact and raises only questions that are legal in nature. The Board notes that it has ordered a hearing with regard to certain similar applications by Applicant and other bank holding companies, where the proposals are structured differently than this application and do raise factual issues. Merrill Lynch may participate in this hearing. Accordingly, the Board denies the hearing request with respect to this application. *See* 12 C.F.R. 262.3(e) and 225.23(g).

other short-term money market obligations, and will not place paper with individuals. Company will make no general solicitation or general advertising for commercial paper it places and such paper will not be purchased by the general public.
3. Company will not purchase or repurchase for its own account the commercial paper being placed or inventory unsold portions of the paper.
4. The gross revenues derived from Company's commercial paper placement service will not in any year exceed 5 percent of Company's gross revenues.
5. The amount of commercial paper outstanding at any one time placed by Company will be less than 5 percent of the average amount of all dealer-placed commercial paper outstanding during the last four calendar quarters.
6. Neither Company nor any of its affiliates will provide any letter of credit or other guarantee to support commercial paper placed by Company.
7. Neither Company nor any of its affiliates will make loans to issuers of commercial paper placed by Company that are the functional equivalent of purchasing the paper for the account of its affiliate. Thus, any credit extended by any of these companies to the issuer will be under different terms, at different times, and for different purposes than the paper being placed. It would be clear that any such credit is for different purposes if there is documentary evidence of, for example, substantial participation in the credit by other lenders or that the loan is for a documented special purpose, such as equipment financing, plant expansion, or inventory or receivables.
8. Company and its affiliates will assure themselves that any advances to an issuer of commercial paper placed by Company are not used to repay the paper or to cover any unsold portion of a commercial paper issue placed by Company.
9. Neither Applicant nor any of Company's affiliates will purchase for its own account commercial paper placed by Company.
10. Applicant's subsidiary banks will not purchase commercial paper placed by Company for accounts managed or advised by their trust departments and neither the banks nor any of their affiliates will purchase commercial paper placed by Company for any other accounts they advise or for which they have investment discretion.
11. No affiliate of Company will provide investment advice to the purchasers of commercial paper placed by Company and will not advertise or distribute sales literature concerning such commercial paper. Moreover, where Company or any of its affiliates has a lending relationship with an issuer of commercial paper being placed by Company, Company will at a minimum disclose the existence of that relationship to each purchaser of that issuer's paper. Any disclosure made by Company will also describe the difference between Company and Applicant's subsidiary banks.
12. Company will not have officers, directors, or employees in common with Applicant's subsidiary banks.[58]

In addition, with respect to the following limited area, the Board has also required that no lending affiliate of Company will disclose to Company any non-public customer information concerning an evaluation of the financial condition of an issuer whose paper is placed by Company or of any other customer of Company, except as expressly required by securities law or regulation.

The Board's determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of the holding company or any of its subsidiaries as the Board finds necessary to ensure that the commercial paper placement activity of Company is consistent with safety and soundness and conflict of interest considerations and to assure compliance with the provisions of the BHC Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.[59]

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

By order of the Board of Governors, effective December 24, 1986.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, Angell, and Heller. Absent and not voting: Governor Rice.

WILLIAM W. WILES
[SEAL] *Secretary of the Board*

58. The fact that conditions and limitations are relied on by the Board here to assure that this proposal complies with the public benefits test of section 4(c)(8) does not indicate that the activity approved violates the Glass–Steagall Act. The public benefits standard in section 4(c)(8) establishes a test that is independent of the Glass–Steagall Act. It is clear, for example, that certain securities activities that are lawful under the Glass–Steagall Act, such as providing investment advice and portfolio management, may raise the potential for adverse effects under section 4(c)(8) which may be addressed through the types of limitations established in this Order. *See* 12 C.F.R. 225.25(b)(4) n.1; *ICI II*, 450 U.S. at 62, 67.

59. As provided in section 225.23(b)(1), no reorganization of Company, such as the establishment of a subsidiary of Company to conduct the approved activity, may be consummated without prior Board approval.

*Concurring Statement by Chairman Volcker*

I join with the majority of the Board in giving approval for the Bankers Trust application to engage in commercial paper placement in a commercial lending affiliate. I also concur in the Board's decision to request additional information before proceeding to a final decision on the applications by Bankers Trust, Citicorp, and J.P. Morgan to engage in underwriting commercial paper, mortgage-backed securities, municipal revenue bonds and consumer related receivables in a government securities underwriting affiliate.

As an administrative agency, we are bound to carry out the function assigned by Congress of applying existing law to applications submitted to us. Today's decision, applying the Glass–Steagall Act, makes as much good sense as is possible to draw from applying a statute, adopted a half century ago, to a banking marketplace that technology and other competitive forces have altered in a manner and to an extent never envisioned by the enacting Congress.

The Glass–Steagall Act authorizes the affiliates of banks to engage in underwriting securities so long as they are not "engaged principally" in this activity. In the light of the intent of the Act, which has long been considered, in short hand, to require the divorce of investment and commercial banking, the Board's conclusion that the term "engaged principally" includes any substantial activity, even though that function is less than 50 percent of the total, seems to me to be correct. It gives effect to what I believe was Congressional intent to assure that even limited underwriting activities not passing the threshold of "engaged principally" would be separated from the bank itself in a distinct corporate entity and that any possible adverse impact on an affiliated bank would be minimized.

I also agree that the tests of 5 percent of income and 5 percent of market share constitute a reasonable threshold, consistent with the legislative intent, for determining what is a relatively insubstantial activity. Among other things, it seems to me a company that has a relatively large share of an investment market would, in most circumstances, be substantially engaged in that line of activity even if it is a relatively small fraction of the activity of a large affiliate.

Nevertheless, it seems to me evident that application of the plain language and legislative intent in the far different circumstances now prevailing produces some odd results that point to the need for review and change of the basic legislation. For instance, it seems to me that no useful public policy goal is served by the incentive created by the Glass–Steagall Act, as we must interpret it, to shift assets (such as commercial loans) out of a bank and into nonbank affiliates of a holding company so that the affiliates are large enough to permit significant amounts of underwriting without being "principally engaged" in that activity. A sensible financial framework would not encourage artificially such a transfer of ordinary banking assets out of an insured bank that is a beneficiary of the federal safety net and subject to banking regulations. Moreover, certain quantitative and other limitations on the scale of the proposed underwriting activity to fit it into the framework of Glass–Steagall may be unnecessary or undesirable to protect the public interest.

The limited decision taken by the Board today only emphasizes the fact that authority for underwriting of securities by banking organizations urgently needs to be legislatively reviewed and updated. Our common objective is a framework reconciling the requirements for a safe and sound banking and financial system with effective competition and the need for efficiency. My sense is that this sensible and reasonable result cannot be achieved within the four corners of existing law.

The Supreme Court has recently admonished us in the *Dimension* case that the law must be applied as written, even though it produces curious results. The Board has, in my judgment, conscientiously followed that precept.

The Court also noted in that case that the cure for anomalies brought about by change and time is in the hands of Congress. It is to that body that we must turn for wise action.

I believe legislation should be adopted promptly to give straightforward authority for bank holding companies to engage in certain underwriting activities—underwriting commercial paper, mortgage-backed securities, revenue bonds and mutual funds—with such protections against conflicts of interest and self-dealing as may be appropriate. In addition, while apparently not ripe for action immediately, I would suggest the time has come for Congress to undertake a study of the need for change in the current prohibitions on corporate underwriting, recognizing that today, unlike 1933, bank holding companies conduct such activities abroad in substantial volume, and technological and other changes increasingly encourage "securitization" of some bank loans.

I fully realize that these are hotly contested issues, with large private economic interests at stake. Although the legislative process has hitherto been paralyzed by this conflict, a new Congress provides new opportunity for prompt action in the public interest. I join the entire Board in pressing for prompt constructive legislation.

December 24, 1986

## Bayerische Vereinsbank AG
## Munich, Federal Republic of Germany

*Order Approving Application to Provide Investment Advisory Services*

Bayerische Vereinsbank AG, Munich, Federal Republic of Germany, a foreign bank subject to certain provisions of the Bank Holding Company Act ("BHC Act"), 12 U.S.C. §§ 1841–48, has applied for the Board's approval under section 4(c)(8) of the BHC Act, 12 U.S.C. § 1843(c)(8), and section 225.23 of the Board's Regulation Y, 12 C.F.R. § 225.23, to continue to provide investment advisory services through AE Capital Management, Inc., New York, New York ("AECM"), serving as investment adviser to registered investment companies and providing portfolio investment advice to existing customers and to institutional and large private accounts.[1] The Board has previously determined that those activities are closely related to banking and permissible for bank holding companies. 12 C.F.R. § 225.25(b)(4)(ii)-(iii).

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published. 51 *Federal Register* 31,982 (1986). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act.

Applicant, with total assets of approximately $53 billion, is the forty-second largest bank in the world and the fourth largest in the Federal Republic of Germany.[2] Applicant engages in a wide range of retail, wholesale, and investment banking activities in Germany and abroad. In the United States, Applicant has branches in New York and Chicago; has agencies in Atlanta, Los Angeles, and Miami; owns all of the voting shares of AECM, a registered investment adviser; and owns 95 percent of the voting shares of Associated European Capital Corporation, New York, New York ("AEC"), a registered broker/dealer.[3] AEC operates pursuant to section 8(c) of the International Banking Act ("IBA"), which permits a foreign bank such as Applicant to engage in any nonbanking activity in which it was engaged on July 26, 1978. 12 U.S.C. § 3106(c). That authority is subject to review by the Board, which may, after opportunity for a hearing, require termination of any grandfathered activity if necessary to prevent unfair competition, conflicts of interests, or other adverse effects.

AECM currently serves as investment adviser to eight investment companies, of which one is closed-end and seven are technically open-end, and it wishes to serve as investment adviser to additional investment companies of the same kind. The seven open-end investment companies (collectively the "Investment Companies") differ from the usual mutual fund, which continuously offers new shares to the public. *See generally* 12 C.F.R. § 225.125(c). None of the Investment Companies has made an offering of securities, continuous or otherwise, in the United States or abroad. Each Investment Company's shares have been privately placed in the Federal Republic of Germany, and are owned by four or fewer West German corporations. To maintain favorable tax treatment under the tax treaty between the United States and the Federal Republic of Germany,[4] each shareholder has a strong interest in continuing to own at least 25 percent of the Investment Company's shares, and thus also has an interest in restricting the issuance of new shares.[5]

Since their initial capitalization, the Investment Companies have issued shares only infrequently. One company went from two shareholders to three shortly after its organization; another from one to two. Several of the companies issue new shares annually so that shareholders may reinvest their dividends. With those exceptions, none of the Investment Companies has issued shares since its initial capitalization. There have been no redemptions to date. As each Investment Company has a stable shareholder base of institutional investors, it is not under pressure to issue shares frequently so as to offset redemptions.

The Board has long maintained that an investment company that is open-end for purposes of the Investment Company Act, *see* 15 U.S.C. § 80a-5(a), may be closed-end for purposes of section 225.25(b)(4)(ii) of

1. Applicant commenced the activities in question through AECM in 1984 without obtaining the prior approval required under section 4(c)(8). Having reviewed the relevant facts, the Board concludes that the failure to obtain prior approval was inadvertent and does not reflect adversely on the management of Applicant or AECM.

2. As of December 31, 1985.

3. Although AECM is currently owned by AEC, it will become a direct subsidiary either of Applicant or of a holding company to be formed and owned by Applicant.

4. Convention for the Avoidance of Double Taxation with Respect to Taxes on Income, July 22, 1954, 5 U.S.T. 2768, T.I.A.S. No. 3133, *as amended by* Protocol Modifying the Convention of July 22, 1954, Sept. 17, 1965, 16 U.S.T. 1875, T.I.A.S. No. 5920.

5. Under the tax treaty, dividends paid to a West German corporation by a U.S. corporation are not immediately subject to West German taxation if the U.S. corporation is subject to U.S. taxation and the West German corporation holds at least 25 percent of the U.S. corporation's outstanding voting shares. Art. XV(1)(b)1.(aa), 16 U.S.T. at 1886. Although a regulated investment company (as defined in the Internal Revenue Code) is a U.S. corporation subject to U.S. taxation for purposes of the tax treaty, such a company pays no U.S. taxes at the corporate level so long as it distributes its earnings to its shareholders.

Regulation Y if it issues shares only infrequently.[6] Based on the particular facts of record, the Board concludes that the Investment Companies should be treated as closed-end companies for purposes of section 225.25(b)(4)(ii). Accordingly, the activities in question are permissible under that section regardless of whether Applicant organized, sponsored, or controls the Investment Companies.

In cases under section 4(c)(8) of the BHC Act, the Board evaluates the financial resources of the applicant, including its subsidiaries, and the effect of the proposed transaction on those resources. 12 C.F.R. § 225.24. In accordance with the principles of national treatment and competitive equity, the Board expects a foreign bank to meet the same general standards of financial strength as domestic bank holding companies. On the other hand, the Board is aware that outside the United States foreign banks operate under different regulatory and supervisory requirements, accounting principles, asset quality standards, and banking practices and traditions, and that these differences make it difficult to compare foreign banks' capital positions with those of domestic bank holding companies.

The appropriate balancing of these concerns raises complex issues that require careful consideration and that the Board currently has under review. The Board is reexamining the capital standards applicable to domestic bank holding companies and considering revisions that might make those standards more readily comparable to those of foreign banks. The Board is also pursuing consultations with foreign banking authorities about appropriate capital standards for banks operating internationally. Pending the outcome of those deliberations and consultations, the Board is considering case-by-case the issues raised by foreign banks' applications to engage in activities in the United States.

In this instance, Applicant's primary capital ratio, as publicly reported, is below the Board's Capital Adequacy Guidelines. However, after certain adjustments to take account of German banking and accounting practices (particularly the practice of carrying securities at or below historical cost, which in this case is substantially below their market value) as well as consideration of all available information relating to Applicant's overall financial condition, Applicant's capital ratio more nearly approximates U.S. standards. The Board notes that well over half of Applicant's assets are mortgage loans funded by mortgage-backed bonds, and that some 64 percent of those loans are to state and local governments in the Federal Republic of Germany. The Board also notes that the application involves nonbanking activities that generate fee income and that require only a minimal commitment of capital. In light of all the facts of record, the Board has determined that financial factors are consistent with approval of the application.

To approve the application, the Board must find that Applicant's performance of the activities in question "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8). In evaluating those factors, the Board considered that Applicant, through AEC, engages in securities activities in the United States that are not permissible for U.S. bank holding companies. As a result, Applicant could conceivably gain an unfair competitive advantage over domestic bank holding companies by combining grandfathered securities activities with activities permissible under section 4(c)(8). That could occur if the grandfathered activities were used to support or enhance the section 4(c)(8) activities, thus allowing Applicant to offer a wide array of services not permissible for domestic bank holding companies. Moreover, the combination of AEC's underwriting activities and AECM's investment advisory activities could give rise to conflicts of interests.

Applicant has, however, made a series of commitments aimed at separating the operations of AEC and AECM and avoiding conflicts of interests: Apart from clerical and support staff, AEC and AECM will have separate officers, directors, and employees. AEC and AECM will not solicit customers for each other in the United States. No customer lists or confidential information about customers will be passed between AEC and AECM. AEC will not sell or purchase securities, either as a principal or as a broker, to, from, or for any investment company advised by AECM, or otherwise perform for such an investment company any service that AEC might have authority to provide under the IBA. No employee of AEC will serve as a portfolio manager of any investment company advised by AECM. AECM will not provide investment advice about the securities of Applicant or its subsidiaries or affiliates. AECM will not give investment advice about securities that are being underwritten by one of its affiliates, or in which an affiliate is making a market, unless AECM has independently analyzed those securities in the same manner and to the same extent as if they were not underwritten by an affiliate; discloses the affiliate's involvement with the securities and relationship to AECM; and obtains the customer's consent before any such securities are purchased for

6. *See* Letter dated March 8, 1974, to Mr. G. Duane Vieth.

the customer's account. AECM will not engage in any promotional activities relating to any distribution of securities that are being underwritten by one of its affiliates.

In light of these and other commitments, as well as applicable legal restrictions,[7] the Board believes that Applicant would not have an unfair competitive advantage in conducting the activities in question under section 4(c)(8), and that those activities would not give rise to conflicts of interests. The Board notes, moreover, that Applicant will limit its investment advisory services to existing customers and to investment companies and institutional and large private accounts, and will not provide such services to the general public.

There is no evidence of record indicating that the activities in question would result in undue concentration of resources, unsound banking practices, or other adverse effects. By commencing the activities *de novo*, Applicant increased the number of firms providing investment advisory services; thus competitive factors lend weight toward approval of the application. Managerial factors are consistent with approval.

Based on the foregoing and other facts of record, the Board concludes that the balance of the public interest factors it is required to consider under section 4(c)(8) favors approval of the application. Accordingly, the application is hereby approved. This approval is subject to all of the conditions set forth in Regulation Y, including those in sections 225.4(d) and 225.23(b), 12 C.F.R. §§ 225.4(d), 225.23(b), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasions of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder.

By order of the Board of Governors, effective December 1, 1986.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, and Heller. Absent and not voting: Governors Wallich, Rice, and Angell.

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

7. The Securities Exchange Act, the Investment Company Act, and the Investment Advisers Act also tend to separate the operations of AEC and AECM and to reduce the risk of conflicts of interests. For example, the Investment Company Act generally prohibits an investment company advised by AECM from purchasing any securities of which AEC is a principal underwriter or from engaging in any principal transaction with AEC. 15 U.S.C. §§ 80a-10(f), -17(a).

In keeping with the Investment Advisers Act, AECM will disclose its relationship with its affiliates to each of its customers, and will have no arrangement with any distributor of securities regarding the advice AECM gives concerning such securities.

## Citicorp
## New York, New York

*Order Approving Application to Execute and Clear Futures Contracts on Stock Indexes*

Citicorp, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act, 12 U.S.C. § 1841 *et seq.* ("BHC Act"), has applied pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(3) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(3)) to engage *de novo* through its wholly owned subsidiary, Citicorp Futures Corporation ("CFC"), in the execution and clearance, on major commodity exchanges, of futures contracts on stock indexes and options on such futures contracts.

CFC proposes to execute and clear the Standard and Poor's 100 Stock Price Index futures contract, the Standard & Poor's 500 Stock Price Index futures contract ("S&P 500") and options on the S&P 500, all of which are currently traded on the Index and Option Division of the Chicago Mercantile Exchange.

Applicant proposes to offer these services to major corporations, financial institutions, and other sophisticated customers in the United States and abroad.

Notice of the application, affording interested persons an opportunity to submit comments on the relation of the proposed activities to banking and on the balance of public interest factors, has been duly published (50 *Federal Register* 27,684 (1985)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Citicorp, with total consolidated assets of $186.0 billion,[1] is the largest banking organization in the United States. It presently operates eight banking subsidiaries and engages, directly and through subsidiaries, in a variety of nonbanking activities. CFC is a futures commission merchant ("FCM") registered with the Commodity Futures Trading Commission ("CFTC") that engages in the execution and clearance of options contracts on bullion, foreign exchange, government securities and money market instruments, and options on futures contracts based on these commodities and instruments on major commodities exchanges for nonaffiliated persons.

The Board has previously determined that the execution and clearance of futures contracts, and options on futures contracts, based on stock indexes is closely

1. As of September 30, 1986.

related to banking. *J.P. Morgan & Co. Incorporated*, 71 FEDERAL RESERVE BULLETIN 251 (1985). The proposed activities of CFC are essentially identical to those activities previously approved by the Board. Thus, the Board concludes that Applicant's proposal to execute and clear futures contracts on stock indexes is closely related to banking.

In order to approve this application, the Board is also required to determine that the performance of the proposed activities by Applicant "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." (12 U.S.C. § 1843(c)(8)).

Consummation of Applicant's proposal would provide added convenience to those clients of Applicant and its subsidiaries that trade in the cash, forward and futures markets for these instruments. The Board expects that the *de novo* entry of Applicant into the market for these services would increase the level of competition among providers of these services already in operation. Accordingly, the Board concludes that the performance of the proposed activities by Applicant can reasonably be expected to provide benefits to the public.

The Board also has considered the potential for adverse effects that may be associated with this proposal. There is no evidence in the record that consummation of the proposed FCM activities would result in any adverse effects such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. In addition, the Board has taken into account and has relied on the regulatory framework established pursuant to law by the CFTC for the trading of futures, as well as the conditions set forth in section 225.25(b)(18) of Regulation Y with respect to executing and clearing futures contracts.

Based upon a consideration of all the relevant facts, the Board concludes that the balance of the public interest factors that the Board is required to consider under section 4(c)(8) is favorable.

This determination is also subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b)(3) (12 C.F.R. §§ 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

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

By order of the Board of Governors, effective December 12, 1986.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, and Heller. Absent and not voting: Governors Wallich, Rice, and Angell.

BARBARA R. LOWREY
[SEAL] *Associate Secretary of the Board*

## Commonwealth Bancshares Corporation Williamsport, Pennsylvania

*Order Approving Provision of Employee Benefits Consulting Services*

Commonwealth Bancshares Corporation, Williamsport, Pennsylvania, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), 12 U.S.C. § 1841 *et seq.*, has applied for the Board's approval under section 4(c)(8) of the Act, 12 U.S.C. § 1843(c)(8), and section 225.23 of the Board's Regulation Y, 12 C.F.R. § 225.23, to acquire all of the voting shares of Commonwealth Employer Services, Inc., Williamsport, Pennsylvania.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been duly published (51 *Federal Register* 41,836 (1986)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act.

Applicant, a bank holding company by virtue of its ownership of Commonwealth Bank and Trust Company, N.A., Williamsport, Pennsylvania, has total consolidated assets of $864 million.[1] Applicant also engages in certain nonbanking activities, including community development and underwriting credit life, accident and health insurance for the subsidiaries of the bank holding company.

Applicant proposes to acquire Company, which will be an employee benefits consulting firm that will provide services with regard to self-directed employee group health benefit programs. Company's activities can be divided into four basic categories:

1. *Plan Design*—designing employee health benefit plans, including determining funding levels and cost estimates;

1. Data are as of September 30, 1986.

2. *Plan Implementation*—providing assistance in implementing the health plans, including assistance in the preparation of plan documents and the implementation of employee benefit administration systems, and arranging for services from outside agencies;

3. *Administrative Services*—providing administrative services, including recordkeeping services and preparing periodic and other reports and government filings;

4. *Employee Communications*—developing employee communication programs, including participation in seminars, public programs and other forums relating to such developments.

The Board has previously approved applications by bank holding companies to provide employee benefits consulting services with regard to defined benefit, defined contribution plans, and other employee benefit plans, including health care plans.[2] In its orders, the Board has determined that the provision of services for these types of plans encompassed the type of services banks have traditionally performed and that the provision of employee benefits consulting services for these plans was operationally or functionally related to the trust services that banks traditionally provide to customers. The Board also stated that the activity essentially involved the provision of financial information and thus, was similar to a number of financial services, such as the provision of investment and general economic information, and financial data processing and transmission, all of which are activities that are permissible for bank holding companies.[3] Thus, the Board concluded that the provision of employee benefits consulting services for employee benefit plans, including health care plans, is closely related to banking.

In order to approve this application, the Board must also find that the performance of the proposed activity "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." With respect to the proposed employee benefits consulting activities of Applicant, it appears from the record that authorizing the activity would enhance competition and provide greater convenience and increased efficiencies, without resulting in any adverse consequences.

Clients will have the option of obtaining a complete package of employee benefits consulting services from a single company, including those services that can be provided by other subsidiaries of Applicant, resulting in increased convenience to the customers for this service. In addition, the increase in the number of companies that can conduct a broad array of services with regard to employee benefits consulting is likely to enhance competition in the provision of this service.

There is no evidence in the record to indicate that Applicant's performance of the proposed activity would lead to any undue concentration of resources, decreased or unfair competition, unsound banking practices, or other adverse effects. Clients will have the option to use any component of Applicant's employee benefits consulting services individually, or the entire package of services, and Applicant has committed to avoid tying any employee benefits consulting service to the purchase of the entire employee benefits package or to any other service offered by Applicant or its subsidiaries.

In its evaluation of Applicant's managerial resources, the Board has considered certain violations by Applicant of the Currency and Foreign Transactions Reporting Act ("CFTRA") and the regulations thereunder.[4] The Board notes that Applicant has cooperated with law enforcement agencies and has established comprehensive policies and procedures to ensure compliance with the CFTRA. Examiners of the Office of the Comptroller of the Currency have reviewed the sufficiency of the compliance procedures adopted and their efficacy in correcting the deficiencies. The Board also has consulted with appropriate enforcement agencies, and has considered Applicant's past record of compliance with law. The Board, therefore, concludes that the managerial resources of Applicant and Bank are consistent with approval.

Based upon the foregoing and all the facts of record, including certain commitments made by Applicant, the Board has determined that the balance of public interest factors it is required to consider under section 4(c)(8) is favorable. Accordingly, the application is hereby approved. This determination is subject to the conditions set forth in sections 225.4(d) and 225.23(b)(3) of the Board's Regulation Y, 12 C.F.R. §§ 225.4(d) and 225.23(b)(3). The approval is also subject to the Board's authority to require modification or termination of the activities of the holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions

2. *Norstar Bancorp, Inc.*, 72 FEDERAL RESERVE BULLETIN 729 (1986); *BankVermont Corporation*, 72 FEDERAL RESERVE BULLETIN 337 (1986); *Norstar Bancorp, Inc.*, 71 FEDERAL RESERVE BULLETIN 656 (1985).

3. 12 C.F.R. § 225.25(b)(4), (7), (20), & (21) (1986).

4. 31 U.S.C. § 5311 *et seq.*; 31 C.F.R. § 103.

and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

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

By order of the Board of Governors, effective December 16, 1986.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, Angell, and Heller. Absent and not voting: Governors Wallich and Rice.

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

## Credit Suisse
## Zurich, Switzerland

*Order Approving Acquisition of Investment Advisor*

Credit Suisse, Zurich, Switzerland, a foreign bank subject to certain provisions of the Bank Holding Company Act ("Act"), 12 U.S.C. §§ 1841–1848, has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. § 225.23), to acquire through its indirect subsidiary, Financiere Credit Suisse-First Boston ("FCSFB"), Zug, Switzerland, substantially all of the assets of John M. Blewer, Inc. ("Company"), New York, New York, a registered investment advisor. FCSFB will acquire the assets of Company through a new subsidiary formed for that purpose and will thereby engage in providing portfolio advice and portfolio management services to institutions and individuals. Such activities have been determined by the Board to be closely related to banking and permissible for bank holding companies. 12 C.F.R. § 225.25(b)(4)(iii).

Notice of the application, affording interested persons the opportunity to submit comments, has been duly published. 51 *Federal Register* 34,689 (1986). The time for filing comments has expired and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act.

Applicant, with total assets of approximately U. S. $50.5 billion, is the 61st largest banking organization in the world and the third largest in Switzerland.[1] In the United States, Applicant maintains branches in New York and Los Angeles and an agency in Miami. As a result, Applicant is subject to the nonbanking restrictions of section 4 of the Act as if it were a bank holding company.

Applicant also engages in activities in the United States through subsidiaries, described below, that are grandfathered under section 8(c) of the International Banking Act of 1978 ("IBA") (12 U.S.C. § 3106(c)). Section 8(c) of the IBA permits a foreign bank such as Applicant to continue to engage in any nonbanking activities in which it was engaged on July 26, 1978. This authority is subject to review by the Board, which may, after opportunity for a hearing, require termination of any grandfathered activity if necessary to prevent adverse effects.

Applicant controls two subsidiaries, Swiss American Asset Management International, Inc. ("SAAMI"), and Swiss American Securities, Inc. ("SASI"), that engage in certain securities activities, including investment advisory activities, in the United States pursuant to section 8(c) of the IBA. In addition, through FCSFB, Applicant holds approximately 35 percent of the shares of First Boston, Inc., New York, New York, a publicly held company that is a registered broker-dealer in the United States and also engages in investment banking activities outside the United States. Applicant's interest in First Boston, which is considered a domestically-controlled affiliate of Applicant under section 8(c) of the IBA, is also grandfathered under the IBA.

Company is a registered investment advisor under the Investment Advisers Act of 1940 and provides investment advice and portfolio management services to individuals and institutions. The acquisition of Company will be made by FCSFB in order to establish an investment advisory presence in the United States independent of Applicant and its other affiliates. Section 8(c) generally does not authorize the expansion of a grandfathered nonbanking activity through the acquisition of a going concern. Therefore, Applicant has applied for the Board's approval of the acquisition under section 4(c)(8) and Regulation Y.

In applications under section 4(c)(8) of the Act, the Board evaluates the financial resources of the applicant, including its subsidiaries, and the effects of the proposed transaction on those resources. The Board has considered the financial resources of Applicant and notes that the publicly reported primary capital ratio of Applicant is in conformance with the capital guidelines established by the Board for bank holding companies. The Board also notes that the application involves activities that generate fee income and do not require a substantial commitment of capital. In light of these and other facts of record, the Board has deter-

1. Data are as of June 30, 1986.

mined that the financial resources of Applicant are satisfactory and consistent with approval of the application.

As noted above, the activities of Company have been determined by the Board to be closely related to banking. In order to approve this application, the Board must also find that the performance of the proposed activity by Applicant "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts or interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

In its evaluation of these factors, the Board considered the fact that Applicant indirectly engages in a wide range of securities activities in the United States that are not permissible either for United States bank holding companies or for other foreign banking organizations that do not have grandfathered securities affiliates. The Board has considered the potential for unfair competition through the combination of grandfathered securities activities with permissible activities under section 4(c)(8). This could arise if grandfathered securities affiliates were used to support and enhance the activities of a company operating under section 4(c)(8), thereby enabling the company to offer to customers a wide array of services not permitted for bank holding companies. In addition, the combination of permissible investment advisory activities and impermissible securities underwriting activities in the United States creates the potential for conflicts of interest.

In this case, the facts of record indicate that Company is intended to establish for FCSFB an investment advisory presence in the United States and will operate independently of First Boston, SAAMI and SASI. There will be no director, officer or employee interlocks between Company and any of these affiliates. In addition, there will be no joint marketing efforts undertaken by Company and any of its grandfathered affiliates. Company will not share fees, profits or customer information, will not make customer referrals, and will not engage in cross-marketing involving these affiliates.

In order to further the separation of the companies, thereby reducing the potential for competitive advantage, and in order to prevent conflicts of interest that may arise from the fact that Applicant will operate both grandfathered underwriting affiliates and an investment advisory company, Applicant has also made certain commitments. Company will not provide advice on any securities of Applicant, First Boston or any other affiliate, and Company will disclose to its clients its relationships with its affiliates. Company will not provide investment advice to a client with respect to securities that are part of a distribution by an affiliate or in which an affiliate makes a market, unless Company has conducted an independent analysis of such securities in the same manner and to the same extent as if the securities were not underwritten or dealt in by an affiliate, discloses the fact of the affiliation to its client, and obtains the client's prior consent to the purchase of any such securities. Company will not engage in promotional activities with respect to any distribution of securities being underwritten by an affiliate. The Board notes that these commitments reduce the potential for conflicts of interest and enhance the separation of the companies, thereby reducing the potential for any competitive advantage to accrue to Applicant.

The Board has also considered whether other adverse effects on competition may result from the proposal and notes that, although Company engages in activities that are also provided by Applicant's affiliates, Company is relatively small and its acquisition by FCSFB will not eliminate substantial competition in any relevant area. Moreover, acquisition of Company can be expected to result in some increase in competition due to the financial support provided by FCSFB, enabling Company to become a stronger competitor.

In light of the facts of record and the commitments offered by Applicant to enhance the separation of Company from its grandfathered securities affiliates, the Board finds that the proposal would not result in conflicts of interest or decreased or unfair competition. There is also no evidence in the record that indicates that Applicant's proposal would result in any undue concentration of resources, unsound banking practices or other adverse effects.

Based on the foregoing and other facts of record, the Board has determined that the balance of public interest factors it is required to consider under section (4)(8) of the BHC Act is favorable. Accordingly, the application is hereby approved. The Board's determination in this case is subject to all of the conditions set forth in Regulation Y, including those in sections 225.4(d) and 225.23(b) (12 C.F.R. §§ 225.4(d) and 225.23(b)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and prevent evasions of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder.

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

By order of the Board of Governors, effective December 2, 1986.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, and Heller. Absent and not voting: Governors Wallich, Rice, and Angell.

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

## First United Bancshares, Inc.
## Ord, Nebraska

*Order Approving Acquisition of Insurance Agencies*

First United Bancshares, Inc., Ord, Nebraska, a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1841 *et seq.*), has applied pursuant to section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) to engage in general insurance activities:

(1) by acquiring all of the assets of Ord Insurance Agency, Ord, Nebraska, and Wolbach Insurance Agency, Wolbach, Nebraska; and
(2) by acquiring indirect control of Grant Insurance Agency, Grant, Nebraska, through the acquisition of its parent company Grant Bancshares, Inc., Grant, Nebraska.[1]

Notice of the applications, affording interested persons an opportunity to submit comments on the proposal, has been duly published (51 *Federal Register* 37,650 (1986). The time for filing comments has expired, and the Board has considered the applications and all comments received, including those of various insurance associations,[2] in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Applicant proposes to engage in general insurance activities, pursuant to exemption C of section 4(c)(8) of BHC Act, in Ord, Wolbach, and Grant, Nebraska, each a town with a population of fewer than 5000 residents, according to the 1980 census. In reviewing the applications, the Board has considered the comments of the insurance groups that the Board deny these applications because Applicant has its principal place of banking business in North Platte, Nebraska, a town with a population of more than 5000 inhabitants. In addition, the insurance groups argue the Board should consider the cumulative financial and economic impact of permitting a single banking organization to operate insurance agencies in several small towns. The insurance groups apparently would have the Board find that several small-town insurance agencies could jointly serve an area or "place" with a population in excess of 5000 inhabitants.

The Board has previously decided that exemption C of section 4(c)(8) of the BHC Act does not require a bank holding company to have its principal place of banking business in a town with a population of fewer than 5000 residents. The Board discussed its findings and provided detailed reasons in support of this conclusion in its recently adopted amendment to Regulation Y governing permissible insurance activities for bank holding companies. *See* 51 *Federal Register* 36,201 (October 9, 1986). For reasons stated in the commentary accompanying the insurance regulation, the Board finds no merit to the argument of the insurance groups that a bank holding company engaged in general insurance agency activities in a town of fewer than 5000 inhabitants must have its principal place of banking business in such a small town.

The Board also finds there is no merit to the insurance parties second argument, that the Board must consider the cumulative impact of permitting a single bank holding company to operate general insurance agency subsidiaries in more than one town. The insurance parties cannot point to statutory language in exemption C, the legislative history, or Board precedent, either under the new Board insurance regulation (12 C.F.R. § 225.25(b)(8)(iii)) or under its prior regulation (12 C.F.R. § 225.25(b)(8)(ii)(1986)), that supports their position. For over 10 years, the Board has examined each insurance agency subsidiary proposed to be located in a small town to determine that that subsidiary properly served the limited geographic area of the small town and surrounding environs and to determine that the proposed agency would not solicit business from places having more than 5000 residents. At no time has the Board aggregated either the populations to be served or the service areas of bank holding companies with two or more small-town insurance agency subsidiaries in order to limit the total activities of all such small town agency subsidiaries. The Board finds nothing in exemption C and no policy considerations to compel a change in its longstanding practice and the imposition of a substantial additional restriction now proposed by the insurance parties.

1. These applications are part of a restructuring of a chain of three bank holding companies and five subsidiary banks under common ownership into a single multibank holding company. The Board approved this restructuring, including Applicant's acquisition of control of Grant Bancshares, Inc., by Order dated November 25, 1986, but it delayed consideration of the proposed restructuring of the three existing insurance agency subsidiaries to allow additional time for public comment.

2. The Board has considered the comments of the Association of Life Underwriters, National Association of Professional Insurance Agents, Independent Insurance Agents of America, Inc., National Association of Casualty and Surety Agents, and National Association of Surety Bond Producers.

Applicant has provided a sufficient record that Ord, Wolbach and Grant are towns of fewer than 5000 residents. Applicant has described the proposed service area of each subsidiary and demonstrated that each will include fewer than 5000 inhabitants. There is some additional basis to rely on Applicant's figures, since the proposed subsidiaries have operated for some time as subsidiaries of Applicant's predecessor bank holding companies and were subject to Board supervision and regulation. Each proposed subsidiary is a separate company with a history of independent operation. Finally, since Applicant's three proposed subsidiaries are located 40 miles to more than 190 miles apart, it is implausible to believe that these entities might jointly serve a single large market area. Thus the Board not only rejects the criterion suggested by the insurance parties but also finds it is inapplicable in this case.

Consummation of the proposal would not result in the elimination of any competition. Furthermore, there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interest, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the Act is consistent with approval of the application.

Based on the foregoing and other facts of record, the Board has determined that the applications should be and hereby are approved. This determination is subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b)(3) (12 C.F.R. §§ 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof. These transactions shall not be consummated later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City, pursuant to delegated authority.

By order of the Board of Governors, effective December 16, 1986.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, Angell, and Heller. Absent and not voting: Governors Wallich and Rice.

JAMES MCAFEE
*Associate Secretary of the Board*

[SEAL]

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

### Fidelcor, Inc.
### Philadelphia, Pennsylvania

*Order Approving Acquisition of a Bank Holding Company and Underwriting Credit-Related Insurance*

Fidelcor, Inc., Philadelphia, Pennsylvania, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended ("BHC Act" or "Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)), to acquire Merchants Bancorp., Inc., Allentown, Pennsylvania ("Merchants"), and thereby indirectly to acquire Merchants Bank, N.A., Allentown, Pennsylvania ("Merchants Bank"), and Merchants Bank North, Wilkes-Barre, Pennsylvania ("Merchants North"). Applicant has also filed a section 4(c)(8) application (12 U.S.C. § 1843(c)(8)) to acquire Merchants' nonbanking subsidiary, Merchants Life Insurance Company, Phoenix, Arizona, and thereby to underwrite credit-related life and accident and health insurance.

Notice of these applications, affording an opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the BHC Act (51 *Federal Register* 33,804 (1986)). The time for filing comments has expired, and the Board has considered these applications and all comments received in light of the factors set forth in section 3(c) of the BHC Act (12 U.S.C. § 1842(c)) and the considerations in section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)).

Applicant is the fourth largest commercial banking organization in Pennsylvania, holding deposits of $5.7 billion, representing 5.9 percent of total deposits in commercial banks in the state.[1] Merchants is the 12th largest commercial banking organization in Pennsylvania, controlling deposits of $1.8 billion, representing 1.8 percent of total deposits in commercial banks in the state. Upon consummation of this proposal, Applicant would become the third largest banking organization in the state and would control approximately 7.7 percent of deposits in commercial banks in the state. Consummation of the proposal would not have a significant adverse effect on the concentration of banking resources in the state.

1. All banking data are as of June 30, 1986, unless otherwise specified.

Applicant and Merchants compete in the Allentown/Bethlehem market.[2] Applicant is the sixth largest of 38 commercial banking organizations in the market, with total deposits of $154.2 million, representing 3.1 percent of total deposits in commercial banks.[3] Merchants is the largest commercial banking organization in the market, with total deposits of $1.13 billion, representing 22.6 percent of total deposits in commercial banks in the market. After consummation of the proposal, Applicant's share of the deposits in commercial banks in the market would be 25.7 percent. The Allentown/Bethlehem market is considered moderately concentrated, with the four largest banks controlling 62.1 percent of the deposits in commercial banks. The Herfindahl–Hirschman Index ("HHI") will increase by 152 points to 1,377 and the four-firm concentration ratio will increase to 65.2 percent.[4]

Although consummation of the proposal would eliminate some existing competition between Applicant and Merchants in the Allentown/Bethlehem banking market, numerous other commercial banking organizations would remain as competitors in the market after consummation. In addition, the presence of 22 thrift institutions that control approximately 27 percent of the market's total deposits mitigates the anticompetitive effects of the transaction.[5] Thrift institutions already exert a considerable competitive influence in the market as providers of NOW accounts and consumer loans. In addition, several of the thrift institutions make commercial loans and provide an alternative for such services in the Allentown/Bethlehem market. Based upon the above considerations, the Board concludes that consummation of the proposal is not likely to substantially lessen competition in the Allentown/Bethlehem banking market.[6]

The Board has also considered the effects of this proposal on probable future competition in the markets in which either Applicant or Merchants, but not both, competes. In light of the number of probable future entrants into each of these markets and other facts of record, the Board concludes that consummation of this proposal would not have any significant adverse effect on probable future competition in any market.

In its evaluation of Applicant's managerial resources, the Board has considered certain violations by Applicant and its subsidiary bank and Merchants and its subsidiary banks of the Currency and Foreign Transactions Reporting Act ("CFTRA") and the regulations thereunder.[7] In this regard, the Board notes that Applicant brought these matters to the attention of the appropriate supervisory authorities after the violations were discovered through an internal audit. Applicant and its subsidiary bank and Merchants and its subsidiaries have also undertaken comprehensive remedial programs to correct these violations and to prevent violations from occurring in the future. Applicant has advised the Board that it has: completely restructured its compliance function and instituted a new compliance committee; designated a compliance officer with responsibility for compliance management; created a new unit to manage all aspects of CFTRA and provided this unit with the authority and capacity to examine every reportable transaction, including multiple deposits or withdrawals involving a single account on a given day, and to review all CTR reports for accuracy and completeness before filing; reviewed, revised, automated and centralized the exemption lists which are regularly distributed to all branches; prepared a handbook exclusively on the subject of CFTRA compliance and distributed the handbook throughout the branches and appropriate operations areas; developed a separate policies and procedures manual for CFTRA compliance; provided training for personnel in the branch system, the money center, bookkeeping, and other areas affected by the CFTRA regulations; and incorporated CFTRA training into all new branch staff training sessions.

The sufficiency of the compliance procedures adopted by Applicant and their efficacy in correcting the

2. The Allentown/Bethlehem market is defined by the Allentown/Bethlehem Metropolitan Statistical Area and includes Carbon, Lehigh, Northampton and Warren Counties in Pennsylvania.

3. Market structure data are as of June 30, 1985, and account for all acquisitions that have been consummated as of September 29, 1986.

4. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)), any market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated, and the Department is likely to challenge a merger that increases the HHI by more than 100 points, unless other facts of record indicate that the merger is not likely substantially to lessen competition. The 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 at least 200 points.

5. The Board has previously indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743 (1984); *NCNB Bancorporation*, 70 FEDERAL RESERVE BULLETIN 2215 (1984); *General Bancshares Corporation*, 69 FEDERAL RESERVE BULLETIN 802 (1983); *First Tennessee National Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

6. If 50 percent of deposits held by thrift institutions in the Allentown/Bethlehem banking market were included in the calculation of market concentration, the share of total deposits held by the four largest organizations would be 52.2 percent. Applicant would control 21.8 percent of the market's deposits upon consummation. The HHI would increase by 100 points to 995.

7. 31 U.S.C. § 5311 *et seq.*; 31 C.F.R. § 103.

deficiencies have been reviewed by examiners of the Office of the Comptroller of the Currency. The Board notes that Applicant has cooperated fully with law enforcement agencies. The Board has also consulted with appropriate enforcement agencies with respect to this matter, and has considered Applicant's past record of compliance with the law.

The Board has also considered certain violations of CFTRA by Merchants' subsidiary banks. Merchants has taken remedial action as a result of the discovery of these violations, including the formation of a compliance unit and additional staff training. Applicant has stated that following the acquisition, it will extend its compliance system to Merchants' subsidiaries.

For the foregoing reasons and based upon a review of all of the facts of record, the Board concludes that the managerial resources of Applicant and Merchants are consistent with approval. The Board also finds that the financial resources and future prospects of Applicant and Merchants are consistent with approval of the applications. Considerations relating to convenience and needs of the communities to be served also are consistent with approval.

Applicant has also applied, pursuant to section 4(c)(8) of the Act, to acquire Merchants Life Insurance Company, Phoenix, Arizona ("Merchants Life"), the nonbanking subsidiary of Merchants, and thereby to engage in reinsuring credit-related life and accident and health insurance in conjunction with consumer lending. These activities are permissible for bank holding companies under section 225.25 (b)(8) of the Board's Regulation Y (12 C.F.R. § 225.25(b)(8)). Consummation of the proposal would not result in the elimination of any competition. Furthermore, there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interest, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the Act is consistent with approval of the application.

Based on the foregoing and other facts of record, the Board has determined that the applications under sections 3 and 4 of the Act should be and hereby are approved. The banking acquisition shall not be consummated before the thirtieth calendar day following the effective date of this Order, and neither the banking acquisition nor the nonbanking acquisition shall occur 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 Philadelphia, acting pursuant to delegated authority. The determination with respect to Applicant's nonbanking activities is subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b) (12 C.F.R. §§ 225.4(d) and 225.23(b)), and to the Board's authority to require such modification or termination of activities of the 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 Act and the Board's regulations and orders issued thereunder.

By order of the Board of Governors, effective December 1, 1986.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, and Heller. Absent and not voting: Governors Wallich, Rice, and Angell.

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

## NBD Bancorp, Inc.
## Detroit, Michigan

*Order Approving Acquisition of a Bank Holding Company and a Nonbanking Company*

NBD Bancorp, Inc., Detroit, Michigan, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) ("Act"), has applied for the Board's approval under section 3 of the Act (12 U.S.C. § 1842) to acquire Omnibank Corp., Wyandotte, Michigan ("Omni"), and thereby indirectly to acquire Wyandotte Savings Bank, Wyandotte, Michigan ("Bank").[1]

Applicant has also applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) to acquire Computer Communications of America, Inc., Detroit, Michigan ("CCA"), which engages in providing loan servicing and data processing services to financial institutions. CCA is presently a subsidiary of Applicant's lead bank, National Bank of Detroit, Detroit, Michigan.

Notice of the applications, affording interested persons an opportunity to submit comments, has been given in accordance with section 3(b) of the Act. The time for filing comments has expired, and the Board has considered the applications and all comments

1. Applicant has also applied under section 3(a)(1) of the Act (12 U.S.C. § 1842(a)(1)) for approval for its wholly owned subsidiary, NBD Southern Corporation ("NBDSC"), to become a bank holding company through acquisition of Omni. NBDSC has no significance except as a means to facilitate the acquisition of Omni.

received in light of the factors set forth in section 3(c) and the considerations specified in section 4(c)(8) of the Act.

Applicant, the largest commercial banking organization in Michigan, controls 25 subsidiary banks with total deposits of $12.1 billion, representing 21 percent of total deposits in commercial banks in the state.[2] Omni is the fifteenth largest commercial banking organization in the state, controlling one bank subsidiary with total deposits of $315 million, representing 0.5 percent of total deposits in commercial banking organizations in the state. Upon consummation of this acquisition, Applicant would remain the largest commercial banking organization in the state, controlling total deposits of $12.4 billion, representing 21.5 percent of total deposits in commercial banking organizations in the state. Consummation of this proposal would not significantly increase the concentration of banking resources in Michigan.

Applicant and Omni compete in the Detroit banking market.[3] Applicant is the largest commercial banking organization in the Detroit banking market, controlling 28.6 percent of the total deposits in commercial banking organizations in the market. Omni is the eighth largest commercial banking organization in the Detroit banking market, controlling 1.1 percent of the total deposits in commercial banking organizations in the market. Upon consummation of this proposal, Applicant would remain the largest commercial banking organization in the market, controlling 29.7 percent of the total deposits in commercial banking organizations in the market. After consummation of this proposal, the Detroit banking market would become highly concentrated, with the four largest commercial banking organizations controlling 77 percent of the deposits in commercial banking organizations in the market and the Herfindahl–Hirschman Index ("HHI") would increase by 64 points to 1806.[4]

Although consummation of the proposal would eliminate some existing competition between Applicant and Omni in the Detroit banking market, numerous other commercial banking organizations would remain as competitors in the market upon consummation. Based upon the above considerations, the Board concludes that consummation of the proposal is not likely to substantially lessen competition in the Detroit banking market.

In its evaluation of Applicant's managerial resources, the Board has considered certain violations by two of Applicant's subsidiary banks of the Currency and Foreign Transactions Reporting Act ("CFTRA") and the regulations thereunder. With regard to the CFTRA violations, the Board notes that Applicant has cooperated with law enforcement agencies, has subsequently reported previously unreported transactions to the Internal Revenue Service and has adopted measures designed to prevent recurrence of such violations. Applicant had incorrectly defined exempt customers, and it has clarified its procedures for identifying exempt customers. Applicant has also redesigned its exempt customer cards to insure that adequate information is provided, has redefined its procedures for the periodic review of currency transaction report forms, and has developed new training programs to familiarize all customer contact personnel with CFTRA requirements. An automated system has been implemented which produces a listing of the previous day's large cash transactions for each branch location, and Applicant will acquire software which permits aggregating transactions throughout its branch system.

The sufficiency of the compliance procedures adopted to address Applicant's subsidiary banks' CFTRA violations has been reviewed by examiners from the Office of the Comptroller of the Currency. The Board also has consulted with appropriate enforcement agencies, and has considered Applicant's past record of cooperation with supervisory and enforcement agencies to comply with the law.

For the foregoing reasons, and based upon a review of all of the facts of record, the Board concludes that the managerial resources of NBD, Omni and their respective subsidiary banks are consistent with approval. The Board also finds that the financial resources and future prospects of Applicant, Omni, and their subsidiary banks are satisfactory. Based upon a review of all of the facts of record, the Board concludes that the financial and managerial resources of Applicant, Omni and their respective subsidiary banks are consistent with approval of this transaction. Considerations related to the convenience and needs of the communities to be served also are consistent with approval of the transaction.

Applicant has also applied, pursuant to section 4(c)(8) of the Act, to acquire CCA and thereby engage in the provision of loan servicing and data processing services to financial institutions. The Board has determined that the activity of loan servicing and data processing services are permissible for bank holding companies (12 C.F.R. §§ 225.25(b)(1) and (7)). CCA previously conducted these activities as a subsidiary

2. All banking data are as of December 31, 1985.

3. The Detroit banking market is approximated by the Detroit RMA.

4. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)) ("Guidelines"), a market in which the post-merger HHI is over 1800 is considered highly concentrated. In such markets, the Department is likely to challenge a merger that produces an increase in the HHI of more than 50 points. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points.

of Applicant's lead bank, and there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interest, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the Act is consistent with approval of the application.

Based on the foregoing and other facts of record, the Board has determined that the applications under sections 3 and 4 of the Act should be, and hereby are, approved. The acquisition of Omni shall not be consummated before the thirtieth calendar day following the effective date of this Order, and neither the acquisition of Omni nor the acquisition of CCA shall be made later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Chicago, pursuant to delegated authority. The determination with respect to Applicant's nonbanking activities is subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b) (12 C.F.R. §§ 225.4(d) and 225.23(b)), and to the Board's authority to require such modifications or termination of activities of the 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 Act and the Board's regulations and orders issued thereunder.

By order of the Board of Governors, effective December 1, 1986.

Voting for this action: Chairman Volcker and Governors Johnson, Seger, and Heller. Absent and not voting: Governors Wallich, Rice, and Angell.

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

## Standard Chartered PLC, Standard Chartered Bank, and Standard Chartered Overseas Holdings Ltd.
## London, England

## Standard Chartered Holdings, Inc., and Union Bancorp
## Los Angeles, California

*Order Approving Acquisition of a Bank Holding Company and Certain Nonbanking Subsidiaries*

Standard Chartered PLC, Standard Chartered Bank, and Standard Chartered Overseas Holdings Ltd., all of London, England, and their domestic bank holding company subsidiaries, Standard Chartered Holdings, Inc., and Union Bancorp, both of Los Angeles, California, have applied for the prior approval of the Board under section 3 of the Bank Holding Company Act (12 U.S.C. § 1842) ("BHC Act") to acquire United Bancorp of Arizona, Phoenix, Arizona, and thereby to acquire indirectly United Bank of Arizona, Phoenix, Arizona ("Bank"). Applicant has also applied for the prior approval of the Board under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) to acquire H.S. Pickrell Company, Phoenix, Arizona, and thereby engage in mortgage banking. This activity is authorized for bank holding companies pursuant to the Board's Regulation Y, 12 C.F.R. § 225.25(b)(1). Further, Applicant has provided notice to the Board under section 4(c)(14) to acquire United Bancorp Export Trading Company, Phoenix, Arizona, and thereby engage in export trading.

Notice of the applications, affording opportunity for interested persons to submit comments, has been published (51 *Federal Register* 36,757 (1986)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3(c) and 4 of the BHC Act.[1]

Union Bancorp is the fifth largest commercial banking organization in California with domestic deposits of approximately $6.2 billion, representing 3.2 percent of the total deposits in commercial banks in California.[2] Bank is the fourth largest commercial banking organization in Arizona with domestic deposits of approximately $1.9 billion, representing 8.6 percent of the total deposits in commercial banks in Arizona.

Section 3(d) of the BHC Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from

1. In connection with these applications, the American Council of Life Insurance, the American Insurance Association, the National Association of Independent Insurers, and the Alliance of American Insurers submitted comments protesting Board approval of these applications on the grounds that the general insurance agency activities conducted by a subsidiary of Bank are prohibited under the amendments to section 4 of the BHC Act contained in the Garn-St Germain Depository Institutions Act. The Board also received comments from the National Association of Life Underwriters, the National Association of Professional Insurance Agents, the Independent Insurance Agents of America Incorporated, the National Association of Casualty and Surety Agents, and the National Association of Surety Bond Producers, raising substantially the same arguments. In response to the protest, Applicant has agreed that, within two years of consummation of its acquisition of Bank, Bank will divest or terminate its general insurance agency activities, unless during such period Applicant receives approval pursuant to an application under section 4(c)(8) of the BHC Act to retain such activities. During this two-year period or unless authorization is granted pursuant to the BHC Act for broader activities, Applicant will limit the insurance agency activities of Bank and its subsidiaries to the renewal of existing policies and those credit-related insurance agency activities permitted under section 4(c)(8)(A) of the BHC Act. In the Board's view, these divestiture commitments address the issues raised by Protestants.

2. Banking data are as of June 30, 1986.

approving any application by a bank holding company to acquire control of any bank located outside of the holding company's home state,[3] unless such acquisition is "specifically authorized by the statute laws of the State in which [the] bank is located, by language to that effect and not merely by implication." The Board has previously determined that the statute laws of Arizona authorize an out-of-state financial institution to acquire any Arizona financial institution that has applied to operate in Arizona before May 31, 1984, subject to approval by the State Banking Superintendent.[4] The Arizona State Banking Superintendent has informed the Board that the proposal does not present any of the grounds for denial of the application under Ariz. Rev. Stat. § 6-326 and, accordingly, the Superintendent anticipates approving the application. Based on the foregoing, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of Arizona and is thus permissible under the Douglas Amendment, subject to Applicant's obtaining the approval of the Superintendent pursuant to section 6-322 of the Arizona Revised Statutes. The Board's order is specifically conditioned upon satisfaction of the state regulatory approval requirement.

Applicant does not operate a bank in any market in which Bank operates. Applicant does, however, operate a consumer lending subsidiary that competes with Bank and its subsidiaries in Arizona. Applicant's market share is small and consummation of the proposal would not result in any significant decrease in competition or increase in concentration in any relevant market. Accordingly, consummation of the proposal is not likely to result in the elimination of any significant existing competition. In view of the numerous entrants into the relevant markets, the Board concludes that the proposal would not have any significant adverse effect on probable future competition.

Section 3(c) of the BHC Act requires in every case that the Board consider the financial resources of the applicant organization and the bank or bank holding company to be acquired. As the Board has previously stated, review of the financial resources of foreign banking organizations raises a number of complex issues that the Board believes requires careful consideration and that the Board continues to have under review.[5] In this regard, the Board has initiated consultations with appropriate foreign bank supervisors and notes that work is currently in progress among foreign and domestic bank supervisory officials to develop more fully the concept of functional equivalency of capital ratios for banks of different countries. Pending the outcome of these consultations and deliberations, the Board has determined to consider the issues raised by applications by foreign banks to acquire domestic banks on a case-by-case basis.

In this case, the Board notes that the capital ratio of Applicant, as publicly reported, is above the minimum level established by the Board for domestic bank holding companies. As in similar cases, the Board has considered appropriate adjustments to Applicant's capital ratio to reflect differences in accounting and regulatory requirements in the United States and abroad, including discounting for the practice of revaluation of certain assets and giving positive weight to the issuance by Applicant of a significant amount of undated loan capital, which is recognized by the Bank of England and the Board as primary capital. Based upon these considerations, the Board notes that the primary capital ratio of Applicant is currently, and will remain upon consummation, above the minimum capital guidelines established by the Board for U.S. bank holding companies. Further, Applicant is in compliance with the capital and other financial requirements of the appropriate supervisory authorities in England and Applicant's resources and prospects are viewed as satisfactory by those authorities. Finally, the Board notes that Applicant's current U.S. operations are satisfactory.

The Board expects that Applicant will use its capacity to raise capital to increase the tangible primary capital level of Union Bancorp and United Bancorp and to maintain Union Bancorp, Union Bank, United Bancorp and Bank as among the more strongly capitalized banking organizations of comparable size in the United States. The Board notes as a positive factor that Applicants have raised additional capital equal to a significant portion of the purchase price in anticipation of the proposed acquisition. Based on these and all of the other facts of record, the Board concludes that the financial and managerial factors are consistent with approval of this application. Factors related to the convenience and needs of the communities to be served are also consistent with approval.

There is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects on the public interest. 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

3. A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

4. Ariz. Rev. Stat. § 6-321 *et seq.* (effective October 1, 1986). *See Marshall & Ilsley*, 72 FEDERAL RESERVE BULLETIN 720 (1986).

5. *Bank of Montreal*, 70 FEDERAL RESERVE BULLETIN 664 (1984); *Mitsubishi Bank, Ltd.*, 70 FEDERAL RESERVE BULLETIN 518 (1984). *See also Policy Statement on Supervision and Regulation of Foreign-Based Bank Holding Companies*, 1 *Federal Reserve Regulatory Service* ¶ 4-835 (1979).

approval of the application to acquire Bank's nonbanking subsidiaries and activities.

The Board has also considered the notice of Applicant's proposed investment in United Bancorp Export Trading Company under section 4(c)(14) of the BHC Act. Based on the facts of record, the Board has determined that disapproval of the proposed investment is not warranted.

Based on the foregoing and other facts of record, and conditioned upon certain commitments made by Applicant, the Board has determined that the applications under sections 3 and 4 of the BHC Act should be and hereby are approved, subject to the express condition that Applicant obtain the approval of the Arizona Superintendent of Banks pursuant to section 6-322 of the Arizona Revised Statutes. The acquisition of Bank shall not be consummated before the thirtieth calendar day following the effective date of this Order or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco, pursuant to delegated authority. The determinations as to the nonbanking activities are subject to all of the conditions contained in Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. §§ 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder.

By order of the Board of Governors, effective December 9, 1986.

Voting for this action: Chairman Volcker and Governors Seger, Angell, and Heller. Absent and not voting: Governors Johnson, Wallich, and Rice.

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

## *Orders Approved Under Bank Holding Company Act*

### *By Federal Reserve Banks*

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

### Section 3

| Applicant | Bank(s) | Reserve Bank | Effective date |
|---|---|---|---|
| Allied Bankshares, Inc., Thomson, Georgia | Bank of Columbia County, Harlem, Georgia | Atlanta | November 26, 1986 |
| AmTex Bancshares, Inc., Bridge City, Texas | Pavillion National Bank, Dallas, Texas | Dallas | December 12, 1986 |
| Ballard Kevil Bancorp, Inc., Kevil, Kentucky | The Kevil Bank, Kevil, Kentucky | St. Louis | December 1, 1986 |
| Bank Corporation of Georgia, Fort Valley, Georgia | Southern Bank and Trust Company, Savannah, Georgia | Atlanta | November 19, 1986 |
| Bank South Corporation, Atlanta, Georgia | Southern Bancorp, Inc., Waycross, Georgia | Atlanta | November 28, 1986 |
| Bankers' Bancorporation of Missouri, Inc., Jefferson City, Missouri | Missouri Independent Bank, Jefferson City, Missouri | St. Louis | December 1, 1986 |
| Boynton Holding Company, Boynton, Oklahoma | First National Bank, Boynton, Oklahoma | Kansas City | December 1, 1986 |
| Brannen Banks of Florida, Inc., Inverness, Florida | The Bank of Brooksville, Brooksville, Florida | Atlanta | December 3, 1986 |
| Broadway Bancshares, Inc., San Antonio, Texas | Heights National Bank, San Antonio, Texas | Dallas | November 21, 1986 |

Section 3—Continued

| Applicant | Bank(s) | Reserve Bank | Effective date |
|---|---|---|---|
| CB&T Financial Corp., Fairmont, West Virginia | The Union Bank of Harrisville, Harrisville, West Virginia | Richmond | November 28, 1986 |
| Central Bancshares, Inc., Louisville, Kentucky | The Central Bank of North Pleasureville, Pleasureville, Kentucky | St. Louis | November 20, 1986 |
| Central Illinois Community Bancorp, Inc., Peoria, Illinois | Northwest Community Bank of Peoria, Peoria, Illinois<br>FIRST TAZEWELL BANCORP, INC., East Peoria, Illinois | Chicago | November 28, 1986 |
| Charter 17 Bancorp, Inc., Richmond, Indiana | First National Bancorp, New Castle, Indiana | Chicago | November 26, 1986 |
| Cherry Valley Bancshares, Inc., Cherry Valley, Arkansas | Bank of Cherry Valley, Cherry Valley, Arkansas | St. Louis | December 1, 1986 |
| CNB Bancshares, Inc., Whitehouse, Texas | City National Bank, Whitehouse, Texas | Dallas | December 10, 1986 |
| Citizens Bancorp Investment, Inc., Lafayette, Tennessee | Dale Hollow Holding Company, Celina, Tennessee | Atlanta | December 3, 1986 |
| Citizens Bancshares of Eldon, Inc., Eldon, Missouri | Citizens Bank of Eldon, Eldon, Missouri | St. Louis | December 9, 1986 |
| Citizens Southern Bancshares, Inc., Vernon, Alabama | Citizens State Bank, Vernon, Alabama | Atlanta | December 10, 1986 |
| Commercial Bancorporation of Colorado, Denver, Colorado<br>Commercial Bank Investment Company, Denver, Colorado | Rocky Mountain Bank & Trust Company, Fort Collins, Colorado | Kansas City | November 26, 1986 |
| County Bancorporation, Inc., Jackson, Missouri | Delta Counties Bank, Sikeston, Missouri | St. Louis | December 15, 1986 |
| Crockett County National Bancshares, Inc., Ozona, Texas | Crockett County National Bank, Ozona, Texas | Dallas | December 2, 1986 |
| DuPage Financial Corporation, Naperville, Illinois | ALLIED BANCSHARES OF ILLINOIS, INC., Joliet, Illinois | Chicago | November 24, 1986 |
| F & M Financial Services Corporation, Menomonee Falls, Wisconsin | Bank of Fond du Lac, Fond du Lac, Wisconsin | Chicago | November 28, 1986 |
| Faith Bank Holding Company, Pierre, South Dakota | Farmers State Bank, Faith, South Dakota | Minneapolis | November 21, 1986 |
| FCB Corporation, Manchester, Tennessee | The Meltons Bank, Gassaway, Tennessee | Atlanta | November 20, 1986 |

Section 3—Continued

| Applicant | Bank(s) | Reserve Bank | Effective date |
|---|---|---|---|
| Financial Bancshares, Inc., Topeka, Kansas | Financial Diversified Investment Corporation, Topeka, Kansas | Kansas City | December 4, 1986 |
| First Bancorp of Russell County, Inc., Russell Springs, Kentucky | Citizens Bank and Trust Company, Campbellsville, Kentucky | St. Louis | November 25, 1986 |
| First Columbus Financial Corporation, Columbus, Mississippi | First Columbus National Bank, Columbus, Mississippi | St. Louis | November 17, 1986 |
| First Community Shares, Inc., Carmel, California | Centennial Bank, Hayward, California | San Francisco | November 19, 1986 |
| First Interstate Corporation of Wisconsin, Sheboygan, Wisconsin | Mid-Continental Bancorporation, Inc., Milwaukee, Wisconsin | Chicago | December 1, 1986 |
| First Michigan Bank Corporation, Zeeland, Michigan | State Savings Bank, Lowell, Michigan | Chicago | November 25, 1986 |
| First Mid-Illinois Bancshares, Inc., Mattoon, Illinois | Tuscola Bancorp, Inc., Springfield, Illinois | Chicago | November 28, 1986 |
| FIRST NORTHBROOK BANCORP, INC., Northbrook, Illinois | First Cary-Grove Corp., Cary, Illinois | Chicago | November 24, 1986 |
| First Ohio Bancshares, Inc., Toledo, Ohio | The Home Banking Company, Gibsonburg, Ohio | Cleveland | December 8, 1986 |
| 1st State Corporation, Harwood Heights, Illinois | Parkway Bank and Trust Company, Harwood Heights, Illinois | Chicago | December 1, 1986 |
| Franklin Capital Corporation, Morton Grove, Illinois | First State Bank & Trust Company of Franklin Park, Franklin Park, Illinois<br>Burlington Capital Corporation, Wilmette, Illinois | Chicago | November 28, 1986 |
| GreatBanc, Inc., Itasca, Illinois | FNB Bancorp., Inc., Chicago Heights, Illinois | Chicago | November 28, 1986 |
| Hemet Bancorp, Hemet, California | The Bank of Hemet, Hemet, California | San Francisco | November 28, 1986 |
| Hopedale Investment Company, Quincy, Illinois | Community Bank of Hopedale, Hopedale, Illinois | Chicago | December 1, 1986 |
| Hub Financial Corporation, Lubbock, Texas | City Bank, N.A., Lubbock, Texas | Dallas | December 5, 1986 |
| Illinois Marine Bancorp, Inc., Elmhurst, Illinois | Colonial Bancorporation, Inc., Peru, Illinois | Chicago | November 21, 1986 |
| Jack Banshares, Inc., Commerce, Oklahoma | The First State Bank of Commerce, Commerce, Oklahoma | Kansas City | November 19, 1986 |
| Key Centurion Bancshares, Inc., Charleston, West Virginia | Nicholas County Bank, Summersville, West Virginia | Richmond | November 26, 1986 |

Section 3—Continued

| Applicant | Bank(s) | Reserve Bank | Effective date |
|---|---|---|---|
| Lake Bank Shares, Inc., Albert Lea, Minnesota | Security State Bank of Albert Lea, Albert Lea, Minnesota<br>Emmons Agency, Inc., Emmons, Minnesota | Minneapolis | December 8, 1986 |
| Lane Financial, Inc., Northbrook, Illinois | Bank of Westmont, Westmont, Illinois | Chicago | November 21, 1986 |
| Longview Capital Corporation, Longview, Illinois | The First National Bank of Ogden, Ogden, Illinois | Chicago | November 28, 1986 |
| Lunenburg Community Bankshares, Inc., Kenbridge, Virginia | The Lunenburg County Bank, Kenbridge, Virginia | Richmond | December 1, 1986 |
| Mercantile Bancorporation Inc., St. Louis, Missouri | First Bancshares Corporation of Illinois, Alton, Illinois | St. Louis | December 8, 1986 |
| Merchants National Corporation, Indianapolis, Indiana | The Citizens National Bank of Tipton, Tipton, Indiana<br>NBG Financial Corporation, Greenwood, Indiana<br>Mid-Southern Indiana Bancorp, Seymour, Indiana | Chicago | November 21, 1986 |
| Mid States Bancshares, Inc., Moline, Illinois | First National Bank of Moline, Moline, Illinois | Chicago | November 28, 1986 |
| Mid-Continental Holdings, Inc., Sheboygan, Wisconsin | Continental Bank & Trust Co., Milwaukee, Wisconsin | Chicago | December 1, 1986 |
| Middleburg Bancorp, Inc., Middleburg, Kentucky | Farmers Deposit Bank, Middleburg, Kentucky | St. Louis | November 24, 1986 |
| Midstate Bancorp, Hinton, Oklahoma | First State Bank, Hinton, Oklahoma | Kansas City | December 4, 1986 |
| Norstar Bancorp, Inc., Albany, New York | Peconic Bancshares, Inc., Riverhead, New York | New York | December 1, 1986 |
| Northern of Tennessee Corp., Clarksville, Tennessee | Central Bancorp, Inc., Murfreesboro, Tennessee<br>Bedford County Bank, Shelbyville, Tennessee | Atlanta | November 24, 1986 |
| Northwest Arkansas Bancshares, Inc., Bentonville, Arkansas | Bank of Pea Ridge, Pea Ridge, Arkansas<br>McIlroy Bank and Trust, Fayetteville, Arkansas<br>Siloam Springs Bancshares, Inc., Bentonville, Arkansas | St. Louis | November 25, 1986 |
| PNB Financial Corporation, Warrenton, Virginia | The Peoples National Bank of Warrenton, Warrenton, Virginia | Richmond | November 25, 1986 |
| Premier Bankshares Corporation, Tazewell, Virginia | Peoples Bank, Inc., Honaker, Virginia | Richmond | November 28, 1986 |

Section 3—Continued

| Applicant | Bank(s) | Reserve Bank | Effective date |
|---|---|---|---|
| R. Darryl Fisher, M.D., Inc. Pension Trust, Ada, Oklahoma | Pontotoc County Bank, Roff, Oklahoma | Kansas City | December 9, 1986 |
| Republic Bancorp Inc., Flint, Michigan | Peoples State Bank, Williamston, Michigan | Chicago | November 24, 1986 |
| Ridgeland Bancorp, Inc., Phillips, Wisconsin | Farmers State Bank, Ridgeland, Wisconsin<br>Bank of Dallas, Dallas, Wisconsin | Minneapolis | November 28, 1986 |
| Rio Grande City Bancshares, Inc., Rio Grande City, Texas | Floresville Bancshares, Inc., Floresville, Texas | Dallas | November 25, 1986 |
| Security Bancorp, Inc., Southgate, Michigan | Trenton Bank and Trust Company, Trenton, Michigan | Chicago | November 25, 1986 |
| Security Bancorporation, Inc., Newport, Minnesota | The State Bank of Hudson, Hudson, Wisconsin | Minneapolis | November 26, 1986 |
| Southeast Banking Corporation, Miami, Florida | Florida State Bank, Destin, Florida | Atlanta | November 28, 1986 |
| STAR Financial Group, Inc., Marion, Indiana | First National Bank of Madison County, Anderson, Indiana<br>Citizens National Bank of Whitley County, Columbia City, Indiana<br>Security Bank, Elwood, Indiana<br>The Hamilton Bank, Hamilton, Indiana<br>Citizens National Bank of Grant County, Marion, Indiana<br>Central Bank and Trust, Muncie, Indiana<br>Bank of Henry County, New Castle, Indiana | Chicago | November 26, 1986 |
| Stark County Bancorp, Inc., Toulon, Illinois | State Bank of Toulon, Toulon, Illinois | Chicago | November 28, 1986 |
| State National Bancorp, Inc., Maysville, Kentucky | Peoples Bank of Morehead, Morehead, Kentucky | Cleveland | November 24, 1986 |
| Stigler Bancorporation, Inc., Stigler, Oklahoma | First Oklahoma National Corporation, Stigler, Oklahoma | Kansas City | November 24, 1986 |
| Sturm Investment, Inc., Omaha, Nebraska | First Holdings, Inc., Omaha, Nebraska | Chicago | November 28, 1986 |
| Summcorp, Fort Wayne, Indiana | American State Bancorp, Sheridan, Indiana<br>Western State Bank, South Bend, Indiana | Chicago | November 26, 1986 |

Section 3—Continued

| Applicant | Bank(s) | Reserve Bank | Effective date |
|---|---|---|---|
| Tennessee State Bancshares, Inc., Gatlinburg, Tennessee | Tennessee State Bank, Gatlinburg, Tennessee | Atlanta | November 24, 1986 |
| Texas Commerce Bancshares, Inc., Houston, Texas | Texas Commerce Bank-San Antonio, Loop 410, San Antonio, Texas<br>Texas Commerce Bank-Richardson, N.A., Richardson, Texas | Dallas | November 28, 1986 |
| Traders Bankshares, Inc., Spencer, West Virginia | The Traders Bank, Spencer, West Virginia | Richmond | November 26, 1986 |
| Tri-County Bancorp, Inc., Corbin, Kentucky | Tri-County National Bank, Corbin, Kentucky | Cleveland | November 24, 1986 |
| Unibancorp, Inc., Chicago, Illinois | DuPage County Bank of Glendale Heights, Glendale Heights, Illinois | Chicago | November 19, 1986 |
| United Bancorp, Inc., Martins Ferry, Ohio | The Citizens State Bank of Strasburg, Strasburg, Ohio | Cleveland | November 25, 1986 |
| Valley Bancorporation, Appleton, Wisconsin | Suburban State Bank, Hartland, Wisconsin | Chicago | November 28, 1986 |
| Valley Holding Company, Ronan, Montana | Valley Bank of Ronan, Ronan, Montana | Minneapolis | November 24, 1986 |
| Warranty Bancorporation, Ottumwa, Iowa | South Ottumwa Savings Bank, Ottumwa, Iowa | Chicago | December 1, 1986 |
| Wesbanco, Inc., Wheeling, West Virginia | South Hills Bank, Charleston, West Virginia | Cleveland | December 1, 1986 |
| Wesbanco, Inc., Wheeling, West Virginia | Wirt County Bank, Elizabeth, West Virginia | Cleveland | December 1, 1986 |
| Western Bancshares of Clovis, Inc., Clovis, New Mexico | Western Bank of Clovis, Clovis, New Mexico | Dallas | November 25, 1986 |

Section 4

| Applicant | Nonbanking Company/Activity | Reserve Bank | Effective date |
|---|---|---|---|
| Chemical New York Corporation, New York, New York | Penmark Investments Inc., Chicago, Illinois | New York | November 20, 1986 |
| Norwest Corporation, Minneapolis, Minnesota | acquire general insurance agency assets from Bayly, Martin, and Fay International, Inc., Fort Worth, Texas | Minneapolis | November 26, 1986 |
| The Standard Life Assurance Company, Edinburgh, Scotland<br>Bank of Scotland, Edinburgh, Scotland | IFA, Incorporated, Palatine, Illinois | New York | November 21, 1986 |

Sections 3 and 4

| Applicant | Bank(s)/Nonbanking Company | Reserve Bank | Effective date |
|---|---|---|---|
| Barnett Banks of Florida, Inc., Jacksonville, Florida | First City Bancorp, Inc., Marietta, Georgia nonbanking activities | Atlanta | November 28, 1986 |
| BMR Bancorp, Inc., Decatur, Georgia | The Citizens Bank of Swainsboro, Swainsboro, Georgia nonbanking activities | Atlanta | November 28, 1986 |
| First of America Bank Corporation, Kalamazoo, Michigan | Premier Bancorporation, Inc., Libertyville, Illinois Premier Life Insurance Company, Libertyville, Illinois | Chicago | November 20, 1986 |
| First of America Bancorporation—Illinois, Inc., Kalamazoo, Michigan | Premier Bancorporation, Inc., Libertyville, Illinois Premier Life Insurance Company, Libertyville, Illinois | Chicago | November 20, 1986 |
| Trustcorp, Inc., Toledo, Ohio | St. Joseph Bancorporation, South Bend, Indiana St. Joseph Mortgage Company, Inc., South Bend, Indiana Indiana Inc., Goshen, Indiana | Cleveland | December 1, 1986 |

*ORDERS APPROVED UNDER BANK MERGER ACT*

*By Federal Reserve Banks*

| Applicant | Bank(s) | Reserve Bank | Effective date |
|---|---|---|---|
| Community Bank of Lunenburg, Kenbridge, Virginia | The Lunenburg County Bank, Kenbridge, Virginia | Richmond | December 1, 1986 |
| First Virginia Bank-Citizens, Clintwood, Virginia | Peoples Bank of Pound, Pound, Virginia | Richmond | November 28, 1986 |
| First Virginia Bank-Commonwealth, Grafton, Virginia | First Virginia Bank-Surry, Surry, Virginia | Richmond | December 1, 1986 |
| New Lowell State Bank, Lowell, Michigan | State Savings Bank, Lowell, Michigan | Chicago | November 25, 1986 |
| Security Bank of Richmond, Richmond, Michigan | Security Bank Imlay City, Imlay City, Michigan | Chicago | November 25, 1986 |
| Shelby County State Bank, Shelbyville, Illinois | Windsor State Bank, Windsor, Illinois | Chicago | November 24, 1986 |
| The Traders Bank, Spencer, West Virginia | The Traders Interim Bank, Inc., Spencer, West Virginia | Richmond | November 26, 1986 |

*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.*

*Independent Insurance Agents of America, et al. v. Board of Governors*, Nos. 86-1572, 1573, 1576 (D.C. Cir., filed Oct. 24, 1986).

