VOLUME 74 □ NUMBER 2 □ FEBRUARY 1988

FEDERAL RESERVE BULLETIN

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

The FEDERAL RESERVE BULLETIN is issued monthly under the direction of the staff publications committee. This committee is responsible for opinions expressed except in official statements and signed articles. It is assisted by the Economic Editing Section headed by Mendelle T. Berenson, the Graphic Communications Section under the direction of Peter G. Thomas, and Publications Services supervised by Linda C. Kyles.

Table of Contents

in financial markets and related uncertainties in the business outlook might continue to indicate the need for special flexibility in the conduct of open market operations. Such an approach to policy implementation would depend in particular on the strength of demands for liquidity stemming from recent and prospective developments in financial markets. To the extent that the functioning of those markets permitted a return to more normal open market operations, the members indicated that somewhat lesser reserve restraint would be acceptable, while slightly greater reserve restraint might be acceptable, depending on the strength of the business expansion, indications of inflation, the performance of the dollar in foreign exchange markets, with account also taken of the behavior of the monetary aggregates. The members believed that the outlook for monetary growth over the months ahead was subject to unusual uncertainty, but the contemplated reserve conditions were thought likely to be consistent with somewhat faster growth in M2 and M3 than had been expected earlier; such growth might center on annual rates of around 6 to 7 percent for the period from September through December. Largely reflecting the bulge in October, growth in M1 in the fourth quarter as a whole was expected to be well above its average pace in the previous several months. However, because of the very substantial uncertainty that still surrounded the outlook for M1, the Committee decided to continue its practice of not specifying a numerical expectation for its growth. 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 reduced from 5 to 9 percent to 4 to 8 percent.

State and Local Government Finance in the Current Expansion

Laura S. Rubin of the Board's Division of Research and Statistics prepared this article. Sylvia L. Lucas provided research assistance.

The state and local government sector has seen enormous change during the current economic expansion. The aggregate fiscal position has deteriorated markedly, moving from a large surplus in the operating and capital account in 1983, the first year of the expansion, to deficits in 1987. Several factors are responsible for the fiscal erosion. Construction spending surged earlier in the expansion, financed in part with tax-exempt debt raised in the capital markets. At the same time, federal aid was reduced, and weakness in the energy and agriculture sectors cut revenues in major areas of the country.

Growth in construction outlays has abated in recent quarters, easing fiscal strain; but, at the same time, federal grants are not expected to rise appreciably, and regional difficulties, while diminishing, remain. This article discusses developments in the state and local sector during the economic expansion and the current fiscal position of these governments. The article also describes the effects of the Tax Reform Act of 1986 on state and local governments, as well as recent developments in municipal securities markets.

The First Half of the 1980s

The state and local sector was hit hard by back-to-back recessions in 1980 and 1982 (table 1). And, the sector recorded deficits in both those years despite a marked contraction in the growth of expenditures. The cyclical deterioration in budgetary positions in the early 1980s was compounded by sharp reductions in federal grants, which fell more than 10 percent in nominal terms between the fourth quarter of 1980 and the first quarter of 1982. The reaction was belt tightening, in which employment declined for nearly two years, a development unprecedented in the postwar history of the sector (chart 1). In addition, during the recessionary period, real outlays for construction continued the descent that had begun in 1969; by 1983, spending was barely half the peak of 1968.

The cyclical expansion in economic activity began in late 1982; but when budgets were

1. Fiscal developments in the state and local sector

Percent change except as noted[1]

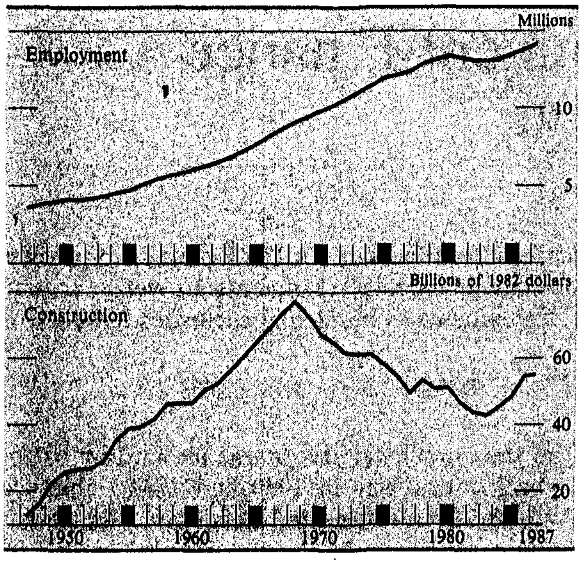
Period	Surplus (deficit −)[2] (billions of dollars)	Receipts			Expenditures	Real purchases	
		Total	Taxes	Grants		Total	Construction
1980	−.3	10.6	11.1	9.3	9.9	−.3	−5.3
1981	4.2	5.8	10.3	−8.6	6.2	−1.3	−10.5
1982	−1.8	6.5	7.9	.0	6.4	.6	.0
1983	4.4	10.0	12.4	1.8	6.0	1.5	−4.9
1984	19.8	9.6	9.7	12.0	8.8	4.4	9.0
1985	16.0	7.2	7.3	7.7	8.7	4.0	6.5
1986	7.4	5.8	7.1	−.9	8.8	4.6	11.0
1987	−5.0[3]	6.0	7.8	.9	7.5	2.6	−2.0

1. Annual percent changes are measured from fourth quarter to fourth quarter; data for 1987 are from fourth quarter 1986 to third quarter 1987, at an annual rate.

2. Operating and capital accounts, excluding social insurance funds.

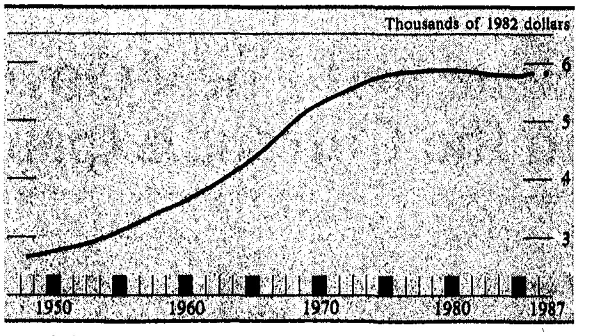
3. Average of three quarters.

1. Employment and construction in the state and local sector



1946–86, annual data; 1987, employment is average of first three quarters, construction is annual rate for first three quarters.
SOURCE. U.S. Department of Labor and U.S. Department of Commerce.

2. Capital stock per capita, state and local sector



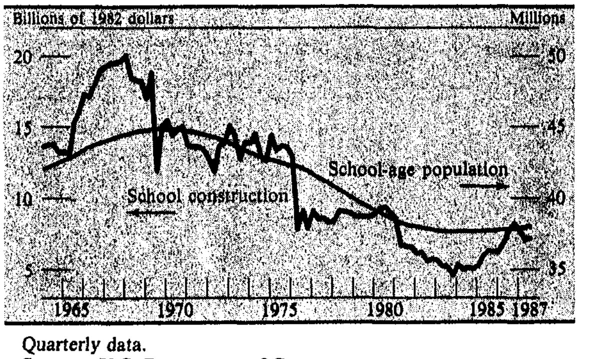
1948–86, annual data net of depreciation; 1987, staff estimate of third-quarter data.
SOURCE. U.S. Department of Commerce.

planned and tax proposals were set forth during the late winter and spring of 1983, most forecasters were expecting only moderate growth in the economy and the outlook for many state and local governments remained dismal. Sizable tax increases were deemed necessary, and plans were made to slow outlays further. These policies, it was hoped, would produce balanced budgets—perhaps even small surpluses—in the year ahead. The surprise came from the strength of the economic recovery. With retail sales, as well as personal and corporate income, expanding more rapidly than anticipated, state and local government tax receipts shot up more than 12 percent in 1983, the largest advance in 11 years; total receipts, including grants, rose 10 percent. At the same time, the growth in expenditures slowed to 6 percent, and the sector reported a sizable surplus in its operating and capital accounts, excluding social insurance funds, by the second half of 1983.

With the improved fiscal stance and expectations of continued growth in receipts, state and local governments began to address a perceived need for increasing investment in the infrastructure. Together with normal depreciation and a steadily growing population, the reduction in spending on construction during the preceding 15 years resulted in a decline in the real net capital stock per capita for the state and local sector by 1981, the first in the postwar period (chart 2). With highways, sewers, and water supply facilities in need of repair and expansion, an apparent gap existed between the actual stock of capital and the desired stock. Dramatic events such as the collapse of a major bridge in Connecticut in June 1983 heightened public concern. Other issues began to surface. Birth rates turned around in 1977, leading to a rise in the school-age population by 1984, and to the need to expand and renovate the school system (chart 3). The surge in homebuilding during the mid-1980s stimulated construction of roads and sewers. Also, overcrowding in prisons forced many governments to improve correctional facilities.

By 1984, many state and local governments had embarked on sizable investment programs. For the sector as a whole, growth in real outlays

3. State and local school construction



Quarterly data.
SOURCE. U.S. Department of Commerce.

for construction averaged nearly 9 percent annually between 1984 and 1986. Some of the largest increases were in real spending for fire, police, and, most important, corrections facilities. Real expenditures on school construction, as well as building of sewers and water supply systems, also rose dramatically, while the increase in spending on highways and roads was relatively moderate. Overall, the upswing in construction renewed the growth of the net real capital stock of state and local governments; per capita, the capital stock rose in 1986 for the first time since 1979.

The turnaround in capital spending likely would have been even stronger but for special factors that clouded prospects for state and local governments in the mid-1980s. These included unusual economic stresses in certain regions of the country and continuing and potential cuts in federal grants. In addition, an overhaul of the federal tax code under consideration at that time raised many questions for state and local officials.

Regional Stresses

During the 1980s, the financial situation varied dramatically among state and local governments. The regions confronting the greatest problems were primarily those dependent on agriculture and energy-related industries. Real net farm income fell 46 percent in 1980, and through 1986 remained below the levels typical of the 1960s and 1970s. Profits and sales of agricultural equipment retailers were reduced as well. As a consequence, states and localities dependent on sales and income tax receipts generated by these activities suffered.

However, the picture in the farm belt has improved in the past two years for several reasons. First, federal government subsidies were increased in 1986, adding substantially to net farm income. Second, input costs have fallen off in recent years, in part because oil prices and interest rates have declined, and thus profit margins have widened for many farmers. As a result, real net farm income was up substantially in 1986, and in 1987, it is estimated, it rose above its previous high nine years earlier; and so tax revenues in most farm states have trended up in recent years.

The energy states—Alaska, Louisiana, Montana, New Mexico, North Dakota, Oklahoma, Texas, and Wyoming—have been heavily dependent on revenue from severance taxes, which are based on the quantity or value of extracted natural resources. Receipts from these taxes have fallen substantially in recent years. For example, the $10 per barrel drop in the price of oil during the first half of 1986 was estimated to have cost most of these states 5 to 10 percent of total expected revenue. Secondary effects on "oil patch" businesses were significant as well. Oil prices, though recovered somewhat from their lows in July 1986, are still depressed below those that spurred the boom in local economies; and budgetary pressures have continued to squeeze government spending. All of the energy states cut the budgets that had been enacted into law in fiscal 1987; and several made cuts in fiscal 1986.

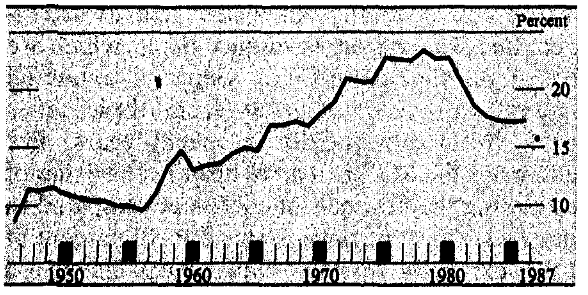
In contrast, throughout this period, New England, the West Coast, and the Mid-Atlantic states enjoyed fiscal health. The economies of the Great Lakes states grew steadily, if slowly, during the expansion, as their budgetary positions strengthened after the recessions in the early 1980s.

Federal Grants

Federal grants became a far less important source of state and local revenue in the early 1980s, falling from a high of 23 percent of receipts in the late 1970s to 19 percent in 1982. During the economic expansion, federal aid did increase, but more slowly than other sources of revenue; and its share of state and local receipts fell, to less than 16 percent in the third quarter of last year (chart 4).

The tendency to reduce aid to state and local governments reflected budgetary restraint at the federal level. Among specific programs, general revenue-sharing, which funneled about $4.5 billion per year of unrestricted funds to local governments during the first half of the 1980s, was eliminated after fiscal 1986. And, there was a cutback in the growth of grants for community development, urban renewal, unemployment assistance, and education, all of which fell as a percent of gross national product. In other areas,

4. Federal aid as a percentage of state and local revenue



1946–86, annual data; 1987, third-quarter data.
SOURCE. U.S. Department of Commerce.

federal aid grew relative to GNP; in particular, the growing concern about infrastructure stimulated a rise in highway grants.

Tax Reform

Also influencing state and local decisionmaking during the mid-1980s was the uncertainty about tax reform and about its eventual consequences for state and local finances, although it appears that, on balance, the Tax Reform Act of 1986 will have few negative repercussions for the sector. One particularly worrisome possibility under consideration in the mid-1980s was the elimination of the deductibility of state and local income, sales, and property taxes in the computation of taxable income for federal tax purposes. The result, it was feared, would be pressure to reduce state and local taxes, eventually necessitating cutbacks in spending. In the end, the act eliminated only the deductibility of sales taxes, thus blunting the effect on future tax receipts.

The base-broadening aspects of tax reform increased both federal adjusted gross income and federal taxable income. Thus collections were expected to increase in the 35 states that link their personal income taxes to one of those aggregates. In contrast, income tax receipts were expected to fall in those states—Rhode Island, Nebraska, Vermont, and North Dakota—that couple their personal tax codes to federal tax liability, which reform was expected to curtail.

Without offsetting action, the net result of the base-broadening provisions would have been an added $6 billion in state personal income tax collections in fiscal 1988, less than 1 percent of total state and local receipts. But, now that plans of most of the affected states are decided, it appears that the "windfall" for the sector will be largely forgone: many states have reduced tax rates or increased personal exemptions and standard deductions, under political pressure to maintain the revenue neutrality of federal tax reform at the state level. Sixteen states—many of them in the energy or farm belt—are retaining all or a portion of their increase; but because they are relatively small, their combined windfall is quite modest, amounting to about $1 billion. Thus the base-broadening aspect of tax reform should have little net effect on the potential for spending in the sector as a whole.

Tax reform also acted to curtail offerings of municipal securities. On the supply side, the definition of a public-purpose bond was narrowed, and issuance of private-purpose debt was restricted. (See appendix A for a discussion of these provisions.) These restrictions appear to have hampered the sale of debt in the tax-exempt market, the traditional source of funds for about 40 percent of state and local construction outlays. On the demand side, some traditional institutional participants now have less incentive to invest in tax-exempt bonds; and the value of the tax exemption to many high-income individuals has fallen as a result of the reduction in the highest income tax rates. Although the net effect on demand has been cushioned by the elimination of many alternative tax-sheltered investments, the overall effect of reductions in both demand for and offerings of tax-exempt securities appears to have been a decrease in relative demand.

The Current Status of the State and Local Sector

Boosted by the surge in outlays for construction in the early years of the recovery, growth in total real purchases by state and local governments has averaged 3.5 percent per year during the current economic expansion. This rate compares with the virtual absence of growth during the early 1980s and a 2.7 percent rate during the 1970s. But, during the past two years, receipts have not kept pace with outlays. The deterioration in the fiscal position of the sector was substantial in 1986, especially after taking account of special temporary inflows, which included the settlement of federal–state disputes on energy-related matters as well as the acceleration of the final revenue-sharing payment.

The weakening in the budgetary position of state and local governments continued in 1987, and by the third quarter the sector had registered a deficit in its operating and capital accounts, which excludes social insurance funds, for four consecutive quarters. Information available about state budgets indicates weakness in their operating as well as capital accounts. In every state except Vermont the general funds budget must be balanced; in several cases a balanced budget over a two-year period is the goal. The general funds budget is the main operational budget for state governments. On the expenditure side it includes compensation for employees as well as outlays for nondurable goods, other services, and debt service; but it typically does not include spending for construction. During fiscal year 1987, which ended June 30 in all but four states, the cash balance for the general funds budgets of all the states represented an unusually small share of expenditures (table 2).

Facing the erosion of their general funds budgets, many states took action to forestall further deterioration in their fiscal positions. Their first recourse was to cut outlays from planned levels. During fiscal 1987, 24 states cut their budgets, with the majority of reductions in the 3 to 5 percent range. In most states, the governor can effect such cuts without calling a special legislative session; indeed, many of these reductions were in train before the start of the legislative sessions. Thirty-three states raised taxes, primarily during the regularly scheduled legislative sessions of winter and spring 1987. (These tax hikes do not include the adjustments made to compensate for the effects of federal tax reform, discussed earlier.) Almost all of the increases were in general sales taxes and in excise taxes on motor fuels, cigarettes, and alcoholic beverages, the types of taxes preferred in recent years. Many of the budget adjustments, both expenditure cuts and tax hikes, were in energy and farm states.

2. Balances in state general funds, year-end, fiscal years 1978–87[1]

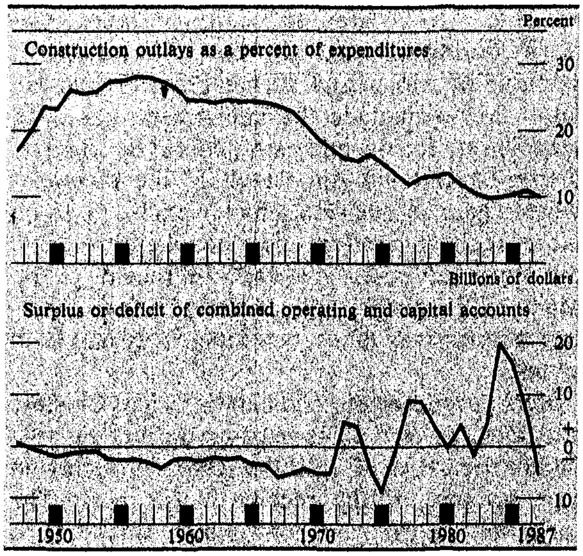
Fiscal year	Year-end balance (billions of dollars)	Balance as a percent of expenditures
1978	8.9	8.6
1979	11.2	8.7
1980	11.8	9.0
1981	6.5	4.4
1982	4.5	3.0
1983	2.0	1.3
1984	5.6	3.3
1985	8.0	4.3
1986	5.4	2.6
1987[e]	3.5	1.6

1. Does not include balances from budget stabilization funds, but does carry over balance from previous year.
e Estimate.
SOURCE. National Association of State Budget Officers.

Real purchases of goods and services by state and local governments slowed during the two middle quarters of calendar 1987, probably in part because of the recent budget cuts. The reduction in the pace of outlays was due to weakness in real construction activity, which declined in both quarters, as pressure in operating accounts spilled over into capital budgeting. However, since September, spending for structures has picked up as real outlays for highways and water supply facilities rose above the highs recorded earlier in the year. In contrast, construction of schools and other state and local buildings, which include correctional facilities, remained well below previous levels.

Unlike the deficits of postwar years up until the late 1960s, those in the state and local sector during the past year can be attributed only partly to construction spending. Between 1948 and 1968, growth in real construction outlays averaged 9 percent per year, and deficits were recorded every year in the sector's combined operating and capital account. Construction spending in nominal terms climbed from 17 percent of total expenditures in 1947 to 28 percent in 1956 and accounted for at least 23 percent through 1968 (chart 5). In comparison, during the mid-1980s, the share of construction spending remained around 10 percent; and even though nominal outlays for construction have fallen almost 2 percent over the past year, operating and capital account deficits have persisted during the same period. The current fiscal erosion thus appears to be largely the result of an imbalance between expenditures and receipts in operating accounts. Over the past year, as construction

5. Construction outlays and the state and local budget position



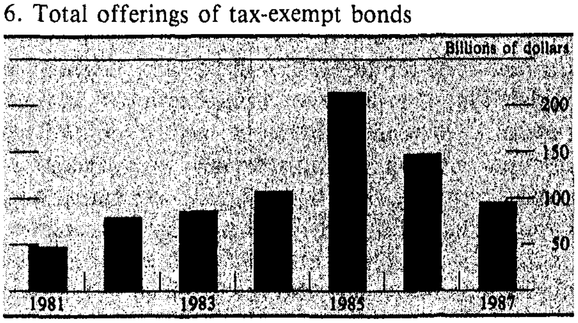
1947–87, annual data; 1987, average of first three quarters at annual rate.

spending has fallen, outlays for goods and services other than compensation have increased more rapidly relative to receipts than have total expenditures. And, state and local governments reacted to weakness in the general funds accounts by hiking taxes and cutting budgets in the first half of 1987.

THE TAX-EXEMPT BOND MARKET

As noted above, the volume of tax-exempt bond offerings has declined substantially since passage of the Tax Reform Act of 1986 (chart 6). Issuance had climbed steadily after 1981, surging to $214 billion in 1985 when many issuers rushed to beat proposed legislative deadlines. All types of tax-exempt issues contributed to the bulge in volume, which was caused by the effort to avoid a variety of restrictions on public- and private-purpose bonds as well as on advance refundings that tax reform proposals in the House of Representatives would have imposed. In 1986, offerings fell back to $147 billion; issuance fluctuated throughout the year in response to various legislative proposals and to the postponement of the effective date of tighter restrictions on public-purpose bonds.

6. Total offerings of tax-exempt bonds

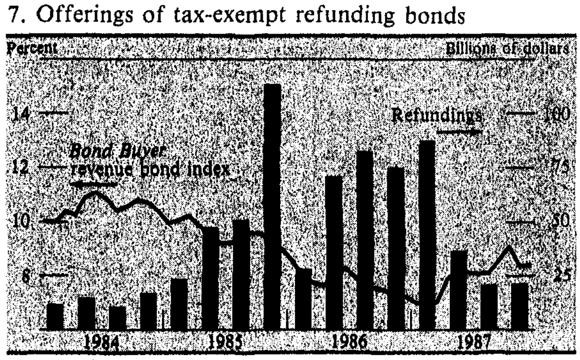


Annual averages of monthly data.
SOURCE. Securities Data Co. and Public Securities Association.

Issuance of advance refunding bonds remained relatively heavy between 1985 and the first quarter of 1987. Proceeds of advance refundings are invested until they can be used to redeem bonds sold earlier at higher interest rates. (For an expanded discussion of refunding bonds, see appendix B.) In 1985, sales of these bonds increased, partly in anticipation of proposals for tax reform that would limit the number of times an offering could be refunded in advance. But even after the proposed effective starting date for tax reform, January 1, 1986, and after passage of the legislation, advance refundings continued heavy. Falling interest rates during this period seem to have been the primary motive for issuance of these bonds (chart 7). Consequently, it was not surprising that offerings of tax-exempt refunding bonds shrank when rates jumped more than a percentage point in the second quarter of 1987.

Tax-exempt bond issuance was near its 1986 pace in the winter of 1987, when offerings of refunding bonds were still sizable. After that, however, refunding volume fell off, so that total

7. Offerings of tax-exempt refunding bonds



Quarterly data at annual rates.
SOURCE. *The Bond Buyer*, Securities Data Co., and Public Securities Association.

issuance of tax-exempt bonds was below the 1983 rate during the remainder of the year. Most of the reduction in offerings to raise new capital apparently was due to the tightened restrictions in tax reform. Some of the decline may have reflected the intentions of state and local officials to slow construction spending in the near term in light of fiscal problems, despite the need for expansion and renewal of the infrastructure. Incomplete data indicate that the volume of bonds sold to raise funds for public-purpose construction projects—education, transportation, and utilities—has declined sharply since 1985, although the provisions in tax reform affecting these bonds were considerably less restrictive than those on private-purpose securities.

Faced with the recent reduction in tax-exempt bond issuance, the municipal finance industry has undergone a retrenchment, including the dismissal of many employees. Since mid-October 1987, more than a dozen investment banking firms and commercial banks have announced elimination or cutbacks of their municipal securities business. Along with the reduced volume, volatile market conditions and thin underwriting margins have been cited as reasons for the cutbacks.

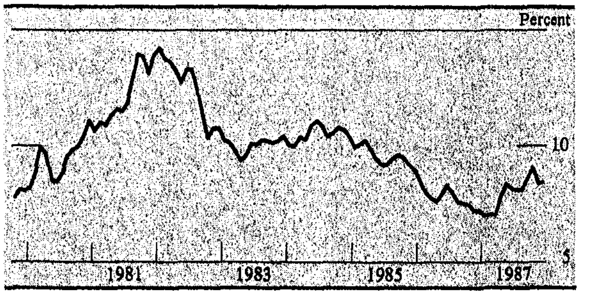
Tax-Exempt Bond Rates

Interest rates on tax-exempt revenue bonds peaked at a record 14.2 percent in January 1982, and then declined to 7.0 percent in January 1987. By the end of the year, rates stood about 1½ percentage points higher (chart 8). Interest rates on tax-exempt bonds do not necessarily move in tandem with those on taxable securities. Indeed, the ratio between the two responds to institutional as well as cyclical factors (chart 9). For example, during the recession years of the 1980s, property and casualty insurance companies and commercial banks—the major institutional investors in tax-exempt securities—reduced their purchases of tax-exempt securities as lower profits lessened their need to shelter income (chart 10). Without their participation, rates on tax-exempts rose relative to rates on taxable securities.

Beginning in 1984, institutional factors, particularly changes in federal tax law, were felt in the market for tax-exempts. Supply and rate pressures mounted in the second half of that year as issuers came to market ahead of the restrictions on bonds set forth in the Deficit Reduction Act of 1984. Similar reactions to deadlines in the Tax Reform Act of 1986 pushed up the ratio of tax-exempt yields to taxable yields in late 1985 and again in mid-1986. The rise in 1986 was exacerbated by a reduction in the rate on 30-year Treasury bonds between early spring and mid-August. The ratio then trended down until September 1987, largely in response to the sharp curtailment of the supply of tax-exempt offerings.

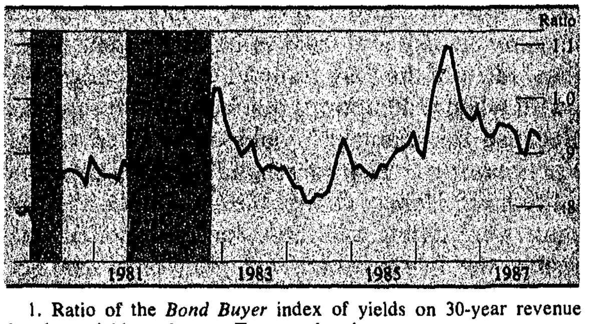
The behavior of many of the traditional investors in the tax-exempt market has changed dramatically since the passage of tax reform. Commercial banks became steady net liquidators of tax-exempt securities, after the 80 percent deduction for interest costs tied to purchasing and carrying tax-exempt bonds was eliminated for securities acquired on or after August 8, 1986. On the other hand, tax reform appears to have had little effect on property and casualty insurance companies. Indeed, when the industry returned to profitability in 1986 after two years marked by

8. Municipal bond yields



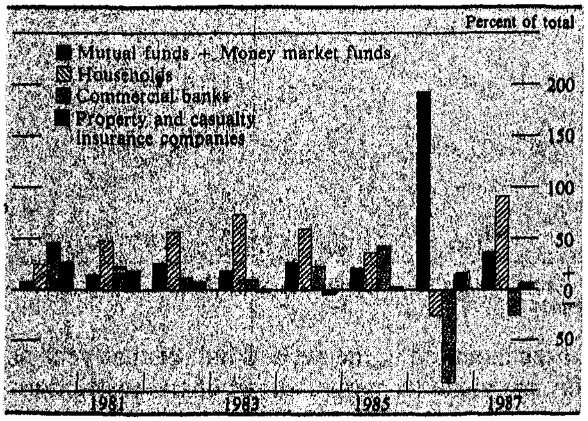
Data are *Bond Buyer* monthly index of yields on 30-year revenue bonds.

9. Ratio of tax-exempt yields to taxable yields[1]



1. Ratio of the *Bond Buyer* index of yields on 30-year revenue bonds to yields on 30-year Treasury bonds.

10. Purchases of state and local government obligations by major market participants



Annual data; 1987 is average of first three quarters at annual rate.
SOURCE. Flow of Funds Section, Division of Research and Statistics.

severe underwriting losses, its participation in the tax-exempt market expanded.

The role of individual investors and the way in which they invest in tax-exempt securities have changed markedly in recent years. The popularity of tax-exempt mutual funds and unit investment trusts grew during the 1980s. These investments afforded individual investors access to the tax-exempt market, which otherwise would have been closed to them if they lacked the resources or expertise to buy securities directly. Moreover, in recent years, tax-exempt funds have afforded individuals liquidity—for example, through transaction features such as check writing and exchange privileges with other mutual funds.

However, holdings of tax-exempt bond and money market funds fell during the second quarter of 1987. According to some reports, part of the decline was accounted for by diversions of funds to meet the one-time enlargement in income tax payments. In addition, when interest rates turned sharply upward, many investors became uneasy and tried to liquidate their holdings. Most of the long-term funds were caught off guard when redemptions quickened in the spring. Because the municipal yield curve is so steep, the opportunity cost of remaining fairly liquid is quite high. Hence, during the years that interest rates were falling and the value of principal was rising, the funds found that their best strategy was to keep as much of their portfolios as possible in longer-term securities. Doing so became a problem with the prospect of an increase in redemptions because municipal markets at the long end are not very liquid. To position themselves better, most of the funds restructured their assets to secure a larger cash position during the spring, as many funds sold long-term tax-exempt securities. After a brief period during the summer, when they expanded their assets, tax-exempt mutual funds again began to liquidate their holdings.

Taxable Municipal Bonds

Starting virtually from zero, offerings of taxable municipal securities grew during much of 1986, and by the end of October nearly $4 billion of taxable municipals had been sold. Almost all of the offerings were bonds that would not have qualified for tax-exempt status under the new tax law. Issuance was predominantly for private purposes: 60 percent was for housing, and around 15 percent each was for agriculture and development. Most of these taxable municipal bonds were well received by the market; they were purchased largely by investors that traditionally buy corporate bonds, such as pension funds. More than half of the 1986 volume of taxable municipals was accounted for by 10 offerings that were backed by guaranteed investment contracts (GICs), through which arbitrage profits were ensured.

In the fall of 1986, analysts generally expected a further rapid expansion of these offerings; estimates of 1987 activity reached as high as $40 billion. But, in November 1986, issuance of GIC-backed bonds was halted in the wake of difficulties at the leading underwriter of these securities. In November and December, when no GIC-backed bonds were sold, about 22 taxable issues came to market; many of them were under $1 million. Most of the issues at year-end were for economic development or for housing; many were insured or backed by bank letters of credit, and several were privately placed.

The problems of the GIC-backed bonds apparently thwarted the development of the taxable municipal market: few offerings backed by GICs were issued in 1987. Offerings of other taxable municipal securities continued to be sold; total issuance of taxable municipal securities in 1987 was estimated at a bare $3.8 billion. Several announcements of arbitrage securities were made—the proceeds of these securities were to be reinvested in other taxable securities with the intention of earning arbitrage profits—only to be withdrawn. However, in the fourth quarter, actual sales of a planned $1 billion offering totaled $250 million in notes and $600 million in commercial paper.

The Outlook for the State and Local Sector

The state and local sector as a whole is currently experiencing fiscal weakness. An unusual number of states took action during fiscal 1987 to halt the erosion of their budgetary positions, and further adjustments by several governments are already under way. Despite these adjustments, budgetary pressures are likely to remain intense, for these reasons:

- Federal aid to state and local governments is not expected to rise appreciably in the near term. In light of the appropriations and reconciliation bills for fiscal year 1988 enacted in December 1987, grants are expected to be little changed in real terms from the level in fiscal year 1987.
- Uncertainties regarding their own fiscal situations continue to plague the energy states. Although oil prices rose from their lows of 18 months ago, they have fallen back somewhat and are still well below the peaks that were associated with rapid economic expansion in the oil patch.
- The effects of the tax reform legislation on the sector appear to have been a contraction in offerings of tax-exempt bonds and a rise in relative costs. In 1987, the margin between the yields on newly issued 30-year tax-exempt bonds and on taxable bonds was almost ½ percentage point less than it was during the first half of the decade. As a result, tax reform could mean higher construction costs for state and local governments unless funds from sources such as tax revenue or grants are available. Much still needs to be done to modernize and expand the infrastructure, and many of the fundamental factors affecting the demand for further outlays have not changed. The school-age population continues to grow, as does the prison population. Eventually, an expansion of real spending on schools, roads, sewers, and prisons will likely be forthcoming.

In addition to the familiar worries about federal aid, oil prices, and tax reform, the future path of tax receipts has reportedly concerned some state and local officials. After the stock market collapse last October slashed household sector wealth, concern centered on the general economic outlook and on prospects for consumer spending. Any drop in retail sales means a drop in receipts of state and local sales and excise taxes; and other tax collections could be affected. At least one government has already acted. In late October, New York City, affected by the apparent contraction in the securities industry as well as the general aspects of the collapse, ordered a 90-day job freeze and suspended a pay raise for 4,000 city workers. Planned outlays for repairs to streets, sewers, and parks were curtailed. City officials, it was reported, feared a reduction in revenue from taxes based on personal income, business profits, and real estate values.

The outlook for the budget position in the state and local sector thus is very uncertain. Many of the external factors point toward further deterioration in operating accounts. But, government officials appear to be attentive to current events, and they have shown resourcefulness in dealing with fiscal imbalances.

Appendix A: Tax Reform and the Municipal Bond Market

Under tax reform, the definition of a public-purpose obligation was narrowed. Generally, a bond will lose its tax-exempt status if more than 10 percent of its proceeds benefit a private entity, compared with 25 percent under earlier law. Among private-purpose issues, all industrial development bonds (IDBs) and housing bonds have been placed under a set of state-by-state volume caps, which limited issuance to about $21 billion in 1986 and in 1987 and to less than $14 billion a year thereafter. Issuance of these bonds was estimated at around $55 billion, $60 billion, and $75 billion in 1983, 1984, and 1985 respectively. Single-family housing bonds are scheduled to be eliminated after 1988, and the exemption for small-issue IDBs that are intended for manufacturing purposes will end after 1989. (The exemption for commercial small-issue IDBs ended after 1986.) Moreover, bonds for industrial parks, pollution control, and parking, sports, convention, and trade-show facilities lost their tax-exempt status entirely. In contrast, bonds for private exempt entities, such as nonprofit hospitals and colleges, as well as IDBs for airports, docks, and wharves, are still exempt and are not subject to annual volume caps.

Under tax reform, all arbitrage earnings after an initial six-month period have to be rebated to the Treasury; previously, the arbitrage period for public-purpose capital improvement bonds was three years. In addition, the number of times a bond can be refunded in advance has been limited.

The tax bill also weakened the incentives of certain traditional institutional investors for holding tax-exempt securities. For acquisitions on or after August 8, 1986, commercial banks no longer can take an 80 percent deduction for the interest costs of purchasing and carrying tax-exempt bonds; an exception is made for bonds of governmental units that reasonably expect to issue no more than $10 million of public-purpose bonds or bonds of private exempt entities within a calendar year. The tax incentives for property and casualty insurance companies to hold tax-exempt bonds also were reduced. These institutional investors had been important participants in the tax-exempt market: at the end of 1985, commercial banks held about $230 billion in tax-exempt debt, accounting for more than a third of the total; property and casualty companies held 12 percent.

Another important provision of the tax reform legislation included interest earned on newly issued private-purpose tax-exempt debt, except that of private exempt entities, in the calculation of the alternative minimum tax for individuals and corporations. In addition, interest on both outstanding and future tax-exempt bonds held by businesses has been included in the definition of gross income for computation of the corporate minimum tax. Previously, interest on tax-exempt debt was not subject to any minimum tax.

APPENDIX B: TAX-EXEMPT REFUNDING BONDS

Refunding bonds are long-term tax-exempt securities issued with the sole purpose of refinancing outstanding bonds. Generally, refundings are undertaken to reduce debt-service costs, although there are other reasons, such as a desire to restructure debt. A significant cost saving typically accrues when the new issue bears a rate 2 to 3 percentage points below that on the outstanding bond.

"Current" refundings are used when outstanding bonds may be refinanced in the immediate future, usually within 90 days of the sale of the refunding bonds. All tax-exempt bonds may be refinanced with current refundings. But, only public-purpose tax-exempt bonds and those issued on behalf of private nonprofit institutions may be refunded in "advance"—that is, well before their maturity or next call date. Housing and industrial development bonds may not be refunded in advance. Current and advance refundings cannot be separated in the available data on total refundings. However, qualitative reports suggest that most of the refunding activity since 1982 was done "in advance" to take advantage of lower interest rates. Historically, total refundings have been closely associated with movements in interest rates.

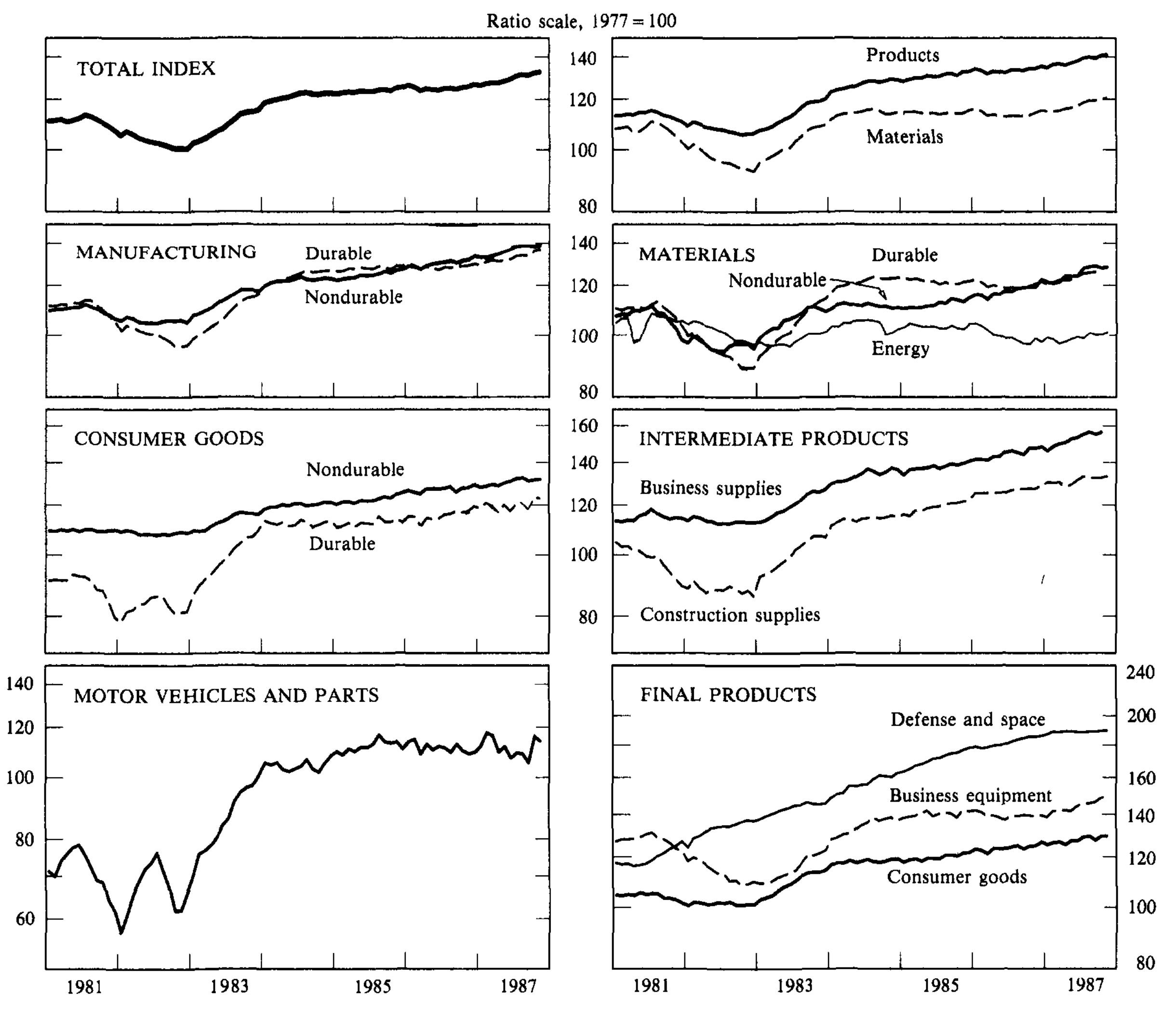
Proceeds of advance refunding bonds typically are invested in SLGs (special nonmarketable Treasury securities issued to state and local governments). SLGs are convenient investments for the proceeds of advance refunding bonds because they are issued to yield a specified rate of interest in accordance with Treasury arbitrage regulations. Moreover, the maturities of SLGs can be tailored to match those of the bonds to be refunded. □

Industrial Production

Released for publication December 14

Industrial production increased 0.4 percent in November following an upward revised October gain of 0.9 percent. In November, gains were widespread with the exception of the motor vehicle industry. At 132.5 percent of the 1977 average, total industrial production in November was 5.4 percent higher than it was a year earlier.

In market groups, output of consumer goods was about unchanged in November and, on balance, has changed little since August. Among durables, auto assemblies in November were at an annual rate of 7.1 million units, compared with a rate of 7.3 million units in October. Production of trucks for business and consumer use declined as well. Output of home goods, after having fallen sharply in September, rose 1.2 percent in



All series are seasonally adjusted. Latest figures: November.

Group	1977 = 100		Percentage change from preceding month					Percentage change, Nov. 1986 to Nov. 1987
	1987		1987					
	Oct.	Nov.	July	Aug.	Sept.	Oct.	Nov.	
	Major market groups							
Total industrial production	**132.0**	**132.5**	**1.2**	**.5**	**−.3**	**.9**	**.4**	**5.4**
Products, total	140.8	141.2	1.2	.3	−.5	1.1	.3	5.3
Final products	139.4	139.7	1.2	.4	−.5	1.3	.2	5.1
Consumer goods	129.3	129.4	1.3	.4	−1.4	1.4	.1	3.6
Durable	123.5	123.1	2.5	.7	−2.4	4.3	−.3	4.8
Nondurable	131.5	131.8	.9	.3	−1.1	.4	.2	3.1
Business equipment	148.6	149.5	1.0	.1	.4	1.6	.6	7.7
Defense and space	189.6	189.7	.0	.2	.0	.3	.1	2.3
Intermediate products	145.3	146.1	1.2	.2	−.4	.4	.6	5.8
Construction supplies	132.6	133.2	1.2	−.5	−.1	.2	.5	4.7
Materials	120.1	120.6	1.1	.7	.1	.5	.5	5.6
	Major industry groups							
Manufacturing	137.0	137.5	1.2	.2	−.1	.9	.4	5.7
Durable	136.1	136.6	1.2	.2	−.2	1.9	.4	5.9
Nondurable	138.3	138.8	1.1	.2	−.1	−.3	.4	5.4
Mining	101.9	101.6	.0	1.7	.8	.1	−.2	4.3
Utilities	113.6	114.3	1.6	1.6	−1.7	2.4	.6	4.3

NOTE. Indexes are seasonally adjusted.

October and 0.5 percent in November, with the gains in production of carpets and furniture and appliances. Production of business equipment continued to expand, growing 0.6 percent in November. The increase primarily reflected continued strength in manufacturing equipment and commercial equipment; indeed, since turning up sharply in the period from May to June, production in these categories has increased 8.3 percent and 5.5 percent (not an annual rate) respectively. Only transit equipment, which includes autos and trucks, fell in November. Output of defense and space equipment was little changed again. Supplies for both construction and business gained in November, which boosted the output of intermediate products 0.6 percent. Materials output rose 0.5 percent in both October and November, which brought the gain over the year to 5.6 percent.

In industry groups, manufacturing output rose 0.4 percent in November as both durables and nondurables were up 0.4 percent. Mining output declined 0.2 percent, but production by utilities rose 0.6 percent.

Total industrial production—Revisions

Estimates as shown last month and current estimates

Month	Index (1977=100)		Percentage change from previous months	
	Previous	Current	Previous	Current
August	131.0	131.2	.3	.5
September	130.9	130.9	.0	−.3
October	131.7	132.0	.6	.9
November	...	132.5	...	.4

Statements to Congress

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, December 1, 1987.

I welcome this opportunity to present the Federal Reserve Board's views on modernizing our financial system to adapt it to the important changes in technology and competition that have already transformed financial markets here and abroad. Earlier this year, during its consideration of the Competitive Equality Banking Act (CEBA), this committee came to the conclusion that the laws governing financial activities are in need of major repairs and that there is an urgent need for congressional action to this end. As I read the record, this committee, and then the Congress as a whole, accepted the task of reconciling the present outdated financial structure with the realities of a changed marketplace for financial services and pledged to move ahead promptly to develop the necessary legislation.

The majority and minority leadership of this committee have now taken a major step toward fulfillment of this promise by putting before you, with their full endorsement, a bill that addresses what is perhaps the single most important anomaly that now plagues our financial system—the artificial separation of commercial and investment banking. That bill—S. 1886, the Financial Modernization Act of 1987—is also precedent setting because it establishes a framework that can be tested, and, if it proves adequate as we expect it will, should serve as a foundation on which to build more generally for the future.

I want to express the appreciation of the Board to Chairman Proxmire and Senator Garn for providing this committee with an excellent framework on which to launch the necessary reforms. In our view, we now have an historic opportunity to put the financial system on a sounder footing—perhaps a unique opportunity to make it more responsive to consumer needs, more efficient, more competitive in the world economy, and, equally important, more stable. At the same time, I would also like to thank Senators Wirth and Graham for their most useful contribution to the legislative effort now going forward in this committee.

The Board has for some years taken the position that our laws regarding financial structure need substantial revision. Developments have eroded significantly the ability of the present structure to sustain competition and safe and sound financial institutions in a fair and equitable way.

Recently, a great deal of attention has been focused, in this committee and elsewhere, on proposals to permit the affiliation of a broader variety of financial and commercial organizations with banks, while attempting to assure that affiliated banks are not adversely affected by this relationship. Our own analysis of these useful contributions leads us to the conclusion that they have many positive elements that deserve continuing attention, but that it would be appropriate at this time to concentrate on the specific proposal contained in the Financial Modernization Act to repeal the Glass–Steagall Act.

It is our view that enactment of this legislation would respond effectively to the marked changes that have taken place in the financial marketplace here and abroad, and would permit banks to operate in areas in which they already have considerable experience and expertise. Moreover, repeal of Glass–Steagall would provide significant public benefits consistent with a manageable increase in risk.

Accordingly, we would suggest that the attention of the committee should focus on the Glass–Steagall Act, and we recommend that this law be repealed insofar as it prevents bank holding companies from being affiliated with firms engaged in securities underwriting and dealing activities. We would not recommend that you address at this time the more generally comprehensive, but in some important ways more limited, approach taken in the very interesting proposals put forward in S. 1891 by Senators Wirth and Graham, about which I will comment in more detail at the conclusion of my testimony.

On the other hand, we very much prefer a full repeal of Glass–Steagall to a piecemeal removal of restrictions on underwriting and dealing in specific types of securities such as revenue bonds or commercial paper. This technique would artificially distort capital markets and prevent financial institutions from assuring benefits to customers by maximizing their competitive advantage in particular markets of their choice.

REASONS FOR REPEAL OF THE GLASS-STEAGALL ACT

A very persuasive case has been made for adoption of the repeal proposal. It would allow lower costs and expanded services for consumers through enhanced competition in an area in which additional competition would be highly desirable. It would strengthen banking institutions, permitting them to compete more effectively at home and abroad in their natural markets for credit that have been transformed by revolutionary developments in computer and communications technology. It could be expected to result in attracting more equity capital to the banking industry when more capital is needed. In sum, the securities activities of banking organizations can provide important public benefits without impairing the safety and soundness of banks if they are conducted by experienced managers, in adequately capitalized companies, and in a framework that insulates the bank from its securities affiliates.

Evaluation Criteria

In reaching these conclusions, we have been guided by the principles set down in the Bank Holding Company Act of 1970, which require the Board to consider, in determining the appropriateness of new activities for bank holding companies, whether they will produce benefits to the public such as greater convenience, increased competition, or gains in efficiency. It also asks us to evaluate whether these gains may be outweighed by possible adverse effects such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices.

These are the principles that the Congress has set down to guide the evolution of the banking system. They made good sense then and they make good sense today. Over the years we have interpreted these principles to be consistent with our efforts to promote competitive and efficient capital markets and to protect impartiality in the granting of credit, to avoid the risk of systemic failure of the insured depository system, and to prevent the extension of the federal safety net to nonbanking activities. In our view, achieving these goals is fully consistent with permitting bank holding companies to engage in securities activities. In short, in my testimony today I will outline why we believe that changes in the Glass–Steagall Act should have major public benefits. I will also explain why we believe that with the right structure and careful implementation the changes in the law that we support can be accomplished without adverse effects.

Public Benefits

The major public benefit of Glass–Steagall modification would be lower customer costs and increased availability of investment banking services, both resulting from increased competition and the realization of possible economies of scale and scope from coordinated provision of commercial and investment banking services. We believe that the entry of bank holding companies into securities underwriting would, in fact, reduce underwriting spreads and, in the process, lower financing costs to businesses large and small as well as to state and local governments. In addition, participation by bank holding company subsidiaries in dealing in currently ineligible securities is likely to enhance secondary market liquidity to the benefit of both issuers and investors. These, we believe, are important public benefits that will assist in making our economy more efficient and competitive.

Studies of the market structure of investment banking suggest that at least portions of this industry are concentrated. The most recent evidence in this regard is provided in the September Report of the House Committee on Government Operations, which presented data supporting its conclusion that corporate securities underwriting is highly concentrated. The five largest underwriters of commercial paper account for more than 90 percent of the market; the five largest underwriters of all domestic corporate debt account for almost 70 percent of the market; and the five largest underwriters of public stock issues account for almost half of the market.

I would emphasize that concentration *per se* need not lead to higher consumer costs because the possibility that new firms will enter a market may be sufficient to achieve competitive prices. However, it is just in this regard that the Glass–Steagall Act is particularly constraining because bank holding companies with their existing expertise in many securities activities and their broad financial skills and industry network more generally would be the most likely potential competitors of investment banks if not constrained by law.

It is also important to emphasize that the changes in the Glass–Steagall Act that we support would be likely to yield cost savings in local and regional corporate underwriting and dealing markets. At a minimum, local and regional firms would acquire access to capital markets that is similar not only to the access now available to large corporations but also to that currently available to municipalities whose general obligation bonds are underwritten by local banks.

Another area of substantial expected public benefit is the encouragement of the free flow of investment capital. Both we at the Board and the Congress have stressed the importance of improving the capital ratios of banking organizations, and it can reasonably be assumed that expansion of banking organizations into securities markets should make them more attractive investments. Equally important, banks and securities firms would be free to deploy their capital over a wider range of activities designed to serve the public better.

Effect of Computer and Communication Technology

There is another important reason why the Glass–Steagall Act should be changed. Developments in computer and communications technology have reduced the economic role of commercial banks and enhanced the function of investment banking. These permanent and fundamental changes in the environment for conducting financial business cannot be halted by statutory prohibitions, and the longer the law refuses to recognize that fundamental and permanent changes have occurred, the less relevant it will be as a force for stability and competitive fairness in our financial markets. Attempts to hold the present structure in place will be defeated through the inevitable loopholes that innovation forced by competitive necessity will develop, although there will be heavy costs in terms of competitive fairness and respect for law that are so critical to a safe and sound financial system.

The significance of these technological developments is that the key role of banks as financial intermediaries has been undermined. The heart of financial intermediation is the ability to obtain and use information. The high cost of gathering and using facts in the past meant that banks and other intermediaries could profit from their cumulative store of knowledge about borrowers by making significantly more informed credit decisions than most other market participants. These other market participants were thus obliged to permit depository intermediaries to make credit decisions in financial markets and therefore allow bank credit to substitute for what would otherwise be their own direct acquisition of credit market instruments.

Computer and telecommunications technology has altered this process dramatically. The real cost of recording, transmitting, and processing information has fallen sharply in recent years, lowering the cost of information processing and communication for banks. But it has also made it possible for borrowers and lenders to deal with each other more directly in an informed way. On-line data bases, coupled with powerful computers and wide-ranging telecommunication facilities, can now provide potential investors with virtually the same timely credit and market information that was once available only to the intermediaries.

These developments mean that investors are increasingly able to make their own evaluations of credit risk, to deal directly with borrowers, and, especially with the increasing institutionalization of individuals' savings, that creditors are in a position to develop their own portfolios and strategies to balance and hedge risk. Thus, the franchise of bank intermediation, the core element of a bank's comparative advantage, and its main contribution to the economic process—credit evaluation and the diversification of risk—have been made less valuable by this information revolution. Examples of new financial products that have resulted from this technological innovation and that challenge traditional bank loans abound—the explosion in the use of commercial paper, the rapid growth of mortgage-backed securities, and the recent development of consumer loan-backed securities or consumer-receivable-related securities. There are many others. Our concern is that these changes in the way that providers of credit utilize financial intermediaries have reduced the basic competitiveness of banks and that the trend toward direct investor–borrower linkages will continue.

Banks' Response to New Competitive Conditions at Home and Overseas

Banks, of course, have not stood still while these vast changes were taking place around them. Indeed, they have responded to the technological revolution by participating in it. Loan guarantees and other off-balance-sheet arrangements, private placement of corporate debt, commercial paper placement, loan participations and sales, and interest rate and currency swaps are examples. Similarly, the foreign offices of U.S. banks and their foreign subsidiaries and affiliates have been actively engaging abroad in a wide variety of securities activities. These include securities, such as corporate debt and equity, that are ineligible in the United States for banks to underwrite and deal, such as corporate debt and equity. In the corporate debt market, for example, U.S. banks' foreign subsidiaries served lead roles in underwritings approaching $17 billion in 1986, or about 10 percent of the volume of such debt managed by the 50 firms most active in the Eurosecurities market last year. These and other essentially investment banking activities have permitted banks to continue to service those customers seeking to rely increasingly on securities markets—provided that the securities are issued abroad. In their home market, banks continue to be sharply limited by the Glass–Steagall Act in competing for the business of acting as intermediaries in the process of investors providing credit to corporations, just at the time that the new financial environment transformed by technological change has made such intermediation a natural extension of the banking business.

The Need for Reform

In short, the Congress should modify the financial structure to conform to these changes. If the Congress does not act, but rather maintains the existing barriers of the Glass–Steagall Act, banking organizations will continue to seek ways to service customers who have increasingly direct access to capital markets. But banking organizations are nearing the limits of their ability to act within existing law; and spending real resources to interpret outmoded law creatively is hardly wise. Without the repeal of Glass–Steagall, banks' share of credit markets is likely to decline—as it already has in our measures of short- and intermediate-term business credit. Society would lose the existing expertise and infrastructure of banking and would bear the cost of the redeployment of bank resources as personnel and capital move to nonbanking organizations. Instead, a soundly structured change in the law will allow financial markets to serve us better by lowering costs to users while strengthening financial institutions within a framework that will protect the financial integrity of banks.

EVALUATION OF POSSIBLE ADVERSE EFFECTS

The basic principles that I outlined at the outset require us to take into account not only public benefits but also possible adverse effects including unsound banking practices, which clearly include the concept of excessive risk, conflicts of interest, impairment of competition, and undue concentration of resources. These concerns have been heightened by the unprecedented decline in the stock market that occurred on October 19, 1987, and the subsequent market volatility.

Effect of Stock Market Developments

We had reached our decision to endorse repeal of the Glass–Steagall Act before these events occurred. When we made our decision we had very much in mind that there are risks involved in underwriting and dealing in securities, and we decided that we would recommend the necessary changes only because we believe that a framework can be put in place that can assure that the potential risks from securities activities can be effectively managed. The events since October 19 have not altered our view that it is both necessary to proceed to modernize our financial system and that it is possible to do so in a way that will maintain the safety and soundness of depository institutions.

The preliminary evidence on the limited effects of recent stock market events on securities firms reinforces several conclusions drawn previously. First, while securities activities are clearly risky, the risks can be managed prudently. Second, securities activities of bank holding companies should be monitored and supervised in such a way as to control the risk to an affiliated bank. Third, the events of recent weeks highlight the need to have capital adequate to absorb unexpected shocks and to maintain an institutional and legal structure that minimizes the degree to which securities underwriting and dealing risk could be passed to affiliated banks.

Assessment of Risk

Bank holding company examinations indicate that U.S. banking organizations have generally shown an ability to manage the inherent risks of both their domestic and foreign securities activities in a prudent and responsible manner. Of all the domestic bank failures in the 1980s, to our knowledge none has been attributed to underwriting losses. Indeed, we are unaware of any significant losses in recent years owing to underwriting of domestically eligible securities. For that matter, research over the past 50 years concludes, contrary to the view of the Congress at the time, that bank securities activities were not a cause of the Great Depression and that banks with securities affiliates did not fail in proportionately greater numbers than banks more generally.

The investment banking experience of U.S. banking organizations in foreign markets has been favorable, and their operations have been generally profitable in the last decade or so. This is not to say that there have been no problems. In the mid-1970s some large U.S. banks encountered problems with their London merchant bank subsidiaries in connection with venture capital investments and the development of the Eurobond market. More recently, in the post-Big Bang era, U.S. banks' securities affiliates and subsidiaries have shared in the transitional difficulties that arose in the London securities market. All of these problems appear to have been in the nature of "start-up" difficulties rather than long-term safety and soundness concerns. In these situations, and even in the perspective of the unprecedented stock market decline, risks have been contained, and losses have been small relative to the capital of the bank or the holding company parent.

Finally, I would note that empirical studies invariably find that underwriting and dealing are riskier than the total portfolio of other banking functions in the sense that the variability of returns to securities activities exceeds that of the returns to the combination of other banking functions. It is also important to note, however, that the average return to securities activities is also usually found to exceed the average return to the combination of other banking functions. In addition, there is evidence of some potential for limited diversification gains, or overall risk reduction, for banks being allowed increased securities powers.

The Congress adopted the Glass–Steagall Act more than 50 years earlier because it believed that banks had suffered serious losses as a result of their participation in investment banking. The Congress also thought that bank involvement in the promotional aspects of the investment banking business would produce a variety of "subtle hazards" to the banking system such as conflicts of interest and loss of public confidence. In answer to these concerns, we believe that the risks of investment banking to depository institutions are containable, that the regulatory framework established in the securities laws minimizes the impact of conflicts of interest, that the federal safety net implemented through deposit insurance and access to Federal Reserve credit will avoid the potential for panic withdrawals from banks if affiliated securities firms experience losses, and that banks can be effectively insulated from their securities affiliates through an appropriate structural framework.

As I have stressed, such an insulating framework can be established. I would now like to turn to what we see as its major elements.

Need for Fire Walls

Fundamental to our recommendation on repeal of Glass–Steagall, and to our assessment that potential adverse effects of securities activities are clearly manageable, is the view that securities activities can be conducted behind walls designed to separate, insofar as possible, the bank from the risks associated with the securities activities. We see two major elements to an approach toward developing a practical insulating structure:

1. The holding company structure should be used to institutionalize separation between a bank and a securities affiliate.
2. The resulting institutional fire walls should be strengthened by limiting transactions, particularly credit transactions, between the bank and a securities affiliate.

At the same time, and without impairing the necessary separation, the structure should not be so rigid as to prevent affiliated organizations from providing the users of financial products with the improved service and reductions in cost that can come from the joint ownership of securities and banking organizations. We believe that it is both possible and desirable to accomplish both goals—establishing fully adequate fire walls in a context that achieves the economic benefits of joint ownership.

It is here that we believe the Financial Modernization Act makes such a major contribution. Using the holding company framework as a focus, it establishes a system of fire walls that we believe is both workable and effective. Because of the importance of these provisions, I would like to examine them with you in some detail.

Importance of the Holding Company Framework

S. 1886 would require that new securities activities made possible under this bill would have to take place in a subsidiary of a bank holding company and not in a bank or a direct subsidiary of a bank. We believe that this is a sound decision because it provides the best separation that institutional arrangements can provide between a bank and a securities affiliate. In our judgment, this is the most effective structure for assuring that decisionmaking in securities firms is not affected by the benefits of the federal safety net, for minimizing the need for the regulatory framework that is a necessary consequence of maintaining the safety net, and, of course, for avoiding risks to the safety net itself. Achieving these goals is essential to any plans for permitting broader ownership of banks and wider powers for bank holding companies.

There has not been unanimous agreement on this point, and I think it is important to examine the advantages of the holding company approach.

First, there is an important legal reason. The holding company mechanism takes maximum advantage of the doctrine of corporate separateness—the legal rule that provides that a separately incorporated company normally is not held liable for the actions of other companies even if they are commonly owned or there is a parent–subsidiary relationship. However, because of the direct ownership link between a bank and its subsidiary, any breach of insulating walls is much more likely to result in bank liability for the actions of its security subsidiary because the line of authority to direct operations runs from the bank parent to that subsidiary. The same breach in the wall between a bank holding company and a securities affiliate, on the other hand, is much less likely to involve the affiliated bank simply because of the fact that there is no direct ownership link between the bank and the securities affiliate.

Second, there is a vital point of accounting and the resulting market perceptions of the health of the bank. Any losses that may be incurred by the securities firm owned directly by a bank would be reflected in the balance sheets and income statements of the bank under normal accounting rules. That would not be the case if the holding company owns the securities affiliate directly. When a securities firm's losses are reflected directly on the financial statements of the bank, the market's evaluation of the health of the bank will inevitably be adversely affected.

Third, it is difficult, if not impossible from a practical standpoint, for a bank to avoid assuming responsibility and liability for the obligations of its direct subsidiaries. Experience has shown that the direct ownership link between a bank and its subsidiaries creates a powerful public perception that the condition of the bank is tied to the condition and financial success of its subsidiaries.

Fourth, separation of a bank and an affiliated securities firm through a holding company helps promote competitive equity. Securities activities that are conducted directly within a depository institution or in a subsidiary of a depository institution are much more likely to benefit from association with the federal safety net through increased public confidence in securities offerings made by the insured banks and their subsidiaries than would be the case if these activities were conducted in a holding company affiliate. Similarly, the holding company technique would be more effective in minimizing any competitive advantage that banks would have in raising funds because of their association with the federal safety net and their ability to collect deposits.

Thus, we believe that the advantages of the holding company structure are both self-evident and overwhelming. Larger banking companies that are most likely to be heavily involved in securities activities should have no serious organizational problems with implementing this approach.

For the smaller banking firms that do not have holding companies, the bill has two constructive solutions. First, to ease the regulatory and cost barriers to the establishment of holding companies, section 201 provides for expedited, almost automatic, Board approval of applications to form such holding companies, and section 202 allows such formations that are simply reorganizations without a change in ownership to be exempt from securities act registration. Second, the bill allows banks to continue to conduct presently authorized securities activities and also permits them to engage in underwriting municipal revenue bonds and brokerage of mutual funds. We understand the Securities and Exchange Commission's (SEC's) concerns about assuring that functional regulation prevails in this area, and we believe that, consistent with appropriate exceptions for small banks, these problems are resolvable.

Strengthening Holding Company Fire Walls

The second major element of the separateness structure is to assure that the holding company fire walls are not impaired by transactions between a bank and an affiliated securities firm, with the consequence of the risks of securities activities being passed on to an affiliated bank. We believe that section 102 of S. 1886 is fully adequate to do this essential strengthening job. It clearly addresses the following key issues: (1) interaffiliate credit transactions and guarantees; (2) lending to support underwritten securities; (3) officer and director interlocks; and (4) adequacy of disclosure and other conflict of interest problems.

Prohibition on Lending by a Bank to a Securities Affiliate

In reviewing these fire-wall-strengthening measures, we consider one of the most important and difficult to be the prohibition on a bank being able to lend to, or purchase assets from, its securities affiliate. There are strong arguments on both sides. In formulating our position on this issue, we took into account the major advantages of a straightforward prohibition on lending to securities affiliates, thus insulating the bank from the risks of securities activities, and weighed against it the benefits that could be achieved in terms of better service to customers.

We also considered that rules now exist limiting the amount of credit that a bank can provide to an affiliate and requiring that this lending be at arms-length and adequately collateralized. Our experience indicates, however, that these limitations, embodied in sections 23A and 23B of the Federal Reserve Act, do not work as effectively as we would like and, because of their complexity, are subject to avoidance by creative interpretation, particularly in times of stress.

On the other hand, we came to the conclusion that a prohibition on an affiliated bank's loans to, and purchases of assets from, its securities affiliate would sharply limit the transfer of the risk of securities activities to the federal safety net. It would also eliminate one of the key factors viewed by the courts as justifying "piercing the corporate veil" between the bank and its nonbank affiliates—that operations of the securities affiliate are financed and supported by the resources of an affiliated bank. For these reasons, and because of the desirability of having a clear rule that is not subject to avoidance, we agree with the provisions of section 102 that prohibit banks from lending to, or purchasing assets from, their securities affiliates except for collateralized lending for intraday government securities clearing.

We also agree, as allowed by S. 1886, that a securities affiliate should be free to borrow from its holding company parent. The holding company is not protected by the federal safety net, and competitive fairness requires that the parent of a securities affiliate should be able to support its affiliate in the same manner as the corporate parents of investment firms that are unaffiliated with banks.

Other Transaction Limitations

For very similar reasons we agree, as provided in section 102, that a bank should not be able to guarantee, extend its letter of credit to, or otherwise support securities issued by a securities affiliate. Allowing such practices would not only raise the question of competitive fairness, but also would permit a transfer of the risks of securities activities to the federal safety net. This section would also prevent, during the underwriting period and for 30 days thereafter, loans from a bank affiliate to customers for the purpose of buying securities underwritten by a securities affiliate. Finally, it would stop loans from affiliated banks to companies whose securities have been underwritten by a securities affiliate for the purpose of repaying interest or principal due on such securities. We agree that these prohibitions are essential to establishing sound fire walls.

Preventing Conflicts of Interest—Disclosure

Another major purpose of fire walls is to prevent conflicts of interest that can impair confidence in banking institutions. The disclosure requirements and other provisions of the securities laws already have made an effective contribution to dealing with this issue. Nevertheless, we welcome the strengthening of these already built-in protections by the provisions of section 102, which require, under rules established by the SEC, a securities affiliate to disclose its relationship to an affiliated bank and to state plainly that the securities it sells are not deposits and are not insured by a federal agency.

Officer and Director Interlocks

The prohibition in section 102 on officers and directors of a securities affiliate serving at the same time as an officer or director of any affiliated bank is also important in maintaining the principle of corporate separateness and to avoiding conflicts of interest. For this reason we are somewhat concerned about the complete exemption in this section from this limitation for banks with total assets of $500 million or less. To permit the operating efficiencies that smaller banks may achieve from using common management officials without severely eroding the corporate separateness of the bank, we recommend that these banking organizations be permitted to have interlocking officials with a securities affiliate, but be required to maintain a majority of the board of directors of the securities affiliate that are not also directors of the banking organization.

Other Conflict of Interest Safeguards

In addition, S. 1886 reinforces the requirements of existing law by providing that a securities affiliate cannot sell securities from its portfolio to an affiliated bank at any time or place securities with its trust accounts during an underwriting period, or for 30 days thereafter. S. 1886 also helps to assure objectivity when a securities affiliate underwrites securities originated by an affiliated bank by a requirement that those securities must be rated by an unaffiliated, nationally recognized rating agency. Finally, we note with approval that under the bill neither banks nor their securities affiliates would be able to share confidential customer information without the customer's consent and that a bank cannot express an opinion on securities being sold by its securities affiliate without disclosing that its affiliate is selling that security.

Capital Adequacy

We believe that the fire walls that are established by S. 1886 will substantially augment the existing insulation of banks from affiliates that is now provided by the Bank Holding Company Act. Besides these measures, perhaps the best insulator is adequate capital for both banks and securities affiliates.

Accordingly, authority should be provided to assure that holding companies owning banks and securities companies should be adequately capitalized. Consequently, we fully support the provisions of section 102, which require that investments by bank holding companies in securities firms should not be permitted if the investment would cause the holding company to fall below minimum capital requirements.

Moreover, to assure that a securities affiliate of a banking organization is regulated as to capital adequacy in the same manner as other securities firms, section 102, in calculating the capital adequacy of a bank holding company that acquires a securities firm, excludes from the holding company's capital and assets any resources of the holding company that are invested in the capital of the securities affiliate. We agree that the investment of a holding company in its securities subsidiary may be deducted from the capital of the bank holding company in determining its capital adequacy. Such deductions should include any asset of the holding company that is considered capital in the securities subsidiary by its functional regulator.

However, in calculating the regulatory capital for the holding company, S. 1886 would deduct from the assets of the holding company all loans to the securities subsidiary, and thus the holding company would not be required to hold capital to support these assets. We feel that any advances by a holding company to a securities affiliate that are not considered capital by the functional regulator should not be deducted from the holding company's assets and capital. Rather, they should be supported by capital at the holding company, just as advances to other subsidiaries require capital support.

To do otherwise would be to promote unlimited leveraging in the holding company, thereby weakening or eliminating the ability of the holding company to act as a source of strength to its subsidiary banks. With this modification, section 102 would not only assure that the securities affiliate broker–dealer will be regulated as to capital adequacy by the SEC, but would also have the beneficial effect of requiring a bank holding company to maintain capital sufficient to absorb losses suffered by the securities affiliate without impairing the holding company's ability to serve as a source of strength to its bank subsidiaries. This result is consistent with the provisions of section 102, which provide that the Board can reject a notice to establish a securities affiliate if it would be inconsistent with a bank holding company's obligation to serve as a source of strength to its subsidiary banks.

Support for Functional Regulation

At this point, I believe it would be appropriate to stress the full support of the Board for the concepts of functional regulation incorporated into S. 1886. We agree that a securities subsidiary of a bank holding company carrying out the functions of a broker–dealer should be subject to the net capital requirements of the SEC and should, indeed, be regulated by that body once it has been established.

As I have stressed, however, we do believe that there is a proper role for regulation of a company that owns a bank. As provided under current law, a company that owns a bank should have competent management, should be adequately capitalized, and should be open to review in as unobtrusive a manner as is possible consistent with achieving these goals.

This position is consistent with our support for the provisions of section 102, which exempt a securities firm that owns a bank from normal holding company capital and examination requirements if at least 80 percent of its assets and revenues are derived from, or devoted to, securities activities. Even in this situation, S. 1886 does not ignore the importance of capital. If an exempt company's bank falls below minimum capital levels, the Board can require restoration of minimal capital levels within 30 days, and in the absence of compliance can order the termination of control within 180 days. In the context of the situation in which a firm is overwhelmingly a securities firm, this framework has our full support. This is a unique provision that may, if it works successfully, provide a precedent for developing the complex of measures that are needed to allow broader ownership of banks and to protect the federal safety net.

We also support minimizing regulatory burdens whenever possible. Accordingly, we endorse the provisions of Title II generally on "Expedited Procedures" and, particularly, section 203 of the bill that speeds up the procedure for holding company applications for approved holding company activities by changing it into a no-objection arrangement and by eliminating the cumbersome requirements for formal hearings. We also endorse the provisions of the bill that allow the Board to take into account technological or other innovations in the provision of banking or banking-related services in making judgments on whether an activity is so closely related to banking as to be a proper incident thereto. We believe that these provisions, which have had the Board's support for several years, will reduce regulatory burdens and introduce needed flexibility into the regulatory process.

Coordinated Activities

With the strong system of fire walls that are contained in S. 1886 in place, we believe it is appropriate to allow the joint banking–securities enterprise the opportunity to realize the efficiencies that may be achieved by combining services that are functionally so closely linked. After all, one of the major purposes of allowing the affiliations that could be established by repealing Glass–Steagall is to permit, in a competitively neutral manner, the users of securities services to benefit from a higher level of competition. Thus, in our view, the approach taken in the bill of permitting use of similar names and coordinated marketing of products is appropriate. We believe that a prohibition on these activities would produce only small gains for bank insulation, but the losses to efficiency would be high.

The requirement of separate names would be artificial, particularly because securities law disclosure would, in any event, require an affiliate to inform the users of its services of its association with a banking enterprise. Similarly, as I pointed out earlier, the market for securities is only an extension of the market for other banking products and to deny a banking organization the ability to sell both products would lose much of the gains for the economy that we seek to achieve through the association between the two. Moreover, there would be no competitive unfairness in this arrangement since the broad relaxation of the Glass–Steagall requirements that is proposed by S. 1886 would enable securities firms to own banks as well as bank holding companies to own securities affiliates.

The important point is whether these measures would cause the risks of securities activities to be passed on to banking institutions and to the federal safety net. As I indicated, the Board believes that the corporate separateness measures that we recommend, and that have been adopted in S. 1886, should effectively deal with these problems.

Concentration of Resources

The guidelines the Congress has established for expansion of banking activities require a concern for whether expansion of securities powers will lead to a concentration of resources in the securities or banking industries. We believe that repeal of Glass–Steagall should have the opposite effect. As I have stressed today, it will increase the number of viable competitors in both the banking and securities industries, enhancing competition in both. As a result, we doubt that the Congress need go beyond the requirements of the antitrust laws to anticipate a problem with concentration of resources in the emerging financial services industry. However, because we see as one of the major advantages to repeal to be an expected increase in competition, and because we could understand anxieties that this goal might be impaired by a combination of the largest banking and securities firms, the Board does not oppose the limited provisions of section 102 of S. 1886 aimed at preventing the largest banking and securities organizations from consolidating.

COMMENTS ON S. 1891—THE FINANCIAL SERVICES OVERSIGHT ACT

The Financial Modernization Act deals with the problems of our financial system by focusing on the specific question of securities powers, an area that is of great importance to the financial system. While it sets up a framework that could be used as a precedent for the consideration of other products and services, it does not deal with those issues at this time, leaving this question open for further consideration in the future. We believe that this is the right way to proceed at this time.

A different approach has been taken by S. 1891, the proposed Financial Services Oversight Act introduced by Senators Wirth and Graham, which establishes a comprehensive framework for the conduct of the financial services business in the United States. As a first step toward this objective, the bill establishes a Financial Services Oversight Commission, with a membership drawn from the banking agencies, the SEC, the Commodity Futures Trading Commission, and the state insurance commissioners. This broadly based Commission would have three essential functions:

1. It would define the types of activities in which bank holding companies, financial holding companies, and commercial holding companies could engage.

2. It would be charged with enforcing compliance with the regulations defining new activities.

3. It would establish minimum standards of capital adequacy for financial holding companies and their affiliates.

Fundamental to this approach is a broad expansion of the financial activities in which bank holding companies may engage, including an explicit repeal of the Glass–Steagall Act. The bill also provides for the extension of a limited degree of prudential regulation to financial holding companies, which are companies that include affiliates that offer uninsured transaction accounts, to include capital adequacy standards as well as reserve requirements. Also fundamental to this concept is the separation of banking and commerce by providing that a commercial holding company cannot own a bank that offers federally insured deposits.

The third major element of the bill is the establishment of a National Electronic Payments Corporation for the purpose of operating a mixed public–private corporation that would establish and operate a national electronic payment system to facilitate large dollar transactions, including book-entry transfers of U.S. government securities. The corporation would also be responsible for the establishment of standards for utilization of this system and for improvements in the technological capability and reliability of the system as a whole. This enterprise, capitalized with funds from the Federal Reserve System and by the private shareholders, would provide for direct access to the system not only by banks, but also by other financial organizations that have transactions in funds and government securities of a magnitude sufficient to make their participation as shareholders in the new corporation appropriate.

The Board finds this proposal to be a careful and very thoughtful approach to the difficult problems that this committee is attempting to grapple with today. As Senator Wirth pointed out in introducing S. 1891, the bill incorporates a proposal made by President Gerald Corrigan of the Federal Reserve Bank of New York, and thus the Board is fully familiar with both its structure and objectives.

Desirability of Coordinated Regulation

One of the proposals in the bill that we find to be particularly useful is the provision on establishing a Financial Services Oversight Commission to bring together the various regulatory interests that affect our highly integrated financial mechanism. The need for greater regulatory coordination could not have been brought out more clearly than in the recent stock market developments in which we saw the complex interactions of securities, commodities, and banking markets.

Similarly, I have emphasized in my testimony today that securitized products are a natural extension of the market for banking activities, but at this point it is also important to stress that securities firms have undertaken many of the activities that have been traditionally thought of as unique to banking. Again, we have examples in the news, such as bridge lending, but there are many others as well, including foreign exchange transactions and the offering of transaction accounts.

These overlaps in functions suggest not only that rigid lines between providers of securities and banking services are impractical but also that more coordination of regulatory activities is highly desirable. For example, as we seek to establish a worldwide, risk-based capital system for banking organizations that will apply capital standards to a considerable variety of now off-balance-sheet activities, our ability to do so, and the stability of markets, will be adversely affected if almost identical activities of securities firms are not subject to the same type of capital adequacy requirements. Thus, a broadly representative financial regulatory body with adequate authority to coordinate financial regulation needs careful consideration as the Congress makes the essential changes necessary to adapt the financial system to the new realities of competition and technology. We urge that further thought should be given to how this approach could be integrated with S. 1886.

Concerns about the Authority of the FSOC

We are concerned, however, about taking the Financial Services Oversight Commission concept further at this time by establishing separate categories of bank, financial, and commercial holding companies, together with authority in the commission to fix the activities of each type of institution. This format may be too rigid, and the bill does not give the commission specific enough instructions as to the basis for its decisions, nor do we believe that it is possible now for the Congress to write the needed comprehensive instructions. For example, no guidance is provided on the fire walls to separate banking and nonbanking activities that the Board considers to be essential to an adequate framework for expanded activities of companies that own banks.

Rather, it seems to us that there are major advantages to proceeding on an incremental basis starting with securities powers in which the rationale for change has been clearly established. In this way, we can have the benefits of change while gaining experience with the systems that are necessary to assure that this change is carried out in a responsible and effective manner. As conditions evolve over time, a more flexible structure will allow both the Congress and the regulators the opportunity to be more responsive to the needs of customers and less dependent on rigid formulas that may not be practical.

National Electronic Payments Corporation

Finally, we have given considerable thought to the concept of a National Electronic Payments Corporation. There is much to be said for its emphasis on spurring technological improvements, on arrangements for liquidity reserves to protect the integrity of that system, and on limiting intraday overdrafts. However, we are not sure that the mechanism proposed in the bill is the most efficient and cost-effective way of achieving its worthwhile goals. The issues that it raises warrant further study.

APPLICATION OF S. 1886 TO SAVINGS AND LOAN INSTITUTIONS

Finally, I would like to note that S. 1886 does not apply to savings and loan institutions or to their holding companies. However, it would seem appropriate that the framework that is being developed by this committee for the proper conduct of securities activities to protect the federal safety net, to prevent conflicts of interest, and to assure competitive equality within a structure of functional regulation should be equally applicable to these institutions. We understand, however, the concerns about the effect of these rules on the possible willingness of securities firms to put capital into troubled savings and loan institutions at a time when the industry and its regulators are attempting to deal with large losses in a considerable number of institutions.

Thus, the Congress has to reconcile conflicting public policy objectives—the need to deal with present losses in a constructive way, and at the same time to protect the future health of depository institutions when engaging in a new activity. I have no easy answers to this dilemma, except to suggest that it be kept under review so that this committee can work, in close consultation with the Federal Home Loan Bank Board, on such ideas as transition periods, exceptions for capitalization of large troubled institutions, or other solutions that the legislative process is uniquely capable of working out.

We commend this committee for its active role in considering one of the most important issues that now faces our financial markets. We strongly recommend that you adopt legislation to repeal the Glass–Steagall Act and to put in its place a new framework allowing the affiliation of banking organizations and securities firms as provided in the Financial Modernization Act proposed by Chairman Proxmire and Senator Garn.

We also urge you to allow the moratorium on banking activities contained in Title II of the Competitive Equality Banking Act to expire on March 1, 1988, as the law now provides. We believe that these measures will ensure a more responsive, competitive, and safe financial system. □

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittees on Domestic Monetary Policy and on International Finance, Trade and Monetary Policy of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, December 18, 1987.

I welcome the opportunity to appear here this morning to discuss the role of commodity prices in the international coordination of economic policy. The fact that the Subcommittees on Domestic Monetary Policy and on International Finance, Trade and Monetary Policy are meeting jointly on this topic I take to be symptomatic of the impossibility of distinguishing between the domestic and the international aspects of economic policy in today's financial environment.

Much attention in the press and elsewhere, following Secretary Baker's speech at the annual meeting of the World Bank and the International Monetary Fund on September 30, has been focused on the possibility of adoption by the United States of a commodity standard, perhaps even a gold standard, to control its monetary economic policy. But that is a misreading of Secretary Baker's remarks. He said only that ". . .the United States is prepared to consider utilizing, as an additional indicator in the economic coordination process, the relationship among our currencies and a basket of commodities, including gold. . . . We are proposing consideration of a commodity price indicator as an analytical tool and an improvement to our indicator process, to be used in conjunction with other measures of our economic performance. . . ."

I believe Secretary Baker was right to suggest the possibly useful role an index of commodity prices could play in an international context. He was also right to emphasize that it would be a technical supplement to existing procedures.

International policy discussions quite naturally center on the adjustment of external imbalances and the stability of exchange rates. These are matters that simply cannot be addressed unilaterally. One country's deficit is someone else's surplus. If the U.S. current account deficit is to decline, the combined surplus of the rest of the world must decline correspondingly.

Similarly, an exchange rate is the relative price of two currencies. The currency of one country cannot depreciate without the currency of another appreciating.

We must not lose sight of the fact, however, that—as important as these variables are—they are not in themselves the ultimate objectives of policy. Nor would the achievement of stable exchange rates and balanced external positions ensure a healthy world economy. It is conceivable, for example, that in the extreme, all nations could be undergoing simultaneous domestic recession, even as external equilibrium prevails. More germane to our discussion this morning is the possibility that exchange rates could be stable in a world of rampant global inflation. To use the jargon of the economics profession, relative prices—including exchange rates—can be stable, but the general price level can move up or down unless it is anchored to something.

We need to make certain, as we seek stability for the world economy, that we do not put in place policies and procedures that foster a flight from currencies generally. Prices of internationally traded commodities can provide useful information in identifying such a phenomenon. When there is a flight from currency, the flight is toward goods or commodities. This is not to say that various measures of domestic wage and price inflation in individual countries and other indicators of actual or potential pressures on resources are not important also in analyzing global inflation. Indeed, such domestic measures of inflation are already included among the indicators utilized in international reviews of the consistency and compatability of economic policies.

It is important to note that rising commodity prices expressed in dollars are not necessarily a sign of global inflation. Commodity prices must be rising in terms of all currencies if they are to be taken as evidence of a problem of potential global inflation. If the prices of a basket of commodities are rising on average in terms of one currency but falling in terms of other currencies, we can infer essentially only that there has been a change in exchange rates. For example, the *Economist* index of commodity prices, expressed in U.S. dollars, averaged 2.9 percent higher in November this year than in October. Over the same period, that index, expressed in special drawing rights (SDRs), averaged 1.3 percent lower in November than in October. The difference reflects the decline in the dollar over that period of about 6 percent on average in terms of the other currencies included in the SDR basket. In this situation, it would not be appropriate to interpret the rise in dollar prices of commodities as indicating a generalized flight from all currencies.

We must also be wary of special factors that may affect the prices of individual commodities so strongly as to move overall commodity price averages significantly in the short run. Especially when the causes are of a transitory character—for example, a temporary supply disruption—the proper macroeconomic policy responses may well be different from those appropriate to major cyclical booms in commodity markets. For this reason the coverage of any index used in the international context should be broad.

Moreover, while a general rise or fall in the prices of commodities, which are traded internationally, could indicate global inflation or deflation and in general may provide an earlier warning of potential inflation danger than measures such as consumer or even wholesale prices, it would have little to say about what policymakers in any individual country should do. A much broader range of information, relating not just to the world economy but to the economic performance and prospects of each individual country, is necessary to disentangle the forces at work and to determine appropriate courses of action.

Let me discuss briefly the role of one particular commodity, gold. The appeal of a more formal role for gold in the monetary system, as I suggested in a statement to the Commission on the Role of Gold in the Domestic and International Monetary Systems in November 1981, is that it would impose discipline not just on monetary policy but on federal budget policy, as well. Unlimited dollar conversion into gold would limit the government's ability to issue dollar claims. If you cannot finance deficits, you cannot create them or sustain them. However, there are too many practical problems associated with restoration of a gold standard, not the least of which is the huge block of outstanding dollar claims in world financial markets today, to make this a useful avenue of development. I believe that the conclusion of the Gold Commission remains valid today, namely that ". . .under present circumstances, restoring a gold standard does not appear to be a fruitful method for dealing with the continuing problem of inflation."[1]

That judgment, however, is quite consistent with the view that the price of gold should be included along with prices of other commodities as one indicator of global inflation or disinflation. Gold is relevant and useful in that regard wholly because of the historic and widespread perception of gold as an indicator of a flight from currency. However, we must be careful not to interpret every change in the price of gold as meaning that. Like prices of other commodities, we must consider whether it is changing in terms of just some currencies or of all currencies. Again, most if not all of the rise in the dollar price of gold over the past couple of years simply reflects the dollar's decline. As in the case of other commodities, special demand or supply factors need to be considered in connection with the price of gold. Nevertheless, the fact remains that a significant flight from currencies in general without an increase in the price of gold in terms of those currencies is unlikely.

CONCLUSION

The mandate for economic policy in the United States and elsewhere should be to maintain the maximum growth in real income and output that is feasible over the long run. A necessary condition for accomplishing that important objective is a stable price level, the responsibility for which has traditionally been assigned in large part to the central bank, in our case to the Federal Reserve.

In attempting to achieve our objectives, the Federal Reserve must take into account and respond to all factors that significantly affect the U.S. economy. Included in that category are commodity prices. In affirming this, we should distinguish between what we must evaluate, in a technical sense, and what we do. In particular, we should avoid any automatic policy response to movements in commodity prices.

This view of the manner in which the Federal Reserve should conduct policy is fully consistent, I believe, with our obligations under the Full Employment and Balanced Growth Act of 1978. To respond to a question posed by Chairman Neal in his letter to me, I also believe that the Federal Reserve should not be required to report a projected range for the movement of an index of commodity prices. Our reports to the Congress currently include discussion of a broad range of economic variables, and commodity prices typically have been among them. Beyond that, it would not make sense for us to cite a range for some commodity price index besides the ranges we report for the growth of money and credit aggregates. The growth of money and credit is much more directly influenced by our actions than are commodity prices.

Moreover, information on market expectations of commodity prices is already available in the form of futures prices, and it would be neither meaningful nor constructive for the Federal Reserve to add another view. Indeed, it is conceivable that such an action, if it were seen as having policy content, might well perturb established behavioral relationships in such a way as to obscure or distort the information value of commodity prices.

Instead, it makes more sense for us to focus on helping to achieve the long-run growth of the economy and its precondition, stable prices. Moreover, we should work with central banks and finance ministries in other countries to enhance prospects for the sustainable growth of the world economy. Those are difficult tasks, and we would be foolish to ignore information, such as is contained in commodity prices, that could help us. □

1. See U.S. Department of the Treasury, *Report to the Congress of the Commission on the Role of Gold in the Domestic and International Monetary Systems*, vol. I (Treasury, March 1982), p. 17.

Announcements

New Members Named to Consumer Advisory Council

The Federal Reserve Board on December 14, 1987, named 11 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 1988.

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 on other consumer-related matters of interest to the Board. The Council consists of 30 members whose three-year terms are staggered.

Mr. Steven W. Hamm was designated as Chairman to succeed Mr. Edward N. Lange, a partner with the law firm of Davis, Wright, Todd, Reise and Jones in Seattle, Washington. Mr. Hamm is Administrator for the South Carolina Department of Consumer Affairs. His term on the Council runs through December 1988.

Mr. Edward J. Williams, Senior Vice President–Consumer Banking Group for Harris Trust and Savings Bank in Chicago, Illinois, was named Vice Chairman to succeed Mr. Hamm. He will serve on the Council through December 1988.

The 11 new members, named for three-year terms beginning January 1, are the following:

Naomi G. Albanese, Greensboro, North Carolina, retired after 24 years as a professor of home economics at the University of North Carolina, Greensboro. She has been active in a number of professional societies and in community activities on the Board of the Greater Greensboro Housing Foundation. In 1981–82, Dr. Albanese served as chairman of the board of directors of the Federal Reserve Bank of Richmond, Charlotte Branch. In 1974–75, she served on the committee for consumer affairs of the President's Federal Energy Commission. Dr. Albanese is currently on the boards of directors of Armstrong World Industries, Inc., Duke Power Company, and Jefferson-Pilot Corporation.

Stephen Brobeck, Washington, D.C., has been Executive Director of the Consumer Federation of America since 1980, after having previously served as a board member and vice president. CFA is the nation's largest consumer advocacy organization, representing 220 groups with more than 30 million members. He was formerly president of Cleveland Consumer Action and Cleveland Consumer Action Foundation, and taught American Studies at Case Western Reserve University. Mr. Brobeck frequently testifies before congressional committees, and has co-authored two books, *The Bank Book* and *The Product Safety Book.* He serves on the boards of directors of the Institute for Civil Justice, National Center for Financial Services, Joint Council on Economic Education, Citizens for Tax Justice, National Committee for Responsive Philanthropy, National Coalition for Consumer Education, Public Voice for Food and Health Policy, and the Tele-Consumer Hotline.

Betty Tom Chu, Monterey, California, is Chairman of the Board and CEO of Trust Savings Bank, a $150-million-plus institution. She previously served as Deputy Counsel to the Los Angeles School District and Deputy Corporations Commissioner for the State of California. Ms. Chu was the founder, chairman, president, and managing officer of the nation's first Chinese-controlled, federal savings and loan. She is currently a member of the Federal Savings and Loan Advisory Council. She is also a director of the California Savings and Loan League and former chairman of the American League of Financial Institutions, which represents minority savings and loan institutions in the nation.

Jerry D. Craft, Atlanta Georgia, is Senior Vice President of First National Bank of Atlanta and has been in banking since 1969. He joined First Atlanta in 1982 and currently has responsibility for First Retail Electronic Services and Bankcard Division for the American Bankers Association and is on the Board of the Consumer Bankers Association. Mr. Craft has been on the faculty of the Stonier Graduate School of

Banking and is involved in a variety of community activities.

Donald C. Day, Boston, Massachusetts, is President of New England Securities Corp., and has been with New England Mutual Life Insurance Company since 1972. He was named Senior Vice President in 1981. He is also Executive Vice President of New England Mutual Funds. Mr. Day is a former vice chairman of the District Business Conduct Committee of the National Association of Securities Dealers.

Robert A. Hess, Washington, D.C., has been President and General Manager since 1970 of the Wright Patman Congressional Federal Credit Union, an $80 million credit union in Washington, D.C., serving the Members of Congress and employees of the House of Representatives. Mr. Hess is currently Chairman of the National Association of Federal Credit Unions, after having previously served as Treasurer, and has been a Director-at-Large since 1980. He is a former member of the board of directors of the International Credit Union Association. His volunteer activities have included more than 10 years on the boards of the National Capitol Central Federal Credit Union and the Metropolitan Area Credit Union Management Association. Mr. Hess served six years on the Washington Area Credit Union Promotion Committee, which is affiliated with the District of Columbia Credit Union League, and currently serves on the League's Education Committee.

A.J. (Jack) King, Kalispell, Montana, is the Chairman and Executive Vice President of the Valley Bank of Kalispell, a $58 million bank serving 10,000 residents in Northwestern Montana. He serves as Chairman and President of First Security Bank, also in Kalispell. Mr. King was instrumental in a recent community development project that brought both jobs and revenues to the town and that resulted in a new $18 million shopping center and motel complex adjacent to the city center. He is currently involved in a second community development project. Mr. King is on the Executive Committee of the Independent Bankers Association of America and is a past president and first chairman of the Association. He is also a past president of the Montana Independent Bankers Association. Mr. King was appointed by the Governor of Montana to two terms on the State Banking Board, a board created by the state legislature to assist the Bank Commissioner in the approval of state charters for commercial banks. For three years, he served on the Advisory Council for the School of Business at the University of Montana.

William E. Odom, Dearborn, Michigan, is Chairman of the Board of Ford Motor Credit Company. He joined Ford Credit in 1966 as the Detroit district manager and held progressively more senior management positions before becoming President in April 1986. In October 1987, he was elected Chairman of the Board. Mr. Odom is interested in expanding the range of financial services that Ford Credit offers to consumers. He is currently involved in developing a special finance plan to extend credit to first-time auto buyers and economically disadvantaged groups. He also plays a principal role in special programs with the more than 125 black-owned Lincoln–Mercury dealerships. Mr. Odom reviews all complaints received at the executive office and has instituted a program to measure consumer satisfaction with credit services offered by the company's 138-branch U.S. network. He is currently a member of the Board of Trustees of the Joint Council on Economic Education, a national organization that sponsors economic education programs (kindergarten through grade 12) throughout the nation.

Sandra Phillips, Pittsburgh, Pennsylvania, is Executive Director of the Oakland Planning and Development Corporation, a nonprofit community planning and real estate development organization. OPDC grew out of People's Oakland, which Ms. Phillips headed as director, a community advocacy group that set long-range recommendations for development, together with procedures for carrying them out. In the past several years, OPDC has purchased and renovated a former school to house very low-income elderly and handicapped residents and an apartment building to house chronic mentally ill residents. It has built 102 units of new housing for low- and moderate-income homeowners, with another 64 units under construction. OPDC is a co-general partner in a joint venture that is building a 430-car garage, a hotel, and an office building, all in the Oakland community. Through the OPDC, Ms. Phillips also has helped to build a strong network of cooperation between the University of Pittsburgh, several hospitals, and the Oakland community.

Ralph E. Spurgin, Columbus, Ohio, is President and CEO of the Limited Credit Services, Inc., and has responsibility for the credit operations of six subsidiaries including The Limited, Lerners, and Lane Bryant. He was previously with J.C. Penney Company, Inc. for 20 years, where he last held the position of General Credit Manager, Planning and Development. Mr. Spurgin is currently a Director of the Credit Management Division of the National Retail Merchants Association, after having served in various capacities including Chairman of the Credit Bureau Task Force.

Lawrence Winthrop, Portland, Oregon, is President of the Consumer Credit Counseling Service of Oregon, Inc. He is currently a trustee of the National Foundation for Consumer Credit and Executive Director of the Associated Western Consumer Credit Counseling Services. For 15 years Mr. Winthrop was with the J.C. Penney Company as Regional Credit Manager for the Pacific Northwest.

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

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

Judith N. Brown
National Treasurer
American Association of Retired Persons
Edina, Minnesota
(December 31, 1989)

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

Richard B. Doby
Bank Commissioner
State of Colorado
Denver, Colorado
(December 31, 1989)

Richard H. Fink
President
Citizens for a Sound Economy
Washington, D.C.
(December 31, 1989)

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

Stephen Gardner
Assistant Attorney General
Consumer Protection Division
State of Texas
Dallas, Texas
(December 31, 1988)

Kenneth A. Hall
President (South Division)
First United Bank
Picayune, Mississippi
(December 31, 1988)

Elena Hanggi
President
Association of Community
Organizations for Reform Now
Little Rock, Arkansas
(December 31, 1989)

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

Ramon E. Johnson
Professor of Finance
University of Utah
Salt Lake City, Utah
(December 31, 1989)

Robert W. Johnson, Ph.D.
Professor of Management
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)

Richard L.D. Morse
Professor of Family Economics
Kansas State University
Manhattan, Kansas
(December 31, 1989)

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

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

Appointment of Chairman of Pricing Policy Committee

The Federal Reserve Board announced on December 23, 1987, the appointment of Silas Keehn, President of the Federal Reserve Bank of Chicago, as the Chairman of the Pricing Policy Committee of the Federal Reserve System, effective January 1, 1988. Mr. Keehn has been a member of the committee since January 1, 1987.

Mr. Keehn succeeds Edward G. Boehne, President of the Federal Reserve Bank of Philadelphia. Mr. Boehne had been Chairman of the Pricing Policy Committee since July 1, 1984.

The committee has also appointed Gary H. Stern, President of the Federal Reserve Bank of Minneapolis, as a member of the committee to fill the vacancy created by Mr. Boehne's departure from the committee.

The committee is also composed of the following:

Governor Wayne D. Angell, Chairman of the Federal Reserve Bank Activities Committee, Federal Reserve Board; Henry R. Czerwinski, First Vice President, Federal Reserve Bank of Kansas City; William H. Wallace, First Vice President, Federal Reserve Bank of Dallas; and, Theodore E. Allison, Staff Director for Federal Reserve Bank Activities, Federal Reserve Board.

Jack Guynn, First Vice President, Federal Reserve Bank of Atlanta, remains Executive Director (but not a member) of the committee through December 31, 1988.

The committee reviews policies and procedures related to the provision of Reserve Bank priced services to depository financial institutions under the Monetary Control Act of 1980.

Increase in Reservable Transaction Accounts and Liabilities

The Federal Reserve on December 3, 1987, announced an increase in the net transaction accounts to which the 3 percent reserve requirement will apply in 1988 from \$36.7 million to \$40.5 million.

The Board also increased the amount of a depository institution's reservable liabilities that are subject to a zero percentage reserve requirement from \$2.9 million to \$3.2 million of total reservable liabilities.

Additionally, the Board increased the reporting cutoff level distinguishing weekly reporters from quarterly reporters from \$28.6 million to \$30.0 million of total deposits and other reservable liabilities.

These adjustments took effect beginning December 15, 1987.

The Board made the changes in accordance with provisions of the Monetary Control Act. The act requires the Board to amend its Regulation D (Reserve Requirements of Depository Institutions) annually to increase the amount of transaction accounts subject to a 3 percent reserve requirement. The annual adjustment must be 80 percent of the annual percentage change in the transaction accounts held by all depository institutions. The growth in total net transaction accounts of all depository institutions from June 30, 1986, to June 30, 1987, was 13.0 percent. The statutory amount thus requires an increase of \$3.8 million over last year's amount to \$40.5 million.

The Board is also required by the Garn–St Germain Depository Institutions Act of 1982 to amend Regulation D to adjust the amount of a depository institution's total reservable liabilities that are exempt from reserve requirements for the upcoming year by 80 percent of any annual percentage increase in total reservable liabilities for all depository institutions. Growth in total reservable liabilities was 12.6 percent from June 30, 1986, to June 30, 1987, requiring an increase in the reserve requirement exemption to \$3.2 million.

The Board is also increasing the reporting cutoff level distinguishing weekly reporters from quarterly reporters from \$28.6 million to \$30.0 million of total deposits and other reservable liabilities. The cutoff level is indexed to 80 percent of the annual percentage increase in total deposits and other reservable liabilities for all depository institutions. The annual adjustment of the cutoff level is computed as of June 30 of each year. Institutions with total deposits and other reservable liabilities below the reserve requirement exemption amount of \$3.2 million are excused from reporting even on a quarterly basis if their deposits can be estimated from other sources.

OPERATIONAL CHANGES TO AUTOMATED CLEARINGHOUSE MECHANISM

The Federal Reserve Board has approved operational changes to the Reserve Banks' automated clearinghouse (ACH) mechanism that are designed to reduce risk. These changes become effective July 18, 1988.

The measures approved by the Board call for uniform Reserve Bank procedures to monitor ACH credit payments originated by institutions experiencing financial difficulties. The procedures are designed to reduce the likelihood that Reserve Banks would have to reserve ACH credit payments should the institution originating the credit payments fail before the transactions are settled.

Earlier deadlines will be set for the return of ACH debit transactions of $2,500 or more. In 1988 the new deadlines will be 8:00 p.m. (eastern time) for nonautomated returns and the regular night deposit deadlines for the automated returns. In addition, return information will be taken by telephone for institutions that cannot meet the new paper return-item deadlines; however, institutions will be charged $6,000 per return item for this service.

If institutions that originate ACH credit payments are closed on the settlement day, the institutions' reverse or clearing accounts will be charged for the transactions as if they were open. This policy will apply to both voluntary and mandatory holidays because the institutions making these payments are aware of their obligations one or two days before the settlement date.

REGULATION T: AMENDMENT

The Federal Reserve Board announced on December 23, 1987, approval of an amendment to Regulation T (Credit by Brokers and Dealers) to enable broker–dealers to help employees exercise stock options awarded in connection with their employment.

The principal effect of the amendment is to provide a simplified method whereby brokers and dealers may temporarily finance the acquisition of stock under employee stock option programs without violating the general principles of Regulation T.

In general, the structure of a cash account does not permit a person to pay for the purchase of a security with the proceeds of its sale nor does the structure of a margin account allow a withdrawal of cash if the effect is to lower a customer's equity in the account. The amendment, which is effective January 25, 1988, will supersede these provisions in Regulation T in this narrow area by permitting the creditor to treat the receipt of an exercise notice as if it were the stock itself.

REGULATION Z: AMENDMENT

The Federal Reserve Board has adopted an amendment to its Regulation Z (Truth in Lending) that will require creditors to provide consumers with more extensive information about the variable-rate feature of closed-end adjustable rate mortgages (ARMs) that have maturities of longer than one year and are secured by the consumer's principal dwelling. The Board's final rule becomes effective October 1, 1988, but creditors may comply immediately.

The Board's amendment requires creditors to provide consumers with a more detailed description of the variable-rate feature. An historical example that shows the effect that actual changes in index values would have had on payments on a $10,000 loan must be given to the consumer. And, creditors must provide a statement of the initial and maximum interest rates and payments for a $10,000 loan originated at the most recent interest rate shown in the historical example.

The amendment to the regulation also requires that prospective borrowers be given an educational brochure about ARMs, either *The Consumer Handbook on Adjustable Rate Mortgages* published by the Board and the Federal Home Loan Bank Board, or a suitable substitute.

All of this information must be given to the consumer at the time an application form is provided or before the consumer pays a nonrefundable fee, whichever occurs earlier.

BANK HOLDING COMPANY APPLICATION APPROVED

The Federal Reserve Board announced on December 14, 1987, its approval of the application of Bank of New England Corporation, Boston, Massachusetts, to engage in (1) placing third-party commercial paper as agent; and (2) underwriting and dealing in certain municipal revenue bonds, one- to four-family mortgage-related securities, commercial paper, and consumer-receivable-related securities through its wholly owned subsidiary, BNE Capital Market Company, Boston, Massachusetts. In accordance with Title II of the Competitive Equality Banking Act of 1987, the Board has delayed the effective date of its Order with respect to the proposed underwriting and dealing activity.

EXTENSION OF COMMENT PERIOD

The Federal Reserve Board announced on December 11, 1987, an extension to January 8, 1988, of the comment period on a program to permit state member agricultural banks to amortize losses on qualified agricultural loans.

The Board allowed the extension even though its final rule regarding this matter became effective November 9, 1987, and information on amortized loans will appear on reports of condition beginning December 31, 1987.

The program was created by Title VIII of the Competitive Equality Banking Act of 1987.

PROPOSED ACTIONS

The Federal Reserve Board issued for public comment on December 3, 1987, a proposed new regulation to carry out provisions of the Expedited Funds Availability Act.

Comment should be submitted to the Board by February 8, 1988. Because of the lead time needed by banks to comply with the new law, the Board said it would be unable to extend the time for comment beyond the 60-day period.

The Federal Reserve Board also issued for public comment on December 22, 1987, a proposal to amend its Regulation Z (Truth in Lending), to require creditors to give consumers increased disclosures about home equity lines of credit much earlier in the credit process. Comment is requested by February 8, 1988.

PROPOSED REVISIONS TO OFFICIAL STAFF COMMENTARIES ON REGULATIONS B, E, AND Z

The Federal Reserve Board issued for public comment on December 10, 1987, proposed revisions to the official staff commentaries for three of its consumer credit protection regulations, Regulation B (Equal Credit Opportunity), Regulation E (Electronic Fund Transfers), and Regulation Z (Truth in Lending).

SYSTEM MEMBERSHIP: ADMISSION OF STATE BANKS

The following state banks were admitted to membership in the Federal Reserve System during the period December 1 through December 31, 1987:

Delaware

New Castle . . . . Fidelity Bank Delaware

Florida

Hollywood . . . . Florida First International Bank

Alachua . . . United Citizens Bank of Alachua County

Pennsylvania

Berks County . . . . . . Berks County Bank

Philadelphia . . . . Princeton Bank of Pennsylvania

Philadelphia County . . . . . . Glendale Bank of Pennsylvania

Virginia

Chesapeake . . . . . Bank of Hampton Roads

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON NOVEMBER 3, 1987

1. Domestic Policy Directive

The economic information available at this meeting was reviewed in the context of the extraordinary developments in financial markets since the Committee meeting on September 22. Over the period, equity prices had fallen sharply and a record drop in mid-October was accompanied by falling interest rates and heightened preferences for safety and liquidity. The economic effects of such developments were not yet clear. At the time of the meeting, data relating to nationwide business activity were available only for the period prior to the mid-October collapse in stock prices. Such data showed that the economy had expanded at a fairly brisk pace in the third quarter; growth in the industrial sector was especially robust, spurred by a sharp pickup in business investment and a further expansion in exports. Prices continued to rise at a relatively moderate rate in recent months, and even with fairly strong labor demands and a considerably reduced unemployment rate, wages accelerated only slightly.

Industrial production rose somewhat further in September after a large increase earlier in the summer. In the third quarter as a whole, output was up nearly 9 percent at an annual rate, with large gains in most major groupings. Production of business equipment was especially strong, apparently reflecting improved foreign as well as domestic demand for U.S. products. Materials output also continued to strengthen, but auto assemblies were reduced sharply in August and September.

Labor demand, on balance, remained strong. Nonfarm payroll employment rose again in September. Manufacturing employment posted a sizable rise in the third quarter, with widespread gains across both durable and nondurable goods industries. Job growth elsewhere, however, has slowed; construction employment dropped in September, and hiring in the finance, insurance, and real estate grouping was damped in part by slower mortgage originations. The civilian unemployment rate continued to edge down in September, touching 5.9 percent.

Retail sales declined somewhat in September, but consumer spending rose substantially in the third quarter, reflecting primarily an incentive-induced increase in outlays on motor vehicles. With the expiration of the incentives at the end of September, sales of domestic autos dropped sharply. Purchases of other goods were about unchanged last quarter because of continued softness in the demand for big-ticket items as well as for most types of nondurables. However, outlays for services rose appreciably.

Housing activity through September continued to be limited by the effects of higher mortgage interest costs and elevated rental vacancy rates. Building permits were flat in September and, although starts picked up to an annual rate of 1.67 million units, they remained well below the pace of early this year.

Business fixed investment was strong in the third quarter, paced by a surge in purchases of computers, a bulge in purchases of motor vehicles, and a substantial increase in spending on other types of equipment. Outlays on structures also recorded a large rise, as petroleum drilling activity expanded sharply, spending by public utilities increased appreciably, and office construction firmed. The advance spending indicators available through September also pointed to continued strength. Recent events in financial markets were expected to lead to some reassessment of spending plans, but investment outlays would be supported in the near term by projects that were already under way.

Inventory investment was held down in the third quarter by a sharp liquidation of stocks at automobile dealers. Based on data available through August, the level of stocks in other trade categories rose somewhat further but generally did not appear to be excessive in relation to sales. In the manufacturing sector, the stronger orders received since last spring contributed to an increase in the pace of inventory accumulation that was fairly widespread by industry and by stage of fabrication; nonetheless, inventory–sales ratios in most industries remained low at the end of August.

The U.S. merchandise trade deficit in July–August was estimated to have been marginally larger than in the second quarter on a seasonally adjusted basis; both imports and exports rose substantially over the two months. A surge in oil imports, most of which went into domestic inventories, accounted for about half of the July–August rise in total imports. Nonagricultural exports continued to grow at a rapid pace, with shipments of commercial aircraft showing particular strength in July. Agricultural exports also picked up markedly.

Indicators of business conditions in major foreign industrial countries generally suggested somewhat faster economic expansion in the third quarter than the weak average pace of the first half of the year, while inflation abroad remained low. In Japan, industrial production in the third quarter was noticeably above the average level for the first half of the year. The trade surplus was down slightly in nominal terms in the third quarter, and more substantially in real terms. At the same time, consumer prices in Japan were slightly above their year-earlier level, while wholesale prices showed a smaller four-quarter decline than in previous quarters. German industrial production rebounded significantly in August, after declines in the previous two months, but the average level for July–August was still below its year-earlier level. Consumer prices in Germany in the third quarter were slightly above their level of a year earlier. Output in the United Kingdom continued to grow at a healthy pace, while that in France and Italy slowed somewhat.

Increases in U.S. consumer prices have been relatively moderate in recent months. The CPI rose 0.2 percent in September, as retail energy prices fell but food prices rose. Excluding food and energy items, consumer prices have slowed a bit recently from the average pace over the first seven months of the year. Price increases for finished goods at the producer level also have remained moderate. However, prices for intermediate and crude materials (apart from food and energy) have continued to rise substantially, reflecting the higher levels of industrial activity, the lower exchange value of the dollar, and the effects on petroleum-based products of earlier increases in crude oil prices. Wage trends have remained moderate, although increases in the past few months have been slightly larger than earlier in the year.

At its meeting on September 22, the Committee adopted a directive that called for maintaining the degree of pressure on reserve positions that had been sought since early September. The members decided that somewhat greater or somewhat lesser reserve restraint would be acceptable depending on indications of inflationary pressures, the strength of the business expansion, developments in foreign exchange markets, as well as the behavior of the monetary aggregates. Adjustment plus seasonal borrowing in the first complete reserve maintenance period following the September meeting increased to a daily average of about $725 million, boosted in part by unusual borrowing related to Reserve Bank computer problems. Apart from higher levels around the quarter-end, federal funds traded in a 7¼ to 7½ percent range during that maintenance period. Federal funds and other interest rates subsequently rose through mid-October as market participants appeared to anticipate monetary tightening in an environment of firmer policy abroad, concerns about the dollar, and pessimism about the prospects for domestic inflation.

After declining appreciably in the first half of the month, stock prices plunged on October 19 in chaotic trading. Most interest rates fell sharply. The Committee held daily telephone conferences in the last two weeks of October to assess the extraordinary developments in financial markets. The members agreed on the need to assure adequate liquidity in a period of continuing volatility in domestic and international financial markets, and in particular on the need to meet promptly any unusual liquidity requirements of the economic and financial system in this period. They recognized that special flexibility in the conduct of open market operations was called for after the stock market collapse. Accordingly, reserves were provided generously on a daily basis, often at an atypically early hour. In the process, operations were directed toward some easing in reserve market conditions. The degree of pressure that was sought on reserve positions was reduced shortly after October 19 and again late in the month, but actual operations continued to be guided by day-to-day developments. Growth in nonborrowed reserves surged in late October as open market operations accommodated substantially enlarged desires for excess reserves and a large increase in required reserves associated with a sharp rise in transactions deposits.

In addition to providing liquidity to the financial markets through open market operations, the Federal Reserve assisted the Treasury market by relaxing some of the constraints on its collateralized lending of Treasury securities to primary dealers. Committee members agreed on a temporary suspension of the size limits imposed on loans of securities to individual dealers and the requirement that such loans not be related to short sales.[1]

The federal funds rate dropped from above 7½ percent just before October 19 to 7 percent and below immediately following the stock market collapse; borrowing at the discount window averaged $525 million in the reserve maintenance period ending October 21 and excess reserves rose substantially, reflecting cautious reserve management by depository institutions. During the early part of the current reserve maintenance period, federal funds traded mostly in a 7 to 7¼ percent range, but more recently the funds rate moved below 7 percent after large injections of reserves by the Desk. Borrowing in the current reserve maintenance period was running well below that in the previous period.

1. Secretary's note: The temporary liberalization of securities lending terms was terminated effective November 19, 1987.

Equity prices fluctuated sharply after their collapse on October 19, but most major stock indexes have recovered to levels somewhat above their October lows. Markets for fixed-income securities also were quite volatile after mid-October, but yields fell substantially on balance, with rates on long-term Treasury and high-grade corporate bonds reversing much of their runup since August. In recent days, bond markets generally have retained their earlier gains, as market participants have appeared to reassess the outlook for the economy, inflation, and monetary policy. In short-term markets, Treasury bill rates have shown net declines of around 1¼ percentage points since mid-October, in association with the easing of reserve conditions as well as increased demands for safe and liquid instruments, while rates on some private money market instruments have fallen somewhat less. In general, pressures in financial markets appeared to have moderated to some extent, although the markets continued to be characterized by an unusual degree of anxiety and uncertainty.

The dollar moved lower during the first half of October, especially after the release of U.S. trade data on October 14 intensified market concern over the failure of the U.S. current account balance to improve. Though the dollar firmed temporarily immediately following the worldwide stock market collapse and reports of Secretary Baker's meeting with German officials, by the latter part of October the dollar again came under downward pressure amid widespread speculation that dollar exchange rates under the Louvre accord would be allowed to adjust downward. In addition, interest rates in the United States had dropped substantially relative to those in other major industrial countries. Over the entire intermeeting period, the dollar declined by about 4½ percent in terms of a weighted average of other G-10 currencies.

The plunge in equity prices prompted moves to short-term liquid assets, and growth of money, especially M1, appears to have accelerated in October. Demand deposits rose sharply around the time of the stock market collapse, perhaps reflecting the huge increase in financial transactions associated with the market turmoil. M2 growth was bolstered as well by an increase in assets of money market funds, which may have been associated in part with shifts from equity market funds. Even so, growth in M2 through October was estimated to have remained well below its long-run range. Expansion in M3 was boosted by increases in the managed liabilities of banks, partly to finance a sharp rise in security loans. This aggregate has continued to increase at about the lower bound of its range for the year. Growth of nonfinancial debt has remained around the middle of its long-run monitoring range.

The staff projection suggested that the decline in equity prices would lead to weaker economic growth through the end of 1988 than was expected at the time of the September meeting. The economy would be supported to an extent by the decline in interest rates and the lower dollar. However, the effects of these developments on domestic demand and net exports were thought likely to offset only part of the adverse impact of sharply lower equity prices on consumers and businesses. Consumption was expected to be relatively subdued in the quarters immediately ahead, reflecting the termination of automobile sales incentive programs as well as stock market developments, but to pick up later next year. Real business fixed investment was projected to grow at a slow pace given the outlook for sales. Housing construction was likely to drop somewhat in the near term, but that decline was forecast to be stemmed by lower mortgage rates. The outlook for real net exports of goods and services remained favorable, but with domestic demands weaker, the unemployment rate probably would move up somewhat. Against this background, the projected increases in prices and wages over the coming year were expected to be somewhat less than previously expected. Nonetheless, some pickup in price pressures still might be observed in association with sizable increases in nonpetroleum import prices.

In the Committee's discussion of current and prospective economic developments, the members focused on the potential effects of the recent turbulence in financial markets. They generally agreed that the sharp decline in stock prices and the still unsettled conditions in financial markets portended weaker growth in economic activity, at least for the nearer term, but also a lower risk of any substantial pickup in inflation. Members stressed that, while the direction of the adjustment was clear, it still was too early to quantify the impact of the recent disturbances in financial markets. No data were available on the overall performance of the economy since mid-October. Most business contacts around the country reported little or no immediate changes in retail sales activity or in business investment plans, but uncertainties about prospective business conditions clearly had increased. A more cautious attitude had emerged in the business community and possibly also among consumers.

Members commented that the staff forecast of somewhat reduced economic growth over the next several quarters was a reasonable expectation, but one that presumed the return of confidence and more normal conditions in financial markets. Accordingly, the risks of a different outcome, notably in the direction of more weakness, were viewed as much greater than usual. The prospects for satisfactory economic performance clearly depended on the restoration of generally stable financial conditions that would in turn foster the basic confidence that was needed to sustain long-term investments in business capital and in the debt and equity markets. The timing of such a development could not be predicted, but the members agreed that progress in reducing the federal budget deficit could play a key role by relieving market concerns and uncertainties. Indeed, recently renewed efforts to cut the budget deficit had contributed to a marginal reduction of tensions in key financial markets.

Despite the uncertainties that were involved, a few members stressed that the outlook for sustained economic growth still could be viewed as basically promising. Available data indicated an appreciable momentum in the current expansion, at least through the third quarter, and recent declines in interest rates along with an increasing ability of domestic firms to compete with foreign producers constituted elements of strength in the business picture. The view also was expressed that both the financial and the nonfinancial sectors of the economy were better balanced than earlier in the current business expansion. A less optimistic view pointed to the possibility that consumer and business spending might continue to be inhibited by the negative impact of stock price declines on wealth positions, the cost of equity capital, and more generally on consumer and business confidence. One member observed that a recession could not be ruled out and incoming data on the economy would need to be scrutinized with special care for signs of greater weakness than now were expected.

The members continued to view further improvement in real net exports as a key to sustaining moderate expansion in business activity, especially in the context of potentially weaker domestic demands than had been anticipated earlier. The prospects for continuing gains seemed favorable, given the depreciation of the dollar and indications of considerable improvements in the productivity of U.S. manufacturers. Tending to support such an outlook were reports from various parts of the country indicating that many domestic firms were competing more effectively in export markets and with importers. At the same time, some members commented that improvement in the nation's nominal net export position continued to be held back by the vigorous efforts of foreign firms to maintain market shares at the expense of profit margins as their own currencies appreciated in relation to the dollar. As they had at earlier meetings, members observed that trade developments would depend to an important extent on the economic performance of key foreign industrial nations.

Turning to the prospects for wages and prices, a number of members indicated that they saw in recent developments a potential for somewhat less inflation than they had anticipated earlier. The large decline in stock prices had reduced inflation expectations, and the weakening in the outlook for economic growth implied less pressures on wages and prices. Other developments that would tend to curb inflation included indications of ongoing improvement of labor productivity in manufacturing and the substantial slowdown in monetary growth this year. On the other hand, reference also was made to pressures on capacity in a number of industries, including some that competed actively with foreign producers. A sizable further decline in the dollar, should it occur, would exacerbate price and wage pressures in those industries and in the economy more generally.

At its meeting in July, the Committee reviewed the basic policy objectives that it had set in February for growth of the monetary and debt aggregates in 1987 and established tentative objectives for expansion of those aggregates in 1988. For the period from the fourth quarter of 1986 to the fourth quarter of 1987, the Committee reaffirmed the ranges established in February that included growth of 5½ to 8½ percent for both M2 and M3. Given developments through mid-year, the Committee agreed that growth in these aggregates around the lower ends of their ranges might be appropriate, depending on the circumstances. The monitoring range for expansion in total domestic nonfinancial debt also was left unchanged at 8 to 11 percent for 1987. For 1988 the Committee agreed on tentative reductions of ½ percentage point to growth ranges of 5 to 8 percent for both M2 and M3. The Committee also reduced the associated range for growth in total domestic nonfinancial debt by ½ percentage point to 7½ to 10½ percent for 1988. With respect to M1, the Committee decided at the July meeting not to set a specific target for the remainder of 1987 or to establish a tentative range for 1988. It was understood that all the ranges for 1988 were provisional and that they would be reviewed early next year in the light of intervening developments. The issues involved with establishing a target for M1 would be carefully reappraised at the beginning of 1988.

In the Committee's discussion of policy implementation for the weeks immediately ahead, the members generally agreed on the basic desirability of directing open market operations toward maintaining the easier conditions that had developed in money markets. This would involve about the degree of pressure on reserve positions that had been sought most recently. The members recognized that the still unsettled conditions in financial markets and related uncertainties in the economic outlook might continue to call for the more flexible and accommodative approach to policy that had characterized operations since October 19. This approach implied giving more weight than usual to money market conditions in order to facilitate the return to a more normal functioning of financial markets and to minimize the chances that the Committee's intentions would be misinterpreted. Such an approach also could help to assure that shifting demands for liquidity and reserves would be accommodated without undesirable fluctuations in money market conditions. As financial markets continued to stabilize, open market operations would be phased into a more normal approach to policy that was oriented more fully to a provision of reserves keyed to pressures on reserve positions. The transition would need to be executed with a great deal of caution under the still sensitive market circumstances that were foreseen.

Committee members agreed that the lower interest rates that had emerged since mid-October were needed to help offset the effects of the sharp decline in stock prices. It was acknowledged that the interest rate reductions increased the risks for the dollar in the foreign exchange markets, particularly in the absence of similar reductions abroad, but in the opinion of a number of members those risks were manageable. Some members expressed concern, however, that a further substantial depreciation in the dollar, if it were to materialize, would have seriously adverse consequences for domestic prices and interest rates and might indeed trigger another crisis in domestic and international financial markets.

To the extent that market developments permitted a more normal focus on the implementation of a desirable degree of pressure on reserve positions, attention might need to be given during the intermeeting period to a possible adjustment in such reserve conditions depending on economic and financial developments and the behavior of the monetary aggregates. All of the members could foresee possible adjustments in either direction under alternative potential circumstances. However, in light of the uncertainties that continued to dominate financial markets and the risks that the recent developments could depress business activity, nearly all believed that policy implementation should remain especially alert to developments that might call for somewhat easier reserve conditions.

In keeping with the Committee's usual approach, it was understood that any decision to alter reserve objectives during the intermeeting period should take account of the behavior of the monetary aggregates. The members took note of a staff analysis, which indicated that the uncertainty surrounding projections of monetary growth was considerably greater than usual. In particular, the extent to which heightened preferences for liquidity and substantial variations in the volume of financial transactions might affect future demand for money balances was difficult to gauge. Moreover, it was hard to assess how quickly the money markets and depository institutions would move to reestablish a more normal structure of short-term market and deposit interest rates and in particular how fully the opportunity costs of holding money balances would be adjusted in the period ahead. On the assumption that conditions in financial markets would gradually return to more normal patterns but that some residual of the heightened demands for liquidity would remain, the reserve conditions that were contemplated might be accompanied by somewhat faster growth in M2 and M3 in the current quarter than had occurred in the third quarter. The members understood that such growth implied expansion in M2 for the year that would be well below the Committee's range and growth in M3 that was close to the lower end of its range. Growth in M1 continued to be particularly difficult to project in present circumstances, but a considerable slowing after the October bulge was seen as likely over the balance of the quarter.

Given the Committee's current approach to open market operations, the members anticipated that the federal funds rate would continue to fluctuate generally in a fairly narrow band close to recent levels. Nonetheless, most of the members agreed that the usual, relatively wide range to trigger a consultation should continue to be set for the federal funds rate. A majority favored a reduction in the range from the current 5 to 9 percent to 4 to 8 percent. While the midpoint of the current range would be centered approximately on the expected average trading level, some members commented that a rise toward 9 percent would have destabilizing effects in the period ahead. Moreover, a 4 to 8 percent range might be viewed as more in keeping with the recent thrust in monetary policy and the expectation that intermeeting adjustments, if any, were likely to be in the direction of easier reserve conditions.

At the conclusion of the Committee's discussion, all of the members indicated their support of a directive that called for maintaining the degree of reserve pressure that had been sought in recent days. The members recognized that the volatile conditions in financial markets and related uncertainties in the business outlook might continue to indicate the need for special flexibility in the conduct of open market operations. Such an approach to policy implementation would depend in particular on the strength of demands for liquidity stemming from recent and prospective developments in financial markets. To the extent that the functioning of those markets permitted a return to more normal open market operations, the members indicated that somewhat lesser reserve restraint would be acceptable, while slightly greater reserve restraint might be acceptable, depending on the strength of the business expansion, indications of inflation, the performance of the dollar in foreign exchange markets, with account also taken of the behavior of the monetary aggregates. The members believed that the outlook for monetary growth over the months ahead was subject to unusual uncertainty, but the contemplated reserve conditions were thought likely to be consistent with somewhat faster growth in M2 and M3 than had been expected earlier; such growth might center on annual rates of around 6 to 7 percent for the period from September through December. Largely reflecting the bulge in October, growth in M1 in the fourth quarter as a whole was expected to be well above its average pace in the previous several months. However, because of the very substantial uncertainty that still surrounded the outlook for M1, the Committee decided to continue its practice of not specifying a numerical expectation for its growth. 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 reduced from 5 to 9 percent to 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 economic information available at this meeting was reviewed against the backdrop of extraordinary developments in financial markets in the period since the previous Committee meeting on September 22. Share prices in the stock market were down sharply. Following a particularly large decline of stock prices in mid-October, interest rates fell steeply and increases that had occurred during the first part of the intermeeting period subsequently were more than reversed on most types of debt obligations. Foreign exchange markets were relatively calm over most of the intermeeting period, but the dollar came under significant downward pressure late in the period.

In the third quarter economic activity had expanded at a fairly brisk pace. Total nonfarm payroll employment rose further in September, with the manufacturing sector continuing to record relatively sizable gains. The civilian unemployment rate edged down to 5.9 percent. Industrial production increased somewhat further in September following large gains in other recent months. Retail sales declined somewhat in September, but consumer spending, bolstered by a rise in auto sales, posted a large increase over the third quarter. Business capital spending was strong in the third quarter and forward indicators pointed to continuing gains. Housing starts were up in September but were little changed in the third quarter from their second-quarter average. The nominal U.S. merchandise trade deficit narrowed in August, but the July–August average remained above the second-quarter rate. The rise in consumer and producer prices was relatively moderate in recent months following more rapid increases earlier in the year.

Growth of the monetary aggregates appeared to have strengthened in October, with some of the strength reflecting heightened demands for transaction balances and other liquid assets in the latter part of the month. Even so, for 1987 through October, expansion of M2 evidently moved closer to, but remained below, the lower end of the range established by the Committee for the year, while growth of M3 was around the lower end of its range. Expansion in total domestic nonfinancial debt has remained on a more moderate trend in recent months.

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 its meeting in July to reaffirm the ranges established in February for growth of 5½ to 8½ percent for both M2 and M3 measured from the fourth quarter of 1986 to the fourth quarter of 1987. The Committee agreed that growth in these aggregates around the lower ends of their ranges may be appropriate in light of developments with respect to velocity and signs of the potential for some strengthening in underlying inflationary pressures, provided that economic activity is expanding at an acceptable pace. The monitoring range for growth in total domestic nonfinancial debt set in February for the year was left unchanged at 8 to 11 percent.

For 1988, the Committee agreed on tentative ranges of monetary growth, measured from the fourth quarter of 1987 to the fourth quarter of 1988, of 5 to 8 percent for both M2 and M3. The Committee provisionally set the associated range for growth in total domestic nonfinancial debt at 7½ to 10½ percent.

With respect to M1, the Committee recognized that, based on experience, the behavior of that aggregate must be judged in the light of other evidence relating to economic activity and prices; fluctuations in M1 have become much more sensitive in recent years to changes in interest rates, among other factors. Because of this sensitivity, which has been reflected in a sharp slowing of the decline in M1 velocity over the first half of the year, the Committee again decided at the July meeting not to establish a specific target for growth in M1 over the remainder of 1987 and no tentative range was set for 1988. The appropriateness of changes in M1 this year will continue to be evaluated in the light of the behavior of its velocity, developments in the economy and financial markets, and the nature of emerging price pressures. The Committee welcomes substantially slower growth of M1 in 1987 than in 1986 in the context of continuing economic expansion and some evidence of greater inflationary pressures. The Committee in reaching operational decisions over the balance of the year will take account of growth in M1 in the light of circumstances then prevailing. The issues involved with establishing a target for M1 will be carefully reappraised at the beginning of 1988.

In the implementation of policy for the immediate future, the Committee seeks to maintain the degree of pressure on reserve positions sought in recent days. The Committee recognizes that the volatile conditions in financial markets and uncertainties in the economic outlook may continue to call for a special degree of flexibility in open market operations, depending, in particular, on demands for liquidity growing out of recent or prospective developments in financial markets. Apart from such considerations, somewhat lesser reserve restraint would, or slightly greater reserve restraint might, be acceptable depending on the strength of the business expansion, indications of inflationary pressures, developments in foreign exchange markets, as well as the behavior of the monetary aggregates. While the outlook for monetary growth over the months ahead is subject to unusual uncertainty, the contemplated reserve conditions are expected to be consistent with growth in M2 and M3 over the period from September through December at annual rates of about 6 to 7 percent, but more rapid growth is possible should preferences for liquidity be particularly strong. Over the same period, growth in M1 is expected to be well above its average pace in the previous several months. 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. Greenspan, Corrigan, Angell, Boehne, Boykin, Heller, Johnson, Keehn, Kelley, Ms. Seger, and Mr. Stern. Votes against this action: None.

2. *Authorization for Domestic Open Market Operations*

Effective November 4, 1987, the Committee approved a temporary increase of $3 billion, to $9 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 Operations. The increase was effective for the intermeeting period ending with the close of business on December 16, 1987.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Boehne, Boykin, Heller, Johnson, Keehn, Kelley, Ms. Seger, and Mr. Stern. Votes against this action: None.

This action was taken on the recommendation of the Manager for Domestic Operations. The Manager had advised that the normal leeway of $6 billion for changes in the System's Account probably would not be sufficient over the intermeeting period because of seasonal increases in currency in circulation and required reserves; such increases could be enlarged even further if current financial market tensions persisted.

Legal Developments

AMENDMENTS TO REGULATIONS D AND Q

The Board of Governors is amending 12 C.F.R. Part 204, its Regulation D, and 12 C.F.R. Part 217, its Regulation Q. The Board is amending Part 204 and Part 217 by rescinding obsolete published interpretations of Regulation Q and by revising others to reflect the expiration, on March 31, 1986, of the Depository Institutions Deregulation Act of 1980 ("DIDA"), as well as to clarify and simplify them. The Board is preserving some of the revised interpretations by reclassifying them as interpretations of Regulation D. The Board is also making technical corrections to Regulation D and to several interpretations in Regulation D by removing unnecessary references or by incorporating clarifications that have been published elsewhere.

Effective March 31, 1986, the Board amended its Regulations D and Q to reflect the expiration of the DIDA. The expiration of the DIDA and the amendments to Regulations D and Q eliminated rate ceilings on the payment of interest on deposits and rendered many of the Regulation Q interpretations obsolete. The amendments to the interpretations of Regulations D and Q hereby adopted are technical and conform the surviving interpretations to the current Regulations D and Q.

Effective December 31, 1987, 12 C.F.R. Part 204 and 12 C.F.R. Part 217 are amended as follows:

Part 204—Reserve Requirements of Depository Institutions

Part 217—Interest on Deposits

1. The authority citation for 12 C.F.R. Part 204 continues to read as follows:

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

2. The authority citation for 12 C.F.R. Part 217 continues to read as follows:

Authority: 12 U.S.C. §§ 248, 371, 371a, 371b, 461, 1828, 3105.

3. Section 204.2(a)(1)(v) is amended by removing "four" and replacing it with "one and one-half" where it refers to years.

4. Section 204.2(a)(1)(vii)(C) is amended by removing "is not subject to federal interest rate ceilings,."

5. Section 204.122(b) is revised as follows:

Section 204.122—Secondary market activities of International Banking Facilities

* * * * *

(b) Consistent with the Board's intent, IBFs may purchase IBF-eligible assets[1] from, or sell such assets to, any domestic or foreign customer provided that the transactions are at arm's length without recourse. However, an IBF of a U.S. depository institution may not purchase assets from, or sell such assets to, any U.S. affiliate of the institution establishing the IBF; an IBF of an Edge or Agreement corporation may not purchase assets from, or sell assets to, any U.S. affiliate of the Edge or Agreement corporation or to U.S. branches of the Edge or Agreement corporation or to U.S. branches of the Edge or Agreement corporation other than the branch[1] establishing the IBF; and an IBF of a U.S. branch or agency of a foreign bank may not purchase assets from, or sell assets to any U.S. affiliates of the foreign bank or to any other U.S. branch or agency of the same foreign bank.[2] (This would not prevent an IBF from purchasing (or selling) assets directly from (or to) any IBF, including an IBF of an affiliate, or to the institution establishing the IBF; such purchases from the institution establishing the IBF would continue to be subject to Eurocurrency reserve requirements except during the initial four-week transition period.) Since repurchase agreements are regarded as loans, transactions involving repurchase agreements are permitted only with customers

1. In order for an asset to be eligible to be held by an IBF, the obligor or issuer of the instrument, or in the case of bankers' acceptances, the customer and any endorser or acceptor, must be an IBF-eligible customer.