*Securities Industry Association v. Board of Governors*, No. 86-2768 (D.D.C., filed Oct. 7, 1986).

*Independent Community Bankers Association v. Board of Governors*, No. 86-5373 (8th Cir., filed Oct. 3, 1986).

*Jenkins v. Board of Governors*, No. 86-1419 (D.C. Cir., filed July 18, 1986).

*Securities Industry Association v. Board of Governors*, No. 86-1412 (D.C. Cir., filed July 14, 1986).

*Adkins v. Board of Governors*, No. 86-3853 (4th Cir., filed May 14, 1986).

*Optical Coating Laboratory, Inc. v. United States*, No. 288-86C (U.S. Claims Ct., filed May 6, 1986).

*CBC, Inc. v. Board of Governors*, No. 86-1001 (10th Cir., filed Jan. 2, 1986).

*Howe v. United States, et al.*, No. 86-1430 (1st Cir., filed Dec. 6, 1985).

*Myers, et al. v. Federal Reserve Board*, No. 85-1427 (D. Idaho, filed Nov. 18, 1985).

*Souser, et al. v. Volcker, et al.*, No. 85-C-2370, *et al.* (D. Colo., filed Nov. 1, 1985).

*Podolak v. Volcker*, No. C85-0456, et al. (D. Wyo., filed Oct. 28, 1985).

*Kolb v. Wilkinson, et al.*, No. C85-4184 (N.D. Iowa, filed Oct. 22, 1985).

*Farmer v. Wilkinson, et al.*, No. 4-85-CIVIL-1448 (D. Minn., filed Oct. 21, 1985).

*Kurkowski v. Wilkinson, et al.*, No. CV-85-0-916 (D. Neb., filed Oct. 16, 1985).

*Jensen v. Wilkinson, et al.*, No. 85-4436-S, *et al.* (D. Kan., filed Oct. 10, 1985).

*Alfson v. Wilkinson, et al.*, No. A1-85-267 (D. N.D., filed Oct. 8, 1985).

*First National Bank of Blue Island Employee Stock Ownership Plan v. Board of Governors*, No. 85-2615 (7th Cir., filed Sept. 23, 1985).

*First National Bancshares II v. Board of Governors*, No. 85-3702 (6th Cir., filed Sept. 4, 1985).

*McHuin v. Volcker, et al.*, No. 85-2170 WARB (W.D. Okl., filed Aug. 29, 1985).

*Independent Community Bankers Associaton of South Dakota v. Board of Governors*, No. 84-1496 (D.C. Cir., filed Aug. 7, 1985).

*Urwyler, et al. v. Internal Revenue Service, et al.*, No. 85-2877 (9th Cir., filed July 18, 1985).

*Johnson v. Federal Reserve System, et al.*, No. 86-4536 (5th Cir., filed July 16, 1985).

*Wight, et al. v. Internal Revenue Service, et al.*, No. 85-2826 (9th Cir., filed July 12, 1985).

*Cook v. Spillman, et al.*, No. 86-1642 (9th Cir., filed July 10, 1985).

*Florida Bankers Association v. Board of Governors*, No. 84-3883 and No. 84-3884 (11th Cir., filed Feb. 15, 1985).

*Florida Department of Banking v. Board of Governors*, No. 84-3831 (11th Cir., filed Feb. 15, 1985), and No. 84-3832 (11th Cir., filed Feb. 15, 1985).

*Lewis v. Volcker, et al.*, No. 86-3210 (6th Cir., filed Jan. 14, 1985).

*Brown v. United States Congress, et al.*, No. 84-2887-6(IG) (S.D. Cal., filed Dec. 7, 1984).

*Melcher v. Federal Open Market Committee*, No. 84-1335 (D.D.C., filed Apr. 30, 1984).

*Florida Bankers Association, et al. v. Board of Governors*, Nos. 84-3269, 84-3270 (11th Cir., filed April 20, 1984).

*Securities Industry Association v. Board of Governors*, No. 80-2614 (D.C. Cir., filed Oct. 24., 1980), and No. 80-2730 (D.C. Cir., filed Oct. 24, 1980).

# Membership of the Board of Governors of the Federal Reserve System, 1913–87

| 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 | do | Term expired Aug. 9, 1918. |
| Frederic A. Delano | Chicago | do | Resigned July 21, 1918. |
| W.P.G. Harding | Atlanta | do | Term expired Aug. 9, 1922. |
| Adolph C. Miller | San Francisco | do | 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 | do | 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 | do | 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 | do | Served until Apr. 4, 1946.[3] |
| Ronald Ransom | Atlanta | do | 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 | do | 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 | do | 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] |

## *Appointive Members*[1]

| Name | Federal Reserve District | Date of initial oath of office | Other dates and information relating to membership[2] |
|---|---|---|---|
| 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. |
| 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 | |
| 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 | |
| Wayne D. Angell | Kansas City | Feb. 7, 1986 | |
| Manuel H. Johnson | Richmond | Feb. 7, 1986 | |
| H. Robert Heller | San Francisco | Aug. 19, 1986 | |

*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 |
| 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– |

*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–Mar. 31, 1986 |
| Manuel H. Johnson | Aug. 22, 1986– |

## *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, 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.

# Financial and Business Statistics

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## 1.10 RESERVES, MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

| Item | Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1985 | 1986 | | | 1986 | | | | |
| | Q4 | Q1 | Q2 | Q3 | July | Aug. | Sept.[r] | Oct. | Nov. |
| *Reserves of depository institutions*[2] | | | | | | | | | |
| 1 Total | 12.5 | 13.1 | 17.8 | 22.9 | 25.3 | 19.7 | 11.5 | 13.7[r] | 32.8 |
| 2 Required | 11.5 | 12.3 | 19.8 | 23.9 | 26.3 | 24.2 | 12.0 | 13.4 | 27.7 |
| 3 Nonborrowed | 10.4 | 19.1 | 17.6 | 23.2 | 27.3 | 16.8 | 8.4 | 17.9 | 35.4 |
| 4 Monetary base[3] | 8.2 | 8.6 | 8.8 | 9.9 | 8.8 | 12.0 | 5.4 | 9.4[r] | 12.8 |
| *Concepts of money, liquid assets, and debt*[4] | | | | | | | | | |
| 5 M1 | 10.7 | 7.7 | 15.8 | 17.3 | 16.6 | 20.6 | 9.6 | 14.0 | 20.9 |
| 6 M2 | 6.1 | 4.3 | 10.5[r] | 11.1 | 12.8 | 11.2[r] | 7.3 | 10.6[r] | 6.7 |
| 7 M3 | 6.6 | 7.6 | 9.0 | 10.2[r] | 13.0 | 9.1[r] | 8.8 | 6.5[r] | 5.6 |
| 8 L | 9.5 | 8.4 | 7.0 | 8.5[r] | 9.1 | 8.3[r] | 8.6 | 6.5 | n.a. |
| 9 Debt | 13.6[r] | 15.4[r] | 10.2[r] | 12.0[r] | 11.2[r] | 12.9[r] | 11.8 | 8.7 | n.a. |
| *Nontransaction components* | | | | | | | | | |
| 10 In M2[5] | 4.6 | 3.3 | 8.7 | 9.1 | 11.5[r] | 8.0[r] | 6.4 | 9.6[r] | 1.9 |
| 11 In M3 only[6] | 8.5 | 20.6 | 3.4 | 6.3 | 13.8[r] | .9[r] | 14.7 | -10.0[r] | 1.2 |
| *Time and savings deposits* | | | | | | | | | |
| Commercial banks | | | | | | | | | |
| 12 Savings[7] | 3.2 | 1.9 | 11.8 | 25.5 | 22.9 | 30.6 | 36.0 | 41.7 | 37.9 |
| 13 Small-denomination time[8] | -1.6 | 5.3 | -3.1 | -9.0 | -5.3 | -12.6 | -10.9 | -15.8 | 12.1 |
| 14 Large-denomination time[9,10] | 14.1 | 18.5 | -8.8 | -2.5 | -1.3[r] | 7.7 | -2.6 | -10.2[r] | 9.5 |
| Thrift institutions | | | | | | | | | |
| 15 Savings[7] | 7.5 | 3.1 | 20.9 | 23.6 | 22.9 | 18.2 | 16.1 | 26.5 | 28.3 |
| 16 Small-denomination time | -2.9 | 6.6 | 2.6 | -3.8 | -.5 | -6.0 | -6.0 | -11.3[r] | -8.7 |
| 17 Large-denomination time[9] | 5.2 | 10.0 | 11.0 | 2.7 | 8.7 | 2.2 | -2.2 | -13.0 | -16.1 |
| *Debt components*[4] | | | | | | | | | |
| 18 Federal | 13.7 | 17.0[r] | 11.6[r] | 14.5 | 14.7[r] | 8.8 | 11.4 | 9.9 | n.a. |
| 19 Nonfederal | 13.5[r] | 15.0[r] | 9.8[r] | 11.3[r] | 10.1[r] | 14.1[r] | 11.9 | 8.3 | n.a. |
| 20 Total loans and securities at commercial banks[11] | 9.3 | 12.7 | 4.1 | 10.5[r] | 13.0 | 13.8 | 13.0 | 2.2 | 8.9 |

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding in preceding month or quarter.

2. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. To adjust for discontinuities due to changes in reserve requirements on reservable nondeposit liabilities, the sum of such required reserves is subtracted from the actual series. Similarly, in adjusting for discontinuities in the monetary base, required clearing balances and adjustments to compensate for float also are subtracted from the actual series.

3. The monetary base not adjusted for discontinuities consists of total reserves plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks plus the currency component of the money stock less the amount of vault cash holdings of thrift institutions that is included in the currency component of the money stock plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. After the introduction of contemporaneous reserve requirements (CRR), currency and vault cash figures are measured over the weekly computation period ending Monday.

Before CRR, all components of the monetary base other than excess reserves are seasonally adjusted as a whole, rather than by component, and excess reserves are added on a not seasonally adjusted basis. After CRR, the seasonally adjusted series consists of seasonally adjusted total reserves, which include excess reserves on a not seasonally adjusted basis, plus the seasonally adjusted currency component of the money stock plus the remaining items seasonally adjusted as a whole.

4. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to domestic banks, 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 (OCD) 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. The currency and demand deposit components exclude the estimated amount of vault cash and demand deposits respectively held by thrift institutions to service their OCD liabilities.

M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all commercial banks and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, Money Market Deposit Accounts (MMDAs), savings and small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and balances in both taxable and tax-exempt general purpose and broker/dealer money market mutual funds. Excludes individual retirement accounts (IRA) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker/dealer), foreign governments and commercial banks, and the U.S. government. Also subtracted is a consolidation adjustment that represents the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposits.

M3: M2 plus large-denomination time deposits and term RP liabilities (in amounts of $100,000 or more) issued by commercial banks and thrift institutions, term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and balances in both taxable and tax-exempt, institution-only money market mutual funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also subtracted is a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

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 mutual fund holdings of these assets.

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. The source of data on domestic nonfinancial debt is the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages. Growth rates for debt reflect adjustments for discontinuities over time in the levels of debt presented in other tables.

5. Sum of overnight RPs and Eurodollars, money market fund balances (general purpose and broker/dealer), MMDAs, and savings and small time deposits less the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposit liabilities.

6. Sum of large time deposits, term RPs, and Eurodollars of U.S. residents, money market fund balances (institution-only), less a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

7. Excludes MMDAs.

8. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRA and Keogh accounts at commercial banks and thrifts are subtracted from small time deposits.

9. Large-denomination time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

10. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

11. Changes calculated from figures shown in table 1.23.

## 1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

| Factors | Monthly averages of daily figures | | | Weekly averages of daily figures for week ending | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1986 | | | 1986 | | | | | | |
| | Sept. | Oct. | Nov. | Oct. 15 | Oct. 22 | Oct. 29 | Nov. 5 | Nov. 12 | Nov. 19 | Nov. 26 |
| SUPPLYING RESERVE FUNDS | | | | | | | | | | |
| 1 **Reserve Bank credit** | **215,130** | **214,197** | **219,190** | **213,770** | **216,092** | **213,851** | **216,206** | **218,842** | **220,660** | **218,971** |
| 2 U.S. government securities[1] | 188,598 | 188,195 | 193,043 | 187,677 | 189,717 | 188,083 | 189,770 | 192,168 | 193,626 | 194,251 |
| 3 Bought outright | 187,237 | 187,944 | 192,284 | 187,677 | 188,605 | 188,083 | 189,770 | 192,168 | 192,005 | 193,459 |
| 4 Held under repurchase agreements | 1,361 | 251 | 759 | 0 | 1,112 | 0 | 0 | 0 | 1,621 | 792 |
| 5 Federal agency obligations | 8,252 | 8,030 | 7,968 | 7,988 | 8,217 | 7,954 | 7,954 | 7,900 | 7,961 | 7,928 |
| 6 Bought outright | 8,047 | 7,975 | 7,867 | 7,988 | 7,973 | 7,954 | 7,954 | 7,900 | 7,829 | 7,829 |
| 7 Held under repurchase agreements | 205 | 55 | 101 | 0 | 244 | 0 | 0 | 0 | 132 | 99 |
| 8 Acceptances | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 Loans | 1,046 | 779 | 802 | 653 | 888 | 715 | 1,082 | 518 | 1,103 | 639 |
| 10 Float | 734 | 560 | 974 | 761 | 628 | 342 | 572 | 1,164 | 1,416 | 587 |
| 11 Other Federal Reserve assets | 16,500 | 16,633 | 16,403 | 16,690 | 16,642 | 16,757 | 16,827 | 17,092 | 16,555 | 15,566 |
| 12 Gold stock | 11,084 | 11,084 | 11,084 | 11,084 | 11,084 | 11,084 | 11,084 | 11,084 | 11,084 | 11,084 |
| 13 Special drawing rights certificate account | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 |
| 14 Treasury currency outstanding | 17,420[r] | 17,465 | 17,516 | 17,459 | 17,469 | 17,478 | 17,489 | 17,503 | 17,517 | 17,531 |
| ABSORBING RESERVE FUNDS | | | | | | | | | | |
| 15 Currency in circulation | 201,433 | 202,301 | 205,069 | 203,045 | 202,751 | 201,937 | 202,793 | 204,686 | 205,566 | 205,493 |
| 16 Treasury cash holdings | 495 | 492 | 474 | 493 | 493 | 492 | 484 | 483 | 475 | 468 |
| Deposits, other than reserve balances, with Federal Reserve Banks | | | | | | | | | | |
| 17 Treasury | 5,677 | 3,305 | 3,117 | 2,701 | 3,552 | 3,332 | 2,919 | 3,730 | 3,696 | 2,474 |
| 18 Foreign | 285 | 215 | 233 | 217 | 210 | 231 | 255 | 239 | 204 | 224 |
| 19 Service-related balances and adjustments | 1,886 | 1,971 | 2,064 | 1,939 | 1,926 | 1,907 | 2,042 | 1,970 | 1,980 | 2,044 |
| 20 Other | 497 | 516 | 522 | 576 | 475 | 453 | 643 | 545 | 510 | 428 |
| 21 Other Federal Reserve liabilities and capital | 6,405 | 6,302 | 6,345 | 6,302 | 6,289 | 6,266 | 6,363 | 6,401 | 6,322 | 6,275 |
| 22 Reserve balances with Federal Reserve Banks[2] | 31,974 | 32,663 | 34,984 | 32,059 | 33,967 | 32,815 | 34,298 | 34,392 | 35,527 | 35,198 |

| Factors | End-of-month figures | | | Wednesday figures | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1986 | | | 1986 | | | | | | |
| | Sept. | Oct. | Nov. | Oct. 15 | Oct. 22 | Oct. 29 | Nov. 5 | Nov. 12 | Nov. 19 | Nov. 26 |
| SUPPLYING RESERVE FUNDS | | | | | | | | | | |
| 23 **Reserve Bank credit** | **219,358** | **215,993** | **221,673** | **216,106** | **221,974** | **214,647** | **218,943** | **220,267** | **226,011** | **219,141** |
| 24 U.S. government securities[1] | 190,751 | 189,995 | 196,293 | 188,988 | 193,130 | 188,302 | 190,424 | 192,841 | 196,369 | 193,261 |
| 25 Bought outright | 184,437 | 189,995 | 194,876 | 188,988 | 188,055 | 188,302 | 190,424 | 192,841 | 191,850 | 191,627 |
| 26 Held under repurchase agreements | 6,314 | 0 | 1,417 | 0 | 5,075 | 0 | 0 | 0 | 4,519 | 1,634 |
| 27 Federal agency obligations | 9,856 | 7,954 | 8,177 | 7,988 | 8,877 | 7,954 | 7,954 | 7,829 | 8,087 | 8,215 |
| 28 Bought outright | 8,047 | 7,954 | 7,829 | 7,988 | 7,954 | 7,954 | 7,954 | 7,829 | 7,829 | 7,829 |
| 29 Held under repurchase agreements | 1,809 | 0 | 348 | 0 | 923 | 0 | 0 | 0 | 258 | 386 |
| 30 Acceptances | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 31 Loans | 879 | 806 | 557 | 638 | 2,261 | 807 | 3,502 | 572 | 3,980 | 481 |
| 32 Float | 849 | 441 | 748 | 1,917 | 739 | 517 | 404 | 1,842 | 1,841 | 1,391 |
| 33 Other Federal Reserve assets | 17,023 | 16,797 | 15,898 | 16,575 | 16,967 | 17,067 | 16,659 | 17,183 | 15,734 | 15,793 |
| 34 Gold stock | 11,084 | 11,084 | 11,084 | 11,084 | 11,084 | 11,084 | 11,084 | 11,084 | 11,084 | 11,084 |
| 35 Special drawing rights certificate account | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 |
| 36 Treasury currency outstanding | 17,438[r] | 17,488 | 17,543 | 17,467 | 17,477 | 17,487 | 17,501 | 17,515 | 17,529 | 17,543 |
| ABSORBING RESERVE FUNDS | | | | | | | | | | |
| 37 Currency in circulation | 200,630 | 202,517 | 206,904 | 203,417 | 202,404 | 202,242 | 203,296 | 205,528 | 205,415 | 206,786 |
| 38 Treasury cash holdings | 492 | 485 | 459 | 493 | 492 | 491 | 483 | 476 | 469 | 459 |
| Deposits, other than reserve balances with Federal Reserve Banks | | | | | | | | | | |
| 39 Treasury | 7,514 | 2,491 | 2,529 | 3,105 | 3,349 | 3,594 | 3,746 | 3,327 | 2,850 | 2,591 |
| 40 Foreign | 342 | 303 | 225 | 240 | 206 | 238 | 272 | 234 | 174 | 337 |
| 41 Service-related balances and adjustments | 1,681 | 1,744 | 1,744 | 1,717 | 1,717 | 1,743 | 1,744 | 1,726 | 1,727 | 1,802 |
| 42 Other | 663 | 479 | 425 | 625 | 439 | 455 | 526 | 524 | 486 | 430 |
| 43 Other Federal Reserve liabilities and capital | 6,463 | 6,342 | 6,480 | 6,138 | 6,212 | 6,081 | 6,233 | 6,262 | 6,223 | 6,094 |
| 44 Reserve balances with Federal Reserve Banks[2] | 35,113 | 35,222 | 36,552 | 33,941 | 40,735 | 33,392 | 36,247 | 35,808 | 42,298 | 34,287 |

1. *Includes* securities loaned—fully guaranteed by U.S government securities pledged with Federal Reserve Banks—and *excludes* any securities sold and scheduled to be bought back under matched sale-purchase transactions.

2. Excludes required clearing balances and adjustments to compensate for float.

NOTE. For amounts of currency and coin held as reserves, see table 1.12.

## 1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

| Reserve classification | Monthly averages[8] | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1983 | 1984 | 1985 | 1986 | | | | | | |
| | Dec. | Dec. | Dec. | Apr. | May | June | July | Aug. | Sept. | Oct. |
| 1 Reserve balances with Reserve Banks[1] | 21,138 | 21,738 | 27,620 | 28,892 | 28,279 | 29,499 | 30,313 | 30,165 | 31,922 | 32,947 |
| 2 Total vault cash[2] | 20,755 | 22,316 | 22,956 | 22,231 | 22,474 | 22,805 | 23,098 | 23,451 | 23,384 | 23,753 |
| 3 Vault cash used to satisfy reserve requirements[3] | 17,908 | 18,958 | 20,522 | 19,990 | 20,140 | 20,439 | 20,716 | 21,112 | 21,267 | 21,676 |
| 4 Surplus vault cash[4] | 2,847 | 3,358 | 2,434 | 2,241 | 2,334 | 2,366 | 2,381 | 2,339 | 2,117 | 2,078 |
| 5 Total reserves[5] | 38,894 | 40,696 | 48,142 | 48,882 | 48,419 | 49,938 | 51,029 | 51,277 | 53,189 | 54,623 |
| 6 Required reserves | 38,333 | 39,843 | 47,085 | 48,081 | 47,581 | 49,007 | 50,118 | 50,538 | 52,463 | 53,877 |
| 7 Excess reserve balances at Reserve Banks[6] | 561 | 853 | 1,058 | 801 | 838 | 931 | 910 | 740 | 726 | 746 |
| 8 Total borrowings at Reserve Banks | 774 | 3,186 | 1,318 | 893 | 876 | 803 | 741 | 872 | 1,008 | 841 |
| 9 Seasonal borrowings at Reserve Banks | 96 | 113 | 56 | 73 | 94 | 108 | 116 | 144 | 137 | 99 |
| 10 Extended credit at Reserve Banks[7] | 2 | 2,604 | 499 | 634 | 584 | 531 | 378 | 465 | 570 | 497 |
| | Biweekly averages of daily figures for weeks ending | | | | | | | | | |
| | 1986 | | | | | | | | | |
| | Aug. 13 | Aug. 27 | Sept. 10 | Sept. 24 | Oct. 8 | Oct. 22 | Nov. 5 | Nov. 19r | Dec. 3 | Dec. 17 |
| 11 Reserve balances with Reserve Banks[1] | 30,185 | 29,758r | 31,527 | 32,103 | 32,156 | 33,007 | 33,557r | 34,945 | 35,215 | 36,511 |
| 12 Total vault cash[2] | 23,323 | 23,792 | 22,671 | 23,623 | 24,015 | 23,955 | 23,208 | 23,405 | 23,871 | 23,458 |
| 13 Vault cash used to satisfy reserve requirements[3] | 20,992 | 21,388 | 20,534 | 21,567 | 21,790 | 21,914 | 21,204 | 21,570 | 21,809 | 21,725 |
| 14 Surplus vault cash[4] | 2,331 | 2,404 | 2,137 | 2,056 | 2,225 | 2,041 | 2,004 | 1,835 | 2,062 | 1,733 |
| 15 Total reserves[5] | 51,177 | 51,146 | 52,061 | 53,670 | 53,946 | 54,921 | 54,761r | 56,515 | 57,024 | 58,235 |
| 16 Required reserves | 50,592 | 50,279 | 51,268 | 52,964 | 53,287 | 54,170 | 53,947r | 55,599 | 55,867 | 57,510 |
| 17 Excess reserve balances at Reserve Banks[6] | 585 | 867 | 793 | 706 | 660 | 751 | 814r | 916 | 1,157 | 725 |
| 18 Total borrowings at Reserve Banks | 759 | 910 | 1,111 | 981 | 902 | 771 | 899 | 811 | 610 | 514 |
| 19 Seasonal borrowings at Reserve Banks | 134 | 152 | 149 | 135 | 125 | 88 | 93 | 68 | 63 | 34 |
| 20 Extended credit at Reserve Banks[7] | 373 | 515 | 592 | 569 | 538 | 488 | 476 | 437 | 368 | 310 |

1. Excludes required clearing balances and adjustments to compensate for float.
2. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements. Under contemporaneous reserve requirements, maintenance periods end 30 days after the lagged computation periods in which the balances are held.
3. Equal to all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.
4. Total vault cash at institutions having no required reserve balances less the amount of vault cash equal to their required reserves during the maintenance period.
5. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash used to satisfy reserve requirements. Such vault cash consists of all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.
6. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements less required reserves.
7. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.
8. Before February 1984, data are prorated monthly averages of weekly averages; beginning February 1984, data are prorated monthly averages of biweekly averages.

NOTE. These data also appear in the Board's H.3 (502) release. For address, see inside front cover.

## 1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Member Banks[1]

Averages of daily figures, in millions of dollars

| By maturity and source | 1986 week ending Monday | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Oct. 20 | Oct. 27 | Nov. 3 | Nov. 10 | Nov. 17 | Nov. 24 | Dec. 1 | Dec. 8 | Dec. 15 |
| *Federal funds purchased, repurchase agreements, and other selected borrowing in immediately available funds* | | | | | | | | | |
| From commercial banks in the United States | | | | | | | | | |
| 1 For one day or under continuing contract | 72,919r | 68,940 | 72,150 | 78,023 | 75,888 | 75,244 | 80,123 | 84,359 | 81,851 |
| 2 For all other maturities | 9,966 | 9,403 | 9,465 | 9,448 | 9,135 | 8,448 | 9,088 | 7,728 | 7,418 |
| From other depository institutions, foreign banks and foreign official institutions, and United States government agencies | | | | | | | | | |
| 3 For one day or under continuing contract | 40,503 | 38,472 | 36,804 | 40,272r | 39,350 | 38,907 | 35,348 | 39,599 | 38,279 |
| 4 For all other maturities | 6,142 | 5,824 | 5,698 | 5,330 | 5,085 | 4,941 | 5,702 | 5,236 | 5,199 |
| *Repurchase agreements on United States government and federal agency securities in immediately available funds* | | | | | | | | | |
| Brokers and nonbank dealers in securities | | | | | | | | | |
| 5 For one day or under continuing contract | 13,711 | 13,586 | 11,847 | 11,596 | 11,311 | 11,181 | 9,276 | 11,220 | 10,114 |
| 6 For all other maturities | 8,769 | 9,455 | 9,829 | 9,652 | 10,537 | 10,396 | 11,236 | 9,039 | 9,630 |
| All other customers | | | | | | | | | |
| 7 For one day or under continuing contract | 27,179 | 28,346 | 29,725 | 28,079r | 28,156 | 29,541 | 28,018 | 29,046 | 29,165 |
| 8 For all other maturities | 10,432 | 10,810 | 10,915 | 11,048 | 10,824 | 10,711 | 14,211 | 10,426 | 10,374 |
| MEMO: Federal funds loans and resale agreements in immediately available funds in maturities of one day or under continuing contract | | | | | | | | | |
| 9 To commercial banks in the United States | 29,987 | 26,244 | 29,120 | 28,968 | 28,506 | 27,235 | 30,473 | 26,230 | 26,266 |
| 10 To all other specified customers[2] | 10,917 | 10,568 | 10,261 | 10,482 | 10,245 | 10,070 | 10,631 | 9,916 | 10,064 |

1. Banks with assets of $1 billion or more as of Dec. 31, 1977.
2. Brokers and nonbank dealers in securities; other depository institutions; foreign banks and official institutions; and United States government agencies.

## 1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per annum

Current and previous levels

| Federal Reserve Bank | Short-term adjustment credit and seasonal credit[1] | | | Extended credit[2] | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | First 60 days of borrowing | | Next 90 days of borrowing | | After 150 days | | Effective date for current rates |
| | Rate on 12/26/86 | Effective date | Previous rate | Rate on 12/26/86 | Previous rate | Rate on 12/26/86 | Previous rate | Rate on 12/26/86 | Previous rate | |
| Boston | 5½ | 8/21/86 | 6 | 5½ | 6 | 6½ | 7 | 7½ | 8 | 8/21/86 |
| New York | | 8/21/86 | | | | | | | | 8/21/86 |
| Philadelphia | | 8/22/86 | | | | | | | | 8/22/86 |
| Cleveland | | 8/21/86 | | | | | | | | 8/21/86 |
| Richmond | | 8/21/86 | | | | | | | | 8/21/86 |
| Atlanta | | 8/21/86 | | | | | | | | 8/21/86 |
| Chicago | | 8/21/86 | | | | | | | | 8/21/86 |
| St. Louis | | 8/22/86 | | | | | | | | 8/22/86 |
| Minneapolis | | 8/21/86 | | | | | | | | 8/21/86 |
| Kansas City | | 8/21/86 | | | | | | | | 8/21/86 |
| Dallas | | 8/21/86 | | | | | | | | 8/21/86 |
| San Francisco | 5½ | 8/21/86 | 6 | 5½ | 6 | 6½ | 7 | 7½ | 8 | 8/21/86 |

Range of rates in recent years[3]

| Effective date | Range (or level)— All F.R. Banks | F.R. Bank of N.Y. |
|---|---|---|
| In effect Dec. 31, 1973 | 7½ | 7½ |
| 1974— Apr. 25 | 7½–8 | 8 |
| 30 | 8 | 8 |
| Dec. 9 | 7¾–8 | 7¾ |
| 16 | 7¾ | 7¾ |
| 1975— Jan. 6 | 7¼–7¾ | 7¾ |
| 10 | 7¼–7¾ | 7¼ |
| 24 | 7¼ | 7¼ |
| Feb. 5 | 6¾–7¼ | 6¾ |
| 7 | 6¾ | 6¾ |
| Mar. 10 | 6¼–6¾ | 6¼ |
| 14 | 6¼ | 6¼ |
| May 16 | 6–6¼ | 6 |
| 23 | 6 | 6 |
| 1976— Jan. 19 | 5½–6 | 5½ |
| 23 | 5½ | 5½ |
| Nov. 22 | 5¼–5½ | 5¼ |
| 26 | 5¼ | 5¼ |
| 1977— Aug. 30 | 5¼–5¾ | 5¼ |
| 31 | 5¼–5¾ | 5¾ |
| Sept. 2 | 5¾ | 5¾ |
| Oct. 26 | 6 | 6 |
| 1978— Jan. 9 | 6–6½ | 6½ |
| 20 | 6½ | 6½ |
| May 11 | 6½–7 | 7 |
| 12 | 7 | 7 |
| July 3 | 7–7¼ | 7¼ |
| July 10 | 7¼ | 7¼ |

| Effective date | Range (or level)— All F.R. Banks | F.R. Bank of N.Y. |
|---|---|---|
| 1978— Aug. 21 | 7¾ | 7¾ |
| Sept. 22 | 8 | 8 |
| Oct. 16 | 8–8½ | 8½ |
| 20 | 8½ | 8½ |
| Nov. 1 | 8½–9½ | 9½ |
| 3 | 9½ | 9½ |
| 1979— July 20 | 10 | 10 |
| Aug. 17 | 10–10½ | 10½ |
| 20 | 10½ | 10½ |
| Sept. 19 | 10½–11 | 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 |
| Nov. 2 | 13–14 | 13 |
| 6 | 13 | 13 |
| Dec. 4 | 12 | 12 |

| Effective date | Range (or level)— All F.R. Banks | F.R. Bank of N.Y. |
|---|---|---|
| 1982— July 20 | 11½–12 | 11½ |
| 23 | 11½ | 11½ |
| Aug. 2 | 11–11½ | 11 |
| 3 | 11 | 11 |
| 16 | 10½ | 10½ |
| 27 | 10–10½ | 10 |
| 30 | 10 | 10 |
| Oct. 12 | 9½–10 | 9½ |
| 13 | 9½ | 9½ |
| Nov. 22 | 9–9½ | 9 |
| 26 | 9 | 9 |
| Dec. 14 | 8½–9 | 9 |
| 15 | 8½–9 | 8½ |
| 17 | 8½ | 8½ |
| 1984— Apr. 9 | 8½–9 | 9 |
| 13 | 9 | 9 |
| Nov. 21 | 8½–9 | 8½ |
| 26 | 8½ | 8½ |
| Dec. 24 | 8 | 8 |
| 1985— May 20 | 7½–8 | 7½ |
| 24 | 7½ | 7½ |
| 1986— Mar. 7 | 7–7½ | 7 |
| 10 | 7 | 7 |
| Apr. 21 | 6½–7 | 6½ |
| 23 | 6½ | 6½ |
| July 11 | 6 | 6 |
| Aug. 21 | 5½–6 | 5½ |
| 22 | 5½ | 5½ |
| In effect Dec. 26, 1986 | 5½ | 5½ |

1. After May 19, 1986, the highest rate within the structure of discount rates may be charged on adjustment credit loans of unusual size that result from a major operating problem at the borrower's facility.

A temporary simplified seasonal program was established on Mar. 8, 1985, and the interest rate was a fixed rate ½ percent above the rate on adjustment credit. The program was re-established on Feb. 18, 1986; the rate may be either the same as that for adjustment credit or a fixed rate ½ percent higher.

2. Applicable to advances when exceptional circumstances or practices involve only a particular depository institution and to advances when an institution is under sustained liquidity pressures. As an alternative, for loans outstanding for more than 150 days, a Federal Reserve Bank may charge a flexible rate that takes into account rates on market sources of funds, but in no case will the rate charged be less than the basic rate plus one percentage point. Where credit provided to a particular depository institution is anticipated to be outstanding for an unusually prolonged period and in relatively large amounts, the time period in which each rate under this structure is applied may be shortened. See section 201.3(b)(2) of Regulation A.

3. Rates for short-term adjustment credit. For description and earlier data see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, and *1941–1970; Annual Statistical Digest, 1970–1979, 1980, 1981*, and *1982*.

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 4 weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. There was no surcharge until Nov. 17, 1980, when a 2 percent surcharge was adopted; 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. As of Oct. 1, the formula for applying the surcharge was changed from a calendar quarter to a moving 13-week period. The surcharge was eliminated on Nov. 17, 1981.

## 1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

| Type of deposit, and deposit interval | Member bank requirements before implementation of the Monetary Control Act | | Type of deposit, and deposit interval[5] | Depository institution requirements after implementation of the Monetary Control Act[6] | |
|---|---|---|---|---|---|
| | Percent | Effective date | | Percent | Effective date |
| *Net demand*[2] | | | *Net transaction accounts*[7,8] | | |
| $0 million–$2 million | 7 | 12/30/76 | $0–$36.7 million | 3 | 12/31/85 |
| $2 million–$10 million | 9½ | 12/30/76 | Over $36.7 million | 12 | 12/31/85 |
| $10 million–$100 million | 11¾ | 12/30/76 | | | |
| $100 million–$400 million | 12¾ | 12/30/76 | *Nonpersonal time deposits*[9] | | |
| Over $400 million | 16¼ | 12/30/76 | By original maturity | | |
| | | | Less than 1½ years | 3 | 10/6/83 |
| *Time and savings*[2,3] | | | 1½ years or more | 0 | 10/6/83 |
| Savings | 3 | 3/16/67 | | | |
| | | | *Eurocurrency liabilities* | | |
| Time[4] | | | All types | 3 | 11/13/80 |
| $0 million–$5 million, by maturity | | | | | |
| 30–179 days | 3 | 3/16/67 | | | |
| 180 days to 4 years | 2½ | 1/8/76 | | | |
| 4 years or more | 1 | 10/30/75 | | | |
| Over $5 million, by maturity | | | | | |
| 30–179 days | 6 | 12/12/74 | | | |
| 180 days to 4 years | 2½ | 1/8/76 | | | |
| 4 years or more | 1 | 10/30/75 | | | |

1. For changes in reserve requirements beginning 1963, see Board's *Annual Statistical Digest, 1971–1975*, and for prior changes, see Board's *Annual Report* for 1976, table 13. Under provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. Requirement schedules are graduated, and each deposit interval applies to that part of the deposits of each bank. Demand deposits subject to reserve requirements were gross demand deposits minus cash items in process of collection and demand balances due from domestic banks.

The Federal Reserve Act as amended through 1978 specified different ranges of requirements for reserve city banks and for other banks. Reserve cities were designated under a criterion adopted effective Nov. 9, 1972, by which a bank having net demand deposits of more than $400 million was considered to have the character of business of a reserve city bank. The presence of the head office of such a bank constituted designation of that place as a reserve city. Cities in which there were Federal Reserve Banks or branches were also reserve cities. Any banks having net demand deposits of $400 million or less were considered to have the character of business of banks outside of reserve cities and were permitted to maintain reserves at ratios set for banks not in reserve cities.

Effective Aug. 24, 1978, the Regulation M reserve requirements on net balances due from domestic banks to their foreign branches and on deposits that foreign branches lend to U.S. residents were reduced to zero from 4 percent and 1 percent respectively. The Regulation D reserve requirement of borrowings from unrelated banks abroad was also reduced to zero from 4 percent.

Effective with the reserve computation period beginning Nov. 16, 1978, domestic deposits of Edge corporations were subject to the same reserve requirements as deposits of member banks.

3. Negotiable order of withdrawal (NOW) accounts and time deposits such as Christmas and vacation club accounts were subject to the same requirements as savings deposits.

The average reserve requirement on savings and other time deposits before implementation of the Monetary Control Act had to be at least 3 percent, the minimum specified by law.

4. Effective Nov. 2, 1978, a supplementary reserve requirement of 2 percent was imposed on large time deposits of $100,000 or more, obligations of affiliates, and ineligible acceptances. This supplementary requirement was eliminated with the maintenance period beginning July 24, 1980.

Effective with the reserve maintenance period beginning Oct. 25, 1979, a marginal reserve requirement of 8 percent was added to managed liabilities in excess of a base amount. This marginal requirement was increased to 10 percent beginning Apr. 3, 1980, was decreased to 5 percent beginning June 12, 1980, and was eliminated beginning July 24, 1980. Managed liabilities are defined as large time deposits, Eurodollar borrowings, repurchase agreements against U.S. government and federal agency securities, federal funds borrowings from nonmember institutions, and certain other obligations. In general, the base for the marginal reserve requirement was originally the greater of (a) $100 million or (b) the average amount of the managed liabilities held by a member bank, Edge corporation, or family of U.S. branches and agencies of a foreign bank for the two reserve computation periods ending Sept. 26, 1979. For the computation period beginning Mar. 20, 1980, the base was lowered by (a) 7 percent or (b) the decrease in an institution's U.S. office gross loans to foreigners and gross balances due from foreign offices of other institutions between the base period (Sept. 13–26, 1979) and the week ending Mar. 12, 1980, whichever was greater. For the computation period beginning May 29, 1980, the base was increased by 7½ percent above the base used to calculate the marginal reserve in the statement week of May 14–21, 1980. In addition, beginning Mar. 19, 1980, the base was reduced to the extent that foreign loans and balances declined.

5. The Garn-St Germain Depository Institutions Act of 1982 (Public Law 97–320) provides that $2 million of reservable liabilities (transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities) of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the next succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. Effective Dec. 9, 1982, the amount of the exemption was established at $2.1 million. Effective with the reserve maintenance period beginning Jan. 1, 1985, the amount of the exemption was established at $2.4 million. Effective with the reserve computation period beginning Dec. 31, 1985, the amount of the exemption was established at $2.6 million. Effective Dec. 30, 1986, the amount of the exemption is $2.5 million. In determining the reserve requirements of a depository institution, the exemption shall apply in the following order: (1) nonpersonal money market deposit accounts (MMDAs) described in 12 CFR section 204.2 (d)(2); (2) net NOW accounts (NOW accounts less allowable deductions); (3) net other transaction accounts; and (4) nonpersonal time deposits or Eurocurrency liabilities starting with those with the highest reserve ratio. With respect to NOW accounts and other transaction accounts, the exemption applies only to such accounts that would be subject to a 3 percent reserve requirement.

6. For nonmember banks and thrift institutions that were not members of the Federal Reserve System on or after July 1, 1979, a phase-in period ends Sept. 3, 1987. For banks that were members on or after July 1, 1979, but withdrew on or before Mar. 31, 1980, the phase-in period established by Public Law 97–320 ends on Oct. 24, 1985. For existing member banks the phase-in period of about three years was completed on Feb. 2, 1984. All new institutions will have a two-year phase-in beginning with the date that they open for business, except for those institutions that have total reservable liabilities of $50 million or more.

7. Transaction accounts include all deposits on which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers (in excess of three per month) for the purpose of making payments to third persons or others. However, MMDAs and similar accounts offered by institutions not subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month of which no more than three can be checks—are not transaction accounts (such accounts are savings deposits subject to time deposit reserve requirements.)

8. 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 increase in transaction accounts held by all depository institutions determined as of June 30 each year. Effective Dec. 31, 1981, the amount was increased accordingly from $25 million to $26 million; effective Dec. 30, 1982, to $26.3 million; effective Dec. 29, 1983, to $28.9 million; effective Jan. 1, 1985, to $29.8 million; and effective Dec. 31, 1985, to $31.7 million. Effective Dec. 30, 1986, the amount was increased to $36.7 million.

9. In general, nonpersonal time deposits are time deposits, including savings deposits, that are not transaction accounts and in which a beneficial interest is held by a depositor that is not a natural person. Also included are certain transferable time deposits held by natural persons, and certain obligations issued to depository institution offices located outside the United States. For details, see section 204.2 of Regulation D.

NOTE. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmembers may maintain reserve balances with a Federal Reserve Bank indirectly on a pass-through basis with certain approved institutions.

## 1.16 MAXIMUM INTEREST RATES PAYABLE on Time and Savings Deposits at Federally Insured Institutions[1]

Percent per annum

| Type of deposit | Commercial banks | | Savings and loan associations and mutual savings banks (thrift institutions)[1] | |
|---|---|---|---|---|
| | In effect Dec. 31, 1986 | | In effect Dec. 31, 1986 | |
| | Percent | Effective date | Percent | Effective date |
| 1 Savings | (2) | 4/1/86 | (2) | 4/1/86 |
| 2 Negotiable order of withdrawal accounts | (3) | 1/1/86 | (3) | 1/1/86 |
| 3 Money market deposit account | (4) | 12/14/82 | (4) | 12/14/82 |
| *Time accounts* | | | | |
| 4 7–31 days | (5) | 1/1/86 | (5) | 9/1/86 |
| 5 More than 31 days | ........... | 10/1/83 | ........... | 10/1/83 |

1. Effective Oct. 1, 1983, restrictions on the maximum rates of interest payable by commercial banks and thrift institutions on various categories of deposits were removed. For information regarding previous interest rate ceilings on all categories of accounts see earlier issues of the FEDERAL RESERVE BULLETIN, the *Federal Home Loan Bank Board Journal*, and the *Annual Report of the Federal Deposit Insurance Corporation*.
2. Effective Apr. 1, 1986, the interest rate ceiling on savings deposits was removed. Before Apr. 1, 1986, savings deposits were subject to an interest rate ceiling of 5½ percent.
3. Before Jan. 1, 1986, NOW accounts with minimum denomination requirements of less than $1,000 were subject to an interest rate ceiling of 5¼ percent. NOW accounts with minimum required denominations of $1,000 or more and IRA/Keough (HR10) Plan accounts were not subject to interest rate ceilings. Effective Jan. 1, 1986, the minimum denomination requirement was removed.
4. Effective Dec. 14, 1982, depository institutions are authorized to offer a new account with a required initial balance of $2,500 and an average maintenance balance of $2,500 not subject to interest rate restrictions. Effective Jan. 1, 1985, the minimum denomination and average balance maintenance requirements was lowered to $1,000. Effective Jan. 1, 1986, the minimum denomination and average balance maintenance requirements were removed. No minimum maturity period is required for this account, but depository institutions must reserve the right to require seven days, notice before withdrawals.
5. Before Jan. 1, 1986, deposits of less than $1,000 were subject to an interest rate ceiling of 5½ percent. Deposits of less than $1,000 issued to governmental units were subject to an interest rate ceiling of 8 percent. Effective Jan. 1, 1986, the minimum denomination requirement was removed.

## 1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

| Type of transaction | 1983 | 1984 | 1985 | 1986 Apr. | 1986 May | 1986 June | 1986 July | 1986 Aug. | 1986 Sept. | 1986 Oct. |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S. GOVERNMENT SECURITIES | | | | | | | | | | |
| Outright transactions (excluding matched transactions) | | | | | | | | | | |
| *Treasury bills* | | | | | | | | | | |
| 1 Gross purchases | 18,888 | 20,036 | 22,214 | 2,988 | 3,196 | 1,402 | 867 | 2,940 | 861 | 928 |
| 2 Gross sales | 3,420 | 8,557 | 4,118 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 Exchange | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 Redemptions | 2,400 | 7,700 | 3,500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Others within 1 year* | | | | | | | | | | |
| 5 Gross purchases | 484 | 1,126 | 1,349 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 Maturity shift | 18,887 | 16,354 | 19,763 | 447 | 1,847 | 1,152 | 579 | 1,715 | 1,053 | 974 |
| 8 Exchange | -16,553 | -20,840 | -17,717 | -1,129 | -1,819 | -1,957 | -1,253 | -4,087 | -1,892 | -529 |
| 9 Redemptions | 87 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *1 to 5 years* | | | | | | | | | | |
| 10 Gross purchases | 1,896 | 1,638 | 2,185 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 Maturity shift | -15,533 | -13,709 | -17,459 | -447 | -1,532 | -1,152 | -386 | -1,194 | -1,053 | -969 |
| 13 Exchange | 11,641 | 16,039 | 13,853 | 1,134 | 1,019 | 1,957 | 1,253 | 2,587 | 1,892 | 529 |
| *5 to 10 years* | | | | | | | | | | |
| 14 Gross purchases | 890 | 536 | 458 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 15 Gross sales | 0 | 300 | 100 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 16 Maturity shift | -2,450 | -2,371 | -1,857 | -5 | -315 | 0 | -193 | -520 | 0 | -5 |
| 17 Exchange | 2,950 | 2,750 | 2,184 | 0 | 500 | 0 | 0 | 1,000 | 0 | 0 |
| *Over 10 years* | | | | | | | | | | |
| 18 Gross purchases | 383 | 441 | 293 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 19 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 20 Maturity shift | -904 | -275 | -447 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 21 Exchange | 1,962 | 2,052 | 1,679 | 0 | 300 | 0 | 0 | 500 | 0 | 0 |
| *All maturities* | | | | | | | | | | |
| 22 Gross purchases | 22,540 | 23,776 | 26,499 | 2,988 | 3,196 | 1,402 | 867 | 2,940 | 861 | 928 |
| 23 Gross sales | 3,420 | 8,857 | 4,218 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 24 Redemptions | 2,487 | 7,700 | 3,500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Matched transactions | | | | | | | | | | |
| 25 Gross sales | 578,591 | 808,986 | 866,175 | 109,253 | 62,663 | 80,219 | 70,928 | 60,460 | 73,179 | 77,262 |
| 26 Gross purchases | 576,908 | 810,432 | 865,968 | 103,957 | 67,147 | 80,674 | 69,659 | 60,011 | 70,817 | 81,892 |
| Repurchase agreements | | | | | | | | | | |
| 27 Gross purchases | 105,971 | 127,933 | 134,253 | 21,156 | 12,395 | 5,640 | 18,657 | 0 | 14,717 | 5,670 |
| 28 Gross sales | 108,291 | 127,690 | 132,351 | 13,634 | 19,917 | 5,640 | 18,657 | 0 | 8,403 | 11,984 |
| 29 Net change in U.S. government securities | 12,631 | 8,908 | 20,477 | 5,214 | 158 | 1,857 | -403 | 2,491 | 4,814 | -756 |
| FEDERAL AGENCY OBLIGATIONS | | | | | | | | | | |
| Outright transactions | | | | | | | | | | |
| 30 Gross purchases | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 31 Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 32 Redemptions | 292 | 256 | 162 | 0 | 50 | 0 | * | 90 | * | 93 |
| Repurchase agreements | | | | | | | | | | |
| 33 Gross purchases | 8,833 | 11,509 | 22,183 | 3,369 | 3,135 | 1,691 | 4,984 | 0 | 2,678 | 952 |
| 34 Gross sales | 9,213 | 11,328 | 20,877 | 1,955 | 4,567 | 1,691 | 4,984 | 0 | 869 | 2,761 |
| 35 Net change in federal agency obligations | -672 | -76 | 1,144 | 1,432 | -1,482 | 0 | * | -90 | 1,809 | -1,902 |
| BANKERS ACCEPTANCES | | | | | | | | | | |
| 36 Repurchase agreements, net | -1,062 | -418 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **37 Total net change in System Open Market Account** | **10,897** | **8,414** | **21,621** | **6,647** | **-1,324** | **1,857** | **-403** | **2,401** | **6,623** | **-2,658** |

NOTE. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings. Details may not add to totals because of rounding.

## 1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements

Millions of dollars

| Account | Wednesday | | | | | End of month | | |
|---|---|---|---|---|---|---|---|---|
| | 1986 | | | | | 1986 | | |
| | Oct. 29 | Nov. 5 | Nov. 12 | Nov. 19 | Nov. 26 | Sept. | Oct. | Nov. |
| | Consolidated condition statement | | | | | | | |
| ASSETS | | | | | | | | |
| 1 Gold certificate account | 11,084 | 11,084 | 11,084 | 11,084 | 11,084 | 11,084 | 11,084 | 11,084 |
| 2 Special drawing rights certificate account | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 |
| 3 Coin | 507 | 525 | 506 | 510 | 508 | 507 | 508 | 507 |
| Loans | | | | | | | | |
| 4 To depository institutions | 807 | 3,502 | 572 | 3,980 | 481 | 879 | 806 | 557 |
| 5 Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Acceptances—Bought outright | | | | | | | | |
| 6 Held under repurchase agreements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Federal agency obligations | | | | | | | | |
| 7 Bought outright | 7,954 | 7,954 | 7,829 | 7,829 | 7,829 | 8,047 | 7,954 | 7,829 |
| 8 Held under repurchase agreements | 0 | 0 | 0 | 258 | 386 | 1,809 | 0 | 348 |
| U.S. government securities | | | | | | | | |
| Bought outright | | | | | | | | |
| 9 Bills | 95,929 | 98,051 | 100,468 | 98,000 | 97,777 | 92,064 | 97,622 | 101,026 |
| 10 Notes | 66,597 | 66,597 | 66,597 | 68,126 | 68,126 | 66,597 | 66,597 | 68,126 |
| 11 Bonds | 25,776 | 25,776 | 25,776 | 25,724 | 25,724 | 25,776 | 25,776 | 25,724 |
| 12 Total bought outright[1] | 188,302 | 190,424 | 192,841 | 191,850 | 191,627 | 184,437 | 189,995 | 194,876 |
| 13 Held under repurchase agreements | 0 | 0 | 0 | 4,519 | 1,634 | 6,314 | 0 | 1,417 |
| 14 Total U.S. government securities | 188,302 | 190,424 | 192,841 | 196,369 | 193,261 | 190,751 | 189,995 | 196,293 |
| 15 **Total loans and securities** | **197,063** | **201,880** | **201,242** | **208,436** | **201,957** | **201,486** | **198,755** | **205,027** |
| 16 Items in process of collection | 6,091 | 6,812 | 7,127 | 9,381 | 7,818 | 9,125 | 6,104 | 4,721 |
| 17 Bank premises | 649 | 649 | 648 | 651 | 654 | 647 | 649 | 654 |
| Other assets | | | | | | | | |
| 18 Denominated in foreign currencies[2] | 9,156 | 9,134 | 9,140 | 9,145 | 9,095 | 9,126 | 9,133 | 9,179 |
| 19 All other[3] | 7,262 | 6,876 | 7,395 | 5,938 | 6,044 | 7,250 | 7,015 | 6,065 |
| 20 **Total assets** | **236,830** | **241,978** | **242,160** | **250,163** | **242,178** | **244,243** | **238,266** | **242,255** |
| LIABILITIES | | | | | | | | |
| 21 Federal Reserve notes | 185,753 | 186,802 | 188,994 | 188,865 | 190,210 | 184,191 | 186,022 | 190,327 |
| Deposits | | | | | | | | |
| 22 To depository institutions | 35,135 | 37,991 | 37,534 | 44,025 | 36,089 | 36,794 | 36,966 | 38,296 |
| 23 U.S. Treasury—General account | 3,594 | 3,746 | 3,327 | 2,850 | 2,591 | 7,514 | 2,491 | 2,529 |
| 24 Foreign—Official accounts | 238 | 272 | 234 | 174 | 337 | 342 | 303 | 225 |
| 25 Other | 455 | 526 | 524 | 486 | 430 | 663 | 479 | 425 |
| 26 **Total deposits** | **39,422** | **42,535** | **41,619** | **47,535** | **39,447** | **45,313** | **40,239** | **41,475** |
| 27 Deferred credit items | 5,574 | 6,408 | 5,285 | 7,540 | 6,427 | 8,276 | 5,663 | 3,973 |
| 28 Other liabilities and accrued dividends[4] | 2,067 | 2,258 | 2,245 | 2,110 | 2,074 | 2,193 | 2,275 | 2,242 |
| 29 **Total liabilities** | **232,816** | **238,003** | **238,143** | **246,050** | **238,158** | **239,973** | **234,199** | **238,017** |
| CAPITAL ACCOUNTS | | | | | | | | |
| 30 Capital paid in | 1,853 | 1,858 | 1,860 | 1,859 | 1,860 | 1,849 | 1,854 | 1,860 |
| 31 Surplus | 1,781 | 1,781 | 1,781 | 1,781 | 1,781 | 1,780 | 1,781 | 1,781 |
| 32 Other capital accounts | 380 | 336 | 376 | 473 | 379 | 641 | 432 | 597 |
| 33 **Total liabilities and capital accounts** | **236,830** | **241,978** | **242,160** | **250,163** | **242,178** | **244,243** | **238,266** | **242,255** |
| 34 MEMO: Marketable U.S. government securities held in custody for foreign and international account | 166,086 | 164,174 | 164,654 | 164,518 | 164,567 | 163,236 | 164,020 | 164,411 |
| | Federal Reserve note statement | | | | | | | |
| 35 Federal Reserve notes outstanding | 227,605 | 227,859 | 228,750 | 229,916 | 231,208 | 223,928 | 227,605 | 231,281 |
| 36 LESS: Held by bank | 41,852 | 41,057 | 39,756 | 41,051 | 40,998 | 39,737 | 41,583 | 40,954 |
| 37 Federal Reserve notes, net | 185,753 | 186,802 | 188,994 | 188,865 | 190,210 | 184,191 | 186,022 | 190,327 |
| *Collateral held against notes net:* | | | | | | | | |
| 38 Gold certificate account | 11,084 | 11,084 | 11,084 | 11,084 | 11,084 | 11,084 | 11,084 | 11,084 |
| 39 Special drawing rights certificate account | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 | 5,018 |
| 40 Other eligible assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 41 U.S. government and agency securities | 169,651 | 170,700 | 172,892 | 172,763 | 174,108 | 168,089 | 169,920 | 174,225 |
| 42 **Total collateral** | **185,753** | **186,802** | **188,994** | **188,865** | **190,210** | **184,191** | **186,022** | **190,327** |

1. *Includes* securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and *excludes* (if any) securities sold and scheduled to be bought back under matched sale-purchase transactions.
2. Assets shown in this line are revalued monthly at market exchange rates.
3. Includes special investment account at Chicago of Treasury bills maturing within 90 days.
4. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments.

NOTE: Some of these data also appear in the Board's H.4.1 (503) release. For address, see inside front cover.

## 1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

| Type and maturity groupings | Wednesday | | | | | End of month | | |
|---|---|---|---|---|---|---|---|---|
| | 1986 | | | | | 1986 | | |
| | Oct. 29 | Nov. 5 | Nov. 12 | Nov. 19 | Nov. 26 | Sept. 30 | Oct. 31 | Nov. 28 |
| 1 Loans—Total | 807 | 3,502 | 572 | 3,980 | 481 | 879 | 806 | 557 |
| 2 Within 15 days | 802 | 3,470 | 539 | 3,976 | 471 | 855 | 783 | 545 |
| 3 16 days to 90 days | 5 | 32 | 33 | 4 | 10 | 24 | 23 | 12 |
| 4 91 days to 1 year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5 Acceptances—Total | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 6 Within 15 days | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 7 16 days to 90 days | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8 91 days to 1 year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 9 U.S. government securities—Total | 188,302 | 190,424 | 192,841 | 196,369 | 193,261 | 190,751 | 189,995 | 196,293 |
| 10 Within 15 days[1] | 9,673 | 11,371 | 7,567 | 14,696 | 11,263 | 11,681 | 6,964 | 7,625 |
| 11 16 days to 90 days | 46,627 | 45,279 | 50,035 | 47,200 | 49,947 | 46,290 | 48,533 | 54,077 |
| 12 91 days to 1 year | 56,915 | 59,131 | 60,596 | 58,950 | 56,528 | 57,693 | 59,855 | 59,068 |
| 13 Over 1 year to 5 years | 36,703 | 36,259 | 36,259 | 37,006 | 37,006 | 36,698 | 36,259 | 37,006 |
| 14 Over 5 years to 10 years | 15,575 | 15,575 | 15,575 | 15,451 | 15,451 | 15,580 | 15,575 | 15,451 |
| 15 Over 10 years | 22,809 | 22,809 | 22,809 | 23,066 | 23,066 | 22,809 | 22,809 | 23,066 |
| 16 Federal agency obligations—Total | 7,954 | 7,954 | 7,829 | 8,087 | 8,215 | 9,856 | 7,954 | 8,177 |
| 17 Within 15 days[1] | 279 | 125 | 30 | 506 | 691 | 2,118 | 279 | 653 |
| 18 16 days to 90 days | 940 | 1,064 | 1,094 | 876 | 789 | 755 | 940 | 851 |
| 19 91 days to 1 year | 1,360 | 1,390 | 1,330 | 1,330 | 1,438 | 1,502 | 1,360 | 1,376 |
| 20 Over 1 year to 5 years | 3,808 | 3,808 | 3,808 | 3,808 | 3,730 | 3,905 | 3,808 | 3,730 |
| 21 Over 5 years to 10 years | 1,193 | 1,193 | 1,193 | 1,193 | 1,193 | 1,152 | 1,193 | 1,193 |
| 22 Over 10 years | 374 | 374 | 374 | 374 | 374 | 424 | 374 | 374 |

1. Holdings under repurchase agreements are classified as maturing within 15 days in accordance with maximum maturity of the agreements.

## 1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE

Billions of dollars, averages of daily figures

| Item | 1982 Dec. | 1983 Dec. | 1984 Dec. | 1985 Dec. | 1986 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. |
| ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[1] | Seasonally adjusted | | | | | | | | | | | |
| 1 **Total reserves[2]** | **34.28** | **36.14** | **39.51** | **45.61** | **47.28** | **48.58** | **49.45** | **50.49** | **51.32** | **51.81** | **52.40** | **53.84** |
| 2 Nonborrowed reserves | 33.65 | 35.36 | 36.32 | 44.29 | 46.38 | 47.70 | 48.64 | 49.75 | 50.45 | 50.80 | 51.56 | 53.09 |
| 3 Nonborrowed reserves plus extended credit[3] | 33.83 | 35.37 | 38.93 | 44.79 | 47.02 | 48.29 | 49.17 | 50.13 | 50.91 | 51.37 | 52.06[r] | 53.50 |
| 4 Required reserves | 33.78 | 35.58 | 38.66 | 44.55 | 46.47 | 47.74 | 48.51 | 49.58 | 50.58 | 51.08 | 51.66[r] | 52.84 |
| 5 Monetary base[4] | 170.04 | 185.39 | 199.17 | 216.72 | 222.36 | 224.90 | 226.63 | 228.30 | 230.59 | 231.63 | 233.44 | 235.93 |
| | Not seasonally adjusted | | | | | | | | | | | |
| 6 **Total reserves[2]** | **35.01** | **36.86** | **40.57** | **46.84** | **47.94** | **47.71** | **49.20** | **50.32** | **50.62** | **51.55** | **52.34** | **54.12** |
| 7 Nonborrowed reserves | 34.37 | 36.09 | 37.38 | 45.52 | 47.04 | 46.84 | 48.40 | 49.58 | 49.75 | 50.54 | 51.50 | 53.37 |
| 8 Nonborrowed reserves plus extended credit[3] | 34.56 | 36.09 | 39.98 | 46.02 | 47.68 | 47.42 | 48.93 | 49.96 | 50.22 | 51.11 | 52.00 | 53.79 |
| 9 Required reserves | 34.51 | 36.30 | 39.71 | 45.78 | 47.14 | 46.87 | 48.27 | 49.41 | 49.88 | 50.82 | 51.60[r] | 53.12 |
| 10 Monetary base[4] | 173.07 | 188.66 | 202.34 | 220.36 | 222.13 | 223.61 | 227.04 | 230.02 | 230.76 | 231.51 | 233.04 | 236.92 |
| NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[5] | | | | | | | | | | | | |
| 11 **Total reserves[2]** | **41.85** | **38.89** | **40.70** | **48.14** | **48.88** | **48.42** | **49.94** | **51.03** | **51.28** | **53.19** | **54.62** | **56.41** |
| 12 Nonborrowed reserves | 41.22 | 38.12 | 37.51 | 46.82 | 47.99 | 47.54 | 49.14 | 50.29 | 50.41 | 52.18 | 53.78 | 55.66 |
| 13 Nonborrowed reserves plus extended credit[3] | 41.41 | 38.12 | 40.09 | 47.41 | 48.22 | 48.24 | 49.81 | 50.68 | 50.90 | 52.76 | 54.15 | 56.16 |
| 14 Required reserves | 41.35 | 38.33 | 39.84 | 47.09 | 48.08 | 47.58 | 49.01 | 50.12 | 50.54 | 52.46 | 53.88[r] | 55.41 |
| 15 Monetary base[4] | 180.42 | 192.26 | 204.18 | 223.53 | 224.88 | 226.12 | 229.68 | 232.55 | 233.32 | 235.07 | 237.26 | 241.28 |

1. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. To adjust for discontinuities due to changes in reserve requirements on reservable nondeposit liabilities, the sum of such required reserves is subtracted from the actual series. Similarly, in adjusting for discontinuities in the monetary base, required clearing balances and adjustments to compensate for float also are subtracted from the actual series.

2. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash used to satisfy reserve requirements. Such vault cash consists of all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

3. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.

4. The monetary base not adjusted for discontinuities consists of total reserves plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks and the currency component of the money stock less the amount of vault cash holdings of thrift institutions that is included in the currency component of the money stock plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. After the introduction of contemporaneous reserve requirements (CRR), currency and vault cash figures are measured over the weekly computation period ending Monday.

Before CRR, all components of the monetary base other than excess reserves are seasonally adjusted as a whole, rather than by component, and excess reserves are added on a not seasonally adjusted basis. After CRR, the seasonally adjusted series consists of seasonally adjusted total reserves, which include excess reserves on a not seasonally adjusted basis, plus the seasonally adjusted currency component of the money stock and the remaining items seasonally adjusted as a whole.

5. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with implementation of the Monetary Control Act or other regulatory changes to reserve requirements.

NOTE. Latest monthly and biweekly figures are available from the Board's H.3(502) statistical release. Historical data and estimates of the impact on required reserves of changes in reserve requirements are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

## 1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Billions of dollars, averages of daily figures

| Item[1] | 1982 Dec. | 1983 Dec. | 1984 Dec. | 1985 Dec. | 1986 Aug. | 1986 Sept. | 1986 Oct. | 1986 Nov. |
|---|---|---|---|---|---|---|---|---|
| | Seasonally adjusted | | | | | | | |
| 1 M1 | 479.9 | 527.1 | 558.5 | 626.6 | 687.6 | 693.1 | 701.2 | 713.4 |
| 2 M2 | 1,952.6 | 2,186.0 | 2,373.8 | 2,566.5 | 2,724.3r | 2,740.8r | 2,764.9r | 2,780.1 |
| 3 M3 | 2,443.5 | 2,697.3 | 2,986.5 | 3,201.2 | 3,400.7r | 3,425.5r | 3,444.5r | 3,460.6 |
| 4 L | 2,850.1 | 3,162.7 | 3,532.4 | 3,839.5 | 4,030.7r | 4,059.6r | 4,082.2 | n.a. |
| 5 Debt | 4,661.7r | 5,210.1r | 5,950.0r | 6,771.8r | 7,306.2r | 7,375.8r | 7,427.9 | n.a. |
| M1 components | | | | | | | | |
| 6 Currency[2] | 134.3 | 148.3 | 158.5 | 170.6 | 179.0 | 179.7 | 181.2 | 182.2 |
| 7 Travelers checks[3] | 4.3 | 4.9 | 5.2 | 5.9 | 6.5 | 6.5 | 6.4 | 6.4 |
| 8 Demand deposits[4] | 237.9 | 242.7 | 248.4 | 271.5 | 291.8 | 292.2 | 293.2 | 298.4 |
| 9 Other checkable deposits[5] | 103.4 | 131.3 | 146.3 | 178.6 | 210.4 | 214.8 | 220.4 | 226.4 |
| Nontransactions components | | | | | | | | |
| 10 In M2[6] | 1,472.7 | 1,658.9 | 1,815.4 | 1,939.9 | 2,036.7r | 2,047.6r | 2,063.7r | 2,066.7 |
| 11 In M3 only[7] | 490.9 | 511.3 | 612.7 | 634.6 | 676.4r | 684.7r | 679.5r | 680.5 |
| Savings deposits[9] | | | | | | | | |
| 12 Commercial Banks | 163.7 | 133.4 | 122.3 | 124.5 | 136.8 | 140.9 | 145.8 | 150.4 |
| 13 Thrift institutions | 194.2 | 173.2 | 167.3 | 179.1 | 200.8 | 203.5 | 208.0 | 212.8 |
| Small denomination time deposits[9] | | | | | | | | |
| 14 Commercial Banks | 380.4 | 351.1 | 387.2 | 384.1 | 376.0 | 372.6 | 367.7 | 363.9 |
| 15 Thrift institutions | 472.4 | 434.1 | 500.3 | 496.2 | 501.2 | 498.7 | 494.0r | 490.4 |
| Money market mutual funds | | | | | | | | |
| 16 General purpose and broker/dealer | 185.2 | 138.2 | 167.5 | 176.5 | 200.5 | 202.2 | 206.7 | 206.6 |
| 17 Institution-only | 51.1 | 43.2 | 62.7 | 64.6 | 80.8 | 84.4 | 84.5 | 84.4 |
| Large denomination time deposits[10] | | | | | | | | |
| 18 Commercial Banks[11] | 262.1 | 228.7 | 263.7 | 279.2 | 282.0r | 281.4r | 279.2r | 281.6 |
| 19 Thrift institutions | 65.8 | 101.1 | 150.2 | 157.3 | 166.1 | 165.8 | 164.0 | 161.8 |
| Debt components | | | | | | | | |
| 20 Federal debt | 979.7 | 1,172.8 | 1,367.6r | 1,587.0 | 1,725.1r | 1,741.6r | 1,755.9 | n.a. |
| 21 Non-federal debt | 3,682.1 | 4,037.3r | 4,582.4r | 5,184.8r | 5,581.8r | 5,634.2r | 5,672.1 | n.a. |
| | Not seasonally adjusted | | | | | | | |
| 22 M1 | 490.9 | 538.8 | 570.5 | 639.9 | 684.6 | 690.7 | 698.4 | 714.9 |
| 23 M2 | 1,958.6 | 2,192.8 | 2,380.8 | 2,574.7 | 2,719.2r | 2,731.5r | 2,758.9r | 2,778.0 |
| 24 M3 | 2,453.3 | 2,707.9 | 2,997.8 | 3,213.9 | 3,395.4r | 3,418.2r | 3,440.4r | 3,464.2 |
| 25 L | 2,856.4 | 3,169.3 | 3,537.6 | 3,845.7 | 4,027.0r | 4,054.5r | 4,078.1 | n.a. |
| 26 Debt | 4,655.8 | 5,204.5r | 5,944.2r | 6,765.2r | 7,276.0r | 7,354.0r | 7,410.4 | n.a. |
| M1 components | | | | | | | | |
| 27 Currency[2] | 136.5 | 150.5 | 160.9 | 173.1 | 179.9 | 179.6 | 180.9 | 183.2 |
| 28 Travelers checks[3] | 4.1 | 4.6 | 4.9 | 5.5 | 7.3 | 6.9 | 6.5 | 6.1 |
| 29 Demand deposits[4] | 246.2 | 251.3 | 257.3 | 281.3 | 289.0 | 290.8 | 292.5 | 299.6 |
| 30 Other checkable deposits[5] | 104.1 | 132.4 | 147.5 | 180.1 | 208.5 | 213.5 | 218.5 | 226.0 |
| Nontransactions components | | | | | | | | |
| 31 M2[6] | 1,467.7 | 1,654.0 | 1,810.3 | 1,934.7 | 2,034.6r | 2,040.7r | 2,060.5r | 2,063.0 |
| 32 M3 only[7] | 494.7 | 515.1 | 617.0 | 639.2 | 676.3 | 686.7r | 681.5r | 686.2 |
| Money market deposit accounts | | | | | | | | |
| 33 Commercial banks | 26.3 | 230.5 | 267.2 | 332.4 | 363.5r | 368.1 | 371.7r | 375.1 |
| 34 Thrift institutions | 16.9 | 148.7 | 149.7 | 179.6 | 189.5 | 190.2 | 192.1 | 193.0 |
| Savings deposits[8] | | | | | | | | |
| 35 Commercial Banks | 162.1 | 132.2 | 121.4 | 123.5 | 137.3 | 140.7 | 146.1 | 149.9 |
| 36 Thrift institutions | 193.1 | 172.3 | 166.5 | 178.3 | 199.7 | 202.5 | 208.7 | 212.9 |
| Small denomination time deposits[9] | | | | | | | | |
| 37 Commercial Banks | 380.1 | 351.1 | 387.6 | 384.8 | 377.9 | 375.2r | 370.4 | 365.9 |
| 38 Thrift institutions | 471.7 | 434.2 | 501.2 | 497.6 | 500.5 | 498.4 | 496.9r | 493.2 |
| Money market mutual funds | | | | | | | | |
| 39 General purpose and broker/dealer | 185.2 | 138.2 | 167.5 | 176.5 | 200.5 | 202.2 | 206.7 | 206.6 |
| 40 Institution-only | 51.1 | 43.2 | 62.7 | 64.6 | 80.8 | 84.4 | 84.5 | 84.4 |
| Large denomination time deposits[10] | | | | | | | | |
| 41 Commercial Banks[11] | 265.2 | 230.8 | 265.4 | 280.9 | 282.3 | 283.5r | 281.9r | 283.3 |
| 42 Thrift institutions | 65.8 | 101.4 | 150.6 | 157.8 | 166.0 | 165.7 | 164.4r | 162.5 |
| Debt components | | | | | | | | |
| 43 Federal debt | 976.4 | 1,170.2 | 1,364.7 | 1,583.7 | 1,713.3 | 1,734.5r | 1,748.6 | n.a. |
| 44 Non-federal debt | 3,679.3 | 4,034.3r | 4,579.5r | 5,181.5r | 5,562.7r | 5,619.5r | 5,661.8 | n.a. |

For notes see following page.

NOTES TO TABLE 1.21

1. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to domestic banks, 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 (OCD) 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. The currency and demand deposit components exclude the estimated amount of vault cash and demand deposits respectively held by thrift institutions to service their OCD liabilities.

M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all commercial banks and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, MMDAs, savings and small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and balances in both taxable and tax-exempt general purpose and broker/dealer money market mutual funds. Excludes individual retirement accounts (IRA) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker/dealer), foreign governments and commercial banks, and the U.S. government. Also subtracted is a consolidation adjustment that represents the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposits.

M3: M2 plus large-denomination time deposits and term RP liabilities (in amounts of $100,000 or more) issued by commercial banks and thrift institutions, term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and balances in both taxable and tax-exempt, institution-only money market mutual funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also subtracted is a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

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 mutual fund holdings of these assets.

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. The source of data on domestic nonfinancial debt is the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages.

2. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of commercial banks. Excludes the estimated amount of vault cash held by thrift institutions to service their OCD liabilities.

3. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

4. Demand deposits at commercial banks and foreign-related institutions other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float. Excludes the estimated amount of demand deposits held at commercial banks by thrift institutions to service their OCD liabilities.

5. Consists of NOW and ATS balances at all depository institutions, credit union share draft balances, and demand deposits at thrift institutions. Other checkable deposits seasonally adjusted equals the difference between the seasonally adjusted sum of demand deposits plus OCD and seasonally adjusted demand deposits. Included are all ceiling free "Super NOWs," authorized by the Depository Institutions Deregulation committee to be offered beginning Jan. 5, 1983.

6. Sum of overnight RPs and overnight Eurodollars, money market fund balances (general purpose and broker/dealer), MMDAs, and savings and small time deposits, less the consolidation adjustment that represents the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposits liabilities.

7. Sum of large time deposits, term RPs and term Eurodollars of U.S. residents, money market fund balances (institution-only), less a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds.

8. Savings deposits exclude MMDAs.

9. Small-denomination time deposits—including retail RPs— are those issued in amounts of less than $100,000. All individual retirement accounts (IRA) and Keogh accounts at commercial banks and thrifts are subtracted from small time deposits.

10. Large-denomination time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

11. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

NOTE: Latest monthly and weekly figures are available from the Board's H.6 (508) release. Historical data are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

## 1.22 BANK DEBITS AND DEPOSIT TURNOVER

Debits are shown in billions of dollars, turnover as ratio of debits to deposits. Monthly data are at annual rates.

| Bank group, or type of customer | 1983[1] | 1984[1] | 1985[1] | 1986 May | June | July | Aug. | Sept. | Oct. |
|---|---|---|---|---|---|---|---|---|---|
| DEBITS TO | Seasonally adjusted | | | | | | | | |
| Demand deposits[2] | | | | | | | | | |
| 1 All insured banks | 109,642.3 | 128,440.8 | 154,556.0 | 189,819.7 | 187,035.1 | 188,874.2 | 194,457.3 | 197,997.9 | 197,222.5 |
| 2 Major New York City banks | 47,769.4 | 57,392.7 | 70,445.1 | 87,846.7 | 89,201.2 | 91,040.8 | 92,961.7 | 95,252.0 | 95,919.7 |
| 3 Other banks | 61,873.1 | 71,048.1 | 84,110.9 | 101,973.0 | 97,833.9 | 97,833.4 | 101,495.6 | 102,745.9 | 101,302.9 |
| 4 ATS-NOW accounts[3] | 1,405.5 | 1,588.7 | 1,920.8 | 2,255.6 | 2,188.0 | 2,320.1 | 2,414.8 | 2,704.8 | 2,292.5 |
| 5 Savings deposits[4] | 741.4 | 633.1 | 539.0 | 389.7 | 382.6 | 417.4 | 421.0 | 428.4 | 456.5 |
| DEPOSIT TURNOVER | | | | | | | | | |
| Demand deposits[2] | | | | | | | | | |
| 6 All insured banks | 379.7 | 434.4 | 496.5 | 569.7 | 553.3 | 556.4 | 567.6 | 573.9 | 569.6 |
| 7 Major New York City banks | 1,528.0 | 1,843.0 | 2,168.9 | 2,457.8 | 2,504.5 | 2,417.2 | 2,437.0 | 2,519.8 | 2,493.4 |
| 8 Other banks | 240.9 | 268.6 | 301.8 | 342.8 | 323.5 | 324.2 | 333.4 | 334.5 | 329.2 |
| 9 ATS-NOW accounts[3] | 15.6 | 15.8 | 16.7 | 17.0 | 16.2 | 16.8 | 16.9 | 18.4 | 15.2 |
| 10 Savings deposits[4] | 5.4 | 5.0 | 4.5 | 3.1 | 3.0 | 3.2 | 3.2 | 3.1 | 3.2 |
| DEBITS TO | Not seasonally adjusted | | | | | | | | |
| Demand deposits[2] | | | | | | | | | |
| 11 All insured banks | 109,517.6 | 128,059.1 | 154,108.4 | 184,827.4 | 188,924.1 | 198,657.9 | 186,892.9 | 198,433.5 | 204,618.4 |
| 12 Major New York City banks | 47,707.4 | 57,282.4 | 70,400.9 | 85,189.6 | 91,315.2 | 96,686.1 | 88,807.6 | 96,489.1 | 98,837.9 |
| 13 Other banks | 64,310.2 | 70,776.9 | 83,707.8 | 99,637.8 | 97,608.9 | 101,971.8 | 98,085.3 | 101,944.4 | 105,780.4 |
| 14 ATS-NOW accounts[3] | 1,397.0 | 1,579.5 | 1,903.4 | 2,256.6 | 2,356.3 | 2,240.4 | 2,140.8 | 2,524.1 | 2,231.9 |
| 15 MMDA[5] | 567.4 | 848.8 | 1,179.0 | 1,557.9 | 1,697.2 | 1,575.9 | 1,530.6 | 1,612.9 | 1,607.4 |
| 16 Savings deposits[4] | 742.0 | 632.9 | 538.7 | 377.8 | 385.9 | 419.9 | 413.7 | 414.2 | 449.2 |
| DEPOSIT TURNOVER | | | | | | | | | |
| Demand deposits[2] | | | | | | | | | |
| 17 All insured banks | 379.9 | 433.5 | 497.4 | 569.4 | 564.1 | 587.8 | 554.7 | 577.6 | 593.5 |
| 18 Major New York City banks | 1,510.0 | 1,838.6 | 2,191.1 | 2,487.0 | 2,570.0 | 2,620.6 | 2,421.9 | 2,603.6 | 2,656.9 |
| 19 Other banks | 240.5 | 267.9 | 301.6 | 343.2 | 326.0 | 338.7 | 326.6 | 332.6 | 343.9 |
| 20 ATS-NOW accounts[3] | 15.5 | 15.7 | 16.6 | 17.1 | 17.4 | 16.3 | 15.1 | 17.3 | 14.9 |
| 21 MMDA[5] | 2.8 | 3.5 | 3.8 | 4.5 | 4.8 | 4.4 | 4.2 | 4.4 | 4.3 |
| 22 Savings deposits[4] | 5.4 | 5.0 | 4.5 | 3.0 | 3.0 | 3.2 | 3.1 | 3.0 | 3.2 |

1. Annual averages of monthly figures.
2. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.
3. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data availability starts with December 1978.
4. Excludes ATS and NOW accounts, MMDA and special club accounts, such as Christmas and vacation clubs.
5. Money market deposit accounts.

NOTE. Historical data for demand deposits are available back to 1970 estimated in part from the debits series for 233 SMSAs that were available through June 1977. Historical data for ATS-NOW and savings deposits are available back to July 1977. Back data are available on request from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

These data also appear on the Board's G.6 (406) release. For address, see inside front cover.

## 1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

| Category | 1985 Dec. | 1986 Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept.[r] | Oct.[r] | Nov. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Seasonally adjusted | | | | | | | | | | | |
| 1 **Total loans and securities[2]** | **1,900.4** | **1,930.0** | **1,935.5** | **1,944.6** | **1,947.9** | **1,957.5** | **1,963.7** | **1,985.0** | **2,007.7** | **2,029.6** | **2,034.0** | **2,049.0** |
| 2 U.S. government securities | 273.1 | 268.2 | 273.6 | 269.5 | 270.0 | 274.1 | 274.8 | 285.4 | 290.9 | 294.3 | 299.6 | 304.8 |
| 3 Other securities | 177.6 | 192.5 | 188.1 | 183.3 | 182.1 | 181.9 | 183.6 | 186.1 | 192.3 | 200.7 | 196.7 | 194.8 |
| 4 Total loans and leases[2] | 1,449.7 | 1,469.3 | 1,473.7 | 1,491.8 | 1,495.8 | 1,501.5 | 1,505.3 | 1,513.4 | 1,524.5 | 1,534.7 | 1,537.7 | 1,549.5 |
| 5 Commercial and industrial | 499.5 | 502.1 | 502.4 | 506.1 | 507.8 | 506.7 | 508.7 | 508.7 | 510.4 | 512.1 | 514.1 | 520.3 |
| 6 Bankers acceptances held[3] | 4.9 | 4.9 | 4.8 | 4.9 | 5.2 | 5.6 | 6.1 | 5.8 | 5.9 | 6.3 | 6.4 | 6.1 |
| 7 Other commercial and industrial | 494.7 | 497.2 | 497.6 | 501.2 | 502.6 | 501.0 | 502.6 | 502.8 | 504.4 | 505.8 | 507.8 | 514.1 |
| 8 U.S. addressees[4] | 486.0 | 488.0 | 488.4 | 491.3 | 492.7 | 490.6 | 493.1 | 493.8 | 495.4 | 496.9 | 499.0 | 505.4 |
| 9 Non-U.S. addressees[4] | 8.7 | 9.3 | 9.2 | 9.9 | 9.8 | 10.5 | 9.5 | 9.0 | 9.1 | 8.9 | 8.8 | 8.7 |
| 10 Real estate | 422.4 | 427.1 | 431.4 | 436.1 | 440.7 | 446.4 | 450.7 | 455.9 | 461.4 | 465.9 | 470.8 | 476.5 |
| 11 Individual | 291.5 | 294.6 | 297.4 | 299.5 | 301.1 | 303.0 | 304.5 | 305.6 | 306.9 | 308.8 | 309.8 | 311.1 |
| 12 Security | 40.1 | 44.1 | 43.4 | 50.4 | 48.0 | 46.4 | 42.5 | 44.8 | 44.2 | 44.4 | 39.5 | 40.1 |
| 13 Nonbank financial institutions | 32.6 | 32.6 | 31.8 | 32.2 | 32.3 | 33.3 | 34.7 | 34.2 | 34.4 | 35.1 | 35.6 | 35.3 |
| 14 Agricultural | 36.3 | 35.9 | 35.4 | 34.9 | 34.6 | 34.1 | 33.7 | 33.3 | 33.3 | 33.2 | 33.3 | 33.6 |
| 15 State and political subdivisions | 52.8 | 60.5 | 60.3 | 60.2 | 59.8 | 59.5 | 59.4 | 59.0 | 59.4 | 59.4 | 58.5 | 57.8 |
| 16 Foreign banks | 9.1 | 9.1 | 9.2 | 9.2 | 9.2 | 9.3 | 9.5 | 9.5 | 9.3 | 9.4 | 9.2 | 9.0 |
| 17 Foreign official institutions | 6.9 | 7.0 | 7.0 | 6.8 | 5.3 | 5.1 | 6.4 | 6.5 | 6.5 | 6.4 | 6.4 | 6.2 |
| 18 Lease financing receivables | 18.8 | 19.4 | 19.6 | 19.8 | 19.9 | 19.8 | 20.0 | 20.0 | 20.2 | 20.4 | 20.4 | 21.0 |
| 19 All other loans | 39.6 | 36.9 | 35.8 | 36.6 | 37.3 | 37.9 | 35.4 | 35.9 | 38.5 | 39.7 | 40.1 | 38.5 |
| | Not seasonally adjusted | | | | | | | | | | | |
| 20 **Total loans and securities[2]** | **1,912.6** | **1,934.8** | **1,932.4** | **1,944.1** | **1,950.5** | **1,956.7** | **1,965.4** | **1,981.4** | **1,999.8** | **2,027.3** | **2,029.2** | **2,048.6** |
| 21 U.S. government securities | 271.0 | 267.7 | 275.0 | 273.2 | 274.0 | 275.4 | 276.2 | 285.3 | 289.1 | 292.6 | 295.2 | 302.5 |
| 22 Other securities | 178.7 | 193.8 | 188.9 | 183.9 | 181.8 | 182.2 | 182.5 | 183.9 | 192.1 | 200.7 | 196.3 | 194.8 |
| 23 Total loans and leases[2] | 1,462.9 | 1,473.3 | 1,468.5 | 1,487.1 | 1,494.7 | 1,499.0 | 1,506.7 | 1,512.1 | 1,518.7 | 1,534.0 | 1,537.7 | 1,551.3 |
| 24 Commercial and industrial | 501.5 | 501.4 | 500.1 | 506.9 | 510.0 | 508.5 | 509.4 | 508.6 | 508.3 | 511.2 | 513.1 | 519.3 |
| 25 Bankers acceptances held[3] | 5.2 | 4.9 | 4.7 | 5.0 | 5.2 | 5.5 | 6.0 | 6.0 | 5.9 | 6.1 | 6.2 | 6.2 |
| 26 Other commercial and industrial | 496.4 | 496.5 | 495.4 | 501.9 | 504.9 | 503.0 | 503.4 | 502.6 | 502.4 | 505.2 | 506.9 | 513.0 |
| 27 U.S. addressees[4] | 487.3 | 487.3 | 486.3 | 492.7 | 495.4 | 493.3 | 494.0 | 493.3 | 493.1 | 495.9 | 497.7 | 503.8 |
| 28 Non-U.S. addressees[4] | 9.0 | 9.2 | 9.1 | 9.2 | 9.5 | 9.7 | 9.4 | 9.3 | 9.4 | 9.3 | 9.2 | 9.2 |
| 29 Real estate | 423.3 | 427.3 | 430.6 | 434.9 | 439.5 | 445.2 | 450.2 | 455.8 | 461.7 | 466.9 | 472.2 | 478.0 |
| 30 Individual | 294.8 | 297.0 | 296.3 | 296.8 | 298.6 | 301.1 | 303.1 | 304.9 | 307.2 | 310.2 | 311.4 | 312.4 |
| 31 Security | 45.4 | 46.8 | 42.6 | 49.5 | 48.5 | 45.6 | 42.5 | 43.0 | 41.3 | 41.8 | 38.7 | 41.3 |
| 32 Nonbank financial institutions | 33.4 | 32.8 | 31.2 | 31.6 | 32.2 | 33.1 | 34.6 | 34.3 | 34.6 | 35.3 | 35.4 | 35.4 |
| 33 Agricultural | 36.0 | 35.2 | 34.5 | 34.0 | 33.9 | 34.1 | 34.2 | 34.1 | 34.1 | 34.0 | 33.8 | 33.7 |
| 34 State and political subdivisions | 52.8 | 60.5 | 60.3 | 60.2 | 59.8 | 59.5 | 59.4 | 59.0 | 59.4 | 59.4 | 58.5 | 57.8 |
| 35 Foreign banks | 9.5 | 9.3 | 9.3 | 9.1 | 9.0 | 9.1 | 9.2 | 9.4 | 9.1 | 9.4 | 9.3 | 9.3 |
| 36 Foreign official institutions | 6.9 | 7.0 | 7.0 | 6.8 | 5.3 | 5.1 | 6.4 | 6.5 | 6.5 | 6.4 | 6.4 | 6.2 |
| 37 Lease financing receivables | 18.8 | 19.6 | 19.8 | 19.8 | 19.9 | 19.9 | 20.0 | 20.0 | 20.1 | 20.3 | 20.3 | 20.9 |
| 38 All other loans | 40.5 | 36.4 | 36.6 | 37.5 | 38.1 | 37.9 | 37.7 | 36.5 | 36.3 | 39.0 | 38.6 | 37.0 |

1. Data are prorated averages of Wednesday estimates for domestically chartered insured banks, based on weekly sample reports and quarterly universe reports. For foreign-related institutions, data are averages of month-end estimates based on weekly reports from large U.S. agencies and branches and quarterly reports from all U.S. agencies and branches, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

2. Excludes loans to commercial banks in the United States.
3. Includes nonfinancial commercial paper held.
4. United States includes the 50 states and the District of Columbia.

NOTE. These data also appear in the Board's G.7 (407) release. For address, see inside front cover.

## 1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

| Source | 1985 | 1986 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec. | Jan. | Feb. | Mar. | Apr. | May | June | July[r] | Aug.[r] | Sept. | Oct. | Nov. |
| Total nondeposit funds | | | | | | | | | | | | |
| 1 Seasonally adjusted[2] | 128.2 | 131.7 | 131.7 | 141.2 | 134.1 | 135.7 | 132.6 | 136.1 | 138.1 | 143.0[r] | 140.5[r] | 143.2 |
| 2 Not seasonally adjusted | 127.9 | 131.8 | 134.4 | 143.7 | 135.0 | 137.9[r] | 131.3 | 132.2 | 137.1 | 141.3[r] | 138.7[r] | 144.4 |
| Federal funds, RPs, and other borrowings from nonbanks[3] | | | | | | | | | | | | |
| 3 Seasonally adjusted | 154.1 | 151.6 | 152.7 | 160.6 | 160.4 | 157.9 | 157.1 | 166.4 | 168.4 | 168.0[r] | 168.4[r] | 165.7 |
| 4 Not seasonally adjusted | 153.7 | 151.6 | 155.3 | 163.1 | 161.3 | 160.0 | 155.8 | 162.5 | 167.3 | 166.3[r] | 166.7[r] | 166.8 |
| 5 Net balances due to foreign-related institutions, not seasonally adjusted | -25.9 | -19.9 | -21.0 | -19.4 | -26.3 | -22.2 | -24.5 | -30.3 | -30.3 | -25.0 | -28.0[r] | -22.5 |
| MEMO | | | | | | | | | | | | |
| 6 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[4] | -31.6 | -28.0 | -25.8 | -26.5 | -30.2 | -29.3 | -30.5 | -33.8 | -31.2 | -29.2 | -31.9 | -28.7 |
| 7 Gross due from balances | 76.3 | 74.3 | 69.4 | 71.7 | 75.2 | 72.9 | 72.2 | 73.9 | 75.2 | 74.0 | 73.5 | 70.8 |
| 8 Gross due to balances | 44.7 | 46.4 | 43.6 | 45.2 | 45.1 | 43.6 | 41.7 | 40.1 | 44.0 | 44.8 | 41.6 | 42.1 |
| 9 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted[5] | 5.7 | 8.1 | 4.8 | 7.1 | 3.9 | 7.1 | 6.0 | 3.5 | .9 | 4.2 | 4.0 | 6.2 |
| 10 Gross due from balances | 56.7 | 57.6 | 60.0 | 60.7 | 62.5 | 60.0 | 62.8 | 64.1 | 66.2 | 67.9 | 68.3 | 68.8 |
| 11 Gross due to balances | 62.5 | 65.7 | 64.8 | 67.8 | 66.4 | 67.1 | 68.7[r] | 67.7 | 67.1 | 72.0[r] | 72.2[r] | 75.0 |
| Security RP borrowings | | | | | | | | | | | | |
| 12 Seasonally adjusted[6] | 89.4 | 87.6 | 89.5 | 89.7 | 89.7 | 89.0 | 89.3[r] | 95.9 | 96.8 | 96.7[r] | 97.4[r] | 96.3 |
| 13 Not seasonally adjusted | 89.0 | 87.7 | 92.2 | 92.2 | 90.6 | 91.2 | 88.0 | 92.0 | 95.7 | 95.0[r] | 95.6[r] | 97.4 |
| U.S. Treasury demand balances[7] | | | | | | | | | | | | |
| 14 Seasonally adjusted | 17.5 | 19.0 | 21.1 | 15.7 | 17.4 | 21.3 | 18.5 | 14.7 | 13.1 | 16.0 | 13.2 | 26.5 |
| 15 Not seasonally adjusted | 14.6 | 24.0 | 24.2 | 15.7 | 17.8 | 21.8 | 16.1 | 16.8 | 11.0 | 18.2 | 15.3 | 15.2 |
| Time deposits, $100,000 or more[8] | | | | | | | | | | | | |
| 16 Seasonally adjusted | 337.6 | 349.4 | 351.9 | 347.7 | 346.9 | 340.4 | 339.8 | 338.5 | 342.9 | 342.5 | 340.1 | 341.1 |
| 17 Not seasonally adjusted | 339.4 | 348.3 | 350.7 | 348.3 | 343.5 | 339.7 | 338.1 | 337.5 | 343.2 | 344.6 | 342.8 | 342.9 |

1. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

Data for lines 1–4 and 12–17 have been revised in light of benchmarking and revised seasonal adjustment.

2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars. Includes averages of Wednesday data for domestically chartered banks and averages of current and previous month-end data for foreign-related institutions.

3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans.

4. Averages of daily figures for member and nonmember banks.

5. Averages of daily data.

6. Based on daily average data reported by 122 large banks.

7. Includes U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.

8. Averages of Wednesday figures.

## 1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKING INSTITUTIONS Last-Wednesday-of-Month Series

Billions of dollars

| Account | 1986 Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ALL COMMERCIAL BANKING INSTITUTIONS[1] | | | | | | | | | | | |
| 1 Loans and securities | 2,065.2 | 2,078.8 | 2,091.4 | 2,113.4 | 2,101.3 | 2,105.5 | 2,134.0 | 2,154.4 | 2,171.1 | 2,173.2 | 2,218.1 |
| 2 Investment securities | 432.5 | 432.8 | 427.2 | 429.5 | 430.9 | 432.6 | 445.7 | 455.1 | 464.6 | 467.4 | 470.4 |
| 3 U.S. government securities | 251.9 | 255.1 | 253.7 | 255.8 | 257.7 | 259.6 | 269.6 | 272.2 | 275.9 | 281.8 | 286.2 |
| 4 Other | 180.6 | 177.7 | 173.5 | 173.6 | 173.2 | 173.0 | 176.1 | 183.0 | 188.7 | 185.6 | 184.3 |
| 5 Trading account assets | 30.1 | 34.0 | 30.1 | 27.8 | 27.0 | 27.4 | 28.7 | 29.3 | 27.9 | 26.0 | 28.1 |
| 6 Total loans | 1,602.6 | 1,612.0 | 1,634.2 | 1,656.1 | 1,643.5 | 1,645.5 | 1,659.6 | 1,670.0 | 1,678.5 | 1,679.9r | 1,719.5 |
| 7 Interbank loans | 140.4 | 143.5 | 146.0 | 155.7 | 146.2 | 139.2 | 148.6 | 149.4 | 145.3 | 146.8r | 161.0 |
| 8 Loans excluding interbank | 1,462.2 | 1,468.5 | 1,488.1 | 1,500.4 | 1,497.2 | 1,506.3 | 1,511.0 | 1,520.6 | 1,533.2 | 1,533.1 | 1,558.6 |
| 9 Commercial and industrial | 496.7 | 501.8 | 508.5 | 510.5 | 506.2 | 512.3 | 507.3 | 510.1 | 512.1 | 512.6 | 520.2 |
| 10 Real estate | 428.7 | 431.5 | 435.9 | 441.7 | 446.4 | 451.4 | 457.6 | 463.2 | 467.7 | 473.5 | 479.3 |
| 11 Individual | 297.4 | 296.4 | 296.9 | 300.4 | 301.1 | 304.0 | 305.6 | 308.4 | 310.5 | 311.8 | 312.8 |
| 12 All other | 239.4 | 238.7 | 246.9 | 247.8 | 243.6 | 238.7 | 240.5 | 238.8 | 242.9 | 235.2 | 246.3 |
| 13 Total cash assets | 187.3 | 193.7 | 198.1 | 209.9 | 221.0 | 196.0 | 206.2 | 205.8 | 196.6 | 200.4 | 223.9 |
| 14 Reserves with Federal Reserve Banks | 21.9 | 26.2 | 29.1 | 25.5 | 30.2 | 27.9 | 28.2 | 27.9 | 27.8 | 31.2 | 31.7 |
| 15 Cash in vault | 23.0 | 22.7 | 21.8 | 22.3 | 23.9 | 23.0 | 23.3 | 23.7 | 22.9 | 23.5 | 22.2 |
| 16 Cash items in process of collection | 64.2 | 66.9 | 68.8 | 80.7 | 84.6 | 67.3 | 72.1 | 73.5 | 66.3 | 66.2r | 86.5 |
| 17 Demand balances at U.S. depository institutions | 31.3 | 31.8 | 31.1 | 34.7 | 36.8 | 32.0 | 33.8 | 33.6 | 32.3 | 32.6 | 37.7 |
| 18 Other cash assets | 47.0 | 46.1 | 47.4 | 46.7 | 45.5 | 45.8 | 48.7 | 47.1 | 47.4 | 46.9r | 45.8 |
| 19 Other assets | 187.0 | 186.5 | 195.3 | 207.0 | 195.9 | 196.6 | 196.6 | 196.2 | 200.8 | 198.2r | 201.9 |
| 20 **Total assets/total liabilities and capital** | **2,439.6** | **2,458.9** | **2,484.8** | **2,530.3** | **2,518.3** | **2,498.1** | **2,536.7** | **2,556.4** | **2,568.4** | **2,571.8r** | **2,643.9** |
| 21 Deposits | 1,739.5 | 1,746.4 | 1,762.8 | 1,798.4 | 1,807.4 | 1,791.9 | 1,819.5 | 1,833.6 | 1,830.8 | 1,843.7r | 1,896.8 |
| 22 Transaction deposits | 488.8 | 492.1 | 502.5 | 540.7 | 542.7 | 523.3 | 540.0 | 544.2 | 537.4 | 547.5 | 594.8 |
| 23 Savings deposits | 454.2 | 457.2 | 462.0 | 467.8 | 477.3 | 482.4 | 490.8 | 497.7 | 504.4 | 514.8 | 521.7 |
| 24 Time deposits | 796.5 | 797.1 | 798.3 | 789.9 | 787.5 | 786.3 | 788.7 | 791.7 | 789.0 | 781.4r | 780.3 |
| 25 Borrowings | 364.4 | 374.7 | 373.1 | 390.7 | 367.4 | 366.8 | 379.2 | 377.3 | 388.1 | 380.0 | 394.1 |
| 26 Other liabilities | 167.6 | 169.1 | 179.3 | 170.4 | 173.1 | 168.5 | 168.6 | 174.7 | 177.5 | 175.1 | 180.2 |
| 27 Residual (assets less liabilities) | 168.2 | 168.8 | 169.7 | 170.8 | 170.3 | 170.9 | 169.4 | 170.8 | 172.1 | 173.1r | 172.8 |
| MEMO | | | | | | | | | | | |
| 28 U.S. government securities (including trading account) | 269.8 | 278.4 | 273.7 | 274.0 | 275.1 | 276.5 | 288.8 | 289.8 | 292.5 | 298.5r | 303.6 |
| 29 Other securities (including trading account) | 192.8 | 188.4 | 183.6 | 183.3 | 182.8 | 183.5 | 185.6 | 194.6 | 200.0 | 194.8 | 195.0 |
| DOMESTICALLY CHARTERED COMMERCIAL BANKS[2] | | | | | | | | | | | |
| 30 Loans and securities | 1,954.3 | 1,964.0 | 1,972.4 | 1,993.3 | 1,985.3 | 1,990.0 | 2,014.0 | 2,029.4 | 2,039.8 | 2,046.2 | 2,090.2 |
| 31 Investment securities | 421.1 | 420.8 | 416.0 | 416.1 | 417.1 | 419.6 | 432.5 | 440.2 | 448.0 | 450.6r | 454.4 |
| 32 U.S. government securities | 247.0 | 249.6 | 248.5 | 248.8 | 250.2 | 253.1 | 263.2 | 264.5 | 267.5 | 272.9 | 278.1 |
| 33 Other | 174.1 | 171.2 | 167.5 | 167.2 | 166.9 | 166.5 | 169.4 | 175.7 | 180.5 | 177.8 | 176.4 |
| 34 Trading account assets | 30.1 | 34.0 | 30.1 | 27.8 | 27.0 | 27.4 | 28.7 | 29.3 | 27.9 | 26.0 | 28.1 |
| 35 Total loans | 1,503.1 | 1,509.2 | 1,526.3 | 1,549.4 | 1,541.3 | 1,543.0 | 1,552.8 | 1,559.8 | 1,564.0 | 1,569.6r | 1,607.6 |
| 36 Interbank loans | 115.8 | 115.8 | 120.2 | 129.3 | 123.3 | 117.3 | 122.7 | 123.1 | 118.9 | 122.5r | 137.8 |
| 37 Loans excluding interbank | 1,387.3 | 1,393.5 | 1,406.1 | 1,420.1 | 1,418.0 | 1,425.8 | 1,430.1 | 1,436.7 | 1,445.1 | 1,447.1r | 1,469.9 |
| 38 Commercial and industrial | 442.5 | 446.2 | 448.2 | 452.3 | 449.8 | 452.5 | 448.4 | 448.4 | 447.2 | 447.2 | 453.9 |
| 39 Real estate | 423.6 | 426.4 | 430.7 | 436.3 | 440.7 | 445.8 | 451.9 | 457.3 | 461.7 | 467.6r | 472.7 |
| 40 Individual | 297.1 | 296.2 | 296.6 | 300.1 | 300.8 | 303.6 | 305.3 | 308.1 | 310.1 | 311.5 | 312.4 |
| 41 All other | 224.1 | 224.7 | 230.7 | 231.4 | 226.7 | 223.9 | 224.6 | 222.9 | 226.1 | 220.8 | 230.8 |
| 42 Total cash assets | 171.1 | 179.1 | 182.7 | 194.3 | 205.8 | 180.1 | 187.8 | 189.3 | 180.4 | 183.1 | 207.6 |
| 43 Reserves with Federal Reserve Banks | 21.0 | 25.5 | 28.4 | 24.4 | 28.7 | 26.3 | 27.2 | 26.6 | 26.9 | 29.7 | 29.8 |
| 44 Cash in vault | 23.0 | 22.6 | 21.7 | 22.2 | 23.8 | 22.9 | 23.2 | 23.7 | 22.8 | 23.4 | 22.2 |
| 45 Cash items in process of collection | 63.8 | 66.5 | 68.4 | 80.3 | 84.2 | 66.7 | 71.7 | 73.1 | 65.9 | 65.5 | 86.1 |
| 46 Demand balances at U.S. depository institutions | 29.4 | 30.1 | 29.4 | 33.0 | 35.1 | 30.2 | 32.0 | 31.9 | 30.5 | 30.9r | 35.8 |
| 47 Other cash assets | 34.0 | 34.3 | 34.7 | 34.3 | 34.0 | 34.0 | 33.6 | 34.1 | 34.4 | 33.6r | 33.7 |
| 48 Other assets | 137.8 | 134.6 | 144.0 | 150.3 | 142.8 | 144.1 | 143.2 | 141.7 | 145.5 | 142.7r | 143.0 |
| 49 **Total assets/total liabilities and capital** | **2,263.1** | **2,277.8** | **2,299.1** | **2,337.9** | **2,334.0** | **2,314.1** | **2,345.0** | **2,360.3** | **2,365.7** | **2,372.1** | **2,440.8** |
| 50 Deposits | 1,689.6 | 1,698.2 | 1,713.1 | 1,749.1 | 1,758.7 | 1,741.4 | 1,768.0 | 1,779.9 | 1,775.2 | 1,788.6 | 1,840.5 |
| 51 Transaction deposits | 481.6 | 484.8 | 495.0 | 533.1 | 535.3 | 515.5 | 532.1 | 536.1 | 529.3 | 539.7 | 586.8 |
| 52 Savings deposits | 452.4 | 455.3 | 460.1 | 465.8 | 475.2 | 480.3 | 488.7 | 495.5 | 502.1 | 512.5 | 519.2 |
| 53 Time deposits | 755.7 | 758.1 | 758.1 | 750.1 | 748.1 | 745.6 | 747.2 | 748.2 | 743.8 | 736.5 | 734.5 |
| 54 Borrowings | 298.0 | 304.9 | 304.8 | 309.1 | 294.2 | 293.5 | 300.5 | 295.5 | 305.2 | 299.3 | 312.6 |
| 55 Other liabilities | 110.5 | 109.0 | 114.6 | 112.0 | 113.9 | 111.5 | 110.3 | 117.3 | 116.4 | 114.2r | 118.0 |
| 56 Residual (assets less liabilities) | 165.0 | 165.6 | 166.5 | 167.7 | 167.2 | 167.8 | 166.2 | 167.7 | 168.9 | 169.9r | 169.6 |

1. Commercial banking institutions include insured domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations.
2. Insured domestically chartered commercial banks include all member banks and insured nonmember banks.

NOTE. Figures are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Loan and securities data for domestically chartered commercial banks are estimates for the last Wednesday of the month based on a sample of weekly reporting banks and quarter-end condition report data. Data for other banking institutions are estimates made for the last Wednesday of the month based on a weekly reporting sample of foreign-related institutions and quarter-end condition reports.

## 1.26 ALL LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of $1.4 Billion or More on December 31, 1982, Assets and Liabilities

Millions of dollars, Wednesday figures

| Account | 1986 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Oct. 1 | Oct. 8 | Oct. 15 | Oct. 22 | Oct. 29 | Nov. 5 | Nov. 12 | Nov. 19 | Nov. 26 |
| 1 Cash and balances due from depository institutions | 107,770 | 92,984 | 117,960[r] | 100,525[r] | 92,889[r] | 100,823 | 117,402 | 106,498 | 106,729 |
| 2 **Total loans, leases and securities, net** | **973,244** | **965,268** | **967,647**[r] | **961,594**[r] | **957,305**[r] | **974,218** | **975,304** | **983,395** | **988,788** |
| 3 U.S. Treasury and government agency | 104,097 | 105,279 | 104,505[r] | 104,229[r] | 107,780 | 110,485 | 110,478 | 111,961 | 113,889 |
| 4 Trading account | 20,348 | 20,742 | 19,310[r] | 18,823 | 20,023 | 22,113 | 20,750 | 21,321 | 21,462 |
| 5 Investment account, by maturity | 83,749 | 84,536 | 85,196[r] | 85,406[r] | 87,757 | 88,372 | 89,727 | 90,640 | 92,427 |
| 6 One year or less | 17,274 | 17,310 | 17,257 | 17,141 | 17,087 | 16,749 | 16,549 | 16,924 | 17,209 |
| 7 Over one through five years | 38,932 | 39,826 | 40,307[r] | 40,103 | 39,946 | 40,168 | 40,336 | 41,762 | 41,992 |
| 8 Over five years | 27,544 | 27,400 | 27,631 | 28,162[r] | 30,724 | 31,455 | 32,842 | 31,953 | 33,226 |
| 9 Other securities | 75,762 | 74,484 | 73,875 | 73,575 | 72,350 | 72,412 | 72,926 | 71,947 | 72,061 |
| 10 Trading account | 5,821 | 4,901 | 4,866 | 5,074 | 4,535 | 4,767 | 5,183 | 4,792 | 5,488 |
| 11 Investment account | 69,941 | 69,584 | 69,009 | 68,501 | 67,816 | 67,645 | 67,743 | 67,155 | 66,574 |
| 12 States and political subdivisions, by maturity | 60,448 | 60,126 | 59,466 | 59,024 | 58,287 | 57,548 | 57,769 | 57,510 | 56,836 |
| 13 One year or less | 11,007 | 11,107 | 10,916 | 10,805[r] | 10,245[r] | 9,669 | 9,616 | 9,672 | 9,319 |
| 14 Over one year | 49,441 | 49,020 | 48,550 | 48,219[r] | 48,041[r] | 47,879 | 48,153 | 47,838 | 47,517 |
| 15 Other bonds, corporate stocks, and securities | 9,492 | 9,457 | 9,543 | 9,477 | 9,529 | 10,097 | 9,974 | 9,645 | 9,737 |
| 16 Other trading account assets | 5,346 | 5,375 | 5,399 | 4,580 | 5,096 | 5,364 | 4,780 | 4,910 | 5,728 |
| 17 Federal funds sold[1] | 64,656 | 62,627 | 63,450 | 60,516 | 55,978 | 64,195 | 61,757 | 65,465 | 61,012 |
| 18 To commercial banks | 39,054 | 39,012 | 38,846 | 35,750 | 33,418 | 40,841 | 37,930 | 40,749 | 36,426 |
| 19 To nonbank brokers and dealers in securities | 17,219 | 13,939 | 15,636 | 14,772 | 14,327 | 15,862 | 15,893 | 16,198 | 16,643 |
| 20 To others | 8,383 | 9,677 | 8,967 | 9,994 | 8,233 | 7,492 | 7,934 | 8,518 | 7,943 |
| 21 Other loans and leases, gross[2] | 744,423 | 738,664 | 741,602[r] | 739,912[r] | 737,312[r] | 743,303 | 746,914 | 750,758 | 757,894 |
| 22 Other loans, gross[2] | 727,987 | 722,193 | 725,315[r] | 723,620[r] | 721,010[r] | 726,773 | 730,368 | 734,140 | 740,397 |
| 23 Commercial and industrial[2] | 259,659 | 258,542 | 259,145 | 258,701 | 257,394[r] | 261,735 | 262,730 | 263,512 | 263,460 |
| 24 Bankers acceptances and commercial paper | 2,257 | 2,286 | 2,484 | 2,390 | 2,387 | 2,492 | 2,442 | 2,638 | 2,496 |
| 25 All other | 257,402 | 256,255 | 256,660 | 256,311 | 255,008[r] | 259,244 | 260,288 | 260,874 | 260,964 |
| 26 U.S. addressees | 253,510 | 252,398 | 252,757 | 252,469 | 251,161[r] | 255,078 | 256,126 | 256,796 | 257,074 |
| 27 Non-U.S. addressees | 3,892 | 3,857 | 3,903 | 3,842 | 3,846 | 4,166 | 4,162 | 4,077 | 3,890 |
| 28 Real estate loans[2] | 198,294 | 198,712 | 199,568[r] | 200,696 | 200,268 | 200,575 | 201,464 | 202,709 | 202,835 |
| 29 To individuals for personal expenditures | 140,101 | 140,135 | 140,460 | 140,712 | 141,026 | 141,110 | 141,369 | 141,800 | 142,208 |
| 30 To depository and financial institutions | 49,250 | 48,738 | 48,757[r] | 48,150[r] | 47,249[r] | 48,025 | 48,419 | 49,270 | 50,831 |
| 31 Commercial banks in the United States | 16,644 | 15,581 | 15,631[r] | 15,675[r] | 15,689[r] | 16,435 | 16,456 | 16,848 | 17,974 |
| 32 Banks in foreign countries | 5,260 | 6,035 | 5,858 | 4,810 | 4,575 | 4,706 | 4,770 | 5,222 | 6,366 |
| 33 Nonbank depository and other financial institutions | 27,347 | 27,122 | 27,268[r] | 27,664 | 26,984 | 26,883 | 27,193 | 27,200 | 26,491 |
| 34 For purchasing and carrying securities | 16,791 | 14,473 | 14,855 | 13,816 | 12,962 | 13,572 | 14,270 | 15,032 | 18,602 |
| 35 To finance agricultural production | 5,997 | 6,008 | 5,922 | 5,909 | 5,776 | 5,791 | 5,723 | 5,707 | 5,684 |
| 36 To states and political subdivisions | 36,080 | 35,908 | 35,724 | 35,531 | 35,472 | 35,300 | 35,247 | 35,304 | 35,230 |
| 37 To foreign governments and official institutions | 3,194 | 3,153 | 3,224 | 3,248 | 3,246 | 3,213 | 3,124 | 3,247 | 3,342 |
| 38 All other | 18,620 | 16,524 | 17,660 | 16,856 | 17,614 | 17,450 | 18,023 | 17,557 | 18,205 |
| 39 Lease financing receivables | 16,436 | 16,472 | 16,287 | 16,292 | 16,302 | 16,529 | 16,546 | 16,619 | 17,497 |
| 40 LESS: Unearned income | 4,877 | 4,910 | 4,933 | 4,944 | 4,950 | 4,925 | 4,946 | 4,998 | 5,033 |
| 41 Loan and lease reserve[2] | 16,163 | 16,252 | 16,251 | 16,273 | 16,261 | 16,617 | 16,606 | 16,647 | 16,763 |
| 42 Other loans and leases, net[2] | 723,382 | 717,503 | 720,418[r] | 718,695[r] | 716,100[r] | 721,761 | 725,363 | 729,113 | 736,098 |
| 43 All other assets | 133,767 | 129,743[r] | 127,797[r] | 124,464[r] | 124,772[r] | 133,054 | 128,208 | 122,057 | 123,916 |
| 44 **Total assets** | **1,214,781** | **1,187,996**[r] | **1,213,405**[r] | **1,186,584**[r] | **1,174,966**[r] | **1,208,095** | **1,220,914** | **1,211,950** | **1,219,433** |
| 45 Demand deposits | 241,097 | 215,890[r] | 246,526[r] | 212,827[r] | 212,303[r] | 229,330 | 244,445 | 224,562 | 238,550 |
| 46 Individuals, partnerships, and corporations | 185,025 | 167,357 | 186,941[r] | 163,278[r] | 163,712[r] | 174,349 | 189,342 | 169,926 | 181,634 |
| 47 States and political subdivisions | 6,103 | 4,828 | 6,030 | 5,458 | 4,912[r] | 5,576 | 5,224 | 5,209 | 5,694 |
| 48 U.S. government | 1,490 | 2,785 | 3,238 | 2,495 | 2,582[r] | 4,464 | 1,921 | 4,004 | 2,749 |
| 49 Depository institutions in United States | 29,180[r] | 23,733[r] | 31,249 | 24,214 | 24,294[r] | 25,514 | 27,726 | 25,911 | 27,887 |
| 50 Banks in foreign countries | 7,063[r] | 6,846[r] | 7,598[r] | 6,476[r] | 6,103[r] | 6,134 | 6,485 | 6,828 | 6,866 |
| 51 Foreign governments and official institutions | 927 | 794 | 874 | 911 | 828 | 954 | 1,252 | 838 | 1,004 |
| 52 Certified and officers' checks | 11,310 | 9,547 | 10,595 | 9,995 | 9,872 | 12,339 | 12,493 | 11,847 | 12,718 |
| 53 Transaction balances other than demand deposits | 50,510 | 51,391 | 51,361[r] | 50,927 | 50,502 | 53,125 | 53,128 | 52,698 | 53,313 |
| 54 *Nontransaction balances* | *501,642* | *500,976*[r] | *501,354*[r] | *499,490*[r] | *498,868*[r] | *499,928* | *500,135* | *500,418* | *500,632* |
| 55 Individuals, partnerships and corporations | 463,270[r] | 462,280[r] | 463,037[r] | 461,168[r] | 460,388[r] | 461,367 | 461,972 | 462,351 | 462,729 |
| 56 States and political subdivisions | 25,653 | 25,926 | 25,875[r] | 25,926 | 25,868 | 26,084 | 25,955 | 26,132 | 26,053 |
| 57 U.S. government | 860 | 870 | 878 | 893 | 910 | 916 | 807 | 804 | 781 |
| 58 Depository institutions in the United States | 10,605[r] | 10,617[r] | 10,345[r] | 10,286[r] | 10,489 | 10,389 | 10,240 | 9,980 | 9,935 |
| 59 Foreign governments, official institutions and banks | 1,254 | 1,283 | 1,218 | 1,218 | 1,213 | 1,172 | 1,160 | 1,152 | 1,133 |
| 60 Liabilities for borrowed money | 255,179 | 256,123[r] | 249,974[r] | 254,958 | 244,891 | 255,334 | 257,890 | 263,653 | 255,894 |
| 61 Borrowings from Federal Reserve Banks | 230 | 1,680 | 100 | 1,688 | 195 | 2,831 | 110 | 3,319 | 25 |
| 62 Treasury tax-and-loan notes | 18,470 | 6,362 | 2,267 | 6,514 | 6,846 | 2,598 | 5,756 | 8,891 | 10,450 |
| 63 All other liabilities for borrowed money[3] | 236,479 | 248,081[r] | 247,607[r] | 246,755 | 237,850 | 249,905 | 252,024 | 251,442 | 245,419 |
| 64 Other liabilities and subordinated note and debentures | 82,911 | 79,754[r] | 80,427[r] | 84,496[r] | 84,438 | 85,832 | 80,522 | 85,943 | 86,706 |
| 65 **Total liabilities** | **1,131,340** | **1,104,135**[r] | **1,129,642**[r] | **1,102,698**[r] | **1,091,002**[r] | **1,123,549** | **1,136,121** | **1,127,275** | **1,135,095** |
| 66 Residual (total assets minus total liabilities)[4] | 83,441 | 83,861 | 83,762 | 83,885 | 83,964 | 84,546 | 84,794 | 84,675 | 84,338 |
| MEMO | | | | | | | | | |
| 67 Total loans and leases (gross) and investments adjusted[5] | 938,586 | 931,837 | 934,354[r] | 931,386[r] | 929,409[r] | 938,483 | 942,470 | 947,444 | 956,184 |
| 68 *Total loans and leases (gross) adjusted*[2,5] | 753,381 | 746,699 | 750,575 | 749,002 | 744,182[r] | 750,221 | 754,286 | 758,626 | 764,506 |
| 69 Time deposits in amounts of $100,000 or more | 153,604 | 153,593[r] | 152,532 | 152,852 | 152,051[r] | 152,477 | 152,551 | 152,556 | 151,812 |
| 70 Loans sold outright to affiliates—total[6] | 1,744 | 1,729 | 1,705 | 1,736 | 1,703 | 1,750 | 1,746 | 1,688 | 1,651 |
| 71 Commercial and industrial | 1,047 | 1,027 | 1,007 | 1,039 | 1,006 | 1,055 | 1,029 | 975 | 971 |
| 72 Other | 698 | 702 | 698 | 697 | 697 | 695 | 717 | 712 | 680 |
| 73 Nontransaction savings deposits (including MMDAs) | 218,645[r] | 218,107 | 220,231[r] | 218,505[r] | 218,458[r] | 220,198 | 220,478 | 221,016 | 221,745 |

1. Includes securities purchased under agreements to resell.
2. Levels of major loan items were affected by the Sept. 26, 1984, transaction between Continental Illinois National Bank and the Federal Deposit Insurance Corporation. For details see the H.4.2 statistical release dated Oct. 5, 1984.
3. Includes federal funds purchased and securities sold under agreements to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec. 31, 1977, see table 1.13.
4. This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.
5. Exclusive of loans and federal funds transactions with domestic commercial banks.
6. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.

## 1.28 LARGE WEEKLY REPORTING COMMERCIAL BANKS IN NEW YORK CITY Assets and Liabilities

Millions of dollars, Wednesday figures except as noted

| Account | 1986 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Oct. 1 | Oct. 8 | Oct. 15 | Oct. 22 | Oct. 29 | Nov. 5 | Nov. 12 | Nov. 19 | Nov. 26 |
| 1 Cash and balances due from depository institutions | 30,803 | 21,423 | 28,967 | 28,537 | 22,071[r] | 26,292 | 30,864 | 28,990 | 28,236 |
| 2 **Total loans, leases and securities, net**[1] | **207,604** | **205,670** | **207,479** | **205,107** | **203,001**[r] | **207,485** | **211,404** | **216,149** | **216,398** |
| *Securities* | | | | | | | | | |
| 3 U.S. Treasury and government agency[2] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 4 Trading account[2] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5 Investment account, by maturity | 11,159 | 11,404 | 11,346 | 11,437 | 13,582 | 13,524 | 13,826 | 13,701 | 14,108 |
| 6 One year or less | 1,311 | 1,322 | 1,342 | 1,348 | 1,398 | 1,221 | 1,234 | 1,234 | 1,233 |
| 7 Over one through five years | 5,290 | 5,490 | 5,594 | 5,690 | 5,659 | 5,360 | 5,566 | 5,521 | 5,874 |
| 8 Over five years | 4,557 | 4,592 | 4,410 | 4,400 | 6,525 | 6,943 | 7,027 | 6,945 | 7,001 |
| 9 Other securities[2] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 Trading account[2] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 11 Investment account | 16,933 | 16,722 | 16,510 | 16,343 | 16,188 | 16,178 | 16,407 | 16,318 | 16,261 |
| 12 States and political subdivisions, by maturity | 14,859 | 14,702 | 14,492 | 14,325 | 14,112 | 13,969 | 14,381 | 14,301 | 14,237 |
| 13 One year or less | 2,423 | 2,374 | 2,333 | 2,354 | 2,099 | 1,924 | 1,885 | 1,902 | 1,833 |
| 14 Over one year | 12,436 | 12,328 | 12,160 | 11,970 | 12,012 | 12,045 | 12,497 | 12,400 | 12,404 |
| 15 Other bonds, corporate stocks and securities | 2,073 | 2,020 | 2,017 | 2,018 | 2,076 | 2,209 | 2,025 | 2,017 | 2,024 |
| 16 Other trading account assets[2] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| *Loans and leases* | | | | | | | | | |
| 17 Federal funds sold[3] | 28,340 | 28,823 | 30,596 | 28,731 | 24,443 | 27,294 | 28,474 | 31,204 | 24,826 |
| 18 To commercial banks | 12,364 | 13,994 | 15,647 | 12,971 | 10,704 | 13,213 | 14,290 | 16,303 | 10,167 |
| 19 To nonbank brokers and dealers in securities | 9,119 | 6,703 | 7,585 | 7,711 | 6,958 | 7,974 | 7,871 | 8,419 | 8,374 |
| 20 To others | 6,858 | 8,126 | 7,363 | 8,049 | 6,780 | 6,107 | 6,312 | 6,482 | 6,285 |
| 21 Other loans and leases, gross | 157,044 | 154,724 | 155,029 | 154,608 | 154,837[r] | 156,658 | 158,903 | 161,179 | 167,565 |
| 22 Other loans, gross | 153,786 | 151,445 | 151,745 | 151,305 | 151,519[r] | 153,264 | 155,517 | 157,738 | 163,284 |
| 23 Commercial and industrial | 58,221 | 58,338 | 58,801 | 58,647 | 58,148 | 60,479 | 60,893 | 61,192 | 61,422 |
| 24 Bankers acceptances and commercial paper | 457 | 454 | 558 | 622 | 629 | 637 | 739 | 806 | 740 |
| 25 All other | 57,764 | 57,884 | 58,243 | 58,025 | 57,519 | 59,841 | 60,154 | 60,386 | 60,682 |
| 26 U.S. addressees | 57,337 | 57,490 | 57,843 | 57,628 | 57,154 | 59,450 | 59,751 | 59,954 | 60,275 |
| 27 Non-U.S. addressees | 427 | 394 | 400 | 397 | 366 | 392 | 404 | 432 | 407 |
| 28 Real estate loans | 33,553 | 33,616 | 33,563 | 33,943 | 34,190 | 34,266 | 34,498 | 34,914 | 35,165 |
| 29 To individuals for personal expenditures | 19,575 | 19,596 | 19,701 | 19,740 | 19,702 | 19,717 | 19,799 | 19,841 | 19,918 |
| 30 To depository and financial institutions | 18,076 | 18,069 | 17,607 | 17,358 | 16,996[r] | 16,803 | 17,116 | 18,028 | 19,908 |
| 31 Commercial banks in the United States | 8,432 | 7,857 | 7,599 | 7,707 | 7,679[r] | 7,762 | 7,661 | 8,274 | 9,417 |
| 32 Banks in foreign countries | 2,526 | 3,064 | 2,926 | 2,437 | 2,015 | 2,120 | 2,176 | 2,534 | 3,455 |
| 33 Nonbank depository and other financial institutions | 7,118 | 7,149 | 7,082 | 7,215 | 7,302 | 6,921 | 7,278 | 7,221 | 7,035 |
| 34 For purchasing and carrying securities | 8,654 | 7,355 | 7,018 | 7,159 | 6,784 | 6,950 | 7,511 | 8,241 | 10,772 |
| 35 To finance agricultural production | 362 | 353 | 300 | 309 | 282 | 282 | 260 | 284 | 310 |
| 36 To states and political subdivisions | 8,830 | 8,787 | 8,710 | 8,669 | 8,676 | 8,632 | 8,652 | 8,706 | 8,674 |
| 37 To foreign governments and official institutions | 868 | 845 | 916 | 918 | 899 | 948 | 884 | 892 | 1,005 |
| 38 All other | 5,646 | 4,486 | 5,129 | 4,561 | 5,842 | 5,188 | 5,902 | 5,638 | 6,110 |
| 39 Lease financing receivables | 3,259 | 3,279 | 3,284 | 3,304 | 3,317 | 3,393 | 3,386 | 3,441 | 4,281 |
| 40 Less: Unearned income | 1,477 | 1,510 | 1,512 | 1,516 | 1,518 | 1,495 | 1,494 | 1,535 | 1,575 |
| 41 Loan and lease reserve | 4,396 | 4,492 | 4,489 | 4,497 | 4,530 | 4,675 | 4,712 | 4,718 | 4,787 |
| 42 Other loans and leases, net | 151,172 | 148,722 | 149,028 | 148,595 | 148,789[r] | 150,488 | 152,697 | 154,926 | 161,203 |
| 43 All other assets[4] | 72,822 | 70,463 | 69,516 | 66,785[r] | 68,856 | 73,288 | 69,237 | 65,100 | 67,094 |
| 44 **Total assets** | **311,228** | **297,556** | **305,963** | **300,429**[r] | **293,928**[r] | **307,064** | **311,505** | **310,239** | **311,728** |
| *Deposits* | | | | | | | | | |
| 45 Demand deposits | 66,457 | 55,279 | 65,283 | 54,491[r] | 54,354[r] | 59,369 | 62,932 | 59,115 | 62,274 |
| 46 Individuals, partnerships, and corporations | 45,477 | 38,034 | 43,773 | 36,234[r] | 37,350[r] | 40,140 | 42,515 | 38,844 | 42,064 |
| 47 States and political subdivisions | 1,115 | 654 | 1,200 | 792 | 544 | 698 | 572 | 640 | 590 |
| 48 U.S. government | 213 | 592 | 565 | 514 | 495 | 834 | 257 | 747 | 524 |
| 49 Depository institutions in the United States | 8,276 | 5,594 | 7,707 | 6,035 | 6,089 | 5,775 | 6,411 | 6,387 | 6,524 |
| 50 Banks in foreign countries | 5,772 | 5,490 | 6,410 | 5,276 | 4,948 | 4,895 | 5,176 | 5,638 | 5,527 |
| 51 Foreign governments and official institutions | 776 | 659 | 731 | 758 | 672 | 780 | 1,093 | 665 | 843 |
| 52 Certified and officers' checks | 4,830 | 4,255 | 4,896 | 4,882 | 4,255 | 6,246 | 6,908 | 6,194 | 6,201 |
| 53 Transaction balances other than demand deposits ATS, NOW, Super NOW, telephone transfers) | 6,064 | 6,190 | 6,171 | 6,126 | 6,113 | 6,379 | 6,579 | 6,509 | 6,595 |
| 54 Nontransaction balances | 94,969 | 93,852 | 95,261 | 94,472 | 93,896 | 94,828 | 94,633 | 94,943 | 95,344 |
| 55 Individuals, partnerships and corporations | 85,871 | 84,554 | 86,182 | 85,255 | 84,846 | 85,535 | 85,416 | 85,759 | 86,022 |
| 56 States and political subdivisions | 5,779 | 5,941 | 5,821 | 5,953 | 5,947 | 6,229 | 6,175 | 6,164 | 6,244 |
| 57 U.S. government | 68 | 73 | 78 | 80 | 79 | 82 | 80 | 74 | 63 |
| 58 Depository institutions in the United States | 2,603 | 2,632 | 2,554 | 2,549 | 2,399 | 2,387 | 2,355 | 2,337 | 2,413 |
| 59 Foreign governments, official institutions and banks | 648 | 651 | 626 | 634 | 626 | 595 | 606 | 607 | 602 |
| 60 Liabilities for borrowed money | 80,615 | 81,933 | 77,863 | 81,937 | 76,552 | 81,982 | 86,430 | 84,697 | 82,484 |
| 61 Borrowings from Federal Reserve Banks | 0 | 1,450 | 0 | 1,380 | 0 | 1,245 | 0 | 750 | 0 |
| 62 Treasury tax-and-loan notes | 3,748 | 1,207 | 501 | 2,005 | 1,751 | 632 | 1,742 | 2,154 | 2,390 |
| 63 All other liabilities for borrowed money[5] | 76,867 | 79,275 | 77,361 | 78,552 | 74,801 | 80,105 | 84,688 | 81,793 | 80,093 |
| 64 Other liabilities and subordinated note and debentures | 35,804 | 32,878 | 33,929 | 35,974 | 35,799 | 36,973 | 33,350 | 37,414 | 37,784 |
| 65 **Total liabilities** | **283,910** | **270,131** | **278,507** | **273,600**[r] | **266,714**[r] | **279,530** | **283,924** | **282,678** | **284,481** |
| 66 Residual (total assets minus total liabilities)[6] | 27,318 | 27,424 | 27,456 | 27,428 | 27,214 | 27,534 | 27,580 | 27,561 | 27,247 |
| Memo | | | | | | | | | |
| 67 Total loans and leases (gross) and investments adjusted[1,7] | 192,680 | 189,822 | 190,234 | 190,442 | 190,666 | 192,680 | 195,658 | 197,826 | 203,176 |
| 68 Total loans and leases (gross) adjusted[7] | 164,588 | 161,696 | 162,378 | 162,661 | 160,896 | 162,977 | 165,425 | 167,806 | 172,806 |
| 69 Time deposits in amounts of $100,000 or more | 33,560 | 33,429 | 33,607 | 33,669 | 33,418 | 33,851 | 34,022 | 34,215 | 34,127 |

1. Excludes trading account securities.
2. Not available due to confidentiality.
3. Includes securities purchased under agreements to resell.
4. Includes trading account securities.
5. Includes federal funds purchased and securities sold under agreements to repurchase.
6. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.
7. Exclusive of loans and federal funds transactions with domestic commercial banks.

Note. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.

## 1.30 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS[1] Assets and Liabilities

Millions of dollars, Wednesday figures

| Account | 1986 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Oct. 1 | Oct. 8 | Oct. 15 | Oct. 22 | Oct. 29 | Nov. 5 | Nov. 12 | Nov. 19 | Nov. 26 |
| 1 Cash and due from depository institutions | 9,352 | 10,380 | 10,020 | 10,245 | 10,592 | 10,092 | 10,131 | 10,467 | 9,879 |
| 2 Total loans and securities | 76,737 | 75,876 | 75,644 | 73,183 | 74,011 | 73,508 | 75,640 | 75,329 | 74,922 |
| 3 U.S. Treasury and govt. agency securities | 5,931 | 6,011 | 5,768 | 5,750 | 6,230 | 5,239 | 5,376 | 5,592 | 5,757 |
| 4 Other securities | 5,712 | 5,712 | 5,788 | 5,374 | 5,371 | 5,511 | 5,424 | 5,408 | 5,477 |
| 5 Federal funds sold[2] | 4,093 | 5,377 | 5,773 | 5,480 | 4,682 | 4,045 | 5,639 | 6,285 | 3,823 |
| 6 To commercial banks in the United States | 3,089 | 4,352 | 4,594 | 4,174 | 3,902 | 3,096 | 4,823 | 5,437 | 3,110 |
| 7 To others | 1,004 | 1,026 | 1,178 | 1,306 | 780 | 948 | 816 | 848 | 713 |
| 8 Other loans, gross | 61,000 | 58,776 | 58,316 | 56,580 | 57,728 | 58,713 | 59,200 | 58,044 | 59,865 |
| 9 Commercial and industrial | 36,724 | 35,588 | 35,503 | 35,678 | 36,307 | 36,840 | 37,052 | 36,515 | 36,937 |
| 10 Bankers acceptances and commercial paper | 3,305 | 3,064 | 2,977 | 3,058 | 3,036 | 2,969 | 2,980 | 2,919 | 2,990 |
| 11 All other | 33,419 | 32,524 | 32,526 | 32,620 | 33,271 | 33,870 | 34,071 | 33,596 | 33,947 |
| 12 U.S. addressees | 31,156 | 30,294 | 30,183 | 30,240 | 30,955 | 31,546 | 31,810 | 31,397 | 31,742 |
| 13 Non-U.S. addressees | 2,263 | 2,229 | 2,343 | 2,381 | 2,316 | 2,325 | 2,261 | 2,199 | 2,206 |
| 14 To financial institutions | 15,877 | 15,350 | 14,776 | 13,922 | 14,174 | 14,187 | 14,196 | 14,211 | 14,453 |
| 15 Commercial banks in the United States | 12,535 | 12,196 | 11,458 | 10,786 | 11,022 | 11,037 | 10,791 | 10,721 | 11,113 |
| 16 Banks in foreign countries | 1,291 | 1,064 | 1,109 | 986 | 1,038 | 1,066 | 1,116 | 1,149 | 1,077 |
| 17 Nonbank financial institutions | 2,051 | 2,089 | 2,209 | 2,150 | 2,114 | 2,083 | 2,290 | 2,341 | 2,263 |
| 18 To foreign govts. and official institutions | 561 | 567 | 702 | 541 | 532 | 527 | 536 | 521 | 545 |
| 19 For purchasing and carrying securities | 3,257 | 2,802 | 2,841 | 2,022 | 2,249 | 2,588 | 2,514 | 1,975 | 2,925 |
| 20 All other | 4,581 | 4,468 | 4,492 | 4,417 | 4,465 | 4,572 | 4,902 | 4,821 | 5,005 |
| 21 Other assets (claims on nonrelated parties) | 23,087 | 23,221 | 22,958 | 23,303 | 23,280 | 23,292 | 23,022 | 23,360 | 23,226 |
| 22 Net due from related institutions | 15,675 | 15,791 | 15,050 | 13,708 | 12,934 | 14,043 | 13,582 | 14,287 | 14,627 |
| 23 Total assets | 124,850 | 125,268 | 123,673 | 120,438 | 120,817 | 120,936 | 122,376 | 123,444 | 122,654 |
| 24 Deposits or credit balances due to other than directly related institutions | 36,775 | 36,344 | 36,446 | 35,342 | 36,608 | 36,034 | 36,986 | 36,744 | 37,279 |
| 25 Transaction accounts and credit balances[3] | 3,097 | 3,312 | 3,574 | 3,050 | 3,284 | 3,124 | 3,333 | 3,229 | 3,260 |
| 26 Individuals, partnerships, and corporations | 1,721 | 1,994 | 1,882 | 1,825 | 1,811 | 1,924 | 1,821 | 1,973 | 1,827 |
| 27 Other | 1,376 | 1,318 | 1,692 | 1,224 | 1,473 | 1,200 | 1,513 | 1,255 | 1,432 |
| 28 Nontransaction accounts[4] | 33,677 | 33,032 | 32,872 | 32,292 | 33,324 | 32,909 | 33,653 | 33,515 | 34,019 |
| 29 Individuals, partnerships, and corporations | 27,646 | 26,748 | 26,642 | 26,014 | 27,129 | 26,738 | 27,252 | 27,082 | 27,160 |
| 30 Other | 6,031 | 6,284 | 6,230 | 6,278 | 6,195 | 6,171 | 6,400 | 6,434 | 6,859 |
| 31 Borrowings from other than directly related institutions | 50,875 | 52,898 | 50,873 | 46,956 | 46,772 | 50,393 | 47,412 | 48,359 | 46,948 |
| 32 Federal funds purchased[5] | 27,680 | 31,046 | 28,947 | 25,278 | 24,966 | 29,328 | 25,862 | 25,375 | 21,466 |
| 33 From commercial banks in the United States | 19,103 | 21,302 | 19,317 | 15,266 | 16,527 | 19,534 | 17,523 | 16,519 | 13,807 |
| 34 From others | 8,577 | 9,744 | 9,630 | 10,012 | 8,439 | 9,793 | 8,340 | 8,856 | 7,658 |
| 35 Other liabilities for borrowed money | 23,195 | 21,852 | 21,926 | 21,678 | 21,805 | 21,065 | 21,550 | 22,984 | 25,482 |
| 36 To commercial banks in the United States | 20,811r | 19,651 | 19,841 | 19,303 | 19,741 | 18,932 | 19,146 | 20,397 | 22,738 |
| 37 To others | 2,384r | 2,201 | 2,085 | 2,374 | 2,065 | 2,134 | 2,404 | 2,587 | 2,745 |
| 38 Other liabilities to nonrelated parties | 24,750 | 24,931 | 24,570 | 24,805 | 24,833 | 24,885 | 24,708 | 25,095 | 25,113 |
| 39 Net due to related institutions | 12,450 | 11,095 | 11,784 | 13,335 | 12,605 | 9,624 | 13,270 | 13,246 | 13,313 |
| 40 Total liabilities | 124,850 | 125,268 | 123,673 | 120,438 | 120,817 | 120,936 | 122,376 | 123,444 | 122,654 |
| MEMO | | | | | | | | | |
| 41 Total loans (gross) and securities adjusted[6] | 61,113 | 59,328 | 59,591 | 58,224 | 59,086 | 59,374 | 60,026 | 59,171 | 60,699 |
| 42 Total loans (gross) adjusted[6] | 49,469 | 47,605 | 48,035 | 47,100 | 47,486 | 48,624 | 49,226 | 48,171 | 49,465 |

1. Effective Jan. 1, 1986, the reporting panel includes 65 U.S. branches and agencies of foreign banks that include those branches and agencies with assets of $750 million or more on June 30, 1980, plus those branches and agencies that had reached the $750 million asset level on Dec. 31, 1984.
2. Includes securities purchased under agreements to resell.
3. Includes credit balances, demand deposits, and other checkable deposits.
4. Includes savings deposits, money market deposit accounts, and time deposits.
5. Includes securities sold under agreements to repurchase.
6. Exclusive of loans to and federal funds sold to commercial banks in the United States.

## 1.31 GROSS DEMAND DEPOSITS Individuals, Partnerships, and Corporations[1]

Billions of dollars, estimated daily-average balances, not seasonally adjusted

| Type of holder | Commercial banks | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1981 Dec. | 1982 Dec. | 1983 Dec. | 1984 Dec. | 1985 | | | | 1986 | |
| | | | | | Mar.[3,4] | June | Sept. | Dec. | Mar. | June |
| 1 **All holders—Individuals, partnerships, and corporations** | **288.9** | **291.8** | **293.5** | **302.7** | **286.3** | **298.4** | **299.3** | **321.0** | **307.4** | **322.4** |
| 2 Financial business | 28.0 | 35.4 | 32.8 | 31.7 | 27.3 | 27.9 | 28.1 | 32.3 | 31.8 | 32.3 |
| 3 Nonfinancial business | 154.8 | 150.5 | 161.1 | 166.3 | 157.9 | 164.5 | 167.2 | 178.5 | 166.6 | 180.0 |
| 4 Consumer | 86.6 | 85.9 | 78.5 | 81.5 | 78.9 | 82.8 | 82.0 | 85.5 | 84.0 | 86.4 |
| 5 Foreign | 2.9 | 3.0 | 3.3 | 3.6 | 3.6 | 3.7 | 3.5 | 3.5 | 3.4 | 3.0 |
| 6 Other | 16.7 | 17.0 | 17.8 | 19.7 | 18.7 | 19.5 | 18.5 | 21.2 | 21.6 | 20.6 |
| | Weekly reporting banks | | | | | | | | | |
| | 1981 Dec. | 1982 Dec. | 1983 Dec. | 1984 Dec.[2] | 1985 | | | | 1986 | |
| | | | | | Mar.[3,4] | June | Sept. | Dec. | Mar. | June |
| 7 **All holders—Individuals, partnerships, and corporations** | **137.5** | **144.2** | **146.2** | **157.1** | **147.7** | **151.2** | **153.6** | **168.6** | **159.7** | **168.5** |
| 8 Financial business | 21.0 | 26.7 | 24.2 | 25.3 | 21.9 | 22.1 | 22.7 | 25.9 | 25.5 | 25.7 |
| 9 Nonfinancial business | 75.2 | 74.3 | 79.8 | 87.1 | 82.3 | 83.7 | 85.5 | 94.5 | 86.8 | 93.1 |
| 10 Consumer | 30.4 | 31.9 | 29.7 | 30.5 | 30.2 | 31.0 | 31.6 | 33.2 | 32.6 | 34.9 |
| 11 Foreign | 2.8 | 2.9 | 3.1 | 3.4 | 3.4 | 3.5 | 3.3 | 3.1 | 3.3 | 2.9 |
| 12 Other | 8.0 | 8.4 | 9.3 | 10.9 | 9.8 | 10.9 | 10.5 | 12.0 | 11.5 | 11.9 |

1. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466. Figures may not add to totals because of rounding.

2. Beginning in March 1984, these data reflect a change in the panel of weekly reporting banks, and are not comparable to earlier data. Estimates in billions of dollars for December 1983 based on the new weekly reporting panel are: financial business, 24.4; nonfinancial business, 80.9; consumer, 30.1; foreign, 3.1; other, 9.5.

3. Beginning March 1985, financial business deposits and, by implication, total gross demand deposits have been redefined to exclude demand deposits due to thrift institutions. Historical data have not been revised. The estimated volume of such deposits for December 1984 is $5.0 billion at all insured commercial banks and $3.0 billion at weekly reporting banks.

4. Historical data back to March 1985 have been revised to account for corrections of bank reporting errors. Historical data before March 1985 have not been revised, and may contain reporting errors. Data for all commercial banks for March 1985 were revised as follows (in billions of dollars): all holders, −.3; financial business, −.8; nonfinancial business, −.4; consumer, .9; foreign, .1; other, −.1. Data for weekly reporting banks for March 1985 were revised as follows (in billions of dollars): all holders, −.1; financial business, −.7; nonfinancial business, −.5; consumer, 1.1; foreign, .1; other, −.2.

## 1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

| Instrument | 1981 Dec. | 1982 Dec. | 1983 Dec. | 1984 Dec. | 1985 Dec. | 1986 May | 1986 June | 1986 July | 1986 Aug. | 1986 Sept. | 1986 Oct. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Commercial paper (seasonally adjusted unless noted otherwise) | | | | | | | | | | |
| 1 **All issuers** | **165,829** | **166,436** | **187,658** | **237,586** | **300,899** | **309,843** | **310,711** | **311,435** | **326,601** | **326,567** | **329,516** |
| Financial companies[3] | | | | | | | | | | | |
| *Dealer-placed paper*[4] | | | | | | | | | | | |
| 2 Total | 30,333 | 34,605 | 44,455 | 56,485 | 78,443 | 87,423 | 89,757 | 90,038 | 94,084 | 97,994 | 99,688 |
| 3 Bank-related (not seasonally adjusted) | 6,045 | 2,516 | 2,441 | 2,035 | 1,602 | 1,575 | 1,568 | 1,772 | 1,799 | 1,980 | 2,172 |
| *Directly placed paper*[5] | | | | | | | | | | | |
| 4 Total | 81,660 | 84,393 | 97,042 | 110,543 | 135,504 | 142,252 | 142,933 | 142,121 | 149,200 | 147,497 | 147,163 |
| 5 Bank-related (not seasonally adjusted) | 26,914 | 32,034 | 35,566 | 42,105 | 44,778 | 39,009 | 40,147 | 39,067 | 40,415 | 37,455 | 38,957 |
| 6 Nonfinancial companies[6] | 53,836 | 47,437 | 46,161 | 70,558 | 86,952 | 80,168 | 78,021 | 79,276 | 83,317 | 81,076 | 82,665 |
| | Bankers dollar acceptances (not seasonally adjusted)[7] | | | | | | | | | | |
| 7 **Total** | **69,226** | **79,543** | **78,309** | **77,121** | **68,115** | **66,759** | **67,080** | **66,437** | **64,480** | **67,009** | **65,920** |
| *Holder* | | | | | | | | | | | |
| 8 Accepting banks | 10,857 | 10,910 | 9,355 | 9,811 | 11,174 | 12,216 | 12,789 | 11,577 | 12,127 | 13,101 | 12,569 |
| 9 Own bills | 9,743 | 9,471 | 8,125 | 8,621 | 9,448 | 10,254 | 10,641 | 9,257 | 9,794 | 11,001 | 10,178 |
| 10 Bills bought | 1,115 | 1,439 | 1,230 | 1,191 | 1,726 | 1,962 | 2,147 | 2,320 | 2,333 | 2,101 | 2,391 |
| Federal Reserve Banks | | | | | | | | | | | |
| 11 Own account | 195 | 1,480 | 418 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 Foreign correspondents | 1,442 | 949 | 729 | 671 | 937 | 664 | 896 | 931 | 897 | 924 | 1,131 |
| 13 Others | 56,731 | 66,204 | 67,807 | 66,639 | 56,004 | 53,880 | 53,396 | 53,929 | 51,456 | 52,984 | 52,220 |
| *Basis* | | | | | | | | | | | |
| 14 Imports into United States | 14,765 | 17,683 | 15,649 | 17,560 | 15,147 | 15,094 | 15,106 | 15,601 | 15,796 | 16,612 | 15,980 |
| 15 Exports from United States | 15,400 | 16,328 | 16,880 | 15,859 | 13,204 | 13,574 | 13,721 | 13,781 | 12,948 | 12,693 | 12,612 |
| 16 All other | 39,060 | 45,531 | 45,781 | 43,702 | 39,765 | 38,091 | 38,254 | 37,056 | 35,736 | 37,704 | 37,328 |

1. Effective Dec. 1, 1982, there was a break in the commercial paper series. The key changes in the content of the data involved additions to the reporting panel, the exclusion of broker or dealer placed borrowings under any master note agreements from the reported data, and the reclassification of a large portion of bank-related paper from dealer-placed to directly placed.
2. Correction of a previous misclassification of paper by a reporter has created a break in the series beginning December 1983. The correction adds some paper to nonfinancial and to dealer-placed financial paper.
3. Institutions engaged primarily in activities such as, but not limited to, commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
4. Includes all financial company paper sold by dealers in the open market.
5. As reported by financial companies that place their paper directly with investors.
6. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
7. Beginning October 1984, the number of respondents in the bankers acceptance survey were reduced from 340 to 160 institutions—those with $50 million or more in total acceptances. The new reporting group accounts for over 95 percent of total acceptances activity.

## 1.33 PRIME RATE CHARGED BY BANKS on Short-Term Business Loans

Percent per annum

| Effective date | Rate | Effective Date | Rate | Month | Average rate | Month | Average rate |
|---|---|---|---|---|---|---|---|
| 1984—Mar. 19 | 11.50 | 1985—Jan. 15 | 10.50 | 1984—Jan. | 11.00 | 1985—July | 9.50 |
| Apr. 5 | 12.00 | May 20 | 10.00 | Feb. | 11.00 | Aug. | 9.50 |
| May 8 | 12.50 | June 18 | 9.50 | Mar. | 11.21 | Sept. | 9.50 |
| June 25 | 13.00 | | | Apr. | 11.93 | Oct. | 9.50 |
| Sept. 27 | 12.75 | 1986—Mar. 7 | 9.00 | May | 12.39 | Nov. | 9.50 |
| Oct. 17 | 12.50 | Apr. 21 | 8.50 | June | 12.60 | Dec. | 9.50 |
| 29 | 12.00 | July 11 | 8.00 | July | 13.00 | | |
| Nov. 9 | 11.75 | Aug. 26 | 7.50 | Aug. | 13.00 | 1986—Jan. | 9.50 |
| 28 | 11.25 | | | Sept. | 12.97 | Feb. | 9.50 |
| Dec. 20 | 10.75 | | | Oct. | 12.58 | Mar. | 9.10 |
| | | | | Nov. | 11.77 | Apr. | 8.83 |
| | | | | Dec. | 11.06 | May | 8.50 |
| | | | | | | June | 8.50 |
| | | | | 1985—Jan. | 10.61 | July | 8.16 |
| | | | | Feb. | 10.50 | Aug. | 7.90 |
| | | | | Mar. | 10.50 | Sept. | 7.50 |
| | | | | Apr. | 10.50 | Oct. | 7.50 |
| | | | | May | 10.31 | Nov. | 7.50 |
| | | | | June | 9.78 | | |

NOTE. These data also appear in the Board's H.15 (519) release. For address, see inside front cover.