2. Branches of Edge or Agreement corporations and agencies and branches of foreign banks that file a consolidated report for reserve requirements purposes (FR 2900) are considered to be the establishing entity of an IBF.

who are otherwise eligible to deal with IBFs, as specified in Regulation D.

* * * * *

6. Section 204.123 is amended by removing from its first paragraph the sentence, "A parallel exemption in Regulation Q . . . (12 C.F.R. 217.1(f)(1))."

7. Section 204.124(a) is amended by removing from the sentence, "A parallel exemption in Regulation Q . . . (12 C.F.R. 217.1(f)(2))."

8. Footnote 4 of section 204.2(c)(1)(iv)(E) is amended by removing "217.126" and replacing it with "204.125" and section 217.126 is redesignated as section 204.125, and revised to read as follows:

Section 204.125—Foreign, international, and supranational entities whose deposits are exempt from reserves

The entities referred to in section 204.2(c)(1)(iv)(E) are:

EUROPE

Bank for International Settlements.
European Atomic Energy Community.
European Coal and Steel Community.
The European Communities.
European Development Fund.
European Economic Community.
European Free Trade Association.
European Fund.
European Investment Bank.

LATIN AMERICA

Andean Development Corporation.
Andean Subregional Group.
Caribbean Development Bank.
Caribbean Free Trade Association.
Caribbean Regional Development Agency.
Central American Bank for Economic Integration.
The Central American Institute for Industrial Research and Technology.
Central American Monetary Stabilization Fund.
East Caribbean Common Market.
Latin American Free Trade Association.
Organization for Central American States.
Permanent Secretariat of the Central American General Treaty of Economic Integration.
River Plate Basin Commission.

AFRICA

African Development Bank.
Banque Centrale des Etats de l'Afrique Equatorial et du Cameroun.
Banque Centrale des Etats d'Afrique del'Ouest.
Conseil de l'Entente.
East African Community.
Organisation Commune Africaine et Malagache.
Organization of African Unity.
Union des Etats de l'Afrique Centrale.
Union Douaniere et Economique de l'Afrique Centrale.
Union Douaniere des Etats de l'Afrique de l'Ouest.

ASIA

Asia and Pacific Council.
Association of Southeast Asian Nations.
Bank of Taiwan.
Korea Exchange Bank.

MIDDLE EAST

Central Treaty Organization.
Regional Cooperation for Development.

9. Section 217.137 is redesignated as section 204.126, and revised to read as follows:

Section 204.126—Depository institution participation in "Federal funds" market

(a) Under section 204.2(a)(1)(vii)(A), there is an exemption from Regulation D for member bank obligations in nondeposit form to another bank. To assure the effectiveness of the limitations on persons who sell Federal funds to depository institutions, Regulation D applies to nondocumentary obligations undertaken by a depository institution to obtain funds for use in its banking business, as well as to documentary obligations. Under section 204.2(a)(1)(vii) of Regulation D, a depository institution's liability under informal arrangements as well as those formally embodied in a document are within the coverage of Regulation D.
(b) The exemption in section 204.2(a)(1)(vii)(A) applies to obligations owed by a depository institution to a domestic office of any entity listed in that section (the "exempt institutions"). The "exempt institutions" explicitly include another depository institution, foreign bank, Edge or agreement corporation, New York Investment (article XII) Company, the Export-Import Bank of the United States, Minbanc Capital Corp., and certain other credit sources. The term "exempt

institutions" also includes subsidiaries of depository institutions:

(1) that engage in businesses in which their parents are authorized to engage; or

(2) the stock of which by statute is explicitly eligible for purchase by national banks.

(c) To assure that this exemption for liabilities to exempt institutions is not used as a means by which nondepository institutions may arrange through an exempt institution to "sell" Federal funds to a depository institution, obligations within the exemption must be issued to an exempt institution for its own account. In view of this requirement, a depository institution that "purchases" Federal funds should ascertain the character (not necessarily the identity) of the actual "seller" in order to justify classification of its liability on the transaction as "Federal funds purchased" rather than as a deposit. Any exempt institution that has given general assurance to the purchasing depository institution that sales by it of Federal funds ordinarily will be for its own account and thereafter executes such transactions for the account of others, should disclose the nature of the actual lender with respect to each such transaction. If it fails to do so, the depository institution would be deemed by the Board as indirectly violating section 19 of the Federal Reserve Act and Regulation D.

10. Section 217.138 is redesignated as section 204.127, and revised to read as follows:

Section 204.127—Nondepository participation in "Federal funds" market

(a) The Board has considered whether the use of "interdepository institution loan participations" ("IDLPs") which involve participation by third parties other than depository institutions in Federal funds transactions, comes within the exemption from "deposit" classification for certain obligations owed by a depository institution to an institution exempt in section 204.2(a)(1)(vii)(A) of Regulation D. An IDLP transaction is one through which an institution that has sold Federal funds to a depository institution, subsequently "sells" or participates out that obligation to a nondepository third party without notifying the obligated institution.

(b) The Board's interpretation regarding Federal funds transactions (12 C.F.R. 204.126) clarified that a depository institution's liability must be issued to an exempt institution described in section 204.2(a)(1)(vii)(A) of Regulation D for its own account in order to come within the nondeposit exemption for interdepository liabilities. The Board regards transactions which result in third parties gaining access to the Federal funds market as contrary to the exemption contained in section 204.2(a)(1)(vii)(A) of Regulation D regardless of whether the nondepository institution third party is a party to the initial transaction or thereafter becomes a participant in the transaction through purchase of all or part of the obligation held by the "selling" depository institution.

(c) The Board regards the notice requirements set out in 12 C.F.R. 204.126 as applicable to IDLP-type transactions as described herein so that a depository institution "selling" Federal funds must provide to the purchaser:

(1) notice of its intention, at the time of the initial transaction, to sell or participate out its loan contract to a nondepository third party, and

(2) full and prompt notice whenever it (the "selling" depository institution) subsequently sells or participates out its loan contract to a non-depository third party.

11. Section 217.146 is redesignated as section 204.128, and revised to read as follows:

Section 204.128—Deposits at foreign branches guaranteed by domestic office of a depository institution

(a) In accepting deposits at branches abroad, some depository institutions may enter into agreements from time to time with depositors that in effect guarantee payment of such deposits in the United States if the foreign branch is precluded from making payment. The question has arisen whether such deposits are subject to Regulation D, and this interpretation is intended as a clarification.

(b) Section 19 of the Federal Reserve Act which establishes reserve requirements does not apply to deposits of a depository institution "payable only at an office thereof located outside of the States of the United States and the District of Columbia" (12 U.S.C. 371a; 12 C.F.R. 204.1(c)(5)). The Board ruled in 1918 that the requirements of section 19 as to reserves to be carried by member banks do not apply to foreign branches (1918 *Fed. Res. Bull.* 1123). The Board has also defined the phrase "Any deposit that is payable only at an office located outside the United States," in section 204.2(t) of Regulation D, 12 C.F.R. 204.2(t).

(c) The Board believes that this exemption from reserve requirements should be limited to deposits in foreign branches as to which the depositor is entitled, under his agreement with the depository institution, to demand payment only outside the United States, regardless of special circumstances. The exemption is intended principally to enable foreign branches of U.S.

depository institutions to compete on a more nearly equal basis with banks in foreign countries in accordance with the laws and regulations of those countries. A customer who makes a deposit that is payable solely at a foreign branch of the depository institution assumes whatever risk may exist that the foreign country in which a branch is located might impose restrictions on withdrawals. When payment of a deposit in a foreign branch is guaranteed by a promise of payment at an office in the United States if not paid at the foreign office, the depositor no longer assumes this risk but enjoys substantially the same rights as if the deposit had been made in a U.S. office of the depository institution. To assure the effectiveness of Regulation D and to prevent evasions thereof, the Board considers that such guaranteed foreign-branch deposits must be subject to that regulation.
(d) Accordingly, a deposit in a foreign branch of a depository institution that is guaranteed by a domestic office is subject to the reserve requirements of Regulation D the same as if the deposit had been made in the domestic office. This interpretation is not designed in any respect to prevent the head office of a U.S. bank from repaying borrowings from, making advances to, or supplying capital funds to its foreign branches, subject to Eurocurrency liability reserve requirements.

12. Section 217.153 is redesignated as section 204.129, and revised to read as follows:

Section 204.129—Serial, sinking fund redemption, and amortized issues as capital

(a) Section 204.2(a)(1)(vii) contains several exceptions which exclude certain liabilities from the definition of "deposit." For a member bank, the exception in section 204.2(a)(1)(vii)(C) means any liability that:
(1) Bears on its face, in bold face type, the following:

"This obligation is not a deposit and is not insured by the Federal Deposit Insurance Corporation."

(2) is subordinated to the claims of the depositors;
(3) is unsecured and is ineligible as collateral for a loan by the issuing bank and expressly states so on its face;
(4) (i) Has an original maturity of at least seven years or, in the case of a liability that provides for any type of scheduled repayments of principal, has an average maturity[1] of at least seven years[2] and
(ii) provides that once any such repayment of principal begins, all scheduled repayments shall be made at least annually and the amount repaid in each year is no less than in the prior year;
(5) is issued subject to a requirement that no repayment (other than a regularly scheduled repayment already approved by the appropriate Federal bank regulatory agency), including but not limited to a payment pursuant to acceleration of maturity, may be made without the prior written approval of the appropriate Federal bank regulatory agency;[3] and
(6) is in an amount of at least $500.
(b) The appropriate Federal bank regulatory agency may approve the issuance of an obligation that is less than $500 if such lesser amount is necessary:
(1) to satisfy the preemptive rights of shareholders in the case of a convertible debt obligation;
(2) to maintain a ratable unit offering to holders of preemptive rights in the case of an obligation issued exclusively as part of a unit including shares of stock which are subject to such preemptive rights; or
(3) to satisfy shareholders' ratable claims in the case of an obligation issued wholly or partially in exchange for shares of voting stock or assets pursuant to a plan of merger, consolidation, reorganization, or other transaction where the issuer will acquire either a majority of such shares of voting stock or all or substantially all of the assets of the entity whose assets are being acquired; and has been approved by the appropriate Federal bank regulatory agency as an addition to the capital structure of the issuing bank.
(c) The appropriate Federal bank regulatory agency may approve the issuance of an obligation that is less than $500 if such lesser amount is necessary to meet all of the requirements in the preceding clause except the maturity requirement or the requirement that scheduled repayments shall be in amounts at least equal to those made in a previous year; and with respect to which the appropriate Federal bank regulatory agency has determined that exigent circumstances require the issuance of such obligations without regard to the provisions of this part; or was issued or publicly offered before June 30, 1970, with an original maturity of more than two years.
(d) Total outstanding capital notes should not exceed 50 percent of a State member bank's equity capital.

1. The "average maturity" of an obligation or issue repayable in scheduled periodic payments shall be the weighted average of the maturities of all such scheduled repayments.

2. In a serial issue, the member bank may offer no note with a maturity of less than five years.

3. For the purposes of this part, the "appropriate Federal bank regulatory agency" is the Comptroller of the Currency in the case of national bank and the Board of Governors in the case of a State member bank.

(e) The issuance must be consistent with the Board's capital adequacy guidelines (Appendix A to Regulation Y, 12 C.F.R. Part 225.)

13. Section 217.157 is redesignated as section 204.130, and revised to read as follows:

Section 204.130—Eligibility for NOW Accounts

(a) Summary. In response to many requests for rulings, the Board has determined to clarify the types of entities that may maintain NOW accounts at member banks.

(b) Individuals.

(1) Any individual may maintain a NOW account regardless of the purposes that the funds will serve. Thus, deposits of an individual used in his or her business including a sole proprietor or an individual doing business under a trade name is eligible to maintain a NOW account in the individual's name or in the "DBA" name. However, other entities organized or operated to make a profit such as corporations, partnerships, associations, business trusts, or other organizations may not maintain NOW accounts.

(2) Pension funds, escrow accounts, security deposits, and other funds held under various agency agreements may also be classified as NOW accounts if the entire beneficial interest is held by individuals or other entities eligible to maintain NOW accounts directly. The Board believes that these accounts are similar in nature to trust accounts and should be accorded identical treatment. Therefore, such funds may be regarded as eligible for classification as NOW accounts.

(c) Nonprofit organizations.

(1) A nonprofit organization that is operated primarily for religious, philanthropic, charitable, educational, political or other similar purposes may maintain a NOW account. The Board regards the following kinds of organizations as eligible for NOW accounts under this standard if they are not operated for profit:

(i) Organizations described in section 501(c)(3) through (13), and (19) of the Internal Revenue Code (26 U.S.C. (I.R.C. 1954) section 501(c)(3) through (13) and (19));

(ii) Political organizations described in section 527 of the Internal Revenue Code (26 U.S.C. (I.R.C. 1954) section 527); and

(iii) Homeowners and condominium owners associations described in section 528 of the Internal Revenue Code (26 U.S.C. (I.R.C. 1954) section 528), including housing cooperative associations that perform similar functions.

(2) All organizations that are operated for profit are not eligible to maintain NOW accounts at depository institutions.

(3) The following types of organizations described in the cited provisions of the Internal Revenue Code are among those not eligible to maintain NOW accounts:

(i) Credit unions and other mutual depository institutions described in section 501(c)(14) of the Internal Revenue Code (26 U.S.C. (I.R.C. 1954) section 501(c)(14));

(ii) Mutual insurance companies described in section 501(c)(15) of the Internal Revenue Code (26 U.S.C. (I.R.C. 1954) section 501(c)(15));

(iii) Crop financing organizations described in section 501(c)(16) of the Internal Revenue Code (26 U.S.C. (I.R.C. 1954) section 501(c)(16));

(iv) Organizations created to function as part of a qualified group legal services plan described in section 501(c)(20) of the Internal Revenue Code (26 U.S.C. (I.R.C. 1954) section 501(c)(20)); or

(v) Farmers' cooperatives described in section 521 of the Internal Revenue Code (26 U.S.C. (I.R.C. 1954) section 521).

(d) Governmental units. Governmental units are generally eligible to maintain NOW accounts at member banks. NOW accounts may consist of funds in which the entire beneficial interest is held by the United States, any State of the United States, county, municipality, or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico, American Samoa, Guam, any territory or possession of the United States, or any political subdivision thereof.

(e) Funds held by a fiduciary. Under current provisions, funds held in a fiduciary capacity (either by an individual fiduciary or by a corporate fiduciary such as a bank trust department or a trustee in bankruptcy), including those awaiting distribution or investment, may be held in the form of NOW accounts if all of the beneficiaries are otherwise eligible to maintain NOW accounts. The Board believes that such a classification should continue since fiduciaries are required to invest even temporarily idle balances to the greatest extent feasible in order to responsibly carry out their fiduciary duties. The availability of NOW accounts provides a convenient vehicle for providing a short-term return on temporarily idle trust funds of beneficiaries eligible to maintain accounts in their own names.

(f) Grandfather provision. In order to avoid unduly disrupting account relationships, a NOW account established at a member bank on or before August 31, 1981, that represents funds of a nonqualifying entity that previously qualified to maintain a NOW account may continue to be maintained in a NOW account.

14. Section 217.159 is redesignated as section 204.131, and revised to read as follows:

Section 204.131—Participation by a depository institution in the secondary market for its own time deposits

(a) Background. In 1982, the Board issued an interpretation concerning the effect of a member bank's purchase of its own time deposits in the secondary market in order to ensure compliance with regulatory restrictions on the payment of interest on time deposits, with the prohibition against payment of interest on demand deposits, and with regulatory requirements designed to distinguish between time deposits and demand deposits for federal reserve requirement purposes (47 FR 37,878, Aug. 27, 1982). The interpretation was designed to ensure that the regulatory early withdrawal penalties in Regulation Q used to achieve these three purposes were not evaded through the purchase by a member bank or its affiliate of a time deposit of the member bank prior to the maturity of the deposit.

(b) Because the expiration of the Depository Institutions Deregulation Act (Title II of Pub. L. 96–221) on April 1, 1986, removed the authority to set interest rate ceilings on deposits, one of the purposes for adopting the interpretation was eliminated. The removal of the authority to set interest rate ceilings on deposits required the Board to revise the early withdrawal penalties which were also used to distinguish between types of deposits for reserve requirement purposes. Effective April 1, 1986, the Board amended its Regulation D to incorporate early withdrawal penalties applicable to all depository institutions for this purpose (51 FR 9,629, Mar. 20, 1986). Although the new early withdrawal penalties differ from the penalties used to enforce interest rate ceilings, secondary market purchases still effectively shorten the maturities of deposits and may be used to evade reserve requirements. This interpretation replaces the prior interpretation and states the application of the new early withdrawal penalties to purchases by depository institutions and their affiliates of the depository institution's time deposits. The interpretation applies only to situations in which the Board's regulatory penalties apply.

(c) Secondary market purchases under the rule. The Board has determined that a depository institution purchasing a time deposit it has issued should be regarded as having paid the time deposit prior to maturity. The effect of the transaction is that the depository institution has cancelled a liability as opposed to having acquired an asset for its portfolio. Thus, the depository institution is required to impose any early withdrawal penalty required by Regulation D on the party from whom it purchases the instrument by deducting the amount of the penalty from the purchase price. The Board recognizes, however, that secondary market sales of time deposits are often done without regard to the identity of the original owner of the deposit. Such sales typically involve a pool of time deposits with the price based on the aggregate face value and average rate of return on the deposits. A depository institution purchasing time deposits from persons other than the person to whom the deposit was originally issued should be aware of the parties named on each of the deposits it is purchasing but through failure to inspect the deposits prior to the purchase may not be aware at the time it purchases a pool of time deposits that it originally issued one or more of the deposits in the pool. In such cases, if a purchasing depository institution does not wish to assess an applicable early withdrawal penalty, the deposit may be sold immediately in the secondary market as an alternative to imposing the early withdrawal penalty.

(d) Purchases by Affiliates. On a consolidated basis, if an affiliate (as defined in section 204.2(q) of Regulation D) of a depository institution purchases a CD issued by the depository institution, the purchase does not reduce their consolidated liabilities and could be accomplished primarily to assist the depository institution in avoiding the requirements of the Board's Regulation D. Because the effect of the early withdrawal penalty rule could be easily circumvented by purchases of time deposits by affiliates, such purchases are also regarded as early withdrawals of the time deposit, and the purchase should be treated as if the depository institution made the purchase directly. Thus, the regulatory requirements for early withdrawal penalties apply to affiliates of a depository institution as well as to the institution itself.

(e) Depository institution acting as broker. The Board believes that it is permissible for a depository institution to facilitate the secondary market for its own time deposits by finding a purchaser for a time deposit that a customer is trying to sell. In such instances, the depository institution will not be paying out any of its own funds, and the depositor does not have a guarantee that the depository institution will actually be able to find a buyer.

(f) Third-party market-makers. A depository institution may also establish and advertise arrangements whereby an unaffiliated third party agrees in advance to purchase time deposits issued by the institution. The Board would not regard these transactions as inconsistent with the purposes that the early withdrawal penalty is intended to serve unless a depository institution pays a fee to the third party purchaser as compensation for making the purchases or to remove the risk from purchasing the deposits. In this regard, any interim financing provided to such a third party by a depository institution in connection with the institution's secondary market activity involving the institution's time deposits must be made substantially on the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other similarly situated persons and may not involve more than the normal risk of repayment.

(g) Reciprocal arrangements. Finally, while a depository institution may enter into an arrangement with an unaffiliated third party wherein the third party agrees to stand ready to purchase time deposits held by the depository institution's customers, the Board will regard a reciprocal arrangement with another depository institution for purchase of each other's time deposits as a circumvention of the early withdrawal penalty rule and the purposes it is designed to serve.

15. Sections 217.101, 217.103, 217.105, 217.106 through 217.112, 217.114 through 217.121, 217.124, 217.131 through 217.133, 217.135, 217.136, 217.139 through 217.141, 217.144, 217.150, 217.152, 217.155, 217.156, 217.158, and 217.160 are removed.

16. Sections 217.113, 217.148, and 217.151 are redesignated as sections 217.601, 217.602, and 217.603, respectively.

17. Section 217.134 is redesignated and revised as section 217.301 as follows:

Section 217.301—Interest on time deposit falling due on holiday

(a) After the date of "maturity" of any time deposit, such deposit is a demand deposit, and no interest may be paid thereon for any period subsequent to the date of maturity unless the contract provides for an extension of up to 10 calendar days as per footnote 1 to Regulation Q.

(b) The date on which an obligation is due and payable is, of course, determined by the terms of the contract subject to State law, and in most jurisdictions an obligation falling due on a Saturday, Sunday or a holiday comes due on the next succeeding business day. Under Regulation Q, the "maturity" of a time certificate is the day it is legally due and payable; and the funds represented thereby do not become a demand deposit until after that date. Accordingly, where a certificate by its terms falls due on a Saturday, Sunday or a holiday and under State law is due and payable on the next succeeding business day, this Part 217 would not preclude payment of interest on the deposit until and including the day on which it is so payable.

18. Section 217.147 is redesignated and revised as section 217.302 as follows:

Section 217.302—Premiums on deposits

(a) Section 19(i) of the Federal Reserve Act and section 217.3 of Regulation Q prohibits a member bank from paying interest on a demand deposit. Premiums, whether in the form of merchandise, credit, or cash, given by a member bank to a depositor will be regarded as an advertising or promotional expense rather than a payment of interest if:

(1) The premium is given to a depositor only at the time of the opening of a new account or an addition to, or renewal of, an existing account;

(2) no more than two premiums per account are given within a 12-month period; and

(3) the value of the premium or, in the case of articles of merchandise, the total cost (including taxes, shipping, warehousing, packaging, and handling costs) does not exceed $10 for deposits of less than $5,000 or $20 for deposits of $5,000 or more.

(b) The costs of premiums may not be averaged. The member bank should retain sufficient supporting documentation showing that the total cost of a premium, including shipping, warehousing, packaging, and handling costs, does not exceed the applicable $10/$20 limitations and that no portion of the total cost of any premium has been attributed to development, advertising, promotional, or other expenses. A member bank is not permitted directly or indirectly to solicit or promote deposits from customers on the basis that the funds will be divided into more than one account by the institution for the purpose of providing more than two premiums per deposit within a 12-month period.

19. Section 217.161 is redesignated and revised as section 217.201 as follows:

Section 217.201—Repurchase agreements involving shares of a money market mutual fund whose portfolio consists wholly of United States Treasury and Federal agency securities

Such a repurchase agreement is not a "deposit" for purposes of Regulations D and Q. For the text of this interpretation, see the interpretations of the Board's Regulation D at 12 C.F.R. 204.124. A related interpretation also appears in Regulation H—Membership of

State Banking Institutions in the Federal Reserve System at 12 C.F.R. 208.123.

* * * * *

AMENDMENT TO REGULATIONS F AND H

The Board of Governors is amending 12 C.F.R. Part 206, its Regulation F, and 12 C.F.R. Part 208, its Regulation H, issued pursuant to section 12(i) of the Securities Exchange Act of 1934, as amended ("1934 Act"). The amendment provides that State member banks required by sections 12(b) and 12(g) of the 1934 Act ("registered State member banks") to file certain information with the Board must do so on the forms prescribed by the Securities and Exchange Commission ("SEC") for other entities subject to reporting requirements under the 1934 Act. The amendment rescinds the Board's present regulation dealing with disclosures by registered State member banks under the 1934 Act, Regulation F, and adds the new securities disclosure requirement to Regulation H, which governs the activities of State member banks generally. The amendment will also permit, but not require, a registered State member bank with no foreign offices and total assets of $150 million or less to substitute the financial statements from its quarterly report of condition filed with the Board (Federal Financial Institutions Examination Council Forms 033 or 034) for the financial statements normally required on SEC Form 10-Q.

Effective for all filings submitted after January 1, 1988, the Board amends 12 C.F.R Part 206 and 12 C.F.R. Part 208 as follows:

Part 206—Removed and Reserved

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

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

*Authority:*12 U.S.C. §§ 248, 321–338, 486, 1814, 3907, 3909; 15 U.S.C. § 781(i).

2. Section 208.16 is added to read as follows:

Section 208.16—Reporting requirements for State member banks subject to the Securities Exchange Act of 1934

(a) *Filing requirements.* Except as otherwise provided in this section, a State member bank the securities of which are subject to registration pursuant to section 12(b) or section 12(g) of the Securities Exchange Act of 1934 (the "1934 Act") (15 U.S.C. §§ 781(b) and (g)) shall comply with the rules, regulations and forms adopted by the Securities and Exchange Commission ("Commission") pursuant to sections 12, 13, 14(a), 14(c), 14(d), 14(f) and 16 of the 1934 Act (15 U.S.C. §§ 781, 78m, 78n(a), (c), (d), (f) and 78(p). The term "Commission" as used in those rules and regulations shall with respect to securities issued by State member banks be deemed to refer to the Board unless the context otherwise requires.

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

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

(2) A State member bank may not elect to file financial statements from its quarterly report of condition pursuant to paragraph (1) if the amounts reported for net income, total assets or total equity capital in those statements, which are prepared on the basis of federal bank regulatory reporting standards, would differ materially from such amounts reported in financial statements prepared in accordance with generally accepted accounting principles ("GAAP").

(3) A State member bank qualifying for and electing to file financial statements from its quarterly report of condition pursuant to paragraph (1) in its Form 10-Q shall include earnings per share or net loss per share data prepared in accordance with GAAP and disclose any material contingencies as required by Article 10 of the Commission's Regulation S-X (15 C.F.R. § 210.10-01), in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of Form 10-Q.

(c) *Filing instructions, inspection of documents, and nondisclosure of certain information filed.*

(1) All papers required to be filed with the Board pursuant to the 1934 Act or regulations thereunder shall be submitted to the Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D.C. 20551. Material may be filed by delivery to the Board, through the mails, or otherwise. The date on which papers are actually received by the Board shall be the date

of filing thereof if all of the requirements with respect to the filing have been complied with.
(2) No filing fees specified by the Commission's rules shall be paid to the Board.
(3) Copies of the registration statement, definitive proxy solicitation materials, reports and annual reports to shareholders required by this section (exclusive of exhibits) will be available for public inspection at the Board's offices in Washington, D.C., as well as at the Federal Reserve Banks of New York, Chicago, and San Francisco and at the Reserve Bank in the district in which the reporting bank is located.
(4) Any person filing any statement, report, or document under the 1934 Act may make written objection to the public disclosure of any information contained therein in accordance with the procedure set forth below:
(i) The person shall omit from the statement, report, or document, when it is filed, the portion thereof that the person desires to keep undisclosed (hereinafter called the confidential portion). The person shall indicate at the appropriate place in the statement, report, or document that the confidential portion has been so omitted and filed separately with the Board.
(ii) The person shall file with the copies of the statement, report, or document filed with the Board:
(A) as many copies of the confidential portion, each clearly marked "CONFIDENTIAL TREATMENT", as there are copies of the statement, report, or document filed with the Board. Each copy of the confidential portion shall contain the complete text of the item and, notwithstanding that the confidential portion does not constitute the whole of the answer, the entire answer thereto; except that in case the confidential portion is part of a financial statement or schedule, only the particular financial statement or schedule need be included. All copies of the confidential portion shall be in the same form as the remainder of the statement, report, or document; and
(B) an application making objection to the disclosure of the confidential portion. Such application shall be on a sheet or sheets separate from the confidential portion, and shall
(1) identify the portion of the statement, report, or document that has been omitted,
(2) include a statement of the grounds of objection, and
(3) include the name of each exchange, if any, with which the statement, report, or document is filed. The copies of the confidential portion and the application filed in accordance with this subparagraph shall be enclosed in a separate envelope marked "CONFIDENTIAL TREATMENT" and addressed to Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.
(iii) Pending the determination by the Board on the objection filed in accordance with this paragraph, the confidential portion will not be disclosed by the Board.
(iv) If the Board determines that the objection shall be sustained, a notation to that effect will be made at the appropriate place in the statement, report, or document.
(v) If the Board determines that the objection shall not be sustained because disclosure of the confidential portion is in the public interest, a finding and determination to that effect will be entered and notice of the finding and determination will be sent by registered or certified mail to the person.
(vi) If the Board determines that the objection shall not be sustained pursuant to paragraph (c)(4)(v), the confidential portion shall be made available to the public:
(A) 15 days after notice of the Board's determination not to sustain the objection has been given as required by paragraph (c)(4)(v) of this section, provided that the person filing the objection has not previously filed with the Board a written statement that he intends in good faith to seek judicial review of the finding and determination;
(B) 60 days after notice of the Board's determination not to sustain the objection has been given as required by paragraph (c)(4)(v) of this section and the person filing the objection has filed with the Board a written statement that he intends to seek judicial review of the finding and determination but has failed to file a petition for judicial review of the Board's determination; or
(C) upon final judicial determination, if adverse to the party filing the objection.
(vii) If the confidential portion is made available to the public, a copy thereof shall be attached to each copy of the statement, report, or document filed with the Board.

* * * * *

AMENDMENT TO REGULATION T

The Board of Governors is amending 12 C.F.R Part 220, its Regulation T, to permit broker–dealers to aid in the exercise of company stock options owned by employees of the company, its subsidiaries, or affiliates. In lieu of the securities to be received upon exercise, the amendment will allow broker–dealers to accept a fully endorsed employee stock option and instructions to the issuer to deliver the securities to the broker–dealer.

Effective January 25, 1988, the Board amends 12 C.F.R Part 220 as follows:

1. The authority citation for Part 220 continues to read as follows:

Authority: 15 U.S.C. sections 78c, 78g, 78h, 78q, and 78w.

2. Part 220 is amended by adding a new paragraph (4) to 220.3(e) to read as follows:

Section 220.3—General Provisions

* * * * *

(e) Receipt of funds or securities.

* * * * *

(4) A creditor may accept, in lieu of securities, a properly executed exercise notice for a stock option issued by the customer's employer and instructions to the issuer to deliver the resulting stock to the creditor. Prior to acceptance, the creditor must verify that the issuer will deliver the securities promptly and the customer must designate the account into which the securities are to be deposited.

AMENDMENT TO REGULATION Z

The Board of Governors is amending 12 C.F.R. Part 226, its Regulation Z, to require creditors to provide more information about the variable-rate feature of closed-end adjustable-rate mortgages than is currently required under Regulation Z. The amendments require creditors to distribute to consumers an educational booklet about adjustable-rate mortgages, and to provide a more detailed description of the variable-rate feature, along with an historical example. The information must be provided at the time an application form is given to the consumer or before the consumer pays a nonrefundable fee, whichever is earlier. These revisions are intended to address concerns regarding the adequacy of information given to consumers applying for adjustable-rate mortgages and regarding the creditor burden of duplicative federal regulations.

Effective December 28, 1987, but optional compliance until October 1, 1988, 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: Sec. 105, Truth in Lending Act, as amended by sec. 605, Pub. L. 96–221, 94 Stat. 170 (15 U.S.C. 1604 *et seq.*); sec. 1204(c), Competitive Equality Banking Act, Pub. L. 100–86, 101 Stat. 552.

2. Section 226.17 is amended by revising paragraph (b) to read as follows:

Section 226.17—General Disclosure Requirements

* * * * *

(b) *Time of disclosures.* The creditor shall make disclosures before consummation of the transaction. In certain residential mortgage transactions, special timing requirements are set forth in § 226.19(a). In certain variable-rate transactions, special timing requirements for variable-rate disclosures are set forth in § 226.19(b) and § 226.20(c). In certain transactions involving mail or telephone orders or a series of sales, the timing of disclosures may be delayed in accordance with paragraphs (g) and (h) of this section.

* * * * *

3. Section 226.18 is amended by revising footnote 43 and paragraph (f) to read as follows:

Section 226.18—Content of Disclosures

* * * * *

(f) *Variable rate.*

(1) If the annual percentage rate may increase after consummation in a transaction not secured by the consumer's principal dwelling or in a transaction secured by the consumer's principal dwelling with a term of one year or less, the following disclosures:[43]

(i) The circumstances under which the rate may increase.

(ii) Any limitations on the increase.

(iii) The effect of an increase.

(iv) An example of the payment terms that would result from an increase.

(2) If the annual percentage rate may increase after consummation in a transaction secured by the consumer's principal dwelling with a term greater than one year, the following disclosures:

43. Information provided in accordance with §§ 226.18(f)(2) and 226.19(b) may be substituted for the disclosures required by paragraph (f)(1) of this section.

(i) The fact that the transaction contains a variable-rate feature.
(ii) A statement that variable-rate disclosures have been provided earlier.

* * * * *

4. Section 226.22 is amended by redesignating footnote 45a as 45d.

5. Section 226.19 is revised to read as follows:

Section 226.19—Certain Residential Mortgage and Variable-Rate Transactions

(a) *Residential mortgage transactions subject to RESPA.*

(1) *Time of disclosure.* In a residential mortgage transaction subject to the Real Estate Settlement Procedures Act (12 U.S.C. 2601 *et seq.*) the creditor shall make good faith estimates of the disclosures required by § 226.18 before consummation, or shall deliver or place them in the mail not later than three business days after the creditor receives the consumer's written application, whichever is earlier.

(2) *Redisclosure required.* If the annual percentage rate in the consummated transaction varies from the annual percentage rate disclosed under § 226.18(e) by more than ⅛ of 1 percentage point in a regular transaction or more than ¼ of 1 percentage point in an irregular transaction, as defined in § 226.22, the creditor shall disclose the changed terms no later than consummation or settlement.

(b) *Certain variable-rate transactions.*[45a] If the annual percentage rate may increase after consummation in a transaction secured by the consumer's principal dwelling with a term greater than one year, the following disclosures must be provided at the time an application form is provided or before the consumer pays a non-refundable fee, whichever is earlier:[45b]

(1) The booklet titled *Consumer Handbook on Adjustable Rate Mortgages* published by the Board and the Federal Home Loan Bank Board, or a suitable substitute.

(2) A loan program disclosure for each variable-rate program in which the consumer expresses an interest. The following disclosures, as applicable, shall be provided:

(i) The fact that the interest rate, payment, or term of the loan can change.
(ii) The index or formula used in making adjustments, and a source of information about the index or formula.
(iii) An explanation of how the interest rate and payment will be determined, including an explanation of how the index is adjusted, such as by the addition of a margin.
(iv) A statement that the consumer should ask about the current margin value and current interest rate.
(v) The fact that the interest rate will be discounted, and a statement that the consumer should ask about the amount of the interest rate discount.
(vi) The frequency of interest rate and payment changes.
(vii) Any rules relating to changes in the index, interest rate, payment amount, and outstanding loan balance including, for example, an explanation of interest rate or payment limitations, negative amortization, and interest rate carryover.
(viii) An historical example, based on a $10,000 loan amount, illustrating how payments and the loan balance would have been affected by interest rate changes implemented according to the terms of the loan program. The example shall be based upon index values beginning in 1977 and be updated annually until a 15-year history is shown. Thereafter, the example shall reflect the most recent 15 years of index values. The example shall reflect all significant loan program terms, such as negative amortization, interest rate carryover, interest rate discounts, and interest rate and payment limitations, that would have been affected by the index movement during the period.
(ix) An explanation of how the consumer may calculate the payments for the loan amount to be borrowed based on the most recent payment shown in the historical example.
(x) The maximum interest rate and payment for a $10,000 loan originated at the most recent interest rate shown in the historical example assuming the maximum periodic increases in rates and payments under the program; and the initial interest rate and payment for that loan.
(xi) The fact that the loan program contains a demand feature.
(xii) The type of information that will be provided in notices of adjustments and the timing of such notices.
(xiii) A statement that disclosure forms are avail-

45a. Information provided in accordance with variable-rate regulations of other federal agencies may be substituted for the disclosures required by paragraph (b) of this section.
45b. Disclosures may be delivered or placed in the mail not later than three business days following receipt of a consumer's application when the application reaches the creditor by telephone, or through an intermediary agent or broker.

able for the creditor's other variable-rate loan programs.

6. Section 226.20 is amended by adding paragraph (c) to read as follows:

Section 226.20—Subsequent Disclosure Requirements

* * * * *

(c) *Variable-rate adjustments.*[45c] An adjustment to the interest rate with or without a corresponding adjust ment to the payment in a variable-rate transaction

(1) The current and prior interest rates.

(2) The index values upon which the current and prior interest rates are based.

(3) The extent to which the creditor has foregone any increase in the interest rate.

(4) The contractual effects of the adjustment, including the payment due after the adjustment is made, and a statement of the loan balance.

(5) The payment, if different from that referred to in paragraph (c)(4) of this section, that would be required to fully amortize the loan at the new interest rate over the remainder of the loan term.

* * * * *

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 authorize the Board's General Counsel to deny a request for stay of the effective date of a Board order. The Board itself would retain sole discretion to grant a request for staff of the effectiveness of any decision.

Effective for any request for stay pending on December 28, 1987, or received thereafter.

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(K), 38 Stat. 261 and 80 Stat. 1314 (12 U.S.C. 248(k)).

2. Section 265.2(b)(7) is revised to read as follows:

(b)(7) Pursuant to section 262.3(i) of this chapter (Rules of Procedure) to determine whether or not to grant a request for reconsideration or whether to deny a request for stay of the effective date of any action taken by the Board with respect to an action as provided in that part.

* * * * *

ORDERS ISSUED UNDER THE BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

Cardinal Bancorp II, Inc.
Washington, Missouri

Order Approving Formation of a Bank Holding Company

Cardinal Bancorp II, Inc., Washington, Missouri ("Cardinal"), has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act, as amended (12 U.S.C. § 1842(a)(1)) ("Act"), to become a bank holding company by acquiring all of the voting shares of United Bank of Union, Union, Missouri ("Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (52 *Federal Register* 38,014 (1987)). 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.

Cardinal, a non-operating corporation with no subsidiaries, was organized for the purpose of becoming a bank holding company by acquiring Bank, which holds deposits of $92.8 million, representing less than one percent of the deposits in commercial banking organizations in Missouri.[1] Several principals of Cardinal are currently affiliated with two other commercial banking organizations in Missouri. Upon consummation, Cardinal's principals would control less than one percent of the deposits in commercial banks in the state. Accordingly, consummation of the proposal would not increase significantly the concentration of banking resources in Missouri.

Cardinal's principals control the Bank of Washington, which competes directly with Bank in the Washington,

45c. Information provided in accordance with variable-rate subsequent disclosure regulations of other federal agencies may be substituted for the disclosure required by paragraph (c) of this section.

1. All banking data are as of December 31, 1986.

Missouri banking market.[2] Bank of Washington is the largest commercial banking organization in the market, controlling deposits of $111.8 million, representing approximately 22.8 percent of the total deposits in commercial banks in the market. Bank is the second largest commercial banking organization in the market and controls approximately 19.0 percent of the total deposits in commercial banks in the market. Upon consummation, Cardinal's principals would control $204.6 million in deposits, representing approximately 41.7 percent of the deposits in commercial banks in the market. The four-firm concentration ratio for the market is 70.3 percent, and the Herfindahl–Hirschman Index ("HHI") for the market would increase by 863 points to 2355, upon consummation of this proposal.[3]

Although consummation of this proposal would eliminate some existing competition between Bank of Washington and Bank in the Washington banking market, numerous other commercial banks, including offices of some of the largest institutions in the state, would continue to operate in the market after consummation of this proposal. In addition, the Board has considered the presence of thrift institutions in the banking market in its analysis of this proposal. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks.[4] Thrift institutions already exert a considerable competitive influence in the market as providers of NOW accounts and consumer loans, and several are engaged in the business of making commercial loans. Based upon the number, size, market share and commercial lending activities of thrift institutions in the market, the Board has concluded that thrift institutions exert a significant competitive influence that mitigates the anticompetitive effects of this proposal in the Washington banking market.[5] Accordingly, consummation of this proposal would not substantially lessen competition in any banking market.

The financial and managerial resources of Cardinal and Bank are consistent with approval. Considerations relating to the convenience and needs of the communities to be served are also 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. 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 St. Louis, acting pursuant to delegated authority.

By order of the Board of Governors, effective December 21, 1987.

Voting for this action: Vice Chairman Johnson and Governors Seger, Angell, and Kelley. Absent and not voting: Chairman Greenspan and Governor Heller.

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

Orders Issued Under Section 4 of the Bank Holding Company Act

Bank of New England Corporation
Boston, Massachusetts

Order Approving Application to Underwrite and Deal in Certain Securities to a Limited Extent and to Place Commercial Paper

Bank of New England Corporation, Boston, Massachusetts, 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 4(c)(8) of the BHC Act and section 225.21(a) of the Board's Regulation Y, 12 C.F.R. § 225.21(a), to engage through a wholly owned subsidiary, BNE Capital Market Company ("Company"), in underwriting and dealing in, on a limited basis, the following securities:

(1) municipal revenue bonds, including certain industrial development bonds;

(2) 1–4 family mortgage-related securities;

2. The Washington, Missouri, banking market is approximated by Franklin County, Missouri, excluding the communities of Pacific and Berger, plus the community of Dutzow in Warren County, Missouri.

3. 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 over 1800 is considered highly concentrated, and the Department is likely to challenge a merger that increases the HHI by more than 50 points unless other factors indicate that the merger will not substantially lessen competition. The Department of Justice has informed the Board that a bank merger or acquisition is not likely to be challenged (in the absence of other factors indicating an anticompetitive effect) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank acquisitions for anti-competitive effects implicitly recognizes the competitive effects of limited purpose lenders and other non-depository financial entities.

4. *See, e.g, National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743 (1984); *NCNB Bancorporation*, 70 FEDERAL RESERVE BULLETIN 225 (1984); *General Bancshares Corporation*, 69 FEDERAL RESERVE BULLETIN 802 (1983); and *First Tennessee National Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

5. If 50 percent of the deposits controlled by thrift institutions were included in the calculation of market concentration, Bank of Washington and Bank would control 18.9 percent and 15.7 percent of total market deposits, respectively. The HHI would increase by 592 points to 1669 upon consummation of the proposal.

(3) commercial paper; and
(4) consumer-receivable-related securities ("CRRs") (collectively "bank-ineligible securities").[1]

Applicant has also applied to act as agent and adviser to issuers of commerical paper and other short-term promissory notes in connection with the placement of such notes with institutional customers.[2] In addition, Applicant proposes to underwrite and deal in securities that state member banks are permitted to underwrite and deal in under section 16 of the Banking Act of 1933 (the "Glass-Steagall Act") (12 U.S.C. §§ 24 Seventh and 335) (hereinafter "bank-eligible securities"), as permitted by section 225.25(b)(16) of Regulation Y (12 C.F.R. § 225.25(b)(16)).

Applicant, with consolidated assets of $27.1 billion, is the eighteenth largest banking organization in the nation. It operates 13 subsidiary banks in Rhode Island, Maine, Massachusetts and Connecticut and engages in a broad range of permissible nonbanking activities in the United States.[3]

Notice of the application, affording interested parties an opportunity to submit comments, has been given in accordance with section 3(b) of the BHC Act (52 *Federal Register* 43,799 (1987)). The Board received two comments on the proposal. The Securities Industry Association, a trade association of the investment banking industry, opposes the application for the reasons stated in its earlier protests to similar applications by Citicorp, J.P. Morgan & Co. Incorporated and Bankers Trust New York Corporation. The Bank Capital Markets Association commented in favor of the application.

The Board has previously determined that underwriting and dealing in bank-eligible securities is closely related to banking under section 4(c)(8) of the BHC Act. 12 C.F.R. § 225.25(b)(16). In addition, the Board concludes that Company's performance of this activity may reasonably be expected to result in public benefits which would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act. Accordingly, Applicant may engage through Company in underwriting and dealing in bank-eligible securities to the extent that state member banks are authorized by section 16 of the Glass-Steagall Act.

On April 30, the Board approved applications by Citicorp, J.P. Morgan and Bankers Trust to underwrite and deal in, through their bank-eligible securities underwriting subsidiaries, 1–4 family mortgage-backed securities, municipal revenue bonds (and certain industrial development bonds) and (except for Citicorp) commercial paper.[4] The Board concluded that the underwriting subsidiaries would not be "engaged principally" in underwriting or dealing in securities within the meaning of section 20 of the Glass–Steagall Act[5] provided they derived no more than 5 percent of their total gross revenues from underwriting and dealing in the approved securities over any two-year period and their underwriting and dealing activities did not exceed 5 percent of the market for each particular type of security involved. The Board further found that, subject to the prudential framework of limitations established in those cases to address the potential for conflicts of interest, unsound banking practices or other adverse effects, the proposed underwriting and dealing activities were so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act. On July 14, the Board subsequently decided that underwriting and dealing in CRRs 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.[6]

For the reasons set forth in the Board's *Citicorp/Morgan/Bankers Trust* and *Chemical* Orders, the Board concludes that Applicant's proposal to engage through Company in underwriting and dealing in municipal revenue bonds,[7] 1–4 family mortgage-related securities, commercial paper and consumer-receivable-related securities would not result in a violation of section 20 of the Glass–Steagall Act and is closely related and a proper incident to banking within the meaning of section 4(c)(8) of the BHC Act provided Applicant limits Company's activities as provided in those Orders. Accordingly, the

1. Applicant proposes to conduct Company's underwriting and dealing activity in these securities in the same manner and to the same extent as previously approved by the Board in *Citicorp, J.P. Morgan & Co. Incorporated, Bankers Trust New York Corporation*, 73 Federal Reserve Bulletin 473 (1987) and *Chemical New York Corporation, The Chase Manhattan Corporation, Bankers Trust New York Corporation, Citicorp, Manufacturers Hanover Corporation, and Security Pacific Corporation*, 73 Federal Reserve Bulletin 731 (1987).

2. Applicant proposes to conduct Company's commercial paper placement activity in the same manner and to the same extent as approved in *Bankers Trust New York Corporation*, 73 Federal Reserve Bulletin 138 (1987).

3. Asset data are as of June 30, 1987. Banking data are as of September 30, 1987.

4. *Citicorp/Morgan/Bankers Trust, supra.* The Board subsequently approved similar applications by a number of other bank holding companies.

5. Section 20 of the Glass–Steagall Act (12 U.S.C. § 377) prohibits the affiliation of a member bank with "any corporation . . . 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 . . . ."

6. *Chemical, supra.*

7. The industrial development bonds approved in those applications and for Applicant in this case are only those tax exempt bonds in which the governmental issuer, or the governmental unit on behalf of which the bonds are issued, is the owner for federal income tax purposes of the financed facility (such as airports, mass commuting facilities, and water pollution control facilities). Without further approval from the Board, Company may underwrite or deal in only these types of industrial development bonds.

Board has determined to approve the underwriting application subject to all of the terms and conditions established in the *Citicorp/Morgan/Bankers Trust* and *Chemical* Orders. The Board hereby adopts and incorporates herein by reference the reasoning and analysis contained in those Orders.

For the reasons set forth in the Board's *Bankers Trust* commercial paper placement Order, the Board concludes that Applicant's proposal to place commercial paper is also consistent with section 20 of the Glass–Steagall Act and permissible for bank holding companies under section 4(c)(8) of the BHC Act, subject to the prudential limitations of that Order.

The Board's approval of this application extends only to activities conducted within the limitations of section 225.25(b)(16) of the Board's Regulation Y and the *Citicorp/Morgan/Bankers Trust, Chemical* and *Bankers Trust* Orders, including the Board's reservation of authority to establish additional limitations to ensure that the subsidiary's activities are consistent with safety and soundness, conflict of interest and other relevant considerations under the BHC Act. Underwriting and dealing in the approved securities in any manner other than as approved in those Orders[8] is not within the scope of the Board's approval and is not authorized for Company.

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 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 Board notes that Title II of the Competitive Equality Banking Act of 1987 ("CEBA"), enacted on August 10, 1987, prohibits the Board from authorizing a bank holding company to engage in underwriting or dealing in securities if that approval would require the determination that the bank holding company would not be engaged principally in such activities within the meaning of section 20 of the Glass–Steagall Act, unless the effective date of the Order is delayed until the expiration of a moratorium time period established under CEBA.[9] Accordingly, the Board has determined to delay the effective date of this Order with respect to the proposed underwriting and dealing in bank-ineligible securities until the moratorium ends on March 1, 1988.

With respect to Applicant's proposed commercial paper placement activity, the Board in *Bankers Trust* ruled that commercial paper placement does not fall within the terms of the Glass–Steagall Act provided the activity is conducted within the prudential framework of conditions established by the Board in its *Bankers Trust* Order. The Board's determination was subsequently upheld by the Court of Appeals for the District of Columbia Circuit and the U.S. Supreme Court has declined to review the matter.[10] The moratorium in CEBA also covers "any securities activity not legally authorized in writing prior to March 5, 1987." That provision, however, specifically exempts "activities in which any bank holding company or subsidiary or affiliate thereof . . . acts only as an agent." Since commercial paper placement as proposed by Applicant is an agency activity, the Board has determined not to delay the effective date of its approval of that activity.

The Board has also concluded that Applicant's proposed bank-eligible securities underwriting and dealing activity does not fall within the terms of the moratorium. In its *Citicorp/Morgan/Bankers Trust* Order, the Board determined that the structure and Congressional intent of the Glass–Steagall Act make clear that in light of the express authorization in section 16 for member banks to underwrite bank-eligible securities, the limitation of section 20 against a member bank affiliate being engaged principally in underwriting securities does not encompass bank-eligible securities.[11] In addition, the Board had approved this activity in writing prior to March 5, 1987.[12] Accordingly, the Board has determined not to delay the effective date of its approval for that activity.

The Board notes that the SIA has sought judicial review in the U.S. Court of Appeals for the Second Circuit of the *Citicorp/Morgan/Bankers Trust* Order to which this Order pertains, as well as subsequent Board Orders approving the bank-ineligible securities underwriting applications of a number of other bank holding companies. The Board notes that the court has stayed the effectiveness of these Board Orders pending judicial review. In light of the pendency of this litigation, the Board has determined that this Order should be stayed with respect to the bank-ineligible securities underwriting and dealing activity for such time as the stay of the prior decisions is effective.

8. Company may also provide services that are necessary incidents to these approved activities. The incidental services should be taken into account in computing the gross revenue and market share limits on the underwriting subsidiaries' ineligible underwriting and dealing activities, to the extent such limits apply to particular incidental activities.

9. Pub. L. No. 100-86, §§ 201-02, 101 Stat. 552, 582 (1987).

10. *Securities Industry Association v. Board of Governors*, 807 F.2d 1052 (D.C. Cir. 1986), *cert. denied*, 55 U.S.L.W. 3849 (1987).

11. *Citicorp/Morgan/Bankers Trust, supra*, at 478–481.

12. The Board added underwriting and dealing in bank-eligible securities to its list of permissible nonbanking activities for bank holding companies in 1984. 49 *Federal Register* 818 (1984).

By order of the Board of Governors, effective December 14, 1987.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Heller, and Kelley. Dissenting in part: Governor Angell.

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

Statement of Governor Angell Concurring in Part and Dissenting in Part

While I join the majority in approving Applicant's proposal to place commerical paper, I regret I am unable to join the majority in approving Applicant's proposal to underwrite and deal in bank-ineligible securities.

As I have stated previously, the regret reflects the fact that, as a matter of policy, I support the idea that affiliates of bank holding companies underwrite and deal in commercial paper, municipal revenue bonds, 1–4 family mortgage-related securities and consumer-receivable-related securities, the activities involved in the Board's decision.[1] Moreover, I agree generally with the nature of the limitations placed upon the activities in the Board decision, assuming the threshold question of their legality in the *particular form proposed* can be answered affirmatively.

My point of difference involves precisely that question of law. Section 20 of the Glass–Steagall Act provides that no member bank may be affiliated with any corporation engaged principally in the underwriting of stocks, bonds, debentures, notes or other securities. I believe the plain words of the statute, read together with earlier Supreme Court and circuit opinions, as I understand them, indicate that government securities are indeed "securities" within the meaning of section 20. Consequently, it appears to me that the application approved here, as a matter of law, involves affiliations of member banks with corporations that are in fact not only "principally engaged" in dealing and underwriting in securities, but in fact would be wholly engaged in such activities, thereby exceeding the authority of law.[2]

1. I have joined earlier decisions of the Board authorizing some of these activities in non-securities affiliates.

2. Without elaborating on the legal debate reviewed in the Board's Order, I wish to reiterate that I fully support earlier Board decisions allowing the underwriting and dealing of government securities to take place in an affiliate. My point of disagreement is whether that authoritycan, in effect, be used to bootstrap securities activities that Congress clearly wished to restrain or prohibit.

My point is not merely one of legal formalisms. The interpretation adopted by the majority would appear to make feasible, as a matter of law if not Board policy, the affiliations of banks with some of the principal underwriting firms or investment houses of the country. Such a legal result, I feel, is inconsistent with the intent of Congress in passing the Glass–Steagall Act.

As the Board as a whole has repeatedly urged, the plain and desirable remedy to this legal and substantive morass is a fresh Congressional mandate. I urge the Congress to provide straightforwardly the authority for bank holding companies to conduct, with appropriate safeguards, the kinds of activities permitted by the Board in its decision, the practical import of which is confined to a relative handful of large bank holding companies with substantial government securities operations.

December 14, 1987

Centerre Bancorporation
St. Louis, Missouri

Order Approving Acquisition of a Company Engaged in Employee Benefits Consulting Services

Centerre Bancorporation, St. Louis, Missouri, 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 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 subsidiary, Benefit Plan Services, Inc., Maryland Heights, Missouri ("BPS"), substantially all the assets and assume certain liabilities of Reed Employee Benefit Services, Inc., Maryland Heights, Missouri ("Company"), a company engaged in employee benefits consulting services.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (52 *Federal Register* 34,844 (1987)). 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 13 commercial banks in Missouri, controls total deposits of approximately $4 billion, representing 9.4 percent of the deposits in commercial banks in Missouri.[1] Applicant also engages in certain nonbanking activities, such as providing credit related insurance and trust company and brokerage services.

1. Data are as of December 31, 1986.

Company provides a full range of employee benefits consulting services including design, implementation, administration, communication, and other services related to the establishment or enhancement of employee benefit plans. The Board has previously approved applications by bank holding companies, including Applicant, to provide such consulting services.[2] Thus, the Board has concluded that the activity of providing employee benefits consulting services 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.

Both Company and BPS provide employee benefits consulting services and conduct their business primarily in the St. Louis, Missouri, metropolitan area. The market for such services is national in scope and is characterized by relative ease of entry, which is reflected in the numerous existing and potential competitors for the provision of such services. In addition, both Applicant's and Company's market shares are *de minimis*, and the combined organization would remain a relatively small provider of such services. Accordingly, the Board concludes that the proposal would not have any significant adverse effect on existing competition in the relevant market.

There is no evidence in the record to indicate that Applicant's proposed transaction would lead to any undue concentration of resources, decreased or unfair competition, unsound banking practices, or other adverse effects. Indeed, the combination of services currently offered by Applicant's trust company subsidiary in tandem with BPS's employee benefits consulting activities should provide enhanced convenience for Company's customers and result in gains in efficiency.[3] Public benefit factors, therefore, favor approval of the proposal.

Based on the foregoing and all the facts of record, the Board has determined that the balance of public interest factors it is required to consider under section 4(c)(8) is favorable. The financial and managerial resources of Applicant also are consistent with approval. 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 and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof. 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 St. Louis, pursuant to delegated authority.

By order of the Board of Governors, effective December 7, 1987.

Voting for this action: Chairman Greenspan and Governors Seger, Angell, and Kelley. Absent and not voting: Governors Johnson and Heller.

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

The Hongkong and Shanghai Banking Corporation Hong Kong

Kellet N.V., Curacao, Netherlands Antilles

HSBC Holdings B.V. Amsterdam, The Netherlands

Marine Midland Banks, Inc. Buffalo, New York

Order Approving Acquisition of Shares in Subaru Credit Corporation

Marine Midland Banks, Inc., Buffalo, New York ("Marine Midland"), together with its parent companies, The Hongkong and Shanghai Banking Corporation, Hong Kong ("HSBC"); Kellet N.V., Curacao, Netherlands Antilles ("Kellet"); and HSBC Holdings B.V., Amsterdam, The Netherlands ("Holdings"), all bank holding companies within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) ("BHC Act"), have applied for the Board's approval pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(1) of Regulation Y (12 C.F.R. § 225.23(a)(1)) to acquire through its wholly owned subsidiary, Marine Midland Automo-

2. *See, e.g., Centerre Bancorporation*, 73 FEDERAL RESERVE BULLETIN 365 (1987); *BankVermont Corporation*, 72 FEDERAL RESERVE BULLETIN 377 (1986); *Norstar Bancorp, Inc.*, 72 FEDERAL RESERVE BULLETIN 729 (1986).

3. Clients currently have the option to use any component of Applicant's employee benefits consulting services individually as well as the entire package of services, and Applicant has committed to continue to avoid tying any employee benefits consulting services to the purchase of the entire employee benefits package or to any other service offered by Applicant or its subsidiaries.

tive Financial Corporation, 50 percent of the voting shares of Subaru Credit Corporation, Buffalo, New York ("Company"), a *de novo* joint venture. The remaining 50 percent of Company's shares would be owned by Subaru Financial Services, Inc., a wholly owned captive finance company subsidiary of Subaru of America, Inc., Cherry Hill, New Jersey ("Subaru").

Company would engage on a nationwide basis in providing inventory financing of new and used Subaru motor vehicles and other used motor vehicles for Subaru dealers, retail financing of motor vehicle sales originated by Subaru dealers, and working capital and capital equipment financing for Subaru dealers. Company would also engage in financing of motor vehicles lease operations of Subaru dealers in New York, Illinois, Utah and Colorado. Company may also engage in leasing of motor vehicles by acquiring leases originated by Subaru dealers. These 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)(1) and (5)).

Notice of the application, affording interested persons an opportunity to submit comments, has been published (52 *Federal Register* 34,716 (1987)). 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.

HSBC, with total consolidated worldwide assets of $91.7 billion, is the 31st largest banking organization in the world.[1] Marine Midland's lead bank, Marine Midland Bank, N.A., Buffalo, New York ("MM Bank"), with total domestic deposits of $13.6 billion, is the sixth largest commercial bank in the state of New York.[2]

HSBC, Kellet, Holdings and their subsidiaries other than Marine Midland do not engage in motor vehicle financing or leasing in the United States to any significant extent. Marine Midland and its subsidiaries do engage in motor vehicle sales financing and motor vehicle lease financing generally, but not in association with any motor vehicle manufacturer or distributor. Marine Midland originated approximately $2.8 billion in dealer inventory financing, $1.8 billion in retail sales financing, and $678 million in lease financing in 1986.

Subaru is a subsidiary of Fuji Heavy Industries, Ltd. ("Fuji"), a diversified Japanese manufacturer with sales of $4.3 billion in 1986. Fuji owns 49 percent of the outstanding voting stock of Subaru with the remaining 51 percent widely held. Fuji manufactures the Subaru motor vehicles that are marketed and distributed by Subaru. Subaru had net sales of $1 billion in the first half of 1987 and controls approximately 2 percent of the U.S. market for automobile sales. Subaru, through SFC and its subsidiary, Subaru Leasing Corporation, engages in lease financing of Subaru motor vehicles, originating $7.3 million in lease financing in 1986. Subaru and its subsidiaries do not engage to any significant extent in any other lending activities.

Subaru and its subsidiaries currently do not compete to any significant extent in the activities Company will be engaged in. Applicants currently do not engage to any significant extent in the sales financing or lease financing of Subaru motor vehicles. Further, Marine Midland through its subsidiaries other than Company will continue to engage in motor vehicle financing activities after consummation of this proposal, although it will not separately solicit new business from Subaru dealers and customers. The proposed joint venture, therefore, will not eliminate Marine Midland or any other entity from competing in the motor vehicle finance industry.

The motor vehicle finance industry is relatively unconcentrated with numerous competitors nationwide. There are numerous banks, thrift institutions, credit unions, captive and independent finance companies, and other entities engaged in extending motor vehicle sales financing and lease financing in the United States. Accordingly, consummation of this proposal is not expected to result in any significant adverse competitive effect, either on existing or potential competition, or in the concentration of resources in the motor vehicle finance industry.

In the past, the Board has expressed concern that a joint venture relationship such as this one, involving a large banking organization and a large nonbanking firm, could lead to a matrix of relationships that could undermine the legally mandated separation between banking and commerce.[3]

However, Marine Midland points to several aspects of its proposal which mitigate against this result. Subaru and Marine Midland have signed an agreement which provides that Company will not expand any new activities without Marine Midland's knowledge and consent as well as prior authorization from the Federal Reserve System. The agreement does not place any limits on the activities of Subaru or Marine Midland, other than on the independent solicitation of business from Subaru dealers by Marine Midland. Subaru and

1. Worldwide banking data are as of December 31, 1986.
2. New York banking data are as of June 30, 1987.

3. *Amsterdam-Rotterdam Bank N.V.*, 70 Federal Reserve Bulletin 835 (1984).

Marine Midland do not currently have or expect to have any other significant relationships.

Company and its activities are not significant in comparison to the size and activities of Subaru or Marine Midland. Formation of this joint venture is not expected to create any conflicts of interest or adversely influence Marine Midland in any creditor relationship with Subaru.[4] Finally, Marine Midland has stated that Company will observe the anti-tying provisions of the BHC Act Amendments of 1970 and that Company will be treated as an affiliate for the purposes of section 23A of the Federal Reserve Act.

Financial and managerial considerations are consistent with approval of this proposal. Moreover, there is no evidence in the record that consummation of this proposal would result in adverse effects, such as unsound banking practices, unfair competition or undue concentration of resources.

Marine Midland states that Company will provide it with increased revenues and a broader customer base. Company also will provide Subaru dealers and customers with a more complete, readily available source of financing. Marine Midland notes that Company will benefit from Marine Midland's experience in the provision of financing to motor vehicle dealers and customers, and from Subaru's experience in establishing dealerships and marketing motor vehicles. As a result, Marine Midland states that Company will provide financing to its customers in a convenient, efficient and competitive manner, and more effectively than either joint venture partner alone could provide.

Based upon the foregoing and all the facts of record, 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 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 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. 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 9, 1987.

4. Indeed, the Board observes that Marine Midland's proposal is similar to another joint venture previously approved by the Board, *Deutsche Bank A.G.*, 65 FEDERAL RESERVE BULLETIN 436 (1979).

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

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

MCorp
Dallas, Texas

Order Approving Acquisition of Data Processing Company

MCorp, Dallas, Texas, and its wholly owned subsidiary, MCorp Financial, Inc., Wilmington, Delaware, bank holding companies within the meaning of the Bank Holding Company Act ("Act"), 12 U.S.C. § 1841 *et seq.* (collectively referred to as "Applicant"), have applied for the Board's approval pursuant to section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. § 225.23(a)), for Applicant's subsidiary, MTech Corp, Irving, Texas, to acquire all of the outstanding common stock of Westmoreland Computer Services, Inc. ("Westmoreland"), Greensburg, Pennsylvania. Westmoreland engages in the business of providing data processing and data transmission services, of the type permitted for bank holding companies under section 4(c)(8) of the Act and section 225.25(b)(7) of the Board's Regulation Y (12 C.F.R. § 225.25(b)(7)).

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (52 *Federal Register* 18,608 (1987)). 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.

In view of the facts of record, the Board concludes that Applicant's acquisition of Westmoreland would not significantly affect competition in any relevant market. Furthermore, there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, unfair competition, conflicts of interest, unsound banking practices, or other adverse effects on the public interest. The Board notes that the acquisition will be made by Applicant's data processing subsidiary, MTech Corp., using its own resources. The acquisition is very small, will not increase parent company leverage, and is expected by Applicant to result in increased service fee income. 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 favorable and 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 occur later than three months after the effective date of this Order, unless that period is extended for good cause by the Board or by the Federal Reserve Bank of Dallas, acting pursuant to delegated authority. Applicant's acquisition of Westmoreland 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 the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective December 22, 1987.

Voting for this action: Vice Chairman Johnson and Governors Seger, Angell, and Kelley. Absent and not voting: Chairman Greenspan and Governor Heller.

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

Shorebank Corporation
Chicago, Illinois

Order Approving Application to Provide Community Development Advisory and Related Services

Shorebank Corporation, Chicago, Illinois ("Shorebank"), a bank holding company within the meaning of the Bank Holding Company Act of 1956 (12 U.S.C. § 1841 *et seq.*) (the "BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. § 225.23) to engage *de novo* through its subsidiary, Shorebank Advisory Services, Inc., Chicago, Illinois ("SAS"), in providing advisory and related services to both depository and non-depository institutions for programs designed to promote community welfare.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (52 *Federal Register* 45,247 (1987)). 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)).

Shorebank, a bank holding company by virtue of its 1973 acquisition of The South Shore Bank of Chicago, Chicago, Illinois, has total assets of $145.5 million.[1] Shorebank also owns several community development subsidiaries pursuant to section 225.25(b)(6) of Regulation Y (12 C.F.R. § 225.25(b)(6)).[2]

Shorebank has established itself as a business-based private sector organization committed to urban development. Shorebank's management has extensive experience in community development and has secured support for its community development programs from religious, charitable and corporate organizations. As a result of Shorebank's success in community development activities, Shorebank has received numerous requests from community development corporations, government agencies, financial institutions, and others for assistance in designing and implementing economic development programs. Shorebank has been providing such assistance, receiving only out-of-pocket expenses or a small honorarium.