## 1.35 INTEREST RATES Money and Capital Markets

Averages, percent per annum; weekly and monthly figures are averages of business day data unless otherwise noted.

| | Instrument | 1983 | 1984 | 1985 | 1986 | | | | 1986, week ending | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Aug. | Sept. | Oct. | Nov. | Oct. 31 | Nov. 7 | Nov. 14 | Nov. 21 | Nov. 28 |
| | MONEY MARKET RATES | | | | | | | | | | | | |
| 1 | Federal funds[1,2] | 9.09 | 10.22 | 8.10 | 6.17 | 5.89 | 5.85 | 6.04 | 5.86 | 6.02 | 5.98 | 6.13 | 6.00 |
| 2 | Discount window borrowing[1,2,3] | 8.50 | 8.80 | 7.69 | 5.82 | 5.50 | 5.50 | 5.50 | 5.50 | 5.50 | 5.50 | 5.50 | 5.50 |
| | Commercial paper[4,5] | | | | | | | | | | | | |
| 3 | 1-month | 8.87 | 10.05 | 7.94 | 6.02 | 5.74 | 5.74 | 5.84 | 5.74 | 5.77 | 5.83 | 5.87 | 5.88 |
| 4 | 3-month | 8.88 | 10.10 | 7.95 | 5.92 | 5.68 | 5.68 | 5.76 | 5.69 | 5.69 | 5.77 | 5.78 | 5.81 |
| 5 | 6-month | 8.89 | 10.16 | 8.01 | 5.83 | 5.61 | 5.61 | 5.69 | 5.61 | 5.62 | 5.71 | 5.72 | 5.72 |
| | Finance paper, directly placed[4,5] | | | | | | | | | | | | |
| 6 | 1-month | 8.80 | 9.97 | 7.91 | 5.98 | 5.76 | 5.74 | 5.79 | 5.69 | 5.75 | 5.77 | 5.81 | 5.84 |
| 7 | 3-month | 8.70 | 9.73 | 7.77 | 5.94 | 5.61 | 5.56 | 5.67 | 5.55 | 5.57 | 5.68 | 5.70 | 5.73 |
| 8 | 6-month | 8.69 | 9.65 | 7.75 | 5.90 | 5.54 | 5.50 | 5.58 | 5.46 | 5.49 | 5.62 | 5.63 | 5.60 |
| | Bankers acceptances[5,6] | | | | | | | | | | | | |
| 9 | 3-month | 8.90 | 10.14 | 7.92 | 5.80 | 5.60 | 5.58 | 5.67 | 5.59 | 5.60 | 5.71 | 5.69 | 5.71 |
| 10 | 6-month | 8.91 | 10.19 | 7.96 | 5.71 | 5.56 | 5.52 | 5.59 | 5.53 | 5.54 | 5.66 | 5.61 | 5.58 |
| | Certificates of deposit, secondary market[7] | | | | | | | | | | | | |
| 11 | 1-month | 8.96 | 10.17 | 7.97 | 5.97 | 5.73 | 5.71 | 5.80 | 5.69 | 5.70 | 5.82 | 5.83 | 5.84 |
| 12 | 3-month | 9.07 | 10.37 | 8.05 | 5.92 | 5.71 | 5.69 | 5.76 | 5.68 | 5.69 | 5.81 | 5.80 | 5.76 |
| 13 | 6-month | 9.27 | 10.68 | 8.25 | 5.92 | 5.71 | 5.70 | 5.76 | 5.69 | 5.69 | 5.81 | 5.79 | 5.76 |
| 14 | Eurodollar deposits, 3-month[8] | 9.56 | 10.73 | 8.28 | 6.06 | 5.88 | 5.88 | 5.96 | 5.94 | 5.84 | 5.96 | 5.98 | 5.99 |
| | U.S. Treasury bills[5] | | | | | | | | | | | | |
| | Secondary market[9] | | | | | | | | | | | | |
| 15 | 3-month | 8.61 | 9.52 | 7.48 | 5.53 | 5.21 | 5.18 | 5.35 | 5.19 | 5.26 | 5.41 | 5.36 | 5.39 |
| 16 | 6-month | 8.73 | 9.76 | 7.65 | 5.58 | 5.35 | 5.26 | 5.41 | 5.27 | 5.35 | 5.49 | 5.41 | 5.42 |
| 17 | 1-year | 8.80 | 9.92 | 7.81 | 5.60 | 5.45 | 5.41 | 5.48 | 5.43 | 5.45 | 5.56 | 5.47 | 5.45 |
| | Auction average[10] | | | | | | | | | | | | |
| 18 | 3-month | 8.52 | 9.57 | 7.47 | 5.57 | 5.19 | 5.18 | 5.35 | 5.18 | 5.23 | 5.41 | 5.39 | 5.35 |
| 19 | 6-month | 8.76 | 9.80 | 7.64 | 5.58 | 5.31 | 5.26 | 5.42 | 5.21 | 5.30 | 5.54 | 5.44 | 5.39 |
| 20 | 1-year | 8.86 | 9.91 | 7.76 | 5.82 | 5.33 | 5.44 | 5.45 | 5.44 | n.a. | n.a. | n.a. | 5.45 |
| | CAPITAL MARKET RATES | | | | | | | | | | | | |
| | U.S. Treasury notes and bonds[11] | | | | | | | | | | | | |
| | Constant maturities[12] | | | | | | | | | | | | |
| 21 | 1-year | 9.57 | 10.89 | 8.43 | 5.93 | 5.77 | 5.72 | 5.80 | 5.74 | 5.76 | 5.89 | 5.79 | 5.77 |
| 22 | 2-year | 10.21 | 11.65 | 9.27 | 6.33 | 6.35 | 6.28 | 6.28 | 6.30 | 6.27 | 6.37 | 6.26 | 6.21 |
| 23 | 3-year | 10.45 | 11.89 | 9.64 | 6.49 | 6.62 | 6.56 | 6.46 | 6.57 | 6.48 | 6.55 | 6.44 | 6.39 |
| 24 | 5-year | 10.80 | 12.24 | 10.13 | 6.80 | 6.92 | 6.83 | 6.76 | 6.80 | 6.76 | 6.85 | 6.75 | 6.66 |
| 25 | 7-year | 11.02 | 12.40 | 10.51 | 7.01 | 7.28 | 7.24 | 7.08 | 7.17 | 7.12 | 7.18 | 7.04 | 6.99 |
| 26 | 10-year | 11.10 | 12.44 | 10.62 | 7.17 | 7.45 | 7.43 | 7.25 | 7.39 | 7.31 | 7.34 | 7.21 | 7.14 |
| 27 | 20-year | 11.34 | 12.48 | 10.97 | 7.28 | 7.56 | 7.61 | 7.42 | 7.59 | 7.49 | 7.49 | 7.38 | 7.31 |
| 28 | 30-year | 11.18 | 12.39 | 10.79 | 7.33 | 7.62 | 7.70 | 7.52 | 7.68 | 7.58 | 7.59 | 7.47 | 7.42 |
| | Composite[13] | | | | | | | | | | | | |
| 29 | Over 10 years (long-term) | 10.84 | 11.99 | 10.75 | 7.72 | 8.08 | 8.04 | 7.81 | 7.96 | 7.87 | 7.95 | 7.74 | 7.71 |
| | State and local notes and bonds | | | | | | | | | | | | |
| | Moody's series[14] | | | | | | | | | | | | |
| 30 | Aaa | 8.80 | 9.61 | 8.60 | 7.11 | 6.91 | 6.44 | 6.19 | 6.10 | 6.10 | 6.30 | 6.20 | 6.15 |
| 31 | Baa | 10.17 | 10.38 | 9.58 | 7.81 | 7.59 | 7.23 | 7.13 | 6.95 | 6.95 | 7.20 | 7.15 | 7.20 |
| 32 | *Bond Buyer* series[15] | 9.51 | 10.10 | 9.11 | 7.21 | 7.11 | 7.08 | 6.85 | 6.94 | 6.94 | 6.92 | 6.78 | 6.74 |
| | Corporate bonds | | | | | | | | | | | | |
| | Seasoned issues[16] | | | | | | | | | | | | |
| 33 | All industries | 12.78 | 13.49 | 12.05 | 9.44 | 9.55 | 9.54 | 9.37 | 9.49 | 9.41 | 9.42 | 9.34 | 9.28 |
| 34 | Aaa | 12.04 | 12.71 | 11.37 | 8.72 | 8.89 | 8.86 | 8.68 | 8.80 | 8.73 | 8.77 | 8.65 | 8.55 |
| 35 | Aa | 12.42 | 13.31 | 11.82 | 9.22 | 9.36 | 9.33 | 9.20 | 9.30 | 9.26 | 9.25 | 9.16 | 9.11 |
| 36 | A | 13.10 | 13.74 | 12.28 | 9.64 | 9.73 | 9.72 | 9.51 | 9.65 | 9.56 | 9.54 | 9.48 | 9.43 |
| 37 | Baa | 13.55 | 14.19 | 12.72 | 10.18 | 10.20 | 10.24 | 10.07 | 10.19 | 10.09 | 10.12 | 10.04 | 9.99 |
| 38 | A-rated, recently-offered utility bonds[17] | 12.73 | 13.81 | 12.06 | 9.51 | 9.56 | 9.48 | 9.31 | 9.32 | 9.42 | 9.37 | 9.22 | 9.16 |
| | MEMO: Dividend/price ratio[18] | | | | | | | | | | | | |
| 39 | Preferred stocks | 11.02 | 11.59 | 10.49 | 8.42 | 8.10 | 8.17 | 8.07 | 8.09 | 8.10 | 8.01 | 8.03 | 8.13 |
| 40 | Common stocks | 4.40 | 4.64 | 4.25 | 3.36 | 3.43 | 3.49 | 3.40 | 3.44 | 3.36 | 3.37 | 3.50 | 3.35 |

1. Weekly and monthly figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.
2. Weekly figures are averages for statement week ending Wednesday.
3. Rate for the Federal Reserve Bank of New York.
4. Unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Before November 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper.
5. Yields are quoted on a bank-discount basis, rather than an investment yield basis (which would give a higher figure).
6. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
7. Unweighted average of offered rates quoted by at least five dealers early in the day.
8. Calendar week average. For indication purposes only.
9. Unweighted average of closing bid rates quoted by at least five dealers.
10. Rates are recorded in the week in which bills are issued. Beginning with the Treasury bill auction held on Apr. 18, 1983, bidders were required to state the percentage yield (on a bank discount basis) that they would accept to two decimal places. Thus, average issuing rates in bill auctions will be reported using two rather than three decimal places.
11. Yields are based on closing bid prices quoted by at least five dealers.
12. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.
13. Averages (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including one very low yielding "flower" bond.
14. General obligations based on Thursday figures; Moody's Investors Service.
15. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
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 30-year maturity and 5 years of call protection. Weekly data are based on Friday quotations.
18. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

NOTE. These data also appear in the Board's H.15 (519) and G.13 (415) releases. For address, see inside front cover.

## 1.36 STOCK MARKET Selected Statistics

| Indicator | 1983 | 1984 | 1985 | 1986 Mar. | 1986 Apr. | 1986 May | 1986 June | 1986 July | 1986 Aug. | 1986 Sept. | 1986 Oct. | 1986 Nov. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Prices and trading (averages of daily figures) | | | | | | | | | | | |
| *Common stock prices* | | | | | | | | | | | | |
| 1 New York Stock Exchange (Dec. 31, 1965 = 50) | 92.63 | 92.46 | 108.09 | 133.97 | 137.25 | 137.37 | 140.82 | 138.32 | 140.91 | 137.06 | 136.74 | 140.84 |
| 2 Industrial | 107.45 | 108.01 | 123.79 | 152.75 | 157.35 | 158.59 | 163.15 | 158.06 | 160.10 | 156.52 | 156.56 | 162.10 |
| 3 Transportation | 89.36 | 85.63 | 104.11 | 128.66 | 125.92 | 122.21 | 120.65 | 112.03 | 111.24 | 114.06 | 120.04 | 122.27 |
| 4 Utility | 47.00 | 46.44 | 56.75 | 68.06 | 69.35 | 68.65 | 70.69 | 74.20 | 77.84 | 74.56 | 73.38 | 75.77 |
| 5 Finance | 95.34 | 89.28 | 114.21 | 153.94 | 154.83 | 151.28 | 151.73 | 150.23 | 152.90 | 145.56 | 143.89 | 142.97 |
| 6 Standard & Poor's Corporation (1941–43 = 10)[1] | 160.41 | 160.50 | 186.84 | 232.33 | 237.97 | 238.46 | 245.30 | 240.18 | 245.00 | 238.27 | 237.36 | 245.09 |
| 7 American Stock Exchange[2] (Aug. 31, 1973 = 50) | 216.48 | 207.96 | 229.10 | 264.91 | 270.59 | 274.22 | 281.18 | 269.93 | 268.55 | 264.30 | 257.82 | 265.14 |
| *Volume of trading (thousands of shares)* | | | | | | | | | | | | |
| 8 New York Stock Exchange | 85,418 | 91,084 | 109,191 | 160,755 | 146,330 | 127,624 | 126,151 | 137,709 | 128,661 | 150,831 | 131,155 | 154,770 |
| 9 American Stock Exchange | 8,215 | 6,107 | 8,355 | 15,902 | 13,503 | 11,870 | 12,795 | 10,320 | 9,885 | 10,853 | 8,930 | 10,513 |
| | Customer financing (end-of-period balances, in millions of dollars) | | | | | | | | | | | |
| 10 **Margin credit at broker–dealers**[3] | **23,000** | **22,470** | **28,390** | **29,090** | **30,760** | **32,370** | **32,480** | **33,170** | **34,550** | **34,580** | **36,310** | **37,090** |
| *Free credit balances at brokers*[4] | | | | | | | | | | | | |
| 11 Margin-account[5] | ...... | 1,755 | 2,715 | 2,715 | 3,065 | 2,405 | 2,585 | 2,570 | 3,035 | 3,395 | 3,805 | 3,765 |
| 12 Cash-account | 8,430 | 10,215 | 12,840 | 13,920 | 14,340 | 12,970 | 13,570 | 14,600 | 14,210 | 14,060 | 14,445 | 15,045 |
| | Margin-account debt at brokers (percentage distribution, end of period)[6] | | | | | | | | | | | |
| 13 **Total** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | n.a. | n.a. | n.a. | n.a. | n.a. |
| *By equity class (in percent)*[7] | | | | | | | | | | | | |
| 14 Under 40 | 22.0 | 18.0 | 34.0 | 29.0 | 29.0 | 30.0 | 31.0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| 15 40–49 | 22.0 | 18.0 | 20.0 | 19.0 | 20.0 | 19.0 | 20.0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| 16 50–59 | 16.0 | 16.0 | 19.0 | 22.0 | 20.0 | 22.0 | 20.0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| 17 60–69 | 9.0 | 9.0 | 11.0 | 13.0 | 13.0 | 12.0 | 13.0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| 18 70–79 | 6.0 | 5.0 | 8.0 | 8.0 | 9.0 | 8.0 | 8.0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| 19 80 or more | 6.0 | 6.0 | 8.0 | 9.0 | 9.0 | 9.0 | 8.0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| | Special miscellaneous-account balances at brokers (end of period)[6] | | | | | | | | | | | |
| 20 **Total balances (millions of dollars)**[8] | **58,329** | **75,840** | **99,310** | **103,450** | **105,790** | **109,620** | **112,401** | n.a. | n.a. | n.a. | n.a. | n.a. |
| *Distribution by equity status (percent)* | | | | | | | | | | | | |
| 21 Net credit status | 63.0 | 59.0 | 58.0 | 61.0 | 59.0 | 58.0 | 59.0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Debt status, equity of | | | | | | | | | | | | |
| 22 60 percent or more | 28.0 | 29.0 | 31.0 | 31.0 | 33.0 | 33.0 | 32.0 | n.a. | n.a. | n.a. | n.a. | n.a. |
| 23 Less than 60 percent | 9.0 | 11.0 | 11.0 | 8.0 | 8.0 | 9.0 | 9.0 | n.a. | n.a. | n.a. | n.a. | n.a. |

Margin requirements (percent of market value and effective date)[9]

| | Mar. 11, 1968 | June 8, 1968 | May 6, 1970 | Dec. 6, 1971 | Nov. 24, 1972 | Jan. 3, 1974 |
|---|---|---|---|---|---|---|
| 24 Margin stocks | 70 | 80 | 65 | 55 | 65 | 50 |
| 25 Convertible bonds | 50 | 60 | 50 | 50 | 50 | 50 |
| 26 Short sales | 70 | 80 | 65 | 55 | 65 | 50 |

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. Beginning July 5, 1983, the American Stock Exchange rebased its index effectively cutting previous readings in half.
3. Beginning July 1983, under the revised Regulation T, margin credit at broker-dealers includes credit extended against stocks, convertible bonds, stocks acquired through 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, and margin credit at broker-dealers became the total that is distributed by equity class and shown on lines 17–22.
4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.
5. New series beginning June 1984.
6. In July 1986, the New York Stock Exchange stopped reporting certain data items that were previously obtained in a monthly survey of a sample of brokers and dealers. Data items that are no longer reported include distributions of margin debt by equity status of the account and special miscellaneous-account balances.
7. Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.
8. Balances that may be used by customers as the margin deposit required for additional purchases. Balances may arise as transfers based on loan values of other collateral in the customer's margin account or deposits of cash (usually sales proceeds) occur.
9. Regulations G, T, and U of the Federal Reserve Board of Governors, prescribed in accordance with the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry margin stocks that may be extended on securities as collateral by prescribing a maximum loan value, which is a specified percentage of the market value of the collateral at the time the credit is extended. Margin requirements are the difference between the market value (100 percent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation.

## 1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

| Account | 1983 | 1984 | 1986 Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Savings and loan associations | | | | | | | | | | | | |
| 1 **Assets** | **773,417** | **903,488** | **938,467** | **943,029** | **947,302** | **954,089[r]** | **962,484[r]** | **953,527[r]** | **958,049[r]** | **965,071[r]** | **957,503[r]** | **961,305** | |
| 2 Mortgages | 494,789 | 555,277 | 578,472 | 576,608 | 574,732 | 575,288 | 575,097 | 565,148 | 565,376 | 566,506 | 557,429 | 557,521 | |
| 3 Mortgage-backed securities | ....... | ....... | 96,891 | 98,482 | 99,332 | 102,398[r] | 107,308[r] | 112,154[r] | 113,095[r] | 113,620[r] | 117,640[r] | 120,304 | |
| 4 Cash and investment securities[1] | 104,274 | 124,801 | 123,415 | 127,028 | 131,464 | 132,347 | 134,868[r] | 130,960[r] | 132,801[r] | 138,858[r] | 138,357[r] | 137,988 | |
| 5 Other | 174,354 | 223,396 | 236,850 | 239,394 | 241,104 | 246,454[r] | 252,578[r] | 257,417[r] | 259,870[r] | 259,706[r] | 261,715[r] | 265,794 | |
| 6 **Liabilities and net worth** | **773,417** | **903,488** | **938,467** | **943,029** | **947,302** | **954,089[r]** | **962,484[r]** | **953,527[r]** | **958,049[r]** | **965,071[r]** | **957,503[r]** | **961,305** | |
| 7 Savings capital | 634,455 | 725,045 | 745,218 | 747,016 | 752,056 | 750,299 | 751,138 | 744,021[r] | 747,020[r] | 749,023[r] | 743,496[r] | 742,192 | n.a. |
| 8 Borrowed money | 92,127 | 125,666 | 131,521 | 131,671 | 133,407 | 139,574 | 144,179 | 147,205[r] | 146,589[r] | 148,525[r] | 155,484[r] | 152,098 | |
| 9 FHLBB | 52,626 | 64,207 | 71,488 | 71,214 | 70,464 | 73,815 | 73,520 | 73,555 | 75,058[r] | 75,594 | 80,360[r] | 75,279 | |
| 10 Other | 39,501 | 61,459 | 60,033 | 60,457 | 62,943 | 65,759 | 70,659 | 73,650[r] | 71,531[r] | 72,931[r] | 75,124[r] | 76,819 | |
| 11 Other | 15,968 | 17,944 | 21,024 | 23,125 | 20,078 | 22,046[r] | 24,783[r] | 20,907[r] | 22,856[r] | 24,709[r] | 15,423[r] | 23,277 | |
| 12 Net worth[2] | 30,867 | 34,833 | 40,704 | 41,217[r] | 41,760 | 42,170[r] | 42,384[r] | 41,393[r] | 41,583[r] | 42,815[r] | 43,099[r] | 43,738 | |
| MEMO | | | | | | | | | | | | | |
| 13 Mortgage loan commitments outstanding[3] | 54,113 | 61,305 | 51,130 | 52,542 | 54,366 | 55,818 | 57,997 | 57,183 | 55,687 | 53,164 | 51,531 | 49,927 | |
| | FSLIC-insured federal savings banks | | | | | | | | | | | | |
| 14 **Assets** | **64,969** | **98,559** | **142,136** | **146,508** | **152,823** | **155,684** | **164,129** | **180,129[r]** | **183,309[r]** | **186,763[r]** | **196,279[r]** | **201,759** | |
| 15 Mortgages | 38,698 | 57,429 | 78,984 | 81,641 | 85,028 | 865,598[r] | 89,108 | 99,636[r] | 101,797[r] | 103,040[r] | 108,207[r] | 110,251 | |
| 16 Mortgage-backed securities | 7,172 | 9,949 | 16,620 | 16,367 | 17,851 | 18,661 | 19,829 | 21,610[r] | 23,249[r] | 24,098[r] | 26,445[r] | 27,507 | |
| 17 Other | 6,595 | 10,971 | 13,274 | 13,759 | 13,923 | 14,590 | 15,083 | 16,784[r] | 17,010[r] | 17,036[r] | 18,370[r] | 18,641 | |
| 18 **Liabilities and net worth** | **64,969** | **98,559** | **142,136** | **146,508** | **152,823** | **155,684** | **164,129** | **180,129[r]** | **183,309[r]** | **186,763[r]** | **196,279[r]** | **201,759** | |
| 19 Savings capital | 53,227 | 79,572 | 111,879 | 114,743 | 119,434 | 121,133 | 126,123 | 138,168 | 140,610 | 142,808[r] | 149,071[r] | 152,481 | n.a. |
| 20 Borrowed money | 7,477 | 12,798 | 20,419 | 21,254 | 22,747 | 23,196 | 25,686 | 28,502 | 28,722[r] | 29,390[r] | 32,320[r] | 33,432 | |
| 21 FHLBB | 4,640 | 7,515 | 11,151 | 11,283 | 12,064 | 12,476 | 12,830 | 15,301 | 15,866 | 16,157 | 16,845 | 17,388 | |
| 22 Other | 2,837 | 5,283 | 9,268 | 9,971 | 10,683 | 10,720 | 12,856 | 13,201 | 12,856[r] | 13,233[r] | 15,475[r] | 16,044 | |
| 23 Other | 1,157 | 1,903 | 2,983 | 3,397 | 3,291 | 3,758[r] | 4,338 | 4,279 | 4,555[r] | 4,918[r] | 4,696[r] | 5,325 | |
| 24 Net worth | 3,108 | 4,286 | 6,855 | 7,114 | 7,349 | 7,599 | 7,982 | 9,179[r] | 9,424[r] | 9,647[r] | 10,191[r] | 10,520 | |
| MEMO | | | | | | | | | | | | | |
| 25 Mortgage loan commitments outstanding[3] | 2,151 | 3,234 | 6,707 | 7,718 | 8,330 | 8,287 | 8,762 | 9,410[r] | 10,134 | 9,770[r] | 10,220[r] | 9,371 | |
| | Savings banks | | | | | | | | | | | | |
| 26 **Assets** | **193,535** | **203,898** | **216,673** | **218,119** | **221,256** | **222,542** | **226,495** | **223,367** | **224,569** | **227,011** | **228,854** | | |
| Loans | | | | | | | | | | | | | |
| 27 Mortgage | 97,356 | 102,895 | 108,973 | 109,702 | 110,271 | 111,813[r] | 112,417 | 110,958 | 111,971 | 113,265 | 114,188 | | |
| 28 Other | 19,129 | 24,954 | 31,752 | 32,501 | 34,873 | 34,591 | 35,500 | 36,692 | 36,421 | 37,350 | 37,298 | | |
| Securities | | | | | | | | | | | | | |
| 29 U.S. government | 15,360 | 14,643 | 12,568 | 12,474 | 12,313 | 12,013 | 13,210 | 12,115 | 12,297 | 12,043 | 12,357 | | |
| 30 Mortgage-backed securities | 18,205 | 19,215 | 21,372 | 21,525 | 21,593 | 21,885 | 22,546 | 22,413 | 22,954 | 21,161 | 23,216 | | |
| 31 State and local government | 2,177 | 2,077 | 2,298 | 2,297 | 2,306 | 2,372 | 2,343 | 2,281 | 2,309 | 2,400 | 2,407 | | |
| 32 Corporate and other | 25,375 | 23,747 | 20,828 | 20,707 | 20,403 | 20,439 | 20,260 | 2,036 | 20,862 | 20,602 | 20,902 | | |
| 33 Cash | 6,263 | 4,954 | 5,645 | 5,646 | 5,845 | 5,570 | 6,225 | 5,301 | 4,651 | 5,018 | 4,811 | n.a. | n.a. |
| 34 Other assets | 9,670 | 11,413 | 13,237 | 13,267 | 13,652 | 13,859 | 13,994 | 13,244 | 13,104 | 13,172 | 13,675 | | |
| 35 **Liabilities** | **193,535** | **203,898** | **216,673** | **218,119** | **221,256** | **222,542** | **226,495** | **223,367** | **224,569** | **227,011** | **228,854** | | |
| 36 Deposits | 172,665 | 180,616 | 186,321 | 186,777 | 188,960 | 189,025 | 190,310 | 189,109 | 188,615 | 189,937 | 190,210 | | |
| 37 Regular[4] | 170,135 | 177,418 | 182,399 | 182,890 | 184,704 | 184,580 | 185,716 | 183,970 | 183,433 | 184,764 | 185,002 | | |
| 38 Ordinary savings | 38,554 | 33,739 | 32,365 | 32,693 | 33,021 | 33,057 | 33,577 | 34,008 | 34,166 | 34,530 | 35,227 | | |
| 39 Time | 95,129 | 104,732 | 104,436 | 104,588 | 105,562 | 105,550 | 105,146 | 103,083 | 102,374 | 102,668 | 102,191 | | |
| 40 Other | 2,530 | 3,198 | 3,922 | 3,887 | 4,256 | 4,445 | 4,594 | 5,139 | 5,182 | 5,173 | 5,208 | | |
| 41 Other liabilities | 10,154 | 12,504 | 17,086 | 17,793 | 18,412 | 19,074 | 21,384 | 19,226 | 20,641 | 21,360 | 21,947 | | |
| 42 General reserve accounts | 10,368 | 10,510 | 12,925 | 13,211 | 13,548 | 14,114 | 14,519 | 14,731 | 15,084 | 15,427 | 16,319 | | |

1.37—Continued

| Account | 1983 | 1984 | 1986 Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Credit unions[5] | | | | | | | | | | |
| 43 **Total assets/liabilities and capital** | **81,961** | **93,036** | **118,933** | **122,623** | **126,653** | **128,229** | **132,415** | **134,703** | **137,901** | **139,233** | **140,496** | | |
| 44 Federal | 54,482 | 63,205 | 78,619 | 80,024 | 82,275 | 83,543 | 86,289 | 87,579 | 89,539 | 90,367 | 91,981 | | |
| 45 State | 27,479 | 29,831 | 40,314 | 42,599 | 44,378 | 44,686 | 46,126 | 47,124 | 48,362 | 48,866 | 48,515 | | |
| 46 Loans outstanding | 50,083 | 62,561 | 73,513 | 74,207 | 75,300 | 76,385 | 76,774 | 77,847 | 79,647 | 80,656 | 81,820 | n.a. | n.a. |
| 47 Federal | 32,930 | 42,337 | 48,055 | 48,059 | 48,633 | 49,756 | 49,950 | 50,613 | 51,331 | 52,007 | 53,042 | | |
| 48 State | 17,153 | 20,224 | 25,458 | 26,148 | 26,667 | 26,629 | 26,824 | 27,234 | 28,316 | 28,649 | 28,778 | | |
| 49 Savings | 74,739 | 84,348 | 107,238 | 110,541 | 114,579 | 116,703 | 120,331 | 122,952 | 125,331 | 126,268 | 128,125 | | |
| 50 Federal | 49,889 | 57,539 | 72,166 | 73,227 | 75,698 | 77,112 | 79,479 | 80,975 | 82,596 | 83,132 | 84,607 | | |
| 51 State | 24,850 | 26,809 | 35,072 | 37,314 | 38,881 | 39,591 | 40,852 | 41,977 | 42,735 | 43,136 | 43,518 | | |
| | | | Life insurance companies | | | | | | | | | | |
| 52 **Assets** | **654,948** | **722,979** | **831,716** | **839,856** | **848,535** | **855,605** | **863,610** | **872,359** | **877,919** | **887,255** | **892,304** | | |
| Securities | | | | | | | | | | | | | |
| 53 Government | 50,752 | 63,899 | 75,937 | 76,761 | 77,965 | 78,494 | 79,051 | 78,284 | 78,722 | 79,188 | 81,636 | | |
| 54 United States[6] | 28,636 | 42,204 | 52,243 | 53,264 | 54,289 | 54,705 | 55,120 | 54,197 | 54,321 | 54,487 | 56,698 | | |
| 55 State and local | 9,986 | 8,713 | 9,869 | 9,588 | 9,674 | 9,869 | 9,930 | 10,114 | 10,350 | 10,472 | 10,606 | | |
| 56 Foreign[7] | 12,130 | 12,982 | 13,825 | 13,909 | 14,002 | 13,920 | 14,001 | 13,973 | 14,051 | 14,229 | 14,332 | | |
| 57 Business | 322,854 | 359,333 | 428,979 | 435,758 | 440,963 | 445,573 | 450,279 | 455,119 | 455,013 | 463,135 | 462,540 | n.a. | n.a. |
| 58 Bonds | 257,986 | 295,998 | 351,402 | 354,911 | 357,196 | 361,306 | 364,122 | 367,966 | 369,704 | 374,670 | 378,267 | | |
| 59 Stocks | 64,868 | 63,335 | 77,577 | 80,847 | 83,767 | 84,267 | 86,157 | 87,153 | 85,309 | 88,465 | 84,273 | | |
| 60 Mortgages | 150,999 | 156,699 | 172,324 | 172,997 | 174,823 | 175,951 | 177,554 | 180,041 | 182,542 | 183,943 | 185,268 | | |
| 61 Real estate | 22,234 | 25,767 | 29,035 | 29,356 | 29,804 | 30,059 | 30,025 | 30,350 | 31,151 | 31,844 | 31,725 | | |
| 62 Policy loans | 54,063 | 54,505 | 54,264 | 54,267 | 54,273 | 54,272 | 54,351 | 57,342 | 54,249 | 54,247 | 54,273 | | |
| 63 Other assets | 54,046 | 63,776 | 57,090 | 57,351 | 57,753 | 57,492 | 57,802 | 58,290 | 58,792 | 57,905 | 58,086 | | |

1. Holdings of stock of the Federal Home Loan Banks are in "other assets."
2. Includes net undistributed income accrued by most associations.
3. As of July 1985, data include loans in process.
4. Excludes checking, club, and school accounts.
5. Data include all federally insured credit unions, both federal and state chartered, serving natural persons.
6. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
7. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

NOTE. *Savings and loan associations:* Estimates by the FHLBB for all associations in the United States based on annual benchmarks for non-FSLIC-insured associations and the experience of FSLIC-insured associations.

*FSLIC-insured federal savings banks:* Estimates by the FHLBB for federal savings banks insured by the FSLIC and based on monthly reports of federally insured institutions.

*Savings banks:* Estimates by the National Council of Savings Institutions for all savings banks in the United States and for FDIC-insured savings banks that have converted to federal savings banks.

*Credit unions:* Estimates by the National Credit Union Administration for federally chartered and federally insured state-chartered credit unions serving natural persons.

*Life insurance companies:* Estimates of the American Council of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."

## 1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

| Type of account or operation | Fiscal year 1984 | Fiscal year 1985 | Fiscal year 1986 | Calendar year 1986 June | July | Aug. | Sept. | Oct. | Nov. |
|---|---|---|---|---|---|---|---|---|---|
| *U.S. budget*[1] | | | | | | | | | |
| 1 Receipts, total | 666,457 | 734,057 | 769,091 | 77,024 | 62,974 | 56,523 | 78,013 | 59,012 | 52,967 |
| 2 On-budget | n.a. | 547,886 | 568,862 | 58,400 | 47,571 | 41,404 | 59,978 | 43,865 | 38,158 |
| 3 Off-budget | n.a. | 186,170 | 200,228 | 18,624 | 15,402 | 15,119 | 18,035 | 15,147 | 14,809 |
| 4 Outlays, total | 851,796 | 945,987 | 989,789 | 78,034 | 85,203 | 84,434 | 81,750 | 84,267 | 79,973 |
| 5 On-budget | n.a. | 769,180 | 806,291 | 60,982 | 69,604 | 68,112 | 65,614 | 68,780 | 63,639 |
| 6 Off-budget | n.a. | 176,807 | 183,498 | 17,052 | 15,599 | 16,322 | 16,136 | 15,486 | 16,334 |
| 7 Surplus, or deficit (−), total | −185,339 | −211,931 | −220,698 | −1,011 | −22,229 | −27,911 | −3,737 | −25,255 | −27,006 |
| 8 On-budget | n.a. | −221,294 | −237,428 | −2,583 | −22,033 | −26,708 | −5,636 | −24,915 | −25,481 |
| 9 Off-budget | n.a. | 9,363 | 16,371 | 1,572 | −196 | −1,203 | 1,898 | −340 | −1,524 |
| Source of financing (total) | | | | | | | | | |
| 10 Borrowing from the public | 170,817 | 197,269 | 235,745 | 18,500 | 14,980 | 20,278 | 22,188 | 5,936 | 40,352 |
| 11 Cash and monetary assets (decrease, or increase (−))[2] | 5,636 | 10,673 | −18,044 | −13,065 | 3,972 | 10,298 | −21,313 | 18,131 | −2,721 |
| 12 Other[3] | 8,885 | 3,989 | 2,997 | −4,424 | 3,277 | −2,665 | 2,862 | 1,188 | −10,625 |
| MEMO | | | | | | | | | |
| 13 Treasury operating balance (level, end of period) | 22,345 | 17,060 | 31,384 | 24,641 | 20,810 | 10,428 | 31,384 | 13,616 | 17,007 |
| 14 Federal Reserve Banks | 3,791 | 4,174 | 7,514 | 3,143 | 3,983 | 1,106 | 7,514 | 2,491 | 2,529 |
| 15 Tax and loan accounts | 18,553 | 12,886 | 23,870 | 21,498 | 16,827 | 9,322 | 23,870 | 11,126 | 14,478 |

1. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, all former off-budget entries are now presented on-budget. The Federal Financing Bank (FFB) activities are now shown as separate accounts under the agencies that use the FFB to finance their programs. The act has also moved two social security trust funds (Federal old-age survivors insurance and Federal disability insurance trust funds) off-budget.

2. Includes U.S. Treasury operating cash accounts; SDRs; reserve position on the U.S. quota in the IMF; loans to International Monetary Fund; and other cash and monetary assets.

3. Includes accrued interest payable to the public; allocations of special drawing rights; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," and the "Daily Treasury Statement."

## 1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

| Source or type | Fiscal year 1985 | Fiscal year 1986 | Calendar year 1984 H2 | 1985 H1 | 1985 H2 | 1986 H1 | 1986 Sept. | 1986 Oct. | 1986 Nov. |
|---|---|---|---|---|---|---|---|---|---|
| RECEIPTS | | | | | | | | | |
| **1 All sources** | **734,057** | **769,091** | **341,392** | **380,618** | **364,790** | **394,345** | **78,013** | **59,012** | **52,967** |
| 2 Individual income taxes, net | 334,560 | 348,959 | 157,229 | 166,783 | 169,987 | 169,444 | 37,125 | 31,123 | 24,122 |
| 3 Withheld | 298,941 | 314,803 | 145,210 | 149,288 | 155,725 | 153,919 | 24,707 | 29,556 | 24,242 |
| 4 Presidential Election Campaign Fund | 35 | 36 | 5 | 29 | 6 | 31 | 1 | 0 | 0 |
| 5 Nonwithheld | 101,328 | 105,994 | 19,403 | 76,155 | 22,295 | 78,981 | 14,199 | 3,122 | 1,143 |
| 6 Refunds | 65,743 | 71,873 | 7,387 | 58,684 | 8,038 | 63,488 | 1,782 | 1,554 | 1,263 |
| Corporation income taxes | | | | | | | | | |
| 7 Gross receipts | 77,413 | 80,442 | 35,190 | 42,193 | 36,528 | 41,946 | 13,162 | 3,219 | 2,716 |
| 8 Refunds | 16,082 | 17,298 | 6,847 | 8,370 | 7,751 | 9,557 | 1,713 | 2,679 | 968 |
| 9 Social insurance taxes and contributions, net | 265,163 | 283,901 | 118,690 | 144,598 | 128,017 | 156,714 | 23,507 | 21,179 | 21,751 |
| 10 Employment taxes and contributions[1] | 234,646 | 255,062 | 105,624 | 126,038 | 116,276 | 139,706 | 22,819 | 19,583 | 19,015 |
| 11 Self-employment taxes and contributions[2] | 10,468 | 11,840 | 1,086 | 9,482 | 985 | 10,581 | 1,379 | 0 | 223 |
| 12 Unemployment insurance | 25,758 | 24,098 | 10,706 | 16,213 | 9,281 | 14,674 | 314 | 1,135 | 2,377 |
| 13 Other net receipts[3] | 4,759 | 4,741 | 2,360 | 2,350 | 2,458 | 2,333 | 374 | 459 | 360 |
| 14 Excise taxes | 35,992 | 32,919 | 18,961 | 17,259 | 18,470 | 15,944 | 2,653 | 2,708 | 2,488 |
| 15 Customs deposits | 12,079 | 13,323 | 6,329 | 5,807 | 6,354 | 6,369 | 1,236 | 1,281 | 1,090 |
| 16 Estate and gift taxes | 6,422 | 6,958 | 3,029 | 3,204 | 3,323 | 3,487 | 599 | 647 | 488 |
| 17 Miscellaneous receipts[4] | 18,510 | 19,887 | 8,812 | 9,144 | 9,861 | 10,002 | 1,445 | 1,534 | 1,279 |
| OUTLAYS | | | | | | | | | |
| **18 All types** | **946,223** | **989,789** | **446,944** | **463,842** | **487,188** | **486,037** | **81,750** | **84,267** | **79,973** |
| 19 National defense | 252,748 | 273,369 | 118,286 | 124,186 | 134,675 | 135,367 | 23,964 | 23,177 | 20,907 |
| 20 International affairs | 16,176 | 14,471 | 8,550 | 6,675 | 8,367 | 5,384 | 2,603 | 1,259 | 1,986 |
| 21 General science, space, and technology | 8,627 | 9,017 | 4,473 | 4,230 | 4,727 | 12,519 | 876 | 794 | 708 |
| 22 Energy | 5,685 | 4,792 | 1,423 | 680 | 3,305 | 2,484 | 228 | 405 | 553 |
| 23 Natural resources and environment | 13,357 | 13,508 | 7,370 | 5,892 | 7,553 | 6,245 | 1,227 | 1,200 | 973 |
| 24 Agriculture | 25,565 | 31,169 | 8,524 | 11,705 | 15,412 | 14,482 | 2,801 | 3,573 | 3,162 |
| 25 Commerce and housing credit | 4,229 | 4,258 | 2,663 | −260 | 644 | 860 | 1,884 | 593 | 182 |
| 26 Transportation | 25,838 | 28,058 | 13,673 | 11,440 | 15,360 | 12,658 | 2,969 | 2,107 | 2,399 |
| 27 Community and regional development | 7,680 | 7,510 | 4,836 | 3,408 | 3,901 | 3,169 | 516 | 735 | 478 |
| 28 Education, training, employment, social services | 29,342 | 29,662 | 13,737 | 14,149 | 14,481 | 14,712 | 2,507 | 2,332 | 2,504 |
| 29 Health | 33,542 | 35,936 | 15,692 | 16,945 | 17,237 | 17,872 | 2,997 | 4,266 | 3,153 |
| 30 Social security and medicare | 254,446 | 190,850 | 119,613 | 128,351 | 129,037 | 135,214 | 22,756 | 23,700 | 22,182 |
| 31 Income security | 128,200 | 120,686 | 61,558 | 65,246 | 59,457 | 60,786 | 8,574 | 9,367 | 9,130 |
| 32 Veterans benefits and services | 26,352 | 26,614 | 13,317 | 11,956 | 14,527 | 12,193 | 829 | 3,491 | 797 |
| 33 Administration of justice | 6,277 | 6,555 | 2,992 | 3,016 | 3,212 | 3,352 | 513 | 539 | 505 |
| 34 General government | 5,228 | 6,796 | 2,552 | 2,857 | 3,634 | 3,566 | 525 | 209 | 371 |
| 35 General-purpose fiscal assistance | 6,353 | 6,430 | 3,458 | 2,659 | 3,391 | 2,179 | 1,139 | 284 | −2 |
| 36 Net interest[5] | 129,436 | 135,284 | 61,293 | 65,143 | 67,448 | 68,054 | 8,640 | 9,951 | 12,441 |
| 37 Undistributed offsetting receipts[6] | −32,759 | −33,244 | −17,061 | −14,436 | −17,953 | −17,193 | −3,796 | −3,719 | −2,455 |

1. Old-age, disability, and hospital insurance, and railroad retirement accounts.
2. Old-age, disability, and hospital insurance.
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. Net interest function includes interest received by trust funds.
6. Consists of rents and royalties on the outer continental shelf and U.S. government contributions for employee retirement.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," and the *Budget of the U.S. Government, Fiscal Year 1987.*

## 1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

| Item | 1984 Sept. 30 | 1984 Dec. 31 | 1985 Mar. 31 | 1985 June 30 | 1985 Sept. 30 | 1985 Dec. 31 | 1986 Mar. 31 | 1986 June 30 | 1986 Sept. 30 |
|---|---|---|---|---|---|---|---|---|---|
| 1 **Federal debt outstanding** | **1,576.7** | **1,667.4** | **1,715.1** | **1,779.0** | **1,827.5** | **1,950.3** | **1,991.1** | **2,063.6** | **2,129.5** |
| 2 Public debt securities | 1,572.3 | 1,663.0 | 1,710.7 | 1,774.6 | 1,823.1 | 1,945.9 | 1,986.8 | 2,059.3 | 2,125.3 |
| 3 Held by public | 1,309.2 | 1,373.4 | 1,415.2 | 1,460.5 | 1,506.6 | 1,597.1 | 1,634.3 | 1,684.9 | 1,742.4 |
| 4 Held by agencies | 263.1 | 289.6 | 295.5 | 314.2 | 316.5 | 348.9 | 352.6 | 374.4 | 382.9 |
| 5 Agency securities | 4.5 | 4.5 | 4.4 | 4.4 | 4.4 | 4.4 | 4.3 | 4.3 | 4.2 |
| 6 Held by public | 3.4 | 3.4 | 3.3 | 3.3 | 3.3 | 3.3 | 3.2 | 3.2 | 3.2 |
| 7 Held by agencies | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| 8 **Debt subject to statutory limit** | **1,573.0** | **1,663.7** | **1,711.4** | **1,775.3** | **1,823.8** | **1,932.4** | **1,973.3** | **2,060.0** | **2,111.0** |
| 9 Public debt securities | 1,571.7 | 1,662.4 | 1,710.1 | 1,774.0 | 1,822.5 | 1,931.1 | 1,972.0 | 2,058.7 | 2,109.7 |
| 10 Other debt[1] | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |
| 11 MEMO: Statutory debt limit | 1,573.0 | 1,823.8 | 1,823.8 | 1,823.8 | 1,823.8 | 2,078.7 | 2,078.7 | 2,078.7 | 2,111.0 |

1. Includes guaranteed debt of government agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

NOTE. Data from *Treasury Bulletin* and *Daily Treasury Statement* (U.S. Treasury Department).

## 1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

| Type and holder | 1981 | 1982 | 1983 | 1984 | 1985 Q4 | 1986 Q1 | 1986 Q2 | 1986 Q3 |
|---|---|---|---|---|---|---|---|---|
| 1 **Total gross public debt** | **1,028.7** | **1,197.1** | **1,410.7** | **1,663.0** | **1,945.9** | **1,986.8** | **2,059.3** | **2,125.3** |
| *By type* | | | | | | | | |
| 2 Interest-bearing debt | 1,027.3 | 1,195.5 | 1,400.9 | 1,660.6 | 1,943.4 | 1,984.2 | 2,056.7 | 2,122.7 |
| 3 Marketable | 720.3 | 881.5 | 1,050.9 | 1,247.4 | 1,437.7 | 1,472.8 | 1,498.2 | 1,564.3 |
| 4 Bills | 245.0 | 311.8 | 343.8 | 374.4 | 399.9 | 393.2 | 396.9 | 410.7 |
| 5 Notes | 375.3 | 465.0 | 573.4 | 705.1 | 812.5 | 842.5 | 869.3 | 896.9 |
| 6 Bonds | 99.9 | 104.6 | 133.7 | 167.9 | 211.1 | 223.0 | 232.3 | 241.7 |
| 7 Nonmarketable[1] | 307.0 | 314.0 | 350.0 | 413.2 | 505.7 | 511.4 | 558.5 | 558.4 |
| 8 State and local government series | 23.0 | 25.7 | 36.7 | 44.4 | 87.5 | 88.5 | 98.2 | 102.4 |
| 9 Foreign issues[2] | 19.0 | 14.7 | 10.4 | 9.1 | 7.5 | 6.7 | 5.3 | 4.1 |
| 10 Government | 14.9 | 13.0 | 10.4 | 9.1 | 7.5 | 6.7 | 5.3 | 4.1 |
| 11 Public | 4.1 | 1.7 | .0 | .0 | .0 | .0 | .0 | .0 |
| 12 Savings bonds and notes | 68.1 | 68.0 | 70.7 | 73.1 | 78.1 | 79.8 | 82.3 | 85.6 |
| 13 Government account series[3] | 196.7 | 205.4 | 231.9 | 286.2 | 332.2 | 336.0 | 372.3 | 365.9 |
| 14 Non-interest-bearing debt | 1.4 | 1.6 | 9.8 | 2.3 | 2.5 | 2.6 | 2.6 | .4 |
| *By holder*[4] | | | | | | | | |
| 15 U.S. government agencies and trust funds | 203.3 | 209.4 | 236.3 | 289.6 | 348.9 | 352.6 | 374.4 | 382.9 |
| 16 Federal Reserve Banks | 131.0 | 139.3 | 151.9 | 160.9 | 181.3 | 184.8 | 183.8 | 190.8 |
| 17 Private investors | 694.5 | 848.4 | 1,022.6 | 1,212.5 | 1,417.2 | 1,473.1 | 1,502.7 | 1,553.3 |
| 18 Commercial banks | 111.4 | 131.4 | 188.8 | 183.4 | 192.2 | 195.1 | 197.2 | 212.5 |
| 19 Money market funds | 21.5 | 42.6 | 22.8 | 25.9 | 25.1 | 29.9 | 22.8 | 24.9 |
| 20 Insurance companies | 29.0 | 39.1 | 56.7 | 76.4 | 93.2 | 95.8 | n.a. | n.a. |
| 21 Other companies | 17.9 | 24.5 | 39.7 | 50.1 | 59.0 | 59.6 | 59.8 | 67.0 |
| 22 State and local governments | 104.3 | 127.8 | 155.1 | 179.4 | n.a. | n.a. | n.a. | n.a. |
| Individuals | | | | | | | | |
| 23 Savings bonds | 68.1 | 68.3 | 71.5 | 74.5 | 79.8 | 81.4 | 83.8 | 87.1 |
| 24 Other securities | 42.7 | 48.2 | 61.9 | 69.3 | 75.0 | 76.2r | 73.9r | 69.0 |
| 25 Foreign and international[5] | 136.6 | 149.5 | 166.3 | 192.9 | 214.6 | 225.4 | 239.8r | 256.3 |
| 26 Other miscellaneous investors[6] | 163.0 | 217.0 | 259.8 | 360.6 | n.a. | n.a. | n.a. | n.a. |

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration; depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.
3. Held almost entirely by U.S. government agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Consists of investments of foreign and international accounts. Excludes non-interest-bearing notes issued to the International Monetary Fund.
6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. government deposit accounts, and U.S. government-sponsored agencies.

SOURCES. Data by type of security, U.S. Treasury Department, *Monthly Statement of the Public Debt of the United States;* data by holder, *Treasury Bulletin.*

## 1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Par value; averages of daily figures, in millions of dollars

| | Item | 1983 | 1984 | 1985 | 1986 | | | 1986 week ending Wednesday | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Sept. | Oct. | Nov. | Oct. 22[r] | Oct. 29 | Nov. 5 | Nov. 12 | Nov. 19 | Nov. 26 |
| | Immediate delivery[2] | | | | | | | | | | | | |
| 1 | U.S. government securities | 42,135 | 52,778 | 75,331 | 102,015 | 93,308[r] | 96,844 | 85,855 | 100,241 | 99,483 | 100,720 | 104,395 | 100,142 |
| | *By maturity* | | | | | | | | | | | | |
| 2 | Bills | 22,393 | 26,035 | 32,900 | 35,526 | 32,634[r] | 32,218 | 30,595 | 33,796 | 32,487 | 33,707 | 36,723 | 30,424 |
| 3 | Other within 1 year | 708 | 1,305 | 1,811 | 2,263 | 2,221 | 2,122 | 1,536 | 2,411 | 2,452 | 2,496 | 2,430 | 2,112 |
| 4 | 1–5 years | 8,758 | 11,733 | 18,361 | 29,743 | 25,480[r] | 25,954 | 24,953 | 25,672[r] | 26,187 | 25,197 | 28,717 | 27,730 |
| 5 | 5–10 years | 5,279 | 7,606 | 12,703 | 21,718 | 21,186[r] | 20,976 | 17,533 | 25,502[r] | 23,593 | 20,784 | 19,678 | 24,941 |
| 6 | Over 10 years | 4,997 | 6,099 | 9,556 | 12,766 | 11,787[r] | 15,574 | 11,238 | 12,861 | 14,765 | 18,536 | 16,847 | 14,935 |
| | *By type of customer* | | | | | | | | | | | | |
| 7 | U.S. government securities dealers | 2,257 | 2,919 | 3,336 | 4,232 | 3,905 | 3,902 | 2,747 | 3,637 | 4,972 | 4,396 | 3,552 | 3,346 |
| 8 | U.S. government securities brokers | 21,045 | 25,580 | 36,222 | 54,585 | 49,366 | 50,707 | 45,456 | 53,876 | 51,373 | 54,249 | 56,416 | 51,757 |
| 9 | All others[3] | 18,833 | 24,278 | 35,773 | 43,199 | 40,037[r] | 42,235 | 37,651 | 42,728[r] | 43,138 | 42,076 | 44,429 | 45,040 |
| 10 | Federal agency securities | 5,576 | 7,846 | 11,640 | 17,693 | 18,302 | 20,111 | 23,729 | 20,221[r] | 17,050 | 15,095 | 26,247 | 23,840 |
| 11 | Certificates of deposit | 4,333 | 4,947 | 4,016 | 4,724 | 4,372[r] | 3,861 | 3,993 | 4,221[r] | 3,759 | 3,558 | 3,641 | 4,990 |
| 12 | Bankers acceptances | 2,642 | 3,243 | 3,242 | 3,452 | 3,348 | 2,859 | 3,549 | 2,534 | 3,160 | 3,335 | 2,849 | 2,873 |
| 13 | Commercial paper | 8,036 | 10,018 | 12,717 | 16,058 | 17,078 | 16,705 | 17,401 | 17,014 | 17,558 | 17,108 | 17,074 | 17,997 |
| | Futures transactions[4] | | | | | | | | | | | | |
| 14 | Treasury bills | 6,655 | 6,947 | 5,561 | 3,056 | 1,754 | 2,801 | 2,728 | 1,361 | 2,084 | 3,172 | 3,361 | 2,682 |
| 15 | Treasury coupons | 2,501 | 4,503 | 6,069 | 7,784 | 5,416 | 6,387 | 5,307 | 5,430 | 6,247 | 6,568 | 7,016 | 6,570 |
| 16 | Federal agency securities | 265 | 262 | 240 | 4 | 0 | 11 | * | 2 | 1 | 1 | 23 | 36 |
| | Forward transactions[5] | | | | | | | | | | | | |
| 17 | U.S. government securities | 1,493 | 1,364 | 1,283 | 1,838 | 1,731[r] | 2,403 | 3,082 | 1,968 | 2,254 | 3,063 | 3,243 | 1,367 |
| 18 | Federal agency securities | 1,646 | 2,843 | 3,857 | 8,685[r] | 8,450 | 10,258 | 10,913 | 7,581 | 7,055 | 8,151 | 14,356 | 11,579 |

1. Transactions are market purchases and sales of securities as reported to the *Federal Reserve Bank of New York by the U.S. government securities dealers on* its published list of primary dealers.

Averages for transactions are based on the number of trading days in the period. The figures exclude allotments of, and exchanges for, new U.S. government securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

2. Data for immediate transactions do not include forward transactions.

3. Includes, among others, all other dealers and brokers in commodities and securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.

4. Futures contracts are standardized agreements arranged on an organized exchange in which parties commit to purchase or sell securities for delivery at a future date.

5. Forward transactions are agreements arranged in the over-the-counter market in which securities are purchased (sold) for delivery after 5 business days from the date of the transaction for government securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

NOTE. Data for the period May 1 to Sept. 30, 1986, are partially estimated.

## 1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Averages of daily figures, in millions of dollars

| Item | 1983 | 1984 | 1985 | 1986 | | | 1986 week ending Wednesday | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Sept. | Oct. | Nov. | Oct. 29 | Nov. 5 | Nov. 12 | Nov. 19 | Nov. 26 |
| | Positions | | | | | | | | | | |
| Net immediate[2] | | | | | | | | | | | |
| 1 U.S. government securities | 14,082 | 5,429 | 7,391 | 11,302 | 8,297[r] | 14,368[r] | 10,039[r] | 12,512 | 14,083 | 11,611 | 17,618 |
| 2 Bills | 10,800 | 5,500 | 10,075 | 8,676 | 11,060[r] | 14,967 | 11,633 | 15,008 | 12,667 | 13,083 | 18,338 |
| 3 Other within 1 year | 921 | 63 | 1,050 | 2,847 | 2,704 | 2,030 | 2,150 | 1,611 | 1,790 | 2,053 | 2,299 |
| 4 1–5 years | 1,912 | 2,159 | 5,154 | 11,917 | 9,676[r] | 8,419 | 10,946 | 11,493 | 11,612 | 5,870 | 6,663 |
| 5 5–10 years | −78 | −1,119 | −6,202 | −9,181 | −11,127 | −8,131 | −11,098 | −11,680 | −9,584 | −6,954 | −6,554 |
| 6 Over 10 years | 528 | −1,174 | −2,686 | −2,957 | −4,017 | −2,916 | −3,593 | −3,921 | −2,403 | −2,440 | −3,128 |
| 7 Federal agency securities | 7,313 | 15,294 | 22,860 | 30,165 | 29,066[r] | 30,257 | 28,155 | 28,593 | 29,313 | 31,296 | 30,922 |
| 8 Certificates of deposit | 5,838 | 7,369 | 9,192 | 11,289 | 9,511 | 9,956 | 8,944 | 9,933 | 9,841 | 9,307 | 10,353 |
| 9 Bankers acceptances | 3,332 | 3,874 | 4,586 | 5,665 | 5,897 | 5,244 | 5,074 | 5,445 | 5,718 | 5,290 | 4,654 |
| 10 Commercial paper | 3,159 | 3,788 | 5,570 | 8,991 | 8,302 | 9,630 | 7,250 | 9,710 | 10,862 | 9,554 | 8,380 |
| Futures positions | | | | | | | | | | | |
| 11 Treasury bills | −4,125 | −4,525 | −7,322 | −15,996 | −15,845 | −15,972 | −13,900 | −14,595 | −14,857 | −15,981 | −17,360 |
| 12 Treasury coupons | −1,033 | 1,794 | 4,465 | 4,234 | 3,424 | 4,022 | 3,132 | 2,917 | 3,801 | 4,216 | 4,360 |
| 13 Federal agency securities | 171 | 233 | −722 | −64 | −70 | −82 | −75 | −80 | −80 | −82 | −83 |
| Forward positions | | | | | | | | | | | |
| 14 U.S. government securities | −1,936 | −1,643 | −911 | −3,769 | −122[r] | −781 | 410 | 190 | −1,294 | −1,262 | −629 |
| 15 Federal agency securities | −3,561 | −9,205 | −9,420 | −10,224 | −11,322[r] | −14,622 | −11,378 | −11,323 | −13,815 | −15,408 | −15,661 |
| | Financing[3] | | | | | | | | | | |
| Reverse repurchase agreements[4] | | | | | | | | | | | |
| 16 Overnight and continuing | 29,099 | 44,078 | 68,035 | 112,717[r] | 115,847 | n.a. | 112,095[r] | 106,699 | 112,752 | 114,482 | n.a. |
| 17 Term agreements | 52,493 | 68,357 | 80,509 | 106,049[r] | 110,294 | n.a. | 111,118[r] | 117,147 | 113,195 | 114,179 | n.a. |
| Repurchase agreements[5] | | | | | | | | | | | |
| 18 Overnight and continuing | 57,946 | 75,717 | 101,410 | 148,687[r] | 150,662 | n.a. | 141,865[r] | 147,499 | 155,517 | 154,786 | n.a. |
| 19 Term agreements | 44,410 | 57,047 | 77,748 | 104,168[r] | 108,375 | n.a. | 110,059[r] | 114,015 | 105,989 | 109,099 | n.a. |

1. Data for dealer positions and sources of 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.

Data for positions are averages of daily figures, in terms of par value, based on the number of trading days in the period. Positions are net amounts and are shown on a commitment basis. Data for financing are in terms of actual amounts borrowed or lent and are based on Wednesday figures.

2. Immediate positions are net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase (RPs). The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Immediate positions include reverses to maturity, which are securities that were sold after having been obtained under reverse repurchase agreements that mature on the same day as the securities. Data for immediate positions do not include forward positions.

3. Figures cover financing involving U.S. government and federal agency securities, negotiable CDs, bankers acceptances, and commercial paper.

4. Includes all reverse repurchase agreements, including those that have been arranged to make delivery on short sales and those for which the securities obtained have been used as collateral on borrowings, that is, matched agreements.

5. Includes both repurchase agreements undertaken to finance positions and "matched book" repurchase agreements.

NOTE. Data on positions for the period May 1 to Sept. 30, 1986, are partially estimated.

## 1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

| Agency | 1983 | 1984 | 1985 | 1986 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | *May* | *June* | *July* | *Aug.* | *Sept.* | *Oct.* |
| 1 **Federal and federally sponsored agencies** | **240,068** | **271,220** | **293,905** | **294,961** | **296,226** | **298,361** | **n.a.** | **n.a.** | **n.a.** |
| 2 Federal agencies | 33,940 | 35,145 | 36,390 | 36,110 | 35,826 | 35,768 | 36,132 | 36,473 | 36,716 |
| 3 Defense Department[1] | 243 | 142 | 71 | 52 | 48 | 45 | 40 | 37 | 36 |
| 4 Export-Import Bank[2,3] | 14,853 | 15,882 | 15,678 | 15,256 | 14,953 | 14,953 | 14,953 | 14,274 | 14,274 |
| 5 Federal Housing Administration[4] | 194 | 133 | 115 | 118 | 115 | 115 | 115 | 117 | 123 |
| 6 Government National Mortgage Association participation certificates[5] | 2,165 | 2,165 | 2,165 | 2,165 | 2,165 | 2,165 | 2,165 | 2,165 | 2,165 |
| 7 Postal Service[6] | 1,404 | 1,337 | 1,940 | 1,940 | 1,854 | 1,854 | 1,854 | 3,104 | 3,104 |
| 8 Tennessee Valley Authority | 14,970 | 15,435 | 16,347 | 16,505 | 16,617 | 16,562 | 16,931 | 16,702 | 16,940 |
| 9 United States Railway Association[6] | 111 | 51 | 74 | 74 | 74 | 74 | 74 | 74 | 74 |
| 10 Federally sponsored agencies[7] | 206,128 | 236,075 | 257,515 | 258,851 | 260,400 | 262,593 | n.a. | n.a. | n.a. |
| 11 Federal Home Loan Banks | 48,930 | 65,085 | 74,447 | 78,718 | 81,558 | 83,081 | 85,997 | 87,133 | 87,146 |
| 12 Federal Home Loan Mortgage Corporation | 6,793 | 10,270 | 11,926 | 12,475 | 12,276 | 12,818 | n.a. | n.a. | n.a. |
| 13 Federal National Mortgage Association | 74,594 | 83,720 | 93,896 | 92,629 | 92,562 | 93,417 | 92,286 | 91,629 | 93,272 |
| 14 Farm Credit Banks | 72,816 | 71,193 | 68,851 | 64,629 | 63,585 | 62,857 | 61,575 | 63,073 | 63,079 |
| 15 Student Loan Marketing Association[8] | 3,402 | 5,745 | 8,395 | 10,400 | 10,419 | 10,420 | 10,420 | 10,555 | 10,791 |
| MEMO | | | | | | | | | |
| 16 **Federal Financing Bank debt**[9] | ***135,791*** | ***145,217*** | ***153,373*** | ***155,076*** | ***155,222*** | ***155,526*** | ***156,132*** | ***156,873r*** | ***157,371*** |
| *Lending to federal and federally sponsored agencies* | | | | | | | | | |
| 17 Export-Import Bank[3] | 14,789 | 15,852 | 15,670 | 15,250 | 14,947 | 14,947 | 14,947 | 14,268 | 14,268 |
| 18 Postal Service[6] | 1,154 | 1,087 | 1,690 | 1,690 | 1,604 | 1,604 | 1,604 | 2,854 | 2,854 |
| 19 Student Loan Marketing Association | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 4,970r | 4,970 |
| 20 Tennessee Valley Authority | 13,245 | 13,710 | 14,622 | 14,830 | 14,942 | 14,937 | 15,306 | 15,077 | 15,515 |
| 21 United States Railway Association[6] | 111 | 51 | 74 | 74 | 74 | 74 | 74 | 74 | 74 |
| *Other Lending*[10] | | | | | | | | | |
| 22 Farmers Home Administration | 55,266 | 58,971 | 64,234 | 64,544 | 64,924 | 65,174 | 65,274 | 65,374 | 65,374 |
| 23 Rural Electrification Administration | 19,766 | 20,693 | 20,654 | 21,154 | 21,255 | 21,321 | 21,398 | 21,460 | 21,506 |
| 24 Other | 26,460 | 29,853 | 31,429 | 32,534 | 32,476 | 32,469 | 32,529 | 32,796r | 32,810 |

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. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.
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 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: Notes, bonds, and debentures. Some data are estimated.
8. Before late 1981, the Association obtained financing through the Federal Financing Bank.
9. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.
10. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains 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 | 1983 | 1984 | 1985 | 1986 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. |
| 1 **All issues, new and refunding**[1] | **86,421** | **106,641** | **214,189** | **8,008** | **12,578** | **13,215** | **12,611** | **19,833** | **25,965** | **4,532** | **8,825** |
| *Type of issue* | | | | | | | | | | | |
| 2 General obligation | 21,566 | 26,485 | 52,622 | 2,720 | 5,459 | 7,115 | 6,326 | 6,531 | 5,931 | 1,267 | 2,104 |
| 3 Revenue | 64,855 | 80,156 | 161,567 | 5,288 | 7,120 | 6,100 | 6,285 | 13,302 | 20,034 | 3,265 | 6,721 |
| *Type of issuer* | | | | | | | | | | | |
| 4 State | 7,140 | 9,129 | 13,004 | 1,088 | 1,956 | 2,825 | 1,705 | 2,879 | 2,121 | 9 | 697 |
| 5 Special district and statutory authority[2] | 51,297 | 63,550 | 134,363 | 4,383 | 7,350 | 6,427 | 6,351 | 10,589 | 15,714 | 3,275 | 5,757 |
| 6 Municipalities, counties, townships | 27,984 | 33,962 | 66,822 | 2,537 | 3,273 | 3,962 | 4,554 | 6,365 | 8,125 | 1,248 | 2,371 |
| 7 **Issues for new capital, total** | **72,441** | **94,050** | **156,050** | **3,314** | **6,938** | **7,155** | **8,178** | **13,165** | **17,810** | **2,558** | **3,789** |
| *Use of proceeds* | | | | | | | | | | | |
| 8 Education | 8,099 | 7,553 | 16,658 | 624 | 1,706 | 1,827 | 1,694 | 2,800 | 2,926 | 558 | 928 |
| 9 Transportation | 4,387 | 7,552 | 12,070 | 795 | 815 | 273 | 947 | 3,164 | 1,460 | 827 | 1,195 |
| 10 Utilities and conservation | 13,588 | 17,844 | 26,852 | 4,082 | 4,554 | 3,450 | 1,583 | 4,425 | 6,292 | 1,365 | 2,396 |
| 11 Social welfare | 26,910 | 29,928 | 63,181 | 337 | 579 | 1,424 | 1,518 | 1,186 | 2,554 | 812 | 2,098 |
| 12 Industrial aid | 7,821 | 15,415 | 12,892 | 37 | 313 | 264 | 255 | 975 | 489 | 138 | 499 |
| 13 Other purposes | 11,637 | 15,758 | 24,398 | 2,132 | 4,610 | 5,978 | 6,614 | 7,281 | 12,245 | 832 | 1,708 |

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts beginning April 1986.

SOURCES. Securities Data Company beginning April 1986. Public Securities Association for earlier data. This new data source began with the November BULLETIN.

## 1.46 NEW SECURITY ISSUES Corporations

Millions of dollars

| Type of issue or issuer, or use | 1983 | 1984 | 1985 | 1986 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Mar. | Apr. | May | June | July | Aug. | Sept.[r] | Oct. |
| 1 **All issues**[1] | **119,949** | **132,531** | **201,269** | **30,444** | **33,489** | **19,564** | **25,776** | **21,093** | **24,245** | **16,093** | **28,230** |
| 2 **Bonds**[2] | **68,370** | **109,903** | **165,754** | **24,923** | **27,883** | **13,050** | **20,756** | **16,766** | **18,481** | **12,830** | **23,295** |
| *Type of offering* | | | | | | | | | | | |
| 3 Public | 47,244 | 73,579 | 119,559 | 24,923 | 27,883 | 13,050 | 20,756 | 16,766 | 18,481 | 12,830 | 23,295 |
| 4 Private placement | 21,126 | 36,324 | 46,195 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| *Industry group* | | | | | | | | | | | |
| 5 Manufacturing | 17,001 | 24,607 | 52,228 | 8,895 | 7,975 | 3,939 | 5,368 | 2,535 | 4,536 | 2,345 | 2,055 |
| 6 Commercial and miscellaneous | 7,540 | 13,726 | 15,215 | 790 | 2,640 | 1,776 | 2,206 | 3,410 | 1,045 | 1,405 | 1,092 |
| 7 Transportation | 3,833 | 4,694 | 5,743 | 303 | 614 | 427 | 250 | 497 | 550 | 375 | 170 |
| 8 Public utility | 9,125 | 10,679 | 12,957 | 2,133 | 3,330 | 1,709 | 1,948 | 1,470 | 2,098 | 1,915 | 2,537 |
| 9 Communication | 3,642 | 2,997 | 10,456 | 1,907 | 3,115 | 712 | 810 | 465 | 1,615 | 417 | 1,255 |
| 10 Real estate and financial | 27,227 | 53,199 | 69,157 | 10,895 | 10,210 | 4,487 | 10,174 | 8,389 | 8,638 | 6,373 | 16,185 |
| 11 **Stocks**[3] | **51,579** | **22,628** | **35,515** | **5,521** | **5,606** | **6,514** | **5,020** | **4,327** | **5,764** | **3,263** | **4,935** |
| *Type* | | | | | | | | | | | |
| 12 Preferred | 7,213 | 4,118 | 6,505 | 1,160 | 751 | 856 | 1,284 | 726 | 1,290 | 402 | 727 |
| 13 Common | 44,366 | 18,510 | 29,010 | 4,361 | 4,855 | 5,658 | 3,736 | 3,601 | 4,474 | 2,861 | 4,208 |
| *Industry group* | | | | | | | | | | | |
| 14 Manufacturing | 14,135 | 4,054 | 5,700 | 851 | 1,434 | 1,827 | 1,132 | 746 | 982 | 250 | 701 |
| 15 Commercial and miscellaneous | 13,112 | 6,277 | 9,149 | 607 | 910 | 953 | 421 | 917 | 803 | 1,009 | 1,217 |
| 16 Transportation | 2,729 | 589 | 1,544 | 355 | 158 | 372 | 154 | 179 | 57 | 28 | 511 |
| 17 Public utility | 5,001 | 1,624 | 1,966 | 357 | 165 | 346 | 406 | 305 | 208 | 174 | 410 |
| 18 Communication | 1,822 | 419 | 978 | 0 | 27 | 74 | 140 | 107 | 379 | 0 | 59 |
| 19 Real estate and financial | 14,780 | 9,665 | 16,178 | 3,351 | 2,912 | 2,942 | 2,767 | 2,073 | 3,335 | 1,802 | 2,037 |

1. Figures, which represent gross proceeds of issues maturing in more than one year, sold for cash in the United States, are principal amount or number of units multiplied by offering price. Excludes offerings of less than $100,000, secondary offerings, undefined or exempted issues as defined in the Securities Act of 1933, employee stock plans, investment companies other than closed-end, intracorporate transactions, and sales to foreigners.
2. Monthly data include only public offerings.
3. Beginning in August 1981, gross stock offerings include new equity volume from swaps of debt for equity.

SOURCES. IDD Information Services, Inc., Securities and Exchange Commission and the Board of Governors of the Federal Reserve System.

## 1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

| Item | 1984 | 1985 | 1986 Mar. | Apr. | May | June | July | Aug. | Sept.^r | Oct. |
|---|---|---|---|---|---|---|---|---|---|---|
| INVESTMENT COMPANIES[1] | | | | | | | | | | |
| 1 Sales of own shares[2] | 107,480 | 222,670 | 33,764 | 37,656 | 31,251 | 30,619 | 35,684 | 32,636 | 34,690 | 37,095 |
| 2 Redemptions of own shares[3] | 77,032 | 132,440 | 15,085 | 21,699 | 16,706 | 18,921 | 21,508 | 20,102 | 21,338 | 20,808 |
| 3 Net sales | 30,448 | 90,230 | 18,679 | 15,957 | 14,545 | 11,698 | 14,176 | 12,534 | 13,352 | 16,287 |
| 4 Assets[4] | 137,126 | 251,695 | 315,245 | 329,684 | 343,926 | 356,040 | 360,050 | 387,547 | 381,872 | 402,516 |
| 5 Cash position[5] | 12,181 | 20,607 | 27,639 | 29,599 | 28,184 | 28,083 | 28,080 | 28,682 | 29,540 | 30,954 |
| 6 Other | 124,945 | 231,088 | 287,606 | 300,085 | 315,742 | 327,957 | 331,970 | 358,865 | 352,332 | 371,562 |

1. Excluding money market funds.
2. Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities.
5. Also includes all U.S. government securities and other short-term debt securities.

NOTE. Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

## 1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

| Account | 1983 | 1984 | 1985 | 1984 Q4 | 1985 Q1 | 1985 Q2 | 1985 Q3 | 1985 Q4 | 1986^r Q1 | 1986^r Q2 | 1986^r Q3 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Corporate profits with inventory valuation and capital consumption adjustment | 213.7 | 264.7 | 280.6 | 265.0 | 266.4 | 274.3 | 296.3 | 285.6 | 296.4 | 293.1 | 302.0 |
| 2 Profits before tax | 207.6 | 235.7 | 223.1 | 221.9 | 213.8 | 213.8 | 229.2 | 235.8 | 222.5 | 227.7 | 240.4 |
| 3 Profits tax liability | 77.2 | 95.4 | 91.8 | 87.8 | 87.8 | 87.1 | 95.8 | 96.4 | 95.7 | 99.0 | 104.4 |
| 4 Profits after tax | 130.4 | 140.3 | 131.4 | 134.1 | 126.0 | 126.7 | 133.4 | 139.4 | 126.9 | 128.8 | 135.9 |
| 5 Dividends | 71.5 | 78.3 | 81.6 | 80.1 | 80.9 | 81.4 | 81.6 | 82.5 | 85.2 | 87.5 | 88.8 |
| 6 Undistributed profits | 58.8 | 62.0 | 49.8 | 54.0 | 45.1 | 45.3 | 51.8 | 57.0 | 41.7 | 41.2 | 47.2 |
| 7 Inventory valuation | -10.9 | -5.5 | -.6 | -1.6 | -.5 | 1.6 | 6.1 | -9.4 | 16.5 | 10.6 | 6.1 |
| 8 Capital consumption adjustment | 17.0 | 34.5 | 58.1 | 44.7 | 53.2 | 58.9 | 61.0 | 59.2 | 57.3 | 54.8 | 55.5 |

SOURCE. *Survey of Current Business* (Department of Commerce).

## 1.49 NONFINANCIAL CORPORATIONS Assets and Liabilities

Billions of dollars, except for ratio

| Account | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | | | | 1986 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Q1 | Q2 | Q3 | Q4 | Q1 |
| 1 **Current assets** | **1,328.3** | **1,419.6** | **1,437.1** | **1,575.9** | **1,703.0** | **1,722.7** | **1,734.6** | **1,763.0** | **1,784.6** | **1,795.7** |
| 2 Cash | 127.0 | 135.6 | 147.8 | 171.8 | 173.6 | 167.5 | 167.1 | 176.3 | 189.2 | 195.3 |
| 3 U.S. government securities | 18.7 | 17.7 | 23.0 | 31.0 | 36.2 | 35.7 | 35.4 | 32.6 | 33.0 | 31.0 |
| 4 Notes and accounts receivable | 507.5 | 532.5 | 517.4 | 583.0 | 633.1 | 650.3 | 654.1 | 661.0 | 671.5 | 663.4 |
| 5 Inventories | 543.0 | 584.0 | 579.0 | 603.4 | 656.9 | 665.7 | 666.7 | 675.0 | 666.0 | 679.6 |
| 6 Other | 132.1 | 149.7 | 169.8 | 186.7 | 203.2 | 203.5 | 211.2 | 218.0 | 224.9 | 226.3 |
| 7 **Current liabilities** | **890.6** | **971.3** | **986.0** | **1,059.6** | **1,163.6** | **1,174.1** | **1,182.9** | **1,211.9** | **1,233.6** | **1,222.3** |
| 8 Notes and accounts payable | 514.4 | 547.1 | 550.7 | 595.7 | 647.8 | 636.9 | 651.7 | 670.4 | 682.7 | 668.4 |
| 9 Other | 376.2 | 424.1 | 435.3 | 463.9 | 515.8 | 537.1 | 531.2 | 541.5 | 550.9 | 553.9 |
| 10 **Net working capital** | **437.8** | **448.3** | **451.1** | **516.3** | **539.5** | **548.6** | **551.7** | **551.1** | **551.0** | **573.4** |
| 11 MEMO: Current ratio[1] | 1.492 | 1.462 | 1.458 | 1.487 | 1.464 | 1.467 | 1.466 | 1.455 | 1.447 | 1.469 |

1. Ratio of total current assets to total current liabilities.

NOTE. For a description of this series, see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533–37.

All data in this table reflect the most current benchmarks. Complete data are available upon request from the Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SOURCE. Federal Trade Commission and Bureau of the Census.

## 1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

| Industry | 1984 | 1985 | 1986[1,r] | 1985 | | | 1986 | | | | 1987 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Q2 | Q3 | Q4 | Q1 | Q2 | Q3[1] | Q4 | Q1[1] |
| 1 **Total nonfarm business** | **354.44** | **387.13** | **380.69** | **387.86** | **389.23** | **397.88** | **377.94** | **375.92** | **374.55** | **394.34** | **386.82** |
| *Manufacturing* | | | | | | | | | | | |
| 2 Durable goods industries | 66.24 | 73.27 | 69.96 | 74.34 | 72.99 | 75.47 | 68.01 | 68.33 | 69.31 | 74.17 | 67.86 |
| 3 Nondurable goods industries | 72.58 | 80.21 | 74.81 | 79.91 | 81.48 | 82.79 | 76.02 | 73.35 | 69.89 | 80.00 | 73.36 |
| *Nonmanufacturing* | | | | | | | | | | | |
| 4 Mining | 16.86 | 15.88 | 11.24 | 16.56 | 15.89 | 15.25 | 12.99 | 11.22 | 10.15 | 10.62 | 10.36 |
| Transportation | | | | | | | | | | | |
| 5 Railroad | 6.79 | 7.08 | 6.72 | 7.38 | 7.79 | 6.74 | 6.22 | 6.77 | 7.31 | 6.60 | 6.37 |
| 6 Air | 3.56 | 4.79 | 6.04 | 3.71 | 5.17 | 6.07 | 6.58 | 5.77 | 5.69 | 6.12 | 7.22 |
| 7 Other | 6.17 | 6.15 | 5.87 | 6.35 | 5.85 | 6.34 | 5.42 | 5.74 | 6.03 | 6.30 | 6.26 |
| Public utilities | | | | | | | | | | | |
| 8 Electric | 37.03 | 36.11 | 33.96 | 36.00 | 35.58 | 36.38 | 34.21 | 33.81 | 33.91 | 33.91 | 33.34 |
| 9 Gas and other | 10.44 | 12.71 | 12.57 | 12.61 | 12.86 | 13.41 | 12.82 | 12.74 | 11.99 | 12.72 | 12.97 |
| 10 Commercial and other[2] | 134.75 | 150.93 | 159.50 | 150.99 | 151.62 | 155.42 | 155.67 | 158.18 | 160.25 | 163.91 | 169.08 |

▲Trade and services are no longer being reported separately. They are included in Commercial and other, line 10.

1. Anticipated by business.

2. "Other" consists of construction; wholesale and retail trade; finance and insurance; personal and business services; and communication.

SOURCE. *Survey of Current Business* (Department of Commerce).

## 1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

| Account | 1982 | 1983 | 1984 | 1985 | | | | 1986 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| ASSETS | | | | | | | | | | |
| Accounts receivable, gross | | | | | | | | | | |
| 1 Consumer | 78.1 | 87.4 | 96.7 | 99.1 | 106.0 | 116.4 | 120.8 | 125.5 | 134.7 | 146.7 |
| 2 Business | 101.4 | 113.4 | 135.2 | 142.1 | 144.6 | 141.4 | 152.8 | 159.7 | 160.3 | 152.7 |
| 3 Real estate | 20.2 | 22.5 | 26.3 | 27.2 | 28.4 | 29.0 | 30.4 | 31.5 | 32.4 | 33.8 |
| 4 Total | 199.7 | 223.4 | 258.3 | 268.5 | 279.0 | 286.5 | 304.0 | 316.7 | 327.5 | 333.2 |
| *Less:* | | | | | | | | | | |
| 5 Reserves for unearned income | 31.9 | 33.0 | 36.5 | 36.6 | 38.6 | 41.0 | 40.9 | 41.3 | 41.8 | 43.6 |
| 6 Reserves for losses | 3.5 | 4.0 | 4.4 | 4.9 | 4.8 | 4.9 | 5.0 | 5.1 | 5.2 | 5.5 |
| 7 Accounts receivable, net | 164.3 | 186.4 | 217.3 | 227.0 | 235.6 | 240.6 | 258.1 | 270.3 | 280.4 | 284.1 |
| 8 All other | 30.7 | 34.0 | 35.4 | 35.9 | 39.5 | 46.3 | 46.8 | 50.6 | 52.1 | 63.1 |
| 9 **Total assets** | **195.0** | **220.4** | **252.7** | **262.9** | **275.2** | **286.9** | **304.9** | **321.0** | **332.5** | **347.2** |
| LIABILITIES | | | | | | | | | | |
| 10 Bank loans | 18.3 | 18.7 | 21.3 | 19.8 | 18.5 | 18.2 | 21.0 | 20.4 | 22.9 | 25.3 |
| 11 Commercial paper | 51.1 | 59.7 | 72.5 | 79.1 | 82.6 | 93.6 | 96.9 | 102.0 | 106.4 | 110.6 |
| Debt | | | | | | | | | | |
| 12 Other short-term | 12.7 | 13.9 | 16.2 | 16.8 | 16.6 | 16.6 | 17.2 | 18.5 | 20.9 | 21.6 |
| 13 Long-term | 64.4 | 68.1 | 77.2 | 78.3 | 85.7 | 86.4 | 93.0 | 100.0 | 101.8 | 105.3 |
| 14 All other liabilities | 21.2 | 30.1 | 33.1 | 35.4 | 36.9 | 36.6 | 39.6 | 41.4 | 40.4 | 43.2 |
| 15 Capital, surplus, and undivided profits | 27.4 | 29.8 | 32.3 | 33.5 | 34.8 | 35.7 | 37.1 | 38.8 | 40.2 | 41.3 |
| 16 **Total liabilities and capital** | **195.0** | **220.4** | **252.7** | **262.9** | **275.2** | **286.9** | **304.9** | **321.0** | **332.5** | **347.2** |

NOTE. *Components may not add to totals due to rounding.*
These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

## 1.52 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

| Type | Accounts receivable outstanding Oct. 31, 1986[1] | *Changes in accounts receivable* | | | *Extensions* | | | *Repayments* | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 1986 | | | 1986 | | | 1986 | | |
| | | Aug. | Sept. | Oct. | Aug. | Sept. | Oct. | Aug. | Sept. | Oct. |
| 1 **Total** | **158,739** | **190** | **−6,552** | **5,751** | **28,014** | **26,662** | **32,469** | **27,824** | **33,214** | **26,718** |
| *Retail financing of installment sales* | | | | | | | | | | |
| 2 Automotive (commercial vehicles) | 18,350 | 291 | 1,290 | 281 | 1,302 | 2,299 | 1,359 | 1,011 | 1,009 | 1,078 |
| 3 Business, industrial, and farm equipment | 20,113 | −91 | −212 | 11 | 786 | 986 | 965 | 876 | 1,197 | 954 |
| Wholesale financing | | | | | | | | | | |
| 4 Automotive | 20,727 | 127 | −9,172 | 4,592 | 10,220 | 7,536 | 13,818 | 10,093 | 16,708 | 9,226 |
| 5 Equipment | 4,781 | −44 | 36 | 134 | 845 | 829 | 715 | 889 | 793 | 581 |
| 6 All other | 7,709 | 33 | 113 | 149 | 1,703 | 1,881 | 2,043 | 1,669 | 1,768 | 1,893 |
| Leasing | | | | | | | | | | |
| 7 Automotive | 16,610 | 185 | 549 | 248 | 892 | 1,075 | 1,018 | 707 | 526 | 770 |
| 8 Equipment | 40,606 | 22 | 286 | −10 | 1,540 | 1,574 | 1,770 | 1,518 | 1,289 | 1,780 |
| 9 Loans on commercial accounts receivable and factored commercial accounts receivable | 16,850 | −307 | 539 | −267 | 9,429 | 9,298 | 9,201 | 9,735 | 8,760 | 9,468 |
| 10 All other business credit | 12,993 | −27 | 19 | 613 | 1,298 | 1,183 | 1,580 | 1,325 | 1,164 | 966 |

1. Not seasonally adjusted.

NOTE. These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

## 1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

| Item | 1983 | 1984 | 1985 | 1986 May | June | July | Aug. | Sept. | Oct. | Nov. |
|---|---|---|---|---|---|---|---|---|---|---|
| | Terms and yields in primary and secondary markets | | | | | | | | | |
| PRIMARY MARKETS | | | | | | | | | | |
| **Conventional mortgages on new homes** | | | | | | | | | | |
| *Terms*[1] | | | | | | | | | | |
| 1 Purchase price (thousands of dollars) | 92.8 | 96.8 | 104.1 | 114.7 | 122.1 | 115.7 | 117.9 | 124.0 | 127.5r | 122.6 |
| 2 Amount of loan (thousands of dollars) | 69.5 | 73.7 | 77.4 | 83.0 | 88.0 | 83.4 | 84.8 | 90.4 | 93.9r | 91.9 |
| 3 Loan/price ratio (percent) | 77.1 | 78.7 | 77.1 | 74.7 | 74.9 | 73.9 | 74.5 | 75.2 | 75.6 | 76.5 |
| 4 Maturity (years) | 26.7 | 27.8 | 26.9 | 25.8 | 26.6 | 26.2 | 26.5 | 27.1 | 27.9r | 27.4 |
| 5 Fees and charges (percent of loan amount)[2] | 2.40 | 2.64 | 2.53 | 2.19 | 2.40 | 2.35 | 2.40 | 2.49 | 2.66r | 2.69 |
| 6 Contract rate (percent per annum) | 12.20 | 11.87 | 11.12 | 9.84 | 9.74 | 9.89 | 9.84 | 9.74 | 9.57r | 9.46 |
| *Yield (percent per annum)* | | | | | | | | | | |
| 7 FHLBB series[3] | 12.66 | 12.37 | 11.58 | 10.22 | 10.15 | 10.30 | 10.26 | 10.17 | 10.02r | 9.93 |
| 8 HUD series[4] | 13.43 | 13.80 | 12.28 | 10.32 | 10.38 | 10.28 | 9.88 | 9.96 | 9.89 | n.a. |
| SECONDARY MARKETS | | | | | | | | | | |
| *Yield (percent per annum)* | | | | | | | | | | |
| 9 FHA mortgages (HUD series)[5] | 13.11 | 13.81 | 12.24 | 10.07 | 9.98 | 10.01 | 9.80 | 9.90 | 9.80 | n.a. |
| 10 GNMA securities[6] | 12.25 | 13.13 | 11.61 | 9.23 | 9.57 | 9.31 | 9.11 | 9.17 | 9.06 | 8.83 |
| | Activity in secondary markets | | | | | | | | | |
| FEDERAL NATIONAL MORTGAGE ASSOCIATION | | | | | | | | | | |
| *Mortgage holdings (end of period)* | | | | | | | | | | |
| 11 Total | 74,847 | 83,339 | 94,574 | 98,096 | 97,295 | 97,255 | 96,675 | 97,717 | 98,402 | 98,210 |
| 12 FHA/VA-insured | 37,393 | 35,148 | 34,244 | 32,558 | 31,241 | 30,766 | 28,451 | 26,658 | 25,435 | 24,300 |
| 13 Conventional | 37,454 | 48,191 | 60,331 | 65,538 | 66,054 | 66,489 | 68,224 | 71,059 | 72,967 | 73,910 |
| *Mortgage transactions (during period)* | | | | | | | | | | |
| 14 Purchases | 17,554 | 16,721 | 21,510 | 1,978 | 3,000 | 3,343 | 3,800 | 4,649 | 3,784 | 2,549 |
| 15 Sales | 3,528 | 978 | 1,301 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| *Mortgage commitments*[7] | | | | | | | | | | |
| 16 Contracted (during period) | 18,607 | 21,007 | 20,155 | 3,538 | 3,049 | 3,270 | 3,840 | 4,248 | 2,375 | 1,811 |
| 17 Outstanding (end of period) | 5,461 | 6,384 | 3,402 | 8,444 | 7,862 | 7,706 | 7,671 | 7,252 | 5,740 | 4,625 |
| FEDERAL HOME LOAN MORTGAGE CORPORATION | | | | | | | | | | |
| *Mortgage holdings (end of period)*[8] | | | | | | | | | | |
| 18 Total | 5,996 | 9,283 | 12,399 | 14,302 | 14,194 | 13,795 | 14,010 | | | |
| 19 FHA/VA | 974 | 910 | 841 | 769 | 742 | 692 | 688 | | | |
| 20 Conventional | 5,022 | 8,373 | 11,558 | 13,533 | 13,452 | 13,103 | 13,322 | | | |
| *Mortgage transactions (during period)* | | | | | | | | | | |
| 21 Purchases | 23,089 | 21,886 | 44,012 | 8,947 | 10,505 | 8,518 | 10,458 | n.a. | n.a. | n.a. |
| 22 Sales | 19,686 | 18,506 | 38,905 | 7,354 | 9,588 | 8,113 | 10,132 | | | |
| *Mortgage commitments*[9] | | | | | | | | | | |
| 23 Contracted (during period) | 32,852 | 32,603 | 48,989 | 10,612 | 10,338 | 7,863 | 13,707 | | | |
| 24 Outstanding (end of period) | 16,964 | 13,318 | 16,613 | n.a. | n.a. | n.a. | n.a. | | | |

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month. Large monthly movements in average yields may reflect market adjustments to changes in maximum permissable contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are averages of Friday figures from the *Wall Street Journal*.
7. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
8. Includes participation as well as whole loans.
9. Includes conventional and government-underwritten loans. FHLMC's mortgage commitments and mortgage transactions include activity under mortgage/securities swap programs, while the corresponding data for FNMA exclude swap activity.

## 1.54 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

| Type of holder, and type of property | 1983 | 1984 | 1985 | 1985 | | 1986 | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Q3 | Q4 | Q1 | Q2 | Q3 |
| 1 **All holders** | **1,813,856** | **2,034,602** | **2,266,267** | **2,200,561** | **2,266,267** | **2,315,038** | **2,381,232** | **2,456,496r** |
| 2 1- to 4-family | 1,189,822 | 1,318,888 | 1,466,117 | 1,425,357 | 1,466,117 | 1,493,772 | 1,541,478 | 1,595,308r |
| 3 Multifamily | 160,805 | 185,414 | 213,817 | 203,626 | 213,817 | 221,508 | 228,255 | 236,094r |
| 4 Commercial | 350,389 | 418,300 | 480,718 | 463,272 | 480,718 | 495,865 | 509,873 | 524,947r |
| 5 Farm | 112,840 | 112,000 | 105,615 | 108,306 | 105,615 | 103,893 | 101,626 | 100,147r |
| 6 Selected financial institutions | 1,130,781 | 1,272,206 | 1,392,084 | 1,357,483 | 1,392,084 | 1,410,541 | 1,437,054 | 1,463,625r |
| 7 Commercial banks[1] | 330,521 | 379,498 | 429,386 | 415,599 | 429,386 | 441,293 | 456,146 | 472,048 |
| 8 1- to 4-family | 182,514 | 196,163 | 213,624 | 209,119 | 213,624 | 216,580 | 222,144 | 228,471 |
| 9 Multifamily | 18,410 | 20,264 | 23,374 | 22,254 | 23,374 | 25,310 | 26,306 | 27,709 |
| 10 Commercial | 120,210 | 152,894 | 181,031 | 173,190 | 181,031 | 187,606 | 195,459 | 203,217 |
| 11 Farm | 9,387 | 10,177 | 11,357 | 11,036 | 11,357 | 11,797 | 12,237 | 12,651 |
| 12 Savings banks | 131,940 | 154,441 | 177,263 | 174,427 | 177,263 | 188,154 | 203,238 | 214,156r |
| 13 1- to 4-family | 93,649 | 107,302 | 121,879 | 119,952 | 121,879 | 131,381 | 142,215 | 148,010r |
| 14 Multifamily | 17,247 | 19,817 | 23,329 | 22,604 | 23,329 | 23,980 | 26,549 | 28,467r |
| 15 Commercial | 21,016 | 27,291 | 31,973 | 31,757 | 31,973 | 32,707 | 34,370 | 37,590r |
| 16 Farm | 28 | 31 | 82 | 114 | 82 | 86 | 104 | 89r |
| 17 Savings and loan associations | 494,789 | 555,277 | 583,236 | 573,682 | 583,236 | 574,732 | 565,205 | 558,409 |
| 18 1- to 4-family | 387,924 | 421,489 | 432,422 | 425,596 | 432,422 | 420,073 | 413,952 | 408,584 |
| 19 Multifamily | 44,333 | 55,750 | 66,410 | 62,390 | 66,410 | 67,140 | 65,966 | 65,902 |
| 20 Commercial | 62,403 | 77,605 | 83,798 | 85,061 | 83,798 | 86,860 | 84,755 | 83,409 |
| 21 Farm | 129 | 433 | 606 | 635 | 606 | 659 | 532 | 514 |
| 22 Life insurance companies | 150,999 | 156,699 | 171,797 | 164,760 | 171,797 | 174,823 | 180,041 | 185,241 |
| 23 1- to 4-family | 15,319 | 14,120 | 12,381 | 13,454 | 12,381 | 12,605 | 12,608 | 12,958 |
| 24 Multifamily | 19,107 | 18,938 | 19,894 | 19,074 | 19,894 | 20,009 | 20,181 | 20,981 |
| 25 Commercial | 103,831 | 111,175 | 127,670 | 120,183 | 127,670 | 130,569 | 135,924 | 140,124 |
| 26 Farm | 12,742 | 12,466 | 11,852 | 12,049 | 11,852 | 11,640 | 11,328 | 11,178 |
| 27 Finance companies[2] | 22,532 | 26,291 | 30,402 | 29,015 | 30,402 | 31,539 | 32,424 | 33,771 |
| 28 Federal and related agencies | 148,328 | 158,993 | 166,928 | 166,248 | 166,928 | 165,041 | 161,398 | 159,879r |
| 29 Government National Mortgage Association | 3,395 | 2,301 | 1,473 | 1,640 | 1,473 | 1,533 | 876 | 826 |
| 30 1- to 4-family | 630 | 585 | 539 | 552 | 539 | 527 | 49 | 44 |
| 31 Multifamily | 2,765 | 1,716 | 934 | 1,088 | 934 | 1,006 | 827 | 782 |
| 32 Farmers Home Administration | 2,141 | 1,276 | 733 | 577 | 733 | 704 | 570 | 457 |
| 33 1- to 4-family | 1,159 | 213 | 183 | 185 | 183 | 217 | 146 | 132 |
| 34 Multifamily | 173 | 119 | 113 | 139 | 113 | 33 | 66 | 57 |
| 35 Commercial | 409 | 497 | 159 | 72 | 159 | 217 | 111 | 115 |
| 36 Farm | 400 | 447 | 278 | 181 | 278 | 237 | 247 | 153 |
| 37 Federal Housing and Veterans Administration | 4,894 | 4,816 | 4,920 | 4,918 | 4,920 | 4,964 | 5,094 | 4,966 |
| 38 1- to 4-family | 1,893 | 2,048 | 2,254 | 2,251 | 2,254 | 2,309 | 2,449 | 2,331 |
| 39 Multifamily | 3,001 | 2,768 | 2,666 | 2,667 | 2,666 | 2,655 | 2,645 | 2,635 |
| 40 Federal National Mortgage Association | 78,256 | 87,940 | 98,282 | 96,769 | 98,282 | 98,795 | 97,295 | 97,717 |
| 41 1- to 4-family | 73,045 | 82,175 | 91,966 | 90,590 | 91,966 | 92,315 | 90,460 | 90,508 |
| 42 Multifamily | 5,211 | 5,765 | 6,316 | 6,179 | 6,316 | 6,480 | 6,835 | 7,209 |
| 43 Federal Land Banks | 52,010 | 52,261 | 47,498 | 49,255 | 47,498 | 45,422 | 43,369 | 42,119r |
| 44 1- to 4-family | 3,081 | 3,074 | 2,798 | 2,895 | 2,798 | 2,673 | 2,552 | 2,478r |
| 45 Farm | 48,929 | 49,187 | 44,700 | 46,360 | 44,700 | 42,749 | 40,817 | 39,641r |
| 46 Federal Home Loan Mortgage Corporation | 7,632 | 10,399 | 14,022 | 13,089 | 14,022 | 13,623 | 14,194 | 13,794 |
| 47 1- to 4-family | 7,559 | 9,654 | 11,881 | 11,457 | 11,881 | 12,231 | 11,890 | 10,890 |
| 48 Multifamily | 73 | 745 | 2,141 | 1,632 | 2,141 | 1,392 | 2,304 | 2,904 |
| 49 Mortgage pools or trusts[3] | 285,073 | 332,057 | 415,042 | 388,948 | 415,042 | 440,701 | 475,615 | 520,675 |
| 50 Government National Mortgage Association | 159,850 | 179,981 | 212,145 | 201,026 | 212,145 | 220,348 | 229,204 | 241,230 |
| 51 1- to 4-family | 155,950 | 175,589 | 207,198 | 196,198 | 207,198 | 215,148 | 223,838 | 235,582 |
| 52 Multifamily | 3,900 | 4,392 | 4,947 | 4,828 | 4,947 | 5,200 | 5,366 | 5,648 |
| 53 Federal Home Loan Mortgage Corporation | 57,895 | 70,822 | 100,387 | 91,915 | 100,387 | 110,337 | 125,903 | 144,825 |
| 54 1- to 4-family | 57,273 | 70,253 | 99,515 | 90,997 | 99,515 | 108,020 | 123,676 | 142,638 |
| 55 Multifamily | 622 | 569 | 872 | 918 | 872 | 2,317 | 2,227 | 2,187 |
| 56 Federal National Mortgage Association | 25,121 | 36,215 | 54,987 | 48,769 | 54,987 | 62,310 | 72,377 | 86,359 |
| 57 1- to 4-family | 25,121 | 35,965 | 54,036 | 47,857 | 54,036 | 61,117 | 71,153 | 85,171 |
| 58 Multifamily | n.a. | 250 | 951 | 912 | 951 | 1,193 | 1,224 | 1,188 |
| 59 Farmers Home Administration | 42,207 | 45,039 | 47,523 | 47,238 | 47,523 | 47,706 | 48,131 | 48,261 |
| 60 1- to 4-family | 20,404 | 21,813 | 22,186 | 22,090 | 22,186 | 22,082 | 21,987 | 21,782 |
| 61 Multifamily | 5,090 | 5,841 | 6,675 | 6,415 | 6,675 | 6,943 | 7,170 | 7,353 |
| 62 Commercial | 7,351 | 7,559 | 8,190 | 8,192 | 8,190 | 8,150 | 8,347 | 8,409 |
| 63 Farm | 9,362 | 9,826 | 10,472 | 10,541 | 10,472 | 10,531 | 10,627 | 10,717 |
| 64 Individuals and others[4] | 249,674 | 271,346 | 292,213 | 287,882 | 292,213 | 298,755 | 307,165 | 312,317r |
| 65 1- to 4-family | 141,769 | 152,154 | 162,853 | 163,149 | 162,853 | 164,955 | 169,935 | 171,958 |
| 66 Multifamily | 40,873 | 48,480 | 55,195 | 52,526 | 55,195 | 57,850 | 60,589 | 63,072 |
| 67 Commercial | 35,169 | 41,279 | 47,897 | 44,817 | 47,897 | 49,756 | 50,907 | 52,083 |
| 68 Farm | 31,863 | 29,433 | 26,268 | 27,390 | 26,268 | 26,194 | 25,734 | 25,204r |

1. Includes loans held by nondeposit trust companies but not bank trust departments.
2. Assumed to be entirely 1- to 4-family loans.
3. Outstanding principal balances of mortgage pools backing securities insured or guaranteed by the agency indicated.
4. 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 other U.S. agencies.

NOTE. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

## 1.55 CONSUMER INSTALLMENT CREDIT[1,4] Total Outstanding, and Net Change, seasonally adjusted

Millions of dollars

| Holder, and type of credit | 1984 | 1985 | 1986 Feb. | Mar. | Apr. | May | June | July | Aug. | Sept.[r] | Oct. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Amounts outstanding (end of period) | | | | | | | | |
| 1 **Total** | **453,580** | **535,098** | **547,852** | **550,939** | **555,810** | **562,267** | **567,653** | **573,216** | **576,609** | **584,334** | **591,117** |
| *By major holder* | | | | | | | | | | | |
| 2 Commercial banks | 209,158 | 240,796 | 244,761 | 245,172 | 247,498 | 248,681 | 249,753 | 251,197 | 251,908 | 253,329 | 255,766 |
| 3 Finance companies[2] | 96,126 | 120,095 | 126,001 | 127,422 | 128,728 | 131,172 | 134,933 | 137,197 | 138,938 | 144,559 | 146,862 |
| 4 Credit unions | 66,544 | 75,127 | 76,431 | 76,953 | 77,957 | 78,474 | 79,095 | 80,130 | 80,622 | 81,374 | 82,448 |
| 5 Retailers[3] | 37,061 | 39,187 | 39,497 | 39,844 | 39,826 | 40,139 | 40,076 | 40,251 | 40,351 | 40,445 | 40,641 |
| 6 Savings institutions | 40,330 | 55,555 | 57,048 | 57,573 | 58,024 | 60,247 | 60,352 | 61,051 | 61,421 | 61,331 | 62,079 |
| 7 Gasoline companies | 4,361 | 4,337 | 4,114 | 3,975 | 3,777 | 3,554 | 3,445 | 3,389 | 3,368 | 3,295 | 3,320 |
| *By major type of credit* | | | | | | | | | | | |
| 8 Automobile | 173,122 | 206,482 | 213,342 | 214,361 | 215,814 | 218,965 | 222,606 | 226,234 | 228,814 | 236,280 | 240,327 |
| 9 Commercial banks | 83,900 | 92,764 | 93,828 | 93,377 | 93,013 | 93,157 | 93,261 | 94,014 | 94,686 | 95,842 | 97,218 |
| 10 Credit unions | 28,614 | 30,577 | 31,107 | 31,320 | 31,728 | 31,939 | 32,191 | 32,613 | 32,813 | 33,119 | 33,556 |
| 11 Finance companies | 54,663 | 73,391 | 78,310 | 79,416 | 80,685 | 83,221 | 86,520 | 88,862 | 90,578 | 96,598 | 98,695 |
| 12 Savings institutions | 5,945 | 9,750 | 10,097 | 10,248 | 10,386 | 10,648 | 10,634 | 10,745 | 10,736 | 10,721 | 10,858 |
| 13 Revolving | 98,514 | 118,296 | 120,724 | 122,131 | 123,442 | 124,545 | 124,720 | 125,577 | 125,915 | 126,012 | 126,609 |
| 14 Commercial banks | 58,145 | 73,893 | 75,953 | 77,021 | 78,421 | 79,151 | 79,397 | 79,998 | 80,133 | 80,160 | 80,406 |
| 15 Retailers | 33,064 | 34,560 | 34,843 | 35,188 | 35,170 | 35,449 | 35,390 | 35,542 | 35,639 | 35,688 | 35,861 |
| 16 Gasoline companies | 4,361 | 4,337 | 4,114 | 3,975 | 3,777 | 3,554 | 3,445 | 3,389 | 3,368 | 3,295 | 3,320 |
| 17 Savings institutions | 2,944 | 5,506 | 5,813 | 5,947 | 6,075 | 6,392 | 6,488 | 6,649 | 6,775 | 6,869 | 7,021 |
| 18 Mobile home | 24,184 | 25,461 | 25,573 | 25,584 | 25,513 | 25,560 | 25,479 | 25,398 | 25,215 | 24,958 | 24,954 |
| 19 Commercial banks | 9,623 | 9,578 | 9,566 | 9,348 | 9,264 | 9,215 | 9,196 | 9,156 | 9,086 | 9,071 | 9,074 |
| 20 Finance companies | 9,161 | 9,116 | 9,161 | 9,327 | 9,286 | 9,115 | 9,077 | 8,989 | 8,882 | 8,681 | 8,611 |
| 21 Savings institutions | 5,400 | 6,767 | 6,846 | 6,909 | 6,963 | 7,230 | 7,206 | 7,253 | 7,248 | 7,206 | 7,269 |
| 22 Other | 157,760 | 184,859 | 188,212 | 188,863 | 191,041 | 193,197 | 194,847 | 196,007 | 196,665 | 197,084 | 199,226 |
| 23 Commercial banks | 57,490 | 64,561 | 65,414 | 65,427 | 66,800 | 67,158 | 67,898 | 68,030 | 68,003 | 68,256 | 69,068 |
| 24 Finance companies | 32,302 | 37,588 | 38,530 | 38,678 | 38,757 | 38,836 | 39,336 | 39,345 | 39,479 | 39,281 | 39,556 |
| 25 Credit unions | 37,930 | 44,550 | 45,323 | 45,633 | 46,228 | 46,535 | 46,903 | 47,517 | 47,809 | 48,255 | 48,892 |
| 26 Retailers | 3,997 | 4,627 | 4,653 | 4,656 | 4,656 | 4,690 | 4,686 | 4,710 | 4,712 | 4,758 | 4,780 |
| 27 Savings institutions | 26,041 | 33,533 | 34,291 | 34,469 | 34,600 | 35,977 | 36,024 | 36,405 | 36,662 | 36,535 | 36,931 |
| | | | Net change (during period) | | | | | | | | |
| 28 **Total** | **77,341** | **81,518** | **5,099** | **3,087** | **4,871** | **6,457** | **5,386** | **5,563** | **3,393** | **7,725** | **6,783** |
| *By major holder* | | | | | | | | | | | |
| 29 Commercial banks | 39,819 | 31,638 | 1,505 | 411 | 2,326 | 1,183 | 1,072 | 1,444 | 711 | 1,421 | 2,437 |
| 30 Finance companies[2] | 9,961 | 23,969 | 2,284 | 1,421 | 1,306 | 2,444 | 3,761 | 2,264 | 1,741 | 5,621 | 2,303 |
| 31 Credit unions | 13,456 | 8,583 | 621 | 522 | 1,004 | 517 | 621 | 1,035 | 492 | 752 | 1,074 |
| 32 Retailers[3] | 2,900 | 2,126 | 81 | 347 | -18 | 313 | -63 | 175 | 100 | 94 | 196 |
| 33 Savings institutions | 11,038 | 15,225 | 758 | 525 | 451 | 2,223 | 105 | 699 | 370 | -90 | 748 |
| 34 Gasoline companies | 167 | -24 | -150 | -139 | -198 | -223 | -109 | -56 | -21 | -73 | 25 |
| *By major type of credit* | | | | | | | | | | | |
| 35 Automobile | 27,214 | 33,360 | 2,681 | 1,019 | 1,453 | 3,151 | 3,641 | 3,628 | 2,580 | 7,466 | 4,047 |
| 36 Commercial banks | 16,352 | 8,864 | 339 | -451 | -364 | 144 | 104 | 753 | 672 | 1,156 | 1,376 |
| 37 Credit unions | 3,223 | 1,963 | 252 | 213 | 408 | 211 | 252 | 422 | 200 | 306 | 437 |
| 38 Finance companies | 4,576 | 18,728 | 1,900 | 1,106 | 1,269 | 2,536 | 3,299 | 2,342 | 1,716 | 6,020 | 2,097 |
| 39 Savings institutions | 3,063 | 3,805 | 190 | 151 | 138 | 262 | -14 | 111 | -9 | -15 | 137 |
| 40 Revolving | 20,145 | 19,782 | 1,042 | 1,407 | 1,311 | 1,103 | 175 | 857 | 338 | 97 | 597 |
| 41 Commercial banks | 15,949 | 15,748 | 962 | 1,068 | 1,400 | 730 | 246 | 601 | 135 | 27 | 246 |
| 42 Retailers | 2,512 | 1,496 | 73 | 345 | -18 | 279 | -59 | 152 | 97 | 49 | 173 |
| 43 Gasoline companies | 167 | -24 | -150 | -139 | -198 | -223 | -109 | -56 | -21 | -73 | 25 |
| 44 Savings institutions | 1,517 | 2,562 | 156 | 134 | 128 | 317 | 96 | 161 | 126 | 94 | 152 |
| 45 Mobile home | 1,990 | 1,277 | 202 | 11 | -71 | 47 | -81 | -81 | -183 | -257 | -4 |
| 46 Commercial banks | -199 | -45 | 109 | -218 | -84 | -49 | -19 | -40 | -70 | -15 | 3 |
| 47 Finance companies | 544 | -45 | 36 | 166 | -41 | -171 | -38 | -88 | -107 | -201 | -70 |
| 48 Savings institutions | 1,645 | 1,367 | 57 | 63 | 54 | 267 | -24 | 47 | -5 | -42 | 63 |
| 49 Other | 27,992 | 27,099 | 1,173 | 651 | 2,178 | 2,156 | 1,650 | 1,160 | 658 | 419 | 2,142 |
| 50 Commercial banks | 7,717 | 7,071 | 95 | 13 | 1,373 | 358 | 740 | 132 | -27 | 253 | 812 |
| 51 Finance companies | 4,841 | 5,286 | 348 | 148 | 79 | 79 | 500 | 9 | 134 | -198 | 275 |
| 52 Credit unions | 10,233 | 6,620 | 368 | 310 | 595 | 307 | 368 | 614 | 292 | 446 | 637 |
| 53 Retailers | 388 | 630 | 7 | 3 | 0 | 34 | -4 | 24 | 2 | 46 | 22 |
| 54 Savings institutions | 4,813 | 7,492 | 354 | 178 | 131 | 1,377 | 47 | 381 | 257 | -127 | 396 |

1. The Board's series cover most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments.
2. More detail for finance companies is available in the G.20 statistical release.
3. Excludes 30–day charge credit held by travel and entertainment companies.
4. All data have been revised.

## 1.56 TERMS OF CONSUMER INSTALLMENT CREDIT

Percent unless noted otherwise

| Item | 1983 | 1984 | 1985 | 1986 Apr. | 1986 May | 1986 June | 1986 July | 1986 Aug. | 1986 Sept. | 1986 Oct. |
|---|---|---|---|---|---|---|---|---|---|---|
| INTEREST RATES | | | | | | | | | | |
| Commercial banks[1] | | | | | | | | | | |
| 1 48-month new car[2] | 13.92 | 13.71 | 12.91 | n.a. | 11.45 | n.a. | n.a. | 11.00 | n.a. | n.a. |
| 2 24-month personal | 16.68 | 16.47 | 15.94 | n.a. | 14.89 | n.a. | n.a. | 14.70 | n.a. | n.a. |
| 3 120-month mobile home[2] | 16.08 | 15.58 | 14.96 | n.a. | 13.97 | n.a. | n.a. | 13.95 | n.a. | n.a. |
| 4 Credit card | 18.78 | 18.77 | 18.69 | n.a. | 18.32 | n.a. | n.a. | 18.15 | n.a. | n.a. |
| Auto finance companies | | | | | | | | | | |
| 5 New car | 12.58 | 14.62 | 11.98 | 10.55 | 9.49 | 9.35 | 9.31 | 9.29 | 5.40 | 6.12 |
| 6 Used car | 18.74 | 17.85 | 17.59 | 16.67 | 16.56 | 16.06 | 15.83 | 15.56 | 15.23 | 15.17 |
| OTHER TERMS[3] | | | | | | | | | | |
| Maturity (months) | | | | | | | | | | |
| 7 New car | 45.9 | 48.3 | 51.5 | 50.6 | 49.4 | 49.5 | 49.9 | 50.4 | 44.5 | 45.3 |
| 8 Used car | 37.9 | 39.7 | 41.4 | 42.5 | 42.5 | 42.7 | 42.8 | 42.9 | 42.5 | 42.2 |
| Loan-to-value ratio | | | | | | | | | | |
| 9 New car | 86 | 88 | 91 | 89 | 89 | 89 | 89 | 90 | 92 | 92 |
| 10 Used car | 92 | 92 | 94 | 96 | 97 | 97 | 97 | 97 | 98 | 97 |
| Amount financed (dollars) | | | | | | | | | | |
| 11 New car | 8,787 | 9,333 | 9,915 | 10,402 | 10,521 | 10,608 | 10,748 | 10,756 | 11,162 | 11,340 |
| 12 Used car | 5,033 | 5,691 | 6,089 | 6,281 | 6,393 | 6,611 | 6,614 | 6,569 | 6,763 | 6,746 |

1. Data for midmonth of quarter only.
2. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.
3. At auto finance companies.

NOTE. These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

## 1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; half-yearly data are at seasonally adjusted annual rates.

| Transaction category, sector | 1980 | 1981 | 1982 | 1983 | 1984 | 1985r | 1983r | 1984r | | 1985r | | 1986 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | H2 | H1 | H2 | H1 | H2 | H1r |
| | Nonfinancial sectors | | | | | | | | | | | |
| 1 **Total net borrowing by domestic nonfinancial sectors** | **344.9** | **375.8** | **387.4** | **548.8** | **756.3** | **869.3** | **592.2** | **727.8** | **784.8** | **732.6** | **1,006.1** | **705.4** |
| *By sector and instrument* | | | | | | | | | | | | |
| 2 U.S. government | 79.2 | 87.4 | 161.3 | 186.6 | 198.8 | 223.6 | 156.1 | 181.3 | 216.3 | 201.8 | 245.5 | 211.3 |
| 3 Treasury securities | 79.8 | 87.8 | 162.1 | 186.7 | 199.0 | 223.7 | 156.3 | 181.5 | 216.4 | 201.9 | 245.5 | 211.4 |
| 4 Agency issues and mortgages | -.6 | -.5 | -.9 | -.1 | -.2 | -.1 | -.1 | -.2 | -.1 | -.1 | -.1 | -.1 |
| 5 Private domestic nonfinancial sectors | 265.7 | 288.5 | 226.2 | 362.2 | 557.5 | 645.7 | 436.0 | 546.5 | 568.5 | 530.8 | 760.6 | 494.1 |
| 6 Debt capital instruments | 189.1 | 155.5 | 148.3 | 252.8 | 314.0 | 461.7 | 278.0 | 298.4 | 329.6 | 355.4 | 568.0 | 384.5 |
| 7 Tax-exempt obligations | 30.3 | 23.4 | 44.2 | 53.7 | 50.4 | 152.4 | 51.8 | 42.8 | 58.0 | 67.5 | 237.3 | 19.9 |
| 8 Corporate bonds | 27.7 | 22.8 | 18.7 | 16.0 | 46.1 | 73.9 | 11.5 | 31.2 | 61.1 | 72.7 | 75.1 | 129.1 |
| 9 Mortgages | 131.2 | 109.3 | 85.4 | 183.0 | 217.5 | 235.4 | 214.7 | 224.5 | 210.5 | 215.2 | 255.7 | 235.4 |
| 10 Home mortgages | 94.2 | 72.2 | 50.5 | 117.1 | 129.9 | 150.3 | 135.1 | 135.2 | 124.7 | 133.1 | 167.5 | 153.1 |
| 11 Multifamily residential | 7.6 | 4.8 | 5.4 | 14.1 | 25.1 | 29.2 | 20.4 | 27.5 | 22.7 | 24.6 | 33.7 | 29.0 |
| 12 Commercial | 19.2 | 22.2 | 25.2 | 49.0 | 63.3 | 62.4 | 55.3 | 62.9 | 63.7 | 60.3 | 64.4 | 60.6 |
| 13 Farm | 10.2 | 10.0 | 4.2 | 2.8 | -.8 | -6.4 | 3.9 | -1.1 | -.5 | -2.8 | -10.0 | -7.3 |
| 14 Other debt instruments | 76.6 | 133.0 | 77.9 | 109.5 | 243.5 | 184.0 | 158.0 | 248.1 | 238.9 | 175.4 | 192.6 | 109.7 |
| 15 Consumer credit | 4.5 | 22.6 | 17.7 | 56.8 | 95.0 | 96.6 | 75.1 | 98.7 | 91.3 | 97.3 | 95.9 | 75.3 |
| 16 Bank loans n.e.c. | 37.8 | 57.0 | 52.9 | 25.8 | 80.1 | 41.3 | 42.1 | 91.9 | 68.4 | 24.9 | 57.7 | 22.1 |
| 17 Open market paper | 4.0 | 14.7 | -6.1 | -.8 | 21.7 | 14.6 | 4.3 | 24.8 | 18.7 | 12.3 | 16.9 | -15.7 |
| 18 Other | 30.3 | 38.7 | 13.4 | 27.7 | 46.6 | 31.4 | 36.5 | 32.7 | 60.5 | 40.9 | 22.0 | 28.1 |
| 19 By borrowing sector | 265.7 | 288.5 | 226.2 | 362.2 | 557.5 | 645.7 | 436.0 | 546.5 | 568.5 | 530.8 | 760.6 | 494.1 |
| 20 State and local governments | 17.2 | 6.8 | 21.5 | 34.0 | 27.4 | 107.8 | 33.7 | 25.2 | 29.6 | 56.8 | 158.7 | 40.7 |
| 21 Households | 120.0 | 121.4 | 88.4 | 188.0 | 239.5 | 295.0 | 223.4 | 232.8 | 246.2 | 253.6 | 336.4 | 228.5 |
| 22 Farm | 15.2 | 16.6 | 6.8 | 4.3 | .1 | -13.6 | 6.7 | -.4 | .5 | -5.9 | -21.3 | -15.[illegible] |
| 23 Nonfarm noncorporate | 31.8 | 38.5 | 40.2 | 76.6 | 97.1 | 92.8 | 91.7 | 101.4 | 92.7 | 85.6 | 99.9 | 95.2 |
| 24 Corporate | 81.5 | 105.2 | 69.2 | 59.3 | 193.4 | 163.7 | 80.6 | 187.4 | 199.5 | 140.7 | 186.8 | 144.8 |
| 25 Foreign net borrowing in United States | 23.8 | 23.5 | 16.0 | 17.4 | 6.1 | 1.7 | 15.5 | 35.5 | -23.3 | -4.1 | 7.5 | 24.3 |
| 26 Bonds | .8 | 5.4 | 6.7 | 3.1 | 1.3 | 4.0 | 2.3 | 1.1 | 1.5 | 5.5 | 2.6 | 7.1 |
| 27 Bank loans n.e.c. | 11.8 | 3.0 | -5.5 | 3.6 | -6.6 | -2.8 | -3.4 | -2.2 | -11.1 | -6.1 | .4 | 1.4 |
| 28 Open market paper | 2.4 | 3.9 | 1.9 | 6.5 | 6.2 | 6.2 | 6.0 | 18.0 | -5.6 | 4.2 | 8.2 | 20.6 |
| 29 U.S. government loans | 8.8 | 11.1 | 13.0 | 4.1 | 5.3 | -5.7 | 10.7 | 18.7 | -8.1 | -7.8 | -3.6 | -4.8 |
| 30 **Total domestic plus foreign** | **368.7** | **399.3** | **403.4** | **566.2** | **762.4** | **871.0** | **607.7** | **763.3** | **761.5** | **728.4** | **1,013.5** | **729.7** |
| | Financial sectors | | | | | | | | | | | |
| 31 **Total net borrowing by financial sectors** | **65.4** | **101.9** | **90.1** | **94.0** | **139.0** | **186.9** | **123.2** | **134.2** | **143.8** | **154.8** | **218.9** | **189.0** |
| *By instrument* | | | | | | | | | | | | |
| 32 U.S. government related | 44.8 | 47.4 | 64.9 | 67.8 | 74.9 | 101.5 | 68.8 | 69.8 | 80.0 | 92.9 | 110.2 | 129.5 |
| 33 Sponsored credit agency securities | 24.4 | 30.5 | 14.9 | 1.4 | 30.4 | 20.6 | 8.1 | 29.1 | 31.8 | 25.3 | 15.9 | 4.4 |
| 34 Mortgage pool securities | 19.2 | 15.0 | 49.5 | 66.4 | 44.4 | 79.9 | 60.7 | 40.7 | 48.2 | 67.6 | 92.1 | 124.3 |
| 35 Loans from U.S. government | 1.2 | 1.9 | .4 | ...... | ...... | 1.1 | ...... | ...... | ...... | ...... | 2.2 | .8 |
| 36 Private financial sectors | 20.6 | 54.5 | 25.2 | 26.2 | 64.1 | 85.3 | 54.3 | 64.4 | 63.8 | 61.9 | 108.8 | 59.6 |
| 37 Corporate bonds | 1.6 | 4.4 | 12.5 | 12.1 | 23.3 | 36.5 | 13.1 | 17.3 | 29.3 | 35.3 | 37.7 | 28.7 |
| 38 Mortgages | * | * | .1 | * | .4 | .1 | * | .4 | .4 | * | .1 | .6 |
| 39 Bank loans n.e.c. | -1.0 | 1.2 | 1.9 | -.1 | .7 | 2.6 | 2.2 | -.1 | 1.4 | .9 | 4.2 | 2.4 |
| 40 Open market paper | 12.9 | 32.7 | 9.9 | 21.3 | 24.1 | 32.0 | 40.9 | 31.1 | 17.0 | 13.9 | 50.1 | 14.4 |
| 41 Loans from Federal Home Loan Banks | 7.1 | 16.2 | .8 | -7.0 | 15.7 | 14.2 | -1.8 | 15.7 | 15.7 | 11.7 | 16.7 | 13.5 |
| *By sector* | | | | | | | | | | | | |
| 42 Sponsored credit agencies | 25.6 | 32.4 | 15.3 | 1.4 | 30.4 | 21.7 | 8.1 | 29.1 | 31.8 | 25.3 | 18.1 | 5.2 |
| 43 Mortgage pools | 19.2 | 15.0 | 49.5 | 66.4 | 44.4 | 79.9 | 60.7 | 40.7 | 48.2 | 67.6 | 92.1 | 124.3 |
| 44 Private financial sectors | 20.6 | 54.5 | 25.2 | 26.2 | 64.1 | 85.3 | 54.3 | 64.4 | 63.8 | 61.9 | 108.8 | 59.6 |
| 45 Commercial banks | 8.3 | 11.6 | 11.7 | 5.0 | 7.3 | -4.9 | 17.1 | 15.4 | -.9 | -9.2 | -.6 | -6.7 |
| 46 Bank affiliates | 6.7 | 9.2 | 6.8 | 12.1 | 15.6 | 14.5 | 14.9 | 23.7 | 7.5 | 13.7 | 15.3 | 1.7 |
| 47 Savings and loan associations | 7.4 | 15.5 | 2.5 | -2.1 | 22.7 | 22.3 | 4.6 | 20.2 | 25.1 | 12.1 | 32.6 | 21.3 |
| 48 Finance companies | -1.3 | 18.5 | 4.3 | 11.4 | 17.8 | 52.8 | 18.0 | 4.3 | 31.3 | 44.8 | 60.9 | 42.4 |
| 49 REITs | -.5 | -.2 | * | -.2 | .8 | .5 | -.3 | .8 | .8 | .5 | .5 | .9 |
| | All sectors | | | | | | | | | | | |
| 50 **Total net borrowing** | **434.1** | **501.3** | **493.5** | **660.2** | **901.4** | **1057.8** | **730.8** | **897.5** | **905.3** | **833.3** | **1,232.4** | **918.7** |
| 51 U.S. government securities | 122.9 | 133.0 | 225.9 | 254.4 | 273.8 | 324.2 | 225.0 | 251.2 | 296.4 | 294.8 | 353.5 | 340.0 |
| 52 State and local obligations | 30.3 | 23.4 | 44.2 | 53.7 | 50.4 | 152.4 | 51.8 | 42.8 | 58.0 | 67.5 | 237.3 | 19.9 |
| 53 Corporate and foreign bonds | 30.1 | 32.6 | 37.8 | 31.2 | 70.7 | 114.4 | 26.8 | 49.6 | 91.9 | 113.5 | 115.3 | 164.9 |
| 54 Mortgages | 131.1 | 109.2 | 85.4 | 183.0 | 217.8 | 235.4 | 214.6 | 224.8 | 210.8 | 215.2 | 255.7 | 236.0 |
| 55 Consumer credit | 4.5 | 22.6 | 17.7 | 56.8 | 95.0 | 96.6 | 75.1 | 98.7 | 91.3 | 97.3 | 95.9 | 75.3 |
| 56 Bank loans n.e.c. | 48.5 | 61.2 | 49.3 | 29.3 | 74.2 | 41.0 | 40.8 | 89.6 | 58.8 | 19.8 | 62.3 | 25.9 |
| 57 Open market paper | 19.3 | 51.3 | 5.7 | 26.9 | 52.0 | 52.8 | 51.2 | 73.8 | 30.1 | 30.4 | 75.2 | 19.3 |
| 58 Other loans | 47.5 | 68.0 | 27.6 | 24.8 | 67.6 | 41.0 | 45.4 | 67.1 | 68.1 | 44.8 | 37.3 | 37.5 |
| | External corporate equity funds raised in United States | | | | | | | | | | | |
| 59 **Total new share issues** | **21.2** | **-3.3** | **33.6** | **67.0** | **-31.1** | **37.5** | **52.1** | **-40.1** | **-22.2** | **33.3** | **41.6** | **153.4** |
| 60 Mutual funds | 4.5 | 6.0 | 16.8 | 32.1 | 38.0 | 103.4 | 28.7 | 39.3 | 36.6 | 93.6 | 113.1 | 203.9 |
| 61 All other | 16.8 | -9.3 | 16.8 | 34.9 | -69.1 | -65.9 | 23.4 | -79.4 | -58.8 | -60.4 | -71.5 | -50.4 |
| 62 Nonfinancial corporations | 12.9 | -11.5 | 11.4 | 28.3 | -77.0 | -81.6 | 18.4 | -84.5 | -69.4 | -75.7 | -87.5 | -67.5 |
| 63 Financial corporations | 1.8 | 1.9 | 4.0 | 2.7 | 6.7 | 11.7 | 2.9 | 5.9 | 7.6 | 11.0 | 12.4 | 8.6 |
| 64 Foreign shares purchased in United States | 2.1 | .3 | 1.5 | 3.9 | 1.2 | 4.0 | 2.1 | -.7 | 3.0 | 4.3 | 3.6 | 8.5 |

## 1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; half-yearly data are at seasonally adjusted annual rates.

| Transaction category, or sector | 1980 | 1981 | 1982 | 1983 | 1984 | 1985r | 1983r | 1984r | | 1985r | | 1986 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | H2 | H1 | H2 | H1 | H2 | H1r |
| 1 **Total funds advanced in credit markets to domestic nonfinancial sectors** | **344.9** | **375.8** | **387.4** | **548.8** | **756.3** | **869.3** | **592.2** | **727.8** | **784.8** | **732.6** | **1,006.1** | **705.4** |
| *By public agencies and foreign* | | | | | | | | | | | | |
| 2 Total net advances | 94.9 | 104.4 | 115.4 | 115.3 | 154.6 | 203.3 | 107.9 | 132.5 | 176.6 | 201.8 | 204.9 | 269.9 |
| 3 U.S. government securities | 15.8 | 17.1 | 22.7 | 27.6 | 36.0 | 47.2 | 20.0 | 26.8 | 45.2 | 53.1 | 41.3 | 81.5 |
| 4 Residential mortgages | 31.7 | 23.5 | 61.0 | 76.1 | 56.5 | 94.6 | 71.5 | 52.7 | 60.2 | 85.6 | 103.7 | 121.0 |
| 5 FHLB advances to savings and loans | 7.1 | 16.2 | .8 | -7.0 | 15.7 | 14.2 | -1.8 | 15.7 | 15.7 | 11.7 | 16.7 | 13.5 |
| 6 Other loans and securities | 40.2 | 47.7 | 30.8 | 18.6 | 46.5 | 47.3 | 18.2 | 37.5 | 55.5 | 51.4 | 43.2 | 53.9 |
| Total advanced, by sector | | | | | | | | | | | | |
| 7 U.S. government | 23.7 | 24.0 | 15.9 | 9.7 | 17.4 | 17.8 | 9.7 | 9.0 | 25.7 | 28.8 | 6.7 | 14.6 |
| 8 Sponsored credit agencies | 45.6 | 48.2 | 65.5 | 69.8 | 73.3 | 101.5 | 70.5 | 74.0 | 72.5 | 98.2 | 104.9 | 127.3 |
| 9 Monetary authorities | 4.5 | 9.2 | 9.8 | 10.9 | 8.4 | 21.6 | 12.4 | 8.8 | 8.0 | 23.7 | 19.5 | 9.8 |
| 10 Foreign | 21.1 | 23.0 | 24.1 | 24.9 | 55.5 | 62.4 | 15.3 | 40.7 | 70.4 | 51.0 | 73.8 | 118.2 |
| Agency and foreign borrowing not in line 1 | | | | | | | | | | | | |
| 11 Sponsored credit agencies and mortgage pools | 44.8 | 47.4 | 64.9 | 67.8 | 74.9 | 101.5 | 68.8 | 69.8 | 80.0 | 92.9 | 110.2 | 129.5 |
| 12 Foreign | 23.8 | 23.5 | 16.0 | 17.4 | 6.1 | 1.7 | 15.5 | 35.5 | -23.3 | -4.1 | 7.5 | 24.3 |
| *Private domestic funds advanced* | | | | | | | | | | | | |
| 13 Total net advances | 318.7 | 342.3 | 352.9 | 518.7 | 682.7 | 769.2 | 568.6 | 700.5 | 664.9 | 619.6 | 918.8 | 589.3 |
| 14 U.S. government securities | 107.1 | 115.9 | 203.1 | 226.9 | 237.8 | 277.0 | 205.0 | 224.4 | 251.2 | 241.7 | 312.2 | 258.5 |
| 15 State and local obligations | 30.3 | 23.4 | 44.2 | 53.7 | 50.4 | 152.4 | 51.8 | 42.8 | 58.0 | 67.5 | 237.3 | 19.9 |
| 16 Corporate and foreign bonds | 20.3 | 19.8 | 14.8 | 14.6 | 32.6 | 41.2 | 9.1 | 25.6 | 39.6 | 49.7 | 32.7 | 93.5 |
| 17 Residential mortgages | 70.0 | 53.5 | -5.3 | 55.0 | 98.5 | 84.8 | 84.0 | 109.9 | 87.0 | 72.0 | 97.5 | 61.1 |
| 18 Other mortgages and loans | 98.1 | 145.9 | 96.9 | 161.5 | 279.1 | 228.1 | 217.0 | 313.6 | 244.7 | 200.4 | 255.9 | 169.8 |
| 19 LESS: Federal Home Loan Bank advances | 7.1 | 16.2 | .8 | -7.0 | 15.7 | 14.2 | -1.8 | 15.7 | 15.7 | 11.7 | 16.7 | 13.5 |
| *Private financial intermediation* | | | | | | | | | | | | |
| 20 Credit market funds advanced by private financial institutions | 286.2 | 320.2 | 261.9 | 391.9 | 550.5 | 554.4 | 449.3 | 581.8 | 519.1 | 471.3 | 637.4 | 573.0 |
| 21 Commercial banking | 107.6 | 106.5 | 110.2 | 144.3 | 168.9 | 186.3 | 168.8 | 184.2 | 153.5 | 133.8 | 238.8 | 106.9 |
| 22 Savings institutions | 51.3 | 26.2 | 21.8 | 135.6 | 149.2 | 83.4 | 143.9 | 173.5 | 124.9 | 63.0 | 103.9 | 102.0 |
| 23 Insurance and pension funds | 93.2 | 93.5 | 86.2 | 97.8 | 124.0 | 141.0 | 105.7 | 144.5 | 103.5 | 121.8 | 160.1 | 130.9 |
| 24 Other finance | 34.0 | 94.0 | 43.7 | 14.1 | 108.3 | 143.6 | 30.9 | 79.5 | 137.2 | 152.7 | 134.5 | 233.2 |
| 25 Sources of funds | 286.2 | 320.2 | 261.9 | 391.9 | 550.5 | 554.4 | 449.3 | 581.8 | 519.1 | 471.3 | 637.4 | 573.0 |
| 26 Private domestic deposits and RPs | 170.8 | 214.5 | 195.2 | 212.2 | 317.6 | 204.8 | 235.5 | 300.2 | 334.9 | 203.0 | 206.6 | 222.9 |
| 27 Credit market borrowing | 20.6 | 54.5 | 25.2 | 26.2 | 64.1 | 85.3 | 54.3 | 64.4 | 63.8 | 61.9 | 108.8 | 59.6 |
| 28 Other sources | 94.8 | 51.2 | 41.5 | 153.4 | 168.8 | 264.2 | 159.5 | 217.2 | 120.4 | 206.5 | 322.0 | 290.6 |
| 29 Foreign funds | -25.1 | -23.7 | -31.4 | 16.3 | 5.4 | 17.7 | 46.2 | 3.0 | 7.8 | 11.2 | 24.3 | .2 |
| 30 Treasury balances | -2.6 | -1.1 | 6.1 | -5.3 | 4.0 | 10.3 | -22.4 | -.1 | 8.2 | 14.4 | 6.1 | -5.5 |
| 31 Insurance and pension reserves | 88.9 | 89.6 | 92.5 | 110.6 | 112.5 | 107.0 | 122.4 | 146.5 | 78.5 | 97.4 | 116.6 | 109.2 |
| 32 Other, net | 33.6 | -13.6 | -25.7 | 31.8 | 46.8 | 129.2 | 13.3 | 67.8 | 25.9 | 83.5 | 175.0 | 186.7 |
| *Private domestic nonfinancial investors* | | | | | | | | | | | | |
| 33 Direct lending in credit markets | 53.1 | 76.6 | 116.3 | 153.0 | 196.4 | 300.2 | 173.6 | 183.1 | 209.6 | 210.2 | 390.2 | 75.9 |
| 34 U.S. government securities | 34.2 | 37.1 | 69.9 | 95.5 | 132.9 | 150.9 | 87.3 | 142.2 | 123.6 | 130.8 | 171.0 | 50.5 |
| 35 State and local obligations | 7.0 | 11.1 | 25.0 | 39.0 | 29.6 | 59.2 | 37.7 | 25.0 | 34.3 | 20.5 | 98.0 | -19.4 |
| 36 Corporate and foreign bonds | -11.7 | -4.0 | 2.0 | -12.7 | -3.4 | 13.2 | -4.5 | -26.8 | 19.9 | 25.4 | 1.0 | 34.9 |
| 37 Open market paper | -4.6 | 1.4 | -1.3 | 15.1 | 8.9 | 51.8 | 31.9 | 15.7 | 2.2 | 7.3 | 96.3 | -14.7 |
| 38 Other | 28.2 | 31.0 | 20.6 | 16.2 | 28.3 | 25.1 | 21.2 | 26.9 | 29.7 | 26.3 | 24.0 | 24.6 |
| 39 Deposits and currency | 183.9 | 222.4 | 204.5 | 229.7 | 321.1 | 215.1 | 248.7 | 311.3 | 330.9 | 215.9 | 214.3 | 240.0 |
| 40 Currency | 10.3 | 9.5 | 9.7 | 14.3 | 8.6 | 12.4 | 17.5 | 13.1 | 4.1 | 15.8 | 9.0 | 10.9 |
| 41 Checkable deposits | 6.5 | 18.5 | 18.6 | 28.8 | 27.8 | 42.0 | 16.9 | 29.4 | 26.3 | 18.2 | 65.8 | 84.9 |
| 42 Small time and savings accounts | 82.3 | 47.3 | 135.7 | 215.3 | 150.7 | 137.5 | 147.8 | 136.4 | 164.9 | 167.1 | 108.0 | 117.5 |
| 43 Money market fund shares | 29.2 | 107.5 | 24.7 | -44.1 | 47.2 | -2.2 | -4.2 | 30.2 | 64.2 | 4.2 | -8.6 | 29.0 |
| 44 Large time deposits | 45.9 | 36.0 | 5.2 | -6.3 | 84.9 | 14.0 | 53.2 | 93.4 | 76.5 | -.8 | 28.9 | 3.5 |
| 45 Security RPs | 6.8 | 5.2 | 11.1 | 18.5 | 7.0 | 13.4 | 21.8 | 10.8 | 3.1 | 14.3 | 12.5 | -11.9 |
| 46 Deposits in foreign countries | 2.8 | -1.7 | -.4 | 3.1 | -5.1 | -2.1 | -4.3 | -2.0 | -8.2 | -2.9 | -1.3 | 6.2 |
| 47 **Total of credit market instruments, deposits and *currency*** | **237.0** | **299.0** | **320.7** | **382.7** | **517.4** | **515.3** | **422.3** | **494.4** | **540.5** | **426.0** | **604.5** | **315.9** |
| 48 Public holdings as percent of total | 25.7 | 26.2 | 28.6 | 20.4 | 20.3 | 23.3 | 17.8 | 17.4 | 23.2 | 27.7 | 20.2 | 37.0 |
| 49 Private financial intermediation (in percent) | 89.8 | 93.6 | 74.2 | 75.5 | 80.6 | 72.1 | 79.0 | 83.1 | 78.1 | 76.1 | 69.4 | 97.2 |
| 50 Total foreign funds | -4.0 | -.7 | -7.3 | 41.3 | 60.9 | 80.1 | 61.4 | 43.7 | 78.2 | 62.2 | 98.1 | 118.4 |
| MEMO: Corporate equities not included above | | | | | | | | | | | | |
| 51 **Total net issues** | **21.2** | **-3.3** | **33.6** | **67.0** | **-31.1** | **37.5** | **52.1** | **-40.1** | **-22.2** | **33.3** | **41.6** | **153.4** |
| 52 Mutual fund shares | 4.5 | 6.0 | 16.8 | 32.1 | 38.0 | 103.4 | 28.7 | 39.3 | 36.6 | 93.6 | 113.1 | 203.9 |
| 53 Other equities | 16.8 | -9.3 | 16.8 | 34.9 | -69.1 | -65.9 | 23.4 | -79.4 | -58.8 | -60.4 | -71.5 | -50.4 |
| 54 Acquisitions by financial institutions | 22.2 | 19.9 | 27.6 | 46.8 | 8.2 | 33.3 | 35.6 | -4.1 | 20.6 | 54.0 | 12.6 | 34.8 |
| 55 Other net purchases | -1.0 | -23.2 | 6.0 | 20.2 | -39.4 | 4.1 | 16.5 | -36.0 | -42.7 | -20.7 | 29.0 | 118.7 |

NOTES BY LINE NUMBER.
1. Line 1 of table 1.57.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
26. Line 39 less lines 40 and 46.
27. Excludes equity issues and investment company shares. Includes line 19.
29. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
30. Demand deposits and note balances at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. *Mainly retained earnings and net miscellaneous liabilities.*
33. Line 13 less line 20 plus line 27.
34–38. Lines 14–18 less amounts acquired by private finance plus amounts borrowed by private finance. Line 38 includes mortgages.
40. Mainly an offset to line 9.
47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.
48. Line 2/line 1.
49. Line 20/line 13.
50. Sum of lines 10 and 29.
51, 53. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

## 2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures[1]

1977 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

| Measure | 1983 | 1984 | 1985 | 1986 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Mar. | Apr. | May | June | July | Aug. | Sept.[r] | Oct.[r] | Nov. |
| 1 **Industrial production** | **109.2** | **121.8** | **124.5** | **123.6** | **124.7** | **124.2** | **124.2** | **124.9** | **125.1** | **125.1** | **125.2** | **125.9** |
| *Market groupings* | | | | | | | | | | | | |
| 2 Products, total | 113.9 | 127.1 | 131.7 | 131.2 | 132.7 | 132.4 | 132.4 | 133.2 | 133.8[r] | 133.6 | 133.8 | 134.6 |
| 3 Final, total | 114.7 | 127.8 | 132.0 | 130.6 | 132.1 | 131.6 | 131.1 | 132.0 | 132.6[r] | 132.5 | 132.7 | 133.5 |
| 4 Consumer goods | 109.3 | 118.2 | 120.7 | 121.8 | 124.5 | 124.3 | 124.4 | 125.2 | 125.1 | 125.7 | 124.7 | 125.6 |
| 5 Equipment | 121.7 | 140.5 | 147.1 | 142.3 | 142.3 | 141.2 | 140.0 | 141.0 | 142.5[r] | 142.8 | 143.3 | 144.1 |
| 6 Intermediate | 111.2 | 124.9 | 130.6 | 133.3 | 134.5 | 135.1 | 137.0 | 137.3 | 137.8 | 137.2 | 137.8 | 138.4 |
| 7 Materials | 102.8 | 114.6 | 114.7 | 113.3 | 113.8 | 113.0 | 113.1 | 113.6 | 113.2 | 113.5 | 113.3 | 113.9 |
| *Industry groupings* | | | | | | | | | | | | |
| 8 Manufacturing | 110.2 | 123.9 | 127.1 | 127.2 | 128.7 | 128.2 | 128.3 | 129.2 | 129.5 | 129.5 | 129.6 | 130.5 |
| Capacity utilization (percent)[2] | | | | | | | | | | | | |
| 9 Manufacturing | 74.0 | 80.8 | 80.3 | 79.1 | 79.9 | 79.4 | 79.3 | 79.7 | 79.7[r] | 79.6 | 79.5 | 79.9 |
| 10 Industrial materials industries | 75.3 | 82.3 | 80.2 | 78.5 | 78.7 | 78.1 | 78.0 | 78.3 | 77.9[r] | 78.0 | 77.8 | 78.2 |
| 11 Construction contracts (1977 = 100)[3] | 138.0 | 150.0 | 161.0 | 149.0 | 176.0 | 160.0 | 161.0 | 163.0 | 168.0 | 158.0 | 170.0 | 171.0 |
| 12 Nonagricultural employment, total[4] | 109.4 | 114.5 | 118.5 | 120.6 | 121.0 | 121.2 | 121.1 | 121.4 | 121.6 | 121.9 | 122.3 | 122.6 |
| 13 Goods-producing, total | 95.9 | 101.6 | 102.9 | 102.5 | 102.9 | 102.6 | 102.1 | 102.2 | 102.2 | 102.1 | 102.2 | 102.3 |
| 14 Manufacturing, total | 93.6 | 98.6 | 98.7 | 97.8 | 97.8 | 97.5 | 97.2 | 97.1 | 97.1 | 97.0 | 97.2 | 97.3 |
| 15 Manufacturing, production-worker | 88.6 | 94.1 | 93.5 | 92.4 | 92.4 | 92.1 | 91.8 | 91.7 | 91.7 | 91.7 | 91.8 | 92.2 |
| 16 Service-producing | 115.0 | 120.0 | 125.0 | 128.2 | 128.6 | 129.0 | 129.0 | 129.4 | 129.7 | 130.2 | 130.7 | 131.0 |
| 17 Personal income, total | 176.6 | 193.5 | 206.2 | 214.3 | 216.9 | 216.6 | 216.6 | 217.2[r] | 217.6[r] | 218.2 | 219.0 | 219.7 |
| 18 Wages and salary disbursements | 168.7 | 184.8 | 197.8 | 206.4 | 206.8 | 207.1 | 207.6 | 208.5 | 209.6 | 210.1 | 211.5 | 212.6 |
| 19 Manufacturing | 149.0 | 164.6 | 172.5 | 176.4 | 175.8 | 176.1 | 175.4 | 175.5 | 176.6 | 176.5 | 179.0 | 178.0 |
| 20 Disposable personal income[5] | 176.0 | 193.6 | 205.0 | 213.7 | 216.5 | 215.9 | 215.5 | 215.8[r] | 215.9[r] | 216.4 | 216.9 | 217.2 |
| 21 Retail sales (1977 = 100)[6] | 162.0 | 179.0 | 190.6 | 193.7 | 195.4 | 197.0 | 197.5 | 198.9 | 201.7 | 213.0 | 201.9 | 202.9 |
| Prices[7] | | | | | | | | | | | | |
| 22 Consumer | 298.4 | 311.1 | 322.2 | 326.0 | 325.3 | 326.3 | 327.9 | 328.0 | 328.6 | 330.2 | 330.5 | 330.8 |
| 23 Producer finished goods | 285.2 | 291.1 | 293.7 | 288.0 | 287.2 | 288.9 | 289.3 | 287.6[r] | 288.3 | 287.5 | 290.5 | 290.7 |

1. A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September BULLETIN.
2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, 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 in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.
5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).
6. Based on Bureau of Census data published in *Survey of Current Business*.
7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.

Figures for industrial production for the last two months are preliminary and estimated, respectively.

## 2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

*Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.*

| Category | 1983 | 1984 | 1985 | 1986 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Apr. | May | June | July | Aug. | Sept. | Oct.r | Nov. |
| HOUSEHOLD SURVEY DATA | | | | | | | | | | | |
| 1 **Noninstitutional population**[1] | **176,414** | **178,602** | **180,440** | **182,387** | **182,545** | **182,732** | **182,906** | **183,074** | **183,261** | **183,450** | **183,628** |
| 2 Labor force (including Armed Forces)[1] | 113,749 | 115,763 | 117,695 | 119,473 | 119,898 | 120,345 | 120,296 | 120,428 | 120,484 | 120,746 | 120,919 |
| 3 Civilian labor force | 111,550 | 113,544 | 115,461 | 117,234 | 117,664 | 118,116 | 118,072 | 118,182 | 118,220 | 118,482 | 118,654 |
| *Employment* | | | | | | | | | | | |
| 4 Nonagricultural industries[2] | 97,450 | 101,685 | 103,971 | 105,670 | 105,950 | 106,508 | 106,769 | 107,107 | 106,770 | 107,091 | 107,146 |
| 5 Agriculture | 3,383 | 3,321 | 3,179 | 3,222 | 3,160 | 3,165 | 3,112 | 3,048 | 3,121 | 3,149 | 3,225 |
| *Unemployment* | | | | | | | | | | | |
| 6 Number | 10,717 | 8,539 | 8,312 | 8,342 | 8,554 | 8,443 | 8,190 | 8,027 | 8,329 | 8,242 | 8,283 |
| 7 Rate (percent of civilian labor force) | 9.6 | 7.5 | 7.2 | 7.1 | 7.3 | 7.1 | 6.9 | 6.8 | 7.0 | 7.0 | 7.0 |
| 8 Not in labor force | 62,665 | 62,839 | 62,745 | 62,914 | 62,647 | 62,387 | 62,610 | 62,646 | 62,777 | 62,704 | 62,709 |
| ESTABLISHMENT SURVEY DATA | | | | | | | | | | | |
| 9 **Nonagricultural payroll employment**[3] | **90,196** | **94,461** | **97,698** | **99,783** | **99,918** | **99,843** | **100,105** | **100,283** | **100,560r** | **100,820** | **101,069** |
| 10 Manufacturing | 18,434 | 19,412 | 19,426 | 19,245 | 19,201 | 19,135 | 19,121 | 19,123 | 19,105r | 19,128 | 19,163 |
| 11 Mining | 952 | 974 | 969 | 821 | 790 | 772 | 768 | 753 | 743r | 747 | 741 |
| 12 Contract construction | 3,948 | 4,345 | 4,661 | 4,972 | 4,974 | 4,947 | 4,980 | 5,012 | 5,010r | 4,997 | 5,008 |
| 13 Transportation and public utilities | 4,954 | 5,171 | 5,300 | 5,266 | 5,265 | 5,167 | 5,288 | 5,255 | 5,316r | 5,318 | 5,346 |
| 14 Trade | 20,881 | 22,134 | 23,195 | 23,715 | 23,783 | 23,773 | 23,841 | 23,893 | 23,924r | 24,003 | 24,022 |
| 15 Finance | 5,468 | 5,682 | 5,924 | 6,228 | 6,261 | 6,295 | 6,334 | 6,364 | 6,388r | 6,407 | 6,436 |
| 16 Service | 19,694 | 20,761 | 21,929 | 22,825 | 22,924 | 23,072 | 23,176 | 23,255 | 23,300r | 23,361 | 23,481 |
| 17 Government | 15,869 | 15,984 | 16,295 | 16,711 | 16,720 | 16,682 | 16,597 | 16,628 | 16,774r | 16,859 | 16,872 |

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2. Includes self-employed, unpaid family, and domestic service workers.