With this application, Shorebank proposes to provide community development advice through SAS on a fee-for-service basis to both depository and non-depository institutions, including non-profit community organizations and other public and private organizations. These services will be provided on a national and an international basis for programs designed primarily to promote community welfare through economic rehabilitation and development of distressed low- and moderate-income communities.

In addition, SAS will coordinate the design and implementation of the "Chicago initiative." The initiative will attempt to reestablish the small commercial and industrial market economy in distressed communities. SAS will also provide ongoing advice regarding financing proposals and management support services on a fee-for-service basis, acting as a facilitator between investors and community development projects.

In order to approve this application, the Board must determine:

(1) that the proposed activity is closely related to banking; and

1. Banking data are as of August 31, 1987.

2. These subsidiaries are: City Lands Corp., Chicago, Illinois, which was acquired to rehabilitate distressed real estate in Shorebank's primary service areas for the benefit of low- and moderate-income residents; The Neighborhood Institute and its wholly owned subsidiary, TNI Development Corporation, both of Chicago, Illinois, which provide a wide range of services, such as job placement and training and the development of low- and moderate-income housing in Shorebank's primary service areas; and The Neighborhood Fund, Inc., Chicago, Illinois, which was created under section 301(d) of the Small Business Investment Act of 1958 to make loans and equity investments in small businesses owned by socially and economically disadvantaged persons.

(2) that the public benefits associated with the proposed activity outweigh any possible adverse effects.

The Board has not previously determined that the provision of community development advice is closely related to banking. The Board has, however, permitted bank holding companies to make debt and equity investments in community development corporations or projects (12 C.F.R. § 225.25(b)(6)),[3] and has permitted community development corporations to provide community development advice as part of their other activities.

In determining if an activity is closely related to banking under section 4(c)(8) of the BHC Act, the Board has relied on guidelines established by the federal courts. Under these guidelines, an activity may be found to be closely related to banking if it is demonstrated:

(1) that banks generally have, in fact, provided the proposed services;

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

(3) that banks generally provide services that are so integrally related to the proposed activity as to require their provision in a specialized form.[4]

In this case, the record shows that Shorebank and its subsidiary bank, as well as banks in general, do provide services similar to those proposed here and have developed expertise in the community development area.

Shorebank and its subsidiary bank, The South Shore Bank of Chicago ("Bank"), historically have been very active in community development. Upon acquiring Bank, Shorebank initiated an aggressive reinvestment program under which Bank extended $75.8 million in development loans through the end of 1986.[5] In addition, Shorebank's nonbanking subsidiaries have constructed or rehabilitated over 1000 units of low- or moderate-income housing units. These subsidiaries also have invested approximately $2 million in minority-owned small businesses and have managed a number of job training and other social service programs in the South Shore community.

Further, banks in general have experience in the community development area. Banks are required, under the Community Reinvestment Act ("CRA"), to meet the credit needs of their local communities, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the bank.[6] As one aspect of their CRA obligation, many banks have developed expertise in the area of community development. Therefore, the Board believes that banks are particularly qualified to provide the proposed services. For these reasons, the Board concludes that the proposed activity is closely related to banking.

With respect to the "proper incident" requirement, section 4(c)(8) of the BHC Act requires the Board to consider whether the performance of the activity by an affiliate of a holding company "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."

The proposal will result in public benefits because the provision of advice by SAS will enable the organizations it advises to establish and maintain more effective community development projects, particularly in low-income areas. Shorebank's personnel are particularly skilled in creating and maintaining efficient and effective community development projects, and the utilization of such resources in advising other organizations in community development activities will allow many low-income areas to benefit from Shorebank's expertise. Consummation of the proposal is not likely to result in decreased or unfair competition, conflicts of interest, unsound banking practices, concentration of resources, or other adverse effects.

Based on the foregoing and all the facts of record, the Board has determined that the balance of the 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 all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b), and to the

3. The Board permitted investments in community development corporations to allow bank holding companies to participate in community development activities based on their unique role in the community. *See* 12 C.F.R. § 225.127 ("Bank holding companies possess a unique combination of financial and managerial resources making them particularly suited for a meaningful and substantial role in remedying our social ills.").

4. *National Courier Association v. Board of Governors*, 516 F.2d 1229 (D.C. Cir. 1975). However, the *National Courier* guidelines are not the exclusive basis for finding a close relationship between a proposed activity and banking. The Board has stated that in acting on a request to engage in a new nonbanking activity, it will consider any other factor that an applicant may advance to demonstrate a reasonable or close connection or relationship of the activity to banking. 49 *Federal Register* 794, 806 (1984); *Securities Industry Association v. Board of Governors*, 468 U.S. 207, 210–11 n.5 (1984).

5. Development loans are defined as credits originated in the Bank's primary service area that contribute to the community's economic revitalization and that other banks would not make in the ordinary course of business.

6. 12 U.S.C. § 2901 *et seq.* ; *see also* 12 C.F.R. § 228.

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

The activity shall be commenced no 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 21, 1987.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, and Kelley. Absent and not voting: Governors Angell and Heller.

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

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

National Westminster Bank PLC
London, England

NatWest Holdings Inc.
New York, New York

Order Approving Acquisition of a Bank Holding Company and its Banking and Nonbanking Subsidiaries

National Westminster Bank PLC, London, England, and NatWest Holdings Inc., New York, New York (together, "Applicants"), have applied for the Board's approval under section 3 of the Bank Holding Company Act (12 U.S.C. § 1842) ("Act") to acquire all the voting shares of First Jersey National Corporation, Jersey City, New Jersey ("First Jersey"), and thereby to acquire indirectly First Jersey's subsidiary banks: The First Jersey National Bank, Jersey City; The First Jersey National Bank/Central, Trenton; The First Jersey National Bank South, Atlantic City; and The First Jersey Bank/West, Denville; and First Jersey's bank holding company subsidiary, First Jersey Fort Lee Corporation, Jersey City, and its bank subsidiary, The First Jersey National Bank/Fort Lee, Fort Lee, all in New Jersey.[1] Applicants also have applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) to acquire: Tilden of Florida, Inc., Fort Lauderdale, Florida, and thereby to engage in commercial lending activities; and FJN Corporation, Jersey City, New Jersey, and thereby to engage in leasing real property.[2] These activities are authorized for bank holding companies pursuant to the Board's Regulation Y, 12 C.F.R. §§ 225.25(b)(1), (5).

Notice of the applications, affording opportunity for interested persons to submit comments and views, has been published (52 *Federal Register* 41,777 (1987)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3(c) and 4(c)(8) of the Act.

NatWest Holdings Inc., with approximately $6.6 billion in domestic deposits, is the eleventh largest commercial banking organization in New York, controlling approximately 2.9 percent of total deposits in commercial banks in New York.[3] First Jersey is the fourth largest commercial banking organization in New Jersey, with domestic deposits of approximately $3.3 billion, controlling approximately 6.2 percent of the total deposits in commercial banks in New Jersey.

Section 3(d) of the Act, 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,[4] 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." 12 U.S.C. § 1842(d). The New Jersey interstate banking statute[5] contains a national reciprocal provision which permits an out-of-state bank holding company to acquire control of a bank located in New Jersey if bank holding companies located in New Jersey are permitted to acquire banks in the acquiring bank holding company's home state on substantially the same terms and conditions. The provision of New Jersey law, however, is not effective until a number of other states pass interstate banking legislation that is reciprocal with New Jersey, including four of the ten largest states in the United States in terms of domestic

1. Applicants will acquire First Jersey through the merger of NWH Acquisition Corporation, a subsidiary of National Westminster Bancorp, Inc., Wilmington, Delaware ("Bancorp"), with First Jersey. In connection with this proposal, Bancorp has applied to become a bank holding company by acquiring the shares of First Jersey and National Westminster Bank, USA, New York, New York ("Bank"), which is now a subsidiary of Holdings. Further, Bancorp has provided notice to the Board under 12 C.F.R. § 211.4(b)(3) of its intention to acquire control of Bank's Edge Act corporation subsidiary, National Westminster USA International Bank, Miami, Florida.

2. In connection with this application, Bancorp also has applied to acquire these nonbanking subsidiaries.

3. Banking data are as of June 30, 1986.

4. 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.

5. N.J. Stat. Ann. § 17:9A-370 *et seq.* (West 1987).

commercial bank deposits. New York law permits New Jersey bank holding companies to acquire banks in New York.[6] The New Jersey Commissioner of Banking has determined that, as of January 1, 1988, the national reciprocal provisions of New Jersey law will become effective and that New York has enacted legislation which permits New Jersey bank holding companies to acquire banks in New York. The Commissioner also must make a specific determination with regard to the proposal at issue here, but has not yet done so. The Commissioner, however, has informed the Board that she anticipates making such a determination subject to the January 1, 1988, effective date.

Based on the foregoing factors and its own review of the record, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of New Jersey, and thus Board approval is not prohibited by the Douglas Amendment, subject to the January 1, 1988, effective date of New Jersey's national reciprocal interstate banking legislation and the Commissioner's specific determination that the proposal is consistent with the New Jersey interstate banking statute. The Board's Order is specifically conditioned on the Commissioner's favorable determination.

NatWest Holdings Inc. competes with First Jersey in the Metropolitan New York - New Jersey banking market.[7] NatWest Holdings Inc. is the ninth largest of 163 commercial banking organizations in the market, with deposits of approximately $6.6 billion, controlling approximately 2.7 percent of total deposits in commercial banks in the market. First Jersey is the sixteenth largest commercial banking organization in the market, with deposits of approximately $2.4 billion, controlling approximately 1 percent of total deposits in commercial banks in the market. Upon consummation, NatWest Holdings Inc. would be the eighth largest commercial banking organization in the market, with deposits of approximately $9 billion, controlling approximately 3.7 percent of total deposits in commercial banks in the market. The Metropolitan New York - New Jersey market is considered unconcentrated, with a Herfindahl–Hirschman Index ("HHI") of 682. Upon consummation, the HHI would increase by 5 points to 687. On the basis of the foregoing, the Board concludes that consummation of the proposal would not have a substantial adverse competitive effect in the Metropolitan New York-New Jersey banking market.

The Board also has considered the effects of Applicants' proposal on probable future competition in markets in which Applicants and First Jersey do not compete. In light of the number of probable future entrants into those markets, the Board concludes that consummation of this proposal would not have a significant adverse effect on probable future competition in any relevant banking market.

In evaluating this application, the Board has considered the financial resources of Applicants and the effect on these resources of the proposed acquisition. The Board has stated and continues to believe that capital adequacy is an especially important factor in the analysis of bank holding company proposals, particularly in transactions where a significant acquisition is proposed.[8]

In this regard, the Board expects that banking organizations experiencing substantial growth internally and by acquisition, such as Applicants, should maintain a strong capital position substantially above the minimum levels specified in the Capital Adequacy Guidelines, without significant reliance on intangibles, particularly goodwill.[9] The Board will carefully analyze the effect of expansion proposals on the preservation or achievement of such capital positions.

The Board has reviewed this case in light of Applicants' capital position. The Board notes that Applicants have issued more than sufficient new equity since mid-1986 to fund this acquisition, and that Applicants' *pro forma* tangible primary capital ratio will be well above the minimum primary capital ratio under the Board's Guidelines. The Board also notes that although First Jersey's capital will be reduced through the redemption of certain mandatory convertible debentures, Applicants will make an equity contribution to First Jersey to replace a significant portion of this capital. In addition, Applicants have committed to contribute additional capital to First Jersey, if necessary to bring First Jersey's capital ratios to peer levels by year-end 1988. The financial resources of Applicants and First Jersey are considered generally satisfactory. Accordingly, on the basis of the above considerations, the Board concludes that financial factors are consistent with approval of the applications. Managerial factors, as well as convenience and needs considerations, also are consistent with approval.

6. N.Y. Banking Law § 142-b (McKinney 1987).

7. The Metropolitan New York - New Jersey market includes New York City, Nassau, Orange, Putnam, Rockland, Suffolk, Sullivan, and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties in New Jersey; and parts of Fairfield County in Connecticut.

8. *See e.g., Chase Manhattan Corporation*, 70 FEDERAL RESERVE BULLETIN 529 (1984); *NCNB Corporation*, 69 FEDERAL RESERVE BULLETIN 49 (1983).

9. Capital Adequacy Guidelines, 50 *Federal Register* 16,057, 16,066–67 (April 24, 1985) (71 FEDERAL RESERVE BULLETIN 445 (1985)); *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743, 746 (1984).

As indicated earlier, Applicants also have applied, pursuant to section 4(c)(8), to acquire the nonbanking subsidiaries of First Jersey. Applicants operate nonbanking subsidiaries that compete with First Jersey in the activities of financing automobile and equipment leasing. The markets for these activities have numerous competitors, are regional or national in scope, and both Applicants and First Jersey hold small market shares. Accordingly, the Board concludes that this proposal will not have any significant adverse effect upon competition in any relevant market.

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 Act is favorable and consistent with approval of the applications to acquire First Jersey's nonbanking subsidiaries and activities.

The Board also has considered the notice of Bancorp's proposed acquisition of control of National Westminster USA International Bank, Miami, Florida, under the Edge 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, the Board has determined that the applications should be, and hereby are, approved, subject to the January 1, 1988, effective date of New Jersey's national reciprocal interstate banking statute and the Commissioner's favorable determination. The acquisition of First Jersey 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 New York, acting pursuant to delegated authority. The determinations as to Applicants' 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 the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective December 21, 1987.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, and Kelley. Absent and not voting: Governors Angell and Heller.

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
Abington Bancorp, Inc., Abington, Massachusetts	Abington Savings Bank, Abington, Massachusetts Landmark Bank for Savings, Whitman, Massachusetts	Boston	December 24, 1987
Albright Bancorp, Inc., Kingwood, West Virginia	Albright National Bank of Kingwood, Kingwood, West Virginia	Richmond	December 11, 1987
American Interstate Bancorporation, Inc., Omaha, Nebraska	The First National Bank of Paullina, Paullina, Iowa	Chicago	December 1, 1987

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Arrow Bank Corp., Glens Falls, New York	Saratoga National Bank and Trust Company, Saratoga Springs, New York	New York	December 23, 1987
Associated Acquisition Corporation, Green Bay, Wisconsin	VALDERS BANCORPORATION, Valders, Wisconsin	Chicago	December 1, 1987
Associated Banc-Corp, Green Bay, Wisconsin	Associated Acquisitions Corporation, Green Bay, Wisconsin	Chicago	December 1, 1987
Bank South Corporation, Atlanta, Georgia	Heritage Trust, Conyers, Georgia	Atlanta	November 30, 1987
Blue Rapids Bancshares, Inc., Blue Rapids, Kansas	The State Bank of Blue Rapids, Blue Rapids, Kansas	Kansas City	December 29, 1987
Boston Private Bancorp, Inc., Boston, Massachusetts	Boston Private Bank and Trust Company, Boston, Massachusetts	Boston	December 1, 1987
Capac Bancorp, Inc., Capac, Michigan	Capac State Savings Bank, Capac, Michigan	Chicago	December 15, 1987
Chester County Bancshares, Inc. II, Henderson, Tennessee	Chester County Bank, Henderson, Tennessee	St. Louis	November 30, 1987
Citizens Bancgroup Inc., Valley, Alabama	Citizens National Bank of Shawmut, Valley, Alabama	Atlanta	December 1, 1987
Citizens Bancorp of Delavan, Inc., Delavan, Wisconsin	Citizens Bank of Delavan, Delavan, Wisconsin	Chicago	December 1, 1987
Commercial Bank Shares, Inc., Honea Path, South Carolina	The Commercial Bank, Honea Path, South Carolina	Richmond	December 30, 1987
Dominion Bankshares Corporation, Roanoke, Virginia	Franklin First National Corporation, Decherd, Tennessee	Richmond	November 27, 1987
Dominion Bankshares Corporation, Roanoke, Virginia	The Peoples National Bancorp, Inc., Shelbyville, Tennessee	Richmond	November 27, 1987
Dominion Bankshares Corporation, Roanoke, Virginia	UNB Corporation, Fayetteville, Tennessee	Richmond	November 27, 1987
Duco Bancshares, Villa Park, Illinois	Community Bank of Galesburg, Galesburg, Illinois	Chicago	December 24, 1987
FGC Holding Company, Martin, Kentucky	First Guaranty Corporation, Martin, Kentucky	Cleveland	December 16, 1987
FIH, L.P., Beverly Hills, California FIH, Inc., Beverly Hills, California	First Interstate of Hawaii, Inc., Honolulu, Hawaii	San Francisco	December 24, 1987
First American Corporation, Nashville, Tennessee	First Roane County Bancorp, Inc., Rockwood, Tennessee	Atlanta	December 21, 1987

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
First Canyon Bancorporation, Inc., Canyon, Texas	First Canyon Bancshares, Inc., Canyon, Texas	Dallas	December 1, 1987
FIRST CICERO BANC CORPORATION, Oak Brook, Illinois	FIRST HARVEY BANC CORPORATION, Oak Brook, Illinois LA GRANGE PARK BANC CORPORATION, Oak Brook, Illinois	Chicago	December 17, 1987
First Commercial Corporation, Little Rock, Arkansas	First Security Corporation, Harrison, Arkansas	St.Louis	November 27, 1987
First Delhi Corporation, Delhi, Louisiana	Security Bancshares, Incorporated, Monroe, Louisiana	Dallas	December 21, 1987
First Liberty Bancorp, Inc., Washington, D.C	First Liberty National Bank, Washington, D.C.	Richmond	December 2, 1987
The First National Bank of Bemidji Employee Stock Ownership Plan and Trust, Bemidji, Minnesota	First Bemidji Holding Company, Bemidji, Minnesota	Minneapolis	December 14, 1987
First National Cincinnati Corporation, Cincinnati, Ohio	Aurora First National Bancorp, Aurora, Indiana	Cleveland	December 10, 1987
First Wachovia Corporation, Winston-Salem, North Carolina	North Georgia Bancshares, Inc., Canton, Georgia	Richmond	December 23, 1987
Heritage Racine Corporation, Racine, Wisconsin	Bank of Hayward, Hayward, Wisconsin	Chicago	November 27, 1987
Herky Hawk Financial Corp., Hopkinton, Iowa	Citizens State Bank, Hopkinton, Iowa	Chicago	December 18, 1987
Hodco, Inc., Martin, South Dakota	Blackpipe State Bank, Martin, South Dakota	Minneapolis	December 30, 1987
Kansas State Financial Corporation, Wichita, Kansas	Central Financial Corporation, Wichita, Kansas	Kansas City	November 27, 1987
Klein Bancorporation, Inc., Chaska, Minnesota	Oakley Holding Company, Buffalo, Minnesota	Minneapolis	December 14, 1987
Liberty National Bancorp, Inc., Louisville, Kentucky CSB Bancshares, Inc., Louisville, Kentucky	Indiana First National Bank, Charlestown, Indiana First Indiana Bank, National Association, Milltown, Indiana	St. Louis	November 27, 1987
Malta Banquo, Inc., Malta, Montana	First Security Bank of Malta, Malta, Montana	Minneapolis	December 17, 1987
McCamey Financial Corporation, McCamey, Texas	McCamey Bancshares, Inc., McCamey, Texas	Dallas	December 1, 1987
Miami Corporation, Chicago, Illinois Boulevard Bancorp, Inc., Chicago, Illinois	Keekins Financial Corporation, Downers Grove, Illinois Citizens National Bank of Downers Grove, Downers Grove, Illinois	Chicago	December 4, 1987

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Midlantic Corporation, Edison, New Jersey	Midlantic National Bank/Delaware, Wilmington, Delaware	New York	December 1, 1987
National Bancshares Waupun, Inc., Waupun, Wisconsin	The National Bank of Waupun, Waupun, Wisconsin	Chicago	December 22, 1987
NBM Bancorp, Inc., Montpelier, Ohio	National Bank of Montpelier, Montpelier, Ohio	Cleveland	December 24, 1987
Okawville Bancshares, Inc., Okawville, Illinois	Old Exchange National Bank, Okawville, Illinois	St. Louis	November 24, 1987
Oxford Financial Corporation, Elmhurst, Illinois	Addison State Bank, Addison, Illinois	Chicago	November 30, 1987
Peoples Bancorporation, Rocky Mount, North Carolina	Citizens National Bank, Winston-Salem, North Carolina	Richmond	December 22, 1987
Pocahontas Bankshares Corporation, Bluefield, West Virginia	The Bank of Oceana, Oceana, West Virginia	Richmond	December 30, 1987
Princeton National Bancorp, Inc., Princeton, Illinois	USA FIRSTRUST INC., Oglesby, Illinois	Chicago	December 21, 1987
Security Bancshares, Inc., Scott City, Kansas	Security State Bank, Scott City, Kansas	Kansas City	December 17, 1987
Security State Bancshares, Inc., Charleston, Missouri	First Security State Bank, Charleston, Missouri The National Bank of Caruthersville, Caruthersville, Missouri	St. Louis	December 2, 1987
Sheridan National Agency, Sheridan, Wyoming	Sheridan National Bank, Sheridan, Wyoming	Kansas City	November 30, 1987
Somerset Bancshares Corporation, Inc., Somerset, Texas	Somerset National Bank, Somerset, Texas	Dallas	November 30, 1987
Southeast Banking Corporation, Miami, Florida	First City Bancorp, Inc., Gainesville, Florida	Atlanta	December 29, 1987
Southwest Financial Group of Iowa, Inc., Red Oak, Iowa	Houghton State Bank, Red Oak, Iowa	Chicago	November 27, 1987
The Sumitomo Bank, Limited, Osaka, Japan	CPB, Inc., Honolulu, Hawaii	San Francisco	December 24, 1987
Suwannee Valley Bancshares, Inc., Chiefland, Florida	Bank of Florida, N.A., Chiefland, Florida	Atlanta	December 17, 1987
Union Planters Corporation, Memphis, Tennessee	Bank of East Tennessee, Knoxville, Tennessee	St. Louis	December 10, 1987
United New Mexico Financial Corporation, Albuquerque, New Mexico	United Bancshares, Inc., Lubbock, Texas	Dallas	December 1, 1987
UP Financial, Inc., Ashland, Wisconsin	First National Bank in Ontonagon, Ontonagon, Michigan	Minneapolis	December 28, 1987
Valley Bancshares, Inc., Grand Forks, North Dakota	Valley Bank and Trust Company, Grand Forks, North Dakota	Minneapolis	November 27, 1987

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Water Tower Bancorp, Inc., Chicago, Illinois	Belmont National Bank of Chicago, Chicago, Illinois	Chicago	December 1, 1987
Westbank Financial Corporation, Naperville, Illinois	First Channahon Bancorp, Inc., Channahon, Illinois	Chicago	November 27, 1987

Section 4

Applicant	Nonbanking Company/Activity	Reserve Bank	Effective date
Amsterdam-Rotterdam Bank, N.V., Amsterdam, The Netherlands	portfolio management and investment advisory services	New York	December 29, 1987
Community Group, Inc., Jasper, Tennessee	Community Financial Corporation, Chattanooga, Tennessee	Atlanta	November 23, 1987
First Bank System, Inc., Minneapolis, Minnesota	First Trust Company, Inc., St. Paul, Minnesota	Minneapolis	December 24, 1987
First National of Nebraska, Inc., Omaha, Nebraska	Data Management Products, Inc., Omaha, Nebraska	Kansas City	December 17, 1987
First NH Banks, Inc., Manchester, New Hampshire	New England Acceptance Corporation, Keene, New Hampshire	Boston	December 22, 1987
Merchants National Corporation, Indianapolis, Indiana	retain the general insurance agency activities of North Madison Insurance Agency, Inc., Madison, Indiana	Chicago	December 3, 1987
Quad County Bancshares, Inc., Viburnum, Missouri	Viburnum Insurance Services, Inc., Viburnum, Missouri	St. Louis	December 3, 1987

Sections 3 and 4

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
FV Inc., Bethlehem, Pennsylvania	First Valley Corporation, Bethlehem, Pennsylvania	New York	December 23, 1987
United Jersey Banks, Princeton, New Jersey	First Valley Corporation, Bethlehem, Pennsylvania	New York	December 23, 1987

ORDERS APPROVED UNDER BANK MERGER ACT

By Federal Reserve Banks

Applicant	Bank(s)	Reserve Bank	Effective date
County Bank Corp., Lapeer, Michigan	Lapeer County Bank & Trust Co., Lapeer, Michigan	Chicago	December 14, 1987
First Trust and Savings Bank of Kankakee, Kankakee, Illinois	First Trust and Savings Bank of Bradley, Bradley, Illinois	Chicago	November 27, 1987
Valley Bank and Trust Company, Grand Forks, North Dakota	New Valley Bank, Grand Forks, North Dakota	Minneapolis	November 27, 1987

ORDERS APPROVED UNDER BANK SERVICE CORPORATION ACT

By Federal Reserve Banks

Applicant	Bank(s)	Reserve Bank	Effective date
SunTrust Service Corporation, Orlando, Florida	SunTrust Banks, Inc., Atlanta, Georgia	Atlanta	December 22, 1987

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.

Industry Association v. Board of Governors, No. 87–4161 (2d Cir., filed Dec. 15, 1987).

Independent Insurance Agents of America, Inc. v. Board of Governors, No. 87–1686 (D.C. Cir., filed Nov. 19,1987)

National Association of Casualty and Surety Agents, et al., v. Board of Governors, No. 87–1644 (D.C. Cir., filed Nov. 4, 1987).

Teichgraeber v. Board of Governors, No. 87–2505–0 (D. Kan., filed Oct. 16, 1987).

Securities Industry Association v. Board of Governors, No. 87–4135 (2d Cir., filed Oct. 8, 1987).

Independent Insurance Agents of America, Inc. v. Board of Governors, No. 87–4118 (2d Cir., filed Sept. 17, 1987).

Citicorp v. Board of Governors, No. 87–1475 (D.C. Cir., filed Sept. 9, 1987).

Securities Industry Association v. Board of Governors, No. 87–4115 (2d Cir., filed Sept. 9, 1987)

Board of Trade of the City of Chicago, et al. v. Board of Governors, No. 87–2389 (7th Cir., filed Sept. 1, 1987).

Barrett v. Volcker, No. 87–2280 (D.D.C., filed Aug. 17, 1987).

Northeast Bancorp v. Board of Governors, No. 87–1365 (D.C. Cir., filed July 31, 1987).

National Association of Casualty & Insurance Agents v. Board of Governors, Nos. 87–1354, 87–1355 (D.C. Cir., filed July 29, 1987).

The Chase Manhattan Corporation v. Board of Governors, No. 87–1333 (D.C. Cir., filed July 20, 1987).

Securities Industry Association v. Board of Gover-

nors, Nos. 87–4091, 87–4093, 87–4095 (2d Cir., filed July 1 and July 15, 1987).

Lewis v. Board of Governors, Nos. 87–3455, 87–3545 (11th Cir., filed June 25, Aug. 3, 1987).

Securities Industry Association v. Board of Governors, et al. No. 87–4041 and consolidated cases (2d Cir., filed May 1, 1987).

Securities Industry Association v. Board of Governors, et al., No. 87–1169 (D.C. Cir., filed April 17, 1987).

Bankers Trust New York Corp. v. Board of Governors, No. 87–1035 (D.C. Cir., filed Jan. 23, 1987).

Grimm v. Board of Governors, No. 87–4006 (2d Cir., filed Jan. 16, 1987).

Independent Insurance Agents of America, et al. v. Board of Governors, Nos. 86–1572, 1573, 1576 (D.C. Cir., filed Oct. 24, 1986).

Independent Community Bankers Association of South Dakota 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).

CBC, Inc. v. Board of Governors, No. 86–1001 (10th Cir., filed Jan. 2, 1986).

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).

Alfson v. Wilkinson, et al., No. A1–85–267 (D. N.D., filed Oct. 8, 1985).

Independent Community Bankers Association 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).

Wight, et al. v. Internal Revenue Service, et al., No. 85–2826 (9th Cir., filed July 12, 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. 86–5692 (D.C. Cir., filed April 30, 1984).

Financial and Business Statistics

CONTENTS

Domestic Financial Statistics

MONEY STOCK AND BANK CREDIT

POLICY INSTRUMENTS

FEDERAL RESERVE BANKS

MONETARY AND CREDIT AGGREGATES

COMMERCIAL BANKING INSTITUTIONS

WEEKLY REPORTING COMMERCIAL BANKS

FINANCIAL MARKETS

FEDERAL FINANCE

SECURITIES MARKETS AND CORPORATE FINANCE

1.10 RESERVES, MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Item	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
	1986	1987			1987				
	Q4	Q1	Q2	Q3	July	Aug.	Sept.	Oct.[r]	Nov.
Reserves of depository institutions[2]									
1 Total	24.3	16.4	8.0	-1.6	-2.2	5.7	-1.0	13.9	-10.1
2 Required	22.8	16.5	8.4	-.5	6.9	.1	4.0	7.1	-6.3
3 Nonborrowed	25.3	18.5	5.4	-.4	*	6.3	-7.2	14.1	-3.7
4 Monetary base[3]	11.0	11.3	6.8	4.7	4.7	6.5	5.0	11.9	8.3
Concepts of money, liquid assets, and debt[4]									
5 M1	17.0	13.1	6.4	.0	1.6	5.6	.3	15.0	-6.6
6 M2	9.3	6.4	2.3	3.1	2.7	6.5	5.7	7.2	-.1
7 M3	8.3	6.5	4.3	4.9[r]	2.3[r]	7.1[r]	5.7[r]	8.0	4.7
8 L	8.4	6.2[r]	3.2[r]	4.4[r]	-1.1[r]	8.2[r]	8.4[r]	10.4	n.a.
9 Debt	12.5[r]	10.4	9.1[r]	8.2[r]	6.8[r]	7.7[r]	8.9[r]	9.4	n.a.
Nontransaction components									
10 In M2[5]	6.7	4.1	.9	4.3[r]	3.1	6.9	7.6[r]	4.3	2.2
11 In M3 only[6]	4.3	6.6[r]	12.2[r]	11.8[r]	.7[r]	9.3[r]	5.5[r]	11.1	23.3
Time and savings deposits									
Commercial banks									
12 Savings[7]	36.9	37.3	24.1	7.8	7.5	9.5	.0	-3.4	-3.4
13 Small-denomination time[8]	-10.7	-4.9	-4.6	8.0	11.0	6.6	6.2	18.6	25.4
14 Large-denomination time[9,10]	.1	9.7	18.3	4.1	-4.6	.0	-.4	13.0	23.8
Thrift institutions									
15 Savings[7]	23.2	27.3	25.9	7.1	2.0	8.5	-2.5	-9.9	-22.1
16 Small-denomination time	-6.4	-4.2	1.0	10.2[r]	12.5	12.1	10.3[r]	13.3	25.2
17 Large-denomination time[9]	-7.0	-9.5	-8.4	10.7	9.6	13.5	17.2	29.4	27.2
Debt components[4]									
18 Federal	11.8[r]	12.2	8.8	5.9	1.8[r]	8.8	6.5	3.9	n.a.
19 Nonfederal	12.8[r]	9.8	9.2[r]	9.0[r]	8.4[r]	7.4[r]	9.7[r]	11.1	n.a.
20 Total loans and securities at commercial banks[11]	8.8	10.1	7.0	5.7[r]	1.4[r]	10.8	9.7	10.4	-1.3

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						
	1987			1987						
	Sept.	Oct.	Nov.	Oct. 14	Oct. 21	Oct. 28	Nov. 4	Nov. 11	Nov. 18	Nov. 25
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**240,591**	**241,841**	**240,088**	**236,547**	**242,444**	**248,500**	**241,728**	**239,709**	**241,638**	**239,081**
2 U.S. government securities[1]	214,298	214,787	214,695	210,880	215,059	220,197	214,534	213,563	215,319	215,088
3 Bought outright	211,468	210,822	213,706	210,880	210,168	210,726	210,151	212,218	214,381	215,088
4 Held under repurchase agreements	2,830	3,965	989	0	4,891	9,471	4,383	1,345	938	0
5 Federal agency obligations	8,399	8,747	7,956	7,623	8,860	10,165	9,208	7,968	8,090	7,567
6 Bought outright	7,623	7,601	7,567	7,623	7,607	7,567	7,567	7,567	7,567	7,567
7 Held under repurchase agreements	776	1,146	389	0	1,253	2,598	1,641	401	523	0
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	956	959	610	902	1,111	751	603	516	605	681
10 Float	774	751	866	707	879	494	364	602	1,595	686
11 Other Federal Reserve assets	16,164	16,597	15,961	16,435	16,535	16,893	17,020	17,059	16,029	15,059
12 Gold stock[2]	11,068	11,084	11,084	11,086	11,086	11,086	11,085	11,084	11,085	11,083
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	17,981	18,028	18,102	18,018	18,032	18,046	18,073	18,089	18,101	18,115
ABSORBING RESERVE FUNDS										
15 Currency in circulation	217,718	218,734	223,078	218,958	219,087	218,978	220,254	222,257	223,539	223,662
16 Treasury cash holdings[2]	459	470	471	475	472	469	468	474	474	472
Reserve Banks										
17 Treasury	10,585	8,828	3,755	3,281	12,191	13,822	7,367	3,958	3,836	3,325
18 Foreign	248	259	299	208	251	298	270	316	261	279
19 Service-related balances and adjustments	1,930	2,029	2,063	1,943	1,926	1,960	2,072	1,945	2,017	1,845
20 Other	390	402	374	350	385	391	436	328	346	336
21 Other Federal Reserve liabilities and capital	7,213	7,236	7,418	7,034	7,342	7,365	7,682	7,586	7,336	7,192
22 Reserve balances with Federal Reserve Banks[3]	36,115	38,014	36,834	38,421	34,924	39,365	37,355	37,038	38,033	36,187

Factors	End-of-month figures			Wednesday figures						
	1987			1987						
	Sept.	Oct.	Nov.	Oct. 14	Oct. 21	Oct. 28	Nov. 4	Nov. 11	Nov. 18	Nov. 25
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**238,823**	**246,896**	**245,472**	**239,536**	**243,453**	**251,276**	**236,113**	**240,416**	**237,916**	**239,681**
24 U.S. government securities[1]	211,941	217,614	218,960	212,094	213,804	219,707	210,484	213,833	213,000	215,532
25 Bought outright	211,941	209,319	213,563	212,094	210,208	211,453	210,484	211,163	212,810	215,532
26 Held under repurchase agreements	0	8,295	5,397	0	3,596	8,254	0	2,670	190	0
27 Federal agency obligations	7,623	10,483	9,844	7,623	8,706	11,646	7,567	8,355	7,947	7,567
28 Bought outright	7,623	7,567	7,567	7,623	7,567	7,568	7,567	7,567	7,567	7,567
29 Held under repurchase agreements	0	2,916	2,277	0	1,139	4,078	0	788	380	0
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	1,941	587	790	929	3,160	753	573	473	662	602
32 Float	248	609	428	2,138	1,134	2,031	594	611	1,525	975
33 Other Federal Reserve assets	17,070	17,603	15,450	16,752	16,649	17,139	16,941	17,144	14,782	15,005
34 Gold stock[2]	11,075	11,085	11,082	11,086	11,085	11,085	11,085	11,084	11,083	11,083
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	18,006	18,058	18,127	18,030	18,044	18,058	18,085	18,099	18,113	18,127
ABSORBING RESERVE FUNDS										
37 Currency in circulation	216,776	219,842	225,090	219,523	219,053	219,427	221,244	223,133	223,545	224,677
38 Treasury cash holdings[2]	460	467	465	472	472	468	469	474	473	466
Deposits, other than reserve balances, with Federal Reserve Banks										
39 Treasury	9,120	8,898	3,594	3,745	14,323	14,324	3,149	3,260	2,921	2,767
40 Foreign	456	236	352	200	221	301	297	198	194	261
41 Service-related balances and adjustments	1,706	1,733	1,717	1,714	1,713	1,732	1,733	1,735	1,735	1,718
42 Other	419	477	450	348	309	371	328	325	310	482
43 Other Federal Reserve liabilities and capital	6,663	7,950	7,968	6,884	7,076	7,167	7,279	7,755	7,039	7,068
44 Reserve balances with Federal Reserve Banks[3]	37,321	41,454	40,064	40,783	34,436	41,647	35,802	37,738	35,914	36,470

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. Revised for periods between October 1986 and April 1987. At times during this interval, outstanding gold certificates were inadvertently in excess of the gold stock. Revised data not included in this table are available from the Division of Research and Statistics, Banking Section.

3. 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]									
	1984	1985	1986	1987						
	Dec.	Dec.	Dec.	Apr.	May	June	July	Aug.	Sept.	Oct.
1 Reserve balances with Reserve Banks[1]	21,738	27,620	37,360	37,807	36,466	36,309	36,110	35,616	36,685	37,249
2 Total vault cash[2]	22,313	22,953	24,071	23,353	23,693	24,380	24,631	24,649	24,860	25,596
3 Vault[3]	18,958	20,522	22,199	21,587	21,873	22,475	22,728	22,745	23,128	23,857
4 Surplus[4]	3,355	2,431	1,872	1,767	1,820	1,905	1,903	1,904	1,732	1,739
5 Total reserves[5]	40,696	48,142	59,560	59,393	58,339	58,784	58,838	58,361	59,813	61,106
6 Required reserves	39,843	47,085	58,191	58,566	57,260	57,594	58,078	57,329	59,020	59,977
7 Excess reserve balances at Reserve Banks[6]	853	1,058	1,369	827	1,079	1,190	761	1,032	793	1,128
8 Total borrowings at Reserve Banks	3,186	1,318	827	993	1,035	776	672	647	940	948
9 Seasonal borrowings at Reserve Banks	113	56	38	120	196	259	283	279	231	189
10 Extended credit at Reserve Banks[7]	2,604	499	303	270	288	273	194	132	409	449
	Biweekly averages of daily figures for weeks ending									
	1987									
	Aug. 26	Sept. 9	Sept. 23	Oct. 7	Oct. 21	Nov. 4	Nov. 18	Dec. 2	Dec. 16[p]	Dec. 30[p]
11 Reserve balances with Reserve Banks[1]	35,173	36,294	36,866	36,826	36,672	38,353[r]	37,525[r]	37,069	38,302	37,119
12 Total vault cash[2]	25,074	24,288	25,146	25,026	26,183	25,174	25,188	25,802	25,372	26,960
13 Vault[3]	23,115	22,446	23,475	23,313	24,410	23,464	23,622[r]	23,999	23,833	25,100
14 Surplus[4]	1,959	1,842	1,672	1,713	1,773	1,710	1,566[r]	1,803	1,540	1,860
15 Total reserves[5]	58,288	58,740	60,340	60,139	61,082	61,817[r]	61,147[r]	61,067	62,134	62,219
16 Required reserves	57,116	57,546	59,825	59,306	60,115	60,256	60,665	59,855	60,890	61,300
17 Excess reserve balances at Reserve Banks[6]	1,173	1,194	515	833	967	1,561[r]	492[r]	1,213	1,245	920
18 Total borrowings at Reserve Banks	719	647	1,001	1,195	1,007	677	561	683	815	671
19 Seasonal borrowings at Reserve Banks	286	241	226	230	183	169	125	114	83	102
20 Extended credit at Reserve Banks[7]	128	173	531	469	482	390	334	465	653	316

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

Maturity and source	1987 week ending Monday								
	June 29	July 6r	July 13	July 20	July 27	Aug. 3	Aug. 10	Aug. 17	Aug. 24
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	66,856	74,019	74,109	69,704	68,682	68,983	72,747	71,952	69,808
2 For all other maturities	8,430	11,069	8,691	8,626	8,829	9,624	9,252	8,970	9,098
From other depository institutions, foreign banks and foreign official institutions, and United States government agencies									
3 For one day or under continuing contract	33,067	26,598	33,873	31,478	31,316	32,783	32,923	32,524	30,368
4 For all other maturities	8,502	11,895	8,167	7,384	7,122	7,206	6,753	6,517	6,387
Repurchase agreements on U.S. government and federal agency securities in immediately available funds									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	9,958	8,074	10,541	11,515	13,115	13,711	13,744	12,715	12,756
6 For all other maturities	12,793	12,327	11,214	10,797	11,725	12,209	12,363	12,546	13,455
All other customers									
7 For one day or under continuing contract	25,518	22,809	25,558	26,375	26,482	27,082	27,417	27,613	27,496
8 For all other maturities	9,029	11,456	8,278	8,373	8,363	8,123	8,165	8,550	9,188
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	27,376	35,392	33,375	31,101	28,293	29,247	30,410	29,547	28,622
10 To all other specified customers[2]	12,656	13,031	13,702	13,109	13,347	13,690	12,886	11,853	13,676

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 year

Current and previous levels

Federal Reserve Bank	Adjustment Credit and Seasonal Credit[1]			Extended Credit[2]						
				First 30 days of Borrowing			After 30 days of Borrowing[3]			
	On 12/31/87	Effective Date	Previous Rate	On 12/31/87	Effective Date	Previous Rate	On 12/31/87	Effective Date	Previous Rate	Effective Date
Boston	6	9/9/87	5½	6	9/9/87	5½	7.70	12/31/87	7.75	12/17/87
New York		9/4/87			9/4/87			12/31/87		12/17/87
Philadelphia		9/4/87			9/4/87			12/31/87		12/17/87
Cleveland		9/4/87			9/4/87			12/31/87		12/17/87
Richmond		9/5/87			9/5/87			12/31/87		12/17/87
Atlanta		9/4/87			9/4/87			12/31/87		12/17/87
Chicago		9/4/87			9/4/87			12/31/87		12/17/87
St. Louis		9/9/87			9/9/87			12/31/87		12/17/87
Minneapolis		9/8/87			9/8/87			12/31/87		12/17/87
Kansas City		9/4/87			9/4/87			12/31/87		12/17/87
Dallas		9/11/87			9/11/87			12/31/87		12/17/87
San Francisco	6	9/9/87	5½	6	9/9/87	5½	7.70	12/31/87	7.75	12/17/87

Range of rates for adjustment credit in recent years[4]

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7
July 3	7–7¼	7¼
10	7¼	7¼
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

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1980—July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
1981—May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
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

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
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
July 11	6	6
Aug. 12	5½–6	5½
22	5½	5½
1987—Sept. 4	5½–6	6
11	6	6
In effect December 31, 1987	6	6

1. Adjustment credit is available on a short-term basis to help depository institutions meet temporary needs for funds that cannot be met through reasonable alternative sources. After May 19, 1986, the highest rate established for loans to depository institutions may be charged on adjustment credit loans of unusual size that result from a major operating problem at the borrower's facility.

Seasonal credit is available to help smaller depository institutions meet regular, seasonal needs for funds that cannot be met through special industry lenders and that arise from a combination of expected patterns of movement in their deposits and loans. 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 and again on Jan. 28, 1987; the rate may be either the same as that for adjustment credit or a fixed rate ½ percent higher.

2. Extended credit is available to depository institutions, where similar assistance is not reasonably available from other sources, when exceptional circumstances or practices involve only a particular institution or when an institution is experiencing difficulties adjusting to changing market conditions over a longer period of time.

3. For extended-credit loans outstanding more than 30 days, a flexible rate somewhat above rates on market sources of funds ordinarily will be charged, but in no case will the rate charged be less than the basic discount rate plus 50 basis points. *The flexible rate is re-established on the first business day of each two-week reserve maintenance period.* At the discretion of the Federal Reserve Bank, the time period for which the basic discount rate is applied may be shortened.

4. For 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.*

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, 1981. As of Oct. 1, 1981 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[2]	Depository institution requirements after implementation of the Monetary Control Act	
	Percent of deposits	Effective date
Net transaction accounts[3,4]		
$0 million–$40.5 million	3	12/30/86
More than $40.5 million	12	12/30/86
Nonpersonal time deposits[5]		
By original maturity		
Less than 1½ years	3	10/6/86
1½ years or more	0	10/6/83
Eurocurrency liabilities		
All types	3	11/13/80

1. Reserve requirements in effect on Dec. 31, 1987. 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. For previous reserve requirements, see earlier editions of the *Annual Report* and of the FEDERAL RESERVE BULLETIN. Under provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge corporations.

2. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97–320) requires that $2 million of reservable liabilities (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 succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 15, 1987, the exemption was raised from $2.9 million to $3.2 million. In determining the reserve requirements of depository institutions, the exemption shall apply in the following order: (1) net NOW accounts (NOW accounts less allowable deductions); (2) net other transaction accounts; and (3) 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.

3. 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 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).

4. 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. 29, 1987, the amount was increased from $36.7 million to $40.5 million.

5. 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.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction	1984	1985	1986	1987						
				Apr.	May	June	July	Aug.	Sept.	Oct.
U.S. TREASURY SECURITIES										
Outright transactions (*excluding matched transactions*)										
Treasury bills										
1 Gross purchases	20,036	22,214	22,602	4,226	1,697	575	575	499	4,528	1,095
2 Gross sales	8,557	4,118	2,502	653	0	22	912	0	0	300
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	7,700	3,500	1,000	0	0	0	4,572	0	3,657	0
Others within 1 year										
5 Gross purchases	1,126	1,349	190	1,232	0	535	0	0	443	300
6 Gross sales	0	0	0	0	0	0	0	0	300	0
7 Maturity shift	16,354	19,763	18,673	1,375	4,063	1,715	1,437	2,723	1,500	816
8 Exchange	-20,840	-17,717	-20,179	-522	-1,336	-1,812	-613	-1,787	-917	-1,178
9 Redemptions	0	0	0	0	0	0	0	0	*	0
1 to 5 years										
10 Gross purchases	1,638	2,185	893	3,642	0	1,394	0	5	2,551	0
11 Gross sales	0	0	0	0	0	0	200	0	0	0
12 Maturity shift	-13,709	-17,459	-17,058	-1,373	-1,804	-1,715	-1,397	-2,122	-1,500	-761
13 Exchange	16,039	13,853	16,984	522	1,111	1,812	613	1,612	917	1,178
5 to 10 years										
14 Gross purchases	536	458	236	914	0	312	0	0	619	0
15 Gross sales	300	100	0	0	0	0	0	0	0	0
16 Maturity shift	-2,371	-1,857	-1,620	-3	-2,259	0	-40	-601	0	-55
17 Exchange	2,750	2,184	2,050	0	150	0	0	100	0	0
Over 10 years										
18 Gross purchases	441	293	158	669	0	251	0	0	493	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	-275	-447	0	0	0	0	0	0	0	0
21 Exchange	2,052	1,679	1,150	0	75	0	0	75	0	0
All maturities										
22 Gross purchases	23,776	26,499	24,078	10,683	1,697	3,066	575	504	8,633	1,395
23 Gross sales	8,857	4,218	2,502	653	0	22	1,112	0	300	300
24 Redemptions	7,700	3,500	1,000	0	0	0	4,572	0	3,657	0
Matched transactions										
25 Gross sales	808,986	866,175	927,997	83,822	91,642	87,228	80,304	60,731	61,321	77,497
26 Gross purchases	810,432	865,968	927,247	82,494	92,137	87,128	80,037	62,594	61,347	73,779
Repurchase agreements[2]										
27 Gross purchases	127,933	134,253	170,431	37,653	59,340	24,167	3,298	9,013	34,080	65,675
28 Gross sales	127,690	132,351	160,268	23,881	73,111	22,108	2,058	12,311	34,080	57,380
29 Net change in U.S. government securities	8,908	20,477	29,989	22,474	-11,580	5,002	-4,136	-931	4,702	5,673
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	256	162	398	37	*	0	59	0	0	56
Repurchase agreements[2]										
33 Gross purchases	11,509	22,183	31,142	9,265	16,071	3,907	929	2,369	7,174	18,523
34 Gross sales	11,328	20,877	30,522	5,908	19,428	2,910	996	3,298	7,174	15,607
35 Net change in federal agency obligations	-76	1,144	222	3,320	-3,357	997	-126	-929	0	2,860
BANKERS ACCEPTANCES										
36 Repurchase agreements, net	-418	0	0	0	0	0	0	0	0	0
37 **Total net change in System Open Market Account**	**8,414**	**21,621**	**30,211**	**25,794**	**-14,936**	**5,999**	**-4,262**	**-1,861**	**4,702**	**8,533**

1. 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.

2. In July 1984 the Open Market Trading Desk discontinued accepting bankers acceptances in repurchase agreements.

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements[1]

Millions of dollars

Account	Wednesday					End of month		
	1987					1987		
	Oct. 28	Nov. 4	Nov. 11	Nov. 18	Nov. 25	Sept.	Oct.	Nov.
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,085	11,085	11,084	11,083	11,083	11,075	11,085	11,082
2 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
3 Coin	455	456	449	450	443	449	461	446
Loans								
4 To depository institutions	753	573	473	662	602	1,941	587	790
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	7,568	7,567	7,567	7,567	7,567	7,623	7,567	7,567
8 Held under repurchase agreements	4,078	0	788	380	0	0	2,916	2,277
U.S. Treasury securities								
Bought outright								
9 Bills	104,998	103,878	104,362	105,894	108,497	105,785	102,863	106,457
10 Notes	78,844	78,994	79,189	79,154	79,274	78,544	78,844	79,345
11 Bonds	27,611	27,612	27,612	27,762	27,761	27,612	27,612	27,761
12 Total bought outright[2]	211,453	210,484	211,163	212,810	215,532	211,941	209,319	213,563
13 Held under repurchase agreements	8,254	0	2,670	190	0	0	8,295	5,397
14 Total U.S. Treasury securities	219,707	210,484	213,833	213,000	215,532	211,941	217,614	218,960
15 **Total loans and securities**	**232,106**	**218,624**	**222,661**	**221,609**	**223,701**	**221,505**	**228,684**	**229,594**
16 Items in process of collection	7,870	7,337	8,028	8,144	6,571	7,532	7,197	4,901
17 Bank premises	694	698	698	643	697	688	698	698
Other assets								
18 Denominated in foreign currencies[3]	8,071	8,217	8,034	7,854	7,864	8,038	8,268	8,064
19 All other[4]	8,374	7,980	8,412	6,285	6,444	8,344	8,637	6,688
20 **Total assets**	**273,673**	**259,415**	**264,384**	**261,086**	**261,821**	**262,649**	**270,048**	**266,491**
LIABILITIES								
21 Federal Reserve notes	202,292	204,084	205,956	206,354	207,459	199,680	202,712	207,873
Deposits								
22 To depository institutions	43,379	37,535	39,473	37,649	38,188	39,027	43,187	41,781
23 U.S. Treasury—General account	14,324	3,149	3,260	2,921	2,767	9,120	8,898	3,594
24 Foreign—Official accounts	301	297	198	194	261	456	236	352
25 Other	371	328	325	310	482	419	477	450
26 **Total deposits**	**58,375**	**41,309**	**43,256**	**41,074**	**41,698**	**49,022**	**52,798**	**46,177**
27 Deferred credit items	5,839	6,743	7,417	6,619	5,596	7,284	6,588	4,473
28 Other liabilities and accrued dividends[5]	2,807	2,599	2,792	2,746	2,720	2,386	3,134	2,985
29 **Total liabilities**	**269,313**	**254,735**	**259,421**	**256,793**	**257,473**	**258,372**	**265,232**	**261,508**
CAPITAL ACCOUNTS								
30 Capital paid in	2,017	2,021	2,023	2,026	2,032	2,009	2,019	2,032
31 Surplus	1,873	1,873	1,873	1,853	1,853	1,873	1,873	1,873
32 Other capital accounts	470	786	1,067	414	463	395	924	1,078
33 **Total liabilities and capital accounts**	**273,673**	**259,415**	**264,384**	**261,086**	**261,821**	**262,649**	**270,048**	**266,491**
34 MEMO: Marketable U.S. Treasury securities held in custody for foreign and international account	188,156	188,247	188,770	192,067	191,618	182,078	188,928	193,044
	Federal Reserve note statement							
35 Federal Reserve notes outstanding issued to bank	253,666	253,834	254,111	254,473	254,458	252,932	253,538	254,499
36 LESS: Held by bank	51,374	49,750	48,155	48,119	46,999	53,252	50,826	46,626
37 Federal Reserve notes, net	202,292	204,084	205,956	206,354	207,459	199,680	202,712	207,873
Collateral held against notes net:								
38 Gold certificate account	11,085	11,085	11,084	11,083	11,083	11,075	11,085	11,082
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. Treasury and agency securities	186,189	187,981	189,854	190,253	191,358	183,587	186,609	191,773
42 **Total collateral**	**202,292**	**204,084**	**205,956**	**206,354**	**207,459**	**199,680**	**202,712**	**207,873**

1. Some of these data also appear in the Board's H.4.1 (503) release. For address, see inside front cover.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale-purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within 90 days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday 1987 Oct. 28	Nov. 4	Nov. 11	Nov. 18	Nov. 25	End of month 1987 Sept. 30	Oct. 30	Nov. 30
1 Loans—Total	753	573	473	662	602	1,941	587	790
2 Within 15 days	715	517	423	629	585	1,878	525	765
3 16 days to 90 days	38	56	50	33	17	61	62	25
4 91 days to 1 year	0	0	0	0	0	2	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. Treasury securities—Total	219,707	210,484	213,833	213,000	215,532	211,941	217,614	218,960
10 Within 15 days[1]	19,528	10,027	9,591	11,289	13,426	12,767	13,609	9,805
11 16 days to 80 days	51,179	47,698	51,502	45,820	49,133	49,795	51,679	52,165
12 91 days to 1 year	66,894	70,014	69,995	72,139	69,221	67,296	70,220	72,716
13 Over 1 year to 5 years	42,513	43,152	43,152	44,056	44,056	42,435	42,513	44,580
14 Over 5 years to 10 years	14,764	14,764	14,764	14,717	14,717	14,819	14,764	14,717
15 Over 10 years	24,829	24,829	24,829	24,979	24,979	24,829	24,829	24,977
16 Federal agency obligations—Total	11,646	7,567	8,355	7,947	7,567	7,623	10,483	9,843
17 Within 15 days[1]	4,218	0	895	727	240	359	3,056	2,527
18 16 days to 90 days	757	902	794	579	619	602	757	568
19 91 days to 1 year	1,474	1,469	1,583	1,558	1,668	1,446	1,474	1,621
20 Over 1 year to 5 years	3,574	3,574	3,460	3,460	3,437	3,615	3,574	3,524
21 Over 5 years to 10 years	1,407	1,407	1,407	1,407	1,387	1,321	1,407	1,387
22 Over 10 years	216	215	216	216	216	280	215	216

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	1983 Dec.	1984 Dec.	1985 Dec.	1986 Dec.	1987 Apr.	1987 May	1987 June	1987 July	1987 Aug.	1987 Sept.	1987 Oct.[r]	1987 Nov.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[1]												
1 **Total reserves[2]**	**36.11**	**39.91**	**46.06**	**56.17**	**57.95**	**58.35**	**57.71**	**57.60**	**57.88**	**57.83**	**58.50**	**58.00**
2 Nonborrowed reserves	35.33	36.72	44.74	55.34	56.96	57.32	56.93	56.93	57.23	56.89	57.55	57.38
3 Nonborrowed reserves plus extended credit[3]	35.33	39.33	45.24	55.64	57.23	57.60	57.20	57.12	57.36	57.29	58.00	57.77
4 Required reserves	35.55	39.06	45.00	54.80	57.13	57.27	56.52	56.84	56.84	57.03	57.37	57.07
5 Monetary base[4]	185.23	199.60	217.32	239.51	246.59	248.37	248.48	249.46	250.80	251.85	254.35	256.12
	Not seasonally adjusted											
6 **Total reserves[2]**	**36.81**	**40.94**	**47.24**	**57.64**	**58.37**	**57.30**	**57.63**	**57.74**	**57.39**	**57.50**	**58.04**	**58.11**
7 Nonborrowed reserves	36.04	37.75	45.92	56.81	57.38	56.26	56.85	57.07	56.74	56.56	57.09	57.48
8 Nonborrowed reserves plus extended credit[3]	36.04	40.35	46.42	57.11	57.65	56.55	57.12	57.27	56.88	56.96	57.54	57.88
9 Required reserves	36.25	40.08	46.18	56.27	57.54	56.22	56.43	56.98	56.36	56.70	56.91	57.17
10 Monetary base[4]	188.50	202.70	220.82	243.63	246.07	246.83	249.29	251.42	251.42	251.60	253.29	256.86
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[5]												
11 **Total reserves[2]**	**38.89**	**40.70**	**48.14**	**59.56**	**59.39**	**58.34**	**58.78**	**58.84**	**58.36**	**59.81**	**61.11**	**61.22**
12 Nonborrowed reserves	38.12	37.51	46.82	58.73	58.40	57.30	58.01	58.17	57.71	58.87	60.16	60.59
13 Nonborrowed reserves plus extended credit[3]	38.12	40.09	47.41	59.04	58.19	58.03	58.34	58.37	57.76	58.85	61.22	60.80
14 Required reserves	38.33	39.84	47.08	58.19	58.57	57.26	57.59	58.08	57.33	59.02	59.98	60.28
15 Monetary base[4]	192.26	204.18	223.53	247.71	249.24	249.94	252.54	254.67	254.36	255.69	258.08	261.71

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 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]	1983 Dec.	1984 Dec.	1985 Dec.	1986 Dec.	1987 July[r]	1987 Aug.	1987 Sept.[r]	1987 Oct.
		Seasonally adjusted							
1	M1	526.9	557.5	627.0	730.5	751.1	751.3	760.7	756.6
2	M2	2,184.6	2,369.1	2,569.5	2,801.2	2,862.8	2,876.0[r]	2,892.8	2,892.3
3	M3	2,692.8	2,985.4	3,205.2	3,492.2	3,603.9	3,620.5[r]	3,643.9	3,658.4
4	L	3,154.6	3,528.1	3,837.6	4,139.9	4,253.0	4,282.2[r]	4,317.5	n.a.
5	Debt	5,195.5	5,932.9	6,746.9	7,598.5[r]	8,038.1	8,098.0[r]	8,161.5	n.a.
	M1 components								
6	Currency[2]	148.3	158.5	170.6	183.5	193.2	194.5	196.2	198.4
7	Travelers checks[3]	4.9	5.2	5.9	6.4	6.9	7.0	7.0	7.0
8	Demand deposits[4]	242.3	248.3	272.2	308.3	296.4	294.1	300.4	295.7
9	Other checkable deposits[5]	131.4	145.5	178.3	232.2	254.6	255.6	257.2	255.6
	Nontransactions components								
10	In M2[6]	1,657.7	1,811.5	1,942.5	2,070.7	2,111.7	2,124.7[r]	2,132.0	2,135.7
11	In M3 only[7]	508.2	616.3	635.7	691.0	741.1	744.5[r]	751.2	766.1
	Savings deposits[8]								
12	Commercial Banks	133.2	122.2	124.6	154.5	178.0	178.0	177.5	177.0
13	Thrift institutions	173.0	166.6	179.0	211.8	241.8	241.3	239.3	235.0
	Small denomination time deposits[9]								
14	Commercial Banks	350.9	386.6	383.9	364.7	365.4	367.3	373.0	380.9
15	Thrift institutions	432.9	498.6	500.3	488.7	500.1	504.3	509.9	520.8
	Money market mutual funds								
16	General purpose and broker/dealer	138.2	167.5	176.5	207.6	212.2	215.5[r]	218.1	220.2
17	Institution-only	43.2	62.7	65.1	84.1	83.4	80.7	81.6	88.5
	Large denomination time deposits[10]								
18	Commercial Banks[11]	230.0	269.6	284.1	291.8	313.7	313.6	317.0	323.2
19	Thrift institutions	96.2	147.3	152.1	155.3	153.1	155.3	159.1	162.7
	Debt components								
20	Federal debt	1,170.8	1,365.3	1,584.3	1,804.5[r]	1,902.8	1,913.1[r]	1,919.3	n.a.
21	Nonfederal debt	4,024.6	4,567.6	5,162.6	5,794.0[r]	6,135.3	6,184.9[r]	6,242.1	n.a.
		Not seasonally adjusted							
22	M1	538.3	570.3	641.0	746.5	749.4	749.4	757.7	759.7
23	M2	2,191.6	2,378.3	2,580.5	2,814.7	2,860.8	2,868.8[r]	2,888.7	2,894.7
24	M3	2,702.4	2,997.2	3,218.4	3,507.5	3,599.4	3,615.2[r]	3,639.6	3,662.7
25	L	3,163.1	3,538.8	3,849.4	4,153.3	4,249.6	4,277.0[r]	4,311.4	n.a.
26	Debt	5,189.7	5,927.1	6,740.6[r]	7,591.7[r]	8,016.5	8,081.9[r]	8,147.3	n.a.
	M1 components								
27	Currency[2]	150.6	160.8	173.1	186.2	194.1	194.3	195.9	199.3
28	Travelers checks[3]	4.6	4.9	5.5	6.0	7.9	7.6	7.0	6.6
29	Demand deposits[4]	251.0	257.2	282.0	319.5	294.8	293.3	299.8	298.0
30	Other checkable deposits[5]	132.2	147.4	180.4	235.0	252.6	254.3	255.0	255.8
	Nontransactions components								
31	M2[6]	1,653.3	1,808.0	1,939.5	2,068.2	2,111.4	2,119.4[r]	2,131.0	2,134.9
32	M3 only[7]	510.8	618.9	637.9	692.8	738.6	746.4[r]	750.9	768.0
	Money market deposit accounts								
33	Commercial Banks	230.4	267.4	332.5	379.0	364.1	362.5	359.1	357.2
34	Thrift institutions	148.5	150.0	180.7	192.4	179.6	176.8	173.6	169.2
	Savings deposits[8]								
35	Commercial Banks	132.2	121.4	123.9	153.8	178.2	177.9	178.3	177.3
36	Thrift institutions	172.4	166.2	178.8	211.8	240.0	239.2	239.4	235.9
	Small denomination time deposits[9]								
37	Commercial Banks	351.1	386.7	383.8	364.4	366.8	369.0	374.0	381.5
38	Thrift institutions	433.5	499.6	501.5	489.8	499.3	503.6	511.1	522.2
	Money market mutual funds								
39	General purpose and broker/dealer	138.2	167.5	176.5	207.6	212.2	215.5[r]	218.1	220.2
40	Institution-only	43.2	62.7	65.1	84.1	83.4	80.7	81.6	88.5
	Large denomination time deposits[10]								
41	Commercial Banks[11]	231.6	271.2	285.6	293.2	313.1	314.9	318.3	324.0
42	Thrift institutions	96.3	147.3	151.9	154.9	153.2	155.7	159.5	162.8
	Debt components								
43	Federal debt	1,170.2	1,364.7	1,583.7	1,804.0[r]	1,887.7	1,900.2[r]	1,909.8	n.a.
44	Nonfederal debt	4,019.5	4,562.4	5,156.9	5,787.8[r]	6,128.8	6,181.7[r]	6,237.5	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. Smnall-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[1]

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	1984[2]	1985[2]	1986[2]	1987 Apr.	1987 May	1987 June	1987 July	1987 Aug.	1987 Sept.
	DEBITS TO	Seasonally adjusted								
	Demand deposits[3]									
1	All insured banks	131,463.1	156,091.6	188,345.8r	217,797.2r	217,397.2r	212,414.4r	219,501.3r	221,729.0r	219,174.5
2	Major New York City banks	57,327.3	70,585.8	91,397.3r	105,186.5r	107,724.1r	103,027.6r	106,428.9r	109,062.5r	105,161.2
3	Other banks	74,135.9	85,505.9	96,948.8r	112,610.7r	109,673.1r	109,386.8r	113,072.3r	112,666.5r	114,013.3
4	ATS-NOW accounts[4]	1,549.1	1,823.5	2,182.5	2,384.2r	2,310.5	2,417.6r	2,498.7	2,333.1r	2,343.0
5	Savings deposits[5]	414.7	384.9	403.5	508.1	488.5	565.8r	548.2	518.8r	523.6
	DEPOSIT TURNOVER									
	Demand deposits[3]									
6	All insured banks	441.0	500.3	556.5	607.0	598.5r	601.6	628.6	623.3	626.3
7	Major New York City banks	1,837.2	2,196.9	2,498.2r	2,670.3r	2,629.5r	2,671.6r	2,837.4r	2,718.2r	2,714.2
8	Other banks	277.8	305.7	321.2	352.6	340.3	347.8	362.8	357.0	366.4
9	ATS-NOW accounts[4]	15.3	15.8	15.6	13.8	13.3	13.9	14.3	13.2	13.2
10	Savings deposits[5]	3.3	3.2	3.0	3.0	2.8	3.3	3.1	3.0	3.0
	DEBITS TO	Not seasonally adjusted								
	Demand deposits[3]									
11	All insured banks	131,450.6	156,052.3	188,506.4r	228,142.6	208,310.0	221,038.4	228,764.2	214,145.9	216,710.3
12	Major New York City banks	57,282.4	70,559.2r	91,500.0	111,399.0	101,203.2	106,171.3	111,157.7	103,822.8	104,234.0
13	Other banks	74,164.2	85,493.1	97,006.6	116,743.5	107,106.7	114,867.0	117,606.5	110,323.1	112,476.2
14	ATS-NOW accounts[4]	1,552.2	1,826.4	2,184.6	2,564.0	2,262.9	2,466.9	2,466.0	2,226.4	2,408.9
15	MMDA[6]	862.3	1,223.9	1,609.4	2,175.9	1,851.2	1,987.9	2,002.7	1,752.7	1,833.2
16	Savings deposits[5]	415.2	385.3	404.1	563.3	483.7	565.2	576.5	524.2	518.6
	DEPOSIT TURNOVER									
	Demand deposits[3]									
17	All insured banks	441.1	499.9	556.7	634.8	584.0	625.0	651.7	612.5	621.2
18	Major New York City banks	1,838.6	2,196.3	2,499.1	2,825.8	2,556.8	2,801.5	2,928.4	2,721.9	2,751.0
19	Other banks	277.9	305.6	321.2	364.9	337.8	363.8	375.7	354.2	361.7
20	ATS-NOW accounts[4]	15.4	15.8	15.6	14.4	13.2	14.3	14.3	12.8	13.7
21	MMDA[6]	3.5	4.0	4.5	5.8	5.1	5.4	5.5	4.8	5.1
22	Savings deposits[5]	3.3	3.2	3.0	3.3	2.8	3.3	3.3	3.0	3.0

1. These series have been revised to reflect new benchmark adjustments and revised seasonal factors as well as some revisions of reported data. Historical tables containing revised data for earlier periods may be obtained from the Banking Section, Division of Monetary Affairs, 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.

2. Annual averages of monthly figures.

3. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.

4. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data are available beginning December 1978.

5. Excludes ATS and NOW accounts, MMDA and special club accounts, such as Christmas and vacation clubs.

6. Money market deposit accounts.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1986	1987										
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.
	Seasonally adjusted											
1 **Total loans and securities**[2]	**2,089.8**	**2,118.3**	**2,119.7**	**2,126.2**	**2,147.3**	**2,160.6**	**2,167.1**	**2,169.5**	**2,189.0**	**2,206.7**	**2,225.8**	**2,223.4**
2 U.S. government securities	309.9	316.3	315.2	314.3	315.8	320.1	316.9	319.8	328.6	331.7	332.3	331.0
3 Other securities	196.9	190.2	193.8	195.5	197.2	197.6	198.5	196.9	194.9	194.6	194.3r	196.4
4 Total loans and leases[2]	1,583.0	1,611.8	1,610.7	1,616.4	1,634.3	1,642.9	1,651.7	1,652.8	1,665.5	1,680.4	1,699.3	1,696.0
5 Commercial and industrial	541.4	554.1	553.8	551.7	553.9	555.9	558.0	555.5	555.6	560.5	565.7	567.0
6 Bankers acceptances held[3]	6.4	6.8	6.8	6.2	6.5	6.8	6.8	6.7	7.5	7.5	7.7	7.1
7 Other commercial and industrial	535.0	547.2	546.9	545.5	547.4	549.0	551.2	548.9	548.1	553.1	558.0	559.9
8 U.S. addressees[4]	525.7	537.8	537.9	536.9	539.0	540.9	542.8	540.6	540.0	545.0	550.0	552.2
9 Non-U.S. addressees[4]	9.3	9.4	9.0	8.6	8.4	8.1	8.4	8.3	8.1	8.1	7.9	7.7
10 Real estate	489.0	499.2	504.0	511.0	517.9	526.3	537.2	544.1	551.3	556.2	564.3	570.9
11 Individual	314.2	314.9	315.2	315.7	316.6	316.7	314.5	314.6	316.9	318.9	320.4	321.6
12 Security	38.7	37.7	38.5	38.3	43.6	42.0	42.2	41.7	44.0	45.2r	46.4r	38.8
13 Nonbank financial institutions	35.2	35.7	34.7	35.0	35.4	35.4	33.9	31.9	30.9	30.8	31.5	31.6
14 Agricultural	31.8	31.4	30.8	30.0	29.8	29.9	29.9	30.0	30.2	30.2	30.4	30.8
15 State and political subdivisions	57.9	57.8	57.2	57.0	56.0	55.2	54.4	53.2	52.6	52.5	52.5r	52.1
16 Foreign banks	10.4	10.6	10.3	9.7	9.9	9.9	10.3	9.4	9.5	9.8	10.9r	9.2
17 Foreign official institutions	5.8	5.9	6.1	6.7	6.7	5.8	5.3	5.2	5.1	5.1	5.4r	5.2
18 Lease financing receivables	22.2	22.1	22.2	22.3	22.6	22.9	23.1	23.2	23.3	23.8	23.8	24.1
19 All other loans	36.4	42.4	38.0	38.9	41.9	43.1	42.8r	44.0	46.1	47.3r	48.0r	45.0
	Not seasonally adjusted											
20 **Total loans and securities**[2]	**2,105.2**	**2,123.7**	**2,121.6**	**2,127.8**	**2,148.4**	**2,157.9**	**2,166.8**	**2,164.5**	**2,180.5**	**2,204.2**	**2,216.1**	**2,224.2**
21 U.S. government securities	308.3	314.6	318.9	317.2	317.7	319.7	317.4	321.0	327.5	330.4	328.4	330.3
22 Other securities	198.1	193.7	194.1	194.4	195.2	196.8	197.1	194.8	195.3	195.5	194.8	196.9
23 Total loans and leases[2]	1,598.7	1,615.4	1,608.6	1,616.2	1,635.4	1,641.4	1,652.4	1,648.7	1,657.7	1,678.2	1,692.9	1,697.0
24 Commercial and industrial	544.3	552.4	551.7	554.5	556.5	557.5	559.1	554.6	552.7	559.3	563.0	566.6
25 Bankers acceptances held[3]	6.7	6.7	6.7	6.2	6.4	6.7	6.9	6.7r	7.4	7.6	7.5	7.2
26 Other commercial and industrial	537.6	545.8	545.0	548.3	550.0	550.8	552.3	547.8	545.3	551.7	555.5	559.4
27 U.S. addressees[4]	528.8	537.1	536.3	539.9	541.6	542.5	543.7	539.0	536.8	543.3	547.2	551.0
28 Non-U.S. addressees[4]	8.8	8.7	8.7	8.4	8.4	8.3	8.6	8.8	8.5	8.4	8.3	8.4
29 Real estate	489.9	499.3	503.1	509.8	516.7	525.4	536.8	544.3	551.5	557.3	565.3	572.1
30 Individual	317.8	317.9	314.7	313.3	314.4	314.8	313.2	313.5	316.7	319.8	321.4	322.7
31 Security	41.0	39.4	37.5	38.6	45.1	42.0	43.0	40.9	41.5	43.6r	44.8r	39.0
32 Nonbank financial institutions	36.3	35.7	33.8	33.8	34.8	34.9	34.0r	31.9	31.1	31.5	31.6r	32.1
33 Agricultural	31.5	30.7	29.9	29.1	29.1	29.7	30.3	30.7	31.0	31.1	31.1	30.9
34 State and political subdivisions	57.9	57.8	57.2	57.0	56.0	55.2	54.4	53.2	52.6	52.5	52.5r	52.1
35 Foreign banks	10.9	10.7	10.5	9.7	9.5	9.6	10.0	9.4	9.3	10.0	10.9r	9.3
36 Foreign official institutions	5.8	5.9	6.1	6.7	6.7	5.8	5.3	5.2	5.1	5.1	5.4r	5.2
37 Lease financing receivables	22.2	22.4	22.4	22.5	22.7	22.9	23.2	23.1	23.2	23.6	23.5	23.8
38 All other loans	41.2	43.1	41.5	41.2	43.9	43.6	43.2	42.0	42.9	44.4	43.3r	43.3

1. These data also appear in the Board's G.7 (407) release.
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.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1986	1987										
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.
Total nondeposit funds												
1 Seasonally adjusted[2]	146.5	155.2	159.6	164.1	160.9	169.6	165.8	158.8	165.5r	177.0r	175.8	173.0
2 Not seasonally adjusted	146.6	154.7	162.3	166.5	161.0	170.4	163.1r	155.6	165.6	176.3	174.9r	174.6
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	165.5	171.0	171.6	170.4	171.3	169.6	167.7	166.5	166.9	166.0	165.5r	166.3
4 Not seasonally adjusted	165.7	170.5	174.3	172.7	171.4	170.4	165.0	163.3	167.0	165.4r	164.5	167.9
5 Net balances due to foreign-related institutions, not seasonally adjusted	-19.0	-15.7	-12.0	-6.3	-10.4	.0	-1.9	-7.8	-1.4r	10.9	10.3r	6.7
MEMO												
6 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[4]	-30.6	-26.1	-23.8	-21.1	-23.0	-15.5	-15.5	-22.2	-17.7	-11.8	-14.7	-17.0
7 Gross due from balances	73.3	71.5	68.3	66.0	70.5	68.5	67.1	66.4	64.5	64.3	68.1	70.8
8 Gross due to balances	42.7	45.4	44.5	44.9	47.5	53.0	51.5	44.2	46.8	52.5	53.4r	53.8
9 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted[5]	11.5	10.4	11.8	14.8	12.6	15.5	13.6	14.5	16.3r	22.7	25.0	23.7
10 Gross due from balances	70.9	75.1	72.9	71.1	72.7	75.5	77.2	77.2	77.5	77.1	79.6	83.1
11 Gross due to balances	82.5	85.5	84.7	85.9	85.3	91.0	90.8	91.7	93.8	99.8	104.6	106.9
Security RP borrowings												
12 Seasonally adjusted[6]	98.5	101.1	97.7	95.1	98.6	99.2	101.4	102.5	105.2	108.6	108.6	107.6
13 Not seasonally adjusted	98.6	100.6	100.4	97.4	98.7	100.0	98.7	99.4	105.3	107.9	107.7	109.2
U.S. Treasury demand balances[7]												
14 Seasonally adjusted	21.2	21.3	23.2	17.7	20.7	26.1	27.9	24.7	29.1	23.3	35.6	38.6
15 Not seasonally adjusted	19.2	27.5	28.6	17.1	21.6	30.8	25.5	26.6	21.6	25.5	30.7	25.8
Time deposits, $100,000 or more[8]												
16 Seasonally adjusted	345.6	350.1	351.1	354.1	359.8	366.2	372.9	371.8	370.9	370.5	377.8	385.0
17 Not seasonally adjusted	347.0	351.3	353.2	356.4	357.2	364.8	369.8	368.6	370.2	371.7	379.0	385.8

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.
2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars.
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[1]

Billions of dollars

Account	1987										
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.
ALL COMMERCIAL BANKING INSTITUTIONS[2]											
1 Loans and securities	2,284.8	2,279.4	2,279.2	2,306.2	2,318.9	2,313.4	2,324.3	2,342.2	2,368.8	2,396.9	2,385.2
2 Investment securities	482.2	484.7	486.2	492.5	495.4	493.2	497.7	501.7	502.6	504.1	508.6
3 U.S. government securities	296.1	298.8	299.5	305.1	307.0	303.4	308.2	312.7	312.7	314.9	316.6
4 Other	186.1	185.9	186.7	187.5	188.4	189.8	189.4	189.0	189.9	189.2	192.0
5 Trading account assets	26.4	29.0	25.2	23.3	21.4	20.2	20.4	20.0	19.5	19.7	20.3
6 Total loans	1,776.3	1,765.6	1,767.8	1,790.3	1,802.1	1,800.0	1,806.2	1,820.5	1,846.7	1,873.1	1,856.3
7 Interbank loans	160.1	156.7	154.3	151.8	160.4	150.9	157.5	162.5	158.3	174.2	163.0
8 Loans excluding interbank	1,616.2	1,608.9	1,613.5	1,638.5	1,641.7	1,649.1	1,648.7	1,658.0	1,688.3	1,698.9	1,693.3
9 Commercial and industrial	551.1	551.5	555.3	555.5	558.2	558.0	551.8	551.6	564.6	564.1	566.2
10 Real estate	499.9	503.5	510.7	519.0	527.4	539.1	547.3	552.7	559.1	566.6	572.9
11 Individual	317.0	314.7	313.1	315.2	314.8	312.6	314.5	317.2	321.0	322.5	322.8
12 All other	248.3	239.2	234.4	248.9	241.3	239.5	235.2	236.6	243.6	245.6	231.4
13 Total cash assets	214.4	206.3	203.8	209.7	230.8	213.1	207.1	209.3	221.6	222.0	213.5
14 Reserves with Federal Reserve Banks	33.4	28.4	31.1	29.8	37.9	33.8	32.8	37.6	33.3	38.6	34.1
15 Cash in vault	23.7	23.5	22.9	24.0	25.1	24.2	24.4	24.6	24.4	24.9	24.0
16 Cash items in process of collection	74.5	71.4	68.1	74.5	81.3	74.4	68.6	65.6	81.3	78.8	75.8
17 Demand balances at U.S. depository institutions	34.0	33.0	32.7	33.9	37.2	31.1	31.6	31.4	32.6	32.9	33.5
18 Other cash assets	48.8	50.1	49.0	47.5	49.3	49.7	49.6	50.0	50.0	46.8	46.2
19 Other assets	201.3	201.1	202.1	204.0	208.7	203.8	189.0	190.7	200.6	192.4	193.2
20 Total assets/total liabilities and capital	**2,700.5**	**2,686.8**	**2,685.2**	**2,719.9**	**2,758.3**	**2,730.4**	**2,720.4**	**2,742.2**	**2,791.0**	**2,811.2**	**2,791.8**
21 Deposits	1,898.3	1,895.5	1,899.6	1,919.5	1,939.1	1,923.4	1,924.6	1,926.4	1,968.4	1,967.4	1,970.1
22 Transaction deposits	577.8	569.2	568.8	590.7	596.9	578.2	573.7	572.6	610.7	596.5	590.4
23 Savings deposits	532.3	535.9	539.7	535.1	538.6	535.0	536.0	535.2	532.7	529.2	528.5
24 Time deposits	788.2	790.3	791.2	793.6	803.6	810.1	814.9	818.6	825.0	841.7	851.2
25 Borrowings	432.7	425.6	414.9	422.7	435.6	428.3	424.0	435.1	424.6	443.6	428.5
26 Other liabilities	188.0	184.6	188.7	195.2	200.3	201.3	201.1	209.2	225.0	226.9	220.3
27 Residual (assets less liabilities)	181.5	181.2	181.9	182.5	183.3	177.4	170.7	171.4	172.9	173.3	173.0
MEMO											
28 U.S. government securities (including trading account)	314.5	320.1	316.7	318.9	320.6	315.8	322.6	326.3	326.6	328.8	331.0
29 Other securities (including trading account)	194.1	193.7	194.7	196.9	196.1	197.6	195.5	195.4	195.5	194.9	197.9
DOMESTICALLY CHARTERED COMMERCIAL BANKS[3]											
30 Loans and securities	2,136.7	2,130.3	2,121.7	2,146.9	2,156.2	2,151.9	2,157.7	2,174.9	2,191.8	2,215.2	2,210.7
31 Investment securities	461.5	463.3	463.6	470.0	471.5	469.8	473.8	478.1	478.2	480.4	484.6
32 U.S. Treasury securities	286.8	289.2	289.4	295.2	296.7	294.0	298.4	302.7	302.1	304.8	305.9
33 Other	174.8	174.1	174.2	174.8	174.8	175.9	175.4	175.3	176.1	175.6	178.7
34 Trading account assets	26.4	29.0	25.2	23.3	21.4	20.2	20.4	20.0	19.5	19.7	20.3
35 Total loans	1,648.8	1,638.0	1,632.9	1,653.6	1,663.3	1,661.8	1,663.5	1,676.9	1,694.1	1,715.1	1,705.8
36 Interbank loans	134.3	130.5	124.1	124.2	128.6	121.5	122.9	129.5	124.8	133.1	129.6
37 Loans excluding interbank	1,514.5	1,507.5	1,508.8	1,529.3	1,534.7	1,540.4	1,540.6	1,547.4	1,569.3	1,582.0	1,576.3
38 Commercial and industrial	475.5	474.1	474.6	473.5	475.3	471.7	466.0	464.7	471.1	471.9	473.4
39 Real estate	493.2	497.0	504.1	512.0	520.3	532.1	539.9	544.9	551.1	558.9	564.9
40 Individual	316.7	314.4	312.7	314.9	314.5	312.3	314.2	316.8	320.6	322.2	322.5
41 All other	229.2	221.9	217.4	229.0	224.7	224.3	220.6	221.0	226.4	229.0	215.6
42 Total cash assets	196.6	188.9	186.5	192.5	213.2	195.3	189.1	190.1	201.4	205.1	196.6
43 Reserves with Federal Reserve Banks	31.2	27.1	29.7	27.2	35.9	32.1	31.4	36.2	31.0	36.5	31.5
44 Cash in vault	23.6	23.5	22.8	24.0	25.0	24.1	24.4	24.6	24.4	24.9	23.9
45 Cash items in process of collection	74.0	71.0	67.7	74.0	80.9	73.9	68.1	65.1	80.7	78.2	75.4
46 Demand balances at U.S. depository institutions	32.2	31.1	31.1	31.9	35.1	29.3	29.8	29.8	30.6	31.1	31.8
47 Other cash assets	35.6	36.4	35.2	35.4	36.2	35.9	35.4	34.4	34.7	34.4	33.9
48 Other assets	141.5	144.0	143.4	144.4	143.1	134.4	121.8	121.5	135.9	131.1	124.4
49 Total assets/liabilities and capital	**2,474.8**	**2,463.2**	**2,451.5**	**2,483.8**	**2,512.5**	**2,481.5**	**2,468.7**	**2,486.5**	**2,529.1**	**2,551.3**	**2,531.7**
50 Deposits	1,840.8	1,838.2	1,840.7	1,857.1	1,876.5	1,861.5	1,863.9	1,864.7	1,906.3	1,905.3	1,908.5
51 Transaction deposits	569.4	561.3	560.5	582.2	588.4	569.7	565.6	564.3	602.0	587.8	581.9
52 Savings deposits	530.3	533.9	537.7	533.1	536.6	533.0	533.9	533.0	530.6	527.0	526.2
53 Time deposits	741.1	743.0	742.5	741.8	751.4	758.8	764.4	767.3	773.7	790.5	800.3
54 Borrowings	341.7	336.1	319.1	328.2	337.1	328.6	321.1	335.8	326.5	346.7	324.5
55 Other liabilities	114.0	110.8	113.0	119.1	118.8	117.1	116.1	117.6	126.5	129.1	128.8
56 Residual (assets less liabilities)	178.3	178.1	178.8	179.4	180.2	174.3	167.6	168.3	169.8	170.2	169.9

1. Data have been revised because of benchmarking to new Call Reports and new seasonal factors beginning July 1985. Back data are available from the Banking Section. Board of Governors of the Federal Reserve System, Washington, D.C., 20551.

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.

2. 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.

3. Insured domestically chartered commercial banks include all member banks and insured nonmember banks.

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	1987								
	Sept. 30r	Oct. 7r	Oct. 14r	Oct. 21r	Oct. 28r	Nov. 4	Nov. 11	Nov. 18	Nov. 25
1 Cash and balances due from depository institutions	105,260	100,096	117,946	98,677	111,358	104,047	106,338	100,794	99,175
2 Total loans, leases and securities, net	**1,015,743**	**1,010,425**	**1,012,098**	**1,030,451**	**1,025,873**	**1,028,725**	**1,019,353**	**1,019,937**	**1,013,391**
3 U.S. Treasury and government agency	115,592	114,563	113,777	115,454	116,719	116,718	115,659	118,855	117,548
4 Trading acount	13,848	13,216	12,399	14,769	13,971	14,666	13,988	15,399	14,452
5 Investment account, by maturity	101,744	101,347	101,378	100,686	102,748	102,052	101,671	103,456	103,096
6 One year or less	16,930	16,936	17,019	16,748	16,028	15,884	15,953	15,934	15,798
7 Over one through five years	45,402	44,922	44,795	44,143	45,184	44,434	44,354	45,044	45,030
8 Over five years	39,413	39,490	39,564	39,794	41,536	41,734	41,363	42,478	42,268
9 Other securities	67,910	67,089	66,972	66,894	67,420	68,571	68,499	68,772	69,038
10 Trading account	2,943	2,382	2,385	2,470	2,623	2,596	2,467	2,415	2,551
11 Investment account	64,967	64,707	64,587	64,424	64,798	65,975	66,031	66,357	66,486
12 States and political subdivisions, by maturity	48,512	48,223	48,172	48,055	48,090	47,846	47,797	47,598	47,541
13 One year or less	5,163	5,184	5,189	5,109	5,120	5,212	5,216	5,227	5,219
14 Over one year	43,349	43,039	42,983	42,946	42,970	42,633	42,580	42,370	42,322
15 Other bonds, corporate stocks, and securities	16,455	16,484	16,415	16,369	16,707	18,129	18,234	18,759	18,945
16 Other trading account assets	2,680	3,178	3,137	2,804	3,025	2,960	3,027	3,114	3,293
17 Federal funds sold[1]	65,820	65,558	66,163	74,313	69,345	74,436	69,181	66,010	61,422
18 To commercial banks	40,249	40,908	40,739	46,976	41,459	46,827	40,005	39,997	37,024
19 To nonbank brokers and dealers in securities	17,597	17,098	18,094	19,449	19,416	19,153	20,972	18,031	16,687
20 To others	7,974	7,552	7,330	7,887	8,470	8,455	8,204	7,982	7,712
21 Other loans and leases, gross	802,692	798,859	800,894	809,764	808,234	805,026	801,998	802,076	800,960
22 Other loans, gross	783,240	779,515	781,528	790,351	788,782	785,507	782,294	782,378	781,232
23 Commercial and industrial	275,160	274,229	273,962	273,675	275,102	276,798	276,220	276,269	275,525
24 Bankers acceptances and commercial paper	2,168	2,208	2,353	2,234	2,404	2,289	2,275	2,349	2,224
25 All other	272,992	272,021	271,609	271,441	272,698	274,509	273,944	273,920	273,301
26 U.S. addressees	270,055	268,891	268,639	268,446	269,668	271,479	270,870	270,970	270,342
27 Non-U.S. addressees	2,937	3,130	2,970	2,994	3,030	3,030	3,075	2,950	2,959
28 Real estate loans	237,239	239,289	240,040	240,550	240,543	241,075	241,844	242,695	242,971
29 To individuals for personal expenditures	142,491	142,010	142,152	142,355	142,845	142,706	142,753	142,460	142,419
30 To depository and financial institutions	48,839	47,723	50,161	50,491	51,581	51,281	50,954	50,672	49,692
31 Commercial banks in the United States	20,575	20,236	21,446	22,322	22,751	22,363	22,669	21,992	22,038
32 Banks in foreign countries	4,772	4,510	5,696	5,296	5,566	5,289	4,770	4,970	4,314
33 Nonbank depository and other financial institutions	23,492	22,978	23,019	22,873	23,264	23,628	23,514	23,710	23,341
34 For purchasing and carrying securities	18,102	17,144	16,008	23,103	19,102	14,679	12,650	12,417	12,488
35 To finance agricultural production	5,712	5,744	5,725	5,681	5,645	5,601	5,504	5,578	5,508
36 To states and political subdivisions	31,996	31,859	31,743	31,570	31,444	31,474	31,366	31,461	31,301
37 To foreign governments and official institutions	2,864	2,852	2,938	2,881	2,997	2,888	2,840	2,844	2,813
38 All other	20,837	18,665	18,798	20,044	19,524	19,004	18,164	17,981	18,514
39 Lease financing receivables	19,452	19,343	19,366	19,413	19,452	19,519	19,705	19,698	19,728
40 LESS: Unearned income	4,648	4,634	4,646	4,647	4,670	4,650	4,655	4,573	4,519
41 Loan and lease reserve	34,303	34,188	34,200	34,132	34,200	34,336	34,356	34,318	34,352
42 Other loans and leases, net	763,740	760,037	762,048	770,985	769,364	766,040	762,987	763,185	762,089
43 All other assets	126,182	123,503	122,111	123,447	126,269	127,920	125,709	124,367	119,818
44 Total assets	**1,247,184**	**1,234,024**	**1,252,156**	**1,252,575**	**1,263,500**	**1,260,693**	**1,251,400**	**1,245,098**	**1,232,384**
45 Demand deposits	239,982	216,661	237,516	225,531	230,393	234,023	223,223	224,986	217,828
46 Individuals, partnerships, and corporations	185,352	168,810	185,431	176,590	178,306	180,167	175,482	173,831	171,901
47 States and political subdivisions	6,119	4,862	4,999	5,490	5,335	5,493	5,138	5,346	5,601
48 U.S. government	3,112	2,748	1,918	1,410	2,078	4,581	1,461	3,852	2,190
49 Depository institutions in United States	27,232	24,315	27,651	25,272	24,378	24,947	25,261	24,798	23,154
50 Banks in foreign countries	6,872	6,118	7,291	6,654	7,174	6,928	6,445	6,604	6,467
51 Foreign governments and official institutions	973	840	976	966	922	810	848	651	755
52 Certified and officers' checks	10,320	8,968	9,250	9,150	12,200	11,098	8,587	9,906	7,761
53 Transaction balances other than demand deposits	60,381	62,050	61,455	60,995	60,121	62,477	61,824	61,228	60,792
54 Nontransaction balances	526,427	531,056	530,994	532,822	533,798	535,335	535,937	536,628	535,801
55 Individuals, partnerships and corporations	488,776	493,346	493,398	495,671	496,297	498,289	499,040	499,500	498,327
56 States and political subdivisions	25,812	25,527	25,693	25,662	25,569	25,345	25,159	25,088	25,357
57 U.S. government	816	802	811	620	795	773	748	764	832
58 Depository institutions in the United States	10,240	10,562	10,289	10,082	10,347	10,095	10,165	10,452	10,451
59 Foreign governments, official institutions and banks	784	819	802	786	790	833	825	824	834
60 Liabilities for borrowed money	247,698	255,208	253,770	263,055	264,120	258,036	259,410	250,943	245,592
61 Borrowings from Federal Reserve Banks	1,148	980	580	2,720	275	345	260	369	330
62 Treasury tax-and-loan notes	21,129	19,312	18,870	22,928	22,857	14,033	20,490	16,626	16,895
63 All other liabilities for borrowed money[2]	225,422	234,916	234,320	237,407	240,988	243,658	238,660	233,948	228,366
64 Other liabilities and subordinated note and debentures	94,837	90,483	89,227	91,034	95,977	91,392	90,896	91,522	93,555
65 Total liabilities	**1,169,326**	**1,155,458**	**1,172,961**	**1,173,437**	**1,184,410**	**1,181,263**	**1,171,291**	**1,165,307**	**1,153,568**
66 Residual (total assets minus total liabilities)[3]	77,858	78,566	79,194	79,138	79,091	79,430	80,109	79,791	78,816
MEMO									
67 Total loans and leases (gross) and investments adjusted[4]	993,870	988,102	988,759	999,932	1,000,534	998,521	995,690	996,838	993,200
68 Total loans and leases (gross) adjusted[4]	807,688	803,273	804,873	814,779	813,369	810,272	808,504	806,097	803,321
69 Time deposits in amounts of $100,000 or more	165,103	168,960	168,519	170,013	171,715	172,558	172,507	172,799	172,866
70 Loans sold outright to affiliates—total[5]	1,687	1,716	1,791	1,799	1,736	1,708	1,718	1,778	1,862
71 Commercial and industrial	1,243	1,249	1,333	1,333	1,271	1,248	1,263	1,321	1,402
72 Other	445	467	458	466	466	459	455	456	460
73 Nontransaction savings deposits (including MMDAs)	227,138	227,240	227,175	226,879	224,979	224,734	224,752	224,872	223,779

1. Includes securities purchased under agreements to resell.
2. 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.
3. This is not a measure of equity capital for use in capital-adequacy analysis or for other analytic uses.
4. Exclusive of loans and federal funds transactions with domestic commercial banks.
5. 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	1987								
	Sept. 30	Oct. 7	Oct. 14	Oct. 21	Oct. 28	Nov. 4	Nov. 11	Nov. 18	Nov. 25
1 Cash balances due from depository institutions	25,498r	26,184r	32,937r	24,212r	32,003r	25,488	26,426	23,107	22,068
2 Total loans, leases and securities, net[1]	**218,125r**	**212,569r**	**215,238r**	**225,445r**	**220,876r**	**219,018**	**214,596**	**214,864**	**210,656**
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	14,003	13,863	13,975	13,874	14,486	14,141	13,821	14,368	13,718
6 One year or less	1,950	1,912	1,982	1,922	1,427	1,441	1,469	1,517	1,498
7 Over one through five years	4,666	4,573	4,570	4,377	4,442	4,216	4,122	4,640	4,663
8 Over five years	7,387	7,378	7,424	7,574	8,618	8,483	8,230	8,212	7,557
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	16,491	16,520	16,480	16,444	16,518	16,572	16,657	16,736	16,753
12 States and political subdivisions, by maturity	13,528	13,567	13,558	13,526	13,510	13,482	13,453	13,355	13,291
13 One year or less	944	921	929	874	863	788	795	786	775
14 Over one year	12,584	12,646	12,629	12,652	12,647	12,694	12,659	12,568	12,515
15 Other bonds, corporate stocks and securities	2,963	2,953	2,922	2,918	3,008	3,090	3,203	3,381	3,462
16 Other trading account assets[2]	0	0	0	0	0	0	0	0	0
Loans and leases									
17 Federal funds sold[3]	29,068	26,783	27,532	32,036	28,582	31,439	29,539	30,165	26,826
18 To commercial banks	12,688	11,713	11,369	14,353	11,572	14,259	11,479	14,241	11,953
19 To nonbank brokers and dealers in securities	10,674	9,736	11,359	12,364	11,472	11,826	12,850	10,959	9,992
20 To others	5,706	5,335	4,804	5,319	5,538	5,354	5,209	4,965	4,881
21 Other loans and leases, gross	174,296r	171,006r	172,901r	178,677r	176,911r	172,495	170,239	169,145	168,903
22 Other loans, gross	169,856r	166,558r	168,441r	174,221r	172,418r	167,986	165,726	164,656	164,383
23 Commercial and industrial	59,370	58,976	59,111	58,055	59,197	59,181	58,562	57,841	56,954
24 Bankers acceptances and commercial paper	475	496	550	456	441	438	380	411	358
25 All other	58,894	58,480	58,561	57,599	58,756	58,742	58,182	57,430	56,596
26 U.S. addressees	58,474	57,882	58,084	57,138	58,249	58,214	57,635	56,957	56,142
27 Non-U.S. addressees	421	598	477	462	507	529	547	473	455
28 Real estate loans	44,675	44,752	44,680	44,677	44,457	44,501	44,644	44,850	44,940
29 To individuals for personal expenditures	21,202r	21,235r	21,345r	21,426r	21,484r	21,522	21,596	21,139	21,266
30 To depository and financial institutions	20,409	19,568	21,499	21,863	22,955	21,852	21,738	21,475	21,306
31 Commercial banks in the United States	11,184	10,876	11,697	12,267	12,609	11,770	12,156	11,733	11,923
32 Banks in foreign countries	2,710	2,516	3,480	3,286	3,498	3,287	2,784	2,968	2,460
33 Nonbank depository and other financial institutions	6,515	6,176	6,321	6,310	6,849	6,795	6,798	6,774	6,923
34 For purchasing and carrying securities	7,897	6,986	6,585	12,041	8,839	5,882	4,394	4,794	5,037
35 To finance agricultural production	328	320	323	324	337	331	324	342	300
36 To states and political subdivisions	7,839	7,847	7,821	7,781	7,737	7,721	7,697	7,770	7,745
37 To foreign governments and official institutions	745	734	797	747	855	742	638	664	625
38 All other	7,390	6,139	6,278	7,306	6,556	6,254	6,132	5,781	6,210
39 Lease financing receivables	4,440r	4,448r	4,460	4,456	4,493	4,509	4,512	4,489	4,520
40 LESS: Unearned income	1,424r	1,427r	1,433r	1,438r	1,446r	1,438	1,444	1,365	1,348
41 Loan and lease reserve	14,309	14,176	14,217	14,149	14,176	14,190	14,216	14,186	14,196
42 Other loans and leases, net	158,563r	155,403r	157,250r	163,090r	161,290r	156,866	154,579	153,594	153,359
43 All other assets[4]	57,093r	57,046r	56,648r	59,542r	60,650r	61,352	58,613	60,326	56,001
44 Total assets	**300,716r**	**295,800r**	**304,824**	**309,199**	**313,530**	**305,858**	**299,635**	**298,296**	**288,726**
Deposits									
45 Demand deposits	65,610	55,632	62,241	61,314	66,510	63,618	56,801	60,251	54,185
46 Individuals, partnerships, and corporations	44,795	37,682	43,303	42,725	44,896	44,225	39,952	40,612	38,671
47 States and political subdivisions	890	831	766	861	991	879	1,066	889	791
48 U.S. government	547	476	269	196	314	870	261	717	367
49 Depository institutions in the United States	8,159	6,845	6,588	7,187	7,040	6,118	5,871	7,116	5,715
50 Banks in foreign countries	5,642	4,991	6,170	5,532	5,773	5,623	5,226	5,303	5,223
51 Foreign governments and official institutions	837	699	844	843	788	671	703	517	587
52 Certified and officers' checks	4,740	4,108	4,300	3,971	6,709	5,232	3,722	5,098	2,831
53 Transaction balances other than demand deposits (ATS, NOW, Super NOW, telephone transfers)	8,012	8,159	8,034	8,025	7,888	8,073	8,094	8,002	7,932
54 Nontransaction balances	99,769	102,090	101,897	101,635	102,270	101,446	101,376	101,404	101,097
55 Individuals, partnerships and corporations	91,017	93,120	92,734	92,362	93,095	92,300	92,527	92,574	92,342
56 States and political subdivisions	6,686	6,736	6,956	6,990	6,895	6,794	6,530	6,542	6,481
57 U.S. government	53	47	54	68	70	67	55	57	56
58 Depository institutions in the United States	1,629	1,780	1,759	1,832	1,832	1,870	1,876	1,844	1,833
59 Foreign governments, official institutions and banks	383	407	394	382	378	415	388	388	385
60 Liabilities for borrowed money	64,145	70,906	74,108	78,348	75,705	70,652	73,380	69,556	64,759
61 Borrowings from Federal Reserve Banks	410	450	0	2,400	0	0	0	0	0
62 Treasury tax-and-loan notes	4,736	4,811	4,830	5,840	5,792	3,283	5,007	4,222	4,327
63 All other liabilities for borrowed money[5]	58,999	65,644	69,278	70,108	69,913	67,369	68,372	65,334	60,432
64 Other liabilities and subordinated note and debentures	40,559r	36,279r	35,350	36,691	38,192	38,767	36,398	35,763	37,632
65 Total liabilities	**278,096r**	**273,067r**	**281,630**	**286,013**	**290,565**	**282,557**	**276,049**	**274,976**	**265,606**
66 Residual (total assets minus total liabilities)[6]	22,620	22,733	23,194	23,186	22,966	23,301	23,586	23,321	23,120
MEMO									
67 Total loans and leases (gross) and investments adjusted[1,7]	209,986r	205,583r	207,822r	214,411r	212,317r	208,618	206,620	204,441	202,325
68 Total loans and leases (gross) adjusted[7]	179,492r	175,200r	177,366r	184,093r	181,313r	177,905	176,142	173,336	171,854
69 Time deposits in amounts of $100,000 or more	36,891	38,952	38,628	38,832	38,751	38,448	38,397	38,361	38,016

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	1987								
	Sept. 30	Oct. 7	Oct. 14	Oct. 21	Oct. 28	Nov. 4	Nov. 11	Nov. 18	Nov. 25
1 Cash and due from depository institutions	11,738	9,864	9,451	9,800	9,695	10,434	10,013	10,922	9,970
2 Total loans and securities	99,629r	97,180r	98,726r	101,139r	101,160r	97,204	96,081	98,486	96,156
3 U.S. Treasury and govt. agency securities	7,318	7,389	7,330	7,441	6,946	7,466	7,290	7,558	7,328
4 Other securities	8,029	8,019	7,958	7,853	7,753	7,402	7,516	7,456	7,450
5 Federal funds sold[2]	7,196	7,298	9,041	10,787	12,234	8,474	8,073	10,615	7,679
6 *To commercial banks in the United States*	5,691	5,858	7,744	8,900	10,399	6,730	6,081	8,191	5,663
7 To others	1,505	1,440	1,297	1,887	1,835	1,744	1,992	2,423	2,016
8 Other loans, gross	77,086r	74,474r	74,397r	75,058r	74,227r	73,860	73,202	72,857	73,698
9 Commercial and industrial	50,165	49,018	48,871	49,487	49,415	49,111	47,548	48,072	47,700
10 Bankers acceptances and commercial paper	3,827	3,876	3,996	3,912	3,916	3,361	1,553	1,448	1,501
11 All other	46,338	45,142	44,875	45,575	45,499	45,751	45,995	46,624	46,199
12 U.S. addressees	43,912	42,756	42,468	43,150	43,120	43,421	43,597	44,234	43,743
13 Non-U.S. addressees	2,426	2,386	2,407	2,425	2,379	2,330	2,398	2,391	2,456
14 To financial institutions	16,769	16,485	16,336	15,798	15,360	15,597	15,815	15,605	16,805
15 Commercial banks in the United States	12,521	12,230	11,994	11,292	11,304	11,644	11,872	11,437	12,688
16 Banks in foreign countries	1,340	1,196	1,299	1,465	1,117	1,012	913	1,133	1,093
17 Nonbank financial institutions	2,908	3,059	3,042	3,041	2,938	2,940	3,029	3,035	3,024
18 To foreign govts. and official institutions	385	395	409	387	385	388	400	407	403
19 For purchasing and carrying securities	2,876	1,685	1,750	2,505	2,287	2,062	2,339	1,655	1,738
20 All other	6,890r	6,892r	7,031r	6,881r	6,781r	6,701	7,100	7,118	7,052
21 Other assets (claims on nonrelated parties)	28,795r	28,698r	28,495r	28,880r	28,521r	28,927	31,779	31,619	31,805
22 Net due from related institutions	14,893	15,746	15,414	15,940	14,019	15,953	14,071	13,816	16,081
23 Total assets	155,055r	151,489r	152,086r	155,759r	153,395r	152,517	151,945	154,844	154,012
24 Deposits or credit balances due to other than directly related institutions	43,652	42,133	42,504	42,285	42,811	42,748	42,400	41,918	41,849
25 Transaction accounts and credit balances[3]	3,644	3,193	3,433	3,337	3,531	3,528	3,344	3,222	2,918
26 Individuals, partnerships, and corporations	2,029	2,217	2,045	2,215	1,984	1,865	1,912	1,932	1,714
27 Other	1,616	976	1,388	1,121	1,547	1,663	1,433	1,290	1,205
28 Nontransaction accounts[4]	40,007	38,941	39,071	38,949	39,280	39,219	39,056	38,696	38,931
29 Individuals, partnerships, and corporations	32,399	31,663	31,840	31,880	32,118	31,889	31,954	31,655	31,912
30 Other	7,608	7,278	7,231	7,069	7,163	7,330	7,102	7,042	7,018
31 Borrowings from other than directly related institutions	55,302	56,947	55,804	58,085	53,854	56,494	54,296	57,872	58,463
32 Federal funds purchased[5]	25,298r	27,583r	26,342r	27,968r	25,420r	27,448	25,598	28,195	27,249
33 From commercial banks in the United States	13,630	14,839	15,082	16,902	16,093	17,568	15,592	17,030	16,924
34 From others	11,668r	12,744r	11,259r	11,067r	9,327r	9,880	10,007	11,166	10,326
35 Other liabilities for borrowed money	30,004r	29,364r	29,462r	30,116r	28,434r	29,045	28,698	29,677	31,214
36 To commercial banks in the United States	23,674	23,001	22,971	23,297	22,054	22,742	22,672	23,826	24,298
37 To others	6,330r	6,362r	6,491r	6,819r	6,379r	6,303	6,027	5,851	6,916
38 *Other liablities to nonrelated parties*	32,498	32,674	32,563	32,929	33,127	33,004	32,830	32,928	33,016
39 Net due to related institutions	23,603r	19,734r	21,214r	22,460r	23,603r	20,272	22,417	22,124	20,683
40 Total liabilities	155,055r	151,489r	152,086r	155,759r	153,395r	152,517	151,945	154,844	154,012
MEMO									
41 Total loans (gross) and securities adjusted[6]	81,417r	79,092r	78,987r	80,947r	79,457r	78,829	78,128	78,857	77,804
42 Total loans (gross) ajdusted[6]	66,069r	63,684r	63,700r	65,653r	64,758r	63,960	63,322	63,843	63,026

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									
	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.[3,4]	1986 June	1986 Sept.	1986 Dec.	1987 Mar.	1987 June	1987 Sept.
1 **All holders—Individuals, partnerships, and corporations**	**291.8**	**293.5**	**302.7**	**321.0**	**322.4**	**333.6**	**363.6**	**335.9**	**340.2**	**339.0**
2 Financial business	35.4	32.8	31.7	32.3	32.3	35.9	41.4	35.9	36.6	36.6
3 Nonfinancial business	150.5	161.1	166.3	178.5	180.0	185.9	202.0	183.0	187.2	188.2
4 Consumer	85.9	78.5	81.5	85.5	86.4	86.3	91.1	88.9	90.1	88.7
5 Foreign	3.0	3.3	3.6	3.5	3.0	3.3	3.3	2.9	3.2	3.2
6 Other	17.0	17.8	19.7	21.2	20.7	22.2	25.8	25.2	23.1	22.4
	Weekly reporting banks									
	1982 Dec.	1983 Dec.	1984 Dec.[2]	1985 Dec.[3,4]	1986 June	1986 Sept.	1986 Dec.	1987 Mar.	1987 June	1987 Sept.
7 **All holders—Individuals, partnerships, and corporations**	**144.2**	**146.2**	**157.1**	**168.6**	**168.5**	**174.7**	**195.1**	**178.1**	**179.3**	**179.1**
8 Financial business	26.7	24.2	25.3	25.9	25.7	28.9	32.5	28.7	29.3	29.3
9 Nonfinancial business	74.3	79.8	87.1	94.5	93.1	94.8	106.4	94.4	94.8	96.0
10 Consumer	31.9	29.7	30.5	33.2	34.9	35.0	37.5	36.8	37.5	37.2
11 Foreign	2.9	3.1	3.4	3.1	2.9	3.2	3.3	2.8	3.1	3.1
12 Other	8.4	9.3	10.9	12.0	11.9	12.8	15.4	15.5	14.6	13.5

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	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.	1986 Dec.	1987 May	1987 June	1987 July	1987 Aug.	1987 Sept.	1987 Oct.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**166,436**	**187,658**	**237,586**	**300,899**	**331,016**	**354,249**	**348,741**	**348,247**	**352,737**	**358,828**	**360,013**
Financial companies[3]											
Dealer-placed paper[4]											
2 Total	34,605	44,455	56,485	78,443	100,207	105,397	108,691	107,709	110,714	115,570	111,098
3 Bank-related (not seasonally adjusted)	2,516	2,441	2,035	1,602	2,265	2,429	2,430	2,311	2,404	2,590	2,689
Directly placed paper[5]											
4 Total	84,393	97,042	110,543	135,504	152,385	169,225	161,921	162,185	163,620	166,169	171,392
5 Bank-related (not seasonally adjusted)	32,034	35,566	42,105	44,778	40,860	48,401	47,862	46,354	45,487	46,815	46,249
6 Nonfinancial companies[6]	47,437	46,161	70,558	86,952	78,424	79,627	78,129	78,353	78,403	77,089	77,523
	Bankers dollar acceptances (not seasonally adjusted)[7]										
7 **Total**	**79,543**	**78,309**	**78,364**	**68,413**	**64,974**	**67,779r**	**69,622**	**68,495**	**68,645**	**68,771**	**71,891**
Holder											
8 Accepting banks	10,910	9,355	9,811	11,197	13,423	11,201	11,234	10,664	10,870	10,521	10,856
9 Own bills	9,471	8,125	8,621	9,471	11,707	9,569	9,661	9,630	9,905	9,400	9,742
10 Bills bought	1,439	1,230	1,191	1,726	1,716	1,631	1,573	1,035	965	1,121	1,114
Federal Reserve Banks											
11 Own account	1,480	418	0	0	0	0	0	0	0	0	0
12 Foreign correspondents	949	729	671	937	1,317	1,547	1,717	1,463	1,397	1,467	1,400
13 Others	66,204	67,807	67,881	56,279	50,234	55,032r	56,671	56,367	56,379	56,784	59,635
Basis											
14 Imports into United States	17,683	15,649	17,845	15,147	14,670	15,361	16,179	17,431	17,087	17,198	17,814
15 Exports from United States	16,328	16,880	16,305	13,204	12,960	14,028	14,161	14,659	14,967	15,046	15,949
16 All other	45,531	45,781	44,214	40,062	37,344	38,390r	39,281	36,405	36,590	36,527r	38,122

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
1985—Jan. 15	10.50	1987—Apr. 1	7.75	1985—Jan.	10.61	July	8.16
May 20	10.00	May 1	8.00	Feb.	10.50	Aug.	7.90
June 18	9.50	15	8.25	Mar.	10.50	Sept.	7.50
		Sept. 4	8.75	Apr.	10.50	Oct.	7.50
1986—Mar. 7	9.00	Oct. 7	9.25	May	10.31	Nov.	7.50
Apr. 21	8.50	22	9.00	June	9.78	Dec.	7.50
July 11	8.00	Nov. 5	8.75	July	9.50		
Aug. 20	7.50			Aug.	9.50	1987—Jan.	7.50
				Sept.	9.50	Feb.	7.50
				Oct.	9.50	Mar.	7.50
				Nov.	9.50	Apr.	7.75
				Dec.	9.50	May	8.14
						June	8.25
				1986—Jan.	9.50	July	8.25
				Feb.	9.50	Aug.	8.25
				Mar.	9.10	Sept.	8.70
				Apr.	8.83	Oct.	9.07
				May	8.50	Nov.	8.49
				June	8.50		

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 year; weekly and monthly figures are averages of business day data unless otherwise noted.

Instrument	1984	1985	1986	1987				1987, week ending				
				Aug.	Sept.	Oct.	Nov.	Oct. 30	Nov. 6	Nov. 13	Nov. 20	Nov. 27
MONEY MARKET RATES												
1 Federal funds[1,2]	10.22	8.10	6.80	6.73	7.22	7.29	6.69	7.03	6.43	6.68	6.77	6.78
2 Discount window borrowing[1,2,3]	8.80	7.69	6.33	5.50	5.95	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Commercial paper[4,5]												
3 1-month	10.05	7.94	6.62	6.62	7.26	7.38	6.77	6.95	6.78	6.72	6.79	6.75
4 3-month	10.10	7.95	6.49	6.71	7.37	7.89	7.17	7.33	7.19	7.04	7.14	7.20
5 6-month	10.16	8.01	6.39	6.81	7.55	7.96	7.17	7.35	7.20	7.05	7.14	7.21
Finance paper, directly placed[4,5]												
6 1-month	9.97	7.91	6.58	6.56	7.20	7.28	6.63	6.83	6.56	6.65	6.72	6.60
7 3-month	9.73	7.77	6.38	6.49	7.08	7.40	6.91	7.03	6.85	6.81	6.91	7.03
8 6-month	9.65	7.75	6.31	6.34	6.90	7.17	6.69	6.80	6.68	6.74	6.74	6.61
Bankers acceptances[5,6]												
9 3-month	10.14	7.92	6.39	6.64	7.31	7.85	7.07	7.25	7.05	6.94	7.06	7.14
10 6-month	10.19	7.96	6.29	6.75	7.48	7.92	7.07	7.24	7.04	6.95	7.06	7.14
Certificates of deposit, secondary market[7]												
11 1-month	10.17	7.97	6.61	6.63	7.25	7.39	6.80	6.96	6.75	6.70	6.76	6.77
12 3-month	10.37	8.05	6.52	6.75	7.37	8.02	7.24	7.42	7.26	7.13	7.18	7.26
13 6-month	10.68	8.25	6.51	7.02	7.74	8.19	7.31	7.50	7.30	7.21	7.29	7.33
14 Eurodollar deposits, 3-month[8]	10.73	8.28	6.71	6.91	7.51	8.29	7.41	7.73	7.55	7.23	7.38	7.38
U.S. Treasury bills[5]												
Secondary market[9]												
15 3-month	9.52	7.48	5.98	6.04	6.40	6.13	5.69	5.17	5.62	5.78	5.78	5.72
16 6-month	9.76	7.65	6.03	6.15	6.64	6.69	6.19	5.93	6.10	6.26	6.27	6.17
17 1-year	9.92	7.81	6.08	6.54	7.11	7.05	6.50	6.30	6.42	6.49	6.54	6.56
Auction average[10]												
18 3-month	9.57	7.49	5.97	6.00	6.32	6.40	5.81	5.12	5.80	5.74	6.01	5.70
19 6-month	9.80	7.66	6.02	6.14	6.57	6.86	6.23	5.98	6.24	6.24	6.33	6.11
20 1-year	9.94	7.81	6.07	6.52	6.74	6.89	6.48	6.45	n.a.	n.a.	n.a.	6.48
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[11]												
Constant maturities[12]												
21 1-year	10.89	8.43	6.46	7.03	7.67	7.59	6.96	6.73	6.87	6.96	7.01	7.02
22 2-year	11.65	9.27	6.87	7.75	8.34	8.40	7.69	7.60	7.62	7.67	7.72	7.76
23 3-year	11.89	9.64	7.06	8.03	8.67	8.75	7.99	8.01	7.96	7.96	7.98	8.05
24 5-year	12.24	10.13	7.31	8.32	8.94	9.08	8.35	8.38	8.32	8.30	8.35	8.41
25 7-year	12.40	10.51	7.55	8.59	9.26	9.37	8.69	8.71	8.66	8.64	8.66	8.77
26 10-year	12.44	10.62	7.68	8.76	9.42	9.52	8.86	8.90	8.84	8.80	8.83	8.95
27 20-year	12.48	10.97	7.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28 30-year	12.39	10.79	7.80	8.97	9.59	9.61	8.95	9.05	8.95	8.89	8.92	9.03
Composite[13]												
29 Over 10 years (long-term)	11.99	10.75	8.14	8.97	9.58	9.61	8.99	9.07	8.96	8.94	8.98	9.06
State and local notes and bonds												
Moody's series[14]												
30 Aaa	9.61	8.60	6.95	7.24	7.66	7.90	7.50	7.60	7.50	7.55	7.50	7.45
31 Baa	10.38	9.58	7.76	8.31	8.67	8.85	8.47	8.60	8.45	8.55	8.50	8.40
32 *Bond Buyer* series[15]	10.10	9.11	7.32	7.81	8.26	8.70	7.95	8.43	7.90	8.03	7.91	7.96
Corporate bonds												
Seasoned issues[16]												
33 All industries	13.49	12.05	9.71	10.24	10.64	10.97	10.54	10.75	10.62	10.49	10.51	10.51
34 Aaa	12.71	11.37	9.02	9.67	10.18	10.52	10.01	10.25	10.08	9.97	9.97	10.01
35 Aa	13.31	11.82	9.47	9.86	10.35	10.74	10.27	10.56	10.42	10.22	10.22	10.21
36 A	13.74	12.28	9.95	10.20	10.72	10.98	10.63	10.84	10.70	10.58	10.61	10.61
37 Baa	14.19	12.72	10.39	10.80	11.31	11.62	11.23	11.35	11.28	11.18	11.22	11.22
38 A-rated, recently-offered utility bonds[17]	13.81	12.06	9.61	10.37	10.84	11.07	10.39	10.60	10.39	10.38	10.31	10.40
MEMO: Dividend/price ratio[18]												
39 Preferred stocks	11.59	10.49	8.76	8.32	8.64	8.99	9.11	9.18	9.20	9.06	9.15	9.02
40 Common stocks	4.64	4.25	3.48	2.69	2.78	3.25	3.66	3.84	3.59	3.70	3.65	3.69

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 in 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	1984	1985	1986	1987 Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	92.46	108.09	136.00	166.43	163.88	163.00	169.58	174.28	184.18	178.39	157.13	137.21
2 Industrial	108.01	123.79	155.85	198.95	199.03	198.78	206.61	214.12	226.49	219.52	189.86	163.42
3 Transportation	85.63	104.11	119.87	138.55	137.91	141.30	150.39	157.49	164.02	158.58	140.95	117.57
4 Utility	46.44	56.75	71.36	77.15	72.74	71.64	74.25	74.18	78.20	76.13	73.27	69.86
5 Finance	89.28	114.21	147.19	162.41	150.52	145.97	152.73	152.27	160.94	154.08	137.35	118.30
6 Standard & Poor's Corporation (1941–43 = 10)[1]	160.50	186.84	236.34	292.47	289.32	289.12	301.36	310.09	329.36	318.66	280.16	245.01
7 American Stock Exchange[2] (Aug. 31, 1973 = 50)	207.96	229.10	264.38	332.55	330.65	328.77	334.49	348.68	361.52	353.72	306.34	249.42
Volume of trading (thousands of shares)												
8 New York Stock Exchange	91,084	109,191	141,385	180,251	187,135	170,898	163,380	180,356	193,477	177,319	277,026	179,481
9 American Stock Exchange	6,107	8,355	11,846	15,678	14,420	11,655	12,813	12,857	13,604	12,381	18,173	11,268
	Customer financing (end-of-period balances, in millions of dollars)											
10 Margin credit at broker-dealers[3]	**22,470**	**28,390**	**36,840**	**38,080**	**39,820**	**38,890**	**38,420**	**40,250**	**41,640**	**44,170**	**38,250**	**34,180**
Free credit balances at brokers[4]												
11 Margin-account[5]	1,755	2,715	4,880	4,730	4,660	4,355	3,680	4,095	4,240	4,270	8,415	6,700
12 Cash-account	10,215	12,840	19,000	17,370	17,285	16,985	15,405	15,930	16,195	15,895	18,455	15,360
	Margin requirements (percent of market value and effective date)[6]											
	Mar. 11, 1968		June 8, 1968		May 6, 1970		Dec. 6, 1971		Nov. 24, 1972		Jan. 3, 1974	
13 Margin stocks	70		80		65		55		65		50	
14 Convertible bonds	50		60		50		50		50		50	
15 Short sales	70		80		65		55		65		50	

1. 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.
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. These regulations, adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities other than options are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

On Jan. 1, 1977, the Board of Governors for the first time established in Regulation T the initial margin required for writing options on securities, setting it at 30 percent of the current market-value of the stock underlying the option. On Sept. 30, 1985, the Board changed the required initial margin, allowing it to be the same as the option maintenance margin required by the appropriate exchange or self-regulatory organization; such maintenance margin rules must be approved by the Securities and Exchange Commission. Effective Jan. 31, 1986, the SEC approved new maintenance margin rules, permitting margins to be the price of the option plus 15 percent of the market value of the stock underlying the option.

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1984	1985	1986		1987								
			Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
	Savings and loan associations												
1 **Assets**	**903,488**	**948,781**	**964,096**	**963,316**	**935,516**	**936,877**	**939,722**	**944,291**	**960,199r**	**949,107r**	**949,265r**	**955,254**	**956,743**
2 Mortgage-backed securities	......	97,303	122,682	123,257	129,340	128,856	129,279	134,743	141,032r	140,620r	140,894r	144,058r	150,950
3 Cash and investment securities[1]	124,801	126,712	141,510	142,700	132,733	135,884	138,727	136,370	138,295r	138,152r	138,521r	137,323r	131,719
4 Other	223,396	238,833	250,297	251,769	261,869	263,782	266,407	274,834	283,661r	285,426r	287,516r	292,737r	295,224
5 **Liabilities and net worth**	**903,488**	**948,781**	**964,096**	**963,316**	**935,516**	**936,877**	**939,722**	**944,291**	**960,199r**	**949,107r**	**949,265r**	**955,254**	**956,743**
6 Savings capital	725,045	750,071	740,066	741,081	721,759	722,276	722,548r	716,798r	718,633r	715,662r	716,389r	717,259r	721,409
7 Borrowed money	125,666	138,798	156,920	159,742	153,373	152,173	158,175	165,881	171,278r	175,409r	174,357r	178,642r	180,360
8 FHLBB	64,207	73,888	75,626	80,194	75,552	75,671	76,469	77,857	78,583	79,188	78,888r	79,546	80,848
9 Other	61,459	64,910	81,294	79,548	77,821	76,502	81,706	88,024	92,695r	96,221r	95,469r	99,096r	99,512
10 Other	17,944	19,045	24,078	20,071	19,773	21,823	18,958	20,870	22,621r	19,571r	20,677r	21,940r	19,157
11 Net worth[2]	34,833	41,064	43,034	42,423	40,606	40,601	40,040	40,741	41,223r	39,600r	39,027r	38,595r	36,996
	FSLIC-insured federal savings banks												
12 **Assets**	**98,559**	**131,868**	**204,918**	**210,562**	**235,428**	**235,763**	**241,418**	**246,277**	**253,007**	**264,099**	**268,814r**	**272,087r**	**272,790**
13 Mortgages	57,429	72,355	112,117	113,638	136,770	136,489	138,882	140,854	144,581	150,421r	152,885r	154,058r	154,661
14 Mortgage-backed securities	9,949	15,676	28,324	29,766	33,570	34,634	36,088	37,500	39,371	40,992	42,712	43,531	44,412
15 Other	10,971	11,723	19,266	19,034	15,769	16,060	16,605	17,034	17,200	17,936	17,547r	17,779r	17,560
16 **Liabilities and net worth**	**98,559**	**131,868**	**204,918**	**210,562**	**235,428**	**235,763**	**241,418**	**246,277**	**253,007**	**264,099**	**268,814r**	**272,087r**	**272,790**
17 Savings capital	79,572	103,462	154,447	157,872	176,741	178,676	178,672	180,637	182,802	189,998	193,890	194,853	195,213
18 Borrowed money	12,798	19,323	33,937	37,329	40,614	39,777	43,919	46,125	49,896	53,239r	53,652r	55,660r	56,540
19 FHLBB	7,515	10,510	17,863	19,897	20,730	20,226	21,104	21,718	22,788	24,486	24,981	25,546	26,287
20 Other	5,283	8,813	16,074	17,432	19,884	19,551	22,815	24,407	27,108	28,753	28,671r	30,114r	30,253
21 Other	1,903	2,732	5,652	4,263	5,304	5,480	5,265	5,547	6,044	5,983	6,143	6,455	5,631
22 Net worth	4,286	6,351	10,883	11,098	12,774	13,151	13,564	13,978	14,272	14,884	15,134r	15,123r	15,408
	Savings banks												
23 **Assets**	**203,898**	**216,776**	**232,577**	**236,866**	**235,603**	**238,074**	**240,739**	**243,454**	**245,906**	**244,760**	**246,833**	**249,888**	**251,472**
Loans													
24 Mortgage	102,895	110,448	117,612	118,323	119,199	119,737	121,178	122,769	124,936	128,217	129,624	130,721	133,298
25 Other	24,954	30,876	36,149	35,167	36,122	37,207	38,012	37,136	37,313	35,200	35,591	36,793	36,134
Securities													
26 U.S. government	14,643	13,111	13,037	14,209	13,332	13,525	13,631	13,743	13,650	13,549	13,498	13,720	13,122
27 Mortgage-backed securities	19,215	19,481	24,051	25,836	26,220	26,893	27,463	28,700	28,739	27,785	28,252	28,913	29,655
28 State and local government	2,077	2,323	2,290	2,185	2,180	2,168	2,041	2,063	2,053	2,059	2,050	2,038	2,023
29 Corporate and other	23,747	21,199	20,749	20,459	19,795	19,770	19,598	19,768	19,956	18,803	18,821	18,573	18,431
30 Cash	4,954	6,225	5,052	6,894	5,239	5,143	5,703	5,308	5,176	4,939	4,806	4,823	4,484
31 Other assets	11,413	13,113	13,637	13,793	13,516	13,631	13,713	13,967	14,083	14,208	14,191	14,307	14,325
32 **Liabilities**	**203,898**	**216,776**	**232,577**	**236,866**	**235,603**	**238,074**	**240,739**	**243,454**	**245,906**	**244,760**	**246,833**	**249,888**	**251,472**
33 Deposits	180,616	185,972	190,858	192,194	191,441	192,559	193,693	193,347	194,742	193,274	194,549	195,895	196,824
34 Regular[3]	177,418	181,921	185,958	186,345	186,385	187,597	188,432	187,791	189,048	187,669	188,783	190,335	191,376
35 Ordinary savings	33,739	33,018	36,739	37,717	38,467	39,370	40,558	41,326	41,967	42,178	41,928	41,767	41,773
36 Time	104,732	103,311	101,240	100,809	100,604	100,922	100,896	100,308	100,607	100,604	102,603	105,133	107,063
37 Other	3,198	4,051	4,900	5,849	5,056	4,962	5,261	5,556	5,694	5,605	5,766	5,560	5,448
38 Other liabilities	12,504	17,414	24,254	25,274	24,710	25,663	27,003	29,105	30,436	30,515	31,655	32,467	32,827
39 General reserve accounts	10,510	12,823	17,146	18,105	18,236	18,486	18,830	19,423	19,603	19,549	19,718	20,471	20,407

1.37—Continued

Account	1984	1985	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May	1987 June	1987 July	1987 Aug.	1987 Sept.
	Credit unions[4]												
40 **Total assets/liabilities and capital**	**93,036**	**118,010**	**145,653**	**147,726**	**149,383**	**149,751**	**153,253**	**154,549**	**156,086**	**160,644**	n.a.	n.a.	n.a.
41 Federal	63,205	77,861	94,638	95,483	96,801	96,753	98,799	99,751	100,153	104,150	n.a.	n.a.	n.a.
42 State	29,831	40,149	51,015	52,243	52,586	52,998	54,454	54,798	55,933	56,494	n.a.	n.a.	n.a.
43 Loans outstanding	62,561	73,513	84,635	86,137	85,984	85,651	86,101	87,089	87,765	90,912	n.a.	n.a.	n.a.
44 Federal	42,337	47,933	53,877	55,304	55,313	54,912	55,118	55,740	55,952	58,432	n.a.	n.a.	n.a.
45 State	20,224	25,580	30,758	30,833	30,671	30,739	30,983	31,349	31,813	32,480	n.a.	n.a.	n.a.
46 Savings	84,348	105,963	131,778	134,327	135,907	136,441	138,810	140,014	141,635	148,283	n.a.	n.a.	n.a.
47 Federal	57,539	70,926	87,009	87,954	89,717	89,485	91,042	92,012	97,189	96,137	n.a.	n.a.	n.a.
48 State	26,809	35,037	44,769	46,373	46,130	46,956	47,768	48,002	49,248	52,146	n.a.	n.a.	n.a.
	Life insurance companies												
49 **Assets**	**722,979**	**825,901**	**925,475**	**937,551**	**948,665**	**961,937**	**978,455**	**978,455**	**985,942**	**995,576**	**1,005,592**	**1,017,018**	n.a.
Securities													
50 Government	63,899	75,230	83,736	84,640	84,923	88,003	90,337	89,711	89,554	87,279	88,199	89,924	n.a.
51 United States[5]	42,204	51,700	57,533	59,033	59,596	62,724	65,661	64,621	64,201	61,405	62,461	64,150	n.a.
52 State and local	8,713	9,708	11,988	11,659	11,245	11,315	10,860	11,068	11,208	11,485	11,277	11,190	n.a.
53 Foreign[6]	12,982	13,822	14,215	13,948	14,082	13,964	13,816	14,022	14,145	14,389	14,461	14,584	n.a.
54 Business	359,333	423,712	490,091	492,807	504,582	514,328	519,766	522,097	528,789	537,507	555,423	551,701	n.a.
55 Bonds	295,998	346,216	399,986	401,943	408,788	415,004	417,933	420,474	425,788	432,095	448,146	442,604	n.a.
56 Stocks	63,335	77,496	90,105	90,864	95,794	99,324	101,833	101,623	103,001	105,412	107,277	109,097	n.a.
57 Mortgages	156,699	171,797	190,243	193,842	194,213	194,935	195,743	197,315	198,760	200,382	201,297	202,241	n.a.
58 Real estate	25,767	28,822	31,759	31,615	31,718	32,003	31,834	32,011	32,149	32,357	32,699	32,992	n.a.
59 Policy loans	54,505	54,369	54,222	54,055	53,832	53,806	53,652	53,572	53,468	53,378	53,338	53,330	n.a.
60 Other assets	63,776	71,971	75,424	80,592	79,397	78,842	82,105	83,749	83,222	84,390	85,420	57,126	n.a.