3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1984 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

## 2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

| Series | 1985 | 1986 | | | 1985 | 1986 | | | 1985 | 1986 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3[r] |
| | Output (1977 = 100) | | | | Capacity (percent of 1977 output) | | | | Utilization rate (percent) | | | |
| 1 **Total industry** | **124.7** | **125.0** | **124.3** | **125.1** | **155.4** | **156.3** | **157.1** | **157.9** | **80.2** | **80.0** | **79.2** | **79.2** |
| 2 Mining | 107.1 | 105.4 | 100.1 | 96.6 | 132.5 | 132.1 | 132.1 | 137.5 | 80.9 | 79.6 | 75.6 | 73.0 |
| 3 Utilities | 112.8 | 110.5 | 109.5 | 110.6 | 135.7 | 136.3 | 136.9 | 149.0 | 83.2 | 81.1 | 79.5 | 79.4 |
| 4 **Manufacturing** | **127.4** | **128.4** | **128.3** | **129.5** | **159.5** | **160.5** | **161.4** | **162.3** | **79.9** | **80.0** | **79.5** | **79.7** |
| 5 Primary processing | 110.3 | 111.5 | 111.1 | 111.9 | 133.1 | 133.6 | 134.0 | 134.5 | 82.8 | 83.5 | 82.9 | 83.2 |
| 6 Advanced processing | 137.8 | 138.5 | 138.8 | 140.1 | 175.3 | 176.7 | 177.9 | 179.2 | 78.6 | 78.4 | 78.0 | 78.0 |
| 7 **Materials** | **114.3** | **114.5** | **113.4** | **113.4** | **143.6** | **144.2** | **144.7** | **145.3** | **79.6** | **79.4** | **78.3** | **78.1** |
| 8 Durable goods | 121.1 | 120.9 | 118.8 | 118.7 | 159.0 | 159.9 | 160.7 | 161.5 | 76.2 | 75.6 | 73.9 | 73.6 |
| 9 Metal materials | 82.6 | 79.0 | 75.2 | 72.6 | 115.5 | 115.0 | 114.5 | 114.0 | 71.5 | 68.7 | 65.6[r] | 64.1 |
| 10 Nondurable goods | 113.9 | 115.7 | 116.8 | 118.9 | 138.6 | 139.0 | 139.5 | 139.9 | 82.2 | 83.2 | 83.8 | 85.6 |
| 11 Textile, paper, and chemical | 114.0 | 116.2 | 117.0 | 119.6 | 138.0 | 138.4 | 138.8 | 139.2 | 82.7 | 83.9 | 84.3 | 86.5 |
| 12 Paper | 124.8 | 128.8 | 130.2 | ...... | 136.5 | 137.3 | 138.1 | ....... | 91.4 | 93.8 | 94.2[r] | 97.3 |
| 13 Chemical | 113.4 | 115.3 | 115.4 | ...... | 143.6 | 144.0 | 144.3 | ....... | 79.0 | 80.1 | 80.0[r] | 81.3 |
| 14 Energy materials | 102.6 | 102.2 | 100.8 | 99.4 | 120.9 | 121.1 | 121.3 | 121.4 | 84.9 | 84.4 | 82.9 | 81.2 |

| Series | Previous cycle[1] | | Latest cycle[2] | | 1985 | 1986 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | High | Low | High | Low | Aug. | Mar. | Apr. | May | June | July | Aug.[r] | Sept.[r] | Oct.[r] | Nov. |
| | Capacity utilization rate (percent) | | | | | | | | | | | | | |
| 15 **Total industry** | **88.6** | **72.1** | **86.9** | **69.5** | **80.6** | **79.0** | **79.5** | **79.1** | **79.0** | **77.2** | **79.2** | **79.0** | **79.0** | **79.3** |
| 16 Mining | 92.8 | 87.8 | 95.2 | 76.9 | 81.6 | 77.9 | 76.4 | 75.5 | 74.9 | 73.5 | 73.1 | 72.4 | 72.0 | 71.5 |
| 17 Utilities | 95.6 | 82.9 | 88.5 | 78.0 | 81.5 | 80.1 | 80.0 | 79.3 | 79.2 | 79.9 | 78.8 | 79.7 | 80.4 | 80.6 |
| 18 **Manufacturing** | **87.7** | **69.9** | **86.5** | **68.0** | **80.3** | **79.1** | **79.9** | **79.4** | **79.3** | **79.7** | **79.8** | **79.6** | **79.5** | **79.9** |
| 19 Primary processing | 91.9 | 68.3 | 89.1 | 65.1 | 82.5 | 82.4 | 83.2 | 82.9 | 82.7 | 82.9 | 83.2 | 83.6 | 83.5 | 83.9 |
| 20 Advanced processing | 86.0 | 71.1 | 85.1 | 69.5 | 79.3 | 77.4 | 78.5 | 78.0 | 77.7 | 78.4 | 78.0 | 77.7 | 77.7 | 78.1 |
| 21 **Materials** | **92.0** | **70.5** | **89.1** | **68.4** | **79.8** | **78.5** | **78.7** | **78.1** | **78.0** | **78.3** | **77.9** | **78.0** | **77.8** | **78.2** |
| 22 Durable goods | 91.8 | 64.4 | 89.8 | 60.9 | 76.8 | 74.5 | 74.9 | 73.7 | 73.2 | 73.7 | 73.5 | 73.5 | 73.5 | 74.0 |
| 23 Metal materials | 99.2 | 67.1 | 93.6 | 45.7 | 70.2 | 66.0 | 68.3 | 65.2 | 63.2 | 63.8 | 63.8 | 64.7 | 65.1 | 65.9 |
| 24 Nondurable goods | 91.1 | 66.7 | 88.1 | 70.6 | 81.6 | 82.5 | 83.6 | 83.5 | 84.3 | 85.0 | 85.5 | 86.1 | 85.9 | 86.3 |
| 25 Textile, paper, and chemical | 92.8 | 64.8 | 89.4 | 68.6 | 81.7 | 83.4 | 83.6 | 84.2 | 85.1 | 85.6 | 86.5 | 87.4 | 86.9 | 87.4 |
| 26 Paper | 98.4 | 70.6 | 97.3 | 79.9 | 89.7 | 93.0 | 93.6 | 93.1 | 95.9 | 97.8 | 97.9 | 96.1 | 95.9 | ...... |
| 27 Chemical | 92.5 | 64.4 | 87.9 | 63.3 | 78.7 | 79.4 | 79.4 | 80.2 | 80.4 | 80.2 | 81.2 | 82.6 | 82.0 | ...... |
| 28 Energy materials | 94.6 | 86.9 | 94.0 | 82.2 | 84.8 | 83.7 | 82.8 | 82.9 | 83.1 | 82.3 | 80.6 | 80.6 | 79.8 | 79.8 |

1. Monthly high 1973; monthly low 1975.
2. Monthly highs 1978 through 1980; monthly lows 1982.

NOTE. These data also appear in the Board's G.3 (402) release. For address, see inside front cover.

## 2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value ▲

Monthly data are seasonally adjusted

| Grouping | 1977 proportion | 1985 avg. | 1985 | | 1986 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Nov. | Dec. | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug.r | Sept. | Oct.p | Nov.e |
| | | | Index (1977 = 100) | | | | | | | | | | | | |
| MAJOR MARKET | | | | | | | | | | | | | | | |
| 1 **Total index** | **100.00** | **123.8** | **124.8** | **125.6** | **126.2** | **125.3** | **123.6** | **124.7** | **124.2** | **124.2** | **124.9** | **125.1** | **125.1** | **125.2** | **125.9** |
| 2 Products | 57.72 | 130.8 | 132.8 | 133.0 | 134.0 | 132.9 | 131.2 | 132.7 | 132.4 | 132.4 | 133.2 | 133.8 | 133.6 | 133.8 | 134.6 |
| 3 Final products | 44.77 | 131.1 | 133.1 | 133.2 | 133.9 | 132.8 | 130.6 | 132.1 | 131.6 | 131.1 | 132.0 | 132.6 | 132.5 | 132.7 | 133.5 |
| 4 Consumer goods | 25.52 | 120.2 | 122.7 | 123.3 | 123.8 | 123.3 | 121.8 | 124.5 | 124.3 | 124.4 | 125.2 | 125.1 | 124.7 | 124.7 | 125.6 |
| 5 Equipment | 19.25 | 145.4 | 147.0 | 146.4 | 147.5 | 145.4 | 142.3 | 142.3 | 141.2 | 140.0 | 141.0 | 142.5 | 142.8 | 143.3 | 144.1 |
| 6 Intermediate products | 12.94 | 130.0 | 131.8 | 132.0 | 134.2 | 133.4 | 133.3 | 134.5 | 135.1 | 137.0 | 137.3 | 137.8 | 137.2 | 137.8 | 138.4 |
| 7 Materials | 42.28 | 114.2 | 113.9 | 115.4 | 115.5 | 114.8 | 113.3 | 113.8 | 113.0 | 113.1 | 113.6 | 113.2 | 113.5 | 113.3 | 113.9 |
| *Consumer goods* | | | | | | | | | | | | | | | |
| 8 Durable consumer goods | 6.89 | 112.9 | 115.4 | 115.3 | 116.0 | 116.6 | 112.4 | 115.9 | 113.8 | 114.3 | 116.3 | 115.7 | 117.4 | 115.9 | 116.8 |
| 9 Automotive products | 2.98 | 114.0 | 115.6 | 113.9 | 116.2 | 117.6 | 110.4 | 116.4 | 113.2 | 113.7 | 116.4 | 114.5 | 117.0 | 112.1 | 112.4 |
| 10 Autos and trucks | 1.79 | 112.0 | 114.1 | 110.4 | 118.2 | 119.4 | 106.3 | 115.1 | 110.3 | 112.2 | 114.5 | 110.4 | 116.8 | 107.7 | 107.5 |
| 11 Autos, consumer | 1.16 | 98.9 | 95.6 | 94.6 | 105.5 | 107.1 | 93.7 | 100.8 | 94.8 | 99.3 | 95.3 | 87.8 | 96.2 | 91.9 | 92.3 |
| 12 Trucks, consumer | .63 | 136.3 | 148.6 | 139.8 | 141.7 | 142.1 | 129.6 | 141.5 | 139.1 | 136.1 | 150.3 | 152.4 | 155.1 | 137.1 | ..... |
| 13 Auto parts and allied goods | 1.19 | 116.9 | 117.7 | 119.0 | 113.3 | 114.9 | 116.6 | 118.4 | 117.4 | 116.1 | 119.1 | 120.7 | 117.4 | 118.6 | 119.8 |
| 14 Home goods | 3.91 | 112.2 | 115.3 | 116.4 | 115.8 | 115.8 | 113.9 | 115.5 | 114.3 | 114.8 | 116.3 | 116.7 | 117.7 | 118.9 | 120.2 |
| 15 Appliances, A/C and TV | 1.24 | 131.0 | 138.8 | 140.4 | 133.2 | 135.1 | 133.7 | 138.8 | 133.9 | 137.5 | 138.9 | 139.4 | 141.2 | 141.9 | 143.8 |
| 16 Appliances and TV | 1.19 | 131.8 | 141.3 | 143.2 | 135.7 | 137.6 | 136.0 | 140.6 | 135.8 | 139.1 | 141.6 | 142.5 | 143.5 | 143.5 | ..... |
| 17 Carpeting and furniture | .96 | 119.8 | 124.6 | 123.3 | 125.1 | 124.4 | 121.2 | 121.8 | 123.3 | 122.5 | 126.6 | 125.8 | 126.2 | 128.1 | ..... |
| 18 Miscellaneous home goods | 1.71 | 94.3 | 93.1 | 95.1 | 98.0 | 97.0 | 95.5 | 95.0 | 95.0 | 94.1 | 94.1 | 95.1 | 96.0 | 97.1 | ..... |
| 19 Nondurable consumer goods | 18.63 | 122.9 | 125.3 | 126.3 | 126.6 | 125.8 | 125.3 | 127.7 | 128.1 | 128.1 | 128.4 | 128.6 | 127.4 | 127.9 | 128.8 |
| 20 Consumer staples | 15.29 | 129.0 | 131.3 | 132.5 | 132.8 | 132.3 | 131.6 | 134.3 | 135.0 | 135.1 | 135.3 | 135.5 | 134.3 | 134.7 | 135.6 |
| 21 Consumer foods and tobacco | 7.80 | 128.8 | 130.5 | 131.6 | 130.1 | 131.1 | 130.3 | 131.9 | 132.4 | 133.3 | 132.2 | 133.2 | 132.2 | 131.9 | ..... |
| 22 Nonfood staples | 7.49 | 129.2 | 132.1 | 133.4 | 135.6 | 133.5 | 133.0 | 136.7 | 137.7 | 137.0 | 138.5 | 137.9 | 136.4 | 137.7 | 138.3 |
| 23 Consumer chemical products | 2.75 | 149.1 | 154.8 | 153.6 | 156.3 | 158.3 | 156.4 | 163.1 | 162.4 | 163.6 | 166.4 | 163.4 | 161.1 | 161.7 | ..... |
| 24 Consumer paper products | 1.88 | 141.9 | 143.2 | 146.5 | 148.9 | 143.4 | 143.1 | 145.1 | 148.6 | 147.1 | 146.4 | 147.7 | 145.7 | 149.3 | ..... |
| 25 Consumer energy | 2.86 | 101.8 | 103.1 | 105.4 | 107.0 | 103.2 | 104.0 | 106.0 | 106.8 | 104.8 | 106.6 | 107.1 | 106.7 | 106.9 | ..... |
| 26 Consumer fuel | 1.44 | 88.6 | 89.8 | 91.7 | 94.1 | 92.0 | 92.2 | 93.7 | 96.4 | 91.8 | 91.2 | 94.9 | 92.5 | 92.2 | ..... |
| 27 Residential utilities | 1.42 | 115.3 | 116.6 | 119.4 | 120.1 | 114.5 | 116.1 | 118.4 | 117.5 | 118.1 | 122.3 | 119.6 | 121.2 | ..... | ..... |
| *Equipment* | | | | | | | | | | | | | | | |
| 28 Business and defense equipment | 18.01 | 146.0 | 148.2 | 147.8 | 149.1 | 147.8 | 145.5 | 146.6 | 146.0 | 145.1 | 146.4 | 147.8 | 148.1 | 148.4 | 149.1 |
| 29 Business equipment | 14.34 | 139.6 | 140.8 | 140.0 | 141.5 | 140.5 | 137.7 | 138.6 | 137.9 | 136.6 | 137.9 | 139.3 | 139.4 | 139.4 | 140.1 |
| 30 Construction, mining, and farm | 2.08 | 64.3 | 65.1 | 66.3 | 65.3 | 63.0 | 59.5 | 58.6 | 60.9 | 61.9 | 60.6 | 58.3 | 58.1 | 57.8 | ..... |
| 31 Manufacturing | 3.27 | 110.7 | 110.5 | 111.6 | 113.0 | 112.9 | 112.4 | 111.9 | 111.9 | 111.7 | 112.6 | 113.3 | 113.0 | 113.2 | 113.5 |
| 32 Power | 1.27 | 83.5 | 84.1 | 85.4 | 82.9 | 82.3 | 82.0 | 83.0 | 82.9 | 83.5 | 81.7 | 81.7 | 80.3 | 80.4 | 81.0 |
| 33 Commercial | 5.22 | 217.9 | 218.6 | 217.0 | 217.8 | 216.8 | 214.3 | 213.4 | 212.9 | 208.2 | 214.5 | 217.5 | 215.1 | 215.7 | 216.8 |
| 34 Transit | 2.49 | 105.4 | 109.7 | 105.5 | 112.7 | 111.7 | 104.3 | 112.1 | 107.3 | 108.8 | 103.9 | 106.9 | 113.8 | 112.4 | 113.1 |
| 35 Defense and space equipment | 3.67 | 170.6 | 177.2 | 178.5 | 178.7 | 176.3 | 176.2 | 178.0 | 178.0 | 178.4 | 179.5 | 181.0 | 182.0 | 183.6 | 184.4 |
| *Intermediate products* | | | | | | | | | | | | | | | |
| 36 Construction supplies | 5.95 | 118.3 | 120.5 | 119.8 | 124.0 | 122.6 | 122.6 | 123.6 | 123.5 | 124.1 | 124.0 | 125.4 | 124.6 | 125.0 | 125.7 |
| 37 Business supplies | 6.99 | 140.0 | 141.5 | 142.4 | 142.9 | 142.6 | 142.5 | 143.8 | 145.0 | 147.9 | 148.6 | 148.4 | 147.8 | 148.6 | ..... |
| 38 General business supplies | 5.67 | 143.9 | 145.3 | 146.2 | 147.2 | 146.7 | 146.4 | 148.0 | 148.3 | 151.6 | 153.3 | 152.5 | 152.2 | 152.7 | ..... |
| 39 Commercial energy products | 1.31 | 122.9 | 125.4 | 126.2 | 124.4 | 124.9 | 125.6 | 125.8 | 130.7 | 131.9 | 128.3 | 130.6 | 129.0 | 131.1 | ..... |
| *Materials* | | | | | | | | | | | | | | | |
| 40 Durable goods materials | 20.50 | 121.4 | 121.2 | 121.9 | 122.2 | 121.3 | 119.3 | 120.2 | 118.4 | 117.8 | 118.8 | 118.8 | 118.8 | 119.1 | 120.0 |
| 41 Durable consumer parts | 4.92 | 100.3 | 100.7 | 101.1 | 103.5 | 103.2 | 99.9 | 99.3 | 96.4 | 96.3 | 96.7 | 95.2 | 95.2 | 96.0 | 97.3 |
| 42 Equipment parts | 5.94 | 158.0 | 154.0 | 154.1 | 153.8 | 153.0 | 153.7 | 154.8 | 152.3 | 151.8 | 154.3 | 155.6 | 154.8 | 154.3 | 155.1 |
| 43 Durable materials n.e.c. | 9.64 | 109.7 | 111.4 | 112.8 | 112.2 | 111.0 | 108.0 | 109.4 | 108.8 | 107.9 | 108.2 | 108.1 | 108.7 | 109.3 | 110.0 |
| 44 Basic metal materials | 4.64 | 84.8 | 87.8 | 87.9 | 85.2 | 83.0 | 79.6 | 82.9 | 78.9 | 76.7 | 77.4 | 76.9 | 78.2 | 78.7 | ..... |
| 45 Nondurable goods materials | 10.09 | 112.2 | 113.3 | 114.9 | 116.2 | 116.1 | 114.8 | 116.5 | 116.5 | 117.7 | 118.9 | 119.7 | 120.6 | 120.4 | 121.2 |
| 46 Textile, paper, and chemical materials | 7.53 | 112.2 | 113.4 | 115.0 | 116.5 | 116.5 | 115.5 | 115.9 | 116.9 | 118.2 | 119.0 | 120.5 | 121.8 | 121.3 | 122.1 |
| 47 Textile materials | 1.52 | 98.7 | 106.1 | 103.8 | 104.1 | 107.5 | 105.7 | 106.7 | 108.4 | 109.5 | 111.2 | 113.4 | 116.4 | 116.0 | ..... |
| 48 Pulp and paper materials | 1.55 | 124.1 | 123.6 | 129.0 | 129.7 | 128.8 | 128.0 | 129.0 | 128.6 | 132.7 | 135.6 | 136.0 | 133.7 | 133.7 | ..... |
| 49 Chemical materials | 4.46 | 112.7 | 112.4 | 114.0 | 116.2 | 115.4 | 114.5 | 114.5 | 115.7 | 116.1 | 115.9 | 117.5 | 119.6 | 118.8 | ..... |
| 50 Miscellaneous nondurable materials | 2.57 | 112.1 | 112.8 | 114.4 | 115.4 | 115.0 | 112.8 | 118.2 | 115.3 | 116.4 | 118.3 | 117.2 | 117.1 | 117.7 | ..... |
| 51 Energy materials | 11.69 | 103.4 | 101.8 | 104.5 | 103.0 | 102.1 | 101.4 | 100.4 | 100.5 | 100.8 | 99.9 | 97.9 | 97.9 | 97.0 | 97.0 |
| 52 Primary energy | 7.57 | 107.2 | 106.5 | 108.1 | 106.9 | 106.7 | 107.4 | 106.2 | 106.7 | 106.5 | 104.8 | 103.7 | 103.1 | 101.6 | ..... |
| 53 Converted fuel materials | 4.12 | 96.4 | 93.3 | 97.9 | 95.8 | 93.6 | 90.5 | 89.7 | 89.2 | 90.4 | 90.9 | 87.3 | 88.3 | 88.6 | ..... |

## 2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value—Continued

| Grouping | SIC code | 1977 proportion | 1985 avg. | 1985 Nov. | 1985 Dec. | 1986 Jan. | 1986 Feb. | 1986 Mar. | 1986 Apr. | 1986 May | 1986 June | 1986 July | 1986 Aug.[r] | 1986 Sept. | 1986 Oct.[p] | 1986 Nov.[e] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Index (1977 = 100) | | | | | | | | | | | | |
| MAJOR INDUSTRY | | | | | | | | | | | | | | | | |
| 1 Mining and utilities | ...... | 15.79 | 110.0 | 108.8 | 110.2 | 109.8 | 106.8 | 105.4 | 104.2 | 103.1 | 102.6 | 101.8 | 100.9 | 100.9 | 100.9 | 100.7 |
| 2 Mining | ...... | 9.83 | 108.8 | 106.9 | 107.4 | 108.1 | 105.1 | 103.0 | 101.0 | 99.8 | 98.9 | 97.1 | 96.4 | 95.5 | 94.9 | 94.2 |
| 3 Utilities | ...... | 5.96 | 111.9 | 111.9 | 114.8 | 112.5 | 109.7 | 109.3 | 109.4 | 108.5 | 108.6 | 109.7 | 108.3 | 109.7 | 110.9 | 111.3 |
| 4 Manufacturing | ...... | 84.21 | 126.4 | 127.8 | 128.2 | 129.4 | 128.7 | 127.2 | 128.7 | 128.2 | 128.3 | 129.2 | 129.5 | 129.5 | 129.6 | 130.5 |
| 5 Nondurable | ...... | 35.11 | 125.1 | 127.2 | 127.5 | 129.3 | 128.7 | 127.7 | 129.6 | 129.9 | 131.2 | 131.7 | 132.2 | 131.6 | 132.0 | 133.1 |
| 6 Durable | ...... | 49.10 | 127.3 | 128.2 | 128.7 | 129.5 | 128.7 | 126.8 | 128.1 | 127.0 | 126.2 | 127.4 | 127.5 | 128.0 | 127.9 | 128.6 |
| *Mining* | | | | | | | | | | | | | | | | |
| 7 Metal | 10 | .50 | 75.0 | 78.3 | 77.3 | 73.5 | 77.2 | 75.9 | 76.0 | 72.0 | 65.9 | 69.2 | 70.9 | ..... | ..... | ..... |
| 8 Coal | 11.12 | 1.60 | 126.8 | 125.8 | 128.4 | 130.8 | 126.5 | 124.7 | 124.4 | 124.0 | 127.3 | 120.2 | 122.2 | 120.8 | 116.1 | ..... |
| 9 Oil and gas extraction | 13 | 7.07 | 106.2 | 103.6 | 104.2 | 104.9 | 101.1 | 99.2 | 96.2 | 95.1 | 93.3 | 92.4 | 90.7 | 90.2 | 90.0 | 88.2 |
| 10 Stone and earth minerals | 14 | .66 | 118.3 | 118.0 | 114.6 | 113.5 | 116.8 | 111.6 | 115.0 | 112.4 | 114.5 | 111.8 | 114.8 | 110.7 | 112.8 | ..... |
| *Nondurable manufactures* | | | | | | | | | | | | | | | | |
| 11 Foods | 20 | 7.96 | 130.2 | 131.5 | 132.1 | 132.0 | 132.9 | 132.2 | 133.1 | 133.7 | 134.6 | 134.3 | 135.1 | 134.4 | 133.3 | ..... |
| 12 Tobacco products | 21 | .62 | 100.2 | 102.8 | 100.3 | 93.8 | 97.0 | 93.6 | 100.3 | 101.6 | 97.6 | 97.9 | 97.1 | 97.2 | ..... | ..... |
| 13 Textile mill products | 22 | 2.29 | 103.2 | 110.0 | 107.7 | 107.9 | 109.9 | 108.0 | 111.4 | 111.3 | 112.6 | 113.4 | 114.7 | 116.0 | 116.9 | ..... |
| 14 Apparel products | 23 | 2.79 | 100.9 | 103.8 | 104.5 | 105.5 | 102.8 | 102.8 | 103.1 | 102.6 | 101.7 | 102.5 | 102.5 | 102.7 | 103.5 | ..... |
| 15 Paper and products | 26 | 3.15 | 127.6 | 128.9 | 131.3 | 133.6 | 132.6 | 132.4 | 134.1 | 133.2 | 137.2 | 138.1 | 138.6 | 137.2 | 137.5 | ..... |
| 16 Printing and publishing | 27 | 4.54 | 153.9 | 156.8 | 157.6 | 160.9 | 156.7 | 157.8 | 161.6 | 161.9 | 164.0 | 165.4 | 164.6 | 162.9 | 167.0 | 167.8 |
| 17 Chemicals and products | 28 | 8.05 | 127.1 | 128.2 | 128.1 | 131.7 | 132.0 | 130.2 | 132.8 | 131.5 | 134.2 | 134.1 | 134.4 | 133.9 | 133.5 | ..... |
| 18 Petroleum products | 29 | 2.40 | 86.8 | 87.6 | 88.9 | 94.7 | 90.1 | 88.6 | 91.3 | 95.7 | 91.8 | 90.6 | 94.0 | 93.3 | 92.0 | 91.3 |
| 19 Rubber and plastic products | 30 | 2.80 | 146.9 | 150.1 | 149.4 | 150.2 | 151.1 | 147.8 | 146.8 | 150.1 | 152.2 | 155.5 | 155.5 | 155.1 | 156.4 | ..... |
| 20 Leather and products | 31 | .53 | 68.5 | 68.7 | 66.4 | 65.4 | 64.8 | 62.7 | 61.5 | 59.5 | 57.9 | 61.9 | 62.0 | 60.9 | 59.8 | ..... |
| *Durable manufactures* | | | | | | | | | | | | | | | | |
| 21 Lumber and products | 24 | 2.30 | 113.4 | 115.0 | 116.1 | 120.5 | 120.3 | 120.7 | 121.3 | 121.6 | 120.9 | 120.8 | 122.5 | 121.8 | ..... | ..... |
| 22 Furniture and fixtures | 25 | 1.27 | 139.7 | 142.2 | 140.5 | 141.2 | 143.2 | 142.9 | 145.9 | 146.2 | 147.1 | 149.5 | 148.3 | 147.9 | 148.0 | ..... |
| 23 Clay, glass, stone products | 32 | 2.72 | 115.5 | 116.7 | 118.2 | 120.0 | 119.3 | 120.0 | 121.6 | 120.2 | 120.8 | 119.6 | 119.7 | 121.6 | 119.0 | ..... |
| 24 Primary metals | 33 | 5.33 | 80.5 | 82.9 | 81.7 | 82.4 | 80.3 | 76.3 | 78.1 | 74.8 | 71.4 | 73.6 | 73.4 | 74.0 | 73.8 | 75.0 |
| 25 Iron and steel | 331.2 | 3.49 | 70.4 | 73.9 | 71.6 | 72.2 | 69.5 | 64.3 | 65.6 | 60.2 | 58.3 | 61.7 | 60.8 | 61.0 | 61.3 | ..... |
| 26 Fabricated metal products | 34 | 6.46 | 107.3 | 107.6 | 108.2 | 109.2 | 108.5 | 107.6 | 108.2 | 106.5 | 106.6 | 105.7 | 105.9 | 107.2 | 107.9 | 108.0 |
| 27 Nonelectrical machinery | 35 | 9.54 | 145.3 | 144.8 | 146.2 | 144.9 | 143.9 | 141.7 | 140.8 | 141.3 | 140.4 | 142.6 | 142.6 | 140.9 | 142.0 | 142.8 |
| 28 Electrical machinery | 36 | 7.15 | 168.4 | 166.9 | 168.7 | 166.1 | 164.8 | 165.2 | 166.8 | 166.0 | 163.2 | 166.8 | 167.2 | 167.2 | 167.6 | 168.9 |
| 29 Transportation equipment | 37 | 9.13 | 121.4 | 124.8 | 124.0 | 128.2 | 127.5 | 122.6 | 126.2 | 124.1 | 125.1 | 125.6 | 125.1 | 127.7 | 125.1 | 125.6 |
| 30 Motor vehicles and parts | 371 | 5.25 | 111.5 | 112.6 | 111.4 | 116.5 | 116.4 | 108.1 | 112.6 | 108.7 | 110.6 | 111.2 | 108.2 | 112.2 | 107.0 | 107.8 |
| 31 Aerospace and miscellaneous transportation equipment | 372–6.9 | 3.87 | 134.9 | 141.3 | 141.0 | 143.9 | 142.6 | 142.4 | 144.8 | 145.0 | 144.7 | 145.2 | 148.0 | 148.8 | 149.6 | 149.9 |
| 32 Instruments | 38 | 2.66 | 139.1 | 139.9 | 140.4 | 141.5 | 141.9 | 142.0 | 142.4 | 140.3 | 139.9 | 141.7 | 142.0 | 141.7 | 140.8 | 140.8 |
| 33 Miscellaneous manufactures | 39 | 1.46 | 96.1 | 94.8 | 96.6 | 100.9 | 100.9 | 99.0 | 99.2 | 101.0 | 98.3 | 97.5 | 98.3 | 98.1 | 99.9 | ..... |
| *Utilities* | | | | | | | | | | | | | | | | |
| 34 Electric | ...... | 4.17 | 119.7 | 120.1 | 122.4 | 119.7 | 119.5 | 119.8 | 121.6 | 121.7 | 123.1 | 125.4 | 122.4 | 123.8 | 125.3 | ..... |
| | | Gross value (billions of 1978 dollars, annual rates) | | | | | | | | | | | | | | |
| MAJOR MARKET | | | | | | | | | | | | | | | | |
| 35 **Products, total** | ...... | **517.5** | **1,650.9** | **1,680.6** | **1,676.6** | **1,702.1** | **1,686.5** | **1,660.8** | **1,686.3** | **1,687.6** | **1,676.7** | **1,669.9** | **1,681.3** | **1,682.2** | **1,685.9** | **1,694.5** |
| 36 Final | ...... | 405.7 | 1,282.3 | 1,304.9 | 1,302.5 | 1,321.2 | 1,310.3 | 1,282.5 | 1,307.0 | 1,301.1 | 1,289.5 | 1,282.7 | 1,292.6 | 1,296.5 | 1,295.2 | 1,303.2 |
| 37 Consumer goods | ...... | 272.7 | 820.7 | 838.1 | 841.7 | 850.7 | 845.3 | 832.0 | 852.3 | 852.4 | 843.8 | 842.3 | 846.9 | 843.6 | 841.6 | 848.6 |
| 38 Equipment | ...... | 133.0 | 461.7 | 466.8 | 460.8 | 470.5 | 465.1 | 450.4 | 454.7 | 448.7 | 445.7 | 440.4 | 445.7 | 452.9 | 453.7 | 454.6 |
| 39 Intermediate | ...... | 111.9 | 368.6 | 375.7 | 374.1 | 380.8 | 376.2 | 378.3 | 379.3 | 386.4 | 387.2 | 387.1 | 388.7 | 385.7 | 390.7 | 391.2 |

▲ A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

NOTE. These data also appear in the Board's G.12.3 (414) release. For address, see inside front cover.

## 2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

| Item | 1983 | 1984 | 1985 | 1986 Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Private residential real estate activity (thousands of units) | | | | | | | | | | | | |
| NEW UNITS | | | | | | | | | | | | | |
| 1 Permits authorized | 1,605 | 1,682 | 1,733 | 1,861 | 1,808 | 1,834 | 1,885 | 1,788 | 1,792 | 1,759 | 1,673 | 1,603 | 1,565 |
| 2 1-family | 902 | 922 | 957 | 1,060 | 1,033 | 1,043 | 1,139 | 1,092 | 1,121 | 1,093 | 1,039 | 1,047 | 1,006 |
| 3 2-or-more-family | 703 | 759 | 777 | 801 | 775 | 791 | 746 | 696 | 671 | 666 | 634 | 556 | 559 |
| 4 Started | 1,703 | 1,749 | 1,742 | 2,034 | 2,001 | 1,960 | 2,019 | 1,853 | 1,852 | 1,782 | 1,795 | 1,664 | 1,628 |
| 5 1-family | 1,067 | 1,084 | 1,072 | 1,335 | 1,202 | 1,221 | 1,242 | 1,241 | 1,230 | 1,137 | 1,186 | 1,102 | 1,090 |
| 6 2-or-more-family | 635 | 665 | 669 | 699 | 799 | 739 | 777 | 612 | 622 | 645 | 609 | 562 | 538 |
| 7 Under construction, end of period[1] | 1,003 | 1,051 | 1,063 | 1,094 | 1,110 | 1,099 | 1,135 | 1,132 | 1,151 | 1,157 | 1,164 | 1,154 | 1,145 |
| 8 1-family | 524 | 556 | 539 | 571 | 581 | 574 | 586 | 597 | 612 | 623 | 630 | 626 | 626 |
| 9 2-or-more-family | 479 | 494 | 524 | 522 | 529 | 526 | 549 | 534 | 539 | 533 | 533 | 528 | 519 |
| 10 Completed | 1,390 | 1,652 | 1,703 | 1,778 | 1,725 | 1,806 | 1,693 | 1,829 | 1,620 | 1,761 | 1,763 | 1,733 | 1,736 |
| 11 1-family | 924 | 1,025 | 1,072 | 1,075 | 1,038 | 1,153 | 1,127 | 1,140 | 1,060 | 1,067 | 1,128 | 1,109 | 1,170 |
| 12 2-or-more-family | 466 | 627 | 631 | 703 | 687 | 653 | 566 | 689 | 560 | 694 | 635 | 624 | 566 |
| 13 Mobile homes shipped | 296 | 296 | 284 | 280 | 266 | 240 | 249 | 239 | 226 | 236 | 232 | 244 | 244 |
| *Merchant builder activity in 1-family units* | | | | | | | | | | | | | |
| 14 Number sold | 622 | 639 | 688 | 735 | 741 | 924 | 880 | 787 | 722 | 698r | 618 | 732 | 662 |
| 15 Number for sale, end of period[1] | 304 | 358 | 350 | 352 | 352 | 338 | 336 | 336 | 340 | 349 | 353 | 356 | 359 |
| *Price (thousands of dollars)*[2] | | | | | | | | | | | | | |
| Median | | | | | | | | | | | | | |
| 16 Units sold | 75.5 | 80.0 | 84.3 | 86.6 | 89.7 | 88.7 | 92.5 | 92.1 | 91.2 | 94.1r | 91.1 | 91.7 | 93.6 |
| Average | | | | | | | | | | | | | |
| 17 Units sold | 89.9 | 97.5 | 101.0 | 104.1 | 106.6 | 108.0 | 110.3 | 114.6 | 110.9 | 116.8r | 114.6 | 112.4 | 111.6 |
| EXISTING UNITS (1-family) | | | | | | | | | | | | | |
| 18 Number sold | 2,719 | 2,868 | 3,217 | 3,300 | 3,270 | 3,200 | 3,570 | 3,450 | 3,390 | 3,470 | 3,610 | 3,770 | 3,810 |
| *Price of units sold (thousands of dollars)*[2] | | | | | | | | | | | | | |
| 19 Median | 69.8 | 72.3 | 75.4 | 77.1 | 77.4 | 79.8 | 80.2 | 83.2 | 82.6 | 79.9 | 82.0 | 79.4 | 79.4 |
| 20 Average | 82.5 | 85.9 | 90.6 | 93.0 | 93.1 | 96.8 | 98.1 | 101.7 | 102.1 | 99.2 | 100.3 | 96.8 | 97.3 |
| | Value of new construction[3] (millions of dollars) | | | | | | | | | | | | |
| CONSTRUCTION | | | | | | | | | | | | | |
| **21 Total put in place** | **279,240** | **327,209** | **355,570** | **373,378** | **373,947** | **368,027** | **373,904** | **374,483** | **375,397** | **380,722r** | **382,603r** | **382,581r** | **379,676r** |
| 22 Private | 228,527 | 271,973 | 292,792 | 305,366 | 305,682 | 298,868 | 303,320 | 302,573 | 304,567 | 309,003r | 310,155r | 308,617r | 307,736r |
| 23 Residential | 126,553 | 155,148 | 158,818 | 163,413 | 164,713 | 165,645 | 170,520 | 172,491 | 174,478 | 178,821r | 178,761r | 178,480r | 178,642r |
| 24 Nonresidential, total | 101,974 | 116,825 | 133,974 | 141,953 | 140,969 | 133,223 | 132,800 | 130,082 | 130,089 | 130,182r | 131,394r | 130,137r | 129,094r |
| Buildings | | | | | | | | | | | | | |
| 25 Industrial | 12,863 | 13,746 | 15,769 | 15,783 | 16,381 | 13,354 | 14,557 | 13,658 | 13,027 | 12,866r | 12,543r | 13,180r | 12,913r |
| 26 Commercial | 35,789 | 48,100 | 59,626 | 65,222 | 63,494 | 60,716 | 59,763 | 57,368 | 57,443 | 58,132r | 60,054r | 58,001r | 56,430r |
| 27 Other | 11,838 | 12,547 | 12,619 | 12,781 | 13,065 | 13,131 | 13,006 | 13,131 | 13,263 | 13,277r | 13,315r | 14,001r | 14,435r |
| 28 Public utilities and other | 41,484 | 42,432 | 45,960 | 48,167 | 48,029 | 46,022 | 45,474 | 45,925 | 46,356 | 45,907r | 45,482r | 44,955r | 45,316r |
| 29 Public | 50,715 | 55,232 | 62,777 | 68,013 | 68,264 | 69,150 | 70,583 | 71,910 | 70,830 | 71,719r | 72,448r | 73,964r | 71,940r |
| 30 Military | 2,544 | 2,839 | 3,283 | 3,407 | 3,974 | 3,673 | 3,725 | 3,637 | 3,761 | 3,553r | 4,132r | 5,050r | 3,695r |
| 31 Highway | 14,143 | 16,343 | 19,998 | 22,129 | 22,273 | 22,673 | 23,240 | 22,001 | 21,771 | 21,603r | 21,607r | 20,552r | 20,274r |
| 32 Conservation and development | 4,820 | 4,654 | 4,952 | 5,614 | 4,372 | 4,598 | 4,947 | 4,729 | 4,657 | 4,415r | 4,294r | 4,841r | 4,843r |
| 33 Other | 29,208 | 31,396 | 34,544 | 36,863 | 37,645 | 38,215 | 38,756 | 40,304 | 40,411 | 42,148r | 42,415r | 43,521r | 43,128r |

1. Not at annual rates.
2. Not seasonally adjusted.
3. Value of new construction data in recent periods may not be strictly comparable with data in prior 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 Bureau in July 1976.

NOTE. Census Bureau estimates for all series except (a) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (b) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from originating agency. Permit authorizations are those reported to the Census Bureau from 16,000 jurisdictions beginning with 1978.

## 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 (at annual rate) | | | | Change from 1 month earlier | | | | | Index level Nov. 1986 (1967 = 100)[1] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1985 Nov. | 1986 Nov. | 1985 | 1986 | | | 1986 | | | | | |
| | | | Dec. | Mar. | June | Sept. | July | Aug.r | Sept. | Oct. | Nov. | |
| CONSUMER PRICES[2] | | | | | | | | | | | | |
| 1 **All items** | **3.6** | **1.3** | **5.3** | **−1.9** | **1.5** | **2.2** | **.0** | **.2** | **.3** | **.2** | **.3** | **330.8** |
| 2 Food | 2.3 | 4.4 | 5.9 | −1.4 | 3.4 | 9.4 | .9 | .9 | .4 | .3 | .5 | 324.6 |
| 3 Energy items | .8 | −19.6 | 3.3 | −34.2 | −12.5 | −19.5 | −4.1 | −1.9 | .7 | −2.2 | −.7 | 341.7 |
| 4 All items less food and energy | 4.4 | 3.8 | 5.4 | 4.1 | 3.1 | 3.7 | .4 | .3 | .3 | .4 | .3 | 332.5 |
| 5 Commodities | 2.2 | 1.3 | 3.6 | .3 | −.5 | 3.1 | .2 | .3 | .2 | .2 | .2 | 266.1 |
| 6 Services | 5.7 | 5.2 | 6.5 | 6.5 | 5.2 | 4.1 | .4 | .3 | .3 | .5 | .4 | 405.0 |
| PRODUCER PRICES | | | | | | | | | | | | |
| 7 Finished goods | 1.4 | −1.9 | 9.2 | −12.5 | .4 | .7 | −.6r | .4 | .4 | .3 | .2 | 290.7 |
| 8 Consumer foods | −.1 | 4.1 | 16.0 | −8.1 | 5.9 | 13.0 | 1.8r | 1.4 | −.2 | .9 | −.1 | 283.0 |
| 9 Consumer energy | −2.4 | −37.9 | 20.7 | −66.9 | −22.3 | −36.9 | −13.9r | −.2 | 3.7 | −4.3 | .0 | 452.9 |
| 10 Other consumer goods | 2.8 | 3.0 | 4.4 | 2.5 | 2.0 | 2.2 | .2 | .1 | .2 | .8 | .3 | 262.7 |
| 11 Capital equipment | 2.5 | 2.2 | 5.6 | .7 | 2.3 | 2.2 | .1 | .1 | .4 | .5 | .3 | 310.5 |
| 12 Intermediate materials[3] | −.5 | −4.3 | 2.9 | −11.8 | −5.3 | −.8 | −.6 | −.1 | .5 | −.3 | .2 | 310.4 |
| 13 Excluding energy | −.2 | .3 | .0 | −1.0 | −1.3 | 2.0 | .2 | .1 | .3 | .1 | .2 | 305.1 |
| Crude materials | | | | | | | | | | | | |
| 14 Foods | −6.4 | −.3 | 47.0 | −24.7 | 1.6 | 20.1 | 3.3r | 2.1 | −.8 | 2.6 | −.2 | 235.9 |
| 15 Energy | −5.3 | −27.4 | −4.0 | −51.3 | −29.1 | −13.3 | −6.2r | −.8 | 3.7 | −.9 | −.7 | 535.3 |
| 16 Other | −4.3 | .0 | 1.5 | −.2 | 7.0 | −18.1 | .3r | −5.6 | .5 | 1.7 | 1.6 | 244.5 |

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers and reflect a rental equivalence measure of homeownership after 1982.
3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE. Bureau of Labor Statistics.

## 2.16 GROSS NATIONAL PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data are at seasonally adjusted annual rates.

| Account | 1983 | 1984 | 1985 | 1985 | | 1986 | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Q3 | Q4 | Q1 | Q2 | Q3[r] |
| GROSS NATIONAL PRODUCT | | | | | | | | |
| 1 **Total** | **3,405.7** | **3,765.0** | **3,998.1** | **4,030.5** | **4,087.7** | **4,149.2** | **4,175.6** | **4,240.7** |
| *By source* | | | | | | | | |
| 2 Personal consumption expenditures | 2,234.5 | 2,428.2 | 2,600.5 | 2,627.1 | 2,667.9 | 2,697.9 | 2,732.0 | 2,799.8 |
| 3 Durable goods | 289.1 | 331.2 | 359.3 | 373.3 | 362.0 | 360.8 | 373.9 | 414.5 |
| 4 Nondurable goods | 816.7 | 870.1 | 905.1 | 907.4 | 922.6 | 929.7 | 928.4 | 932.8 |
| 5 Services | 1,128.7 | 1,227.0 | 1,336.1 | 1,346.4 | 1,383.2 | 1,407.4 | 1,429.8 | 1,452.4 |
| 6 Gross private domestic investment | 502.3 | 662.1 | 661.1 | 657.4 | 669.5 | 708.3 | 687.3 | 675.8 |
| 7 Fixed investment | 509.4 | 598.0 | 650.0 | 654.3 | 672.6 | 664.4 | 672.8 | 680.3 |
| 8 Nonresidential | 356.9 | 416.5 | 458.2 | 459.8 | 474.0 | 459.2 | 457.5 | 459.0 |
| 9 Structures | 124.0 | 139.3 | 154.8 | 155.0 | 157.2 | 154.6 | 141.5 | 139.5 |
| 10 Producers' durable equipment | 232.8 | 277.3 | 303.4 | 304.7 | 316.8 | 304.6 | 316.0 | 319.5 |
| 11 Residential structures | 152.5 | 181.4 | 191.8 | 194.5 | 198.6 | 205.3 | 215.3 | 221.3 |
| 12 Change in business inventories | -7.1 | 64.1 | 11.1 | 3.1 | -3.1 | 43.8 | 14.5 | -4.5 |
| 13 Nonfarm | .4 | 56.6 | 12.2 | 3.2 | 16.7 | 41.2 | 10.5 | -10.3 |
| 14 Net exports of goods and services | -6.1 | -58.7 | -78.9 | -83.7 | -105.3 | -93.7 | -104.5 | -108.9 |
| 15 Exports | 352.5 | 382.7 | 369.8 | 362.3 | 368.2 | 374.8 | 363.0 | 370.8 |
| 16 Imports | 358.7 | 441.4 | 448.6 | 446.0 | 473.6 | 468.5 | 467.5 | 479.7 |
| 17 Government purchases of goods and services | 675.0 | 733.4 | 815.4 | 829.7 | 855.6 | 836.7 | 860.8 | 874.0 |
| 18 Federal | 283.5 | 311.3 | 354.1 | 360.9 | 380.9 | 355.7 | 367.6 | 369.3 |
| 19 State and local | 391.5 | 422.2 | 461.3 | 468.8 | 474.7 | 480.9 | 493.3 | 504.7 |
| *By major type of product* | | | | | | | | |
| 20 Final sales, total | 3,412.8 | 3,700.9 | 3,987.0 | 4,027.4 | 4,090.8 | 4,105.4 | 4,161.2 | 4,245.2 |
| 21 Goods | 1,396.1 | 1,576.7 | 1,630.2 | 1,642.8 | 1,644.1 | 1,669.0 | 1,661.6 | 1,680.2 |
| 22 Durable | 573.3 | 675.0 | 700.2 | 710.3 | 709.1 | 710.6 | 703.1 | 730.1 |
| 23 Nondurable | 822.7 | 901.7 | 930.0 | 932.5 | 935.0 | 958.4 | 958.5 | 950.1 |
| 24 Services | 1,682.5 | 1,813.1 | 1,959.8 | 1,971.9 | 2,025.5 | 2,057.7 | 2,087.4 | 2,125.2 |
| 25 Structures | 327.1 | 375.1 | 408.1 | 415.9 | 418.1 | 422.6 | 426.7 | 435.3 |
| 26 Change in business inventories | -7.1 | 64.1 | 11.1 | 3.1 | -3.1 | 43.8 | 14.5 | -4.5 |
| 27 Durable goods | -1.0 | 39.2 | 6.6 | -2.7 | 9.5 | 28.6 | -.1 | -15.6 |
| 28 Nondurable goods | -6.1 | 24.9 | 4.5 | 5.8 | -12.7 | 15.3 | 14.6 | 11.1 |
| 29 MEMO: **Total GNP in 1982 dollars** | **3,279.1** | **3,489.9** | **3,585.2** | **3,603.8** | **3,622.3** | **3,655.9** | **3,661.4** | **3,686.4** |
| NATIONAL INCOME | | | | | | | | |
| 30 **Total** | **2,719.5** | **3,032.0** | **3,222.3** | **3,243.4** | **3,287.3** | **3,340.7** | **3,376.4** | **3,396.1** |
| 31 Compensation of employees | 2,020.7 | 2,214.7 | 2,368.2 | 2,380.9 | 2,423.6 | 2,461.5 | 2,480.2 | 2,507.4 |
| 32 Wages and salaries | 1,676.2 | 1,837.0 | 1,965.8 | 1,976.0 | 2,012.8 | 2,044.1 | 2,058.8 | 2,081.1 |
| 33 Government and government enterprises | 324.3 | 346.2 | 372.2 | 374.2 | 381.6 | 387.2 | 392.5 | 398.4 |
| 34 Other | 1,352.3 | 1,490.6 | 1,593.9 | 1,601.8 | 1,631.1 | 1,656.8 | 1,666.3 | 1,682.7 |
| 35 Supplement to wages and salaries | 344.5 | 377.7 | 402.4 | 404.9 | 410.9 | 417.4 | 421.3 | 426.3 |
| 36 Employer contributions for social insurance | 170.9 | 193.1 | 205.5 | 206.1 | 209.1 | 212.9 | 214.1 | 215.9 |
| 37 Other labor income | 173.6 | 184.5 | 196.9 | 198.8 | 201.7 | 204.5 | 207.3 | 210.4 |
| 38 Proprietors' income[1] | 190.9 | 236.9 | 254.4 | 249.3 | 262.1 | 265.3 | 289.1 | 277.5 |
| 39 Business and professional[1] | 178.4 | 205.3 | 225.2 | 227.7 | 232.7 | 240.9 | 249.6 | 258.0 |
| 40 Farm[1] | 12.4 | 31.5 | 29.2 | 21.6 | 29.4 | 24.4 | 39.5 | 19.6 |
| 41 Rental income of persons[2] | 13.2 | 8.3 | 7.6 | 7.3 | 8.3 | 12.8 | 16.3 | 16.2 |
| 42 Corporate profits[1] | 213.7 | 264.7 | 280.7 | 296.3 | 285.6 | 296.4 | 293.1 | 302.0 |
| 43 Profits before tax[3] | 207.6 | 235.7 | 223.2 | 229.2 | 235.8 | 222.5[r] | 227.7[r] | 240.4 |
| 44 Inventory valuation adjustment | -10.9 | -5.5 | -.6 | 6.1 | -9.4 | 16.5 | 10.6 | 6.1 |
| 45 Capital consumption adjustment | 17.0 | 34.5 | 58.1 | 61.0 | 59.2 | 57.3[r] | 54.8[r] | 55.5 |
| 46 Net interest | 281.0 | 307.4 | 311.4 | 309.7 | 307.6 | 304.9 | 297.7 | 292.9 |

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. *Survey of Current Business* (Department of Commerce).

## 2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

| Account | 1983 | 1984 | 1985 | 1985 | | 1986 | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Q3 | Q4 | Q1 | Q2 | Q3r |
| PERSONAL INCOME AND SAVING | | | | | | | | |
| 1 **Total personal income** | **2,838.6** | **3,110.2** | **3,314.5** | **3,323.2** | **3,382.9** | **3,432.6** | **3,483.3** | **3,498.8** |
| 2 Wage and salary disbursements | 1,676.6 | 1,836.8 | 1,966.1 | 1,976.0 | 2,012.8 | 2,044.1 | 2,058.8 | 2,081.1 |
| 3 Commodity-producing industries | 523.1 | 577.8 | 607.7 | 608.3 | 617.7 | 622.0 | 620.8 | 621.8 |
| 4 Manufacturing | 397.4 | 439.1 | 460.1 | 460.7 | 467.5 | 470.5 | 468.8 | 470.0 |
| 5 Distributive industries | 404.2 | 442.2 | 469.8 | 472.4 | 478.9 | 485.2 | 484.3 | 488.3 |
| 6 Service industries | 425.1 | 470.6 | 516.4 | 521.1 | 534.6 | 549.6 | 561.3 | 572.6 |
| 7 Government and government enterprises | 324.3 | 346.2 | 372.2 | 374.2 | 381.6 | 387.2 | 392.5 | 398.4 |
| 8 Other labor income | 173.6 | 184.5 | 196.9 | 198.8 | 201.7 | 204.5 | 207.3 | 210.4 |
| 9 Proprietors' income[1] | 190.9 | 236.9 | 254.4 | 249.3 | 262.1 | 265.3 | 289.1 | 277.5 |
| 10 Business and professional[1] | 178.4 | 205.3 | 225.2 | 227.7 | 232.7 | 240.9 | 249.6 | 258.0 |
| 11 Farm[1] | 12.4 | 31.5 | 29.2 | 21.6 | 29.4 | 24.4 | 39.5 | 19.6 |
| 12 Rental income of persons[2] | 13.2 | 8.3 | 7.6 | 7.3 | 8.3 | 12.8 | 16.3 | 16.2 |
| 13 Dividends | 68.7 | 74.7 | 76.4 | 76.3 | 76.7 | 79.1 | 81.1 | 82.0 |
| 14 Personal interest income | 393.1 | 446.9 | 476.2 | 475.2 | 480.6 | 480.8 | 480.1 | 473.8 |
| 15 Transfer payments | 442.6 | 455.6 | 487.1 | 491.1 | 493.6 | 504.7 | 510.1 | 518.5 |
| 16 Old-age survivors, disability, and health insurance benefits | 221.7 | 235.7 | 253.4 | 256.5 | 256.8 | 263.2 | 264.1 | 269.6 |
| 17 LESS: Personal contributions for social insurance | 120.1 | 133.5 | 150.2 | 150.7 | 152.9 | 158.6 | 159.5 | 160.8 |
| 18 EQUALS: Personal income | 2,838.6 | 3,110.2 | 3,314.5 | 3,323.2 | 3,382.9 | 3,432.6 | 3,483.3 | 3,498.8 |
| 19 LESS: Personal tax and nontax payments | 410.5 | 439.6 | 486.5 | 491.2 | 500.7 | 497.5 | 504.8 | 519.0 |
| 20 EQUALS: Disposable personal income | 2,428.1 | 2,670.6 | 2,828.0 | 2,832.0 | 2,882.2 | 2,935.1 | 2,978.5 | 2,979.9 |
| 21 LESS: Personal outlays | 2,297.4 | 2,501.9 | 2,684.7 | 2,712.4 | 2,756.4 | 2,789.4 | 2,825.5 | 2,895.8 |
| 22 EQUALS: Personal saving | 130.6 | 168.7 | 143.3 | 119.6 | 125.8 | 145.6 | 153.1 | 84.1 |
| MEMO | | | | | | | | |
| Per capita (1982 dollars) | | | | | | | | |
| 23 Gross national product | 13,963.7 | 14,721.1 | 14,980.9 | 15,040.5 | 15,080.3r | 15,188.6r | 15,179.9 | 15,245.6 |
| 24 Personal consumption expenditures | 9,138.5 | 9,475.4 | 9,713.0 | 9,774.4 | 9,790.6r | 9,857.5r | 9,985.0 | 10,124.0 |
| 25 Disposable personal income | 9,930.0 | 10,421.0 | 10,563.0 | 10,537.0 | 10,577.0 | 10,723.0 | 10,886.0 | 10,776.0 |
| 26 Saving rate (percent) | 5.4 | 6.3 | 5.1 | 4.2 | 4.4 | 5.0 | 5.1 | 2.8 |
| GROSS SAVING | | | | | | | | |
| 27 **Gross saving** | **463.6** | **573.3** | **551.5** | **541.7** | **524.1** | **583.2** | **539.7** | **517.1** |
| 28 Gross private saving | 592.2 | 674.8 | 687.8 | 679.6 | 679.2 | 708.3r | 713.0r | 650.5 |
| 29 Personal saving | 130.6 | 168.7 | 143.3 | 119.6 | 125.8 | 145.6 | 153.1 | 84.1 |
| 30 Undistributed corporate profits[1] | 65.0 | 91.0 | 107.3 | 118.8 | 106.8 | 115.5r | 106.6r | 108.8 |
| 31 Corporate inventory valuation adjustment | -10.9 | -5.5 | -.6 | 6.1 | -9.4 | 16.5 | 10.6 | 6.1 |
| *Capital consumption allowances* | | | | | | | | |
| 32 Corporate | 242.7 | 253.9 | 268.2 | 270.1 | 273.3 | 275.3 | 278.9 | 281.6 |
| 33 Noncorporate | 153.9 | 161.2 | 169.0 | 171.2 | 173.4 | 171.8 | 174.4 | 176.0 |
| 34 Wage accruals less disbursements | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 35 Government surplus, or deficit (-), national income and product accounts | -128.6 | -101.5 | -136.3 | -138.0 | -155.1 | -125.1r | -173.3r | -133.3 |
| 36 Federal | -176.0 | -170.0 | -198.0 | -197.5 | -217.6 | -195.0r | -232.2r | -197.4 |
| 37 State and local | 47.5 | 68.5 | 61.7 | 59.5 | 62.5 | 69.9r | 58.9r | 64.0 |
| 38 Capital grants received by the United States, net | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 39 **Gross investment** | **468.8** | **571.4** | **545.9** | **536.2** | **525.7** | **579.6** | **544.3** | **527.5** |
| 40 Gross private domestic | 502.3 | 662.1 | 661.1 | 657.4 | 669.5 | 708.3 | 687.3 | 675.8 |
| 41 Net foreign | -33.5 | -90.7 | -115.2 | -121.2 | -143.8 | -128.6 | -143.0 | -148.3 |
| 42 **Statistical discrepancy** | **5.2** | **-1.9** | **-5.5** | **-5.5** | **1.6** | **-3.6** | **4.6** | **10.3** |

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. *Survey of Current Business* (Department of Commerce).

## 3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data are seasonally adjusted except as noted.[1]

| Item credits or debits | 1983 | 1984 | 1985 | 1985 | | 1986 | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Q3 | Q4 | Q1 | Q2 | Q3[p] |
| 1 Balance on current account | −46,605 | −106,466 | −117,677 | −28,455[r] | −33,695[r] | −34,038 | −34,413 | −36,280 |
| 2 Not seasonally adjusted | ........ | ........ | ........ | −32,275 | −31,510 | −31,020 | −35,458 | −40,206 |
| 3 Merchandise trade balance[2] | −67,080 | −112,522 | −124,439 | −31,675 | −37,352 | −36,459 | −35,669 | −37,669 |
| 4 Merchandise exports | 201,820 | 219,900 | 214,424 | 52,498 | 52,727 | 53,661 | 55,149 | 55,318 |
| 5 *Merchandise imports* | −268,900 | −332,422 | −338,863 | −84,173 | −90,079 | −90,120 | −90,818 | −92,987 |
| 6 Military transactions, net | −370 | −1,827 | −2,917 | −619 | −1,322 | −1,066 | −695 | −624 |
| 7 Investment income, net[3] | 24,841 | 18,751 | 25,188 | 8,262 | 9,255 | 6,517 | 5,325 | 5,509 |
| 8 Other service transactions, net | 5,484 | 1,288 | −525 | −422[r] | −32[r] | −7 | 705 | 681 |
| 9 Remittances, pensions, and other transfers | −3,194 | −3,621 | −3,787 | −914 | −937 | −954 | −834 | −789 |
| 10 U.S. government grants (excluding military) | −6,286 | −8,536 | −11,196 | −3,087 | −3,307 | −2,069 | −3,245 | −3,388 |
| 11 Change in U.S. government assets, other than official reserve assets, net (increase, −) | −5,005 | −5,523 | −2,824 | −422 | −540 | −250 | −209 | −1,346 |
| 12 Change in U.S. official reserve assets (increase, −) | −1,196 | −3,130 | −3,858 | −121 | −3,148 | −115 | 16 | 280 |
| 13 Gold | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14 Special drawing rights (SDRs) | −66 | −979 | −897 | −264 | −189 | −274 | −104 | 163 |
| 15 Reserve position in International Monetary Fund | −4,434 | −995 | 908 | 388 | 168 | 344 | 366 | 508 |
| 16 Foreign currencies | 3,304 | −1,156 | −3,869 | −245 | −3,126 | −185 | −246 | −391 |
| 17 Change in U.S. private assets abroad (increase, −)[3] | −43,821 | −14,987 | −25,754 | −5,324 | −19,579 | −12,533 | −25,357 | −28,016 |
| 18 Bank-reported claims | −29,928 | −11,127 | −691 | 4,009 | −8,485 | 6,333 | −14,387 | −20,507 |
| 19 Nonbank-reported claims | −6,513 | 5,081 | 1,665 | −1,517 | 418 | −2,842 | −1,220 | n.a. |
| 20 U.S. purchase of foreign securities, net | −7,007 | −5,082 | −7,977 | −1,664 | −1,411 | −6,133 | −1,664 | 163 |
| 21 U.S. direct investments abroad, net[3] | −373 | −3,859 | −18,752 | −6,152 | −10,101 | −9,891 | −8,806 | −7,672 |
| 22 Change in foreign official assets in the United States (increase, +) | 5,968 | 3,037 | −1,324 | 2,577 | −1,322 | 2,469 | 14,704 | 15,839 |
| 23 U.S. Treasury securities | 6,972 | 4,690 | −546 | −81 | −1,976 | 3,256 | 14,538 | 12,262 |
| 24 Other U.S. government obligations | −476 | 13 | −295 | 46 | −171 | −177 | −644 | −276 |
| 25 Other U.S. government liabilities[4] | 725 | 436 | 483 | 58 | 263 | 288 | 679 | 954 |
| 26 Other U.S. liabilities reported by U.S. banks | 545 | 555 | 522 | 2,932 | 722 | −1,261 | 662 | 3,201 |
| 27 Other foreign official assets[5] | −1,798 | −2,657 | −1,488 | −378 | −160 | 363 | −531 | −302 |
| 28 Change in foreign private assets in the United States (increase, +)[3] | 79,528 | 99,730 | 128,430 | 33,088 | 53,158 | 34,151 | 32,822 | 53,294 |
| 29 U.S. bank-reported liabilities | 50,342 | 33,849 | 40,387 | 7,276 | 20,427 | 8,434 | 3,553 | 32,187 |
| 30 U.S. nonbank-reported liabilities | −118 | 4,704 | −1,172 | 589 | 2,232 | −2,057 | −1,644 | n.a. |
| 31 Foreign private purchases of U.S. Treasury securities, net | 8,721 | 23,059 | 20,500 | 7,484 | 5,676 | 7,666 | 3,807 | 597 |
| 32 Foreign purchases of other U.S. securities, net | 8,636 | 12,759 | 50,859 | 11,628 | 22,441 | 18,686 | 23,018 | 17,078 |
| 33 Foreign direct investments in the United States, net[3] | 11,947 | 25,359 | 17,856 | 6,111 | 2,382 | 1,422 | 4,088 | 3,432 |
| 34 Allocation of SDRs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 35 Discrepancy | 11,130 | 27,338 | 23,006 | −1,343[r] | 5,125[r] | 10,316 | 12,437 | −3,771 |
| 36 Owing to seasonal adjustments | ........ | ........ | ........ | −3,687[r] | 3,771[r] | 1,216 | −1,505 | −3,993 |
| 37 Statistical discrepancy in recorded data before seasonal adjustment | 11,130 | 27,338 | 23,006 | 2,344 | 1,354 | 9,100 | 13,942 | 222 |
| MEMO | | | | | | | | |
| Changes in official assets | | | | | | | | |
| 38 U.S. official reserve assets (increase, −) | −1,196 | −3,130 | −3,858 | −121 | −3,148 | −115 | 16 | 280 |
| 39 Foreign official assets in the United States (increase, +) | 5,243 | 2,601 | −1,807 | 2,519 | −1,585 | 2,181 | 14,025 | 14,885 |
| 40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above) | −8,283 | −4,304 | −6,599 | −1,831 | −1,002 | 1,421 | −1,938 | −2,828 |
| 41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above) | 194 | 190 | 64 | 15 | 28 | 22 | 12 | 15 |

1. Seasonal factors are not calculated for lines 6, 10, 12–16, 18–20, 22–34, and 38–41.
2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing; military exports are excluded from merchandise data and are included in line 6.
3. Includes reinvested earnings.
4. Primarily associated 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.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce).

## 3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are not seasonally adjusted.

| Item | 1983 | 1984 | 1985 | 1986 Apr. | May | June | July | Aug. | Sept. | Oct. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments | 200,486 | 217,865 | 213,146 | 17,965 | 17,431 | 19,070 | 17,707 | 17,604 | 17,518 | 193,300 |
| 2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses | 258,048 | 325,726 | 345,276 | 28,762 | 30,272 | 31,764 | 34,121 | 29,476 | 28,695 | 30,018 |
| 3 **Trade balance** | **−57,562** | **107,861** | **−132,129** | **−10,797** | **−12,842** | **−12,694** | **−16,414** | **−11,871** | **−11,177** | **−10,688** |

NOTE. The data through 1981 in this table are reported by the Bureau of Census data of a free-alongside-ship (f.a.s.) value basis—that is, value at the port of export. Beginning in 1981, foreign trade of the U.S. Virgin Islands is included in the Census basis trade data; this adjustment has been made for all data shown in the table. Beginning with 1982 data, the value of imports are on a customs valuation basis.

The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, for reasons of coverage and timing. On the *export side*, the largest adjustments are: (1) the addition of exports to Canada not covered in Census statistics, and (2) the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6). On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada, and other transactions; military payments are excluded and shown separately as indicated above.

SOURCE. FT900 "Summary of U.S. Export and Import Merchandise Trade" (Department of Commerce, Bureau of the Census).

## 3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

| Type | 1983 | 1984 | 1985 | 1986 May | June | July | Aug. | Sept. | Oct. | Nov.$^p$ |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 **Total** | **33,747** | **34,934** | **43,191** | **45,260** | **46,635** | **47,430** | **48,161** | **48,086** | **47,166** | **48,054** |
| 2 Gold stock, including Exchange Stabilization Fund[1] | 11,121 | 11,096 | 11,090 | 11,085 | 11,084 | 11,084 | 11,084 | 11,084 | 11,143 | 11,300 |
| 3 Special drawing rights[2,3] | 5,025 | 5,641 | 7,293 | 8,066 | 8,213 | 8,085 | 8,250 | 8,295 | 8,090 | 8,310 |
| 4 Reserve position in International Monetary Fund[2] | 11,312 | 11,541 | 11,952 | 11,789 | 12,109 | 12,114 | 12,017 | 11,922 | 11,575 | 11,659 |
| 5 Foreign currencies[4] | 6,289 | 6,656 | 12,856 | 14,320 | 15,229 | 16,147 | 16,810 | 16,785 | 16,358 | 16,785 |

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. Gold stock is valued at $42.22 per fine troy ounce.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.
3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus transactions in SDRs.
4. Valued at current market exchange rates.

## 3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

| Assets | 1983 | 1984 | 1985 | 1986 May | June | July | Aug. | Sept. | Oct. | Nov. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 Deposits | 190 | 267 | 480 | 253 | 354 | 233 | 227 | 342 | 303 | 224 |
| *Assets held in custody* | | | | | | | | | | |
| 2 U.S. Treasury securities[1] | 117,670 | 118,000 | 121,004 | 136,762 | 137,820 | 144,527 | 148,263 | 152,275 | 156,076 | 156,919 |
| 3 Earmarked gold[2] | 14,414 | 14,242 | 14,245 | 14,145 | 14,128 | 14,131 | 14,120 | 14,115 | 14,110 | 14,057 |

1. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.
2. Earmarked gold is valued at $42.22 per fine troy ounce.

NOTE. Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

## 3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]

Millions of dollars, end of period

| Asset account | 1983 | 1984 | 1985 | 1986 Apr. | 1986 May | 1986 June | 1986 July | 1986 Aug. | 1986 Sept. | 1986 Oct.p |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | All foreign countries | | | | |
| 1 **Total, all currencies** | **477,090** | **453,656** | **458,012** | **475,158** | **459,587** | **467,565** | **454,886** | **461,404** | **474,567** | **446,581** |
| 2 Claims on United States | 115,542 | 113,393 | 119,713 | 122,593r | 117,724r | 117,812r | 113,474r | 117,661 | 116,382 | 112,068 |
| 3 Parent bank | 82,026 | 78,109 | 87,201 | 88,975 | 83,404 | 82,565r | 79,387 | 83,779 | 82,302 | 79,999 |
| 4 Other banks in United States[2] | 33,516 | 13,664 | 13,057 | 12,823r | 13,206r | 14,039r | 13,527r | 13,072r | 13,624 | 11,659 |
| 5 Nonbanks[2] | | 21,620 | 19,455 | 20,795r | 21,114r | 21,208r | 20,560r | 20,810r | 20,456 | 20,410 |
| 6 Claims on foreigners | 342,689 | 320,162 | 315,680r | 326,185r | 316,337r | 324,216r | 314,354r | 315,583 | 328,563 | 305,647 |
| 7 Other branches of parent bank | 96,004 | 95,184 | 91,399 | 95,238 | 90,447 | 98,406r | 92,641 | 93,435 | 103,278 | 90,412 |
| 8 Banks | 117,668 | 100,397 | 102,960 | 107,212r | 103,958r | 105,648r | 103,095r | 102,849 | 107,503 | 100,707 |
| 9 Public borrowers | 24,517 | 23,343 | 23,478 | 23,676r | 23,846r | 23,279r | 23,578r | 23,720 | 23,505 | 24,091 |
| 10 Nonbank foreigners | 107,785 | 101,238 | 97,843r | 100,059r | 98,086r | 96,883r | 95,040r | 95,579 | 94,277 | 90,437 |
| 11 Other assets | 18,859 | 20,101 | 22,619r | 26,380r | 25,526r | 25,537r | 27,058r | 28,160 | 29,622 | 28,866 |
| 12 **Total payable in U.S. dollars** | **371,508** | **350,636** | **336,288** | **331,511** | **322,837** | **327,639** | **313,703** | **318,357** | **330,597** | **309,087** |
| 13 Claims on United States | 113,436 | 111,426 | 116,645 | 118,735r | 113,864r | 113,519r | 109,263r | 113,636 | 112,133 | 107,612 |
| 14 Parent bank | 80,909 | 77,229 | 85,971 | 87,597 | 82,110 | 81,073r | 78,025 | 82,261 | 80,753 | 78,335 |
| 15 Other banks in United States[2] | 32,527 | 13,500 | 12,454 | 11,922r | 12,293r | 12,907r | 12,373r | 12,180r | 12,802 | 10,544 |
| 16 Nonbanks[2] | | 20,697 | 18,220 | 19,216r | 19,461r | 19,539r | 18,865r | 19,195r | 18,578 | 18,733 |
| 17 Claims on foreigners | 247,406 | 228,600 | 209,905r | 202,670r | 198,358r | 203,934r | 194,102r | 194,643 | 207,701 | 190,086 |
| 18 Other branches of parent bank | 78,431 | 78,746 | 72,689 | 73,109 | 69,684 | 75,883r | 69,135 | 68,604 | 78,400 | 67,835 |
| 19 Banks | 93,332 | 76,940 | 71,748 | 66,077r | 65,160r | 66,751r | 65,033r | 64,940 | 68,596 | 62,836 |
| 20 Public borrowers | 17,890 | 17,626 | 17,252 | 16,783r | 17,203r | 16,498r | 16,684r | 16,788 | 16,521 | 17,355 |
| 21 Nonbank foreigners | 60,977 | 55,288 | 48,216r | 46,701r | 46,311r | 44,802r | 43,250r | 44,311 | 44,184 | 42,060 |
| 22 Other assets | 10,666 | 10,610 | 9,738r | 10,106r | 10,615r | 10,186r | 10,338r | 10,078 | 10,763 | 11,389 |
| | | | | | | United Kingdom | | | | |
| 23 **Total, all currencies** | **158,732** | **144,385** | **148,599** | **155,867** | **152,075** | **151,593** | **145,448** | **145,619** | **151,596** | **142,398** |
| 24 Claims on United States | 34,433 | 27,675 | 33,157 | 34,234 | 34,231 | 31,364 | 30,223 | 29,839 | 30,879 | 30,747 |
| 25 Parent bank | 29,111 | 21,862 | 26,970 | 28,058 | 28,001 | 25,106 | 24,252 | 23,466 | 24,291 | 24,800 |
| 26 Other banks in United States[2] | 5,322 | 1,429 | 1,106 | 1,386 | 1,312 | 1,365 | 1,369 | 1,448 | 2,092 | 1,314 |
| 27 Nonbanks[2] | | 4,384 | 5,081 | 4,790 | 4,918 | 4,893 | 4,602 | 4,925 | 4,496 | 4,633 |
| 28 Claims on foreigners | 119,280 | 111,828 | 110,217 | 115,485 | 111,823 | 113,739 | 108,156 | 109,024 | 113,368 | 105,609 |
| 29 Other branches of parent bank | 36,565 | 37,953 | 31,576 | 32,516 | 31,984 | 34,670 | 31,613 | 31,828 | 34,678 | 31,268 |
| 30 Banks | 43,352 | 37,443 | 39,250 | 41,593 | 39,222 | 39,430 | 38,393 | 38,048 | 40,204 | 37,836 |
| 31 Public borrowers | 5,898 | 5,334 | 5,644 | 5,642 | 5,427 | 5,236 | 5,229 | 5,336 | 5,086 | 5,033 |
| 32 Nonbank foreigners | 33,465 | 31,098 | 33,747 | 35,734 | 35,190 | 34,403 | 32,921 | 33,812 | 33,400 | 31,472 |
| 33 Other assets | 5,019 | 4,882 | 5,225 | 6,148 | 6,021 | 6,490 | 7,069 | 6,756 | 7,349 | 6,042 |
| 34 **Total payable in U.S. dollars** | **126,012** | **112,809** | **108,626** | **107,364** | **106,716** | **104,013** | **97,641** | **97,771** | **103,228** | **97,295** |
| 35 Claims on United States | 33,756 | 26,868 | 32,092 | 32,959 | 32,872 | 29,944 | 28,848 | 28,446 | 29,512 | 29,312 |
| 36 Parent bank | 28,756 | 21,495 | 26,568 | 27,629 | 27,584 | 24,693 | 23,888 | 22,972 | 23,826 | 24,323 |
| 37 Other banks in United States[2] | 5,000 | 1,363 | 1,005 | 1,225 | 1,152 | 1,102 | 1,131 | 1,194 | 1,848 | 1,110 |
| 38 Nonbanks[2] | | 4,010 | 4,519 | 4,105 | 4,136 | 4,149 | 3,829 | 4,280 | 3,838 | 3,879 |
| 39 Claims on foreigners | 88,917 | 82,945 | 73,475 | 71,058 | 70,406 | 70,697 | 65,472 | 66,465 | 70,325 | 64,929 |
| 40 Other branches of parent bank | 31,838 | 33,607 | 26,011 | 26,224 | 26,265 | 27,559 | 24,258 | 24,657 | 27,151 | 24,632 |
| 41 Banks | 32,188 | 26,805 | 26,139 | 23,310 | 23,134 | 22,825 | 21,938 | 21,636 | 22,917 | 21,011 |
| 42 Public borrowers | 4,194 | 4,030 | 3,999 | 4,012 | 3,937 | 3,777 | 3,793 | 3,838 | 3,778 | 3,759 |
| 43 Nonbank foreigners | 20,697 | 18,503 | 17,326 | 17,512 | 17,070 | 16,536 | 15,483 | 16,334 | 16,479 | 15,527 |
| 44 Other assets | 3,339 | 2,996 | 3,059 | 3,347 | 3,438 | 3,372 | 3,321 | 2,860 | 3,391 | 3,054 |
| | | | | | | Bahamas and Caymans | | | | |
| 45 **Total, all currencies** | **152,083** | **146,811** | **142,055** | **137,272** | **132,122** | **138,944** | **134,238** | **137,526** | **143,082** | **134,060** |
| 46 Claims on United States | 75,309 | 77,296 | 74,864 | 72,861r | 68,807r | 70,883r | 69,812r | 73,047 | 71,918 | 68,614 |
| 47 Parent bank | 48,720 | 49,449 | 50,553 | 47,613 | 42,868 | 44,183r | 43,867 | 47,694 | 46,635 | 44,476 |
| 48 Other banks in United States[2] | 26,589 | 11,544 | 11,204 | 10,476r | 10,916r | 11,730r | 11,201r | 10,813r | 10,641 | 9,557 |
| 49 Nonbanks[2] | | 16,303 | 13,107 | 14,772r | 15,023r | 14,970r | 14,744r | 14,540r | 14,642 | 14,581 |
| 50 Claims on foreigners | 72,868 | 65,598 | 63,882r | 60,473r | 59,292r | 64,043r | 60,363r | 60,167 | 66,620 | 59,622 |
| 51 Other branches of parent bank | 20,626 | 17,661 | 19,042 | 18,286 | 15,703 | 20,585r | 16,682 | 16,539 | 22,763 | 16,985 |
| 52 Banks | 36,842 | 30,246 | 28,192 | 25,880r | 26,397r | 27,078r | 27,160r | 27,065 | 27,779 | 26,205 |
| 53 Public borrowers | 6,093 | 6,089 | 6,458 | 6,357r | 6,717r | 6,405r | 6,551r | 6,675 | 6,434 | 7,263 |
| 54 Nonbank foreigners | 12,592 | 11,602 | 10,190r | 9,950r | 10,475r | 9,975r | 9,970r | 9,888 | 9,644 | 9,169 |
| 55 Other assets | 3,906 | 3,917 | 3,309r | 3,938r | 4,023r | 4,018r | 4,063r | 4,312 | 4,544 | 5,824 |
| 56 **Total payable in U.S. dollars** | **145,641** | **141,562** | **136,794** | **130,530** | **125,681** | **132,353** | **127,910** | **130,723** | **136,615** | **127,361** |

1. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

2. Data for assets vis-à-vis other banks in the United States and vis-à-vis nonbanks are combined for dates before June 1984.