1. Holdings of stock of the Federal Home Loan Banks are in "other assets."
2. Includes net undistributed income accrued by most associations.
3. Excludes checking, club, and school accounts.
4. Data include all federally insured credit unions, both federal and state chartered, serving natural persons.
5. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
6. 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 1985	Fiscal year 1986	Fiscal year 1987	Calendar year 1987 June	July	Aug.	Sept.	Oct.	Nov.
U.S. budget[1]									
1 Receipts, total	734,057	769,091	854,143	82,945	64,223	60,213	92,410	62,354	56,987
2 On-budget	547,886	568,862	640,741	64,222	47,880	43,511	73,755	45,992	40,630
3 Off-budget	186,171	200,228	213,402	18,723	16,343	16,703	18,656	16,362	13,357
4 Outlays, total	946,316	990,231	1,002,147	83,366	86,491	81,940	77,140	93,095	82,756
5 On-budget	769,509	806,733	808,315	66,221	70,806	65,071	60,497	76,910	65,986
6 Off-budget	176,807	183,498	193,832	17,145	15,685	16,869	16,643	16,185	16,770
7 Surplus, or deficit (−), total	−212,260	−221,140	−148,005	−420	−22,268	−21,727	15,270	−30,741	−25,769
8 On-budget	−221,623	−237,871	−167,575	−1,998	−22,926	−21,561	13,257	−30,918	−25,356
9 Off-budget	9,363	16,731	19,570	1,578	658	−166	2,013	176	−414
Source of financing (total)									
10 Borrowing from the public	197,269	236,187	150,070	9,655	−3,103	33,060	−8,060	27,282	23,603
11 Operating cash (decrease, or increase (−))	13,367	−14,324	−5,052	−6,966	20,655	−3,219	−13,800	−1,879	17,164
12 Other[2]	1,630	−723	2,986	−2,801	4,716	−8,115	6,590	5,338	−14,998
MEMO									
13 Treasury operating balance (level, end of period)	17,060	31,384	36,436	40,072	19,417	22,635	36,436	38,315	21,151
14 Federal Reserve Banks	4,174	7,514	9,120	13,774	5,365	3,764	9,120	8,898	3,595
15 Tax and loan accounts	12,886	23,870	27,316	26,298	14,052	18,872	27,316	29,416	17,556

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 SDRs; reserve position on the U.S. quota in the IMF; loans to international monetary fund; other cash and monetary assets; 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 *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1986	Fiscal year 1987	Calendar year 1985 H2	1986 H1	1986 H2	1987 H1	1987 Sept.	1987 Oct.	1987 Nov.
RECEIPTS									
1 **All sources**	**769,091**	**854,143**	**364,790**	**394,345**	**387,524**	**447,282**	**92,410**	**62,354**	**56,987**
2 Individual income taxes, net	348,959	392,557	169,987	169,444	183,156	205,157	39,797	32,429	25,039
3 Withheld	314,803	322,463	155,725	153,919	164,071	156,760	24,569	30,122	24,888
4 Presidential Election Campaign Fund	36	33	6	31	4	30	0	1	0
5 Nonwithheld	105,994	142,957	22,295	78,981	27,733	112,421	17,127	3,563	1,664
6 Refunds	71,873	72,896	8,038	63,488	8,652	64,052	1,899	1,256	1,512
Corporation income taxes									
7 Gross receipts	80,442	102,859	36,528	41,946	42,108	52,396	21,636	3,633	2,558
8 Refunds	17,298	18,933	7,751	9,557	8,230	10,881	1,129	1,778	891
9 Social insurance taxes and contributions, net	283,901	303,318	128,017	156,714	134,006	163,519	25,403	22,177	23,756
10 Employment taxes and contributions[1]	255,062	273,185	116,276	139,706	122,246	146,696	23,788	20,797	20,731
11 Self-employment taxes and contributions[2]	11,840	13,987	985	10,581	1,338	12,020	1,590	0	144
12 Unemployment insurance	24,098	25,418	9,281	14,674	9,328	14,514	1,246	950	2,661
13 Other net receipts[3]	4,742	4,715	2,458	2,333	2,429	2,310	368	430	364
14 Excise taxes	32,919	32,510	18,470	15,944	15,947	15,845	2,808	2,574	2,854
15 Customs deposits	13,327	15,032	6,354	6,369	7,282	7,129	1,278	1,317	1,247
16 Estate and gift taxes	6,958	7,493	3,323	3,487	3,649	3,818	587	608	617
17 Miscellaneous receipts[4]	19,884	19,307	9,861	10,002	9,605	10,299	2,032	1,392	1,807
OUTLAYS									
18 **All types**	**990,231**	**1,002,147**	**487,201**	**486,058**	**505,448**	**502,983**	**77,140**	**93,095**	**82,756**
19 National defense	273,375	282,016	134,675	135,367	138,544	142,886	22,132	25,928	21,366
20 International affairs	14,152	11,761	8,367	5,384	8,876	4,374	1,712	1,004	65
21 General science, space, and technology	8,976	9,188	4,727	12,519	4,594	4,324	860	1,118	867
22 Energy	4,735	4,176	3,305	2,484	2,735	2,335	-197	499	316
23 Natural resources and environment	13,639	13,225	7,553	6,245	7,141	6,175	1,157	1,336	1,121
24 *Agriculture*	31,449	26,493	*15,412*	14,482	*16,160*	*11,824*	1,383	*5,177*	3,139
25 Commerce and housing credit	4,823	5,235	644	860	3,647	4,893	-547	1,625	585
26 Transportation	28,117	26,228	15,360	12,658	14,745	12,113	2,505	2,306	2,304
27 Community and regional development	7,233	5,334	3,901	3,169	3,494	3,108	-602	742	450
28 Education, training, employment, social services	30,585	28,721	14,481	14,712	15,287	14,182	2,178	2,455	3,045
29 Health	35,935	39,968	17,237	17,872	18,795	20,318	3,332	3,613	3,744
30 Social security and medicare	268,921	282,473	129,037	135,214	138,299	142,864	23,425	23,979r	23,153
31 Income security	119,796	123,499	59,457	60,786	60,628	62,248	9,880	10,241	9,595
32 Veterans benefits and services	26,356	26,801	14,527	12,193	14,447	12,264	2,168	3,645	899
33 Administration of justice	6,603	7,507	3,212	3,352	3,360	3,626	766	674	649
34 General government	6,104	6,005	3,634	3,566	2,786	3,344	379	−231	1,085
35 General-purpose fiscal assistance	6,431	1,621	3,391	2,179	2,886	337	428	241	148
36 Net interest[5]	136,008	138,519	67,448	68,054	65,816	70,110	10,284	11,431	13,215
37 Undistributed offsetting receipts[6]	−33,007	−36,622	−17,953	−17,193	−17,376	−18,104	−4,106	−2,688	−2,990

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.

SOURCES. U.S. Department of the Treasury, "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," and the U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1988.*

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1985		1986				1987		
	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30
1 **Federal debt outstanding**	**1,827.5**	**1,950.3**	**1,991.1**	**2,063.6**	**2,129.5**	**2,218.9**	**2,250.7**	**2,313.1**	**2,354.3**
2 Public debt securities	1,823.1	1,945.9	1,986.8	2,059.3	2,125.3	2,214.8	2,246.7	2,309.3	2,350.3
3 Held by public	1,506.6	1,597.1	1,634.3	1,684.9	1,742.4	1,811.7	1,839.3	1,871.1	1,893.1
4 Held by agencies	316.5	348.9	352.6	374.4	382.9	403.1	407.5	438.1	457.2
5 Agency securities	4.4	4.4	4.3	4.3	4.2	4.0	4.0	3.8	4.0
6 Held by public	3.3	3.3	3.2	3.2	3.2	3.0	2.9	2.8	3.0
7 Held by agencies	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.0	1.0
8 **Debt subject to statutory limit**	**1,823.8**	**1,932.4**	**1,973.3**	**2,060.0**	**2,111.0**	**2,200.5**	**2,232.4**	**2,295.0**	**2,336.0**
9 Public debt securities	1,822.5	1,931.1	1,972.0	2,058.7	2,109.7	2,199.3	2,231.1	2,293.7	2,334.7
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	1,823.8	2,078.7	2,078.7	2,078.7	2,111.0	2,300.0	2,300.0	2,320.0	2,800.0

1. Includes guaranteed debt of Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCES. *Treasury Bulletin* and *Monthly Statement of the Public Debt of the United States.*

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1983	1984	1985	1986	1986	1987		
					Q4	Q1	Q2	Q3
1 **Total gross public debt**	**1,410.7**	**1,663.0**	**1,945.9**	**2,214.8**	**2,214.8**	**2,246.7**	**2,309.3**	**2,350.3**
By type								
2 Interest-bearing debt	1,400.9	1,660.6	1,943.4	2,212.0	2,212.0	2,244.0	2,306.7	2,347.8
3 Marketable	1,050.9	1,247.4	1,437.7	1,619.0	1,619.0	1,635.7	1,659.0	1,676.0
4 Bills	343.8	374.4	399.9	426.7	426.7	406.2	391.0	378.3
5 Notes	573.4	705.1	812.5	927.5	927.5	955.3	984.4	1,005.1
6 Bonds	133.7	167.9	211.1	249.8	249.8	259.3	268.6	277.6
7 Nonmarketable[1]	350.0	413.2	505.7	593.1	593.1	608.3	647.7	671.8
8 State and local government series	36.7	44.4	87.5	110.5	110.5	118.5	125.4	129.0
9 Foreign issues[2]	10.4	9.1	7.5	4.7	4.7	4.9	5.1	4.4
10 Government	10.4	9.1	7.5	4.7	4.7	4.9	5.1	4.4
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	70.7	73.1	78.1	90.6	90.6	93.0	95.2	97.0
13 Government account series[3]	231.9	286.2	332.2	386.9	386.9	391.4	421.6	440.7
14 Non-interest-bearing debt	9.8	2.3	2.5	2.8	2.8	2.7	2.6	2.5
By holder[4]								
15 U.S. government agencies and trust funds	236.3	289.6	348.9	403.1	403.1	407.5	438.1	457.2
16 Federal Reserve Banks	151.9	160.9	181.3	211.3	211.3	196.4	212.3	211.9
17 Private investors	1,022.6	1,212.5	1,417.2	1,602.0	1,602.0	1,641.4	1,657.7	1,682.6
18 Commercial banks	188.8	183.4	192.2	232.1	232.1	232.0	237.1	250.5
19 Money market funds	22.8	25.9	25.1	28.6	28.6	18.8	20.6	n.a.
20 Insurance companies	56.7	76.4	95.8	106.9	106.9	n.a.	n.a.	n.a.
21 Other companies	39.7	50.1	59.0	68.8	68.8	73.4r	78.7	80.2
22 State and local Treasurys	155.1	179.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Individuals								
23 Savings bonds	71.5	74.5	79.8	92.3	92.3	94.7	96.8	98.5
24 Other securities	61.9	69.3	75.0	70.5r	70.5r	68.3r	68.6r	70.4
25 Foreign and international[5]	166.3	192.9	212.5	251.5	251.5	250.7r	270.1r	268.4
26 Other miscellaneous investors[6]	259.8	360.6	n.a.	n.a.	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. Treasury agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. Treasury 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. Treasury deposit accounts, and federally-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 Transaction[1]

Par value; averages of daily figures, in millions of dollars

	Item	1984	1985	1986	1987			1987					
					Sept.	Oct.	Nov.	Oct. 21	Oct. 28	Nov. 4	Nov. 11	Nov. 18	Nov. 25
	Immediate delivery[2]												
1	**U.S. Treasury securities**	**52,778**	**75,331**	**95,445r**	**108,185**	**138,937**	**95,689**	**172,975**	**155,441**	**121,579**	**108,283**	**88,500**	**86,651**
	By maturity												
2	Bills	26,035	32,900	34,247r	35,683	41,000	30,259	51,411	45,443	36,114	30,442	28,970	29,467
3	Other within 1 year	1,305	1,811	2,115	2,992	4,405	4,070	4,680	5,378	5,362	3,657	3,863	4,199
4	1–5 years	11,733	18,361	24,667	27,377	41,107	28,364	50,106	48,013	39,170	28,815	28,755	25,372
5	5–10 years	7,606	12,703	20,456r	25,973	34,061	19,153	42,385	36,646	26,046	23,119	14,588	18,208
6	Over 10 years	6,099	9,556	13,961	16,160	18,365	13,844	24,393	19,961	14,887	22,250	12,325	9,405
	By type of customer												
7	U.S. government securities dealers	2,919	3,336	3,670r	2,560r	2,750r	1,894	2,765	2,581	2,614	1,977	1,381	2,308
8	U.S. government securities brokers	25,580	36,222	49,558r	64,384r	82,101r	55,448	101,567	90,832	72,254	63,613	51,658	47,509
9	All others[3]	24,278	35,773	42,218	41,240	54,085	38,346	68,642	62,029	46,711	42,693	35,461	36,834
10	Federal agency securities	7,846	11,640	16,748r	15,797	18,586	17,919	21,460	20,205	19,531	18,552	19,382	18,085
11	Certificates of deposit	4,947	4,016	4,355	3,234	4,927	3,392	4,922	5,142	4,105	3,782	3,100	3,329
12	Bankers acceptances	3,243	3,242	3,272	2,799	3,362	2,727	3,466	3,320	3,168	2,482	2,740	2,997
13	Commercial paper	10,018	12,717	16,660	16,155	19,394	16,007	20,631	18,752	18,138	15,780	17,453	15,776
	Futures contracts[4]												
14	Treasury bills	6,947	5,561	3,311	2,748	4,056	2,774	7,183	4,072	3,464	2,315	2,419	3,226
15	Treasury coupons	4,533	6,085	7,175	11,981	11,462	8,489	13,892	11,876	9,926	10,920	6,326	7,719
16	Federal agency securities	264	252	16	1	8	2	2	30	8	3	0	0
	Forward transactions[5]												
17	U.S. Treasury securities	1,364	1,283	1,876	788	2,653	2,167	4,475	2,084	2,917	2,310	2,838	1,450
18	Federal agency securities	2,843	3,857	7,831r	8,292	7,676	7,191	9,783	7,054	6,787	9,137	8,552	5,885

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. Treasury 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 Treasury securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Averages of daily figures, in millions of dollars

Item	1984	1985	1986^r	1987 Sept.	1987 Oct.	1987 Nov.	1987 Oct. 28	1987 Nov. 4	1987 Nov. 11	1987 Nov. 18	1987 Nov. 25
	Positions										
Net immediate[2]											
1 **U.S. Treasury securities**	**5,429**	**7,391**	**12,912**	**−23,337**	**−15,440^r**	**−6,978**	**−7,355^r**	**−8,383**	**−5,399**	**−8,855**	**−5,637**
2 Bills	5,500	10,075	12,761	2,404	7,260^r	5,702	12,428	9,606	7,399	4,388	4,377
3 Other within 1 year	63	1,050	3,706	−760	−620	−565	−349	−176	−333	−856	−613
4 1–5 years	2,159	5,154	9,146	−10,137	−4,938^r	1,637	942^r	1,603	3,120	340	2,282
5 5–10 years	−1,119	−6,202	−9,505	−8,100	−8,724	−6,214	−10,335	−10,139	−7,930	−5,516	−4,626
6 Over 10 years	−1,174	−2,686	−3,197	−6,745	−8,418	−7,538	−10,041	−9,277	−7,655	−7,211	−7,058
7 Federal agency securities	15,294	22,860	32,984	33,679	34,002	29,108	34,242	30,374	29,694	30,537	27,615
8 Certificates of deposit	7,369	9,192	10,485	7,968	7,537	6,821	7,714	7,475	7,008	6,851	6,662
9 Bankers acceptances	3,874	4,586	5,526	3,016	2,879	3,151	2,950	3,298	3,377	3,168	3,066
10 Commercial paper	3,788	5,570	8,089	6,388	7,426	7,729	9,299	8,568	8,891	7,967	6,564
Futures positions											
11 Treasury bills	−4,525	−7,322	−18,059	−200	2,492^r	1,158	2,320	2,027	1,042	1,250	594
12 Treasury coupons	1,794	4,465	3,473	7,295	8,809^r	9,170	8,815	8,678	9,150	9,479	9,334
13 Federal agency securities	233	−722	−153	−96	−100	−90	−105	−98	−92	−88	−88
Forward positions											
14 U.S. Treasury securities	−1,643	−911	−2,144	−191	229^r	145	1,096^r	1,847	2,465	−120	−1,605
15 Federal agency securities	−9,205	−9,420	−11,840	−21,797	−22,780^r	−18,489	−22,887^r	−20,153	−20,105	−19,621	−16,262
	Financing[3]										
Reverse repurchase agreements[4]											
16 Overnight and continuing	44,078	68,035	98,954	139,783	131,194	n.a.	126,850	124,236	117,222	n.a.	n.a.
17 Term	68,357	80,509	108,693	164,707	164,441	n.a.	171,642	166,221	172,200	n.a.	n.a.
Repurchase agreements[5]											
18 Overnight and continuing	75,717	101,410	141,735	182,494	177,013	n.a.	175,048	171,557	145,276	n.a.	n.a.
19 Term	57,047	70,076	102,640	125,741	123,372	n.a.	131,033	125,755	158,025	n.a.	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. Treasury 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. Treasury 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	1984	1985	1986	1987					
				May	June	July	Aug.	Sept.	Oct.
1 **Federal and federally sponsored agencies**	**271,220**	**293,905**	**307,361**	**308,547**	**310,854**	**313,859**	**316,940**	n.a.	
2 Federal agencies	35,145	36,390	36,958	36,587	36,968	36,963	37,845	37,177	
3 Defense Department[1]	142	71	33	21	20	18	16	15	
4 Export-Import Bank[2,3]	15,882	15,678	14,211	13,813	13,416	13,416	13,416	12,650	
5 Federal Housing Administration[4]	133	115	138	168	169	175	174	178	n.a.
6 Government National Mortgage Association participation certificates[5]	2,165	2,165	2,165	1,965	1,965	1,965	1,965	1,965	
7 Postal Service[6]	1,337	1,940	3,104	3,104	3,718	3,718	4,603	4,603	
8 Tennessee Valley Authority	15,435	16,347	17,222	17,431	17,595	17,586	17,586	17,766	
9 United States Railway Association[6]	51	74	85	85	85	85	85	0	
10 Federally sponsored agencies[7]	237,012	257,515	270,553	271,960	273,886	276,896	279,095		
11 Federal Home Loan Banks	65,085	74,447	88,752	95,931	99,680	100,976	102,422	104,380	108,108
12 Federal Home Loan Mortgage Corporation	10,270	11,926	13,589	14,637	12,097	12,309	14,150	n.a.	n.a.
13 Federal National Mortgage Association	83,720	93,896	93,563	90,514	91,039	91,637	91,568	92,618	94,298
14 Farm Credit Banks	72,192	68,851	62,478	56,648	56,648	55,715	55,408	55,276	55,854
15 Student Loan Marketing Association[8]	5,745	8,395	12,171	14,230	14,422	16,259	15,547	16,389	16,220
16 Financing Corporation[9]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	600
MEMO									
17 **Federal Financing Bank debt[10]**	**145,217**	**153,373**	**157,510**	**157,331**	**157,506**	**157,302**	**158,117**	**157,252**	n.a.
Lending to federal and federally sponsored agencies									
18 Export-Import Bank[3]	15,852	15,670	14,205	13,807	13,410	13,410	13,410	12,644	
19 Postal Service[6]	1,087	1,690	2,854	2,854	3,468	3,468	4,353	4,353	
20 Student Loan Marketing Association	5,000	5,000	4,970	4,970	4,970	4,970	4,970	4,970	
21 Tennessee Valley Authority	13,710	14,622	15,797	16,051	16,215	16,206	16,206	16,386	n.a.
22 United States Railway Association[6]	51	74	85	85	85	85	85	0	
Other Lending[11]									
23 Farmers Home Administration	58,971	64,234	65,374	65,304	65,199	65,049	65,069	65,009	
24 Rural Electrification Administration	20,693	20,654	21,680	21,525	21,539	21,529	21,503	21,197	
25 Other	29,853	31,429	32,545	32,735	32,620	32,585	32,521	32,693	

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 (FFB).
9. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
10. 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.
11. 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	1984	1985	1986	1987 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.
1 **All issues, new and refunding**[1]	**106,641**	**214,189**	**147,011**	**6,708**	**6,037**	**10,718**	**6,967**	**6,500**	**5,510**	**6,257**	**7,113**
Type of issue											
2 General obligation	26,485	52,622	46,346	3,363	2,872	3,329	2,238	1,975	1,755	1,127	2,374
3 Revenue	80,156	161,567	100,664	3,345	3,165	7,389	4,729	4,525	3,755	5,130	4,739
Type of issuer											
4 State	9,129	13,004	14,474	419	1,002	1,138	834	398	535	385	431
5 Special district and statutory authority[2]	63,550	134,363	89,997	4,665	3,019	6,453	3,951	4,508	3,712	4,668	4,103
6 Municipalities, counties, townships	33,962	66,822	42,541	1,624	2,017	3,127	2,182	1,594	1,263	1,204	2,579
7 **Issues for new capital, total**	**94,050**	**156,050**	**83,490**	**3,117**	**3,848**	**7,552**	**4,478**	**5,084**	**4,340**	**4,095**	**6,120**
Use of proceeds											
8 Education	7,553	16,658	16,948	786	789	1,554	773	869	653	480	808
9 Transportation	7,552	12,070	11,666	98	194	705	647	226	311	168	327
10 Utilities and conservation	17,844	26,852	35,383	360	518	1,313	823	424	491	590	981
11 Social welfare	29,928	63,181	17,332	364	454	1,082	465	903	647	896	1,651
12 Industrial aid	15,415	12,892	5,594	91	204	498	469	1,630	412	683	178
13 Other purposes	15,758	24,398	47,433	1,308	1,689	2,399	1,301	1,033	1,826	1,278	2,175

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts beginning April 1986.

SOURCES. Securities Data Company beginning 1986. Public Securities Association for earlier data. This new data source began with the November BULLETIN.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue or issuer, or use	1984	1985	1986	1987 Mar.	Apr.	May	June	July	Aug.	Sept.r	Oct.
1 **All issues**[1]	**155,741**	**239,015**	**423,726**	**37,964r**	**23,735**	**19,969**	**28,446r**	**27,411r**	**21,888r**	**29,293**	**20,360**
2 **Bonds**[2]	**133,113**	**203,500**	**355,293**	**28,154r**	**19,518**	**13,431**	**22,094r**	**22,071r**	**17,685r**	**23,635**	**17,341**
Type of offering											
3 Public, domestic	74,175	119,559	231,936	23,399	17,634	11,394	20,564	19,045r	14,852	21,975	15,845
4 Private placement, domestic[3]	36,324	46,195	80,761	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5. Sold abroad	22,613	37,781	42,596	4,755	1,884	2,037	1,530	3,026	2,833	1,660	1,496
Industry group											
6 Manufacturing	32,804	63,973	91,548	7,180	2,734	5,035	4,104	5,552	3,343r	3,506	2,673
7 Commercial and miscellaneous	14,792	17,066	40,124	4,261	1,683	754	2,061	1,037	1,281	1,479	1,131
8 Transportation	4,784	6,020	9,971	521	168	21	0	343	296	25	263
9 Public utility	10,996	13,649	31,426	794	1,370	572	2,091	1,654	1,533	1,702	975
10 Communication	3,400	10,832	16,659	710	175	138	205	119	856	930	1,384
11 Real estate and financial	66,336	91,958	165,564	14,689	13,389	6,912	13,632	13,366r	10,377r	15,992	10,916
12 **Stocks**[3]	**22,628**	**35,515**	**68,433**	**9,810**	**4,217**	**6,538**	**6,352**	**5,340**	**4,203**	**5,658**	**3,019**
Type											
13 Preferred	4,118	6,505	11,514	2,257	526	1,170	1,202	1,157	906	1,112	236
14 Common	18,510	29,010	50,316	7,553	3,691	5,368	5,150	4,183	3,297	4,546	2,783
15 Private placement[3]	....	....	6,603	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
16 Manufacturing	4,054	5,700	15,027	2,016	653	1,066	1,438	1,046	370	858	667
17 Commercial and miscellaneous	6,277	9,149	10,617	2,366	2,203	1,516	1,353	879	996	807	656
18 Transportation	589	1,544	2,427	299	230	3	492	379	0	11	40
19 Public utility	1,624	1,966	4,020	907	297	374	329	472	85	529	51
20 Communication	419	978	1,825	57	18	200	199	294	277	75	107
21 Real estate and financial	9,665	16,178	34,517	4,165	816	3,379	2,541	2,270	2,475	3,378	1,498

1. Figures which represent gross proceeds of issues maturing in more than one year, are principal amount or number of units multiplied by offering price. Excludes secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data include only public offerings.
3. Data are not available on a monthly basis.

SOURCES. IDD Information Services, Inc., U.S. 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	1985	1986	1987 Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
INVESTMENT COMPANIES[1]										
1 **Sales of own shares[2]**	**222,670**	**411,751**	**40,378**	**42,857**	**28,295**	**28,637**	**27,970**	**26,455**	**24,834**	**25,990**
2 Redemptions of own shares[3]	132,440	239,394	24,730	37,448	23,453	23,693	22,807	22,561	28,323	34,597
3 Net sales	90,230	172,357	15,648	5,409	4,842	4,944	5,763	3,894	-3,489	-8,607
4 **Assets[4]**	**251,695**	**424,156**	**506,752**	**502,487**	**500,634**	**516,866**	**531,022**	**539,171**	**521,007**	**456,422**
5 Cash position[5]	20,607	30,716	37,090	43,009	39,158	41,467	41,587	40,802	42,397[r]	40,929
6 Other	231,088	393,440	469,662	459,478	461,476	475,099	489,435	498,369	478,610[r]	415,493

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	1984	1985	1986	1985 Q4	1986 Q1	1986 Q2	1986 Q3	1986 Q4	1987 Q1	1987 Q2	1987 Q3[r]
1 Corporate profits with inventory valuation and capital consumption adjustment	266.9	277.6	284.4	277.8	288.0	282.3	286.4	281.1	294.0	296.8	314.9
2 Profits before tax	239.9	224.8	231.9	233.5	218.9	224.4	236.3	247.9	257.0	268.7	284.9
3 Profits tax liability	93.9	96.7	105.0	99.1	98.1	102.1	106.1	113.9	128.0	134.2	143.0
4 Profits after tax	146.1	128.1	126.8	134.4	120.9	122.3	130.2	134.0	129.0	134.5	141.9
5 Dividends	79.0	81.3	86.8	81.7	84.3	86.6	87.7	88.6	90.3	92.4	95.2
6 Undistributed profits	67.0	46.8	40.0	52.7	36.6	35.7	42.5	45.4	38.7	42.1	46.7
7 Inventory valuation	-5.8	-.8	6.5	-9.8	17.8	11.3	6.0	-8.9	-11.3	-20.0	-17.6
8 Capital consumption adjustment	32.8	53.5	46.0	54.2	51.3	46.7	44.0	42.1	48.2	48.0	47.7

SOURCE. *Survey of Current Business* (Department of Commerce).

1.49 NONFINANCIAL CORPORATIONS Assets and Liabilities[1]

Billions of dollars, except for ratio

Account	1980	1981	1982	1983	1984	1985 Q1	1985 Q2	1985 Q3	1985 Q4	1986 Q1
1 **Current assets**	**1,328.3**	**1,419.6**	**1,437.1**	**1,565.9**	**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[2]	1.492	1.462	1.459	1.487	1.464	1.467	1.466	1.455	1.447	1.469

1. For a description of this series, see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533–37. Data are not currently available after 1986:1.

2. Ratio of total current assets to total current liabilities.

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	1985	1986	1987[1,r]	1986 Q1	1986 Q3	1986 Q4	1987 Q1	1987 Q2	1987 Q3	1987 Q4[1]	1988 Q1[2]
1 **Total nonfarm business**	**387.13**	**379.47**	**390.57**	**376.21**	**375.50**	**386.09**	**374.23**	**377.65**	**393.13**	**417.25**	**427.97**
Manufacturing											
2 Durable goods industries	73.27	69.14	71.85	68.56	69.42	69.87	70.47	68.76	71.78	76.40	78.41
3 Nondurable goods industries	80.21	73.56	76.01	73.62	70.01	74.20	70.18	72.03	75.78	86.05	86.27
Nonmanufacturing											
4 Mining	15.88	11.22	11.18	11.29	10.14	10.31	10.31	11.02	11.64	11.74	11.86
Transportation											
5 Railroad	7.08	6.66	6.15	6.70	7.02	6.41	5.55	5.77	6.21	7.08	7.66
6 Air	4.79	6.26	6.53	5.87	5.78	6.84	7.46	5.72	5.91	7.03	8.35
7 Other	6.15	5.89	6.42	5.83	6.01	6.25	5.97	6.19	7.05	6.48	6.92
Public utilities											
8 Electric	36.11	33.91	31.65	33.77	33.81	33.78	30.85	31.13	31.31	33.32	31.65
9 Gas and other	12.71	12.47	12.88	12.66	12.00	12.34	12.75	12.35	13.58	12.84	13.72
10 Commercial and other[2]	150.93	160.38	167.89	157.91	161.31	166.08	160.70	164.69	169.87	176.29	183.15

▲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	1983	1984	1985	1986				1987		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3
ASSETS										
Accounts receivable, gross										
1 Consumer	83.3	89.9	113.4	117.2	125.1	137.1	136.5	133.9	138.0	144.4
2 Business	113.4	137.8	158.3	165.9	167.7	161.0	174.8	182.8	189.0	188.7
3 Real estate	20.5	23.8	28.9	29.9	30.8	32.1	33.7	35.1	36.9	38.3
4 Total	217.3	251.5	300.6	312.9	323.6	330.2	345.0	351.8	363.9	371.5
Less:										
5 Reserves for unearned income	30.3	33.8	39.2	40.0	40.7	42.4	41.4	40.4	41.2	42.8
6 Reserves for losses	3.7	4.2	4.9	5.0	5.1	5.4	5.8	5.9	6.2	6.6
7 Accounts receivable, net	183.2	213.5	256.5	268.0	277.8	282.4	297.8	305.5	316.5	322.1
8 All other	34.4	35.7	45.3	48.8	48.8	59.9	57.9	59.0	57.7	65.0
9 **Total assets**	**217.6**	**249.2**	**301.9**	**316.8**	**326.6**	**342.3**	**355.6**	**364.5**	**374.2**	**387.1**
LIABILITIES										
10 Bank loans	18.3	20.0	20.6	19.0	19.2	20.2	22.2	17.3	17.2	16.2
11 Commercial paper	60.5	73.1	99.2	104.3	108.4	112.8	117.8	119.1	120.4	123.5
Debt										
12 Other short-term	11.1	12.9	12.5	13.4	15.4	16.0	17.2	21.6	24.4	26.9
13 Long-term	67.7	77.2	93.1	101.0	105.2	109.8	115.6	118.4	121.5	128.0
14 All other liabilities	31.2	34.5	40.9	42.3	40.1	44.1	43.4	46.3	48.3	48.7
15 Capital, surplus, and undivided profits	28.9	31.5	35.7	36.7	38.4	39.4	39.4	41.8	42.3	43.8
16 **Total liabilities and capital**	**217.6**	**249.2**	**301.9**	**316.8**	**326.6**	**342.3**	**355.6**	**364.5**	**374.2**	**387.1**

NOTE. Components may not add to totals because of rounding.

1.52 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding Oct. 31 1987[1]	Changes in accounts receivable			Extensions			Repayments		
		1987			1987			1987		
		Aug.	Sept.	Oct.	Aug.	Sept.	Oct.	Aug.	Sept.	Oct.
1 **Total**	**193,597**	**1,400**	**1,754**	**4,337**	**29,862**	**30,294**	**30,929**	**28,282**	**28,540**	**26,592**
Retail financing of installment sales										
2 Automotive (commercial vehicles)	32,507	1,206	−16	735	1,351	1,365	1,159	145	1,382	424
3 Business, industrial, and farm equipment	24,431	65	529	258	1,644	1,688	1,526	1,579	1,158	1,268
Wholesale financing										
4 Automotive	26,883	−1,572	−1,029	3,485	11,335	10,810	12,557	12,907	11,839	9,072
5 Equipment	5,608	73	−1	249	601	710	886	528	711	637
6 All other	7,625	152	223	−1,455	3,251	3,251	2,983	3,100	3,028	4,437
Leasing										
7 Automotive	21,027	560	561	−197	1,086	1,340	1,117	526	779	1,314
8 Equipment	40,766	280	422	188	1,403	952	1,245	1,123	530	1,057
9 Loans on commercial accounts receivable and factored commercial accounts receivable	18,472	331	248	704	7,712	8,488	8,241	7,382	8,240	7,537
10 All other business credit	16,278	306	817	369	1,298	1,690	1,215	992	873	846

These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

1. Not seasonally adjusted.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1984	1985	1986	1987 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)	96.8	104.1	118.1	132.9	131.8	134.6	141.2	140.2	145.3r	132.6
2 Amount of loan (thousands of dollars)	73.7	77.4	86.2	99.0	97.5	99.4	102.6	100.8	106.1r	98.3
3 Loan/price ratio (percent)	78.7	77.1	75.2	76.1	75.9	75.4	75.0	74.6	75.0r	75.6
4 Maturity (years)	27.8	26.9	26.6	28.0	28.0	27.9	27.8	27.3	28.3r	28.2
5 Fees and charges (percent of loan amount)[2]	2.64	2.53	2.48	2.26	2.40	2.42	2.19	2.08	2.34r	2.35
6 Contract rate (percent per annum)	11.87	11.12	9.82	8.99	9.05	9.01	9.01	9.03	8.86r	8.96
Yield (percent per year)										
7 FHLBB series[3]	12.37	11.58	10.25	9.37	9.45	9.41	9.38	9.37	9.25r	9.35
8 HUD series[4]	13.80	12.28	10.07	10.44	10.29	10.22	10.37	10.86	10.87	n.a.
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (HUD series)[5]	13.81	12.24	9.91	10.61	10.33	10.38	10.55	10.71	10.90	n.a.
10 GNMA securities[6]	13.13	11.61	9.30	9.40	9.50	9.59	9.77	10.40	10.53	9.96
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	83,339	94,574	98,048	94,064	94,064	94,154	94,600	94,884	95,097	95,411
12 FHA/VA-insured	35,148	34,244	29,683	21,999	21,892	21,730	21,555	21,620	21,481	21,510
13 Conventional	48,191	60,331	68,365	72,065	72,173	72,424	73,045	73,264	73,617	73,902
Mortgage transactions (during period)										
14 Purchases	16,721	21,510	30,826	1,718	1,690	1,569	1,613	1,743	1,278	1,297
Mortgage commitments[7]										
15 Contracted (during period)	21,007	20,155	32,987	1,726	1,745	2,373	2,276	1,842	1,566	2,899
16 Outstanding (end of period)	6,384	3,402	3,386	4,410	4,448	5,071	5,690	5,627	5,046	5,845
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	9,283	12,399	13,517	12,442	12,598	12,834	12,924	12,940		
18 FHA/VA	910	841	746	688	694	684	679	672		
19 Conventional	8,373	11,559	12,771	11,754	11,903	12,150	12,245	12,269		
Mortgage transactions (during period)										
20 Purchases	21,886	44,012	103,474	7,995	7,864	7,252	5,031	4,297	n.a.	n.a.
21 Sales	18,506	38,905	100,236	7,767	7,447	6,831	4,723	4,160		
Mortgage commitments[9]										
22 Contracted (during period)	32,603	48,989	110,855	7,182	7,330	5,611	4,506	3,507		

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[1]

Millions of dollars, end of period

	Type of holder, and type of property	1984	1985	1986	1986		1987		
					Q3	Q4	Q1	Q2	Q3
1	**All holders**	**2,035,238**	**2,269,173**	**2,566,734**	**2,472,285**	**2,566,734**	**2,662,331**	**2,754,471**	**2,827,622**
2	1- to 4-family	1,318,545	1,467,409	1,666,421	1,607,857	1,666,421	1,712,109	1,778,306	1,830,432
3	Multifamily	185,604	214,045	246,984	237,754	246,984	257,286	266,383	272,757
4	Commercial	419,444	482,029	556,569	527,163	556,569	599,384	617,627	633,167
5	Farm	111,645	105,690	96,760	99,511	96,760	93,552	92,155	91,266
6	Selected financial institutions	1,269,702	1,390,394	1,507,289	1,464,924	1,507,289	1,560,403	1,607,771	1,646,764
7	Commercial banks[2]	379,498	429,196	502,534	474,658	502,534	519,474	544,381	563,553
8	1- to 4-family	196,163	213,434	235,814	228,593	235,814	243,518	255,672	264,983
9	Multifamily	20,264	23,373	31,173	28,623	31,173	29,515	30,496	30,995
10	Commercial	152,894	181,032	222,799	204,996	222,799	233,234	244,385	253,261
11	Farm	10,177	11,357	12,748	12,446	12,748	13,207	13,828	14,314
12	Savings institutions[3]	709,718	760,499	777,312	772,175	777,312	810,099	826,110	840,251
13	1- to 4-family	528,791	554,301	558,412	557,938	558,412	557,234	569,594	580,605
14	Multifamily	75,567	89,739	97,059	94,227	97,059	103,791	105,871	107,629
15	Commercial	104,896	115,771	121,236	119,406	121,236	148,274	149,842	151,213
16	Farm	464	688	605	604	605	800	803	804
17	Life insurance companies	156,699	171,797	193,842	185,980	193,842	195,743	200,382	204,632
18	1- to 4-family	14,120	12,381	12,827	12,985	12,827	12,903	12,745	12,745
19	Multifamily	18,938	19,894	20,952	20,802	20,952	20,934	21,663	21,863
20	Commercial	111,175	127,670	149,111	140,841	149,111	151,420	155,611	159,811
21	Farm	12,466	11,852	10,952	11,352	10,952	10,486	10,363	10,213
22	Finance companies[4]	23,787	28,902	33,601	32,111	33,601	35,087	36,898	38,328
23	Federal and related agencies	158,993	166,928	203,800	159,505	203,800	199,509	196,514	191,561
24	Government National Mortgage Association	2,301	1,473	889	887	889	687	667	654
25	1- to 4-family	585	539	47	48	47	46	45	44
26	Multifamily	1,716	934	842	839	842	641	622	610
27	Farmers Home Administration[5]	1,276	733	48,421	457	48,421	48,203	48,085	42,978
28	1- to 4-family	213	183	21,625	132	21,625	21,390	21,157	18,111
29	Multifamily	119	113	7,608	57	7,608	7,710	7,808	7,903
30	Commercial	497	159	8,446	115	8,446	8,463	8,553	6,592
31	Farm	447	278	10,742	153	10,742	10,640	10,567	10,372
32	Federal Housing and Veterans Administration	4,816	4,920	5,047	4,966	5,047	5,177	5,268	5,175
33	1- to 4-family	2,048	2,254	2,386	2,331	2,386	2,447	2,531	2,435
34	Multifamily	2,768	2,666	2,661	2,635	2,661	2,730	2,737	2,740
35	Federal National Mortgage Association	87,940	98,282	97,895	97,717	97,895	95,140	94,064	94,884
36	1- to 4-family	82,175	91,966	90,718	90,508	90,718	88,106	87,013	87,901
37	Multifamily	5,765	6,316	7,177	7,209	7,177	7,034	7,051	6,983
38	Federal Land Banks	52,261	47,498	39,984	42,119	39,984	37,362	35,833	34,930r
39	1- to 4-family	3,074	2,798	2,353	2,478	2,353	2,198	2,108	2,055r
40	Farm	49,187	44,700	37,631	39,641	37,631	35,164	33,725	32,875r
41	Federal Home Loan Mortgage Corporation	10,399	14,022	11,564	13,359	11,564	12,940	12,597	12,940r
42	1- to 4-family	9,654	11,881	10,010	11,127	10,010	11,774	11,172	11,570r
43	Multifamily	745	2,141	1,554	2,232	1,554	1,166	1,425	1,370r
44	Mortgage pools or trusts[6]	332,057	415,042	529,763	522,721	529,763	571,705	612,340	641,239r
45	Government National Mortgage Association	179,981	212,145	260,869	241,230	260,869	277,386	290,444	302,016
46	1- to 4-family	175,589	207,198	255,132	235,664	255,132	271,065	283,357	294,647
47	Multifamily	4,392	4,947	5,737	5,566	5,737	6,321	7,087	7,369
48	Federal Home Loan Mortgage Corporation	70,822	100,387	171,372	146,871	171,372	186,295	200,284	208,350r
49	1- to 4-family	70,253	99,515	166,667	143,734	166,667	180,602	194,238	201,786r
50	Multifamily	569	872	4,705	3,137	4,705	5,693	6,046	6,564r
51	Federal National Mortgage Association	36,215	54,987	97,174	86,359	97,174	107,673	121,270	130,540
52	1- to 4-family	35,965	54,036	95,791	85,171	95,791	106,068	119,617	128,770
53	Multifamily	250	951	1,383	1,188	1,383	1,605	1,653	1,770
54	Farmers Home Administration[5]	45,039	47,523	348	48,261	348	351	342	333
55	1- to 4-family	21,813	22,186	142	21,782	142	154	149	144
56	Multifamily	5,841	6,675	0	0	0	0	0	0
57	Commercial	7,559	8,190	132	8,409	132	127	126	124
58	Farm	9,826	10,472	74	10,717	74	70	67	65
59	Individuals and others[7]	274,486	296,809	325,882	325,135	325,882	330,714	337,846	348,058
60	1- to 4-family	154,315	165,835	180,896	183,255	180,896	179,517	182,010	186,308
61	Multifamily	48,670	55,424	66,133	63,886	66,133	70,146	73,924	76,961
62	Commercial	42,423	49,207	54,845	53,396	54,845	57,866	59,110	62,166r
63	Farm	29,078	26,343	24,008	24,598	24,008	23,185	22,802	22,623

1. 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.
2. Includes loans held by nondeposit trust companies but not bank trust departments.
3. Includes savings banks and savings and loan associations. Beginning 1987:1, data reported by FSLIC-insured institutions include loans in process and other contra assets.
4. Assumed to be entirely 1- to 4-family loans.
5. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986: 4, because of accounting changes by the Farmers Home Administration.
6. Outstanding principal balances of mortgage pools backing securities insured or guaranteed by the agency indicated.
7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and other U.S. agencies.

1.55 CONSUMER INSTALLMENT CREDIT[1,4] Total Outstanding, and Net Change, seasonally adjusted

Millions of dollars

Holder, and type of credit	1985	1986	1987 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.r	Oct.
	Amounts outstanding (end of period)										
1 **Total**	**522,805**	**577,784**	**579,591**	**579,913**	**583,595**	**583,276**	**587,821**	**591,175**	**596,182**	**602,607**	**606,346**
By major holder											
2 Commercial banks	242,084	261,604	262,105	261,933	263,433	263,463	264,396	265,085	265,893	269,155	270,936
3 Finance companies[2]	113,070	136,494	136,009	136,050	137,091	136,398	138,038	138,745	140,689	142,648	143,118
4 Credit unions	72,119	77,857	78,492	78,569	79,255	79,476	80,585	81,492	82,486	83,340	84,207
5 Retailers[3]	38,864	40,586	40,644	40,469	40,467	40,318	40,287	40,364	40,391	40,482	40,848
6 Savings institutions	52,433	58,037	59,031	59,488	59,826	60,045	60,983	61,910	63,080	63,279	63,546
7 Gasoline companies	4,235	3,205	3,311	3,405	3,522	3,576	3,532	3,580	3,643	3,703	3,691
By major type of credit											
8 Automobile	208,057	245,055	246,064	246,290	247,663	247,578	250,130	250,980	254,013	257,470	259,096
9 Commercial banks	93,003	100,709	101,688	101,528	101,781	102,189	102,810	102,829	103,382	104,662	105,479
10 Credit unions	35,635	39,029	39,347	39,386	39,730	39,841	40,396	40,851	41,349	41,777	42,212
11 Finance companies	70,091	93,274	92,780	93,032	93,738	93,089	94,270	94,455	96,193	97,900	98,219
12 Savings institutions	9,328	12,043	12,249	12,344	12,414	12,459	12,654	12,846	13,089	13,130	13,186
13 Revolving	122,021	134,938	135,663	135,166	136,706	136,869	137,401	138,741	139,837	141,704	143,272
14 Commercial banks	75,866	85,652	86,053	85,567	86,929	87,133	87,590	88,685	89,535	91,226	92,419
15 Retailers	34,695	36,240	36,308	36,141	36,139	36,009	35,971	36,021	36,022	36,087	36,416
16 Gasoline companies	4,235	3,205	3,311	3,405	3,522	3,576	3,532	3,580	3,643	3,703	3,691
17 Savings institutions	5,705	7,713	7,845	7,906	7,951	7,980	8,105	8,228	8,383	8,410	8,445
18 Credit unions	1,520	2,128	2,145	2,147	2,166	2,172	2,202	2,227	2,254	2,278	2,301
19 Mobile home	25,488	25,710	25,789	25,614	25,626	25,542	25,685	25,860	25,695	25,699	25,689
20 Commercial banks	9,538	8,812	8,739	8,725	8,698	8,615	8,609	8,626	8,518	8,538	8,462
21 Finance companies	9,391	9,028	9,045	8,823	8,816	8,785	8,807	8,839	8,623	8,580	8,610
22 Savings institutions	6,559	7,870	8,005	8,067	8,112	8,142	8,269	8,395	8,554	8,581	8,617
23 Other	167,239	172,081	172,076	172,844	173,600	173,287	174,605	175,594	176,637	177,733	178,288
24 Commercial banks	63,677	66,431	65,625	66,113	66,026	65,527	65,387	64,945	64,458	64,728	64,576
25 Finance companies	33,588	34,192	34,183	34,196	34,537	34,524	34,962	35,452	35,874	36,168	36,289
26 Credit unions	34,964	36,700	36,999	37,036	37,359	37,463	37,986	38,413	38,882	39,285	39,694
27 Retailers	4,169	4,346	4,336	4,327	4,328	4,310	4,315	4,343	4,369	4,395	4,432
28 Savings institutions	30,841	30,412	30,932	31,172	31,349	31,463	31,955	32,441	33,054	33,158	33,298
	Net change (during period)										
29 **Total**	**76,622**	**54,979**	**1,013**	**322**	**3,682**	**-319**	**4,545**	**3,354**	**5,007**	**6,425**	**3,739**
By major holder											
30 Commercial banks	32,926	19,520	411	-172	1,500	30	933	689	808	3,262	1,781
31 Finance companies[2]	23,566	23,424	207	41	1,041	-693	1,640	707	1,944	1,959	470
32 Credit unions	6,493	5,738	208	77	686	221	1,109	907	994	854	867
33 Retailers[3]	1,660	1,722	27	-175	-2	-149	-31	77	27	91	366
34 Savings institutions	12,103	5,604	125	457	338	219	938	927	1,170	199	267
35 Gasoline companies	-126	-1,030	35	94	117	54	-44	48	63	60	-12
By major type of credit											
36 Automobile	35,705	36,998	592	226	1,373	-85	2,552	850	3,033	3,457	1,626
37 Commercial banks	9,103	7,706	299	-160	253	408	621	19	553	1,280	817
38 Credit unions	5,330	3,394	104	39	344	111	555	455	498	428	435
39 Finance companies	17,840	23,183	163	252	706	-649	1,181	185	1,738	1,707	319
40 Savings institutions	3,432	2,715	26	95	70	45	195	192	243	41	56
41 Revolving	22,401	12,917	747	-497	1,540	163	532	1,340	1,096	1,867	1,568
42 Commercial banks	17,721	9,786	658	-486	1,362	204	457	1,095	850	1,691	1,193
43 Retailers	1,488	1,545	31	-167	-2	-130	-38	50	1	65	329
44 Gasoline companies	-126	-1,030	35	94	117	54	-44	48	63	60	-12
45 Savings institutions	2,771	2,008	16	61	45	29	125	123	155	27	35
46 Credit unions	547	608	6	2	19	6	30	25	27	24	23
47 Mobile home	778	222	-63	-175	12	-84	143	175	-165	4	-10
48 Commercial banks	-85	-726	-48	-14	-27	-83	-6	17	-108	20	-76
49 Finance companies	-405	-363	-32	-222	-7	-31	22	32	-216	-43	30
50 Savings institutions	1,268	1,311	17	62	45	30	127	126	159	27	36
51 Other	17,738	4,842	-262	768	756	-313	1,318	989	1,043	1,096	555
52 Commercial banks	6,187	2,754	-497	488	-87	-499	-140	-442	-487	270	-152
53 Finance companies	6,131	604	75	13	341	-13	438	490	422	294	121
54 Credit unions	616	1,736	98	37	323	104	523	427	469	403	409
55 Retailers	172	177	-4	-9	1	-18	5	28	26	26	37
56 Savings institutions	4,632	-429	65	240	177	114	492	486	613	104	140

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	1984	1985	1986	1987						
					Apr.	May	June	July	Aug.	Sept.	Oct.
	INTEREST RATES										
	Commercial banks[1]										
1	48-month new car[2]	13.71	12.91	11.33	n.a.	10.23	n.a.	n.a.	10.37	n.a.	n.a.
2	24-month personal	16.47	15.94	14.82	n.a.	14.00	n.a.	n.a.	14.22	n.a.	n.a.
3	120-month mobile home[2]	15.58	14.96	13.99	n.a.	13.23	n.a.	n.a.	13.24	n.a.	n.a.
4	Credit card	18.77	18.69	18.26	n.a.	17.92	n.a.	n.a.	17.85	n.a.	n.a.
	Auto finance companies										
5	New car	14.62	11.98	9.44	10.81	10.69	10.64	10.52	9.63	8.71	10.31
6	Used car	17.85	17.59	15.95	14.49	14.45	14.47	14.53	14.53	14.58	14.76
	OTHER TERMS[3]										
	Maturity (months)										
7	New car	48.3	51.5	50.0	54.3	53.5	53.6	53.4	52.1	50.7	52.8
8	Used car	39.7	41.4	42.6	45.0	45.2	45.4	45.5	45.4	45.2	45.2
	Loan-to-value ratio										
9	New car	88	91	91	94	93	93	93	93	93	93
10	Used car	92	94	97	98	98	98	98	98	98	99
	Amount financed (dollars)										
11	New car	9,333	9,915	10,665	10,946	11,176	11,214	11,267	11,374	11,455	11,585
12	Used car	5,691	6,089	6,555	7,234	7,373	7,479	7,527	7,763	7,476	7,537

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	1982	1983	1984	1985	1986	1984		1985		1986		1987
						H1	H2	H1	H2	H1	H2	H1
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**388.9**	**550.2**	**753.9**	**854.8**	**833.4**	**717.3**	**790.4**	**722.7**	**986.8**	**676.9**	**989.9**	**568.3**
By sector and instrument												
2 U.S. government	161.3	186.6	198.8	223.6	214.3	190.4	207.2	204.8	242.5	207.2	221.5	151.4
3 Treasury securities	162.1	186.7	199.0	223.7	214.7	190.7	207.3	204.9	242.5	207.4	222.0	151.7
4 Agency issues and mortgages	−.9	−.1	−.2	−.1	−.3	−.2	−.1	-.1	−.1	−.1	−.5	−.4
5 Private domestic nonfinancial sectors	227.6	363.6	555.1	631.1	619.0	526.9	583.3	518.0	744.3	469.6	768.4	417.0
6 Debt capital instruments	148.3	253.4	313.6	447.8	445.0	284.7	342.5	350.4	545.2	363.4	546.7	407.1
7 Tax-exempt obligations	44.2	53.7	50.4	136.4	35.4	33.8	67.0	67.0	205.8	−16.9	87.7	20.0
8 Corporate bonds	18.7	16.0	46.1	73.8	121.7	22.5	69.8	62.2	85.3	135.3	108.1	89.0
9 Mortgages	85.4	183.6	217.1	237.7	298.0	228.5	205.7	221.2	254.2	245.0	350.9	298.1
10 Home mortgages	50.5	117.5	129.7	151.9	199.4	139.5	119.9	139.2	164.7	163.8	234.9	217.5
11 Multifamily residential	5.4	14.2	25.1	29.2	33.0	27.8	22.4	25.0	33.4	31.2	34.8	27.7
12 Commercial	25.2	49.3	63.2	62.5	73.9	62.6	63.8	59.5	65.5	58.9	88.9	62.5
13 Farm	4.2	2.6	−.9	−6.0	−8.3	−1.4	−.4	−2.5	−9.5	−8.9	−7.7	−9.6
14 Other debt instruments	79.3	110.2	241.5	183.3	164.0	242.2	240.8	167.5	199.1	106.2	221.8	9.9
15 Consumer credit	19.3	56.6	90.4	94.6	65.8	94.7	86.2	95.3	93.9	71.0	60.6	15.7
16 Bank loans n.e.c.	50.4	23.2	67.1	38.6	66.5	71.2	63.0	21.0	56.2	12.2	120.8	−40.2
17 Open market paper	−6.1	−.8	21.7	14.6	−9.3	26.6	16.8	14.4	14.8	−13.1	−5.5	4.5
18 Other	15.8	31.3	62.2	35.5	41.0	49.7	74.7	36.8	34.2	36.2	45.9	29.9
19 By borrowing sector	227.6	363.6	555.1	631.1	619.0	526.9	583.3	518.0	744.3	469.6	768.4	417.0
20 State and local governments	21.5	34.0	27.4	91.8	46.4	16.2	38.6	56.3	127.2	3.1	89.7	28.6
21 Households	90.0	188.2	234.6	293.4	279.9	235.0	234.2	259.8	327.1	232.8	326.9	224.0
22 Farm	6.8	4.1	−.1	−13.9	−15.1	−.5	.4	−7.0	−20.8	−16.8	−13.3	−19.5
23 Nonfarm noncorporate	40.2	77.0	97.0	93.1	115.9	101.8	92.2	85.7	100.5	96.2	135.5	92.8
24 Corporate	69.0	60.3	196.0	166.7	192.0	174.3	217.8	123.2	210.3	154.3	229.7	91.2
25 Foreign net borrowing in United States	16.0	17.3	8.3	1.2	9.0	36.1	−19.4	−5.8	8.2	21.5	−3.5	−12.6
26 Bonds	6.6	3.1	3.8	3.8	2.6	1.3	6.3	5.5	2.1	6.2	−1.1	−1.1
27 Bank loans n.e.c.	−5.5	3.6	−6.6	−2.8	−1.0	−1.3	−11.9	−5.8	.1	1.5	−3.5	−3.5
28 Open market paper	1.9	6.5	6.2	6.2	11.5	16.6	−4.3	2.8	9.6	19.1	3.9	−5.3
29 U.S. government loans	13.0	4.1	5.0	−6.0	−4.0	19.5	−9.6	−8.2	−3.7	−5.3	−2.7	−2.8
30 **Total domestic plus foreign**	**404.8**	**567.5**	**762.2**	**856.0**	**842.4**	**753.4**	**771.0**	**716.9**	**995.0**	**698.3**	**986.4**	**555.7**
	Financial sectors											
31 **Total net borrowing by financial sectors**	**90.3**	**99.3**	**151.9**	**199.0**	**291.1**	**153.0**	**150.7**	**175.1**	**222.8**	**238.8**	**343.4**	**317.5**
By instrument												
32 U.S. government related	64.9	67.8	74.9	101.5	174.3	72.5	77.3	96.8	106.3	133.8	214.8	180.2
33 Sponsored credit agency securities	14.9	1.4	30.4	20.6	13.2	29.4	31.5	26.6	14.6	6.4	20.0	7.8
34 Mortgage pool securities	49.5	66.4	44.4	79.9	161.4	43.1	45.8	70.3	89.5	126.6	196.3	171.8
35 Loans from U.S. government	.4	.....	.....	1.1	−.4	.....	.....	.....	2.2	.8	−1.5	.5
36 Private financial sectors	25.4	31.5	77.0	97.4	116.8	80.5	73.5	78.3	116.5	105.0	128.6	137.4
37 Corporate bonds	12.7	17.4	36.2	48.6	68.7	30.8	41.5	48.9	48.3	70.9	66.5	92.5
38 Mortgages	.1	*	.4	.1	.1	.4	.4	*	.1	.6	−.5	.2
39 Bank loans n.e.c.	1.9	−.1	.7	2.6	4.0	.6	.7	2.3	2.9	4.0	4.0	−7.4
40 Open market paper	9.9	21.3	24.1	32.0	24.2	32.1	16.0	14.6	49.4	15.1	33.4	38.3
41 Loans from Federal Home Loan Banks	.8	−7.0	15.7	14.2	19.8	16.5	14.9	12.5	15.9	14.4	25.2	13.6
By sector												
42 Sponsored credit agencies	15.3	1.4	30.4	21.7	12.9	29.4	31.5	26.6	16.8	7.2	18.5	8.3
43 Mortgage pools	49.5	66.4	44.4	79.9	161.4	43.1	45.8	70.3	89.5	126.6	196.3	171.8
44 Private financial sectors	25.4	31.5	77.0	97.4	116.8	80.5	73.5	78.3	116.5	105.0	128.6	137.4
45 Commercial banks	11.7	5.0	7.3	−4.9	−3.6	19.8	−5.3	−4.7	−5.0	−2.7	−4.6	4.4
46 Bank affiliates	6.8	12.1	15.6	14.5	4.6	20.4	10.8	10.2	18.9	−1.7	10.9	21.6
47 Savings and loan associations	2.5	−2.1	22.7	22.3	29.3	22.0	23.3	14.2	30.4	25.5	33.1	30.7
48 Finance companies	4.5	12.9	18.9	53.9	50.2	8.2	29.6	49.7	58.1	53.1	47.2	27.2
49 REITs	−.2	−.1	.1	−.7	−.3	.2	.1	−.6	−.8	.6	−1.3	−.2
50 CMO Issuers	.2	3.7	12.4	12.2	36.7	9.8	15.0	9.5	14.9	30.2	43.3	53.7
	All sectors											
51 **Total net borrowing**	**495.1**	**666.8**	**914.1**	**1,054.9**	**1,133.5**	**906.4**	**921.8**	**892.1**	**1,217.8**	**937.1**	**1,329.8**	**873.2**
52 U.S. government securities	225.9	254.4	273.8	324.2	389.0	263.1	284.5	301.7	346.6	340.2	437.8	331.0
53 State and local obligations	44.2	53.7	50.4	136.4	35.4	33.8	67.0	67.0	205.8	−16.9	87.7	20.0
54 Corporate and foreign bonds	38.0	36.5	86.1	126.1	192.9	54.6	117.6	116.6	135.7	212.4	173.5	180.5
55 Mortgages	85.4	183.6	217.4	237.7	298.0	228.8	206.0	221.2	254.2	245.6	350.4	298.3
56 Consumer credit	19.3	56.6	90.4	94.6	65.8	94.7	86.2	95.3	93.9	71.0	60.6	15.7
57 Bank loans n.e.c.	46.7	26.7	61.1	38.3	69.5	70.4	51.8	17.5	59.2	17.7	121.3	−51.0
58 Open market paper	5.7	26.9	52.0	52.8	26.4	75.4	28.6	31.8	73.7	21.0	31.7	37.5
59 Other loans	30.0	28.4	82.9	44.8	56.5	85.7	80.0	41.1	48.6	46.1	66.9	41.1
	External corporate equity funds raised in United States											
60 **Total new share issues**	**25.8**	**61.8**	**−36.4**	**19.9**	**91.6**	**−47.9**	**−24.9**	**3.0**	**36.7**	**100.8**	**82.3**	**61.8**
61 Mutual funds	8.8	27.2	29.3	85.7	163.3	26.5	32.2	64.2	107.1	155.5	171.1	123.3
62 All other	17.0	34.6	−65.7	−65.8	−71.7	−74.4	−57.1	−61.2	−70.4	−54.7	−88.7	−61.5
63 Nonfinancial corporations	11.4	28.3	−74.5	−81.5	−80.8	−79.5	−69.4	−75.5	−87.5	−68.7	−92.7	−70.0
64 Financial corporations	4.2	2.6	7.8	12.0	8.3	6.8	8.8	11.2	12.8	7.5	9.1	6.7
65 Foreign shares purchased in United States	1.4	3.7	.9	3.7	.7	−1.6	3.5	3.1	4.3	6.6	−5.1	1.9

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	1982	1983	1984	1985	1986	1984		1985		1986		1987
						H1	H2	H1	H2	H1	H2	H1
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**388.9**	**550.2**	**753.9**	**854.8**	**833.4**	**717.3**	**790.4**	**722.7**	**986.8**	**676.9**	**989.9**	**568.3**
By public agencies and foreign												
2 Total net advances	114.9	114.0	157.6	202.3	317.3	132.7	182.5	195.8	208.7	264.1	370.6	241.3
3 U.S. government securities	22.3	26.3	39.3	47.1	84.8	27.6	51.0	50.3	43.9	74.0	95.6	46.3
4 Residential mortgages	61.0	76.1	56.5	94.6	158.5	55.5	57.4	88.6	100.7	123.8	193.2	164.9
5 FHLB advances to savings and loans	.8	−7.0	15.7	14.2	19.8	16.5	14.9	12.5	15.9	14.4	25.2	13.6
6 Other loans and securities	30.8	18.6	46.2	46.3	54.2	33.2	59.2	44.4	48.2	52.0	56.5	16.5
Total advanced, by sector												
7 U.S. government	15.9	9.7	17.1	16.8	9.5	7.5	26.6	25.1	8.4	10.8	8.2	−4.1
8 Sponsored credit agencies	65.5	69.8	74.3	101.5	175.5	73.3	75.2	96.4	106.7	128.2	222.8	167.7
9 Monetary authorities	9.8	10.9	8.4	21.6	30.2	12.0	4.8	27.5	15.8	13.2	47.2	10.8
10 Foreign	23.7	23.7	57.9	62.3	102.1	39.8	75.9	46.8	77.8	111.9	92.3	66.9
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	64.9	67.8	74.9	101.5	174.3	72.5	77.3	96.8	106.3	133.8	214.8	180.2
12 Foreign	16.0	17.3	8.3	1.2	9.0	36.1	−19.4	−5.8	8.2	21.5	−3.5	−12.6
Private domestic funds advanced												
13 Total net advances	354.8	521.3	679.5	755.2	699.3	693.2	665.7	618.0	892.5	568.0	830.6	494.6
14 U.S. government securities	203.6	228.1	234.5	277.0	304.2	235.5	233.5	251.3	302.7	266.3	342.2	284.7
15 State and local obligations	44.2	53.7	50.4	136.4	35.4	33.8	67.0	67.0	205.8	−16.9	87.7	20.0
16 Corporate and foreign bonds	14.7	14.5	35.1	40.8	84.3	17.3	53.0	39.7	42.0	100.8	67.8	61.6
17 Residential mortgages	−5.3	55.0	98.2	86.4	73.8	111.7	84.8	75.5	97.4	71.3	76.4	80.3
18 Other mortgages and loans	98.3	162.4	276.9	228.8	221.4	311.5	242.3	197.0	260.6	161.0	281.8	61.6
19 LESS: Federal Home Loan Bank advances	.8	−7.0	15.7	14.2	19.8	16.5	14.9	12.5	15.9	14.4	25.2	13.6
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	274.2	395.8	559.8	579.5	726.1	587.5	532.1	483.8	675.2	638.9	813.2	485.1
21 Commercial banking	110.2	144.3	168.9	186.3	194.7	192.2	145.5	143.3	229.4	117.2	272.3	49.9
22 Savings institutions	22.9	135.6	150.2	83.0	105.8	167.0	133.5	54.5	111.4	94.5	117.2	85.7
23 Insurance and pension funds	96.6	100.1	121.8	156.0	175.9	148.3	95.3	139.4	172.5	170.6	181.2	213.3
24 Other finance	44.5	15.8	118.9	154.2	249.6	80.0	157.8	146.5	161.9	256.7	242.4	136.2
25 Sources of funds	274.2	395.8	559.8	579.5	726.1	587.5	532.1	483.8	675.2	638.9	813.2	485.1
26 Private domestic deposits and RPs	196.2	215.4	316.9	213.2	272.8	280.2	353.5	191.4	235.0	252.2	293.4	15.1
27 Credit market borrowing	25.4	31.5	77.0	97.4	116.8	80.5	73.5	78.3	116.5	105.0	128.6	137.4
28 Other sources	52.6	148.9	165.9	268.9	336.4	226.8	105.1	214.1	323.6	281.7	391.1	332.6
29 Foreign funds	−31.4	16.3	5.4	17.7	12.4	10.9	−.1	21.3	14.2	12.3	12.5	41.8
30 Treasury balances	6.1	−5.3	4.0	10.3	1.7	−2.8	10.8	13.9	6.6	−4.2	7.6	−4.4
31 Insurance and pension reserves	106.0	109.7	118.6	141.0	152.5	162.5	74.6	118.6	163.4	138.6	166.4	234.4
32 Other, net	−28.1	28.2	37.9	99.9	169.8	56.1	19.7	60.3	139.4	134.9	204.6	60.8
Private domestic nonfinancial investors												
33 Direct lending in credit markets	106.0	157.0	196.7	273.2	90.1	186.2	207.1	212.5	333.9	34.1	146.1	146.9
34 U.S. government securities	68.5	99.3	123.6	145.3	43.4	162.8	84.3	156.2	134.5	37.4	49.4	69.9
35 State and local obligations	25.0	40.3	30.4	47.6	−.8	10.4	50.4	14.8	80.4	−68.7	67.2	21.7
36 Corporate and foreign bonds	*	−11.6	5.2	11.8	34.4	−26.4	36.9	15.4	8.2	68.1	.8	39.0
37 Open market paper	−5.7	12.0	9.3	43.9	−4.8	15.6	3.0	3.5	84.2	−16.3	6.7	7.7
38 Other	18.2	17.0	28.1	24.6	17.9	23.8	32.5	22.6	26.6	13.6	22.1	8.5
39 Deposits and currency	205.5	232.8	320.4	223.5	293.2	286.8	354.0	198.3	248.7	262.0	324.4	10.2
40 Currency	9.7	14.3	8.6	12.4	14.4	13.7	3.6	15.9	8.8	10.7	18.2	10.0
41 Checkable deposits	18.0	28.6	27.9	41.4	97.7	26.0	29.8	14.6	68.2	79.9	115.5	−28.5
42 Small time and savings accounts	136.0	215.7	150.1	139.1	122.5	129.0	171.2	161.5	116.7	115.4	129.5	33.9
43 Money market fund shares	33.5	−39.0	49.0	8.9	43.8	24.5	73.4	10.6	7.1	46.9	40.6	−4.6
44 Large time deposits	−2.4	−8.4	84.9	7.2	−9.3	92.0	77.9	−7.6	21.9	*	−18.7	1.5
45 Security RPs	11.1	18.5	5.0	16.6	18.3	8.7	1.2	12.2	21.1	10.0	26.5	12.7
46 Deposits in foreign countries	−.4	3.1	−5.1	−2.1	5.9	−7.1	−3.1	−9.0	4.9	−.9	12.8	−14.9
47 **Total of credit market instruments, deposits and currency**	**311.5**	**389.9**	**517.1**	**496.7**	**383.3**	**473.0**	**561.1**	**410.7**	**582.6**	**296.0**	**470.5**	**157.1**
48 Public holdings as percent of total	28.4	20.1	20.7	23.6	37.7	17.6	23.7	27.3	21.0	37.8	37.6	43.4
49 Private financial intermediation (in percent)	77.3	75.9	82.4	76.7	103.8	84.7	79.9	78.3	75.6	112.5	97.9	98.1
50 Total foreign funds	−7.7	40.0	63.3	80.1	114.5	50.7	75.8	68.1	92.0	124.2	104.9	108.7
MEMO: Corporate equities not included above												
51 **Total net issues**	**25.8**	**61.8**	**−36.4**	**19.9**	**91.6**	**−47.9**	**−24.9**	**3.0**	**36.7**	**100.8**	**82.3**	**61.8**
52 Mutual fund shares	8.8	27.2	29.3	85.7	163.5	26.5	32.2	64.2	107.1	155.5	171.1	123.3
53 Other equities	17.0	34.6	−65.7	−65.8	−71.7	−74.4	−57.1	−61.2	−70.4	−54.7	−88.7	−61.5
54 Acquisitions by financial institutions	25.9	51.1	19.7	42.8	48.2	−.2	39.7	58.8	26.8	56.6	39.7	65.5
55 Other net purchases	−.1	10.7	−56.1	−22.9	43.4	−47.7	−64.6	−55.8	10.0	44.2	42.6	−3.6

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 forfeign affiliates and dedposits 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	1984	1985	1986	1987 Mar.	Apr.	May	June	July	Aug.[r]	Sept.[r]	Oct.[r]	Nov.
1 **Industrial production**	**121.4**	**123.8**	**125.1**	**127.4**	**127.4**	**128.2**	**129.1**	**130.6**	**131.2**	**130.9**	**132.0**	**132.5**
Market groupings												
2 Products, total	126.7	130.8	133.2	136.4	135.8	136.9	137.8	139.5	139.9	139.2	140.8	141.2
3 Final, total	127.3	131.1	132.3	135.1	134.5	135.5	136.2	137.9	138.4	137.7	139.4	139.7
4 Consumer goods	118.0	120.2	124.5	126.7	125.5	127.3	127.2	128.9	129.4	127.6	129.3	129.4
5 Equipment	139.6	145.4	142.7	146.2	146.4	146.3	148.1	149.7	150.2	151.0	152.8	153.4
6 Intermediate	124.7	130.0	136.4	140.9	140.3	141.8	143.3	145.0	145.3	144.7	145.3	146.1
7 Materials	114.2	114.2	113.9	115.2	115.9	116.3	117.2	118.5	119.4	119.5	120.1	120.6
Industry groupings												
8 Manufacturing	123.4	126.4	129.1	132.4	132.4	133.2	134.0	135.6	135.9	135.7	137.0	137.5
Capacity utilization (percent)[2]												
9 Manufacturing	80.5	80.1	79.8	80.3	80.2	80.4	80.8	81.5	81.5	81.3	81.8	82.0
10 Industrial materials industries	82.0	80.2	78.5	78.7	79.1	79.3	79.8	80.6	81.1	81.0	81.3	81.6
11 Construction contracts (1982 = 100)[3]	135.0	148.0	155.0	165.0	162.0	149.0	161.0	163.0	171.0	157.0	166.0	153.0
12 Nonagricultural employment, total[4]	114.6	118.3	120.8	122.9	123.2	123.3	123.5	123.8	124.0	124.2	124.9	125.2
13 Goods-producing, total	101.6	102.4	102.4	101.7	101.7	101.7	101.7	102.1	102.2	102.4	102.9	103.3
14 Manufacturing, total	98.4	97.8	96.5	96.5	96.6	96.6	96.6	97.0	97.2	97.4	97.8	98.1
15 Manufacturing, production-worker	94.1	92.6[r]	91.2	91.4	91.5	91.6	91.6	92.1	92.2	92.5	92.9	93.3
16 Service-producing	120.0	125.0	128.9	131.8	132.2	132.4	132.6	132.9	133.1	133.4	134.1	134.4
17 Personal income, total	193.4	207.0	219.9	229.1	230.3	230.7	231.1	232.6	233.9	235.3	239.5	238.5
18 Wages and salary disbursements	185.0	198.7	210.2	218.6	219.5	220.7	221.2	222.3	224.2	225.4	227.1	228.7
19 Manufacturing	164.6	172.8	176.4	179.2	178.9	179.9	180.0	180.1	182.0	183.7	184.6	185.6
20 Disposable personal income[5]	193.5	206.0	219.1	228.1	222.5	229.6	228.9	230.4[r]	231.6	232.9	237.5	235.9
21 Retail sales[6]	179.0	190.6	199.9	206.8	207.4	207.3	209.6	210.9	214.0	210.5	208.5	208.9
Prices[7]												
22 Consumer (1967 = 100)	311.1	322.2	328.4	335.9	337.7	338.7	340.1	340.8	342.7	344.4	345.3	345.8
23 Producer finished goods (1967 = 100)	291.1	293.7	289.7	292.6	294.9	295.8	296.2	297.4[r]	297.2	296.7	298.2	298.1

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	1984	1985	1986	1987							
				Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.
HOUSEHOLD SURVEY DATA											
1 Noninstitutional population[1]	**178,602**	**180,440**	**182,822**	**184,597**	**184,777**	**184,941**	**185,127**	**185,264**	**185,428**	**185,575**	**185,737**
2 Labor force (including Armed Forces)[1]	115,763	117,695	120,078	121,588	122,237	121,755	122,194	122,564	122,128	122,625	122,883
3 Civilian labor force	113,544	115,461	117,834	119,335	119,993	119,517	119,952	120,302	119,861	120,361	120,616
Employment											
4 Nonagricultural industries[2]	101,685	103,971	106,434	108,545	109,112	109,079	109,508	109,989	109,602	109,903	110,333
5 Agriculture	3,321	3,179	3,163	3,290	3,335	3,178	3,219	3,092	3,170	3,283	3,167
Unemployment											
6 Number	8,539	8,312	8,237	7,500	7,546	7,260	7,224	7,221	7,089	7,174	7,116
7 Rate (percent of civilian labor force)	7.5	7.2	7.0	6.3	6.3	6.1	6.0	6.0	5.9	6.0	5.9
8 Not in labor force	62,839	62,745	62,744	63,009	62,540	63,186	62,933	62,700	63,300	62,950	62,854
ESTABLISHMENT SURVEY DATA											
9 Nonagricultural payroll employment[3]	**94,496**	**97,519**	**99,610**	**101,598**	**101,708**	**101,818**	**102,126**	**102,275**	**102,434[r]**	**102,970[r]**	**103,244**
10 Manufacturing	19,378	19,260	18,994	19,011	19,018	19,015	19,104	19,129	19,169[r]	19,245[r]	19,314
11 Mining	966	927	783	729	735	738	744	751	759[r]	764[r]	760
12 Contract construction	4,383	4,673	4,904	5,019	4,999	5,008	5,002	5,006	4,989[r]	5,044[r]	5,078
13 Transportation and public utilities	5,159	5,238	5,244	5,348	5,344	5,350	5,363	5,377	5,416[r]	5,428[r]	5,455
14 Trade	22,100	23,073	23,580	23,969	23,980	24,007	24,071	24,063	24,129[r]	24,230[r]	24,233
15 Finance	5,689	5,955	6,297	6,558	6,576	6,586	6,608	6,624	6,629[r]	6,644[r]	6,659
16 Service	20,797	22,000	23,099	23,926	24,025	24,083	24,214	24,279	24,295[r]	24,411[r]	24,499
17 Government	16,023	16,394	16,710	17,038	17,031	17,031	17,020	17,046	17,048	17,204[r]	17,246

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1986	1987			1986	1987			1986	1987		
	Q4	Q1	Q2	Q3[r]	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3[r]
	Output (1977 = 100)				Capacity (percent of 1977 output)				Utilization rate (percent)			
1 **Total industry**	**125.9**	**126.9**	**128.2**	**130.9**	**158.7**	**159.5**	**160.4**	**161.3**	**79.4**	**79.5**	**79.9**	**81.2**
2 Mining	96.9	98.8	99.0	100.6	130.8	130.4	129.7	129.0	74.1	75.8	76.3	78.0
3 Utilities	109.1	108.1	108.3	111.6	137.3	137.7	138.3	138.8	79.4	78.5	78.3	80.4
4 **Manufacturing**	**130.4**	**131.6**	**133.2**	**135.7**	**163.4**	**164.5**	**165.6**	**166.7**	**79.8**	**80.0**	**80.5**	**81.4**
5 Primary processing	113.4	114.3	116.1	119.2	137.5	138.2	139.0	139.8	82.5	82.7	83.5	85.2
6 Advanced processing	140.6	142.0	143.5	145.8	179.1	180.3	181.6	182.9	78.5	78.7	79.0	79.9
7 **Materials**	**114.3**	**115.0**	**116.5**	**119.1**	**145.8**	**146.1**	**146.7**	**147.2**	**78.5**	**78.7**	**79.4**	**80.9**
8 Durable goods	120.7	121.4	122.9	125.5	162.2	162.3	163.1	163.9	74.7	74.8	75.4	76.6
9 Metal materials	75.4	74.7	77.0	83.6	113.4	110.6	110.0	109.4	67.7	67.5	70.0	76.4
10 Nondurable goods	120.3	121.2	124.0	128.2	140.4	142.9	143.8	144.7	84.7	84.8	86.2	88.6
11 Textile, paper, and chemical	120.9	122.3	125.1	130.5	139.6	142.4	143.4	144.4	85.4	85.9	87.2	90.4
12 Paper	137.0	136.4	137.7	144.5	139.7	142.8	143.9	145.1[r]	96.7	95.5	95.7	99.6
13 Chemical	120.3	122.9	125.3	130.7	145.0	148.8	149.8	150.9[r]	81.4	82.6	83.6	86.3
14 Energy materials	97.8	98.3	98.7	100.0	121.6	120.3	120.2	120.1	81.2	81.7	82.1	83.3

	Previous cycle[1]		Latest cycle[2]		1986	1987								
	High	Low	High	Low	Nov.	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**	**79.2**	**79.7**	**79.6**	**79.9**	**80.3**	**81.1**	**81.4**	**81.0**	**81.5**	**81.7**
16 Mining	92.8	87.8	95.2	76.9	74.5	75.5	75.9	76.5	76.6	76.8	78.2	79.0	79.2	79.2
17 Utilities	95.6	82.9	88.5	78.0	79.8	78.2	76.8	79.2	79.0	80.2	81.3	79.8	81.6	82.0
18 **Manufacturing**	**87.7**	**69.9**	**86.5**	**68.0**	**79.6**	**80.3**	**80.2**	**80.4**	**80.8**	**81.5**	**81.5**	**81.3**	**81.8**	**82.0**
19 Primary processing	91.9	68.3	89.1	65.1	82.5	83.1	83.5	83.2	84.0	85.4	85.3	85.1	85.6	85.9
20 Advanced processing	86.0	71.1	85.1	69.5	78.3	79.1	78.7	79.2	79.2	79.8	79.9	79.5	80.1	80.2
21 **Materials**	**92.0**	**70.5**	**89.1**	**68.5**	**78.5**	**78.7**	**79.1**	**79.3**	**79.8**	**80.6**	**81.1**	**81.0**	**81.3**	**81.6**
22 Durable goods	91.8	64.4	89.8	60.9	74.6	75.2	75.0	75.1	75.9	76.5	76.6	76.7	77.5	77.7
23 Metal materials	99.2	67.1	93.6	45.7	68.6	68.7	68.8	69.7	71.5	73.9	77.5	77.9	81.1	80.7
24 Nondurable goods	91.1	66.7	88.1	70.7	83.9	84.8	86.5	86.2	86.1	88.4	88.6	88.7	87.9	88.1
25 Textile, paper, and chemical	92.8	64.8	89.4	68.8	84.4	85.8	87.5	87.1	87.1	90.0	90.5	90.7	89.9	90.2
26 Paper	98.4	70.6	97.3	79.9	96.5	94.6	95.1	95.7	96.3	100.5	99.9	98.4	97.3	......
27 Chemical	92.5	64.4	87.9	63.5	79.9	82.2	83.9	83.9	83.1	85.1	86.4	87.4	87.1	......
28 Energy materials	94.6	86.9	94.0	82.3	82.1	80.8	81.3	82.1	82.8	82.4	84.0	83.5	83.7	84.4

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

Groups	1977 proportion	1986 avg.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May	1987 June	1987 July	1987 Aug.[r]	1987 Sept.	1987 Oct.[p]	1987 Nov.[e]
			Index (1977 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**125.0**	**126.0**	**126.7**	**126.5**	**127.2**	**127.3**	**127.4**	**128.4**	**129.1**	**130.6**	**131.2**	**130.9**	**132.0**	**132.5**
2 Products	57.72	133.2	134.5	135.0	134.9	136.1	136.2	137.2	137.2	137.8	139.5	139.9	139.2	140.8	141.2
3 Final products	44.77	132.3	133.1	133.7	133.6	135.0	135.0	134.5	135.8	136.2	137.9	138.4	137.7	139.4	139.7
4 Consumer goods	25.52	124.5	125.6	127.2	126.8	127.5	127.5	126.6	128.2	127.2	128.9	129.4	127.6	129.3	129.4
5 Equipment	19.25	142.7	143.1	142.2	142.8	144.9	145.0	144.9	145.8	148.1	149.7	150.2	151.0	152.8	153.4
6 Intermediate products	12.94	136.4	139.2	139.7	139.1	139.7	140.4	139.9	142.1	143.3	145.0	145.3	144.7	145.3	146.1
7 Materials	42.28	113.9	114.3	115.2	115.2	115.1	115.2	116.2	116.3	117.2	118.5	119.4	119.5	120.1	120.6
Consumer goods															
8 Durable consumer goods	6.89	116.2	118.4	121.5	120.0	122.4	121.2	118.1	120.2	117.4	120.4	121.2	118.3	123.5	123.1
9 Automotive products	2.98	115.1	114.6	117.7	117.6	123.5	121.2	115.7	118.0	114.9	117.5	118.0	113.8	123.8	122.1
10 Autos and trucks	1.79	112.9	107.6	115.6	117.9	125.2	121.6	111.5	113.1	107.9	112.3	112.4	107.2	122.2	118.7
11 Autos, consumer	*1.16*	*97.3*	*92.3*	*99.5*	*94.3*	*105.3*	*100.9*	*91.8*	*91.0*	*87.4*	*86.4*	*76.8*	*79.1*	*94.7*	*91.9*
12 Trucks, consumer	.63	141.8	136.0	145.6	161.9	162.1	159.9	148.1	154.2	146.0	160.4	178.4	159.4	....	....
13 Auto parts and allied goods	1.19	118.4	125.2	120.8	117.1	121.0	120.5	121.9	125.3	125.4	125.3	126.6	123.8	126.2	127.1
14 Home goods	3.91	117.1	121.2	124.4	121.9	121.6	121.2	119.9	121.8	119.3	122.5	123.6	121.8	123.3	123.8
15 Appliances, A/C and TV	1.24	139.5	148.1	153.2	146.9	145.2	142.9	137.7	142.2	133.4	141.7	147.1	141.8	144.8	145.7
16 Appliances and TV	1.19	141.6	150.0	155.1	148.9	146.7	143.8	139.2	142.3	133.4	142.6	145.5	140.6	145.1	....
17 Carpeting and furniture	.96	125.8	131.1	132.0	129.1	130.8	131.3	133.5	133.3	132.3	134.1	132.0	131.6	133.3	....
18 Miscellaneous home goods	1.71	96.0	96.3	99.4	99.8	99.3	99.8	99.4	100.7	101.8	102.2	102.0	101.8	102.2	....
19 Nondurable consumer goods	18.63	127.5	128.3	129.4	129.2	129.4	129.8	129.8	131.1	130.9	132.1	132.5	131.0	131.5	131.8
20 Consumer staples	15.29	97.0	135.0	136.0	135.9	135.9	136.5	136.4	137.7	137.6	138.9	139.2	137.7	138.2	138.7
21 Consumer foods and tobacco	7.80	134.1	132.6	133.9	132.9	134.0	134.8	134.4	135.6	136.0	137.2	137.4	137.1	137.2	....
22 Nonfood staples	7.49	131.9	137.4	138.2	139.0	137.9	138.2	138.5	139.9	139.2	140.6	141.2	138.4	139.3	139.8
23 Consumer chemical products	2.75	136.5	161.0	163.1	165.9	164.7	165.7	164.7	165.9	164.4	165.7	167.4	163.6	162.2	....
24 Consumer paper products	1.88	161.2	151.5	150.1	149.4	147.8	147.5	148.9	152.9	153.1	153.8	153.9	153.0	153.4	....
25 Consumer energy	2.86	147.4	105.5	106.4	106.3	105.7	105.8	106.5	106.4	105.9	108.0	107.7	104.6	108.0	....
26 Consumer fuel	1.44	105.7	91.7	92.2	95.0	92.5	94.1	94.5	92.1	91.9	92.7	91.4	91.6	92.1	....
27 Residential utilities	1.42	92.8	119.6	120.8	117.8	119.2	117.7	118.7	121.0	120.2	123.6	124.3	117.7	....	....
Equipment															
28 Business and defense equipment	18.01	147.1	148.1	147.0	147.7	150.1	150.1	150.0	150.8	153.2	154.4	154.5	155.0	156.9	157.7
29 Business equipment	14.34	138.6	138.6	137.1	138.1	140.8	140.8	140.8	141.7	144.2	145.6	145.6	146.3	148.6	149.5
30 Construction, mining, and farm	2.08	59.8	56.6	58.2	57.2	56.8	58.1	58.6	61.2	63.0	65.0	66.4	65.8	66.7	66.9
31 Manufacturing	3.27	112.0	109.6	108.8	110.1	111.5	110.9	111.1	111.5	117.2	120.4	120.9	122.0	123.0	123.9
32 Power	1.27	81.6	79.5	80.2	79.6	81.2	81.7	82.4	84.0	84.0	81.8	82.8	80.9	81.6	81.8
33 Commercial	5.22	214.6	217.3	213.7	215.9	218.4	219.7	220.9	222.0	226.7	227.9	227.7	229.3	230.9	233.3
34 Transit	2.49	109.2	110.7	108.9	109.5	117.4	114.0	110.4	110.1	105.4	106.1	104.7	105.0	112.4	111.2
35 Defense and space equipment	3.67	180.3	184.9	185.8	185.2	186.5	186.6	186.1	186.5	188.6	188.7	189.1	189.1	189.6	189.7
Intermediate products															
36 Construction supplies	5.95	124.7	126.8	127.9	128.3	128.4	128.5	127.3	128.3	131.5	133.1	132.5	132.4	132.6	133.2
37 Business supplies	6.99	146.4	149.7	149.8	148.3	149.4	150.5	150.5	153.8	153.4	155.2	156.3	155.2	156.2	....
38 General business supplies	5.67	150.6	153.7	154.3	153.3	154.1	155.2	155.5	158.2	158.5	160.5	161.0	160.5	161.7	....
39 Commercial energy products	1.31	128.3	132.4	130.3	126.8	128.8	130.3	129.0	135.0	131.1	132.3	135.8	132.1	132.3	....
Materials															
40 Durable goods materials	20.50	119.7	120.4	120.7	120.5	121.5	121.8	122.2	121.6	124.0	125.2	125.5	125.9	127.5	128.0
41 *Durable consumer parts*	4.92	98.5	98.0	98.8	99.0	100.0	98.9	96.2	95.2	99.2	98.5	99.6	98.8	99.5	99.0
42 Equipment parts	5.94	153.9	154.5	154.2	154.0	155.6	155.8	157.1	156.0	158.3	159.3	159.5	160.2	162.1	163.2
43 Durable materials n.e.c.	9.64	109.4	110.7	111.2	110.8	111.5	112.6	114.1	113.9	115.5	117.7	117.9	118.6	120.5	121.0
44 Basic metal materials	4.64	80.0	82.1	80.3	79.2	80.3	80.8	81.8	81.9	83.6	86.6	90.4	90.9	93.8	94.0
45 Nondurable goods materials	10.09	118.3	120.2	123.2	123.2	122.5	122.8	125.4	125.3	124.1	127.6	128.3	128.7	127.7	128.3
46 Textile, paper, and chemical materials	7.53	118.9	121.0	124.7	125.0	123.6	124.0	126.9	126.5	125.1	129.6	130.6	131.3	130.4	131.1
47 Textile materials	1.52	110.6	115.6	116.1	116.5	115.8	118.5	125.0	....	111.9	117.8	116.7	116.5	113.9	....
48 Pulp and paper materials	1.55	132.1	134.2	140.2	137.9	136.7	134.7	137.4	137.4	139.0	145.4	145.0	143.2	141.9	....
49 Chemical materials	4.46	117.1	118.5	122.3	123.4	121.8	122.1	125.0	125.0	124.9	128.1	130.4	132.2	132.1	....
50 Miscellaneous nondurable materials	2.57	116.5	117.6	118.5	118.0	119.0	119.2	121.1	122.0	120.9	122.0	121.4	121.0	....	....
51 Energy materials	11.69	99.9	98.7	98.8	98.9	97.6	97.0	97.5	99.3	99.4	99.0	100.9	100.2	100.4	101.2
52 *Primary energy*	7.57	105.5	104.8	105.1	104.1	102.6	101.5	102.3	103.6	104.0	102.5	104.6	104.6	104.0	....
53 Converted fuel materials	4.12	89.6	87.6	87.3	89.4	88.5	88.9	88.7	91.4	91.0	92.5	94.1	92.2	93.8	....

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value—Continued

Groups	SIC code	1977 proportion	1986 avg.	1986 Nov.	1986 Dec.	1987 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.[r]	Sept.	Oct.[p]	Nov.[e]
				Index (1977 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	.....	15.79	103.4	102.0	101.6	102.6	102.4	101.9	101.4	103.1	103.0	103.7	105.4	105.2	106.3	106.4
2 Mining	.....	9.83	99.6	97.5	97.1	99.4	98.8	98.3	98.6	99.2	99.2	99.2	100.9	101.7	101.9	101.6
3 Utilities	.....	5.96	109.6	109.6	109.0	108.0	108.5	107.9	106.0	109.6	109.4	111.2	112.9	110.9	113.6	114.3
4 Manufacturing	.....	84.21	129.1	130.1	131.3	130.7	131.6	132.4	132.4	133.2	134.0	135.6	135.9	135.7	137.0	137.5
5 Nondurable	.....	35.11	130.9	131.7	133.4	132.7	132.9	133.7	134.6	135.7	136.9	138.5	138.8	138.7	138.3	138.8
6 Durable	.....	49.10	127.9	129.0	129.7	129.3	130.8	131.5	130.9	131.4	132.0	133.5	133.8	133.6	136.1	136.6
Mining																
7 Metal	10	.50	......	71.1	76.2	74.1	73.6	71.2	65.7	71.7	70.7	71.4	79.3	81.4	......	......
8 Coal	11.12	1.60	124.2	129.8	125.4	136.4	131.7	122.3	121.9	127.2	128.8	127.9	130.5	133.3	133.5	134.7
9 Oil and gas extraction	13	7.07	94.7	89.6	89.8	91.2	90.9	92.4	93.1	92.1	91.8	91.8	93.0	93.3	93.4	92.9
10 Stone and earth minerals	14	.66	113.9	123.2	122.5	116.1	122.1	123.8	125.4	127.6	128.5	130.7	130.3	130.7	131.1	......
Nondurable manufactures																
11 Foods	20	7.96	133.6	135.3	136.7	134.6	136.4	137.3	136.0	137.4	137.7	138.5	138.8	139.7	138.4	......
12 Tobacco products	21	.62	96.6	96.4	93.4	89.9	99.9	101.1	99.6	106.6	107.0	......	110.4	105.7	......	......
13 Textile mill products	22	2.29	113.2	112.2	113.4	109.2	110.8	112.6	116.6	115.7	117.2	118.3	119.8	118.5	117.9	......
14 Apparel products	23	2.79	103.6	103.8	104.9	106.1	106.5	105.4	105.3	106.4	107.7	109.7	108.4	106.8	......	......
15 Paper and products	26	3.15	136.4	139.6	141.1	139.7	139.9	139.9	140.5	141.3	142.6	148.8	148.9	146.8	144.4	......
16 Printing and publishing	27	4.54	163.4	164.8	166.4	166.3	164.4	167.6	169.2	171.4	174.1	174.0	174.7	175.4	176.6	177.0
17 Chemicals and products	28	8.05	133.0	132.3	135.7	136.4	135.7	135.3	137.3	138.1	139.3	140.8	142.3	142.4	141.7	......
18 Petroleum products	29	2.40	92.1	92.5	93.5	95.6	91.6	92.1	94.0	92.6	92.3	94.1	92.9	93.5	93.8	92.8
19 Rubber and plastic products	30	2.80	153.3	155.2	157.1	155.3	156.2	158.6	160.5	162.2	165.4	167.2	164.8	165.2	165.4	......
20 Leather and products	31	.53	61.3	61.0	60.2	58.9	59.8	59.4	60.2	61.4	60.8	59.2	61.3	60.8	61.5	......
Durable manufactures																
21 Lumber and products	24	2.30	123.4	130.3	133.5	128.5	129.6	128.9	127.8	130.3	131.1	132.8	131.1	128.3	127.9	......
22 Furniture and fixtures	25	1.27	146.7	145.6	148.8	143.5	145.0	149.9	148.2	150.5	153.9	156.2	155.2	155.9	156.7	......
23 Clay, glass, stone products	32	2.72	120.2	118.7	119.4	121.9	118.8	119.8	120.6	117.2	117.9	118.8	116.5	117.6	118.6	......
24 Primary metals	33	5.33	75.8	75.5	73.4	72.8	75.1	77.0	76.1	77.0	78.8	81.4	85.1	84.6	88.8	89.5
25 Iron and steel	331.2	3.49	63.4	63.5	61.3	59.5	62.3	65.4	65.0	65.7	68.3	70.9	76.0	74.6	79.7	......
26 Fabricated metal products	34	6.46	107.4	108.3	109.6	108.4	108.3	110.5	109.9	108.5	111.1	111.1	110.1	111.2	112.8	113.7
27 Nonelectrical machinery	35	9.54	141.9	144.5	144.8	143.4	145.5	148.5	150.4	149.7	151.8	155.3	154.3	157.0	158.7	160.5
28 Electrical machinery	36	7.15	166.5	167.9	170.4	170.4	171.0	168.5	168.4	171.1	170.5	172.5	174.3	172.8	174.0	174.9
29 Transportation equipment	37	9.13	125.8	126.9	126.8	129.0	132.7	132.2	127.8	129.4	126.5	127.6	128.1	125.6	131.8	130.4
30 Motor vehicles and parts	371	5.25	110.9	109.1	109.7	112.0	117.7	116.5	109.8	112.0	107.4	109.4	109.1	105.6	116.1	114.2
31 Aerospace and miscellaneous transportation equipment	372–6.9	3.87	146.1	151.1	150.1	151.9	153.0	153.4	152.3	153.1	152.4	152.3	153.9	152.5	153.0	152.3
32 Instruments	38	2.66	141.3	139.3	140.2	139.5	142.0	140.3	142.8	142.1	144.5	143.8	146.3	144.4	145.5	145.9
33 Miscellaneous manufactures	39	1.46	99.3	100.9	103.8	101.6	101.6	103.9	101.4	101.9	101.2	100.5	102.2	102.1	101.0	......
Utilities																
34 Electric	.....	4.17	122.2	124.4	122.6	121.6	122.3	123.6	122.3	128.8	128.8	131.0	132.0	127.5	130.5	......
		Gross value (billions of 1982 dollars, annual rates)														
MAJOR MARKET																
35 **Products, total**	.....	**517.5**	**1,702.2**	**1,686.7**	**1,700.7**	**1,701.6**	**1,718.7**	**1,725.2**	**1,710.0**	**1,723.0**	**1,720.4**	**1,732.5**	**1,741.7**	**1,733.7**	**1,768.6**	**1,768.1**
36 Final	.....	405.7	1,314.5	1,296.6	1,307.3	1,310.9	1,329.2	1,330.3	1,316.5	1,324.7	1,320.1	1,326.6	1,334.9	1,328.9	1,360.1	1,359.1
37 Consumer goods	.....	272.7	853.8	846.5	857.1	860.0	865.3	868.1	857.1	862.8	855.1	863.2	866.4	855.9	876.3	876.6
38 Equipment	.....	133.0	458.2	450.0	450.2	450.9	463.9	462.2	459.4	461.9	465.0	463.5	468.5	473.0	483.8	482.6
39 Intermediate	.....	111.9	387.6	390.2	393.4	390.7	389.5	394.9	393.6	398.4	400.3	405.9	406.8	404.8	408.5	409.0

▲ 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	1984	1985	1986	1987 Jan.	Feb.	Mar.	Apr.	May	June	July[r]	Aug.[r]	Sept.[r]	Oct.
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,682	1,733	1,750	1,652	1,676	1,719	1,598	1,493	1,517	1,487	1,502	1,502	1,463
2 1-family	922	957	1,071	1,085	1,204	1,150	1,058	1,009	1,039	993	1,023	992	977
3 2-or-more-family	759	777	679	567	472	569	540	484	478	494	479	510	486
4 Started	1,749	1,742	1,805	1,816	1,838	1,730	1,643	1,606	1,586	1,598	1,585	1,685	1,523
5 1-family	1,084	1,072	1,179	1,253	1,303	1,211	1,208	1,130	1,088	1,143	1,111	1,211	1,102
6 2-or-more-family	665	669	626	563	535	519	435	476	498	455	474	474	421
7 Under construction, end of period[1]	1,051	1,063	1,074	1,089	1,096	1,085	1,070	1,061	1,059	1,053	1,049	1,054	1,051
8 1-family	556	539	583	609	621	618	623	621	620	623	625	631	633
9 2-or-more-family	494	524	490	480	476	467	446	441	439	430	424	423	418
10 Completed	1,652	1,703	1,756	1,956	1,726	1,689	1,830	1,621	1,601	1,698	1,666	1,574	1,536
11 1-family	1,025	1,072	1,120	1,217	1,107	1,141	1,148	1,158	1,101	1,120	1,067	1,106	1,102
12 2-or-more-family	627	631	637	739	619	548	682	463	500	578	599	468	434
13 Mobile homes shipped	296	284	244	242	231	228	227	222	231	245	233	244	238
Merchant builder activity in 1-family units													
14 Number sold	639	688	748	712	740	720	733	649	641	671	675	658	672
15 Number for sale, end of period[1]	358	350	361	358	358	358	359	355	359	359	361	361	359
Price (thousands of dollars)[2]													
Median													
16 Units sold	80.0	84.3	92.2	98.5	95.2	98.4	96.5	104.9	109.0	105.0	106.8	106.9	106.0
Average													
17 Units sold	97.5	101.0	112.2	122.1	121.3	119.5	118.1	126.6	135.8	128.6	128.5	133.9	123.9
EXISTING UNITS (1-family)													
18 Number sold	2,868	3,217	3,566	3,480	3,690	3,680	3,560	3,770	3,500	3,430	3,410	3,450	3,570
Price of units sold (thousands of dollars)[2]													
19 Median	72.3	75.4	80.3	82.1	85.0	85.6	85.0	85.2	85.2	86.2	85.1	85.1	84.8
20 Average	85.9	90.6	98.3	100.1	104.3	104.9	105.0	106.3	106.0	107.6	105.3	106.2	106.3
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**328,643**	**355,995**	**388,815**	**384,716**	**401,644**	**388,303**	**396,222**	**396,680**	**397,191**	**398,465**	**402,872**	**410,874**	**410,616**
22 Private	270,978	291,665	316,589	310,170	326,453	312,203	320,483	321,414	324,256	323,847	329,831	332,950	333,915
23 Residential	153,849	158,475	187,147	187,813	203,115	190,812	199,523	195,871	200,864	198,005	200,241	205,062	204,781
24 Nonresidential, total	117,129	133,190	129,442	122,357	123,338	121,391	120,960	125,543	123,392	125,842	129,590	127,888	129,134
Buildings													
25 Industrial	13,746	15,769	13,747	12,094	12,112	11,354	11,492	13,376	13,023	13,005	13,659	14,387	13,523
26 Commercial	39,357	51,315	48,592	50,881	53,071	52,285	50,924	53,224	51,831	52,537	54,055	52,800	54,039
27 Other	12,547	12,619	13,216	14,755	14,776	15,143	14,950	14,926	14,769	15,317	14,888	15,079	15,554
28 Public utilities and other	51,479	53,487	53,887	44,627	43,379	42,609	43,594	44,017	43,769	44,983	46,988	45,622	46,018
29 Public	57,662	64,326	72,225	74,546	75,191	76,100	75,739	75,266	72,935[r]	74,618	73,041	77,924	76,701
30 Military	2,839	3,283	3,919	4,100	2,806	3,893	3,403	4,397	4,352	5,009	4,193	6,083	4,308
31 Highway	18,772	21,756	23,360	23,508	23,260	23,575	22,673	22,607	21,704	22,441	22,005	23,489	24,938
32 Conservation and development	4,654	4,746	4,668	5,155	4,883	4,792	5,551	4,839	5,498	5,328	5,127	4,978	5,477
33 Other	31,397	34,541	40,278	41,783	44,242	43,840	44,112	43,423	41,381[r]	41,840	41,716	43,374	41,978

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 (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 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. 1987 (1967 = 100)[1]
	1986 Nov.	1987 Nov.	1986	1987			1987					
			Dec.	Mar.	June	Sept.	July[r]	Aug.[r]	Sept.	Oct.	Nov.	
CONSUMER PRICES[2]												
1 **All items**	**1.3**	**4.5**	**2.5**	**6.2**	**4.6**	**3.6**	**.2**	**.5**	**.2**	**.4**	**.3**	**345.8**
2 Food	4.4	3.2	4.1	2.5	6.5	1.4	-.2	.0	.5	.4	.1	335.1
3 Energy items	-19.6	9.3	-9.9	26.1	7.9	5.0	.1	1.7	-.5	-.9	.8	373.5
4 All items less food and energy	3.8	4.4	3.7	5.2	4.0	3.7	.3	.4	.2	.5	.3	347.0
5 Commodities	1.3	3.9	1.4	5.1	3.8	3.0	.3	.1	.3	.5	.3	276.6
6 Services	5.2	4.6	5.1	5.3	3.8	4.2	.4	.5	.1	.5	.3	423.5
PRODUCER PRICES												
7 Finished goods	-1.9	2.5	1.8	4.3	3.9	2.7	.2	.2	.3	-.2	.0	298.1
8 Consumer foods	4.2	.6	1.0	-6.7	12.7	-1.7	-.3	-1.2	1.1	-.1	.3	284.9
9 Consumer energy	-37.8	13.2	-12.5	59.8	5.5	2.0	1.7	2.6	-3.7	-1.0	-.8	513.5
10 Other consumer goods	3.0	2.3	4.4	4.2	-.2	4.9	.3	.3	.6	.0	.0	268.7
11 Capital equipment	2.2	1.3	3.4	.4	1.2	4.4	.1	.3	.7	-.4	.1	314.3
12 Intermediate materials[3]	-4.4	5.4	-1.2	7.8	5.7	4.6	.6	.5	.0	.5	.4	327.2
13 Excluding energy	.2	4.7	1.2	3.3	4.6	5.0	.4	.4	.5	.9	.5	319.3
Crude materials												
14 Foods	.1	-.4	-2.7	-10.3	34.8	-6.2	-1.9	-.1	.5	1.3	-3.0	235.8
15 Energy	-27.1	11.4	-.5	50.0	11.4	6.1	2.9	1.4	-2.7	-1.7	-1.1	598.3
16 Other	-.1	23.5	8.5	15.9	31.9	37.1	2.9	1.3	3.8	4.1	.9	301.8

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	1984	1985	1986	1986		1987		
				Q3	Q4	Q1	Q2	Q3[r]
GROSS NATIONAL PRODUCT								
1 **Total**	**3,772.2**	**4,010.3**	**4,235.0**	**4,265.9**	**4,288.1**	**4,377.7**	**4,445.1**	**4,524.0**
By source								
2 Personal consumption expenditures	2,430.5	2,629.4	2,799.8	2,837.1	2,858.6	2,893.8	2,943.7	3,011.3
3 Durable goods	335.5	368.7	402.4	427.6	419.8	396.1	409.0	436.8
4 Nondurable goods	867.3	913.1	939.4	940.0	946.3	969.9	982.1	986.4
5 Services	1,227.6	1,347.5	1,458.0	1,469.5	1,492.4	1,527.7	1,552.6	1,588.1
6 Gross private domestic investment	664.8	641.6	671.0	660.8	660.2	699.9	702.6	707.4
7 Fixed investment	597.1	631.6	655.2	657.3	666.6	648.2	662.3	684.5
8 Nonresidential	416.0	442.6	436.9	433.5	439.7	422.8	434.6	456.6
9 Structures	141.1	152.5	137.4	131.1	132.9	128.7	129.7	137.1
10 Producers' durable equipment	274.9	290.1	299.5	302.4	306.7	294.1	304.9	319.5
11 Residential structures	181.1	189.0	218.3	223.8	226.9	225.4	227.7	227.9
12 Change in business inventories	67.7	10.0	15.7	3.5	−6.4	51.6	40.3	22.9
13 Nonfarm	60.5	13.6	16.8	−.9	5.1	48.7	27.3	11.1
14 Net exports of goods and services	-58.9	−79.2	−105.5	−110.5	−116.9	−112.2	−118.4	−123.7
15 Exports	383.5	369.9	376.2	376.6	383.3	397.3	416.5	439.2
16 Imports	442.4	449.2	481.7	487.1	500.2	509.5	534.8	562.9
17 Government purchases of goods and services	735.9	818.6	869.7	878.5	886.3	896.2	917.1	929.0
18 Federal	310.5	353.9	366.2	371.2	368.6	366.9	379.6	382.1
19 State and local	425.3	464.7	503.5	507.3	517.7	529.3	537.6	546.9
By major type of product								
20 Final sales, total	3,704.5	4,000.3	4,219.3	4,262.4	4,294.6	4,326.0	4,404.8	4,501.1
21 Goods	1,581.3	1,637.9	1,693.8	1,703.6	1,698.9	1,738.7	1,763.5	1,798.3
22 Durable	681.5	704.3	726.8	735.8	737.3	747.0	756.7	785.7
23 Nondurable	899.9	933.6	967.0	967.8	961.6	991.7	1,006.8	1,012.6
24 Services	1,813.9	1,969.2	2,116.2	2,136.6	2,160.0	2,212.0	2,252.2	2,289.3
25 Structures	376.9	403.1	425.0	425.7	429.3	426.9	429.4	436.4
26 Change in business inventories	67.7	10.0	15.7	3.5	−6.4	51.6	40.3	22.9
27 Durable goods	40.2	7.3	4.8	−12.1	−4.5	35.2	22.1	−1.9
28 Nondurable goods	27.5	2.7	10.9	15.6	−1.9	16.5	18.2	24.8
29 MEMO								
Total GNP in 1982 dollars	**3,501.4**	**3,607.5**	**3,713.3**	**3,718.0**	**3,731.5**	**3,772.2**	**3,795.3**	**3,835.9**
NATIONAL INCOME								
30 **Total**	**3,028.6**	**3,229.9**	**3,422.0**	**3,438.7**	**3,471.0**	**3,548.3**	**3,593.3**	**3,659.0**
31 Compensation of employees	2,213.9	2,370.8	2,504.9	2,515.1	2,552.0	2,589.9	2,623.4	2,663.5
32 Wages and salaries	1,838.8	1,974.7	2,089.1	2,097.9	2,128.5	2,163.3	2,191.4	2,226.5
33 Government and government enterprises	346.1	372.3	394.8	397.7	403.8	412.2	418.1	424.2
34 Other	1,492.5	1,602.6	1,694.3	1,700.2	1,724.7	1,751.1	1,773.3	1,802.3
35 Supplement to wages and salaries	375.1	396.1	415.8	417.2	423.5	426.6	432.0	437.0
36 Employer contributions for social insurance	192.2	203.8	214.7	214.9	219.1	220.0	222.5	225.9
37 Other labor income	182.9	192.3	201.1	202.3	204.4	206.7	209.5	211.1
38 Proprietors' income[1]	234.5	257.3	289.8	292.5	297.8	320.9	323.1	322.7
39 Business and professional[1]	204.0	227.6	252.6	256.2	261.2	269.7	275.8	282.1
40 Farm[1]	30.5	29.7	37.2	36.3	36.6	51.3	47.3	40.6
41 Rental income of persons[2]	8.5	9.0	16.7	17.2	18.4	20.0	18.9	17.3
42 Corporate profits[1]	266.9	277.6	284.4	286.4	281.1	294.0	296.8	314.9
43 Profits before tax[3]	240.0	224.8	231.9	236.3	247.9	257.0	268.7	284.9
44 Inventory valuation adjustment	-5.8	-.7	6.5	6.0	-8.9	-11.3	-20.0	-17.6
45 Capital consumption adjustment	32.7	53.5	46.0	44.0	42.1	48.2	48.0	47.7
46 Net interest	304.8	315.3	326.1	327.5	321.7	323.6	331.1	340.6

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	1984	1985	1986	1986		1987		
				Q3	Q4	Q1	Q2	Q3[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**3,108.7**	**3,327.0**	**3,534.3**	**3,553.6**	**3,593.6**	**3,662.0**	**3,708.6**	**3,761.0**
2 Wage and salary disbursements	1,838.6	1,974.9	2,089.1	2,097.9	2,128.5	2,163.3	2,191.4	2,226.1
3 Commodity-producing industries	577.6	609.2	623.3	622.8	628.4	632.9	635.0	641.8
4 Manufacturing	439.1	460.9	470.5	470.0	474.5	477.2	479.0	485.1
5 Distributive industries	442.8	473.0	497.1	498.6	504.7	511.5	518.9	526.3
6 Service industries	472.1	520.4	573.9	578.8	591.6	606.7	619.3	633.9
7 Government and government enterprises	346.1	372.3	394.8	397.7	403.8	412.2	418.1	424.2
8 Other labor income	182.9	192.3	201.1	202.3	204.4	206.7	209.5	211.1
9 Proprietors' income[1]	234.5	257.3	289.8	292.5	297.8	320.9	323.1	322.7
10 Business and professional[1]	204.0	227.6	252.6	256.2	261.2	269.7	275.8	282.1
11 Farm[1]	30.5	29.7	37.2	36.3	36.6	51.3	47.3	40.6
12 Rental income of persons[2]	8.5	9.0	16.7	17.2	18.4	20.0	18.9	17.3
13 Dividends	75.5	76.3	81.2	82.1	82.9	84.5	86.3	88.7
14 Personal interest income	444.7	476.5	497.6	498.1	496.8	499.8	506.3	520.0
15 Transfer payments	456.6	489.7	518.3	523.6	526.6	533.7	541.5	545.8
16 Old-age survivors, disability, and health insurance benefits	235.7	253.4	269.2	272.4	273.5	278.0	282.3	284.4
17 LESS: Personal contributions for social insurance	132.7	148.9	159.6	160.1	161.8	166.7	168.4	170.7
18 EQUALS: Personal income	3,108.7	3,327.0	3,534.3	3,553.6	3,593.6	3,662.0	3,708.6	3,761.0
19 LESS: Personal tax and nontax payments	440.2	485.9	512.2	515.3	532.0	536.1	578.0	565.7
20 EQUALS: Disposable personal income	2,668.6	2,841.1	3,022.1	3,038.2	3,061.6	3,125.9	3,130.6	3,195.3
21 LESS: Personal outlays	2,504.5	2,714.1	2,891.5	2,929.4	2,952.6	2,987.5	3,037.4	3,106.5
22 EQUALS: Personal saving	164.1	127.1	130.6	108.9	109.0	138.4	93.2	88.8
MEMO								
Per capita (1982 dollars)								
23 Gross national product	14,770.6	15,073.7	15,368.3	15,369.9	15,387.6	15,523.4	15,586.4	15,714.4
24 Personal consumption expenditures	9,488.6	9,830.2	10,141.9	10,241.8	10,228.8	10,188.9	10,215.6	10,326.5
25 Disposable personal income	10,419.0	10,622.0	10,947.0	10,968.0	10,956.0	11,008.0	10,865.0	10,958.0
26 Saving rate (percent)	6.1	4.5	4.3	3.6	3.6	4.4	3.0	2.8
GROSS SAVING								
27 **Gross saving**	**568.5**	**531.3**	**532.0**	**516.2**	**515.3**	**554.3**	**551.3**	**559.3**
28 Gross private saving	673.5	664.2	679.8	660.4	653.4	683.8	639.9	649.0
29 Personal saving	164.1	127.1	130.6	108.9	109.0	138.4	93.2	88.8
30 Undistributed corporate profits[1]	94.0	99.6	92.6	92.6	78.5	75.6	70.1	76.8
31 Corporate inventory valuation adjustment	-5.8	-.7	6.5	6.0	-8.9	-11.3	-20.0	-17.6
Capital consumption allowances								
32 Corporate	254.5	269.1	282.8	284.3	289.3	291.8	294.5	297.8
33 Noncorporate	160.9	168.5	173.8	174.6	176.6	178.0	182.1	185.3
34 Government surplus, or deficit (−), national income and product accounts	−105.0	−132.9	−147.8	−144.1	−138.1	−129.5	−88.6	−89.7
35 Federal	−169.6	−196.0	−204.7	−203.7	−188.7	−170.5	−139.2	−136.1
36 State and local	64.6	63.1	56.8	59.6	50.6	41.0	50.6	46.5
37 **Gross investment**	**573.9**	**525.7**	**527.1**	**510.1**	**503.7**	**552.1**	**548.1**	**548.4**
38 Gross private domestic	664.8	641.6	671.0	660.8	660.2	699.9	702.6	707.4
39 Net foreign	−90.9	−115.9	−143.9	−150.7	−156.5	−147.7	−154.5	−159.0
40 **Statistical discrepancy**	**5.4**	**-5.6**	**-4.9**	**-6.1**	**-11.6**	**-2.2**	**-3.1**	**-10.9**

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	1984	1985	1986	1986		1987		
				Q3	Q4	Q1	Q2	Q3^p
1 Balance on current account	−107,013	−116,394	−141,352	−36,583	−37,977	−36,784	−41,190	−43,378
2 Not seasonally adjusted	....	....	....	−40,230	−36,398	−33,435	−42,006	−48,525
3 Merchandise trade balance[2]	−112,522	−122,148	−144,339	−37,115	−38,595	−38,757	−39,558	−39,832
4 Merchandise exports	219,900	215,935	224,361	56,534	57,021	56,992	60,097	65,263
5 Merchandise imports	−332,422	−338,083	−368,700	−93,649	−95,616	−95,749	−99,655	−105,095
6 Military transactions, net	−1,942	−3,338	−3,662	−815	-495	−37	29	−443
7 Investment income, net[3]	18,490	25,398	20,844	5,339	4,492	5,500	1,577	−267
8 Other service transactions, net	1,138	−1,005	1,463	342	759	−387	−146	95
9 Remittances, pensions, and other transfers	−3,637	−4,079	−3,885	−875	−1,151	−1,017	−865	−872
10 U.S. government grants (excluding military)	−8,541	−11,222	−11,772	−3,459	−2,987	−2,086	−2,227	−2,059
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	−5,476	−2,831	−1,920	−1,454	15	225	−177	232
12 Change in U.S. official reserve assets (increase, −)	−3,130	−3,858	312	280	132	1,956	3,419	32
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−979	−897	−246	163	−31	76	−171	−210
15 Reserve position in International Monetary Fund	−995	908	1,500	508	283	606	335	407
16 Foreign currencies	−1,156	−3,869	−942	−391	−120	1,274	3,255	−165
17 Change in U.S. private assets abroad (increase, −)[3]	−13,685	−24,711	−94,374	−23,304	−32,351	13,352	−18,137	−29,467
18 Bank-reported claims	−11,127	−1,323	−59,039	−18,878	−31,800	25,686	−15,685	−21,249
19 Nonbank-reported claims	5,019	1,361	−3,986	685	170	−1,163	2,603	....
20 U.S. purchase of foreign securities, net	−4,756	−7,481	−3,302	620	3,113	−1,345	384	−930
21 U.S. direct investments abroad, net[3]	−2,821	−17,268	−28,047	−5,731	−3,834	−9,826	−5,439	−7,288
22 Change in foreign official assets in the United States (increase, +)	2,987	−1,140	34,698	15,551	1,003	13,953	10,070	359
23 U.S. Treasury securities	4,690	−838	34,515	12,167	4,572	12,145	11,084	1,200
24 Other U.S. government obligations	13	−301	−1,214	−276	−117	−62	256	714
25 Other U.S. government liabilities[4]	586	823	1,723	999	−607	−1,381	−1,504	−506
26 Other U.S. liabilities reported by U.S. banks	555	645	554	2,963	−2,435	3,611	547	−425
27 Other foreign official assets[5]	−2,857	−1,469	−880	−302	−410	−360	−313	−624
28 Change in foreign private assets in the United States (increase, +)[3]	99,481	131,012	178,689	54,040	57,428	12,802	39,494	67,650
29 U.S. bank-reported liabilities	33,849	41,045	77,350	30,360	34,604	−13,614	14,823	48,872
30 U.S. nonbank-reported liabilities	4,704	−450	−2,791	−80	1,035	1,761	1,526	....
31 Foreign private purchases of U.S. Treasury securities, net	23,001	20,433	8,275	609	−3,074	−1,570	−2,211	−2,832
32 Foreign purchases of other U.S. securities, net	12,568	50,962	70,802	17,074	12,269	18,499	15,870	12,669
33 Foreign direct investments in the United States, net[3]	25,359	19,022	25,053	6,077	12,594	7,726	9,486	8,941
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	26,837	17,920	23,947	−8,530	11,750	−5,504	6,521	4,572
36 Owing to seasonal adjustments	....	....	....	−4,153	3,904	2,652	−2,009	−5,177
37 Statistical discrepancy in recorded data before seasonal adjustment	26,837	17,920	23,947	−4,377	7,846	−8,156	8,530	9,749
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−3,130	−3,858	312	280	132	1,956	3,419	32
39 Foreign official assets in the United States (increase, +) excluding line 25	2,401	−1,963	32,975	14,552	1,610	15,334	11,574	865
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	−4,504	−6,709	−8,508	−3,023	−5,195	−2,901	−2,651	−1,681
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	153	46	101	19	53	8	26	10

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[1]

Millions of dollars; monthly data are not seasonally adjusted.

Item	1984	1985	1986	1987						
				Apr.	May	June	July	Aug.	Sept.	Oct.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments, f.a.s. value	223,976	218,815	226,808	20,496	20,784	21,126	21,008	20,222	20,986	21,752
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses, c.i.f. value	346,364	352,463	382,964	33,459	34,822	36,838	37,483	35,905	35,062	39,383
3 **Trade balance**	**−122,389**	**−133,648**	**−156,156**	**−12,963**	**−14,039**	**−15,711**	**−16,475**	**−15,683**	**−14,076**	**−17,631**

1. 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 adjustment is 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. *As of Jan. 1, 1987 census data are released 45 days after the end of the month.* Total exports and the trade balance reflect adjustments for undocumented exports to Canada.

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	1984	1985	1986	1987						
				May	June	July	Aug.	Sept.	Oct.	Nov.[p]
1 **Total**	**34,934**	**43,186**	**48,511**[r]	**45,913**	**45,140**	**44,318**	**45,944**	**45,070**	**46,200**	**46,779**
2 Gold stock, including Exchange Stabilization Fund[1]	11,096	11,090	11,064	11,070	11,069	11,069	11,068	11,075	11,085	11,082
3 Special drawing rights[2,3]	5,641	7,293	8,395	8,904	8,856	8,813	9,174	9,078	9,373	9,937
4 Reserve position in International Monetary Fund[2]	11,541	11,947	11,730	11,517	11,313	10,964	11,116	10,918	11,157	11,369
5 Foreign currencies[4]	6,656	12,856	17,322[r]	14,422	13,902	13,472	14,586	13,999	14,585	14,391

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[1]

Millions of dollars, end of period

Assets	1984	1985	1986	1987						
				May	June	July	Aug.	Sept.	Oct.	Nov.[p]
1 Deposits	267	480	287	319	318	261	294	456	236	351
Assets held in custody										
2 U.S. Treasury securities[2]	118,000	121,004	155,835	175,849	176,657	171,269	179,484	179,097	182,072	187,767
3 Earmarked gold[3]	14,242	14,245	14,048	14,031	14,034	14,010	14,022	14,015	13,998	13,965

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.
3. Earmarked gold and the gold stock are valued at $42.22 per fine troy ounce. 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	1984	1985	1986	1987						
				Apr.	May	June	July	Aug.	Sept.	Oct.p
	All foreign countries									
1 **Total, all currencies**	**453,656**	**458,012**	**456,628**	**485,343**	**487,599r**	**475,188**	**470,391**	**473,540**	**489,840**	**517,463**
2 Claims on United States	113,393	119,706	114,563	128,723r	127,009	123,400	123,687	124,759	137,201	135,576
3 Parent bank	78,109	87,201	83,492	94,422r	92,194r	89,376r	89,793r	89,958r	101,618	96,805
4 Other banks in United States	13,664	13,057	13,685	15,330r	17,048r	15,981r	14,303r	14,705r	15,929	17,826
5 Nonbanks	21,620	19,448	17,386	18,971r	17,767r	18,043r	19,591r	20,096	19,654	20,945
6 Claims on foreigners	320,162	315,676	312,955	321,344	328,280	319,546	314,078	314,747	319,355	345,950
7 Other branches of parent bank	95,184	91,399	96,281	93,669	101,309	101,326r	96,582	97,988	103,277	115,514
8 Banks	100,397	102,960	105,237	114,997	114,101	107,747	110,124	108,088	108,415	118,270
9 Public borrowers	23,343	23,478	23,706	22,892	23,295	22,590r	21,412	21,537	21,278	21,633
10 Nonbank foreigners	101,238	97,839	87,731	89,786	89,575	87,883	85,960	87,134	86,385	90,533
11 Other assets	20,101	22,630	29,110	35,276r	32,310r	32,242	32,626	34,034	33,284	35,937
12 **Total payable in U.S. dollars**	**350,636**	**336,520**	**317,487**	**329,456r**	**336,414r**	**329,499**	**322,300**	**322,286**	**340,686**	**350,738**
13 Claims on United States	111,426	116,638	110,620	122,932	121,551r	118,411	118,563	118,964	131,667	129,018
14 Parent bank	77,229	85,971	82,082	92,468r	90,159r	87,540r	87,779r	87,844r	99,759	94,616
15 Other banks in United States	13,500	12,454	12,830	13,521r	15,412r	14,669r	12,794r	12,816r	13,922	15,627
16 Nonbanks	20,697	18,213	15,708	16,943r	15,980r	16,202r	17,990r	18,304	17,986	18,775
17 Claims on foreigners	228,600	210,129	195,063	192,360	201,450r	198,465	190,590	189,958	195,073	207,892
18 Other branches of parent bank	78,746	72,727	72,197	66,916	75,014	75,771	72,515	73,327	77,699	85,654
19 Banks	76,940	71,868	66,421	69,244	69,525	67,287	65,673	64,106	64,506	68,920
20 Public borrowers	17,626	17,260	16,708	16,639	16,812	16,271	15,062	15,115	14,942	14,890
21 Nonbank foreigners	55,288	48,274	39,737	39,561	40,099r	39,136	37,340	37,410	37,926	38,428
22 Other assets	10,610	9,753	11,804	14,164r	13,413r	12,623	13,147	13,364	13,946	13,828
	United Kingdom									
23 **Total, all currencies**	**144,385**	**148,599**	**140,917**	**149,998**	**154,371**	**146,678**	**149,760**	**148,039**	**149,836**	**163,511**
24 Claims on United States	27,675	33,157	24,599	31,001	34,427	30,859	32,694	31,377	32,581	33,336
25 Parent bank	21,862	26,970	19,085	25,315	28,935	25,944	27,288	25,627	27,128	27,142
26 Other banks in United States	1,429	1,106	1,612	1,564	1,507	1,194	1,537	1,585	1,349	1,870
27 Nonbanks	4,384	5,081	3,902	4,122	3,985	3,721	3,869	4,165	4,104	4,324
28 Claims on foreigners	111,828	110,217	109,508	111,113	112,997	107,407	108,732	108,293	108,562	120,649
29 Other branches of parent bank	37,953	31,576	33,422	29,936	33,412	32,641	31,241	30,794	33,334	37,962
30 Banks	37,443	39,250	39,468	42,961	41,241	37,745	41,219	40,082	38,390	42,929
31 Public borrowers	5,334	5,644	4,990	4,964	5,234	4,684	4,617	4,761	4,725	4,881
32 Nonbank foreigners	31,098	33,747	31,628	33,252	33,110	32,337	31,655	32,656	32,113	34,877
33 Other assets	4,882	5,225	6,810	7,884	6,947	8,412	8,334	8,369	8,693	9,526
34 **Total payable in U.S. dollars**	**112,809**	**108,626**	**95,028**	**99,398**	**104,622**	**97,672**	**99,170**	**96,510**	**99,736**	**105,534**
35 Claims on United States	26,868	32,092	23,193	29,066	32,542	29,252	31,076	29,519	30,791	31,252
36 Parent bank	21,495	26,568	18,526	24,689	28,228	25,286	26,661	24,853	26,423	26,282
37 Other banks in United States	1,363	1,005	1,475	1,192	1,157	950	1,294	1,309	1,105	1,504
38 Nonbanks	4,010	4,519	3,192	3,185	3,157	3,016	3,121	3,357	3,263	3,466
39 Claims on foreigners	82,945	73,475	68,138	66,257	68,469	64,676	64,024	63,265	64,561	69,836
40 Other branches of parent bank	33,607	26,011	26,361	22,339	25,921	25,409	23,827	23,155	25,600	28,370
41 Banks	26,805	26,139	23,251	24,962	23,263	21,355	22,975	22,646	21,522	22,941
42 Public borrowers	4,030	3,999	3,677	3,712	3,785	3,470	3,400	3,473	3,377	3,426
43 Nonbank foreigners	18,503	17,326	14,849	15,244	15,500	14,442	13,822	13,991	14,062	15,099
44 Other assets	2,996	3,059	3,697	4,075	3,611	3,744	4,070	3,726	4,384	4,446
	Bahamas and Caymans									
45 **Total, all currencies**	**146,811**	**142,055**	**142,592**	**146,954**	**141,832r**	**142,170**	**140,512**	**139,986**	**151,909**	**156,752**
46 Claims on United States	77,296	74,864	78,048	78,903r	73,445	72,541	72,772	72,558	81,679	83,187
47 Parent bank	49,449	50,553	54,575	52,756r	46,463r	45,891r	46,256r	45,697r	53,668	53,093
48 Other banks in United States	11,544	11,204	11,156	12,702r	14,552r	13,684r	11,824r	12,097r	13,518	14,721
49 Nonbanks	16,303	13,107	12,317	13,445r	12,430r	12,966r	14,692r	14,764	14,493	15,373
50 Claims on foreigners	65,598	63,882	60,005	62,293	63,089	65,280	63,027	62,336	65,619	68,710
51 Other branches of parent bank	17,661	19,042	17,296	16,562	15,775	18,873	17,493	18,228	18,698	18,936
52 Banks	30,246	28,192	27,476	30,310	31,417	30,987	30,372	29,160	31,690	35,020
53 Public borrowers	6,089	6,458	7,051	7,247	7,304	7,025	7,046	6,873	6,987	7,017
54 Nonbank foreigners	11,602	10,190	8,182	8,174	8,593	8,395	8,116	8,075	8,244	7,737
55 Other assets	3,917	3,309	4,539	5,758r	5,298r	4,349	4,713	5,092	4,611	4,855
56 **Total payable in U.S. dollars**	**141,562**	**136,794**	**136,813**	**138,961r**	**133,482r**	**135,323**	**131,636**	**130,985**	**142,385**	**145,674**

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.