3.14 Continued

| Liability account | 1983 | 1984 | 1985 | 1986 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Apr. | May | June | July | Aug. | Sept. | Oct.p |
| | All foreign countries | | | | | | | | | |
| 57 **Total, all currencies** | **477,090** | **453,656** | **458,012** | **475,158** | **459,587** | **467,565** | **454,886** | **461,404** | **474,567** | **446,581** |
| 58 Negotiable CDs[3] | n.a. | 37,725 | 34,607 | 33,229 | 35,006 | 34,683 | 32,656 | 31,475 | 33,642 | 32,267 |
| 59 To United States | 188,070 | 147,583 | 155,538 | 150,395r | 144,241 | 149,848 | 141,599 | 145,488 | 151,281 | 141,303 |
| 60 Parent bank | 81,261 | 78,739 | 83,914 | 81,594 | 77,484 | 85,126 | 81,299 | 79,564r | 87,927 | 75,773 |
| 61 Other banks in United States | 29,453 | 18,409 | 16,894 | 14,270 | 14,347 | 16,118 | 14,191 | 15,151r | 14,153 | 14,791 |
| 62 Nonbanks | 77,356 | 50,435 | 54,730 | 54,531r | 52,410 | 48,604 | 46,109 | 50,773 | 49,201 | 50,739 |
| 63 To foreigners | 269,685 | 247,907 | 245,942 | 269,809r | 258,700 | 262,329 | 259,133 | 262,978 | 269,322 | 253,316 |
| 64 Other branches of parent bank | 90,615 | 93,909 | 89,529 | 93,768 | 90,228 | 97,717 | 91,144 | 91,307 | 102,245 | 87,883 |
| 65 Banks | 92,889 | 78,203 | 76,814 | 89,608 | 83,251 | 81,008 | 82,854 | 85,239 | 81,953 | 80,709 |
| 66 Official institutions | 18,896 | 20,281 | 19,523 | 20,744 | 20,792 | 20,480 | 20,608 | 20,637 | 20,109 | 19,436 |
| 67 Nonbank foreigners | 68,845 | 55,514 | 60,076 | 65,689r | 64,429 | 63,124 | 64,527 | 65,795 | 65,015 | 65,288 |
| 68 Other liabilities | 19,335 | 20,441 | 21,925 | 21,725 | 21,640 | 20,705 | 21,498 | 21,463 | 20,322 | 19,695 |
| 69 **Total payable in U.S. dollars** | **388,291** | **367,145** | **353,470** | **347,587** | **340,176** | **346,428** | **330,183** | **333,581** | **349,259** | **323,699** |
| 70 Negotiable CDs[3] | n.a. | 35,227 | 31,063 | 29,912 | 31,513 | 31,076 | 28,970 | 28,091 | 30,560 | 29,029 |
| 71 To United States | 184,305 | 143,571 | 150,161 | 143,606r | 137,694 | 142,730 | 133,908 | 137,805 | 143,627 | 133,478 |
| 72 Parent bank | 79,035 | 76,254 | 80,888 | 78,061 | 73,950 | 81,066 | 77,048 | 75,391r | 83,790 | 71,854 |
| 73 Other banks in United States | 28,936 | 17,935 | 16,264 | 13,477 | 13,575 | 15,323 | 13,507 | 14,364r | 13,173 | 13,768 |
| 74 Nonbanks | 76,334 | 49,382 | 53,009 | 52,068r | 50,169 | 46,341 | 43,353 | 48,050 | 46,664 | 47,856 |
| 75 To foreigners | 194,139 | 178,260 | 163,361 | 166,224r | 162,528 | 163,943 | 158,314 | 158,931 | 167,356 | 153,598 |
| 76 Other branches of parent bank | 73,522 | 77,770 | 70,943 | 71,841 | 69,978 | 75,805 | 68,065 | 66,878 | 77,464 | 65,077 |
| 77 Banks | 57,022 | 45,123 | 37,323 | 37,240 | 36,335 | 33,745 | 34,827 | 36,460 | 35,358 | 33,802 |
| 78 Official institutions | 13,855 | 15,773 | 14,354 | 14,746 | 14,049 | 13,772 | 14,091 | 14,125 | 13,697 | 13,320 |
| 79 Nonbank foreigners | 51,260 | 39,594 | 40,741 | 42,397r | 42,166 | 40,621 | 41,331 | 41,468 | 40,837 | 41,399 |
| 80 Other liabilities | 9,847 | 10,087 | 8,885 | 7,845 | 8,441 | 8,679 | 8,991 | 8,754 | 7,716 | 7,594 |
| | United Kingdom | | | | | | | | | |
| 81 **Total, all currencies** | **158,732** | **144,385** | **148,599** | **155,867** | **152,075** | **151,593** | **145,448** | **145,619** | **151,596** | **142,398** |
| 82 Negotiable CDs[3] | n.a. | 34,413 | 31,260 | 29,898 | 31,734 | 31,396 | 29,295 | 28,279 | 30,352 | 28,847 |
| 83 To United States | 55,799 | 25,250 | 29,422 | 28,450 | 27,505 | 26,270 | 22,671 | 22,831 | 26,540 | 24,610 |
| 84 Parent bank | 14,021 | 14,651 | 19,330 | 17,231 | 16,624 | 15,892 | 13,300 | 14,188 | 17,399 | 14,014 |
| 85 Other banks in United States | 11,328 | 3,125 | 2,974 | 1,966 | 2,175 | 1,997 | 1,999 | 2,148 | 2,062 | 2,382 |
| 86 Nonbanks | 30,450 | 7,474 | 7,118 | 9,253 | 8,706 | 8,381 | 7,372 | 6,495 | 7,079 | 8,214 |
| 87 To foreigners | 95,847 | 77,424 | 78,525 | 87,773 | 83,067 | 84,362 | 83,707 | 84,880 | 85,680 | 80,366 |
| 88 Other branches of parent bank | 19,038 | 21,631 | 23,389 | 25,379 | 23,838 | 27,029 | 25,106 | 24,962 | 28,272 | 24,194 |
| 89 Banks | 41,624 | 30,436 | 28,581 | 34,294 | 31,584 | 30,505 | 31,678 | 32,250 | 31,190 | 31,001 |
| 90 Official institutions | 10,151 | 10,154 | 9,676 | 9,757 | 9,548 | 9,543 | 9,074 | 9,330 | 8,652 | 8,068 |
| 91 Nonbank foreigners | 25,034 | 15,203 | 16,879 | 18,343 | 18,097 | 17,285 | 17,849 | 18,338 | 17,440 | 17,103 |
| 92 Other liabilities | 7,086 | 7,298 | 9,392 | 9,746 | 9,769 | 9,565 | 9,775 | 9,629 | 9,150 | 8,575 |
| 93 **Total payable in U.S. dollars** | **131,167** | **117,497** | **112,697** | **110,378** | **109,337** | **108,375** | **101,095** | **101,397** | **108,249** | **99,820** |
| 94 Negotiable CDs[3] | n.a. | 33,070 | 29,337 | 27,978 | 29,542 | 29,135 | 27,015 | 26,114 | 28,490 | 26,927 |
| 95 To United States | 54,691 | 24,105 | 27,756 | 26,411 | 25,490 | 24,214 | 20,065 | 20,403 | 24,039 | 21,960 |
| 96 Parent bank | 13,839 | 14,339 | 18,956 | 16,867 | 16,233 | 15,331 | 12,648 | 13,707 | 16,984 | 13,591 |
| 97 Other banks in United States | 11,044 | 2,980 | 2,826 | 1,774 | 1,944 | 1,817 | 1,738 | 1,879 | 1,735 | 2,108 |
| 98 Nonbanks | 29,808 | 6,786 | 5,974 | 7,770 | 7,313 | 7,066 | 5,679 | 4,817 | 5,320 | 6,261 |
| 99 To foreigners | 73,279 | 56,923 | 51,980 | 52,262 | 50,441 | 51,056 | 49,932 | 50,855 | 52,645 | 47,553 |
| 100 Other branches of parent bank | 15,403 | 18,294 | 18,493 | 19,297 | 18,043 | 20,455 | 17,868 | 17,790 | 21,305 | 17,289 |
| 101 Banks | 29,320 | 18,356 | 14,344 | 14,125 | 14,114 | 13,073 | 14,251 | 15,056 | 14,491 | 14,123 |
| 102 Official institutions | 8,279 | 8,871 | 7,661 | 7,449 | 6,953 | 6,914 | 6,658 | 6,724 | 6,015 | 5,685 |
| 103 Nonbank foreigners | 20,277 | 11,402 | 11,482 | 11,391 | 11,331 | 10,614 | 11,155 | 11,285 | 10,834 | 10,456 |
| 104 Other liabilities | 3,197 | 3,399 | 3,624 | 3,727 | 3,864 | 3,970 | 4,083 | 4,025 | 3,075 | 3,380 |
| | Bahamas and Caymans | | | | | | | | | |
| 105 **Total, all currencies** | **152,083** | **146,811** | **142,055** | **137,272** | **132,122** | **138,944** | **134,238** | **137,526** | **143,082** | **134,060** |
| 106 Negotiable CDs[3] | n.a. | 615 | 610 | 629 | 634 | 567 | 565 | 470 | 527 | 506 |
| 107 To United States | 111,299 | 102,955 | 103,813 | 98,621 | 94,128 | 98,897 | 96,636 | 99,585 | 102,012 | 96,017 |
| 108 Parent bank | 50,980 | 47,162 | 44,811 | 43,662 | 40,757 | 47,014 | 47,862 | 44,417r | 49,981 | 43,466 |
| 109 Other banks in United States | 16,057 | 13,938 | 12,778 | 11,014 | 10,738 | 12,868 | 11,131 | 11,952r | 10,986 | 11,144 |
| 110 Nonbanks | 44,262 | 41,855 | 46,224 | 43,945 | 42,633 | 39,015 | 37,643 | 43,216 | 41,045 | 41,407 |
| 111 To foreigners | 38,445 | 40,320 | 35,053 | 35,901 | 35,139 | 37,340 | 34,827 | 35,216 | 38,447 | 35,427 |
| 112 Other branches of parent bank | 14,936 | 16,782 | 14,075 | 14,077 | 13,731 | 15,882 | 13,561 | 13,368 | 15,918 | 13,574 |
| 113 Banks | 11,876 | 12,405 | 10,669 | 10,788 | 10,318 | 9,991 | 9,636 | 10,216 | 10,158 | 8,964 |
| 114 Official institutions | 1,919 | 2,054 | 1,776 | 2,176 | 2,144 | 2,427 | 2,468 | 2,386 | 2,834 | 2,665 |
| 115 Nonbank foreigners | 11,274 | 9,079 | 8,533 | 8,860 | 8,946 | 9,040 | 9,162 | 9,246 | 9,537 | 10,224 |
| 116 Other liabilities | 2,339 | 2,921 | 2,579 | 2,121 | 2,221 | 2,140 | 2,210 | 2,255 | 2,096 | 2,110 |
| 117 **Total payable in U.S. dollars** | **148,278** | **143,582** | **138,322** | **132,966** | **127,918** | **134,606** | **130,075** | **133,256** | **138,733** | **130,084** |

3. Before June 1984, liabilities on negotiable CDs were included in liabilities to the United States or liabilities to foreigners, according to the address of the initial purchaser.

## 3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

| Item | 1984 | 1985 | 1986 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Apr. | May | June | July | Aug. | Sept. | Oct.[p] |
| 1 Total[1] | **180,552** | **178,356** | **188,914** | **190,159** | **194,562** | **198,784** | **203,364** | **209,823** | **210,306** |
| *By type* | | | | | | | | | |
| 2 Liabilities reported by banks in the United States[2] | 26,089 | 26,734 | 27,028 | 24,911 | 26,142 | 25,143 | 25,482 | 29,342 | 26,248 |
| 3 U.S. Treasury bills and certificates[3] | 59,976 | 53,252 | 59,547 | 63,614 | 65,790 | 70,721 | 74,766 | 75,095 | 75,457 |
| U.S. Treasury bonds and notes | | | | | | | | | |
| 4 Marketable | 69,019 | 77,108 | 82,345 | 82,501 | 84,113 | 85,561 | 85,622 | 87,945 | 91,220 |
| 5 Nonmarketable[4] | 5,800 | 3,550 | 2,300 | 1,800 | 1,800 | 1,300 | 1,300 | 1,300 | 1,300 |
| 6 U.S. securities other than U.S. Treasury securities[5] | 19,668 | 17,712 | 17,694 | 17,333 | 16,717 | 16,059 | 16,194 | 16,140 | 16,081 |
| *By area* | | | | | | | | | |
| 7 Western Europe[1] | 69,776 | 74,418 | 76,354 | 76,405 | 79,641 | 81,524 | 83,874 | 87,060 | 87,504 |
| 8 Canada | 1,528 | 1,314 | 1,711 | 1,502 | 1,529 | 1,627 | 1,535 | 1,626 | 1,699 |
| 9 Latin America and Caribbean | 8,561 | 11,141 | 10,785 | 10,595 | 11,046 | 11,242 | 10,801 | 10,346 | 9,901 |
| 10 Asia | 93,954 | 86,459 | 94,653 | 96,487 | 97,359 | 100,070 | 102,362 | 106,017 | 105,818 |
| 11 Africa | 1,264 | 1,824 | 1,833 | 1,718 | 1,717 | 1,525 | 1,958 | 1,864 | 1,715 |
| 12 Other countries[6] | 5,469 | 3,200 | 3,578 | 3,452 | 3,270 | 2,796 | 2,834 | 2,910 | 3,669 |

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

## 3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies

Millions of dollars, end of period

| Item | 1982 | 1983 | 1984 | 1985 | 1986 | | |
|---|---|---|---|---|---|---|---|
| | | | | Dec. | Mar. | June[r] | Sept. |
| 1 Banks' own liabilities | 4,844 | 5,219 | 8,586 | 15,368 | 21,364 | 24,077 | 29,227 |
| 2 Banks' own claims | 7,707 | 7,231 | 11,984 | 16,161 | 19,736 | 20,985 | 24,516 |
| 3 Deposits | 4,251 | 2,731 | 4,998 | 8,304 | 11,318 | 11,313 | 13,818 |
| 4 Other claims | 3,456 | 4,501 | 6,986 | 7,857 | 8,418 | 9,672 | 10,698 |
| 5 Claims of banks' domestic customers[1] | 676 | 1,059 | 569 | 580 | 1,426 | 1,385 | 1,660 |

1. 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 their domestic customers.

NOTE. Data on claims exclude foreign currencies held by U.S. monetary authorities.

## 3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States
Payable in U.S. dollars

Millions of dollars, end of period

| Holder and type of liability | 1983 | 1984 | 1985 | 1986 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Apr. | May | June | July | Aug. | Sept. | Oct.p |
| 1 **All foreigners** | **369,607** | **407,306** | **435,726** | **443,456** | **444,528** | **457,350** | **469,720** | **486,514r** | **505,328** | **459,673** |
| 2 Banks' own liabilities | 279,087 | 306,898 | 341,070 | 346,469 | 342,074 | 345,663 | 342,267 | 355,003r | 372,233 | 360,964 |
| 3 Demand deposits | 17,470 | 19,571 | 21,107 | 19,751 | 19,651 | 21,332 | 19,607 | 20,277r | 21,380 | 21,726 |
| 4 Time deposits[1] | 90,632 | 110,413 | 117,278 | 114,209 | 114,055 | 115,246 | 117,010 | 122,322r | 125,917 | 123,361 |
| 5 Other[2] | 25,874 | 26,268 | 29,305 | 33,220 | 31,686 | 31,712 | 30,650 | 33,026 | 36,621 | 35,222 |
| 6 Own foreign offices[3] | 145,111 | 150,646 | 173,381 | 179,289 | 176,683 | 177,373 | 174,999 | 179,378 | 188,316 | 180,654 |
| 7 Banks' custody liabilities[4] | 90,520 | 100,408 | 94,656 | 96,987 | 102,454 | 111,687 | 127,453 | 131,511 | 133,095 | 134,710 |
| 8 U.S. Treasury bills and certificates[5] | 68,669 | 76,368 | 69,133 | 74,631 | 80,192 | 82,701 | 86,789 | 89,586 | 90,467 | 91,305 |
| 9 Other negotiable and readily transferable instruments[6] | 17,467 | 18,747 | 17,964 | 13,776 | 13,917 | 14,729 | 14,702r | 14,507r | 14,430 | 14,991 |
| 10 Other | 4,385 | 5,293 | 7,558 | 8,580 | 8,346 | 14,257 | 25,962r | 27,417r | 28,198 | 28,413 |
| 11 **Nonmonetary international and regional organizations[7]** | **5,957** | **4,454** | **5,821** | **3,495** | **4,519** | **3,441** | **3,974** | **5,253** | **3,038** | **3,882** |
| 12 Banks' own liabilities | 4,632 | 2,014 | 2,621 | 1,749 | 2,388 | 891 | 1,857 | 4,090 | 1,721 | 2,406 |
| 13 Demand deposits | 297 | 254 | 85 | 138 | 99 | 79 | 156 | 165 | 180 | 175 |
| 14 Time deposits[1] | 3,584 | 1,267 | 2,067 | 681 | 1,109 | 551 | 1,209 | 3,233 | 1,243 | 1,919 |
| 15 Other[2] | 750 | 493 | 469 | 931 | 1,179 | 262 | 492 | 691 | 299 | 312 |
| 16 Banks' custody liabilities[4] | 1,325 | 2,440 | 3,200 | 1,746 | 2,131 | 2,550 | 2,118 | 1,163 | 1,317 | 1,476 |
| 17 U.S. Treasury bills and certificates | 463 | 916 | 1,736 | 768 | 1,282 | 1,619 | 991 | 129 | 218 | 308 |
| 18 Other negotiable and readily transferable instruments[6] | 862 | 1,524 | 1,464 | 970 | 849 | 918 | 1,126 | 1,033 | 1,099 | 1,162 |
| 19 Other | 0 | 0 | 0 | 7 | 0 | 13 | 0 | 1 | 0 | 6 |
| 20 **Official institutions[8]** | **79,876** | **86,065** | **79,985** | **86,576** | **88,526** | **91,932** | **95,863** | **100,247** | **104,439** | **101,705** |
| 21 Banks' own liabilities | 19,427 | 19,039 | 20,835 | 23,927 | 22,018 | 22,928 | 22,044 | 22,710 | 26,619 | 23,187 |
| 22 Demand deposits | 1,837 | 1,823 | 2,077 | 1,832 | 1,810 | 2,131 | 1,609 | 1,582 | 1,893 | 1,840 |
| 23 Time deposits[1] | 7,318 | 9,374 | 10,949 | 9,368 | 9,850 | 10,347 | 10,116 | 9,892 | 10,924 | 10,336 |
| 24 Other[2] | 10,272 | 7,842 | 7,809 | 12,728 | 10,358 | 10,450 | 10,319 | 11,236 | 13,802 | 11,011 |
| 25 Banks' custody liabilities[4] | 60,448 | 67,026 | 59,150 | 62,648 | 66,508 | 69,004 | 73,820 | 77,538 | 77,819 | 78,518 |
| 26 U.S. Treasury bills and certificates[5] | 54,341 | 59,976 | 53,252 | 59,547 | 63,614 | 65,790 | 70,721 | 74,766 | 75,095 | 75,457 |
| 27 Other negotiable and readily transferable instruments[6] | 6,082 | 6,966 | 5,824 | 2,916 | 2,754 | 2,996 | 2,892 | 2,624 | 2,524 | 2,857 |
| 28 Other | 25 | 84 | 75 | 185 | 139 | 218 | 207 | 148 | 199 | 204 |
| 29 **Banks[9]** | **226,887** | **248,893** | **275,589** | **277,856** | **275,047** | **284,637** | **291,827r** | **301,549r** | **317,985** | **310,283** |
| 30 Banks' own liabilities | 205,347 | 225,368 | 252,723 | 254,617 | 251,126 | 255,673 | 251,779 | 260,950r | 276,542 | 268,343 |
| 31 Unaffiliated foreign banks | 60,236 | 74,722 | 79,341 | 75,328 | 74,444 | 78,300 | 76,780 | 81,573r | 88,226 | 87,690 |
| 32 Demand deposits | 8,759 | 10,556 | 10,271 | 8,689 | 9,036 | 10,277 | 9,180 | 9,304r | 9,302 | 9,714 |
| 33 Time deposits[1] | 37,439 | 47,095 | 49,510 | 48,484 | 46,780 | 48,480 | 49,418 | 52,811 | 58,043 | 55,916 |
| 34 Other[2] | 14,038 | 17,071 | 19,561 | 18,155 | 18,627 | 19,544 | 18,181 | 19,458 | 20,881 | 20,059 |
| 35 Own foreign offices[3] | 145,111 | 150,646 | 173,381 | 179,289 | 176,682 | 177,373 | 174,999 | 179,378 | 188,316 | 180,654 |
| 36 Banks' custody liabilities[4] | 21,540 | 23,525 | 22,866 | 23,239 | 23,922 | 28,964 | 40,048r | 40,598r | 41,443 | 41,940 |
| 37 U.S. Treasury bills and certificates | 10,178 | 11,448 | 9,832 | 9,914 | 10,841 | 10,688 | 10,934 | 10,543 | 10,635 | 10,601 |
| 38 Other negotiable and readily transferable instruments[6] | 7,485 | 7,236 | 6,040 | 5,423 | 5,451 | 5,448 | 5,585 | 5,526 | 5,538 | 5,501 |
| 39 Other | 3,877 | 4,841 | 6,994 | 7,901 | 7,629 | 12,828 | 23,529r | 24,530r | 25,270 | 25,838 |
| 40 **Other foreigners** | **56,887** | **67,894** | **74,331** | **75,530** | **76,436** | **77,339** | **78,055r** | **79,465r** | **79,867** | **79,803** |
| 41 Banks' own liabilities | 49,680 | 60,477 | 64,892 | 66,176 | 66,543 | 66,170 | 66,587 | 67,253r | 67,351 | 67,028 |
| 42 Demand deposits | 6,577 | 6,938 | 8,673 | 9,093 | 8,705 | 8,845 | 8,663 | 9,227 | 10,005 | 9,997 |
| 43 Time deposits | 42,290 | 52,678 | 54,752 | 55,677 | 56,316 | 55,869 | 56,267 | 56,386r | 55,707 | 55,191 |
| 44 Other[2] | 813 | 861 | 1,467 | 1,406 | 1,521 | 1,456 | 1,657 | 1,641 | 1,639 | 1,840 |
| 45 Banks' custody liabilities[4] | 7,207 | 7,417 | 9,439 | 9,354 | 9,893 | 11,169 | 11,468r | 12,212r | 12,516 | 12,776 |
| 46 U.S. Treasury bills and certificates | 3,686 | 4,029 | 4,314 | 4,401 | 4,454 | 4,604 | 4,143 | 4,149 | 4,519 | 4,939 |
| 47 Other negotiable and readily transferable instruments[6] | 3,038 | 3,021 | 4,636 | 4,465 | 4,862 | 5,367 | 5,099r | 5,325r | 5,268 | 5,472 |
| 48 Other | 483 | 367 | 489 | 487 | 577 | 1,198 | 2,226 | 2,738 | 2,729 | 2,365 |
| 49 MEMO: Negotiable time certificates of deposit in custody for foreigners | 10,346 | 10,476 | 9,845 | 6,286 | 6,269 | 6,419 | 6,492 | 6,569 | 6,554 | 5,605 |

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
8. Foreign central banks and foreign central governments, and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

3.17 Continued

| Area and country | 1983 | 1984 | 1985 | 1986 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Apr. | May | June | July | Aug. | Sept. | Oct.$^{p}$ |
| 1 **Total** | **369,607** | **407,306** | **435,726** | **443,456** | **444,528** | **457,350** | **469,720** | **486,514$^{r}$** | **505,328** | **495,673** |
| 2 **Foreign countries** | **363,649** | **402,852** | **429,905** | **439,961** | **440,009** | **453,909** | **465,745** | **481,261$^{r}$** | **502,290** | **491,791** |
| 3 Europe | 138,072 | 153,145 | 164,114 | 165,193 | 165,795 | 166,382 | 163,016 | 166,145$^{r}$ | 173,730 | 172,324 |
| 4 Austria | 585 | 615 | 693 | 931 | 897 | 1,013 | 988 | 1,035 | 1,106 | 1,020 |
| 5 Belgium-Luxembourg | 2,709 | 4,114 | 5,243 | 5,737 | 5,425 | 5,224 | 5,343 | 5,114 | 6,132 | 5,837 |
| 6 Denmark | 466 | 438 | 513 | 752 | 523 | 519 | 560 | 643 | 483 | 478 |
| 7 Finland | 531 | 418 | 496 | 619 | 514 | 484 | 449 | 365 | 407 | 606 |
| 8 France | 9,441 | 12,701 | 15,541 | 19,322 | 19,423 | 19,862 | 20,129 | 21,469$^{r}$ | 21,338 | 21,243 |
| 9 Germany | 3,599 | 3,358 | 4,835 | 6,718 | 4,964 | 4,639 | 5,646 | 5,290$^{r}$ | 5,360 | 5,800 |
| 10 Greece | 520 | 699 | 666 | 559 | 552 | 657 | 604 | 570 | 623 | 645 |
| 11 Italy | 8,462 | 10,762 | 9,667 | 6,553 | 7,875 | 8,918 | 8,828 | 9,269 | 8,819 | 8,757 |
| 12 Netherlands | 4,290 | 4,731 | 4,212 | 4,320 | 4,183 | 4,224 | 4,682 | 4,495 | 4,952 | 4,817 |
| 13 Norway | 1,673 | 1,548 | 948 | 731 | 850 | 710 | 497 | 542 | 575 | 664 |
| 14 Portugal | 373 | 597 | 652 | 674 | 796 | 795 | 711 | 791 | 758 | 737 |
| 15 Spain | 1,603 | 2,082 | 2,114 | 1,919 | 1,879 | 2,069 | 1,894 | 1,979 | 2,083 | 2,293 |
| 16 Sweden | 1,799 | 1,676 | 1,422 | 1,313 | 1,299 | 1,118 | 1,267 | 944 | 1,295 | 1,032 |
| 17 Switzerland | 32,246 | 31,740 | 29,020 | 27,247 | 26,848 | 27,812 | 28,455 | 29,064$^{r}$ | 29,207 | 29,832 |
| 18 Turkey | 467 | 584 | 429 | 363 | 434 | 586 | 310 | 285 | 448 | 459 |
| 19 United Kingdom | 60,683 | 68,671 | 76,728 | 81,983 | 83,885 | 82,314 | 78,193 | 79,947 | 86,209 | 83,908 |
| 20 Yugoslavia | 562 | 602 | 673 | 547 | 556 | 661 | 542 | 482 | 562 | 515 |
| 21 Other Western Europe[1] | 7,403 | 7,192 | 9,635 | 4,233 | 4,165 | 3,997 | 3,366 | 3,277 | 2,729 | 2,938 |
| 22 U.S.S.R. | 65 | 79 | 105 | 38 | 34 | 89 | 48 | 32 | 84 | 25 |
| 23 Other Eastern Europe[2] | 596 | 537 | 523 | 634 | 693 | 690 | 506 | 553 | 562 | 719 |
| 24 Canada | 16,026 | 16,059 | 17,427 | 20,450 | 21,257 | 22,926 | 22,359 | 23,933 | 24,150 | 24,339 |
| 25 Latin America and Caribbean | 140,088 | 153,381 | 167,856 | 164,801 | 161,405 | 169,650 | 181,737 | 187,780$^{r}$ | 196,765 | 187,819 |
| 26 Argentina | 4,038 | 4,394 | 6,032 | 5,627 | 6,075 | 6,229 | 6,336 | 6,096 | 6,069 | 5,819 |
| 27 Bahamas | 55,818 | 56,897 | 57,657 | 57,865 | 53,680 | 60,081 | 60,764 | 67,096 | 69,119 | 64,022 |
| 28 Bermuda | 2,266 | 2,370 | 2,765 | 2,270 | 2,016 | 2,513 | 2,201 | 2,195 | 2,199 | 1,930 |
| 29 Brazil | 3,168 | 5,275 | 5,373 | 5,788 | 5,542 | 5,185 | 5,134 | 5,179 | 5,359 | 5,358 |
| 30 British West Indies | 34,545 | 36,773 | 42,674 | 41,354 | 42,116 | 43,278 | 55,552 | 55,614 | 61,557 | 58,576 |
| 31 Chile | 1,842 | 2,001 | 2,049 | 2,147 | 2,223 | 2,270 | 2,227 | 2,139 | 2,426 | 2,400 |
| 32 Colombia | 1,689 | 2,514 | 3,104 | 3,101 | 3,053 | 3,419 | 3,334 | 3,315 | 3,373 | 3,773 |
| 33 Cuba | 8 | 10 | 11 | 7 | 7 | 8 | 7 | 8 | 75 | 6 |
| 34 Ecuador | 1,047 | 1,092 | 1,239 | 1,199 | 1,166 | 1,262 | 1,196 | 1,232 | 1,260 | 1,216 |
| 35 Guatemala | 788 | 896 | 1,071 | 1,128 | 1,097 | 1,108 | 1,123 | 1,140 | 1,129 | 1,126 |
| 36 Jamaica | 109 | 183 | 122 | 173 | 201 | 185 | 184 | 177 | 187 | 151 |
| 37 Mexico | 10,392 | 12,303 | 14,060 | 13,126 | 13,153 | 13,633 | 12,985 | 13,609$^{r}$ | 13,137 | 13,201 |
| 38 Netherlands Antilles | 3,879 | 4,220 | 4,875 | 4,859 | 4,798 | 4,358 | 4,382 | 4,383 | 4,765 | 4,646 |
| 39 Panama | 5,924 | 6,951 | 7,514 | 6,960 | 7,042 | 6,686 | 6,639 | 6,390$^{r}$ | 6,415 | 6,521 |
| 40 Peru | 1,166 | 1,266 | 1,167 | 1,116 | 1,132 | 1,254 | 1,158 | 1,149 | 1,253 | 1,167 |
| 41 Uruguay | 1,244 | 1,394 | 1,552 | 1,646 | 1,703 | 1,664 | 1,687 | 1,636 | 1,589 | 1,608 |
| 42 Venezuela | 8,632 | 10,545 | 11,922 | 11,727 | 11,712 | 11,734 | 12,058 | 11,668 | 11,708 | 11,446 |
| 43 Other Latin America and Caribbean | 3,535 | 4,297 | 4,668 | 4,708 | 4,689 | 4,783 | 4,770 | 4,753$^{r}$ | 5,144 | 4,852 |
| 44 Asia | 58,570 | 71,187 | 72,280 | 81,682 | 83,817 | 86,977 | 91,669 | 96,021$^{r}$ | 100,051 | 99,310 |
| China | | | | | | | | | | |
| 45 Mainland | 249 | 1,153 | 1,607 | 1,550 | 973 | 1,469 | 1,795 | 1,185 | 1,947 | 1,585 |
| 46 Taiwan | 4,051 | 4,990 | 7,786 | 11,027 | 12,687 | 13,683 | 14,331 | 15,608 | 16,130 | 16,534 |
| 47 Hong Kong | 6,657 | 6,581 | 8,067 | 8,757 | 8,745 | 8,656 | 8,934 | 9,026 | 9,339 | 8,650 |
| 48 India | 464 | 507 | 712 | 574 | 577 | 695 | 562 | 685 | 651 | 755 |
| 49 Indonesia | 997 | 1,033 | 1,466 | 1,787 | 1,758 | 1,416 | 1,572 | 1,474 | 1,611 | 1,529 |
| 50 Israel | 1,722 | 1,268 | 1,601 | 1,490 | 1,671 | 1,725 | 1,731 | 1,686 | 2,109 | 1,984 |
| 51 Japan | 18,079 | 21,640 | 23,077 | 28,279 | 29,689 | 31,325 | 36,286 | 38,221 | 39,954 | 41,336 |
| 52 Korea | 1,648 | 1,730 | 1,665 | 1,337 | 1,336 | 1,414 | 1,392 | 1,251 | 1,282 | 1,442 |
| 53 Philippines | 1,234 | 1,383 | 1,140 | 1,051 | 1,331 | 1,306 | 1,363 | 1,458 | 1,400 | 1,696 |
| 54 Thailand | 747 | 1,257 | 1,358 | 993 | 1,155 | 1,068 | 1,104 | 1,080 | 1,100 | 1,106 |
| 55 Middle-East oil-exporting countries[3] | 12,976 | 16,804 | 14,523 | 14,418 | 14,537 | 14,581 | 12,739 | 13,227 | 13,047 | 12,045 |
| 56 Other Asia | 9,748 | 12,841 | 9,276 | 10,419 | 9,355 | 9,638 | 9,861 | 11,121 | 11,481 | 10,648 |
| 57 Africa | 2,827 | 3,396 | 4,883 | 4,173 | 4,227 | 4,291 | 4,041 | 4,227 | 4,168 | 3,973 |
| 58 Egypt | 671 | 647 | 1,363 | 960 | 910 | 1,079 | 820 | 1,088 | 843 | 640 |
| 59 Morocco | 84 | 118 | 163 | 85 | 92 | 87 | 93 | 82 | 91 | 86 |
| 60 South Africa | 449 | 328 | 388 | 386 | 414 | 414 | 609 | 438 | 328 | 347 |
| 61 Zaire | 87 | 153 | 163 | 90 | 105 | 92 | 65 | 60 | 80 | 79 |
| 62 Oil-exporting countries[4] | 620 | 1,189 | 1,494 | 1,442 | 1,490 | 1,463 | 1,368 | 1,371 | 1,584 | 1,623 |
| 63 Other Africa | 917 | 961 | 1,312 | 1,210 | 1,216 | 1,156 | 1,086 | 1,189 | 1,244 | 1,199 |
| 64 Other countries | 8,067 | 5,684 | 3,347 | 3,662 | 3,507 | 3,682 | 2,924 | 3,155 | 3,425 | 4,026 |
| 65 Australia | 7,857 | 5,300 | 2,779 | 3,058 | 2,744 | 2,943 | 2,173 | 2,459 | 2,785 | 2,943 |
| 66 All other | 210 | 384 | 568 | 604 | 763 | 739 | 751 | 696 | 640 | 1,083 |
| 67 Nonmonetary international and regional organizations | 5,957 | 4,454 | 5,821 | 3,495 | 4,519 | 3,441 | 3,974 | 5,253 | 3,038 | 3,882 |
| 68 International | 5,273 | 3,747 | 4,806 | 2,512 | 3,669 | 2,471 | 2,714 | 4,147 | 1,759 | 2,728 |
| 69 Latin American regional | 419 | 587 | 894 | 823 | 748 | 845 | 922 | 916 | 972 | 957 |
| 70 Other regional[5] | 265 | 120 | 121 | 160 | 102 | 126 | 338 | 190 | 307 | 197 |

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

## 3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

| Area and country | 1983 | 1984 | 1985 | 1986 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Apr. | May | June | July | Aug. | Sept. | Oct.p |
| 1 **Total** | **391,312** | **400,162** | **401,608** | **401,109** | **394,667** | **403,843** | **403,494** | **403,729** | **416,645** | **406,569** |
| 2 **Foreign countries** | **391,148** | **399,363** | **400,577** | **400,607** | **394,259** | **403,387** | **403,002** | **403,309** | **416,444** | **406,197** |
| 3 Europe | 91,927 | 99,014 | 106,413 | 101,250 | 100,903 | 104,441 | 100,321 | 100,323 | 106,734 | 103,459 |
| 4 Austria | 401 | 433 | 598 | 429 | 501 | 609 | 619 | 694 | 654 | 619 |
| 5 Belgium-Luxembourg | 5,639 | 4,794 | 5,772 | 5,502 | 5,696 | 7,243 | 6,113 | 6,990 | 6,593 | 7,689 |
| 6 Denmark | 1,275 | 648 | 706 | 794 | 882 | 750 | 856 | 783 | 807 | 796 |
| 7 Finland | 1,044 | 898 | 823 | 795 | 866 | 983 | 1,041 | 961 | 1,085 | 1,111 |
| 8 France | 8,766 | 9,157 | 9,124 | 8,902 | 8,861 | 9,455 | 9,583 | 9,483 | 10,189 | 9,512 |
| 9 Germany | 1,284 | 1,306 | 1,267 | 1,341 | 1,176 | 1,095 | 1,426 | 1,181 | 1,601 | 1,174 |
| 10 Greece | 476 | 817 | 991 | 764 | 723 | 629 | 622 | 660 | 706 | 626 |
| 11 Italy | 9,018 | 9,119 | 8,848 | 6,709 | 6,806 | 7,474 | 7,266 | 5,981 | 6,797 | 7,679 |
| 12 Netherlands | 1,267 | 1,356 | 1,258 | 1,380 | 1,384 | 1,407 | 1,427 | 1,254 | 2,038 | 2,114 |
| 13 Norway | 690 | 675 | 706 | 786 | 746 | 905 | 614 | 698 | 732 | 711 |
| 14 Portugal | 1,114 | 1,243 | 1,058 | 874 | 850 | 776 | 789 | 757 | 734 | 699 |
| 15 Spain | 3,573 | 2,884 | 1,908 | 1,701 | 1,986 | 2,001 | 1,863 | 1,749 | 1,995 | 1,907 |
| 16 Sweden | 3,358 | 2,230 | 2,219 | 1,924 | 2,239 | 2,478 | 2,906 | 2,404 | 2,487 | 2,383 |
| 17 Switzerland | 1,863 | 2,123 | 3,171 | 2,978 | 3,134 | 3,553 | 2,617 | 3,306 | 2,665 | 2,666 |
| 18 Turkey | 812 | 1,130 | 1,200 | 1,584 | 1,649 | 1,856 | 1,709 | 1,649 | 1,585 | 1,614 |
| 19 United Kingdom | 47,364 | 56,185 | 62,566 | 60,602 | 59,332 | 58,224 | 56,249 | 57,846 | 61,935 | 58,082 |
| 20 Yugoslavia | 1,718 | 1,886 | 1,964 | 1,950 | 1,928 | 2,005 | 1,902 | 1,852 | 1,876 | 1,882 |
| 21 Other Western Europe[1] | 477 | 596 | 998 | 649 | 491 | 1,253 | 1,102 | 521 | 791 | 803 |
| 22 U.S.S.R | 192 | 142 | 130 | 477 | 489 | 568 | 504 | 528 | 462 | 296 |
| 23 Other Eastern Europe[2] | 1,598 | 1,389 | 1,107 | 1,111 | 1,164 | 1,176 | 1,112 | 1,026 | 1,002 | 1,097 |
| 24 Canada | 16,341 | 16,109 | 16,482 | 18,814 | 17,910 | 18,270 | 18,303 | 19,401 | 18,112 | 19,502 |
| 25 Latin America and Caribbean | 205,491 | 207,862 | 202,674 | 199,032 | 193,625 | 200,733 | 202,204 | 197,866 | 205,575 | 196,914 |
| 26 Argentina | 11,749 | 11,050 | 11,462 | 11,803 | 11,921 | 12,079 | 12,282 | 12,009 | 12,119 | 12,243 |
| 27 Bahamas | 59,633 | 58,009 | 58,258 | 55,260 | 52,537 | 57,075 | 56,250 | 55,453 | 61,702 | 53,565 |
| 28 Bermuda | 566 | 592 | 499 | 275 | 238 | 274 | 432 | 373 | 320 | 452 |
| 29 Brazil | 24,667 | 26,315 | 25,283 | 25,363 | 25,271 | 24,855 | 24,915 | 24,762 | 24,856 | 24,728 |
| 30 British West Indies | 35,527 | 38,205 | 38,881 | 38,932 | 37,072 | 40,043 | 41,923 | 39,836r | 40,357 | 40,040 |
| 31 Chile | 6,072 | 6,839 | 6,603 | 6,540 | 6,537 | 6,507 | 6,514 | 6,449 | 6,488 | 6,514 |
| 32 Colombia | 3,745 | 3,499 | 3,249 | 2,861 | 2,820 | 2,789 | 2,776 | 2,642 | 2,634 | 2,674 |
| 33 Cuba | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| 34 Ecuador | 2,307 | 2,420 | 2,390 | 2,388 | 2,382 | 2,397 | 2,366 | 2,375 | 2,387 | 2,418 |
| 35 Guatemala[3] | 129 | 158 | 194 | 124 | 112 | 136 | 113 | 127 | 135 | 122 |
| 36 Jamaica[3] | 215 | 252 | 224 | 216 | 218 | 244 | 209 | 209 | 224 | 247 |
| 37 Mexico | 34,802 | 34,885 | 31,799 | 32,367 | 31,493 | 31,399 | 31,168 | 30,839 | 31,037 | 31,024 |
| 38 Netherlands Antilles | 1,154 | 1,350 | 1,340 | 839 | 1,075 | 1,086 | 996 | 1,060 | 1,133 | 972 |
| 39 Panama | 7,848 | 7,707 | 6,645 | 6,133 | 5,919 | 5,860 | 6,280 | 5,862 | 6,377 | 6,094 |
| 40 Peru | 2,536 | 2,384 | 1,947 | 1,767 | 1,757 | 1,738 | 1,703 | 1,677 | 1,600 | 1,625 |
| 41 Uruguay | 977 | 1,088 | 960 | 953 | 951 | 931 | 927 | 936 | 1,051 | 930 |
| 42 Venezuela | 11,287 | 11,017 | 10,871 | 11,295 | 11,326 | 11,304 | 11,364 | 11,289 | 11,175 | 11,180 |
| 43 Other Latin America and Caribbean | 2,277 | 2,091 | 2,067 | 1,917 | 1,997 | 2,015 | 1,985 | 1,969r | 1,979 | 2,086 |
| 44 Asia | 67,837 | 66,316 | 66,212 | 73,421 | 73,965 | 72,033 | 74,253 | 77,792 | 78,082 | 78,652 |
| China | | | | | | | | | | |
| 45 Mainland | 292 | 710 | 639 | 593 | 703 | 567 | 779 | 526 | 758 | 758 |
| 46 Taiwan | 1,908 | 1,849 | 1,535 | 1,151 | 1,446 | 1,238 | 1,089 | 1,637 | 1,903 | 1,532 |
| 47 Hong Kong | 8,489 | 7,293 | 6,796 | 8,134 | 8,315 | 7,526 | 8,445 | 8,632 | 8,883 | 8,142 |
| 48 India | 330 | 425 | 450 | 398 | 420 | 440 | 372 | 375 | 355 | 508 |
| 49 Indonesia | 805 | 724 | 698 | 717 | 736 | 675 | 720 | 729 | 689 | 694 |
| 50 Israel | 1,832 | 2,088 | 1,991 | 1,611 | 1,766 | 1,772 | 1,567 | 1,541 | 1,621 | 1,630 |
| 51 Japan | 30,354 | 29,066 | 31,249 | 38,781 | 38,629 | 38,524 | 40,902 | 43,327 | 42,751 | 45,167 |
| 52 Korea | 9,943 | 9,285 | 9,226 | 9,286 | 9,176 | 8,977 | 8,900 | 8,476 | 7,855 | 7,000 |
| 53 Philippines | 2,107 | 2,555 | 2,224 | 2,325 | 2,263 | 2,393 | 2,168 | 2,128 | 2,148 | 2,071 |
| 54 Thailand | 1,219 | 1,125 | 845 | 775 | 716 | 706 | 711 | 736 | 636 | 611 |
| 55 Middle East oil-exporting countries[4] | 4,954 | 5,044 | 4,298 | 3,838 | 3,948 | 3,680 | 2,919 | 2,764 | 3,724 | 3,513 |
| 56 Other Asia | 5,603 | 6,152 | 6,260 | 5,812 | 5,845 | 5,535 | 5,680 | 6,921 | 6,759 | 7,027 |
| 57 Africa | 6,654 | 6,615 | 5,407 | 5,007 | 4,890 | 4,971 | 4,817 | 4,693 | 4,660 | 4,411 |
| 58 Egypt | 747 | 728 | 721 | 639 | 619 | 740 | 701 | 633 | 593 | 577 |
| 59 Morocco | 440 | 583 | 575 | 662 | 640 | 642 | 615 | 617 | 636 | 617 |
| 60 South Africa | 2,634 | 2,795 | 1,942 | 1,716 | 1,743 | 1,705 | 1,661 | 1,683 | 1,607 | 1,428 |
| 61 Zaire | 33 | 18 | 20 | 17 | 17 | 17 | 17 | 21 | 42 | 35 |
| 62 Oil-exporting countries[5] | 1,073 | 842 | 630 | 465 | 417 | 415 | 413 | 445 | 511 | 545 |
| 63 Other | 1,727 | 1,649 | 1,520 | 1,508 | 1,455 | 1,452 | 1,410 | 1,294 | 1,271 | 1,207 |
| 64 Other countries | 2,898 | 3,447 | 3,390 | 3,082 | 2,966 | 2,939 | 3,103 | 3,232 | 3,281 | 3,259 |
| 65 Australia | 2,256 | 2,769 | 2,413 | 2,237 | 2,050 | 2,023 | 2,159 | 2,293 | 2,277 | 2,143 |
| 66 All other | 642 | 678 | 978 | 845 | 916 | 916 | 945 | 940 | 1,004 | 1,115 |
| 67 Nonmonetary international and regional organizations[6] | 164 | 800 | 1,030 | 502 | 408 | 456 | 493 | 420 | 200 | 372 |

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

## 3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars

Millions of dollars, end of period

| Type of claim | 1983 | 1984 | 1985 | 1986 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Apr. | May | June | July | Aug. | Sept. | Oct.p |
| 1 **Total** | **426,215** | **433,078** | **430,489** | ....... | ....... | **432,326** | ....... | ....... | **448,494** | ....... |
| 2 Banks' own claims on foreigners | 391,312 | 400,162 | 401,608 | 401,109 | 394,667 | 403,843 | 403,494 | 403,729 | 416,645 | 406,569 |
| 3 Foreign public borrowers | 57,569 | 62,237 | 60,507 | 60,157 | 59,972 | 60,622 | 60,667 | 59,947r | 60,598 | 60,889 |
| 4 Own foreign offices[1] | 146,393 | 156,216 | 174,261 | 179,662 | 173,094 | 181,867 | 181,590 | 182,151 | 193,353 | 182,915 |
| 5 Unaffiliated foreign banks | 123,837 | 124,932 | 116,654 | 111,832 | 112,522 | 112,996 | 114,101 | 115,922r | 116,882 | 117,158 |
| 6 Deposits | 47,126 | 49,226 | 48,372 | 46,393 | 47,493 | 47,041 | 49,326 | 52,410 | 52,230 | 53,052 |
| 7 Other | 76,711 | 75,706 | 68,282 | 65,439 | 65,029 | 65,955 | 64,775 | 63,512r | 64,653 | 64,106 |
| 8 All other foreigners | 63,514 | 56,777 | 50,185 | 49,458 | 49,079 | 48,358 | 47,137 | 45,708r | 45,812 | 45,606 |
| 9 Claims of banks' domestic customers[2] | 34,903 | 32,916 | 28,881 | ....... | ....... | 28,483 | ....... | ....... | 31,849 | ....... |
| 10 Deposits | 2,969 | 3,380 | 3,335 | ....... | ....... | 3,475 | ....... | ....... | 3,743 | ....... |
| 11 Negotiable and readily transferable instruments[3] | 26,064 | 23,805 | 19,332 | ....... | ....... | 20,294 | ....... | ....... | 22,337 | ....... |
| 12 Outstanding collections and other claims | 5,870 | 5,732 | 6,214 | ....... | ....... | 4,715 | ....... | ....... | 5,769 | ....... |
| 13 MEMO: Customer liability on acceptances | 37,715 | 37,103 | 28,487 | ....... | ....... | 28,328 | ....... | ....... | 27,172 | ....... |
| Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[4] | 46,337 | 40,714 | 37,399 | 42,771 | 47,351 | 46,200 | 47,464 | 48,575r | 44,515 | n.a. |

1. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.

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 account of their domestic customers.

3. Principally negotiable time certificates of deposit and bankers acceptances.

4. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

NOTE. Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

## 3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars

Millions of dollars, end of period

| Maturity; by borrower and area | 1982 | 1983 | 1984 | 1985 | 1986 | | |
|---|---|---|---|---|---|---|---|
| | | | | Dec. | Mar. | June | Sept.p |
| 1 **Total** | **228,150** | **243,715** | **243,952** | **227,903** | **221,177** | **222,255r** | **224,317** |
| *By borrower* | | | | | | | |
| 2 Maturity of 1 year or less[1] | 173,917 | 176,158 | 167,858 | 160,824 | 152,696 | 152,247r | 154,731 |
| 3 Foreign public borrowers | 21,256 | 24,039 | 23,912 | 26,302 | 23,845 | 23,183 | 22,392 |
| 4 All other foreigners | 152,661 | 152,120 | 143,947 | 134,522 | 128,851 | 129,065r | 132,339 |
| 5 Maturity of over 1 year[1] | 54,233 | 67,557 | 76,094 | 67,078 | 68,481 | 70,008 | 69,586 |
| 6 Foreign public borrowers | 23,137 | 32,521 | 38,695 | 34,512 | 36,681 | 37,177 | 38,115 |
| 7 All other foreigners | 31,095 | 35,036 | 37,399 | 32,567 | 31,800 | 32,830 | 31,471 |
| *By area* | | | | | | | |
| Maturity of 1 year or less[1] | | | | | | | |
| 8 Europe | 50,500 | 56,117 | 58,498 | 56,585 | 53,462 | 57,929 | 59,331 |
| 9 Canada | 7,642 | 6,211 | 6,028 | 6,401 | 5,899 | 6,043 | 5,968 |
| 10 Latin America and Caribbean | 73,291 | 73,660 | 62,791 | 63,328 | 59,538 | 57,134 | 57,814 |
| 11 Asia | 37,578 | 34,403 | 33,504 | 27,966 | 28,034 | 25,772 | 26,713 |
| 12 Africa | 3,680 | 4,199 | 4,442 | 3,753 | 3,331 | 3,297 | 3,038 |
| 13 All other[2] | 1,226 | 1,569 | 2,593 | 2,791 | 2,433 | 2,073 | 1,866 |
| Maturity of over 1 year[1] | | | | | | | |
| 14 Europe | 11,636 | 13,576 | 9,605 | 7,634 | 7,783 | 7,934 | 7,285 |
| 15 Canada | 1,931 | 1,857 | 1,882 | 1,805 | 1,925 | 2,256 | 1,861 |
| 16 Latin America and Caribbean | 35,247 | 43,888 | 56,144 | 50,674 | 52,165 | 53,572 | 54,147 |
| 17 Asia | 3,185 | 4,850 | 5,323 | 4,502 | 4,251 | 4,034 | 3,990 |
| 18 Africa | 1,494 | 2,286 | 2,033 | 1,538 | 1,634 | 1,497 | 1,479 |
| 19 All other[2] | 740 | 1,101 | 1,107 | 926 | 722 | 714 | 824 |

1. Remaining time to maturity.

2. Includes nonmonetary international and regional organizations.

## 3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1,2]

Billions of dollars, end of period

| Area or country | 1982 | 1983 | 1984 | | 1985 | | | | 1986 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Sept. | Dec. | Mar. | June | Sept. | Dec. | Mar. | June | Sept.[p] |
| 1 **Total** | **436.1** | **433.9** | **406.4** | **405.7** | **405.5** | **396.8** | **394.9** | **391.9** | **394.3[r]** | **390.9[r]** | **391.4** |
| 2 G-10 countries and Switzerland | 179.6 | 167.8 | 147.5 | 148.1 | 153.0 | 146.7 | 152.0 | 148.5 | 156.4[r] | 159.8[r] | 158.6 |
| 3 Belgium-Luxembourg | 13.1 | 12.4 | 9.8 | 8.7 | 9.3 | 8.9 | 9.5 | 9.3 | 8.3 | 9.0 | 8.5 |
| 4 France | 17.1 | 16.2 | 14.3 | 14.1 | 14.5 | 13.5 | 14.8 | 12.3 | 13.8 | 15.1[r] | 14.6 |
| 5 Germany | 12.7 | 11.3 | 10.0 | 9.0 | 8.9 | 9.6 | 9.8 | 10.5 | 11.2 | 11.5 | 12.5 |
| 6 Italy | 10.3 | 11.4 | 9.7 | 10.1 | 10.0 | 8.6 | 8.4 | 9.8 | 8.5 | 9.3 | 8.1 |
| 7 Netherlands | 3.6 | 3.5 | 3.4 | 3.9 | 3.8 | 3.7 | 3.4 | 3.7 | 3.5 | 3.4 | 3.9 |
| 8 Sweden | 5.0 | 5.1 | 3.5 | 3.2 | 3.1 | 2.9 | 3.1 | 2.8 | 2.9 | 2.9 | 2.7 |
| 9 Switzerland | 5.0 | 4.3 | 3.9 | 3.9 | 4.2 | 4.0 | 4.1 | 4.4 | 5.4 | 5.6 | 4.8 |
| 10 United Kingdom | 72.1 | 65.3 | 57.1 | 60.3 | 65.4 | 65.7 | 67.1 | 64.6 | 68.5[r] | 68.9 | 70.1 |
| 11 Canada | 10.4 | 8.3 | 8.1 | 7.9 | 9.1 | 8.1 | 7.6 | 7.0 | 6.2[r] | 6.8[r] | 6.1 |
| 12 Japan | 30.2 | 29.9 | 27.7 | 27.1 | 24.7 | 21.7 | 24.3 | 24.2 | 28.1 | 27.4 | 27.4 |
| 13 Other developed countries | 33.5 | 36.0 | 36.2 | 33.6 | 32.8 | 32.3 | 32.0 | 30.4 | 31.6[r] | 30.6 | 29.4 |
| 14 Austria | 1.9 | 1.9 | 1.8 | 1.6 | 1.6 | 1.6 | 1.7 | 1.6 | 1.6 | 1.7 | 1.7 |
| 15 Denmark | 2.4 | 3.4 | 2.9 | 2.2 | 2.1 | 1.9 | 2.1 | 2.4 | 2.5 | 2.4 | 2.3 |
| 16 Finland | 2.2 | 2.4 | 1.9 | 1.9 | 1.8 | 1.8 | 1.8 | 1.6 | 1.9 | 1.6 | 1.7 |
| 17 Greece | 3.0 | 2.8 | 3.2 | 2.9 | 2.9 | 2.9 | 2.8 | 2.6 | 2.5 | 2.6 | 2.3 |
| 18 Norway | 3.3 | 3.3 | 3.2 | 3.0 | 2.9 | 2.9 | 3.4 | 2.9 | 2.7 | 3.0 | 2.7 |
| 19 Portugal | 1.5 | 1.5 | 1.6 | 1.4 | 1.4 | 1.3 | 1.4 | 1.3 | 1.1 | 1.0 | 1.0 |
| 20 Spain | 7.5 | 7.1 | 6.9 | 6.5 | 6.4 | 5.9 | 6.1 | 5.8 | 6.4 | 6.4 | 6.7 |
| 21 Turkey | 1.4 | 1.7 | 2.0 | 1.9 | 1.9 | 2.0 | 2.1 | 1.9 | 2.3 | 2.5 | 2.1 |
| 22 Other Western Europe | 2.3 | 1.8 | 1.7 | 1.7 | 1.7 | 1.8 | 1.7 | 2.0 | 2.4 | 2.1 | 1.6 |
| 23 South Africa | 3.7 | 4.7 | 5.0 | 4.5 | 4.2 | 3.9 | 3.3 | 3.2 | 3.2 | 3.1 | 3.1 |
| 24 Australia | 4.3 | 5.4 | 6.1 | 6.0 | 6.1 | 6.2 | 5.6 | 5.0 | 4.9 | 4.2 | 4.2 |
| 25 OPEC countries[3] | 26.9 | 28.4 | 24.4 | 24.9 | 24.5 | 22.8 | 22.7 | 21.6 | 20.7[r] | 20.6 | 20.0 |
| 26 Ecuador | 2.2 | 2.2 | 2.1 | 2.2 | 2.2 | 2.2 | 2.2 | 2.1 | 2.2 | 2.1 | 2.1 |
| 27 Venezuela | 10.5 | 9.9 | 9.2 | 9.3 | 9.3 | 9.3 | 9.0 | 8.9 | 8.7 | 8.8 | 8.7 |
| 28 Indonesia | 2.9 | 3.4 | 3.2 | 3.3 | 3.3 | 3.1 | 3.1 | 3.0 | 3.3 | 3.0 | 2.8 |
| 29 Middle East countries | 8.5 | 9.8 | 7.3 | 7.9 | 7.4 | 6.1 | 6.2 | 5.5 | 4.8 | 5.0 | 4.7 |
| 30 African countries | 2.8 | 3.0 | 2.5 | 2.3 | 2.3 | 2.2 | 2.3 | 2.0 | 1.8 | 1.7 | 1.7 |
| 31 Non-OPEC developing countries | 106.5 | 110.8 | 111.6 | 111.8 | 110.8 | 110.0 | 107.8 | 105.1[r] | 103.5[r] | 101.4[r] | 99.6 |
| *Latin America* | | | | | | | | | | | |
| 32 Argentina | 8.9 | 9.5 | 9.1 | 8.7 | 8.6 | 8.6 | 8.9 | 8.9 | 8.9 | 9.2 | 9.3 |
| 33 Brazil | 22.9 | 23.1 | 26.3 | 26.3 | 26.4 | 26.6 | 25.5 | 25.6 | 25.7 | 25.3 | 25.2 |
| 34 Chile | 6.3 | 6.4 | 7.1 | 7.0 | 7.0 | 6.9 | 6.6 | 7.0 | 7.0 | 7.1 | 7.1 |
| 35 Colombia | 3.1 | 3.2 | 2.9 | 2.9 | 2.8 | 2.7 | 2.6 | 2.7 | 2.3 | 2.2 | 2.0 |
| 36 Mexico | 24.2 | 25.8 | 26.0 | 25.7 | 25.5 | 25.3 | 24.4 | 24.2[r] | 24.0[r] | 23.8[r] | 23.8 |
| 37 Peru | 2.6 | 2.4 | 2.2 | 2.2 | 2.2 | 2.1 | 1.9 | 1.8 | 1.7 | 1.6 | 1.5 |
| 38 Other Latin America | 4.0 | 4.2 | 3.9 | 3.9 | 3.8 | 3.7 | 3.5 | 3.4 | 3.3 | 3.3 | 3.4 |
| *Asia* | | | | | | | | | | | |
| China | | | | | | | | | | | |
| 39 Mainland | .2 | .3 | .5 | .7 | .7 | .3 | 1.1 | .5 | .6 | .6 | .6 |
| 40 Taiwan | 5.3 | 5.2 | 5.1 | 5.1 | 5.3 | 5.5 | 5.1 | 4.5 | 4.3 | 3.7[r] | 4.3 |
| 41 India | .5 | .9 | 1.0 | .9 | .9 | .9 | 1.1 | 1.2 | 1.2 | 1.3 | 1.3 |
| 42 Israel | 2.3 | 1.9 | 1.7 | 1.8 | 1.7 | 2.3 | 1.5 | 1.6 | 1.3 | 1.6 | 1.4 |
| 43 Korea (South) | 10.7 | 11.2 | 10.3 | 10.6 | 10.4 | 10.0 | 10.4 | 9.4 | 9.5 | 8.6[r] | 7.3 |
| 44 Malaysia | 2.1 | 2.8 | 2.9 | 2.7 | 2.7 | 2.8 | 2.7 | 2.4 | 2.2 | 2.0 | 2.1 |
| 45 Philippines | 6.3 | 6.1 | 5.9 | 6.0 | 6.1 | 6.0 | 6.0 | 5.7 | 5.6 | 5.7 | 5.4 |
| 46 Thailand | 1.6 | 2.2 | 1.8 | 1.8 | 1.7 | 1.6 | 1.6 | 1.4 | 1.3 | 1.1 | 1.0 |
| 47 Other Asia | 1.1 | 1.0 | .9 | 1.1 | 1.1 | .9 | .9 | 1.0 | .9 | .8 | .7 |
| *Africa* | | | | | | | | | | | |
| 48 Egypt | 1.2 | 1.5 | 1.2 | 1.2 | 1.1 | 1.0 | 1.0 | 1.0 | .9 | .9 | .7 |
| 49 Morocco | .7 | .8 | .8 | 8 | .8 | .8 | .9 | .9 | .9 | .9 | .9 |
| 50 Zaire | .1 | .1 | .1 | .1 | .1 | .1 | .1 | .1 | .1 | .1 | .1 |
| 51 Other Africa[4] | 2.4 | 2.3 | 1.9 | 2.1 | 2.2 | 2.0 | 2.0 | 1.9 | 1.9 | 1.7 | 1.6 |
| 52 Eastern Europe | 6.2 | 5.3 | 4.5 | 4.4 | 4.3 | 4.3 | 4.6 | 4.2 | 4.0 | 4.0 | 3.3 |
| 53 U.S.S.R. | .3 | .2 | .2 | .1 | .2 | .3 | .2 | .1 | .3 | .3 | .1 |
| 54 Yugoslavia | 2.2 | 2.4 | 2.3 | 2.3 | 2.2 | 2.2 | 2.4 | 2.2 | 2.0 | 2.0 | 1.9 |
| 55 Other | 3.7 | 2.8 | 2.1 | 2.0 | 1.9 | 1.8 | 1.9 | 1.8 | 1.7 | 1.7 | 1.4 |
| 56 Offshore banking centers | 66.0 | 68.9 | 65.1 | 65.6 | 63.2 | 63.9 | 58.8 | 65.4 | 61.5 | 57.2 | 62.6 |
| 57 Bahamas | 19.0 | 21.7 | 23.3 | 21.5 | 20.1 | 21.1 | 16.6 | 21.4 | 21.5 | 17.3 | 20.0 |
| 58 Bermuda | .9 | .9 | 1.0 | .9 | .7 | .9 | .8 | .7 | .7 | .4 | .5 |
| 59 Cayman Islands and other British West Indies | 12.8 | 12.2 | 11.1 | 11.8 | 12.3 | 12.1 | 12.3 | 13.4 | 11.3 | 12.8 | 13.2 |
| 60 Netherlands Antilles | 3.3 | 4.2 | 3.1 | 3.4 | 3.3 | 3.2 | 2.3 | 2.3 | 2.3 | 2.3 | 1.9 |
| 61 Panama[5] | 7.5 | 5.8 | 5.6 | 6.7 | 5.5 | 5.4 | 6.1 | 6.0 | 5.9 | 5.5 | 6.8 |
| 62 Lebanon | .1 | .1 | .1 | .1 | .1 | .1 | .0 | .1 | .1 | .1 | .1 |
| 63 Hong Kong | 13.3 | 13.8 | 11.6 | 11.4 | 11.4 | 11.4 | 11.4 | 11.5 | 11.4 | 9.4 | 10.4 |
| 64 Singapore | 9.1 | 10.3 | 9.4 | 9.8 | 9.9 | 9.7 | 9.4 | 9.9 | 8.4 | 9.3 | 9.7 |
| 65 Others[6] | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 66 Miscellaneous and unallocated[7] | 17.5 | 16.8 | 17.1 | 17.3 | 16.9 | 16.9 | 17.3 | 16.9 | 16.7[r] | 17.2 | 17.8 |

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3. Besides the Organization of Petroleum Exporting Countries shown individually, this group includes other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates) as well as Bahrain and Oman (not formally members of OPEC).

4. Excludes Liberia.

5. Includes Canal Zone beginning December 1979.

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[1]

Millions of dollars, end of period

| Type, and area or country | 1982 | 1983 | 1984 | 1985 | | | 1986 | |
|---|---|---|---|---|---|---|---|---|
| | | | | June | Sept. | Dec. | Mar. | June[p] |
| 1 **Total** | **27,512** | **25,346** | **29,357** | **24,574** | **25,256** | **27,230** | **25,635** | **24,222** |
| 2 Payable in dollars | 24,280 | 22,233 | 26,389 | 21,899 | 22,408 | 23,994 | 22,022 | 20,692 |
| 3 Payable in foreign currencies | 3,232 | 3,113 | 2,968 | 2,675 | 2,848 | 3,236 | 3,613 | 3,530 |
| *By type* | | | | | | | | |
| 4 Financial liabilities | 11,066 | 10,572 | 14,509 | 11,528 | 11,815 | 13,005 | 12,328 | 11,117 |
| 5 Payable in dollars | 8,858 | 8,700 | 12,553 | 9,543 | 9,824 | 10,955 | 10,205 | 9,177 |
| 6 Payable in foreign currencies | 2,208 | 1,872 | 1,955 | 1,985 | 1,991 | 2,050 | 2,123 | 1,940 |
| 7 Commercial liabilities | 16,446 | 14,774 | 14,849 | 13,046 | 13,441 | 14,225 | 13,307 | 13,105 |
| 8 Trade payables | 9,438 | 7,765 | 7,005 | 5,797 | 5,694 | 6,685 | 5,598 | 5,503 |
| 9 Advance receipts and other liabilities | 7,008 | 7,009 | 7,843 | 7,249 | 7,747 | 7,540 | 7,710 | 7,602 |
| 10 Payable in dollars | 15,423 | 13,533 | 13,836 | 12,356 | 12,584 | 13,039 | 11,817 | 11,516 |
| 11 Payable in foreign currencies | 1,023 | 1,241 | 1,013 | 690 | 857 | 1,186 | 1,490 | 1,590 |
| *By area or country* | | | | | | | | |
| Financial liabilities | | | | | | | | |
| 12 Europe | 6,501 | 5,742 | 6,728 | 5,944 | 6,568 | 7,270 | 6,971 | 6,705 |
| 13 Belgium-Luxembourg | 505 | 302 | 471 | 351 | 367 | 329 | 338 | 288 |
| 14 France | 783 | 843 | 995 | 865 | 849 | 857 | 851 | 701 |
| 15 Germany | 467 | 502 | 489 | 474 | 493 | 419 | 371 | 262 |
| 16 Netherlands | 711 | 621 | 590 | 604 | 624 | 745 | 630 | 651 |
| 17 Switzerland | 792 | 486 | 569 | 566 | 593 | 676 | 702 | 561 |
| 18 United Kingdom | 3,102 | 2,839 | 3,297 | 2,835 | 3,351 | 3,924 | 3,736 | 3,960 |
| 19 Canada | 746 | 764 | 863 | 850 | 826 | 760 | 753 | 287 |
| 20 Latin America and Caribbean | 2,751 | 2,596 | 5,086 | 3,106 | 2,619 | 3,152 | 2,788 | 2,404 |
| 21 Bahamas | 904 | 751 | 1,926 | 1,107 | 1,145 | 1,120 | 954 | 859 |
| 22 Bermuda | 14 | 13 | 13 | 10 | 4 | 4 | 13 | 14 |
| 23 Brazil | 28 | 32 | 35 | 27 | 23 | 29 | 26 | 27 |
| 24 British West Indies | 1,027 | 1,041 | 2,103 | 1,734 | 1,234 | 1,814 | 1,610 | 1,362 |
| 25 Mexico | 121 | 213 | 367 | 32 | 28 | 15 | 20 | 30 |
| 26 Venezuela | 114 | 124 | 137 | 3 | 3 | 3 | 4 | 3 |
| 27 Asia | 1,039 | 1,424 | 1,777 | 1,584 | 1,767 | 1,790 | 1,799 | 1,660 |
| 28 Japan | 715 | 991 | 1,209 | 994 | 1,136 | 1,173 | 1,192 | 1,189 |
| 29 Middle East oil-exporting countries[2] | 169 | 170 | 155 | 147 | 82 | 82 | 78 | 43 |
| 30 Africa | 17 | 19 | 14 | 14 | 14 | 12 | 12 | 12 |
| 31 Oil-exporting countries[3] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 32 All other[4] | 12 | 27 | 41 | 30 | 22 | 21 | 4 | 49 |
| Commercial liabilities | | | | | | | | |
| 33 Europe | 3,831 | 3,245 | 4,001 | 3,461 | 3,897 | 4,074 | 3,915 | 3,761 |
| 34 Belgium-Luxembourg | 52 | 62 | 48 | 53 | 56 | 62 | 66 | 58 |
| 35 France | 598 | 437 | 438 | 423 | 431 | 453 | 382 | 357 |
| 36 Germany | 468 | 427 | 622 | 428 | 601 | 607 | 546 | 512 |
| 37 Netherlands | 346 | 268 | 245 | 284 | 386 | 364 | 545 | 587 |
| 38 Switzerland | 367 | 241 | 257 | 349 | 289 | 379 | 251 | 283 |
| 39 United Kingdom | 1,027 | 732 | 1,095 | 730 | 858 | 976 | 957 | 861 |
| 40 Canada | 1,495 | 1,841 | 1,975 | 1,494 | 1,383 | 1,449 | 1,442 | 1,351 |
| 41 Latin America and Caribbean | 1,570 | 1,473 | 1,871 | 1,225 | 1,262 | 1,088 | 1,097 | 1,304 |
| 42 Bahamas | 16 | 1 | 7 | 12 | 2 | 12 | 26 | 10 |
| 43 Bermuda | 117 | 67 | 114 | 77 | 105 | 77 | 210 | 294 |
| 44 Brazil | 60 | 44 | 124 | 90 | 120 | 58 | 64 | 107 |
| 45 British West Indies | 32 | 6 | 32 | 1 | 15 | 44 | 7 | 35 |
| 46 Mexico | 436 | 585 | 586 | 492 | 415 | 430 | 256 | 235 |
| 47 Venezuela | 642 | 432 | 636 | 309 | 311 | 212 | 364 | 488 |
| 48 Asia | 8,144 | 6,741 | 5,285 | 5,246 | 5,353 | 6,046 | 5,384 | 5,068 |
| 49 Japan | 1,226 | 1,247 | 1,256 | 1,219 | 1,567 | 1,799 | 2,039 | 2,095 |
| 50 Middle East oil-exporting countries[2,5] | 5,503 | 4,178 | 2,372 | 2,396 | 2,109 | 2,829 | 2,171 | 1,731 |
| 51 Africa | 753 | 553 | 588 | 631 | 572 | 587 | 486 | 569 |
| 52 Oil-exporting countries[3] | 277 | 167 | 233 | 265 | 235 | 238 | 148 | 215 |
| 53 All other[4] | 651 | 921 | 1,128 | 988 | 975 | 982 | 983 | 1,053 |

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

| Type, and area or country | 1982 | 1983 | 1984 | 1985 | | | 1986 | |
|---|---|---|---|---|---|---|---|---|
| | | | | June | Sept. | Dec. | Mar. | June[p] |
| 1 **Total** | **28,725** | **34,911** | **29,901** | **26,750** | **28,610** | **28,085** | **30,927** | **32,519** |
| 2 Payable in dollars | 26,085 | 31,815 | 27,304 | 24,121 | 25,743 | 25,783 | 28,740 | 30,337 |
| 3 Payable in foreign currencies | 2,640 | 3,096 | 2,597 | 2,629 | 2,866 | 2,302 | 2,187 | 2,182 |
| *By type* | | | | | | | | |
| 4 Financial claims | 17,684 | 23,780 | 19,254 | 16,695 | 19,203 | 18,099 | 21,540 | 23,324 |
| 5 Deposits | 13,058 | 18,496 | 14,621 | 12,839 | 15,315 | 14,852 | 18,146 | 20,034 |
| 6 Payable in dollars | 12,628 | 17,993 | 14,202 | 12,283 | 14,611 | 14,237 | 17,689 | 19,479 |
| 7 Payable in foreign currencies | 430 | 503 | 420 | 556 | 704 | 615 | 457 | 555 |
| 8 Other financial claims | 4,626 | 5,284 | 4,633 | 3,856 | 3,889 | 3,248 | 3,394 | 3,290 |
| 9 Payable in dollars | 2,979 | 3,328 | 3,190 | 2,375 | 2,351 | 2,213 | 2,301 | 2,269 |
| 10 Payable in foreign currencies | 1,647 | 1,956 | 1,442 | 1,480 | 1,538 | 1,035 | 1,093 | 1,021 |
| 11 Commercial claims | 11,041 | 11,131 | 10,646 | 10,055 | 9,406 | 9,986 | 9,387 | 9,195 |
| 12 Trade receivables | 9,994 | 9,721 | 9,177 | 8,688 | 7,932 | 8,696 | 8,086 | 7,858 |
| 13 Advance payments and other claims | 1,047 | 1,410 | 1,470 | 1,367 | 1,475 | 1,290 | 1,301 | 1,337 |
| 14 Payable in dollars | 10,478 | 10,494 | 9,912 | 9,463 | 8,782 | 9,333 | 8,750 | 8,589 |
| 15 Payable in foreign currencies | 563 | 637 | 735 | 592 | 624 | 652 | 637 | 606 |
| *By area or country* | | | | | | | | |
| Financial claims | | | | | | | | |
| 16 Europe | 4,873 | 6,488 | 5,762 | 5,477 | 6,463 | 6,327 | 6,859 | 8,877 |
| 17 Belgium-Luxembourg | 15 | 37 | 15 | 15 | 12 | 10 | 10 | 11 |
| 18 France | 134 | 150 | 126 | 51 | 132 | 184 | 217 | 257 |
| 19 Germany | 178 | 163 | 224 | 175 | 158 | 223 | 172 | 148 |
| 20 Netherlands | 97 | 71 | 66 | 46 | 127 | 61 | 61 | 17 |
| 21 Switzerland | 107 | 38 | 66 | 16 | 53 | 74 | 166 | 177 |
| 22 United Kingdom | 4,064 | 5,817 | 4,864 | 4,900 | 5,736 | 5,522 | 5,986 | 8,051 |
| 23 Canada | 4,377 | 5,989 | 3,988 | 3,756 | 4,037 | 3,256 | 4,024 | 4,464 |
| 24 Latin America and Caribbean | 7,546 | 10,234 | 8,216 | 6,616 | 7,603 | 7,697 | 9,934 | 9,151 |
| 25 Bahamas | 3,279 | 4,771 | 3,306 | 2,204 | 2,315 | 2,685 | 3,500 | 3,251 |
| 26 Bermuda | 32 | 102 | 6 | 6 | 5 | 6 | 2 | 17 |
| 27 Brazil | 62 | 53 | 100 | 96 | 92 | 78 | 77 | 75 |
| 28 British West Indies | 3,255 | 4,206 | 4,043 | 3,747 | 4,632 | 4,440 | 5,904 | 5,359 |
| 29 Mexico | 274 | 293 | 215 | 206 | 201 | 180 | 178 | 176 |
| 30 Venezuela | 139 | 134 | 125 | 100 | 73 | 48 | 43 | 42 |
| 31 Asia | 698 | 764 | 961 | 640 | 969 | 696 | 621 | 723 |
| 32 Japan | 153 | 297 | 353 | 281 | 725 | 475 | 350 | 499 |
| 33 Middle East oil-exporting countries[2] | 15 | 4 | 13 | 6 | 6 | 4 | 2 | 2 |
| 34 Africa | 158 | 147 | 210 | 111 | 104 | 103 | 87 | 89 |
| 35 Oil-exporting countries[3] | 48 | 55 | 85 | 25 | 31 | 29 | 27 | 25 |
| 36 All other[4] | 31 | 159 | 117 | 95 | 26 | 21 | 14 | 20 |
| Commercial claims | | | | | | | | |
| 37 Europe | 3,826 | 3,670 | 3,801 | 3,680 | 3,235 | 3,533 | 3,387 | 3,304 |
| 38 Belgium-Luxembourg | 151 | 135 | 165 | 212 | 158 | 175 | 148 | 131 |
| 39 France | 474 | 459 | 440 | 408 | 360 | 426 | 384 | 390 |
| 40 Germany | 357 | 349 | 374 | 375 | 336 | 346 | 396 | 414 |
| 41 Netherlands | 350 | 334 | 335 | 301 | 286 | 284 | 221 | 237 |
| 42 Switzerland | 360 | 317 | 271 | 376 | 208 | 284 | 248 | 221 |
| 43 United Kingdom | 811 | 809 | 1,063 | 950 | 779 | 898 | 793 | 668 |
| 44 Canada | 633 | 829 | 1,021 | 1,065 | 1,100 | 1,023 | 1,060 | 970 |
| 45 Latin America and Caribbean | 2,526 | 2,695 | 2,052 | 1,803 | 1,660 | 1,753 | 1,599 | 1,590 |
| 46 Bahamas | 21 | 8 | 8 | 11 | 18 | 13 | 27 | 24 |
| 47 Bermuda | 261 | 190 | 115 | 65 | 62 | 93 | 82 | 148 |
| 48 Brazil | 258 | 493 | 214 | 193 | 211 | 206 | 231 | 194 |
| 49 British West Indies | 12 | 7 | 7 | 29 | 7 | 6 | 7 | 24 |
| 50 Mexico | 775 | 884 | 583 | 468 | 416 | 510 | 388 | 320 |
| 51 Venezuela | 351 | 272 | 206 | 181 | 149 | 157 | 172 | 180 |
| 52 Asia | 3,050 | 3,063 | 3,073 | 2,707 | 2,712 | 2,982 | 2,606 | 2,649 |
| 53 Japan | 1,047 | 1,114 | 1,191 | 954 | 884 | 1,016 | 801 | 846 |
| 54 Middle East oil-exporting countries[2] | 751 | 737 | 668 | 593 | 541 | 638 | 630 | 691 |
| 55 Africa | 588 | 588 | 470 | 464 | 434 | 437 | 491 | 447 |
| 56 Oil-exporting countries[3] | 140 | 139 | 134 | 137 | 131 | 130 | 167 | 171 |
| 57 All other[4] | 417 | 286 | 229 | 336 | 264 | 257 | 244 | 235 |

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

## 3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

| Transactions, and area or country | 1984 | 1985 | 1986 Jan.–Oct. | 1986 Apr. | May | June | July | Aug. | Sept. | Oct.[p] |
|---|---|---|---|---|---|---|---|---|---|---|
| | U.S. corporate securities | | | | | | | | | |
| STOCKS | | | | | | | | | | |
| 1 Foreign purchases | 59,834 | 81,995 | 121,897 | 15,414 | 13,244 | 11,176 | 13,268 | 12,045[r] | 12,260 | 10,948 |
| 2 Foreign sales | 62,814 | 77,054 | 104,943 | 11,468 | 10,388 | 10,832 | 11,258 | 10,615[r] | 10,948 | 12,281 |
| **3 Net purchases, or sales (−)** | **−2,980** | **4,941** | **16,954** | **3,947** | **2,856** | **344** | **2,010** | **1,430[r]** | **1,258** | **−1,333** |
| **4 Foreign countries** | **−3,109** | **4,857** | **17,208** | **3,883** | **2,814** | **464** | **2,075** | **1,470[r]** | **1,303** | **−1,189** |
| 5 Europe | −3,077 | 2,057 | 9,493 | 2,066 | 1,571 | 192 | 576 | 824[r] | 587 | −1,126 |
| 6 France | −405 | −438 | 418 | 36 | 99 | 219 | 182 | 105 | 30 | −92 |
| 7 Germany | −50 | 730 | 320 | 47 | 99 | −174 | −130 | −42 | 9 | −104 |
| 8 Netherlands | −357 | −123 | 972 | 123 | 236 | 97 | 52 | 50 | 36 | −19 |
| 9 Switzerland | −1,542 | −75 | 1,748 | 569 | 376 | −134 | −198 | 44 | 70 | −405 |
| 10 United Kingdom | −677 | 1,665 | 4,579 | 733 | 563 | 38 | 481 | 521[r] | 462 | −484 |
| 11 Canada | 1,691 | 356 | 643 | 52 | 44 | 131 | 214 | 97 | 93 | −125 |
| 12 Latin America and Caribbean | 495 | 1,718 | 2,437 | 880 | 489 | 60 | 269 | 108 | 145 | 154 |
| 13 Middle East[1] | −1,992 | 238 | 801 | 339 | 117 | −236 | 181 | 78 | 58 | −51 |
| 14 Other Asia | −378 | 296 | 3,334 | 399 | 472 | 288 | 830 | 376 | 346 | 16 |
| 15 Africa | −22 | 24 | 258 | 48 | 43 | −3 | 30 | −1 | −13 | 39 |
| 16 Other countries | 175 | 168 | 241 | 100 | 78 | 32 | −23 | −13 | 86 | −97 |
| **17 Nonmonetary international and regional organizations** | **129** | **84** | **−254** | **63** | **42** | **−121** | **−65** | **−40** | **−45** | **−143** |
| BONDS[2] | | | | | | | | | | |
| 18 Foreign purchases | 39,296 | 86,587 | 101,456 | 13,483 | 12,044 | 8,964 | 8,937 | 9,420 | 10,160 | 9,718 |
| 19 Foreign sales | 26,399 | 42,439 | 57,913 | 8,855 | 5,252 | 5,686 | 5,679 | 5,348 | 5,585 | 5,494 |
| **20 Net purchases, or sales (−)** | **12,897** | **44,149** | **43,543** | **4,628** | **6,792** | **3,278** | **3,259** | **4,072** | **4,575** | **4,223** |
| **21 Foreign countries** | **12,600** | **44,244** | **42,926** | **4,438** | **6,696** | **2,798** | **3,197** | **4,077** | **4,871** | **4,481** |
| 22 Europe | 11,697 | 40,047 | 34,126 | 3,641 | 6,221 | 2,763 | 2,395 | 2,484 | 3,386 | 3,501 |
| 23 France | 207 | 210 | 28 | −22 | 83 | −6 | 6 | 20 | −29 | 0 |
| 24 Germany | 1,724 | 2,001 | −125 | −73 | 205 | −3 | −91 | −81 | 26 | 81 |
| 25 Netherlands | 100 | 222 | 222 | 2 | 89 | −37 | −39 | 98 | 51 | −55 |
| 26 Switzerland | 643 | 3,987 | 4,442 | 1,231 | 456 | 490 | 180 | 564 | 30 | 265 |
| 27 United Kingdom | 8,429 | 32,762 | 29,705 | 2,578 | 5,631 | 2,214 | 2,213 | 1,917 | 3,414 | 3,203 |
| 28 Canada | −62 | 190 | 240 | 74 | 54 | 55 | 85 | 110 | 2 | 86 |
| 29 Latin America and Caribbean | 376 | 498 | 1,301 | 263 | 142 | 63 | 250 | 160 | 64 | 101 |
| 30 Middle East[1] | −1,230 | −2,631 | −2,338 | −396 | −186 | −632 | −718 | −40 | −169 | −33 |
| 31 Other Asia | 1,817 | 6,091 | 9,458 | 840 | 464 | 480 | 1,177 | 1,329 | 1,586 | 816 |
| 32 Africa | 1 | 11 | 12 | 3 | −2 | 3 | −3 | 5 | 6 | −1 |
| 33 Other countries | 0 | 38 | 127 | 13 | 3 | 66 | 11 | 29 | −4 | 11 |
| **34 Nonmonetary international and regional organizations** | **297** | **−95** | **617** | **190** | **96** | **480** | **61** | **−4** | **−296** | **−258** |
| | Foreign securities | | | | | | | | | |
| 35 Stocks, net purchases, or sales (−) | −1,101 | −3,894 | −1,960 | −1,668 | −221 | −238 | 404 | 83 | 676 | 1,207 |
| 36 Foreign purchases | 14,816 | 20,851 | 41,033 | 4,390 | 3,454 | 3,775 | 4,310 | 4,610 | 5,091 | 6,233 |
| 37 Foreign sales | 15,917 | 24,746 | 42,993 | 6,057 | 3,675 | 4,013 | 3,907 | 4,694 | 4,415 | 5,026 |
| 38 Bonds, net purchases, or sales (−) | −3,930 | −3,996 | −2,029 | −1,251 | 188 | 1,540 | 359 | 1,232 | −2,231 | 2,150 |
| 39 Foreign purchases | 56,017 | 81,214 | 136,854 | 15,296 | 13,491 | 15,632 | 13,559 | 14,086 | 15,182 | 16,239 |
| 40 Foreign sales | 59,948 | 85,210 | 138,883 | 16,546 | 13,303 | 14,091 | 13,200 | 12,854 | 17,412 | 14,089 |
| **41 Net purchases, or sales (−), of stocks and bonds** | **−5,031** | **−7,891** | **−3,988** | **−2,918** | **−33** | **1,302** | **762** | **1,149** | **−1,555** | **3,357** |
| **42 Foreign countries** | **−4,642** | **−8,954** | **−4,520** | **−2,788** | **−106** | **1,122** | **438** | **1,090** | **−1,492** | **3,173** |
| 43 Europe | −8,655 | −9,887 | −15,153 | −2,649 | 208 | −1,332 | −683 | −714 | −3,379 | −504 |
| 44 Canada | 542 | −1,682 | −508 | −286 | 82 | 16 | 245 | 263 | 111 | 88 |
| 45 Latin America and Caribbean | 2,460 | 1,845 | 3,194 | 176 | 363 | 742 | 278 | 127 | 351 | 449 |
| 46 Asia | 1,356 | 658 | 8,901 | −124 | −746 | 1,639 | 659 | 1,337 | 1,852 | 3,201 |
| 47 Africa | −108 | 75 | 44 | 6 | 3 | 3 | 9 | 1 | 3 | −2 |
| 48 Other countries | −238 | 38 | −997 | 89 | −16 | 55 | −70 | 75 | −430 | −59 |
| **49 Nonmonetary international and regional organizations** | **−389** | **1,063** | **532** | **−130** | **73** | **180** | **324** | **59** | **−63** | **184** |

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

Millions of dollars

| Country or area | 1984 | 1985 | 1986 Jan.–Oct. | 1986 Apr. | May | June | July | Aug. | Sept. | Oct.p |
|---|---|---|---|---|---|---|---|---|---|---|
| | Transactions, net purchases or sales (−) during period[1] | | | | | | | | | |
| 1 **Estimated total**[2] | **21,501** | **29,047** | **25,686** | **8,658** | **−2,132** | **3,112** | **−254** | **752** | **5,480** | **2,917** |
| 2 Foreign countries[2] | 16,496 | 28,591 | 26,409 | 8,398 | −252 | 2,230 | 2,705 | 2,215 | 4,485 | 2,678 |
| 3 Europe[2] | 11,014 | 4,145 | 16,501 | 1,625 | 1,436 | 2,562 | 2,544 | 2,442 | −685 | 2,943 |
| 4 Belgium-Luxembourg | 287 | 476 | 321 | 29 | 39 | 82 | −46 | 180 | 239 | 4 |
| 5 Germany[2] | 2,929 | 1,917 | 7,295 | 139 | 468 | 357 | 818 | 1,050 | 1,133 | 2,419 |
| 6 Netherlands | 449 | 269 | 1,303 | 81 | −31 | −64 | 1,756 | −64 | −313 | 112 |
| 7 Sweden | 40 | 976 | 447 | 113 | 236 | 16 | 42 | −25 | 85 | 4 |
| 8 Switzerland[2] | 656 | 760 | 1,161 | 163 | 365 | 349 | −278 | 52 | −53 | 373 |
| 9 United Kingdom | 5,188 | −1,954 | 3,955 | −206 | 698 | 698 | 610 | 1,207 | −1,970 | 170 |
| 10 Other Western Europe | 1,466 | 1,701 | 2,019 | 1,307 | −339 | 1,125 | −358 | 43 | 195 | −139 |
| 11 Eastern Europe | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 12 Canada | 1,586 | −188 | 559 | 55 | 908 | −302 | 67 | 105 | −198 | −230 |
| 13 Latin America and Caribbean | 1,418 | 4,312 | 725 | 1,234 | −954 | −460 | 28 | −37 | 220 | −224 |
| 14 Venezuela | 14 | 238 | −84 | 196 | 36 | −170 | −72 | −294 | 266 | −55 |
| 15 Other Latin America and Caribbean | 536 | 2,343 | 1,148 | 173 | 372 | −290 | 96 | 255 | 32 | −195 |
| 16 Netherlands Antilles | 869 | 1,731 | −339 | 865 | −1,363 | 0 | 5 | 2 | −78 | 26 |
| 17 Asia | 2,431 | 19,899 | 8,093 | 5,092 | −1,617 | 515 | −137 | −133 | 5,336 | 41 |
| 18 Japan | 6,289 | 17,920 | 5,816 | 2,267 | −1,148 | 223 | 273 | 683 | 4,395 | −453 |
| 19 Africa | −67 | 112 | −45 | −1 | −2 | −5 | 6 | −1 | 11 | −15 |
| 20 All other | 114 | 311 | 576 | 394 | −22 | −80 | 198 | −160 | −200 | 163 |
| 21 Nonmonetary international and regional organizations | 5,009 | 457 | −721 | 260 | −1,880 | 882 | −2,959 | −1,462 | 995 | 239 |
| 22 International | 4,612 | −420 | −929 | 198 | −1,889 | 899 | −2,804 | −1,511 | 890 | 290 |
| 23 Latin American regional | 0 | 18 | 157 | 30 | 0 | 5 | 0 | 0 | 39 | −5 |
| MEMO | | | | | | | | | | |
| 24 Foreign countries[2] | 16,496 | 28,591 | 26,409 | 8,398 | −252 | 2,230 | 2,705 | 2,215 | 4,485 | 2,678 |
| 25 Official institutions | 505 | 8,088 | 14,112 | 3,862 | 157 | 1,612 | 1,448 | 61 | 2,324 | 3,274 |
| 26 Other foreign[2] | 15,992 | 20,503 | 12,298 | 4,537 | −409 | 619 | 1,257 | 2,154 | 2,161 | −596 |
| Oil-exporting countries | | | | | | | | | | |
| 27 Middle East[3] | −6,270 | −1,581 | −465 | 1,334 | −14 | −290 | 14 | −239 | −205 | −377 |
| 28 Africa[4] | −101 | 7 | 4 | 1 | 1 | 0 | 2 | −1 | 2 | −1 |

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.
2. Includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.

## 3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

| Country | Rate on Nov. 30, 1986 | | Country | Rate on Nov. 30, 1986 | | Country | Rate on Nov. 30, 1986 | |
|---|---|---|---|---|---|---|---|---|
| | Per-cent | Month effective | | Per-cent | Month effective | | Per-cent | Month effective |
| Austria | 4.0 | Aug. 1985 | France[1] | 7.0 | June 1986 | Norway | 8.0 | June 1983 |
| Belgium | 8.0 | May 1986 | Germany, Fed. Rep. of | 3.5 | Mar. 1986 | Switzerland | 4.0 | Mar. 1983 |
| Brazil | 49.0 | Mar. 1981 | Italy | 12.0 | May 1986 | United Kingdom[2] | ........ | ........ |
| Canada | 8.47 | Nov. 1986 | Japan | 3.0 | Oct. 1986 | Venezuela | 8.0 | Oct. 1985 |
| Denmark | 7.0 | Oct. 1983 | Netherlands | 4.5 | Mar. 1986 | | | |

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.
2. Minimum lending rate suspended as of Aug. 20, 1981.

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government 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 the central bank transacts the largest proportion of its credit operations.

## 3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

| Country, or type | 1983 | 1984 | 1985 | 1986 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | May | June | July | Aug. | Sept. | Oct. | Nov. |
| 1 Eurodollars | 9.57 | 10.75 | 8.27 | 6.86 | 6.95 | 6.54 | 6.06 | 5.88 | 5.88 | 5.96 |
| 2 United Kingdom | 10.06 | 9.91 | 12.16 | 10.16 | 9.70 | 9.91 | 9.79 | 10.05 | 11.08 | 11.12 |
| 3 Canada | 9.48 | 11.29 | 9.64 | 8.60 | 8.72 | 8.45 | 8.50 | 8.38 | 8.45 | 8.39 |
| 4 Germany | 5.73 | 5.96 | 5.40 | 4.58 | 4.59 | 4.61 | 4.56 | 4.48 | 4.56 | 4.67 |
| 5 Switzerland | 4.11 | 4.35 | 4.92 | 4.32 | 4.96 | 4.80 | 4.30 | 4.13 | 3.96 | 3.88 |
| 6 Netherlands | 5.58 | 6.08 | 6.29 | 5.76 | 5.90 | 5.69 | 5.28 | 5.17 | 5.32 | 5.48 |
| 7 France | 12.44 | 11.66 | 9.91 | 7.21 | 7.23 | 7.13 | 7.09 | 7.07 | 7.38 | 7.51 |
| 8 Italy | 18.95 | 17.08 | 14.86 | 12.35 | 11.78 | 11.70 | 11.18 | 10.84 | 10.85 | 11.05 |
| 9 Belgium | 10.51 | 11.41 | 9.60 | 7.90 | 7.27 | 7.25 | 7.25 | 7.25 | 7.29 | 7.38 |
| 10 Japan | 6.49 | 6.32 | 6.47 | 4.58 | 4.64 | 4.62 | 4.68 | 4.71 | 4.75 | 4.39 |

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

## 3.28 FOREIGN EXCHANGE RATES

Currency units per dollar

| Country/currency | 1983 | 1984 | 1985 | 1986 June | 1986 July | 1986 Aug. | 1986 Sept. | 1986 Oct. | 1986 Nov. |
|---|---|---|---|---|---|---|---|---|---|
| 1 Australia/dollar[1] | 90.14 | 87.937 | 70.026 | 68.89 | 62.91 | 61.23 | 62.21 | 63.83 | 64.45 |
| 2 Austria/schilling | 17.968 | 20.005 | 20.676 | 15.699 | 15.117 | 14.502 | 14.349 | 14.111 | 14.251 |
| 3 Belgium/franc | 51.121 | 57.749 | 59.336 | 45.633 | 44.304 | 42.701 | 42.315 | 41.635 | 42.069 |
| 4 Brazil/cruzeiro | 573.27 | 1841.50 | 6205.10 | 13.84 | 13.84 | 13.84 | 13.84 | 13.98 | 14.10 |
| 5 Canada/dollar | 1.2325 | 1.2953 | 1.3658 | 1.3899 | 1.3808 | 1.3885 | 1.3872 | 1.3885 | 1.3863 |
| 6 China, P.R./yuan | 1.9809 | 2.3308 | 2.9434 | 3.2115 | 3.6435 | 3.7129 | 3.7150 | 3.7257 | 3.7314 |
| 7 Denmark/krone | 9.1483 | 10.354 | 10.598 | 8.2822 | 8.0635 | 7.7657 | 7.7278 | 7.5607 | 7.6444 |
| 8 Finland/markka | 5.5636 | 6.0007 | 6.1971 | 5.1954 | 5.0744 | 4.9377 | 4.9190 | 4.8684 | 4.9576 |
| 9 France/franc | 7.6203 | 8.7355 | 8.9799 | 7.1208 | 6.9323 | 6.7215 | 6.6835 | 6.5628 | 6.6206 |
| 10 Germany/deutsche mark | 2.5539 | 2.8454 | 2.9419 | 2.2337 | 2.1517 | 2.0621 | 2.0415 | 2.0054 | 2.0243 |
| 11 Greece/drachma | 87.895 | 112.73 | 138.40 | 140.98 | 138.40 | 134.68 | 135.07 | 135.44 | 139.12 |
| 12 Hong Kong/dollar | 7.2569 | 7.8188 | 7.7911 | 7.8107 | 7.8123 | 7.8003 | 7.8026 | 7.7999 | 7.7974 |
| 13 India/rupee | 10.1040 | 11.348 | 12.332 | 12.599 | 12.508 | 12.567 | 12.676 | 12.848 | 13.076 |
| 14 Ireland/pound[1] | 124.81 | 108.64 | 106.62 | 135.68 | 139.00 | 134.67 | 134.53 | 135.89 | 134.64 |
| 15 Italy/lira | 1519.30 | 1756.10 | 1908.90 | 1533.10 | 1478.31 | 1420.33 | 1410.23 | 1387.67 | 1401.08 |
| 16 Japan/yen | 237.55 | 237.45 | 238.47 | 167.54 | 158.61 | 154.18 | 154.73 | 156.47 | 162.85 |
| 17 Malaysia/ringgit | 2.3204 | 2.3448 | 2.4806 | 2.6231 | 2.6455 | 2.6121 | 2.6174 | 2.6245 | 2.6131 |
| 18 Netherlands/guilder | 2.8543 | 3.2083 | 3.3184 | 2.5154 | 2.4236 | 2.3242 | 2.3050 | 2.2663 | 2.2870 |
| 19 New Zealand/dollar[1] | 66.790 | 57.837 | 49.752 | 54.585 | 53.176 | 50.068 | 47.950 | 50.392 | 51.382 |
| 20 Norway/krone | 7.3012 | 8.1596 | 8.5933 | 7.6117 | 7.4800 | 7.3534 | 7.3429 | 7.3611 | 7.5401 |
| 21 Portugal/escudo | 111.610 | 147.70 | 172.07 | 151.09 | 148.67 | 146.17 | 146.83 | 147.24 | 149.54 |
| 22 Singapore/dollar | 2.1136 | 2.1325 | 2.2008 | 2.2232 | 2.1861 | 2.1601 | 2.1680 | 2.1777 | 2.1922 |
| 23 South Africa/rand[1] | 89.85 | 69.534 | 45.57 | 39.49 | 39.04 | 38.39 | 43.36 | 44.42 | 44.37 |
| 24 South Korea/won | 776.04 | 807.91 | 861.89 | 890.74 | 888.59 | 886.45 | 883.06 | 879.22 | 873.54 |
| 25 Spain/peseta | 143.500 | 160.78 | 169.98 | 142.91 | 137.58 | 134.11 | 134.10 | 133.43 | 136.10 |
| 26 Sri Lanka/rupee | 23.510 | 25.428 | 27.187 | 27.955 | 28.065 | 28.187 | 28.297 | 28.407 | 28.471 |
| 27 Sweden/krona | 7.6717 | 8.2706 | 8.6031 | 7.2124 | 7.0715 | 6.9365 | 6.9191 | 6.8901 | 6.9683 |
| 28 Switzerland/franc | 2.1006 | 2.3500 | 2.4551 | 1.8406 | 1.7445 | 1.6616 | 1.6537 | 1.6433 | 1.6858 |
| 29 Taiwan/dollar | n.a. | 39.633 | 39.889 | 38.163 | 38.119 | 37.422 | 36.885 | 36.647 | 36.438 |
| 30 Thailand/baht | 22.991 | 23.582 | 27.193 | 26.400 | 26.204 | 26.093 | 26.120 | 26.129 | 26.278 |
| 31 United Kingdom/pound[1] | 151.59 | 133.66 | 129.74 | 150.85 | 150.71 | 148.61 | 146.98 | 142.64 | 142.38 |
| MEMO | | | | | | | | | |
| 32 United States/dollar[2] | 125.34 | 138.19 | 143.01 | 113.77 | 110.38 | 107.50 | 107.15 | 106.58 | 107.90 |

1. Value in U.S. cents.
2. Index of weighted-average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland. March 1973 = 100. Weights are 1972–76 global trade of each of the 10 countries. Series revised as of August 1978. For description and back data, see "Index of the Weighted-Average Exchange Value of the U.S. Dollar: Revision" on p. 700 of the August 1978 BULLETIN.
3. Currency reform.

NOTE. 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) release. For address, see inside front cover.

# Guide to Tabular Presentation, Statistical Releases, and Special Tables

## *GUIDE TO TABULAR PRESENTATION*

### *Symbols and Abbreviations*

| | |
|---|---|
| c | Corrected |
| e | Estimated |
| 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 |
| n.a. | Not available |
| n.e.c. | Not elsewhere classified |
| IPCs | Individuals, partnerships, and corporations |
| REITs | Real estate investment trusts |
| RPs | Repurchase agreements |
| SMSAs | Standard metropolitan statistical areas |
| .... | Cell not applicable |

### *General Information*

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.

In some of the tables details do not add to totals because of rounding.

## *STATISTICAL RELEASES*

### *List Published Semiannually, with Latest Bulletin Reference*



## *SPECIAL TABLES*

### *Published Irregulary, with Latest Bulletin Reference*



*Special tables begin on next page.*

## 4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, November 3–7, 1986[1]

A. Commercial and Industrial Loans[2]

| Characteristics | Amount of loans (thousands of dollars) | Average size (thousands of dollars) | Weighted average maturity[3] | Loan rate (percent) | | | Loans made under commitment (percent) | Participation loans (percent) | Most common base pricing rate[7] |
|---|---|---|---|---|---|---|---|---|---|
| | | | Days | Weighted average effective[4] | Standard error[5] | Interquartile range[6] | | | |
| ALL BANKS | | | | | | | | | |
| 1 Overnight[8] | 18,042,062 | 7,415 | * | 6.70 | .03 | 6.45–6.85 | 78.3 | 1.2 | Fed funds |
| 2 One month and under | 9,138,063 | 657 | 18 | 7.11 | .17 | 6.51–7.43 | 77.1 | 7.7 | Domestic |
| 3 Fixed rate | 7,227,320 | 844 | 18 | 6.98 | .16 | 6.47–7.19 | 76.6 | 4.7 | Domestic |
| 4 Floating rate | 1,910,743 | 358 | 20 | 7.61 | .19 | 6.66–8.33 | 79.0 | 19.0 | Prime |
| 5 Over one month and under a year | 10,836,499 | 126 | 135 | 7.97 | .21 | 6.79–8.65 | 72.8 | 7.8 | Prime |
| 6 Fixed rate | 5,317,993 | 130 | 96 | 7.78 | .24 | 6.70–8.23 | 74.0 | 9.5 | Foreign |
| 7 Floating rate | 5,518,506 | 123 | 171 | 8.16 | .19 | 6.98–8.87 | 71.6 | 6.1 | Prime |
| 8 Demand[9] | 6,306,616 | 174 | * | 8.01 | .12 | 6.91–8.84 | 80.7 | 5.7 | Prime |
| 9 Fixed rate | 1,560,525 | 618 | * | 6.93 | .35 | 6.38–7.11 | 76.6 | 4.2 | Fed funds |
| 10 Floating rate | 4,746,092 | 141 | * | 8.37 | .10 | 7.76–8.87 | 82.0 | 6.2 | Prime |
| 11 **Total short term** | **44,323,240** | **320** | **43** | **7.28** | **.12** | **6.54–7.76** | **77.0** | **4.8** | **Fed funds** |
| 12 Fixed rate (thousands of dollars) | 31,768,686 | 584 | 22 | 6.96 | .07 | 6.49–7.11 | 77.3 | 3.5 | Fed funds |
| 13 1–24 | 295,394 | 8 | 106 | 11.24 | .26 | 9.93–12.55 | 18.8 | .1 | Other |
| 14 25–49 | 163,721 | 32 | 107 | 10.22 | .30 | 8.83–11.73 | 32.9 | .1 | Prime |
| 15 50–99 | 197,270 | 64 | 112 | 10.18 | .26 | 8.87–11.36 | 18.3 | .9 | Prime |
| 16 100–499 | 597,956 | 213 | 130 | 9.14 | .23 | 8.03–10.47 | 51.1 | 1.1 | Prime |
| 17 500–999 | 280,882 | 677 | 60 | 7.51 | .09 | 6.79–7.79 | 80.9 | 4.5 | Prime |
| 18 1000 and over | 30,233,463 | 7,874 | 18 | 6.83 | .04 | 6.48–6.98 | 79.0 | 3.7 | Fed funds |
| 19 Floating rate (thousands of dollars) | 12,554,554 | 149 | 126 | 8.10 | .13 | 6.98–8.84 | 76.4 | 8.0 | Prime |
| 20 1–24 | 407,448 | 9 | 158 | 9.70 | .11 | 8.84–10.25 | 71.0 | 3.9 | Prime |
| 21 25–49 | 455,089 | 34 | 161 | 9.54 | .10 | 8.82–9.93 | 72.8 | 4.1 | Prime |
| 22 50–99 | 765,387 | 66 | 158 | 9.29 | .09 | 8.57–9.92 | 70.8 | 1.7 | Prime |
| 23 100–499 | 2,464,770 | 196 | 143 | 8.75 | .05 | 7.85–9.38 | 76.1 | 4.1 | Prime |
| 24 500–999 | 1,178,220 | 640 | 168 | 8.45 | .07 | 7.76–9.11 | 80.8 | 6.2 | Prime |
| 25 1000 and over | 7,283,639 | 3,978 | 110 | 7.53 | .11 | 6.58–8.30 | 77.0 | 10.7 | Prime |
| | | | Months | | | | | | |
| 26 **Total long term** | **6,635,816** | **265** | **54** | **8.24** | **.19** | **7.49–9.04** | **76.5** | **7.9** | **Prime** |
| 27 Fixed rate (thousands of dollars) | 1,799,667 | 179 | 51 | 8.08 | .32 | 6.99–8.84 | 67.6 | 1.9 | Domestic |
| 28 1–99 | 144,382 | 16 | 45 | 11.35 | .44 | 9.49–12.40 | 19.6 | .0 | Prime |
| 29 100–499 | 132,431 | 195 | 85 | 9.49 | .18 | 8.30–10.75 | 24.9 | 17.7 | Other |
| 30 500–999 | 57,597 | 696 | 60 | 9.92 | .47 | 9.76–11.02 | 21.5 | .0 | Prime |
| 31 1000 and over | 1,465,256 | 8,109 | 49 | 7.56 | .54 | 6.79–8.06 | 78.1 | .8 | Domestic |
| 32 Floating rate (thousands of dollars) | 4,836,150 | 322 | 54 | 8.30 | .17 | 7.71–9.04 | 79.8 | 10.1 | Prime |
| 33 1–99 | 273,875 | 25 | 37 | 9.41 | .16 | 8.57–9.96 | 56.8 | 1.1 | Prime |
| 34 100–499 | 563,406 | 194 | 46 | 8.79 | .11 | 8.03–9.38 | 65.8 | 6.3 | Prime |
| 35 500–999 | 450,929 | 652 | 47 | 8.49 | .11 | 7.76–8.84 | 76.2 | 11.1 | Prime |
| 36 1000 and over | 3,547,940 | 5,521 | 58 | 8.11 | .22 | 7.64–8.84 | 84.3 | 11.3 | Prime |
| | | | Days | Loan rate (percent) | | Prime rate[11] | | | |
| | | | | Effective[4] | Nominal[10] | | | | |
| LOANS MADE BELOW PRIME[12] | | | | | | | | | |
| 37 Overnight[8] | 17,572,718 | 9,467 | * | 6.66 | 6.45 | 7.50 | 78.2 | 1.3 | |
| 38 One month and under | 7,413,630 | 4,110 | 17 | 6.74 | 6.53 | 7.51 | 78.2 | 7.6 | |
| 39 Over one month and under a year | 4,828,488 | 907 | 126 | 6.81 | 6.62 | 7.60 | 76.7 | 12.8 | |
| 40 Demand[9] | 2,060,771 | 2,561 | * | 6.64 | 6.48 | 7.51 | 76.8 | 3.4 | |
| 41 **Total short term** | **31,875,608** | **3,256** | **25** | **6.70** | **6.50** | **7.52** | **77.9** | **4.7** | |
| 42 Fixed rate | 27,957,590 | 4,042 | 16 | 6.70 | 6.50 | 7.51 | 77.8 | 3.9 | |
| 43 Floating rate | 3,918,017 | 1,365 | 101 | 6.71 | 6.51 | 7.56 | 78.3 | 10.2 | |
| | | | Months | | | | | | |
| 44 **Total long term** | **1,927,756** | **1,184** | **47** | **6.80** | **6.64** | **7.75** | **89.5** | **14.6** | |
| 45 Fixed rate | 935,092 | 1,093 | 51 | 6.73 | 6.60 | 7.70 | 86.2 | 2.3 | |
| 46 Floating rate | 992,664 | 1,285 | 44 | 6.87 | 6.67 | 7.80 | 92.7 | 26.2 | |

For notes see end of table.

## 4.23 Continued

### A. Commercial and Industrial Loans — Continued

| | Characteristics | Amount of loans (thousands of dollars) | Average size (thousands of dollars) | Weighted average *maturity*[3] | Loan rate (percent) | | | Loans made under commitment (percent) | Partici-pation loans (percent) | Most common base pricing rate[7] |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Days | Weighted average effective[4] | Standard error[5] | Inter-quartile range[6] | | | |
| | LARGE BANKS | | | | | | | | | |
| 1 | Overnight[8] | 12,542,083 | 9,774 | * | 6.74 | .04 | 6.45–6.88 | 80.1 | 1.2 | Fed funds |
| 2 | One month and under | 6,537,372 | 2,953 | 18 | 6.95 | .04 | 6.53–7.21 | 79.7 | 4.3 | Domestic |
| 3 | Fixed rate | 5,695,923 | 4,798 | 17 | 6.88 | .03 | 6.47–7.19 | 78.6 | 3.5 | Domestic |
| 4 | Floating rate | 841,449 | 820 | 21 | 7.40 | .13 | 6.76–7.78 | 87.3 | 9.1 | Prime |
| 5 | Over one month and under a year | 6,518,756 | 831 | 123 | 7.49 | .09 | 6.70–8.23 | 81.6 | 5.6 | Domestic |
| 6 | Fixed rate | 3,643,926 | 2,269 | 82 | 7.40 | .10 | 6.70–8.23 | 88.5 | 5.4 | Foreign |
| 7 | Floating rate | 2,874,830 | 461 | 175 | 7.61 | .14 | 6.65–8.33 | 73.0 | 5.8 | Prime |
| 8 | Demand[9] | 3,110,547 | 354 | * | 7.78 | .17 | 6.70–8.77 | 75.9 | 5.1 | Prime |
| 9 | Fixed rate | 811,651 | 3,095 | * | 6.80 | .64 | 6.37–6.75 | 59.0 | 1.5 | Fed funds |
| 10 | Floating rate | 2,298,896 | 269 | * | 8.12 | .15 | 7.71–8.84 | 81.9 | 6.3 | Prime |
| 11 | **Total short term** | **28,708,758** | **1,425** | **37** | **7.07** | **.05** | **6.51–7.49** | **79.9** | **3.3** | **Fed funds** |
| 12 | Fixed rate (thousands of dollars) | 22,451,611 | 5,233 | 19 | 6.89 | .06 | 6.49–7.10 | 80.6 | 2.5 | Fed funds |
| 13 | 1–24 | 8,266 | 10 | 92 | 10.03 | .31 | 8.96–10.48 | 37.4 | .9 | Prime |
| 14 | 25–49 | 7,285 | 33 | 75 | 9.30 | .30 | 8.78–9.92 | 36.6 | .0 | Prime |
| 15 | 50–99 | 13,041 | 64 | 71 | 9.14 | .35 | 8.33–9.92 | 45.4 | 3.1 | Prime |
| 16 | 100–499 | 99,787 | 224 | 63 | 8.18 | .14 | 7.59–8.81 | 71.6 | 3.9 | Prime |
| 17 | 500–999 | 159,883 | 677 | 48 | 7.54 | .14 | 6.79–7.79 | 79.5 | 4.7 | Domestic |
| 18 | 1000 and over | 22,163,348 | 9,394 | 19 | 6.87 | .06 | 6.48–7.09 | 80.7 | 2.5 | Fed funds |
| 19 | Floating rate (thousands of dollars) | 6,257,146 | 395 | 132 | 7.73 | .10 | 6.72–8.51 | 77.5 | 6.2 | Prime |
| 20 | 1–24 | 61,632 | 11 | 129 | 9.36 | .15 | 8.77–9.96 | 77.1 | .4 | Prime |
| 21 | 25–49 | 78,033 | 34 | 136 | 9.21 | .08 | 8.57–9.92 | 73.8 | .7 | Prime |
| 22 | 50–99 | 161,312 | 67 | 139 | 9.02 | .07 | 8.30–9.65 | 74.5 | .7 | Prime |
| 23 | 100–499 | 774,947 | 206 | 140 | 8.63 | .05 | 7.79–9.11 | 81.2 | 1.4 | Prime |
| 24 | 500–999 | 418,935 | 653 | 141 | 8.33 | .11 | 7.76–8.87 | 82.6 | 5.5 | Prime |
| 25 | 1000 and over | 4,762,288 | 4,668 | 130 | 7.44 | .11 | 6.57–8.24 | 76.6 | 7.4 | Prime |
| | | | | Months | | | | | | |
| 26 | **Total long term** | **4,471,849** | **1,011** | **59** | **8.09** | **.17** | **7.06–8.77** | **83.3** | **4.4** | **Prime** |
| 27 | Fixed rate (thousands of dollars) | 1,229,545 | 2,779 | 50 | 7.90 | .32 | 6.99–8.06 | 78.3 | 1.0 | Domestic |
| 28 | 1–99 | 6,918 | 29 | 50 | 10.93 | .89 | 9.17–11.57 | 23.3 | .0 | Prime |
| 29 | 100–499 | 15,600 | 217 | 56 | 9.46 | .24 | 8.47–10.47 | 42.4 | 5.0 | Prime |
| 30 | 500–999 | 12,550 | 702 | 86 | 9.12 | .72 | 7.25–12.13 | 67.3 | .0 | Domestic |
| 31 | 1000 and over | 1,194,478 | 10,122 | 50 | 7.85 | .29 | 6.99–8.06 | 79.2 | .9 | Domestic |
| 32 | Floating rate (thousands of dollars) | 3,242,304 | 815 | 62 | 8.17 | .21 | 7.64–9.04 | 85.2 | 5.7 | Prime |
| 33 | 1–99 | 81,289 | 35 | 23 | 8.70 | .20 | 8.03–8.87 | 86.0 | .7 | Prime |
| 34 | 100–499 | 197,256 | 211 | 39 | 8.52 | .05 | 7.98–9.04 | 89.7 | 7.2 | Prime |
| 35 | 500–999 | 161,682 | 662 | 52 | 8.20 | .15 | 7.71–8.77 | 94.3 | 11.6 | Prime |
| 36 | 1000 and over | 2,802,077 | 6,302 | 65 | 8.13 | .24 | 7.64–9.04 | 84.3 | 5.4 | Prime |
| | | | | Days | Loan rate (percent) | | Prime rate[11] | | | |
| | | | | | Effective[4] | Nominal[10] | | | | |
| | LOANS MADE BELOW PRIME[12] | | | | | | | | | |
| 37 | Overnight[8] | 12,118,445 | 10,976 | * | 6.69 | 6.47 | 7.50 | 80.1 | 1.3 | |
| 38 | One month and under | 5,718,113 | 6,128 | 17 | 6.76 | 6.55 | 7.50 | 79.0 | 4.3 | |
| 39 | Over one month and under a year | 3,718,708 | 5,801 | 134 | 6.77 | 6.58 | 7.50 | 80.9 | 7.1 | |
| 40 | Demand[9] | 1,215,213 | 4,096 | * | 6.57 | 6.43 | 7.50 | 62.3 | 1.0 | |
| 41 | **Total short term** | **22,770,479** | **7,654** | **28** | **6.71** | **6.51** | **7.50** | **79.0** | **3.0** | |
| 42 | Fixed rate | 20,027,982 | 8,326 | 17 | 6.72 | 6.51 | 7.50 | 79.3 | 2.6 | |
| 43 | Floating rate | 2,742,497 | 4,815 | 129 | 6.69 | 6.49 | 7.50 | 76.4 | 5.7 | |
| | | | | Months | | | | | | |
| 44 | **Total long term** | **1,373,605** | **5,719** | **49** | **6.90** | **6.76** | **7.50** | **95.4** | **4.5** | |
| 45 | Fixed rate | 674,229 | 8,960 | 50 | 7.01 | 6.91 | 7.50 | 94.2 | .0 | |
| 46 | Floating rate | 699,376 | 4,240 | 48 | 6.80 | 6.61 | 7.50 | 96.5 | 8.9 | |

For notes see end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS SURVEY of Loans Made, November 3–7, 1986[1]—Continued
A. Commercial and Industrial Loans — Continued[2]

| Characteristics | Amount of loans (thousands of dollars) | Average size (thousands of dollars) | Weighted average maturity[3] | Loan rate (percent) | | | Loans made under commitment (percent) | Participation loans (percent) | Most common base pricing rate[7] |
|---|---|---|---|---|---|---|---|---|---|
| | | | Days | Weighted average effective[4] | Standard error[5] | Interquartile range[6] | | | |
| OTHER BANKS | | | | | | | | | |
| 1 Overnight[8] | 5,499,979 | 4,783 | * | 6.62 | .02 | 6.45–6.71 | 74.3 | 1.2 | Fed funds |
| 2 One month and under | 2,600,692 | 222 | 20 | 7.52 | .28 | 6.49–8.05 | 70.5 | 16.3 | Prime |
| 3 Fixed rate | 1,531,398 | 208 | 20 | 7.34 | .30 | 6.49–7.63 | 69.1 | 9.0 | Other |
| 4 Floating rate | 1,069,294 | 248 | 19 | 7.77 | .34 | 6.38–8.84 | 72.4 | 26.8 | Prime |
| 5 Over one month and under a year | 4,317,742 | 55 | 152 | 8.69 | .14 | 7.71–9.42 | 59.5 | 11.1 | Prime |
| 6 Fixed rate | 1,674,066 | 43 | 128 | 8.59 | .25 | 6.94–10.35 | 42.6 | 18.4 | Other |
| 7 Floating rate | 2,643,676 | 68 | 167 | 8.75 | .11 | 7.76–9.38 | 70.2 | 6.5 | Prime |
| 8 Demand[9] | 3,196,069 | 116 | * | 8.24 | .12 | 7.70–8.84 | 85.3 | 6.4 | Prime |
| 9 Fixed rate | 748,874 | 331 | * | 7.06 | .31 | 6.41–7.11 | 95.7 | 7.2 | Fed funds |
| 10 Floating rate | 2,447,195 | 97 | * | 8.59 | .03 | 7.76–9.11 | 82.1 | 6.1 | Prime |
| **11 Total short term** | **15,614,483** | **132** | **58** | **7.67** | **.14** | **6.56–8.57** | **71.8** | **7.5** | **Prime** |
| 12 Fixed rate (thousands of dollars) | 9,317,075 | 186 | 29 | 7.13 | .11 | 6.50–7.11 | 69.4 | 6.0 | Fed funds |
| 13 1–24 | 287,127 | 8 | 107 | 11.28 | .23 | 9.93–12.56 | 18.3 | .0 | Other |
| 14 25–49 | 156,436 | 32 | 109 | 10.26 | .38 | 8.84–11.73 | 32.8 | .1 | Prime |
| 15 50–99 | 184,229 | 64 | 115 | 10.25 | .28 | 8.87–11.58 | 16.4 | .8 | Prime |
| 16 100–499 | 498,169 | 211 | 144 | 9.33 | .26 | 8.27–10.47 | 47.0 | .6 | Prime |
| 17 500–999 | 120,999 | 676 | 76 | 7.49 | .12 | 6.82–7.76 | 82.8 | 4.3 | Other |
| 18 1000 and over | 8,070,115 | 5,452 | 16 | 6.71 | .05 | 6.45–6.85 | 74.3 | 6.8 | Fed funds |
| 19 Floating rate (thousands of dollars) | 6,297,408 | 92 | 120 | 8.48 | .10 | 7.76–9.32 | 75.4 | 9.7 | Prime |
| 20 1–24 | 345,816 | 9 | 161 | 9.77 | .08 | 8.84–10.47 | 69.9 | 4.6 | Prime |
| 21 25–49 | 377,056 | 34 | 164 | 9.61 | .15 | 8.84–9.95 | 72.6 | 4.8 | Prime |
| 22 50–99 | 604,075 | 65 | 161 | 9.35 | .14 | 8.57–9.92 | 69.9 | 1.9 | Prime |
| 23 100–499 | 1,689,824 | 192 | 144 | 8.80 | .08 | 8.03–9.38 | 73.8 | 5.3 | Prime |
| 24 500–999 | 759,286 | 632 | 181 | 8.51 | .08 | 7.76–9.11 | 79.9 | 6.6 | Prime |
| 25 1000 and over | 2,521,351 | 3,110 | 72 | 7.70 | .18 | 6.58–8.33 | 77.7 | 16.8 | Prime |
| | | | Months | | | | | | |
| **26 Total long term** | **2,163,968** | **105** | **43** | **8.54** | **.28** | **7.71–9.38** | **62.5** | **15.0** | **Prime** |
| 27 Fixed rate (thousands of dollars) | 570,122 | 59 | 53 | 8.48 | .58 | 6.72–10.52 | 44.6 | 4.0 | Other |
| 28 1–99 | 137,465 | 15 | 45 | 11.37 | .24 | 9.50–12.47 | 19.4 | .0 | Other |
| 29 100–499 | 116,832 | 192 | 88 | 9.49 | .29 | 8.30–10.75 | 22.6 | 19.3 | Other |
| 30 500–999 | 45,046 | 694 | 53 | 10.14 | .56 | 9.79–11.02 | 8.7 | .0 | Prime |
| 31 1000 and over | 270,779 | 4,319 | 43 | 6.29 | 1.04 | 4.75–8.43 | 72.8 | .0 | Other |
| 32 Floating rate (thousands of dollars) | 1,593,846 | 144 | 40 | 8.56 | .23 | 7.76–9.31 | 68.9 | 19.0 | Prime |
| 33 1–99 | 192,586 | 23 | 43 | 9.71 | .15 | 8.84–10.47 | 44.5 | 1.3 | Prime |
| 34 100–499 | 366,150 | 185 | 50 | 8.94 | .18 | 8.30–9.42 | 52.9 | 5.8 | Prime |
| 35 500–999 | 289,247 | 647 | 45 | 8.66 | .10 | 7.79–9.38 | 66.2 | 10.8 | Prime |
| 36 1000 and over | 745,862 | 3,766 | 32 | 8.04 | .37 | 7.45–8.77 | 84.1 | 33.3 | Prime |
| | | | Days | Loan rate (percent) | | Prime rate[11] | | | |
| | | | | Effective[4] | Nominal[10] | | | | |
| LOANS MADE BELOW PRIME[12] | | | | | | | | | |
| 37 Overnight[8] | 5,454,273 | 7,251 | * | 6.61 | 6.40 | 7.50 | 74.1 | 1.4 | |
| 38 One month and under | 1,695,517 | 1,947 | 17 | 6.69 | 6.48 | 7.56 | 75.4 | 18.7 | |
| 39 Over one month and under a year | 1,109,780 | 237 | 101 | 6.97 | 6.77 | 7.93 | 62.8 | 32.1 | |
| 40 Demand[9] | 845,559 | 1,665 | * | 6.74 | 6.56 | 7.53 | 97.7 | 6.9 | |
| ***41 Total short term*** | ***9,105,129*** | ***1,336*** | ***18*** | ***6.68*** | ***6.47*** | ***7.56*** | ***75.2*** | ***8.9*** | |
| 42 Fixed rate | 7,929,609 | 1,757 | 16 | 6.67 | 6.46 | 7.54 | 74.1 | 7.1 | |
| 43 Floating rate | 1,175,520 | 511 | 37 | 6.75 | 6.54 | 7.71 | 82.6 | 20.6 | |
| | | | Months | | | | | | |
| **44 Total long term** | **554,151** | **399** | **43** | **6.54** | **6.34** | **8.37** | **75.0** | **39.6** | |
| 45 Fixed rate | 260,864 | 334 | 54 | 5.99 | 5.80 | 8.23 | 65.5 | 8.3 | |
| 46 Floating rate | 293,287 | 483 | 33 | 7.03 | 6.81 | 8.50 | 83.5 | 67.5 | |

For notes see end of table.

4.23 Continued

B. Construction and Land Development Loans

| Characteristics | Amount of loans (thousands of dollars) | Average size (thousands of dollars) | Weighted average maturity (months)[3] | Loan rate (percent)[13] | | | Loans made under commitment (percent) | Participation loans (percent) |
|---|---|---|---|---|---|---|---|---|
| | | | | Weighted average effective[4] | Standard error[5] | Inter-quartile range[6] | | |
| ALL BANKS | | | | | | | | |
| 1 **Total** | **1,824,092** | **112** | **9** | **8.84** | **.26** | **7.90–9.38** | **78.6** | **17.2** |
| 2 Fixed rate (thousands of dollars) | 866,332 | 115 | 5 | 8.79 | .44 | 7.90–9.11 | 83.3 | 24.9 |
| 3 1–24 | 58,913 | 11 | 7 | 12.29 | .48 | 11.57–12.40 | 71.1 | .5 |
| 4 25–49 | 37,502 | 37 | 13 | 11.91 | .58 | 11.03–12.40 | 71.5 | .0 |
| 5 50–99 | 53,150 | 71 | 19 | 11.61 | .37 | 10.43–13.49 | 16.1 | .0 |
| 6 100–499 | 33,614 | 184 | 11 | 10.44 | .50 | 9.65–11.58 | 83.5 | 4.8 |
| 7 500 and over | 683,153 | 6,270 | 4 | 8.02 | .22 | 7.86–8.17 | 90.2 | 31.3 |
| 8 Floating rate (thousands of dollars) | 957,760 | 109 | 14 | 8.87 | .16 | 8.30–9.38 | 74.3 | 10.3 |
| 9 1–24 | 49,853 | 9 | 10 | 9.78 | .16 | 8.87–10.20 | 83.8 | 2.1 |
| 10 25–49 | 32,736 | 32 | 8 | 9.53 | .28 | 8.84–9.78 | 74.9 | 2.2 |
| 11 50–99 | 49,785 | 70 | 9 | 9.22 | .18 | 8.84–9.92 | 74.4 | 2.7 |
| 12 100–499 | 242,978 | 183 | 12 | 8.85 | .17 | 8.57–9.65 | 80.9 | 7.5 |
| 13 500 and over | 582,408 | 1,959 | 15 | 8.74 | .14 | 8.03–9.38 | 70.7 | 13.2 |
| *By type of construction* | | | | | | | | |
| 14 Single family | 408,526 | 37 | 13 | 9.93 | .32 | 8.84–11.03 | 76.2 | 2.2 |
| 15 Multifamily | 231,210 | 356 | 8 | 8.26 | .22 | 7.72–8.57 | 64.6 | 2.2 |
| 16 Nonresidential | 1,184,355 | 262 | 9 | 8.57 | .19 | 7.90–9.06 | 82.1 | 25.3 |
| LARGE BANKS[14] | | | | | | | | |
| 1 **Total** | **1,052,717** | **838** | **7** | **8.25** | **.17** | **7.85–8.57** | **86.1** | **22.8** |
| 2 Fixed rate (thousands of dollars) | 646,615 | 2,297 | 3 | 7.99 | .47 | 7.86–8.05 | 91.1 | 33.3 |
| 3 1–24 | 1,470 | 10 | 7 | 10.49 | .55 | 9.92–11.02 | 72.4 | 14.2 |
| 4 25–49 | * | * | * | * | * | * | * | * |
| 5 50–99 | * | * | * | * | * | * | * | * |
| 6 100–499 | * | * | * | * | * | * | * | * |
| 7 500 and over | 638,358 | 7,167 | 3 | 7.98 | .02 | 7.86–8.05 | 91.4 | 33.5 |
| 8 Floating rate (thousands of dollars) | 406,102 | 417 | 12 | 8.67 | .17 | 7.76–9.11 | 78.1 | 6.0 |
| 9 1–24 | 3,612 | 10 | 13 | 9.08 | .21 | 8.57–9.38 | 93.4 | 5.5 |
| 10 25–49 | 4,086 | 34 | 16 | 9.06 | .12 | 8.30–9.84 | 81.8 | .0 |
| 11 50–99 | 6,562 | 71 | 17 | 8.93 | .35 | 8.30–9.38 | 94.6 | 4.4 |
| 12 100–499 | 57,411 | 209 | 13 | 8.91 | .14 | 8.57–9.38 | 88.6 | 11.3 |
| 13 500 and over | 334,430 | 2,350 | 12 | 8.61 | .20 | 7.76–9.06 | 75.8 | 5.2 |
| *By type of construction* | | | | | | | | |
| 14 Single family | 52,643 | 123 | 13 | 9.08 | .19 | 8.84–9.38 | 78.9 | 8.5 |
| 15 Multifamily | 206,224 | 940 | 7 | 8.15 | .20 | 7.72–8.24 | 63.6 | 1.0 |
| 16 Nonresidential | 793,850 | 1,305 | 6 | 8.23 | .13 | 7.90–8.43 | 92.4 | 29.4 |
| OTHER BANKS[14] | | | | | | | | |
| 1 **Total** | **771,375** | **51** | **14** | **9.63** | **.38** | **8.84–9.96** | **68.4** | **9.6** |
| 2 Fixed rate (thousands of dollars) | 219,717 | 30 | 11 | 11.15 | .53 | 9.84–12.13 | 60.5 | .0 |
| 3 1–24 | 57,443 | 11 | 7 | 12.34 | .48 | 11.58–12.57 | 71.1 | .1 |
| 4 25–49 | 36,753 | 37 | 13 | 11.95 | .78 | 11.03–12.40 | 71.4 | .0 |
| 5 50–99 | 52,495 | 71 | 19 | 11.62 | .52 | 10.47–13.49 | 15.8 | .0 |
| 6 100–499 | 28,231 | 174 | 10 | 10.83 | .79 | 10.47–11.58 | 87.0 | .0 |
| 7 500 and over | * | * | * | * | * | * | * | * |
| 8 Floating rate (thousands of dollars) | 551,658 | 70 | 15 | 9.03 | .25 | 8.84–9.42 | 71.5 | 13.4 |
| 9 1–24 | 46,240 | 9 | 10 | 9.84 | .13 | 9.11–10.25 | 83.1 | 1.9 |
| 10 25–49 | 28,649 | 32 | 7 | 9.59 | .44 | 8.84–9.77 | 73.9 | 2.5 |
| 11 50–99 | 43,224 | 70 | 8 | 9.27 | .09 | 8.84–9.92 | 71.3 | 2.5 |
| 12 100–499 | 185,567 | 176 | 12 | 8.83 | .32 | 8.69–9.92 | 78.6 | 6.3 |
| 13 500 and over | 247,978 | 1,599 | 21 | 8.92 | .21 | 8.84–9.38 | 63.9 | 24.0 |
| *By type of construction* | | | | | | | | |
| 14 Single family | 355,883 | 33 | 13 | 10.06 | .58 | 8.84–11.58 | 75.8 | 1.2 |
| 15 Multifamily | 24,986 | 58 | 9 | 9.14 | .29 | 8.30–9.84 | 73.1 | 11.6 |
| 16 Nonresidential | 390,505 | 100 | 16 | 9.27 | .26 | 8.84–9.42 | 61.3 | 17.1 |

For notes see end of table.

## 4.23 TERMS OF LENDING AT COMMERCIAL BANKS SURVEY of Loans Made, November 3–7, 1986[1]—Continued

C. Loans to Farmers[14]

| Characteristics | Size class of loans (thousands) | | | | | | |
|---|---|---|---|---|---|---|---|
| | All sizes | $1–9 | $10–24 | $25–49 | $50–99 | $100–249 | $250 and over |
| **ALL BANKS** | | | | | | | |
| 1 Amount of loans (thousands of dollars) | 989,660 | 97,735 | 135,549 | 118,401 | 181,806 | 187,495 | 268,674 |
| 2 Number of loans | 44,034 | 27,209 | 8,952 | 3,460 | 2,732 | 1,285 | 397 |
| 3 Weighted average maturity (months)[3] | 8.3 | 5.5 | 7.4 | 7.9 | 12.1 | 5.5 | 9.4 |
| 4 Weighted average interest rate (percent)[4] | 10.87 | 11.87 | 11.35 | 11.34 | 10.98 | 10.90 | 9.98 |
| 5 Standard error[5] | .49 | .29 | .41 | .58 | .66 | .26 | .39 |
| 6 Interquartile range[6] | 9.65–12.01 | 11.07–12.68 | 10.52–12.10 | 10.59–12.35 | 10.20–12.10 | 9.31–12.28 | 8.30–11.35 |
| *By purpose of loan* | | | | | | | |
| 7 Feeder livestock | 10.77 | 11.78 | 11.14 | 11.70 | 10.97 | 11.08 | 9.48 |
| 8 Other livestock | 10.65 | 11.81 | 11.64 | 11.40 | 10.20 | 9.76 | * |
| 9 Other current operating expenses | 11.10 | 11.77 | 11.40 | 11.11 | 11.28 | 10.92 | 10.71 |
| 10 Farm machinery and equipment | 11.93 | 12.80 | 11.83 | * | * | * | * |
| 11 Farm real estate | 9.86 | 10.72 | 10.98 | * | * | * | * |
| 12 Other | 10.20 | 12.11 | 10.75 | 10.97 | 10.87 | 10.77 | * |
| *Percentage of amount of loans* | | | | | | | |
| 13 With floating rates | 54.5 | 43.4 | 39.4 | 43.4 | 41.2 | 57.1 | 78.3 |
| 14 Made under commitment | 51.6 | 32.7 | 29.3 | 32.0 | 38.4 | 55.3 | 84.7 |
| *By purpose of loan* | | | | | | | |
| 15 Feeder livestock | 31.4 | 15.2 | 16.9 | 37.3 | 41.4 | 39.9 | 29.4 |
| 16 Other livestock | 6.8 | 8.2 | 9.0 | 9.8 | 9.7 | 4.8 | * |
| 17 Other current operating expenses | 46.5 | 59.5 | 47.0 | 42.9 | 36.7 | 41.7 | 53.0 |
| 18 Farm machinery and equipment | 2.7 | 7.0 | 13.1 | * | * | * | * |
| 19 Farm real estate | 1.1 | .7 | 3.1 | * | * | * | * |
| 20 Other | 11.4 | 9.4 | 11.0 | 8.6 | 11.3 | 13.0 | * |
| **LARGE BANKS[14]** | | | | | | | |
| 1 Amount of loans (thousands of dollars) | 248,210 | 7,495 | 13,919 | 16,951 | 25,512 | 57,607 | 126,726 |
| 2 Number of loans | 4,206 | 1,848 | 907 | 500 | 392 | 394 | 164 |
| 3 Weighted average maturity (months)[3] | 6.6 | 6.7 | 6.7 | 5.8 | 5.8 | 6.5 | 7.0 |
| 4 Weighted average interest rate (percent)[4] | 8.88 | 9.90 | 9.67 | 9.34 | 9.19 | 8.96 | 8.58 |
| 5 Standard error[5] | .45 | .25 | .37 | .56 | .39 | .14 | .34 |
| 6 Interquartile range[6] | 8.12–9.58 | 9.00–10.38 | 8.84–10.20 | 8.78–9.93 | 8.77–9.65 | 8.30–9.58 | 7.90–9.31 |
| *By purpose of loan* | | | | | | | |
| 7 Feeder livestock | 8.82 | 9.30 | 9.46 | 9.45 | 9.14 | 9.18 | 8.57 |
| 8 Other livestock | 9.11 | 9.57 | 10.09 | 8.96 | 8.99 | 9.12 | * |
| 9 Other current operating expenses | 8.94 | 10.03 | 9.64 | 9.43 | 9.50 | 8.77 | 8.53 |
| 10 Farm machinery and equipment | 10.09 | 10.87 | 10.14 | * | * | * | * |
| 11 Farm real estate | 9.15 | 10.60 | * | * | * | * | * |
| 12 Other | 8.69 | 9.68 | 9.66 | 9.07 | 9.13 | 8.90 | * |
| *Percentage of amount of loans* | | | | | | | |
| 13 With floating rates | 83.1 | 84.2 | 83.2 | 92.7 | 98.6 | 96.8 | 72.3 |
| 14 Made under commitment | 80.9 | 71.4 | 69.6 | 80.4 | 90.2 | 92.0 | 75.9 |
| *By purpose of loan* | | | | | | | |
| 15 Feeder livestock | 31.0 | 18.7 | 11.5 | 19.2 | 22.7 | 30.4 | 37.4 |
| 16 Other livestock | 9.0 | 3.6 | 5.0 | 9.7 | 16.7 | 11.5 | * |
| 17 Other current operating expenses | 32.7 | 53.5 | 56.2 | 47.8 | 22.7 | 40.5 | 25.4 |
| 18 Farm machinery and equipment | 1.2 | 4.5 | 4.8 | * | * | * | * |
| 19 Farm real estate | 2.9 | 5.6 | * | * | * | * | * |
| 20 Other | 23.1 | 14.0 | 20.6 | 17.2 | 31.6 | 15.5 | * |
| **OTHER BANKS[14]** | | | | | | | |
| 1 Amount of loans (thousands of dollars) | 741,451 | 90,240 | 121,630 | 101,450 | 156,294 | 129,889 | * |
| 2 Number of loans | 39,828 | 25,361 | 8,045 | 2,960 | 2,340 | 891 | * |
| 3 Weighted average maturity (months)[3] | 8.6 | 5.4 | 7.4 | 8.2 | 12.8 | 5.1 | * |
| 4 Weighted average interest rate (percent)[4] | 11.54 | 12.04 | 11.54 | 11.67 | 11.27 | 11.75 | * |
| 5 Standard error[5] | .18 | .13 | .15 | .11 | .53 | .21 | * |
| 6 Interquartile range[6] | 11.04–12.22 | 11.31–12.73 | 11.04–12.23 | 11.05–12.44 | 10.52–12.13 | 11.78–12.36 | * |
| *By purpose of loan* | | | | | | | |
| 7 Feeder livestock | 11.41 | 12.03 | 11.26 | 11.88 | 11.12 | * | * |
| 8 Other livestock | 11.42 | 11.88 | 11.73 | * | * | * | * |
| 9 Other current operating expenses | 11.56 | 11.90 | 11.65 | 11.43 | 11.45 | * | * |
| 10 Farm machinery and equipment | 12.16 | 12.90 | 11.90 | * | * | * | * |
| 11 Farm real estate | * | * | * | * | * | * | * |
| 12 Other | 11.77 | 12.42 | 11.00 | 11.74 | * | * | * |

For notes see end of table.

4.23 Continued

C. Loans to Farmers[14]—Continued

| Characteristics | Size class of loans (thousands) | | | | | | |
|---|---|---|---|---|---|---|---|
| | All sizes | $1–9 | $10–24 | $25–49 | $50–99 | $100–249 | $250 and over |
| *Percentage of amount of loans* | | | | | | | |
| 13 With floating rates | 45.0 | 40.0 | 34.4 | 35.2 | 31.8 | 39.4 | * |
| 14 Made under commitment | 41.8 | 29.5 | 24.7 | 24.0 | 29.9 | 39.0 | * |
| *By purpose of loan* | | | | | | | |
| 15 Feeder livestock | 31.6 | 14.9 | 17.5 | 40.3 | 44.5 | * | * |
| 16 Other livestock | 6.1 | 8.5 | 9.4 | * | * | * | * |
| 17 Other current operating expenses | 51.1 | 60.0 | 46.0 | 42.1 | 39.0 | * | * |
| 18 Farm machinery and equipment | 3.3 | 7.2 | 14.0 | * | * | * | * |
| 19 Farm real estate | * | * | * | * | * | * | * |
| 20 Other | 7.5 | 9.0 | 9.9 | 7.1 | * | * | * |

*Fewer than 10 sample loans.

1. The survey of terms of bank lending to business collects data on gross loan extensions made during the first full business week in the mid-month of each quarter by a sample of 340 commercial banks of all sizes. A subsample of 250 banks also report loans to farmers. The sample data are blown up to estimate the lending terms at all insured commercial banks during that week. The estimated terms of bank lending are not intended for use in collecting the terms of loans extended over the entire quarter or residing in the portfolios of those banks. Construction and land development loans include both unsecured loans and loans secured by real estate. Thus, some of the construction and land development loans would be reported on the statement of condition as real estate loans and the remainder as business loans. Mortgage loans, purchased loans, foreign loans, and loans of less than $1,000 are excluded from the survey.

As of Dec. 31, 1985, assets of most of the large banks were at least $5.5 billion. For all insured banks total assets averaged $165 million.

2. Beginning with the August 1986 survey respondent banks provide information on the type of base rate used to price each commercial and industrial loan made during the survey week. This reporting change is reflected in the new column on the most common base pricing rate in table A and footnote 13 from table B.

3. Average maturities are weighted by loan size and exclude demand loans.

4. Effective (compounded) annual interest rates are calculated from the stated rate and other terms of the loan and weighted by loan size.

5. The chances are about two out of three that the average rate shown would differ by less than this amount from the average rate that would be found by a complete survey of lending at all banks.

6. The interquartile range shows the interest rate range that encompasses the middle 50 percent of the total dollar amount of loans made.

7. The most common base rate is that rate used to price the largest dollar volume of loans. Base pricing rates include the prime rate (sometimes referred to as a bank's "basic" or "reference" rate); the federal funds rate; domestic money market rates other than the federal funds rate; foreign money market rates; and other base rates not included in the foregoing classifications.

8. Overnight loans are loans that mature on the following business day.

9. Demand loans have no stated date of maturity.

10. Nominal (not compounded) annual interest rates are calculated from survey data on the stated rate and other terms of the loan and weighted by loan size.

11. The prime rate reported by each bank is weighted by the volume of loans extended and then averaged.

12. The proportion of loans made at rates below prime may vary substantially from the proportion of such loans outstanding in banks' portfolios.

13. 73.4 percent of construction and land development loans were priced relative to the prime rate.

14. Among banks reporting loans to farmers (Table 5), most "large banks" (survey strata 1 to 3) had over $600 million in total assets, and most "other banks" (survey strata 4 to 6) had total assets below $600 million.

The survey of terms of bank lending to farmers now includes loans secured by farm real estate. In addition, the categories describing the purpose of farm loans have now been expanded to include "purchase or improve farm real estate." In previous surveys, the purpose of such loans was reported as "other".

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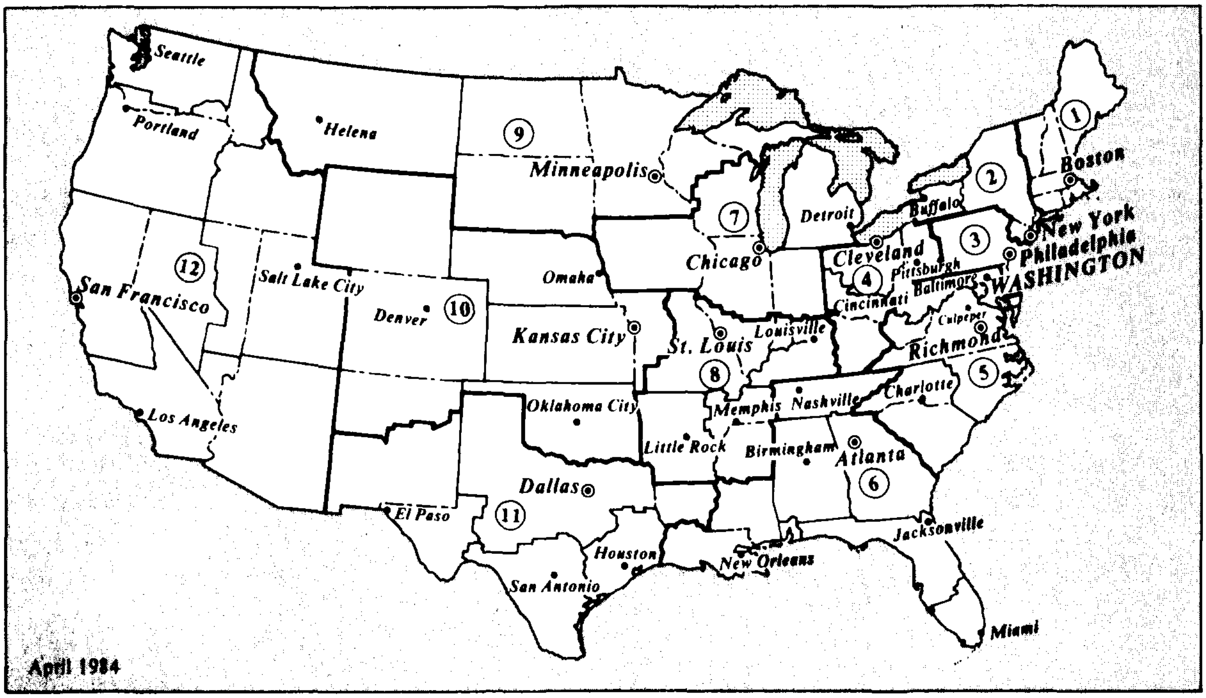
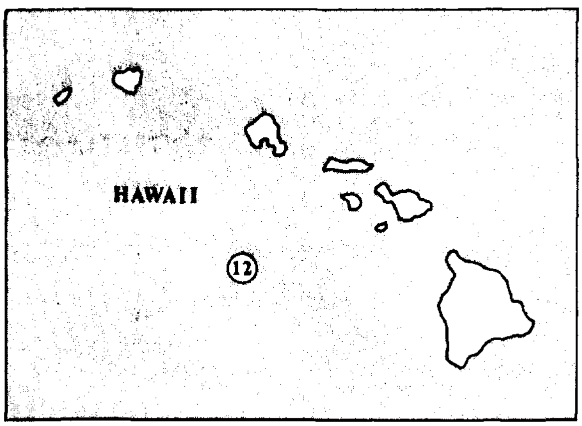
| NEW YORK* | 10045 | John R. Opel<br>Virginia A. Dwyer | E. Gerald Corrigan<br>Thomas M. Timlen | |
| Buffalo | 14240 | Mary Ann Lambertsen | | John T. Keane |
| PHILADELPHIA | 19105 | Nevius M. Curtis<br>George E. Bartol III | Edward G. Boehne<br>Richard L. Smoot | |
| CLEVELAND* | 44101 | (to be announced)<br>E. Mandell de Windt | Karen N. Horn<br>William H. Hendricks | |
| Cincinnati | 45201 | Owen B. Butler | | Charles A. Cerino |
| Pittsburgh | 15230 | James E. Haas | | Harold J. Swart |
| RICHMOND* | 23219 | Leroy T. Canoles, Jr.<br>Robert A. Georgine | Robert P. Black<br>Jimmie R. Monhollon | |
| Baltimore | 21203 | Gloria L. Johnson | | Robert D. McTeer, Jr. |
| Charlotte | 28230 | Wallace J. Jorgenson | | Albert D. Tinkelenberg |
| *Culpeper Communications and Records Center* | *22701* | | | John G. Stoides |
| ATLANTA | 30303 | Bradley Currey, Jr.<br>Larry L. Prince | Robert P. Forrestal<br>Jack Guynn | |
| Birmingham | 35283 | Margaret E. M. Tolbert | | Delmar Harrison |
| Jacksonville | 32231 | Andrew A. Robinson | | Fred R. Herr |
| Miami | 33152 | Robert D. Apelgren | | James D. Hawkins |
| Nashville | 37203 | C. Warren Neel | | Patrick K. Barron |
| New Orleans | 70161 | Caroline K. Theus | | Jeffrey J. Wells<br>Henry H. Bourgaux |
| CHICAGO* | 60690 | Robert J. Day<br>Marcus Alexis | Silas Keehn<br>Daniel M. Doyle | |
| Detroit | 48231 | Robert E. Brewer | | Roby L. Sloan |
| ST. LOUIS | 63166 | W.L. Hadley Griffin<br>Robert L. Virgil, Jr. | Thomas C. Melzer<br>Joseph P. Garbarini | |
| Little Rock | 72203 | (to be announced) | | John F. Breen |
| Louisville | 40232 | (to be announced) | | James E. Conrad |
| Memphis | 38101 | (to be announced) | | Paul I. Black, Jr. |
| MINNEAPOLIS | 55480 | John B. Davis, Jr.<br>Michael W. Wright | Gary H. Stern<br>Thomas E. Gainor | |
| Helena | 59601 | Warren H. Ross | | Robert F. McNellis |
| KANSAS CITY | 64198 | Irvine O. Hockaday, Jr.<br>Robert G. Lueder | Roger Guffey<br>Henry R. Czerwinski | |
| Denver | 80217 | James E. Nielson | | Wayne W. Martin |
| Oklahoma City | 73125 | Patience S. Latting | | William G. Evans |
| Omaha | 68102 | Kenneth L. Morrison | | Robert D. Hamilton |
| DALLAS | 75222 | Bobby R. Inman<br>Hugh G. Robinson | Robert H. Boykin<br>William H. Wallace | James L. Stull |
| El Paso | 79999 | (to be announced) | | Joel L. Koonce, Jr. |
| Houston | 77252 | (to be announced) | | J. Z. Rowe |
| San Antonio | 78295 | (to be announced) | | Thomas H. Robertson |
| SAN FRANCISCO | 94120 | Fred W. Andrew<br>Robert F. Erburu | Robert T. Parry<br>Carl E. Powell | |
| Los Angeles | 90051 | Richard C. Seaver | | Thomas C. Warren (Acting) |
| Portland | 97208 | Paul E. Bragdon | | Angelo S. Carella |
| Salt Lake City | 84125 | Don M. Wheeler | | E. Ronald Liggett |
| Seattle | 98124 | John W. Ellis | | Gerald R. Kelly |

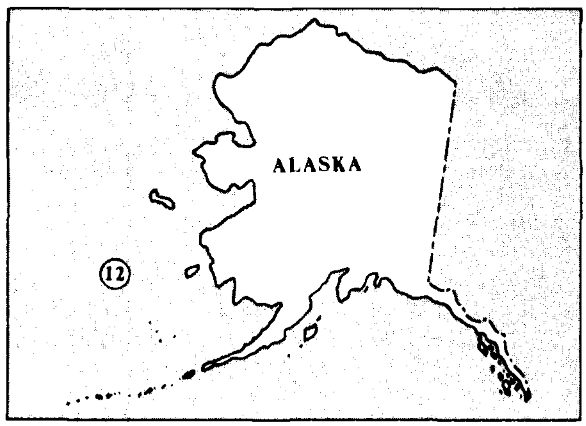
*Additional offices of these Banks are located at Lewiston, Maine 04240; Windsor Locks, Connecticut 06096; Cranford, New Jersey 07016; Jericho, New York 11753; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; and Milwaukee, Wisconsin 53202.

# The Federal Reserve System

## Boundaries of Federal Reserve Districts and Their Branch Territories




*LEGEND*

- Boundaries of Federal Reserve Districts
- Boundaries of Federal Reserve Branch Territories
- Board of Governors of the Federal Reserve System
- Federal Reserve Bank Cities
- Federal Reserve Branch Cities
- Federal Reserve Bank Facility