3.14 Continued

Liability account	1984	1985	1986	1987 Apr.	1987 May	1987 June	1987 July	1987 Aug.	1987 Sept.	1987 Oct.[p]
	All foreign countries									
57 **Total, all currencies**	**453,656**	**458,012**	**456,628**	**485,343**	**487,599[r]**	**475,188**	**470,391**	**473,540**	**489,840**	**517,463**
58 Negotiable CDs	37,725	34,607	31,629	33,155	34,360	31,776	32,993	33,648	35,724	36,723
59 To United States	147,583	155,538	151,632	152,875	149,970	150,115	143,434	141,067	152,889	156,620
60 Parent bank	78,739	83,914	82,561	74,884[r]	74,324[r]	78,152[r]	71,543[r]	73,520[r]	79,690	79,614
61 Other banks in United States	18,409	16,894	15,646	17,169[r]	17,134[r]	16,814[r]	15,005[r]	15,289[r]	17,214	18,878
62 Nonbanks	50,435	54,730	53,425	60,822[r]	58,512[r]	55,149[r]	56,886[r]	52,258[r]	55,985	58,128
63 To foreigners	247,907	245,939	253,775	278,022	284,308[r]	274,061	274,407	278,888	280,651	303,052
64 Other branches of parent bank	93,909	89,529	95,146	94,590	101,769[r]	100,826	95,376	97,908	103,921	111,191
65 Banks	78,203	76,814	77,809	92,704	90,338[r]	81,229	87,734	87,449	85,512	98,098
66 Official institutions	20,281	19,520	17,835	21,293	23,058	22,264	21,528	21,016	20,116	20,235
67 Nonbank foreigners	55,514	60,076	62,985	69,435	69,143[r]	69,742	69,769	72,515	71,102	73,528
68 Other liabilities	20,441	21,928	19,592	21,291	18,961	19,236	19,557	19,937	20,576	21,068
69 **Total payable in U.S. dollars**	**367,145**	**353,712**	**336,406**	**340,584**	**347,312[r]**	**340,985**	**334,218**	**333,673**	**352,135**	**361,788**
70 Negotiable CDs	35,227	31,063	28,466	29,505	30,763	27,929	28,781	29,634	31,120	32,117
71 To United States	143,571	150,162	143,650	141,641	141,151	141,667	134,731	132,061	142,838	145,351
72 Parent bank	76,254	80,888	78,472	68,206[r]	69,839[r]	74,009[r]	66,874[r]	68,740[r]	74,413	74,136
73 Other banks in United States	17,935	16,264	14,609	15,711[r]	15,968[r]	15,602[r]	13,895[r]	14,086[r]	15,797	17,323
74 Nonbanks	49,382	53,010	50,569	57,724[r]	55,344[r]	52,056[r]	53,962[r]	49,235[r]	52,628	53,892
75 To foreigners	178,260	163,583	156,806	161,216	167,762[r]	163,505	162,766	163,728	169,343	175,519
76 Other branches of parent bank	77,770	71,078	71,181	67,278	74,764[r]	74,202	70,911	72,620	78,036	80,840
77 Banks	45,123	37,365	33,850	39,111	36,231[r]	31,812	35,250	35,104	35,202	40,078
78 Official institutions	15,773	14,359	12,371	14,318	16,068	15,985	15,806	15,527	14,209	13,323
79 Nonbank foreigners	39,594	40,781	39,404	40,509	40,699[r]	41,506	40,799	40,477	41,896	41,278
80 Other liabilities	10,087	8,904	7,484	8,222	7,636	7,884	7,940	8,250	8,834	8,801
	United Kingdom									
81 **Total all currencies**	**144,385**	**148,599**	**140,917**	**149,998**	**154,371**	**146,678**	**149,760**	**148,039**	**149,836**	**163,511**
82 Negotiable CDs	34,413	31,260	27,781	29,311	30,226	27,511	28,590	29,363	31,451	32,523
83 To United States	25,250	29,422	24,657	23,936	26,204	24,512	24,347	22,197	22,462	22,829
84 Parent bank	14,651	19,330	14,469	13,170	15,145	14,745	14,010	13,234	13,357	12,212
85 Other banks in United States	3,125	2,974	2,649	2,205	2,273	2,109	2,021	1,875	2,073	2,407
86 Nonabnks	7,474	7,118	7,539	8,561	8,786	7,658	8,316	7,088	7,032	8,210
87 To foreigners	77,424	78,525	79,498	87,381	89,760	86,041	87,942	87,750	86,813	98,215
88 Other branches of parent bank	21,631	23,389	25,036	22,421	26,367	25,350	23,572	23,379	26,094	29,718
89 Banks	30,436	28,581	30,877	37,562	35,282	32,036	35,647	34,414	31,681	38,502
90 Official institutions	10,154	9,676	6,836	8,871	10,004	9,748	9,241	9,670	10,387	10,248
91 Nonbank foreigners	15,203	16,879	16,749	18,527	18,107	18,907	19,482	20,287	18,651	19,747
92 Other liabilities	7,298	9,392	8,981	9,370	8,181	8,614	8,881	8,729	9,110	9,944
93 **Total payable in U.S. dollars**	**117,497**	**112,697**	**99,707**	**101,793**	**106,093**	**100,031**	**101,593**	**99,459**	**102,325**	**108,420**
94 Negotiable CDs	33,070	29,337	26,169	27,189	28,345	25,695	26,397	27,264	28,776	29,991
95 To United States	24,105	27,756	22,075	21,144	23,474	21,850	21,689	19,573	19,528	18,780
96 Parent bank	14,339	18,956	14,021	12,352	14,528	14,252	13,399	12,608	12,609	11,244
97 Other banks in United States	2,980	2,826	2,325	2,021	2,027	1,899	1,776	1,694	1,883	2,105
98 Nonbanks	6,786	5,974	5,729	6,771	6,919	5,699	6,514	5,271	5,036	5,431
99 To foreigners	56,923	51,980	48,138	49,708	51,116	49,089	50,294	49,484	50,386	55,209
100 Other branches of parent bank	18,294	18,493	17,951	14,367	18,430	17,654	16,171	15,565	17,994	20,018
101 Banks	18,356	14,344	15,203	19,498	15,555	13,566	16,330	15,767	14,359	17,786
102 Official institutions	8,871	7,661	4,934	5,786	7,214	7,283	7,203	7,872	8,060	7,115
103 Nonbank foreigners	11,402	11,482	10,050	10,057	9,917	10,586	10,590	10,280	9,973	10,290
104 Other liabilities	3,399	3,624	3,325	3,752	3,158	3,397	3,213	3,138	3,635	4,440
	Bahamas and Caymans									
105 **Total, all currencies**	**146,811**	**142,055**	**142,592**	**146,954**	**141,832[r]**	**142,170**	**140,512**	**139,986**	**151,909**	**156,752**
106 Negotiable CDs	615	610	847	883	1,092	1,067	1,119	975	886	890
107 To United States	102,955	103,813	105,248	107,545	101,695	103,007	99,240	97,244	107,245	111,925
108 Parent bank	47,162	44,811	48,648	43,120[r]	39,826[r]	43,288[r]	39,842[r]	40,889[r]	45,890	48,793
109 Other banks in United States	13,938	12,778	11,715	13,601[r]	13,411[r]	13,382[r]	11,989[r]	12,276[r]	13,564	14,857
110 Nonbanks	41,855	46,224	44,885	50,824[r]	48,458[r]	46,337[r]	47,409[r]	44,079[r]	47,791	48,275
111 To foreigners	40,320	35,053	34,400	36,491	36,836[r]	36,004	37,988	39,437	41,277	42,147
112 Other branches of parent bank	16,782	14,075	12,631	13,891	13,354[r]	14,023	14,803	16,465	16,925	17,032
113 Banks	12,405	10,669	8,617	9,452	9,900[r]	7,943	9,395	9,514	10,395	11,587
114 Official institutions	2,054	1,776	2,719	2,937	3,072	3,185	3,263	2,935	1,786	2,113
115 Nonbank foreigners	9,079	8,533	10,433	10,211	10,510[r]	10,853	10,527	10,523	12,171	11,415
116 Other liabilities	2,921	2,579	2,097	2,035	2,209	2,092	2,165	2,330	2,501	1,790
117 **Total payable in U.S. dollars**	**143,582**	**138,322**	**138,774**	**140,974**	**136,843[r]**	**137,763**	**135,376**	**134,354**	**145,354**	**149,274**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1985	1986	1987						
			Apr.	May	June	July	Aug.	Sept.	Oct.[p]
1 **Total**[1]	**178,380**	**211,782**	**236,137**	**236,439**	**238,418**	**232,193**	**237,629**[r]	**238,920**	**250,899**
By type									
2 Liabilities reported by banks in the United States[2]	26,734	27,868	33,034	31,896	31,754	31,391	29,593[r]	31,310	36,781
3 U.S. Treasury bills and certificates[3]	53,252	75,650	84,640	81,553	80,663	73,435	78,210	75,701	78,819
U.S. Treasury bonds and notes									
4 Marketable	77,154	91,368	102,019	106,465	110,184	112,435	115,047	116,407	118,860
5 Nonmarketable[4]	3,550	1,300	1,300	1,300	700	500	300	300	300
6 U.S. securities other than U.S. Treasury securities[5]	17,690	15,596	15,144	15,225	15,117	14,432	14,479	15,202	16,139
By area									
7 Western Europe[1]	74,447	88,623	106,171	108,677	111,405	107,695	106,873[r]	107,833	115,337
8 Canada	1,315	2,004	3,922	3,482	3,502	3,559	4,189	4,529	5,152
9 Latin America and Caribbean	11,148	8,372	9,295	7,923	7,519	7,918	8,710	8,558	9,048
10 Asia	86,448	105,868	109,842	109,464	108,654	105,495	109,484	109,339	113,830
11 Africa	1,824	1,503	1,284	1,628	1,405	1,590	1,837	1,619	1,474
12 Other countries[6]	3,199	5,412	5,621	5,265	5,933	5,937	6,537[r]	7,042	6,056

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[1]

Millions of dollars, end of period

Item	1983	1984	1985	1986	1987		
				Dec.	Mar.	June	Sept.
1 Banks' own liabilities	5,219	8,586	15,368	29,556	36,905	36,083	45,221
2 Banks' own claims	7,231	11,984	16,294	25,920	32,613	32,884	41,047
3 Deposits	2,731	4,998	8,437	13,923	14,077	10,935	15,849
4 Other claims	4,501	6,986	7,857	11,997	18,536	21,949	25,198
5 Claims of banks' domestic customers[1]	1,059	569	580	2,507	2,012	889	996

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States
Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1984	1985	1986	1987						
				Apr.	May	June	July	Aug.	Sept.	Oct.[p]
1 **All foreigners**	**407,306**	**435,726**	**539,238**	**553,980**	**557,735**	**541,039**	**542,849**	**550,310**	**583,915**	**605,739**
2 Banks' own liabilities	306,898	341,070	406,075	413,735	417,889	401,903	409,547	410,949	445,987	463,903
3 Demand deposits	19,571	21,107	23,788	22,350	23,223	23,219	20,598	22,117	21,112	23,197
4 Time deposits[1]	110,413	117,278	131,691	131,794	132,973	133,186	134,209	137,561	148,322	152,202
5 Other[2]	26,268	29,305	41,462	47,986	47,718	41,512	43,294	41,168	48,438	53,003
6 Own foreign offices[3]	150,646	173,381	209,134	211,605	213,975	203,986	211,446	210,103	228,116	235,501
7 Banks' custody liabilities[4]	100,408	94,656	133,163	140,245	139,846	139,135	133,302	139,361	137,928	141,836
8 U.S. Treasury bills and certificates[5]	76,368	69,133	90,392	97,928	95,959	93,688	88,193	92,705	89,747	91,619
9 Other negotiable and readily transferable instruments[6]	18,747	17,964	15,417	14,590	15,790	16,371	15,632	15,259	16,042	15,881
10 Other	5,293	7,558	27,354	27,727	28,098	29,076	29,477	31,397	32,139	34,336
11 **Nonmonetary international and regional organizations**[7]	**4,454**	**5,821**	**5,272**	**8,230**	**5,199**	**3,979**	**5,660**	**5,332**	**7,802**	**3,864**
12 Banks' own liabilities	2,014	2,621	3,423	6,636	3,535	2,489	2,081	2,498	4,631	1,950
13 Demand deposits	254	85	199	334	106	72	76	44	80	144
14 Time deposits[1]	1,267	2,067	2,066	3,094	944	967	584	807	1,340	1,076
15 Other[2]	493	469	1,158	3,207	2,486	1,451	1,420	1,647	3,211	730
16 Banks' custody liabilities[4]	2,440	3,200	1,849	1,594	1,664	1,490	3,579	2,834	3,171	1,914
17 U.S. Treasury bills and certificates	916	1,736	259	428	440	266	2,339	1,635	1,793	285
18 Other negotiable and readily transferable instruments[6]	1,524	1,464	1,590	1,152	1,224	1,224	1,240	1,193	1,378	1,624
19 Other	0	0	0	14	0	0	0	6	0	6
20 **Official institutions**[8]	**86,065**	**79,985**	**103,518**	**117,675**	**113,449**	**112,416**	**104,826**	**107,803**	**107,012**	**115,601**
21 Banks' own liabilities	19,039	20,835	25,376	30,060	29,034	28,364	28,221	26,297	27,611	33,562
22 Demand deposits	1,823	2,077	2,267	1,829	2,089	1,745	1,711	1,907	1,799	1,867
23 Time deposits[1]	9,374	10,949	11,009	12,277	11,277	13,042	13,540	13,556	14,073	16,144
24 Other[2]	7,842	7,809	12,100	15,954	15,668	13,577	12,970	10,834	11,739	15,551
25 Banks' custody liabilities[4]	67,026	59,150	78,142	87,614	84,415	84,052	76,605	81,505	79,401	82,038
26 U.S. Treasury bills and certificates[5]	59,976	53,252	75,650	84,640	81,553	80,663	73,435	78,210	75,701	78,819
27 Other negotiable and readily transferable instruments[6]	6,966	5,824	2,347	2,819	2,715	3,141	2,950	3,151	3,540	2,995
28 Other	84	75	145	154	147	248	220	144	160	225
29 **Banks**[9]	**248,893**	**275,589**	**350,637**	**350,635**	**359,093**	**346,818**	**355,782**	**357,868**	**388,730**	**407,011**
30 Banks' own liabilities	225,368	252,723	310,400	311,654	319,495	305,679	313,948	314,867	344,991	360,583
31 Unaffiliated foreign banks	74,722	79,341	101,266	100,049	105,520	101,693	102,501	104,765	116,875	125,083
32 Demand deposits	10,556	10,271	10,303	9,782	10,808	10,298	8,588	9,901	9,781	11,359
33 Time deposits[1]	47,095	49,510	64,516	64,296	67,725	67,097	67,280	69,021	77,798	80,209
34 Other[2]	17,071	19,561	26,447	25,970	26,986	24,299	26,634	25,843	29,296	33,514
35 Own foreign offices[3]	150,646	173,381	209,134	211,605	213,975	203,986	211,446	210,103	228,116	235,501
36 Banks' custody liabilities[4]	23,525	22,866	40,237	38,981	39,598	41,139	41,834	43,000	43,739	46,427
37 U.S. Treasury bills and certificates	11,448	9,832	9,984	9,545	9,774	9,066	9,142	9,100	9,206	9,273
38 Other negotiable and readily transferable instruments[6]	7,236	6,040	5,165	4,090	4,213	5,611	5,850	5,320	5,221	5,735
39 Other	4,841	6,994	25,089	25,346	25,611	26,462	26,841	28,581	29,312	31,419
40 **Other foreigners**	**67,894**	**74,331**	**79,810**	**77,441**	**79,994**	**77,825**	**76,582**	**79,308**	**80,371**	**79,263**
41 Banks' own liabilities	60,477	64,892	66,876	65,385	65,825	65,371	65,298	67,286	68,754	67,808
42 Demand deposits	6,938	8,673	11,019	10,404	10,220	11,104	10,223	10,264	9,452	9,827
43 Time deposits	52,678	54,752	54,099	52,126	53,027	52,081	52,805	54,177	55,110	54,773
44 Other[2]	861	1,467	1,757	2,854	2,578	2,185	2,270	2,845	4,192	3,208
45 Banks' custody liabilities[4]	7,417	9,439	12,935	12,056	14,169	12,454	11,284	12,022	11,617	11,455
46 U.S. Treasury bills and certificates	4,029	4,314	4,500	3,315	4,192	3,694	3,276	3,761	3,046	3,242
47 Other negotiable and readily transferable instruments[6]	3,021	4,636	6,315	6,529	7,638	6,395	5,592	5,594	5,904	5,527
48 Other	367	489	2,120	2,212	2,340	2,366	2,415	2,667	2,668	2,686
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	10,476	9,845	7,496	8,134	8,694	7,356	6,313	6,458	6,501	6,666

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. Data exclude "holdings of dollars" of the International Monetary Fund.
8. Foreign central banks, 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	1984	1985	1986	1987 Apr.	May	June	July	Aug.[r]	Sept.	Oct.[p]
1 **Total**	**407,306**	**435,726**	**539,238**	**553,980**	**557,735**	**541,039**	**542,849**	**550,310**	**583,915**	**605,739**
2 **Foreign countries**	**402,852**	**429,905**	**533,965**	**545,750**	**552,536**	**537,059**	**537,190**	**544,978**	**576,113**	**601,875**
3 Europe	153,145	164,114	180,491	192,008	207,149	204,713	204,810	203,848	213,724	234,042
4 Austria	615	693	1,181	1,058	921	974	795	1,066	1,281	1,171
5 Belgium-Luxembourg	4,114	5,243	6,729	7,906	9,335	9,558	9,154	9,754	10,460	10,738
6 Denmark	438	513	482	425	459	425	486	576	590	703
7 Finland	418	496	580	942	909	616	497	545	517	580
8 France	12,701	15,541	22,862	27,457	27,870	27,955	25,481	27,003	27,899	28,255
9 Germany	3,358	4,835	5,752	6,779	10,619	8,024	7,105	7,715	6,417	8,250
10 Greece	699	666	700	603	643	691	667	636	690	738
11 Italy	10,762	9,667	10,875	11,338	11,726	11,943	10,032	7,667	8,409	10,249
12 Netherlands	4,731	4,212	5,600	5,880	5,442	5,367	5,104	5,461	6,106	6,693
13 Norway	1,548	948	735	567	571	502	562	593	663	1,179
14 Portugal	597	652	699	660	607	704	586	700	684	724
15 Spain	2,082	2,114	2,407	2,244	2,194	2,322	2,103	2,287	2,526	2,683
16 Sweden	1,676	1,422	884	1,251	1,496	1,296	1,235	1,412	1,640	2,894
17 Switzerland	31,740	29,020	30,533	26,533	26,869	27,852	24,735	28,235	27,334	27,032
18 Turkey	584	429	454	833	378	455	365	514	398	2,388
19 United Kingdom	68,671	76,728	85,284	91,742	102,261	99,682	107,978	102,501	109,268	121,205
20 Yugoslavia	602	673	630	526	429	433	459	491	519	508
21 Other Western Europe[1]	7,192	9,635	3,322	4,572	3,849	5,208	6,282	6,016	7,673	7,350
22 U.S.S.R.	79	105	80	32	37	36	550	45	51	87
23 Other Eastern Europe[2]	537	523	702	659	532	671	632	630	600	617
24 Canada	16,059	17,427	26,345	25,306	24,522	21,914	21,232	22,556	26,052	25,727
25 Latin America and Caribbean	153,381	167,856	209,184	207,228	204,694	195,058	199,107	201,433	214,314	217,925
26 Argentina	4,394	6,032	4,757	4,412	4,786	4,795	5,123	5,074	4,674	5,075
27 Bahamas	56,897	57,657	73,619	72,102	69,428	66,325	62,518	62,461	71,490	73,305
28 Bermuda	2,370	2,765	2,922	2,181	2,594	2,172	2,317	2,270	2,244	2,437
29 Brazil	5,275	5,373	4,325	3,619	3,960	3,673	3,783	3,960	4,376	4,071
30 British West Indies	36,773	42,674	70,919	69,426	70,354	65,297	72,229	73,257	78,116	79,255
31 Chile	2,001	2,049	2,054	2,255	2,034	1,972	2,035	2,560	2,248	2,191
32 Colombia	2,514	3,104	4,285	4,353	4,289	4,363	4,431	4,449	4,180	4,166
33 Cuba	10	11	7	6	6	8	8	7	7	12
34 Ecuador	1,092	1,239	1,236	1,045	1,093	1,121	1,090	1,101	1,097	1,115
35 Guatemala	896	1,071	1,123	1,165	1,167	1,123	1,110	1,086	1,072	1,053
36 Jamaica	183	122	136	149	189	158	146	171	156	140
37 Mexico	12,303	14,060	13,745	15,104	13,955	13,857	14,160	14,549	14,265	14,328
38 Netherlands Antilles	4,220	4,875	4,916	5,797	5,171	5,183	5,291	5,338	5,218	5,305
39 Panama	6,951	7,514	6,886	7,111	7,341	7,131	6,988	7,130	7,187	7,466
40 Peru	1,266	1,167	1,163	1,086	1,095	1,137	1,145	1,200	1,203	1,202
41 Uruguay	1,394	1,552	1,537	1,533	1,507	1,504	1,536	1,485	1,492	1,493
42 Venezuela	10,545	11,922	10,439	10,592	10,292	10,164	10,082	10,146	9,824	9,868
43 Other	4,297	4,668	5,114	5,289	5,432	5,078	5,105	5,186	5,466	5,442
44 Asia	71,187	72,280	108,806	112,296	107,774	106,737	102,971	106,999	111,396	115,249
China										
45 Mainland	1,153	1,607	1,476	1,889	1,842	1,737	1,744	2,011	1,773	1,699
46 Taiwan	4,990	7,786	18,902	19,461	17,333	16,346	16,436	15,377	15,197	18,299
47 Hong Kong	6,581	8,067	9,390	9,367	9,365	9,122	8,595	9,015	8,637	9,242
48 India	507	712	674	527	569	714	572	902	771	606
49 Indonesia	1,033	1,466	1,547	1,460	1,243	1,774	1,404	1,541	1,435	1,336
50 Israel	1,268	1,601	1,892	1,305	1,084	1,229	928	1,036	1,105	2,170
51 Japan	21,640	23,077	47,410	53,381	50,434	49,494	46,722	49,872	52,944	53,180
52 Korea	1,730	1,665	1,141	1,178	1,343	1,397	1,410	1,388	1,714	1,576
53 Philippines	1,383	1,140	1,866	1,427	1,312	1,222	1,148	1,208	1,152	1,330
54 Thailand	1,257	1,358	1,119	1,118	1,180	1,144	1,096	1,190	1,118	1,275
55 Middle-East oil-exporting countries[3]	16,804	14,523	12,352	11,363	10,860	11,448	11,676	12,676	14,043	13,659
56 Other	12,841	9,276	11,036	9,821	11,209	11,111	11,241	10,783	11,506	10,877
57 Africa	3,396	4,883	4,021	3,732	4,003	3,759	4,018	4,194	4,012	3,928
58 Egypt	647	1,363	706	871	1,052	1,011	1,113	1,158	1,118	1,104
59 Morocco	118	163	92	101	86	106	75	74	81	70
60 South Africa	328	388	270	288	198	188	229	227	199	280
61 Zaire	153	163	74	39	74	58	64	69	81	71
62 Oil-exporting countries[4]	1,189	1,494	1,519	1,212	1,267	1,111	1,275	1,331	1,178	1,081
63 Other	961	1,312	1,360	1,221	1,326	1,286	1,262	1,335	1,356	1,323
64 Other countries	5,684	3,347	5,118	5,181	4,394	4,878	5,052	5,948	6,616	5,004
65 Australia	5,300	2,779	4,196	4,293	3,589	4,113	4,333	5,019	5,641	4,011
66 All other	384	568	922	888	805	765	718	929	974	994
67 Nonmonetary international and regional organizations	4,454	5,821	5,272	8,230	5,199	3,979	5,660	5,332	7,802	3,864
68 International[5]	3,747	4,806	4,086	6,966	3,717	2,577	4,200	3,819	6,086	2,393
69 Latin American regional	587	894	1,033	845	994	1,047	1,075	1,070	1,126	1,155
70 Other regional[6]	120	121	154	420	488	356	384	443	591	316

1. Includes the Bank for International Settlements and Eastern European countries that are not listed in line 23.
2. 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. Excludes "holdings of dollars" of the International Monetary Fund.
6. 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	1984	1985	1986	1987 Apr.	May	June	July	Aug.	Sept.	Oct.p
1 **Total**	**400,162**	**401,608**	**444,265**	**439,509**	**438,135**	**432,208**	**423,424**	**428,052r**	**447,103**	**461,420**
2 **Foreign countries**	**399,363**	**400,577**	**441,244**	**434,240**	**437,304**	**430,076**	**421,396**	**425,182r**	**442,584**	**458,858**
3 Europe	99,014	106,413	107,446	108,052	116,501	114,132	108,093	104,732r	105,657	111,128
4 Austria	433	598	728	746	669	758	698	785	684	930
5 Belgium-Luxembourg	4,794	5,772	7,498	8,542	9,920	9,792	10,239	9,550	9,591	10,333
6 Denmark	648	706	688	546	541	716	614	878	747	818
7 Finland	898	823	947	1,116	1,036	1,035	1,037	1,031	1,266	1,089
8 France	9,157	9,124	11,356	10,817	12,075	12,036	11,673	12,530	12,781	14,345
9 Germany	1,306	1,267	1,820	1,379	1,508	1,548	2,009	1,333r	1,483	2,046
10 Greece	817	991	648	460	457	456	433	375	406	430
11 Italy	9,119	8,848	9,038	7,536	8,329	8,404	6,784	6,407r	6,541	7,425
12 Netherlands	1,356	1,258	3,299	3,030	2,946	5,744	4,429	3,078r	3,247	3,975
13 Norway	675	706	654	683	776	774	830	803	722	799
14 Portugal	1,243	1,058	739	615	641	659	645	667	638	570
15 Spain	2,884	1,908	1,492	1,977	2,107	1,848	1,830	1,945	2,204	1,859
16 Sweden	2,230	2,219	1,945	2,414	2,614	2,330	2,287	2,473	2,752	2,531
17 Switzerland	2,123	3,171	3,049	2,905	3,593	2,611	2,464	2,664	2,612	2,825
18 Turkey	1,130	1,200	1,543	1,559	1,623	1,785	1,753	1,757r	1,689	1,564
19 United Kingdom	56,185	62,566	58,337	59,876	64,001	59,748	56,565	54,687r	54,469	55,759
20 Yugoslavia	1,886	1,964	1,836	1,763	1,803	1,755	1,764	1,742	1,741	1,784
21 Other Western Europe[1]	596	998	540	648	493	559	647	548	619	549
22 U.S.S.R.	142	130	345	375	357	582	420	521	549	473
23 Other Eastern Europe[2]	1,389	1,107	944	1,065	1,012	993	974	958r	915	1,025
24 Canada	16,109	16,482	20,958	20,177	19,294	18,450	18,596	18,441	21,525	21,402
25 Latin America and Caribbean	207,862	202,674	208,832	209,524	204,272	201,887	200,885	202,602r	214,657	217,255
26 Argentina	11,050	11,462	12,104	12,129	12,335	12,256	12,158	12,221r	11,857	12,106
27 Bahamas	58,009	58,258	59,342	62,634	58,314	56,463	53,034	55,940r	65,286	64,140
28 Bermuda	592	499	418	740	592	300	387	359	328	423
29 Brazil	26,315	25,283	25,703	26,006	25,690	25,493	25,992	26,586	26,050	25,747
30 British West Indies	38,205	38,881	46,306	43,592	44,355	43,782	44,755	43,486r	47,512	51,715
31 Chile	6,839	6,603	6,562	6,412	6,321	6,328	6,500	6,510	6,469	6,374
32 Colombia	3,499	3,249	2,826	2,686	2,650	2,649	2,743	2,784	2,729	2,731
33 Cuba	0	0	0	9	9	0	0	0	0	0
34 Ecuador	2,420	2,390	2,449	2,381	2,372	2,354	2,396	2,384	2,367	2,443
35 Guatemala[3]	158	194	140	120	115	109	107	105	124	131
36 Jamaica[3]	252	224	198	189	184	182	268	202	198	191
37 Mexico	34,885	31,799	30,660	30,125	30,055	30,293	31,141	30,696r	30,542	30,093
38 Netherlands Antilles	1,350	1,340	1,039	1,175	1,045	1,344	1,083	992	1,041	1,232
39 Panama	7,707	6,645	5,436	5,771	4,730	4,977	4,633	4,616	4,579	4,420
40 Peru	2,384	1,947	1,661	1,601	1,599	1,565	1,567	1,549	1,479	1,457
41 Uruguay	1,088	960	940	957	962	950	949	966	946	961
42 Venezuela	11,017	10,871	11,112	11,086	11,044	10,956	11,306	11,366	11,308	11,198
43 Other Latin America and Caribbean	2,091	2,067	1,938	1,910	1,900	1,884	1,868	1,839	1,840	1,892
44 Asia	66,316	66,212	96,070	88,738	89,534	87,903	86,515	91,901r	93,253	100,417
China										
45 Mainland	710	639	787	1,360	1,175	993	929	919	894	548
46 Taiwan	1,849	1,535	2,678	3,278	3,592	3,301	2,487	2,772	2,980	4,219
47 Hong Kong	7,293	6,797	8,307	7,779	7,727	7,658	7,495	6,556	6,891	6,888
48 India	425	450	321	314	379	429	416	565	539	562
49 Indonesia	724	698	723	627	657	677	639	624	621	591
50 Israel	2,088	1,991	1,635	1,509	1,459	1,450	1,413	1,450	1,591	1,331
51 Japan	29,066	31,249	59,620	54,300	55,167	55,097	54,596	61,544r	60,121	65,777
52 Korea	9,285	9,226	7,182	5,352	6,076	5,314	4,954	4,589	4,583	4,983
53 Philippines	2,555	2,224	2,217	2,121	2,064	2,109	2,211	2,148	2,126	2,082
54 Thailand	1,125	845	578	461	540	552	565	545	452	443
55 Middle East oil-exporting countries[4]	5,044	4,298	4,122	4,496	3,697	3,808	3,914	4,315	4,848	5,063
56 Other Asia	6,152	6,260	7,901	7,142	7,001	6,514	6,897	5,875	7,607	7,930
57 Africa	6,615	5,407	4,650	4,800	4,876	4,707	4,705	4,739	4,702	5,376
58 Egypt	728	721	567	574	585	599	572	586	541	538
59 Morocco	583	575	598	565	566	563	568	603	582	605
60 South Africa	2,795	1,942	1,550	1,578	1,598	1,506	1,479	1,497	1,504	1,546
61 Zaire	18	20	28	41	43	39	38	35	40	38
62 Oil-exporting countries[5]	842	630	694	801	840	818	866	862	888	1,531
63 Other	1,649	1,520	1,213	1,241	1,246	1,184	1,182	1,156	1,147	1,118
64 Other countries	3,447	3,390	3,289	2,949	2,828	2,996	2,601	2,766	2,791	3,280
65 Australia	2,769	2,413	1,944	2,065	1,897	1,980	1,693	1,686	1,834	2,034
66 All other	678	978	1,345	884	931	1,016	908	1,080	957	1,246
67 Nonmonetary international and regional organizations[6]	800	1,030	3,021	5,268	830	2,132	2,029	2,870r	4,519	2,562

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[1] Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1984	1985	1986	1987						
				Apr.	May	June	July	Aug.[r]	Sept.	Oct.[p]
1 **Total**	**433,078**	**430,489**	**478,187**	**439,509**	**438,135**	**465,267**	**423,424**	**428,052**	**481,029**	**461,420**
2 Banks' own claims on foreigners	400,162	401,608	444,265	439,509	438,135	432,208	423,424	428,052	447,103	461,420
3 Foreign public borrowers	62,237	60,507	64,112	66,942	62,788	63,512	64,778	65,620	66,907	64,691
4 Own foreign offices[2]	156,216	174,261	211,615	207,042	203,682	199,273	189,797	197,529	210,330	219,678
5 Unaffiliated foreign banks	124,932	116,654	122,715	120,926	127,155	125,148	123,888	121,881	127,061	133,493
6 Deposits	49,226	48,372	57,484	57,450	61,659	60,447	59,655	56,882	59,744	62,882
7 Other	75,706	68,282	65,232	63,476	65,495	64,701	64,233	64,999	67,317	70,611
8 All other foreigners	56,777	50,185	45,823	44,599	44,511	44,275	44,961	43,021	42,805	43,559
9 Claims of banks' domestic customers[3]	32,916	28,881	33,922	....	....	33,059	....	....	33,925	....
10 Deposits	3,380	3,335	4,413	....	....	3,474	....	....	3,218	....
11 Negotiable and readily transferable instruments[4]	23,805	19,332	24,044	....	....	21,384	....	....	22,071	....
12 Outstanding collections and other claims	5,732	6,214	5,465	....	....	8,202	....	....	8,636	....
13 MEMO: Customer liability on acceptances	37,103	28,487	25,631	....	....	23,731	....	....	21,778	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	40,714	38,102	42,129	45,521	44,860	38,046	40,203	40,627	39,442	n.a.

1. 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.

2. *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.

3. 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.

4. Principally negotiable time certificates of deposit and bankers acceptances.

5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

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	1983	1984	1985	1986	1987		
				Dec.	Mar.	June	Sept.[p]
1 **Total**	**243,715**	**243,952**	**227,903**	**231,433**	**226,760**	**235,320**	**235,360**
By borrower							
2 Maturity of 1 year or less[1]	176,158	167,858	160,824	159,790	155,239	166,260	164,941
3 Foreign public borrowers	24,039	23,912	26,302	24,723	23,496	23,290	26,901
4 All other foreigners	152,120	143,947	134,522	135,068	131,743	142,970	138,039
5 Maturity over 1 year[1]	67,557	76,094	67,078	71,643	71,521	69,060	70,419
6 Foreign public borrowers	32,521	38,695	34,512	39,898	40,718	39,465	39,782
7 All other foreigners	35,036	37,399	32,567	31,745	30,803	29,594	30,637
By area							
Maturity of 1 year or less[1]							
8 Europe	56,117	58,498	56,585	61,346	58,001	68,141	61,732
9 Canada	6,211	6,028	6,401	5,845	5,559	5,552	5,653
10 Latin America and Caribbean	73,660	62,791	63,328	56,174	54,321	55,326	58,023
11 Asia	34,403	33,504	27,966	29,291	30,969	30,875	32,064
12 Africa	4,199	4,442	3,753	2,882	3,148	2,980	2,877
13 All other[2]	1,569	2,593	2,791	4,252	3,240	3,385	4,591
Maturity of over 1 year[1]							
14 Europe	13,576	9,605	7,634	6,851	6,764	6,422	6,805
15 Canada	1,857	1,882	1,805	1,930	1,873	1,631	1,577
16 Latin America and Caribbean	43,888	56,144	50,674	56,415	56,540	55,524	55,097
17 Asia	4,850	5,323	4,502	4,120	4,151	3,340	3,535
18 Africa	2,286	2,033	1,538	1,539	1,630	1,522	1,612
19 All other[2]	1,101	1,107	926	787	564	621	1,793

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	1983	1984	1985 Sept.	1985 Dec.	1986 Mar.	1986 June	1986 Sept.	1986 Dec.	1987 Mar.	1987 June	1987 Sept.
1 **Total**	**433.9**	**405.7**	**394.9**	**391.9**	**393.7**	**390.3**	**389.8**	**390.0**	**399.3[r]**	**388.3[r]**	**392.2**
2 G-10 countries and Switzerland	167.8	148.1	152.0	148.5	156.9	160.1	158.9	157.6	165.1	158.8	156.4
3 Belgium-Luxembourg	12.4	8.7	9.5	9.3	8.4	9.0	8.5	8.4	9.1	8.5	8.2
4 France	16.2	14.1	14.8	12.3	13.8	15.1	14.7	13.8	13.4	12.6	13.8
5 Germany	11.3	9.0	9.8	10.5	11.3	11.5	12.5	11.7	12.8	11.3	10.6
6 Italy	11.4	10.1	8.4	9.8	8.5	9.3	8.1	9.0	8.6	7.5	6.7
7 Netherlands	3.5	3.9	3.4	3.7	3.5	3.4	3.9	4.6	4.4	7.3	4.8
8 Sweden	5.1	3.2	3.1	2.8	2.9	2.9	2.7	2.4	3.0	2.4	2.7
9 Switzerland	4.3	3.9	4.1	4.4	5.4	5.6	4.8	5.5	5.8	5.7	5.4
10 United Kingdom	65.3	60.3	67.1	64.6	68.8	69.2	70.3	71.9	74.3	72.4	71.9
11 Canada	8.3	7.9	7.6	7.0	6.4	6.9	6.1	5.4	5.2	4.6	4.7
12 Japan	29.9	27.1	24.3	24.2	28.0	27.2	27.4	25.0	28.5	26.4	27.7
13 Other developed countries	36.0	33.6	32.0	30.4	31.6	30.7	29.5	26.1	26.0	25.7	26.9
14 Austria	1.9	1.6	1.7	1.6	1.6	1.7	1.7	1.7	1.9	1.8	1.9
15 Denmark	3.4	2.2	2.1	2.4	2.5	2.4	2.3	1.7	1.7	1.6	1.6
16 Finland	2.4	1.9	1.8	1.6	1.9	1.6	1.7	1.4	1.4	1.5	1.4
17 Greece	2.8	2.9	2.8	2.6	2.5	2.6	2.3	2.3	2.1	2.0	1.9
18 Norway	3.3	3.0	3.4	2.9	2.7	3.0	2.7	2.4	2.2	2.2	2.4
19 Portugal	1.5	1.4	1.4	1.3	1.1	1.1	1.0	.8	.9	.8	.8
20 Spain	7.1	6.5	6.1	5.8	6.5	6.4	6.7	5.8	6.3	6.0	7.4
21 Turkey	1.7	1.9	2.1	1.9	2.3	2.5	2.1	2.0	1.9	2.1	1.9
22 Other Western Europe	1.8	1.7	1.7	2.0	2.4	2.1	1.6	1.4	1.4	1.5	1.7
23 South Africa	4.7	4.5	3.3	3.2	3.2	3.1	3.1	3.1	3.1	3.1	3.0
24 Australia	5.4	6.0	5.6	5.0	4.9	4.2	4.1	3.5	3.2	3.1	2.9
25 OPEC countries[3]	28.4	24.9	22.7	21.6	20.7	20.6	20.0	19.6	20.4	19.2	19.3
26 Ecuador	2.2	2.2	2.2	2.1	2.2	2.1	2.2	2.2	2.1	2.1	2.1
27 Venezuela	9.9	9.3	9.0	8.9	8.7	8.8	8.7	8.6	8.7	8.7	8.5
28 Indonesia	3.4	3.3	3.1	3.0	3.3	3.0	2.8	2.5	2.4	2.2	2.0
29 Middle East countries	9.8	7.9	6.2	5.5	4.7	5.0	4.6	4.5	5.5	4.5	5.1
30 African countries	3.0	2.3	2.3	2.0	1.8	1.7	1.7	1.7	1.7	1.7	1.7
31 Non-OPEC developing countries	110.8	111.8	107.8	105.1	103.9	102.0	100.0	99.7	100.2	100.1	97.3
Latin America											
32 Argentina	9.5	8.7	8.9	8.9	8.9	9.2	9.3	9.5	9.6	9.5	9.3
33 Brazil	23.1	26.3	25.5	25.6	25.8	25.5	25.4	25.3	25.6	24.5	24.6
34 Chile	6.4	7.0	6.6	7.0	7.0	7.1	7.2	7.1	7.3	7.2	7.1
35 Colombia	3.2	2.9	2.6	2.7	2.3	2.2	2.0	2.1	2.0	2.0	2.0
36 Mexico	25.8	25.7	24.4	24.2	24.1	24.0	24.0	23.9	23.9	25.3	24.7
37 Peru	2.4	2.2	1.9	1.8	1.7	1.6	1.5	1.5	1.4	1.4	1.2
38 Other Latin America	4.2	3.9	3.5	3.4	3.3	3.3	3.3	3.1	3.0	2.9	2.8
Asia											
China											
39 Mainland	.3	.7	1.1	.5	.6	.6	.6	.4	.9	.6	.3
40 Taiwan	5.2	5.1	5.1	4.5	4.3	3.7	4.3	4.9	5.5	6.6	5.9
41 India	.9	.9	1.1	1.2	1.2	1.3	1.3	1.2	1.7	1.7	1.9
42 Israel	1.9	1.8	1.5	1.6	1.3	1.6	1.4	1.5	1.4	1.3	1.3
43 Korea (South)	11.2	10.6	10.4	9.4	9.5	8.7	7.3	6.7	6.3	5.6	5.1
44 Malaysia	2.8	2.7	2.7	2.4	2.2	2.0	2.1	2.1	1.9	1.7	1.6
45 Philippines	6.1	6.0	6.0	5.7	5.6	5.7	5.4	5.4	5.4	5.4	5.4
46 Thailand	2.2	1.8	1.7	1.4	1.3	1.1	1.0	.9	.9	.8	.7
47 Other Asia	1.0	1.1	.9	1.0	.9	.8	.7	.7	.6	.8	.7
Africa											
48 Egypt	1.5	1.2	1.0	1.0	.9	.9	.7	.7	.6	.6	.6
49 Morocco	.8	.8	.9	.9	.9	.9	.9	.9	.9	.9	.8
50 Zaire	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
51 Other Africa[4]	2.3	2.1	2.0	1.9	1.9	1.7	1.6	1.6	1.4	1.3	1.3
52 Eastern Europe	5.3	4.4	4.6	4.2	4.0	4.0	3.4	3.2	3.1	3.4	3.4
53 U.S.S.R.	.2	.1	.2	.1	.3	.3	.1	.1	.1	.3	.5
54 Yugoslavia	2.4	2.3	2.4	2.2	2.0	2.0	1.9	1.7	1.6	1.7	1.7
55 Other	2.8	2.0	1.9	1.8	1.7	1.7	1.4	1.4	1.3	1.4	1.3
56 Offshore banking centers	68.9	65.6	58.8	65.4	60.1	56.2	60.9	64.0	66.0[r]	63.0[r]	67.4
57 Bahamas	21.7	21.5	16.6	21.4	21.4	17.1	19.9	22.3	24.1[r]	19.8[r]	26.4
58 Bermuda	.9	.9	.8	.7	.7	.5	.4	.7	.8	.6	.6
59 Cayman Islands and other British West Indies	12.2	11.8	12.3	13.4	11.4	13.0	13.2	14.5	13.6	15.0	13.2
60 Netherlands Antilles	4.2	3.4	2.3	2.3	2.3	2.3	1.9	1.8	1.7	1.3	1.2
61 Panama[5]	5.8	6.7	6.1	6.0	4.4	4.2	5.1	4.1	5.4	5.3	5.3
62 Lebanon	.1	.1	.0	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	13.8	11.4	11.4	11.5	11.5	9.5	10.5	11.2	11.5	12.5	12.3
64 Singapore	10.3	9.8	9.4	9.9	8.5	9.3	9.7	9.4	8.8	8.4	8.3
65 Others[6]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[7]	16.8	17.3	17.3	16.9	16.4	16.8	17.2	19.8	18.6	18.1	21.4

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. This group comprises the Organization of Petroleum Exporting Countries shown individually, other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates), and Bahrain and Oman (not formally members of OPEC).

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	1983	1984	1985	1986			1987	
					June	Sept.	Dec.	Mar.	June[r]
1	**Total**	**25,346**	**29,357**	**27,685**	**25,126**	**26,117**	**25,478**	**27,020**	**28,295**
2	Payable in dollars	22,233	26,389	24,296	21,440	22,278	21,759	21,611	23,833
3	Payable in foreign currencies	3,113	2,968	3,389	3,686	3,839	3,719	5,408	4,463
	By type								
4	Financial liabilities	10,572	14,509	13,460	11,808	13,219	12,140	12,997	13,513
5	Payable in dollars	8,700	12,553	11,257	9,717	10,947	9,782	10,397	10,635
6	Payable in foreign currencies	1,872	1,955	2,203	2,091	2,272	2,358	2,600	2,878
7	Commercial liabilities	14,774	14,849	14,225	13,318	12,899	13,338	14,023	14,782
8	Trade payables	7,765	7,005	6,685	5,670	5,723	6,357	6,813	7,116
9	Advance receipts and other liabilities	7,009	7,843	7,540	7,648	7,175	6,981	7,210	7,666
10	Payable in dollars	13,533	13,836	13,039	11,723	11,331	11,977	11,215	13,198
11	Payable in foreign currencies	1,241	1,013	1,186	1,595	1,567	1,361	2,808	1,585
	By area or country								
	Financial liabilities								
12	Europe	5,742	6,728	7,560	7,126	8,625	7,917	8,258	9,212
13	Belgium-Luxembourg	302	471	329	390	424	245	205	257
14	France	843	995	857	686	501	644	742	807
15	Germany	502	489	434	280	319	270	368	305
16	Netherlands	621	590	745	635	708	704	693	669
17	Switzerland	486	569	620	505	537	615	678	703
18	United Kingdom	2,839	3,297	4,254	4,333	5,705	5,148	5,312	6,209
19	Canada	764	863	839	367	362	399	431	441
20	Latin America and Caribbean	2,596	5,086	3,184	2,463	2,283	1,964	2,369	1,747
21	Bahamas	751	1,926	1,123	854	842	614	669	398
22	Bermuda	13	13	4	14	4	4	0	0
23	Brazil	32	35	29	27	28	32	26	22
24	British West Indies	1,041	2,103	1,843	1,426	1,291	1,163	1,545	1,223
25	Mexico	213	367	15	30	18	22	30	29
26	Venezuela	124	137	3	3	5	3	3	5
27	Asia	1,424	1,777	1,815	1,735	1,881	1,792	1,869	2,046
28	Japan	991	1,209	1,198	1,264	1,446	1,377	1,459	1,666
29	Middle East oil-exporting countries[2]	170	155	82	43	3	8	7	7
30	Africa	19	14	12	12	4	1	3	1
31	Oil-exporting countries[3]	0	0	0	0	2	1	1	0
32	All other[4]	27	41	50	104	63	67	67	66
	Commercial liabilities								
33	Europe	3,245	4,001	4,074	3,817	4,367	4,457	4,383	4,972
34	Belgium-Luxembourg	62	48	62	58	75	100	85	111
35	France	437	438	453	358	370	340	278	419
36	Germany	427	622	607	561	637	722	589	593
37	Netherlands	268	245	364	586	613	493	372	339
38	Switzerland	241	257	379	284	361	385	484	557
39	United Kingdom	732	1,095	976	864	1,138	1,301	1,287	1,370
40	Canada	1,841	1,975	1,449	1,367	1,312	1,389	1,350	1,252
41	Latin America and Caribbean	1,473	1,871	1,088	1,242	846	873	1,075	1,032
42	Bahamas	1	7	12	10	37	32	28	13
43	Bermuda	67	114	77	294	172	129	296	244
44	Brazil	44	124	58	45	43	59	81	88
45	British West Indies	6	32	44	35	45	48	88	64
46	Mexico	585	586	430	235	197	211	182	159
47	Venezuela	432	636	212	488	207	215	223	203
48	Asia	6,741	5,285	6,046	5,273	4,807	5,020	5,681	5,921
49	Japan	1,247	1,256	1,799	2,100	2,136	2,047	2,437	2,480
50	Middle East oil-exporting countries[2,5]	4,178	2,372	2,829	1,985	1,492	1,668	1,931	1,870
51	Africa	553	588	587	567	585	622	520	523
52	Oil-exporting countries[3]	167	233	238	215	176	196	170	166
53	All other[4]	921	1,128	982	1,053	982	977	1,014	1,083

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	1983	1984	1985	1986			1987	
				June	Sept.	Dec.	Mar.	June[r]
1 **Total**	**34,911**	**29,901**	**28,760**	**33,851**	**34,007**	**33,292**	**33,778**	**31,279**
2 Payable in dollars	31,815	27,304	26,457	31,669	31,302	30,771	30,716	28,180
3 Payable in foreign currencies	3,096	2,597	2,302	2,182	2,706	2,521	3,062	3,099
By type								
4 Financial claims	23,780	19,254	18,774	24,709	24,795	23,461	24,192	21,540
5 Deposits	18,496	14,621	15,526	21,401	18,986	18,018	18,142	15,398
6 Payable in dollars	17,993	14,202	14,911	20,846	18,422	17,461	17,315	14,214
7 Payable in foreign currencies	503	420	615	555	565	556	827	1,183
8 Other financial claims	5,284	4,633	3,248	3,308	5,808	5,444	6,050	6,143
9 Payable in dollars	3,328	3,190	2,213	2,287	4,435	4,089	4,700	4,868
10 Payable in foreign currencies	1,956	1,442	1,035	1,021	1,374	1,354	1,350	1,275
11 Commercial claims	11,131	10,646	9,986	9,142	9,213	9,831	9,586	9,739
12 Trade receivables	9,721	9,177	8,696	7,802	8,030	8,680	8,579	8,696
13 Advance payments and other claims	1,410	1,470	1,290	1,341	1,183	1,151	1,007	1,043
14 Payable in dollars	10,494	9,912	9,333	8,537	8,445	9,220	8,701	9,098
15 Payable in foreign currencies	637	735	652	606	767	611	886	641
By area or country								
Financial claims								
16 Europe	6,488	5,762	6,812	10,144	10,501	8,759	9,342	9,814
17 Belgium-Luxembourg	37	15	10	11	67	41	15	6
18 France	150	126	184	257	418	138	172	154
19 Germany	163	224	223	148	129	111	163	92
20 Netherlands	71	66	61	17	44	86	69	75
21 Switzerland	38	66	74	167	138	182	74	95
22 United Kingdom	5,817	4,864	6,007	9,328	9,478	7,957	8,496	9,192
23 Canada	5,989	3,988	3,260	4,422	3,970	4,063	3,873	3,329
24 Latin America and Caribbean	10,234	8,216	7,846	9,258	9,438	9,208	9,548	7,539
25 Bahamas	4,771	3,306	2,698	3,315	2,807	2,624	3,945	2,572
26 Bermuda	102	6	6	17	19	6	3	6
27 Brazil	53	100	78	75	105	73	71	103
28 British West Indies	4,206	4,043	4,571	5,402	6,060	6,078	5,128	4,349
29 Mexico	293	215	180	176	173	174	164	167
30 Venezuela	134	125	48	42	40	24	23	22
31 Asia	764	961	731	776	715	1,323	1,205	785
32 Japan	297	353	475	499	365	1,001	941	445
33 Middle East oil-exporting countries[2]	4	13	4	2	2	11	11	10
34 Africa	147	210	103	89	84	85	84	58
35 Oil-exporting countries[3]	55	85	29	25	18	28	19	9
36 All other[4]	159	117	21	20	86	22	140	16
Commercial claims								
37 Europe	3,670	3,801	3,533	3,304	3,385	3,665	3,612	3,808
38 Belgium-Luxembourg	135	165	175	131	126	133	143	136
39 France	459	440	426	391	415	395	411	434
40 Germany	349	374	346	418	405	441	444	530
41 Netherlands	334	335	284	230	184	200	163	182
42 Switzerland	317	271	284	228	233	215	193	186
43 United Kingdom	809	1,063	898	674	853	926	1,012	1,040
44 Canada	829	1,021	1,023	965	950	919	909	922
45 Latin America and Caribbean	2,695	2,052	1,753	1,611	1,687	1,880	1,797	1,757
46 Bahamas	8	8	13	24	29	28	11	14
47 Bermuda	190	115	93	148	132	158	130	126
48 Brazil	493	214	206	193	207	236	211	200
49 British West Indies	7	7	6	29	23	48	22	14
50 Mexico	884	583	510	323	316	391	415	326
51 Venezuela	272	206	157	181	192	224	157	190
52 Asia	3,063	3,073	2,982	2,574	2,487	2,653	2,604	2,613
53 Japan	1,114	1,191	1,016	845	792	862	914	945
54 Middle East oil-exporting countries[2]	737	668	638	622	600	509	467	454
55 Africa	588	470	437	450	469	494	431	378
56 Oil-exporting countries[3]	139	134	130	170	168	135	141	123
57 All other[4]	286	229	257	237	234	220	233	261

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	1985	1986	1987 Jan.–Oct.	1987 Apr.	May	June	July	Aug.	Sept.	Oct.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	81,995	148,101	221,545	20,735	19,632	18,682	23,645	24,774	22,464	30,206
2 Foreign sales	77,054	129,382	195,611	17,390	15,956	17,054	21,883	24,554	19,433	27,779
3 **Net purchases, or sales (−)**	**4,941**	**18,719**	**25,933**	**3,345**	**3,676**	**1,628**	**1,763**	**220**	**3,031**	**2,427**
4 **Foreign countries**	**4,857**	**18,927**	**25,873**	**3,282**	**3,711**	**1,673**	**1,749**	**117**	**2,942**	**2,413**
5 Europe	2,057	9,559	10,140	1,060	1,474	669	717	81	1,303	138
6 France	−438	459	1,844	332	123	107	66	−69	−15	58
7 Germany	730	341	259	−101	118	−155	−96	28	−12	381
8 Netherlands	−123	936	1,028	124	120	232	153	135	79	−40
9 Switzerland	−75	1,560	1,154	306	351	−206	−80	−325	−435	294
10 United Kingdom	1,665	4,826	4,876	211	670	671	635	125	761	−625
11 Canada	356	817	815	252	48	−238	255	−21	−46	238
12 Latin America and Caribbean	1,718	3,030	1,920	36	363	290	387	188	157	−513
13 Middle East[1]	238	976	−841	21	−90	−26	−913	−255	135	558
14 Other Asia	296	3,876	13,084	1,790	1,686	1,009	1,290	171	1,242	2,014
15 Africa	24	297	118	59	45	−30	−14	16	20	7
16 Other countries	168	373	637	65	185	−1	27	−63	132	−30
17 ***Nonmonetary international and regional organizations***	**84**	**−208**	**60**	**62**	**−36**	**−45**	**14**	**102**	**90**	**15**
BONDS[2]										
18 Foreign purchases	86,587	123,149	93,135	9,857	8,963	10,364	9,407	7,027[r]	8,652	9,125
19 Foreign sales	42,455	72,499	67,263	6,559	6,823	8,305	6,509	5,638[r]	4,844	7,245
20 **Net purchases, or sales (−)**	**44,132**	**50,650**	**25,872**	**3,297**	**2,140**	**2,060**	**2,898**	**1,389[r]**	**3,809**	**1,880**
21 **Foreign countries**	**44,227**	**49,803**	**25,817**	**3,107**	**2,270**	**1,968**	**2,889**	**1,548[r]**	**3,769**	**1,871**
22 Europe	40,047	39,323	21,131	2,833	1,682	2,204	2,346	1,616[r]	3,140	930
23 France	210	389	242	−22	7	43	65	26	−37	55
24 Germany	2,001	−251	1	−121	−29	80	116	−22	−56	−98
25 Netherlands	222	387	284	47	38	37	−65	44	116	36
26 Switzerland	3,987	4,529	1,894	50	182	105	247	306[r]	166	136
27 United Kingdom	32,762	33,902	18,725	2,809	1,544	1,795	1,913	1,317[r]	2,819	1,020
28 Canada	190	548	1,115	161	23	49	87	−8	47	305
29 Latin America and Caribbean	498	1,468	2,216	123	254	−4	305	44[r]	624	513
30 Middle East[1]	−2,648	−2,961	−440	62	59	−128	−166	−14	−87	42
31 Other Asia	6,091	11,270	1,889	−73	252	−169	300	−93	52	65
32 Africa	11	16	23	1	7	8	1	−17	−6	24
33 Other countries	38	139	−27	0	−6	8	15	20	−1	−9
34 **Nonmonetary international and *regional organizations***	**−95**	**847**	**55**	**190**	**−130**	**92**	**9**	**−159**	**40**	**10**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	−3,941	−1,912	−285	−1,174	636	−257	−11	−373[r]	448	1,995
36 Foreign purchases	20,861	48,787	81,695	7,124	8,016	8,778	8,583	8,674[r]	8,657	12,768
37 Foreign sales	24,803	50,699	81,980	8,297	7,379	9,035	8,593	9,047	8,208	10,774
38 Bonds, net purchases, or sales (−)	−3,999	−3,356	−4,102	−581	−1,117	2,281	−586	−235[r]	−668	−2,807
39 Foreign purchases	81,216	166,786	168,136	19,020	20,049	25,799	16,314	12,292[r]	12,923	17,842
40 Foreign sales	85,214	170,142	172,238	19,601	21,166	23,518	16,900	12,527[r]	13,591	20,649
41 **Net purchases, or sales (−), of stocks and bonds**	**−7,940**	**−5,268**	**−4,387**	**−1,755**	**−481**	**2,024**	**−597**	**−608[r]**	**−220**	**−813**
42 **Foreign countries**	**−9,003**	**−6,352**	**−4,946**	**−1,889**	**−499**	**1,980**	**−323**	**−1,202[r]**	**−540**	**−46**
43 Europe	−9,887	−17,893	−9,829	−2,704	−1,990	−31	−568	−890[r]	−504	−944
44 Canada	−1,686	−875	−3,714	−3	−418	−489	−596	−484	−263	−275
45 Latin America and Caribbean	1,797	3,484	496	259	204	106	−62	83[r]	−20	−152
46 Asia	659	10,858	8,943	637	1,692	2,513	1,079	224	82	1,333
47 Africa	75	52	77	8	20	6	5	5	14	16
48 Other countries	38	−1,977	−919	−86	−8	−124	−182	−140	150	−25
49 **Nonmonetary international and *regional organizations***	**1,063**	**1,084**	**559**	**135**	**18**	**44**	**−274**	**594**	**320**	**−767**

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	1985	1986	1987	1987						
			Jan.–Oct.	Apr.	May	June	July	Aug.	Sept.	Oct.[p]
	Transactions, net purchases or sales (–) during period[1]									
1 **Estimated total**[2]	**29,208**	**20,117**	**17,550**	**–2,985**	**–281**	**12,279**	**878**	**1,110**	**758**	**–934**
2 Foreign countries[2]	28,768	21,220	19,740	–1,405	3,731	8,646	3,680	2,787	939	–5,193
3 Europe[2]	4,303	17,056	16,461	375	1,695	3,640	4,519	–1,007	–937	–789
4 Belgium–Luxembourg	476	349	787	–35	4	58	54	366	–25	128
5 Germany[2]	1,917	7,670	10,353	1,106	1,417	1,534	1,516	780	130	31
6 Netherlands	269	1,283	–903	–22	352	111	204	–254	–50	–707
7 Sweden	976	132	0	32	–166	–183	76	–153	–156	4
8 Switzerland[2]	773	329	2,737	652	413	585	512	–688	–99	–617
9 United Kingdom	–1,810	4,681	–241	–1,089	–524	617	1,115	–431	–1,001	–469
10 Other Western Europe	1,701	2,613	3,749	–230	198	913	1,042	–631	258	841
11 Eastern Europe	0	0	–22	–40	1	5	0	4	5	0
12 Canada	–188	881	3,136	703	37	413	654	378	203	–389
13 Latin America and Caribbean	4,315	926	–2,314	–30	–381	780	–673	–675	–29	52
14 Venezuela	248	–95	114	14	11	–17	–4	30	55	–63
15 Other Latin America and Caribbean	2,336	1,129	–1,636	–176	–302	–514	15	–49	–155	–227
16 Netherlands Antilles	1,731	–108	–792	133	–90	1,311	–684	–656	72	341
17 Asia	19,919	1,345	777	–2,880	2,136	3,531	–671	4,318	1,767	–5,332
18 Japan	17,909	–22	–2,901	–2,561	–541	4,199	–597	1,839	799	–5,272
19 Africa	112	–54	–36	–15	11	–18	20	–24	3	2
20 All other	308	1,067	1,715	442	233	300	–168	–204	–68	1,263
21 Nonmonetary international and regional organizations	442	–1,102	–2,190	–1,580	–4,013	3,633	–2,802	–1,677	–180	4,258
22 International	–436	–1,430	–1,074	–1,342	–3,147	3,515	–2,875	–1,722	111	4,319
23 Latin American regional	18	157	3	0	0	3	0	0	–10	0
Memo										
24 Foreign countries[2]	28,768	21,220	19,740	–1,405	3,731	8,646	3,680	2,787	939	–5,193
25 Official institutions	8,135	14,214	27,492	2,489	4,447	3,719	2,251	2,612	1,360	2,453
26 Other foreign[2]	20,631	7,010	–7,753	–3,894	–715	4,927	1,428	175	–421	–7,645
Oil-exporting countries										
27 Middle East[3]	–1,547	–1,529	–2,583	–120	636	–857	112	329	–509	–695
28 Africa[4]	7	5	18	0	0	1	0	0	0	–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, 1987		Country	Rate on Nov. 30, 1987		Country	Rate on Nov. 30, 1987	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	3.5	Jan. 1987	France[1]	8.0	Nov. 1987	Norway	8.0	June 1983
Belgium	7.25	July 1987	Germany, Fed. Rep. of	3.0	Jan. 1987	Switzerland	3.0	Nov. 1987
Brazil	49.0	Mar. 1981	Italy	12.0	Aug. 1987	United Kingdom[2]	....	....
Canada	8.48	Nov. 1987	Japan	2.5	Feb. 1987	Venezuela	8.0	Oct. 1985
Denmark	7.0	Oct. 1983	Netherlands	4.0	Nov. 1987			

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	1984	1985	1986	1987						
				May	June	July	Aug.	Sept.	Oct.	Nov.
1 Eurodollars	10.75	8.27	6.70	7.25	7.11	6.87	6.91	7.51	8.29	7.41
2 United Kingdom	9.91	12.16	10.87	8.79	8.85	9.17	9.95	10.12	9.92	8.87
3 Canada	11.29	9.64	9.18	8.22	8.40	8.61	9.11	9.32	9.12	8.70
4 Germany	5.96	5.40	4.58	3.73	3.67	3.83	3.93	3.98	4.70	3.92
5 Switzerland	4.35	4.92	4.19	3.63	3.77	3.60	3.55	3.51	4.03	3.65
6 Netherlands	6.08	6.29	5.56	5.11	5.15	5.21	5.27	5.31	5.63	4.99
7 France	11.66	9.91	7.68	8.09	8.18	7.83	7.88	7.85	8.15	8.66
8 Italy	17.08	14.86	12.60	10.15	10.67	10.92	11.96	12.36	11.85	11.36
9 Belgium	11.41	9.60	8.04	7.13	6.78	6.54	6.55	6.56	6.84	6.93
10 Japan	6.32	6.47	4.96	3.77	3.71	3.74	3.71	3.77	3.89	3.90

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	1984	1985	1986	1987 June	1987 July	1987 Aug.	1987 Sept.	1987 Oct.	1987 Nov.
1 Australia/dollar[1]	87.937	70.026	67.093	71.79	70.79	70.72	72.68	71.12	68.60
2 Austria/schilling	20.005	20.676	15.260	12.793	12.996	13.041	12.765	12.674	11.843
3 Belgium/franc	57.749	59.336	44.662	37.712	38.329	38.528	37.657	37.494	35.190
4 Canada/dollar	1.2953	1.3658	1.3896	1.338	1.3262	1.3256	1.3154	1.3097	1.3167
5 China, P.R./yuan	2.3308	2.9434	3.4615	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314
6 Denmark/krone	10.354	10.598	8.0954	6.8555	7.0179	7.1279	6.9893	6.9262	6.4962
7 Finland/markka	6.0007	6.1971	5.0721	4.4281	4.4882	4.5017	4.3954	4.3570	4.1392
8 France/franc	8.7355	8.9799	6.9256	6.0739	6.1530	6.1934	6.0555	6.0160	5.7099
9 Germany/deutsche mark	2.8454	2.9419	2.1704	1.8189	1.8482	1.8553	1.8134	1.8006	1.6821
10 Greece/drachma	112.73	138.40	139.93	136.06	139.313	140.63	138.40	138.61	132.42
11 Hong Kong/dollar	7.8188	7.7911	7.8037	7.8080	7.8090	7.8091	7.8035	7.8077	7.7968
12 India/rupee	11.348	12.332	12.597	12.837	13.01	13.085	12.993	12.995	12.972
13 Ireland/punt[1]	108.64	106.62	134.14	147.25	144.99	144.18	147.54	148.72	158.08
14 Italy/lira	1756.10	1908.90	1491.16	1316.50	1337.96	1344.18	1310.86	1302.58	1238.89
15 Japan/yen	237.45	238.47	168.35	144.55	150.29	147.33	143.29	143.32	135.40
16 Malaysia/ringgit	2.3448	2.4806	2.5830	2.5078	2.5414	2.5361	2.5189	2.5308	2.4989
17 Netherlands/guilder	3.2083	3.3184	2.4484	2.0490	2.0814	2.0903	2.0413	2.0267	1.8931
18 New Zealand/dollar[1]	57.837	49.752	52.456	58.686	59.644	58.923	63.352	64.031	61.915
19 Norway/krone	8.1596	8.5933	7.3984	6.7147	6.7632	6.7911	6.6505	6.6311	6.4233
20 Portugal/escudo	147.70	172.07	149.80	142.12	144.51	145.57	142.94	142.82	136.84
21 Singapore/dollar	2.1325	2.2008	2.1782	2.1176	2.1183	2.1082	2.0924	2.0891	2.0444
22 South Africa/rand[1]	69.534	45.57	43.952	49.41	48.52	48.16	48.86	48.79	50.67
23 South Korea/won	807.91	861.89	884.61	818.39	811.81	811.87	810.07	808.47	802.30
24 Spain/peseta	160.78	169.98	140.04	126.33	126.97	125.57	121.34	118.60	113.26
25 Sri Lanka/rupee	25.428	27.187	27.933	29.171	29.405	29.643	29.902	30.347	30.519
26 Sweden/krona	8.2706	8.6031	7.1272	6.3482	6.4466	6.4898	6.3844	6.3560	6.0744
27 Switzerland/franc	2.3500	2.4551	1.7979	1.5085	1.5365	1.5364	1.5029	1.4940	1.3825
28 Taiwan/dollar	39.633	39.889	37.837	31.226	31.114	30.290	30.151	30.036	29.813
29 Thailand/baht	23.582	27.193	26.314	25.779	26.041	25.926	25.765	25.783	25.495
30 United Kingdom/pound[1]	133.66	129.74	146.77	162.88	160.90	159.96	164.46	166.20	177.54
MEMO									
31 United States/dollar[2]	138.19	143.01	112.22	97.78	99.36	99.43	97.23	96.65	91.49

1. Value in U.S. cents.
2. Index of weighted-average exchange value of U.S. dollar against the currencies of 10 industrial countries. The weight for each of the 10 countries is the 1972–76 average world trade of that country divided by the average world trade of all 10 countries combined. Series revised as of August 1978 (see FEDERAL RESERVE BULLETIN, vol. 64, August 1978, p. 700).
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	0	Calculated to be zero
e	Estimated	n.a.	Not available
p	Preliminary	n.e.c.	Not elsewhere classified
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IPCs	Individuals, partnerships, and corporations
*	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)	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 Irregularly, with Latest Bulletin Reference

Special tables begin on next page.

4.20 DOMESTIC AND FOREIGN OFFICES, Insured Commercial Bank Assets and Liabilities[1,2]

Consolidated Report of Condition, June 30, 1987

Millions of dollars

	Item	Total	Banks with foreign offices[5,7]			Banks with domestic offices only[8]	
			Total	Foreign	Domestic	Over 100	Under 100
1	**Total assets**[6]	**2,869,992**	**1,664,274**	**431,356**	**1,286,327**	**797,552**	**408,166**
2	Cash and balances due from depository institutions	338,994	237,889	122,047	115,842	65,457	35,648
3	Cash items in process of collection, unposted debits, and currency		79,642	1,764	77,879	27,311	
4	Cash items in process of collection and unposted debits and coin		n.a.	n.a.	66,441	18,945	
5	Currency and coin		n.a.	n.a.	11,438	8,366	
6	Balances due from depository institutions in the United States		35,253	21,336	13,917	23,010	n.a.
7	Balances due from banks in foreign countries and foreign central banks	n.a.	102,321	98,779	3,542	5,456	
8	Balances due from Federal Reserve Banks		20,673	169	20,504	9,680	
	Memo						
9	Noninterest-bearing balances due from commercial banks in the United States (included in balances due from depository institutions in the U.S.)		n.a.	n.a.	8,692	13,927	11,909
10	**Total securities, loans and lease financing receivables, net**	**2,315,740**	**1,261,820**	**n.a.**	**n.a.**	**698,926**	**354,994**
11	Total securities, book value	486,260	194,859	25,896	168,963	171,087	120,314
12	U.S. Treasury securities and U.S. government agency and corporation obligations	293,742	101,795	954	100,841	106,550	85,398
13	U.S. Treasury securities	n.a.	61,115	815	60,300	64,198	n.a.
14	U.S. government agency and corporation obligations	n.a.	40,680	139	40,541	42,352	n.a.
15	All holdings of U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages	61,625	31,601	105	31,496	17,213	12,811
16	All other	n.a.	9,079	34	9,045	25,138	n.a.
17	Securities issued by states and political subdivisions in the United States	126,648	52,989	830	52,158	47,070	26,590
18	Taxable	1,737	292	0	292	724	721
19	Tax-exempt	124,911	52,697	830	51,867	46,346	25,868
20	Other securities	65,870	40,076	24,112	15,964	17,467	8,326
21	Other domestic securities	n.a.	15,318	1,007	14,310	17,139	....
22	All holdings of private certificates of participation in pools of residential mortgages	6,591	3,250	8	3,242	2,375	967
23	All other	34,192	12,068	1,000	11,068	14,764	7,360
24	Foreign securities	n.a.	24,759	23,105	1,654	328	....
25	Federal funds sold and securities purchased under agreements to resell	133,010	64,054	203	63,851	43,823	25,133
26	Total loans and lease financing receivables, gross	1,758,113	1,044,900	226,091	818,810	497,631	215,582
27	Less: Unearned income on loans	14,990	6,623	2,097	4,526	5,712	2,654
28	Total loans and leases (net of unearned income)	1,743,125	1,038,279	223,996	814,284	491,918	212,928
29	Less: Allowance for loan and lease losses	46,544	35,265	n.a.	n.a.	7,898	3,381
30	Less: Allocated transfer risk reserves	112	108	n.a.	n.a.	3	0
31	Equals: Total loans and leases, net	1,696,470	1,002,907	n.a.	n.a.	484,017	209,547
	Total loans, gross, by category						
32	Loans secured by real estate	550,481	260,761	17,275	243,487	194,536	95,184
33	Construction and land development				75,623	30,208	7,760
34	Farmland				1,525	3,779	8,492
35	1–4 family residential properties	n.a.	n.a.	n.a.	92,436	91,186	51,919
36	Multifamily (5 or more) residential properties				8,707	5,924	1,943
37	Nonfarm nonresidential properties				65,195	63,440	25,069
38	Loans to depository institutions	66,526	60,333	29,704	30,629	5,320	874
39	To commercial banks in the United States	n.a.	22,560	1,016	21,544	4,352	n.a.
40	To other depository institutions in the United States	n.a.	4,653	243	4,409	797	n.a.
41	To banks in foreign countries	n.a.	33,120	28,445	4,676	170	n.a.
42	Loans to finance agricultural production and other loans to farmers	30,786	5,581	390	5,190	6,612	18,593
43	Commercial and industrial loans	580,620	404,356	110,637	293,718	128,029	48,236
44	To U.S. addressees (domicile)	n.a.	306,077	15,829	290,248	127,478	n.a.
45	To non-U.S. addressees (domicile)	n.a.	98,279	94,808	3,470	550	n.a.
46	Acceptances of other banks	3,382	1,182	410	772	1,148	1,053
47	U.S. banks	n.a.	472	10	462	n.a.	n.a.
48	Foreign banks	n.a.	711	400	311	n.a.	n.a.
49	Loans to individuals for household, family, and other personal expenditures (includes purchased paper)	317,544	142,229	11,628	130,601	129,355	45,960
50	Credit cards and related plans	80,128	43,283	n.a.	n.a.	34,800	2,045
51	Other (includes single payment and installment)	237,416	98,946	n.a.	n.a.	94,555	43,915
52	Obligations (other than securities) of states and political subdivisions in the U.S. (includes nonrated industrial development obligations)	55,706	34,473	602	33,871	18,670	2,563
53	Taxable	2,124	621	0	621	1,306	197
54	Tax-exempt	53,582	33,852	602	33,250	17,364	2,366
55	All other loans	124,867	112,324	50,870	61,454	9,992	2,552
56	Loans to foreign governments and official institutions	n.a.	39,200	36,171	3,029	250	n.a.
57	Other loans	n.a.	73,124	14,699	58,425	9,742	n.a.
58	Loans for purchasing and carrying securities	n.a.	n.a.	n.a.	16,594	2,042	n.a.
59	All other loans	n.a.	n.a.	n.a.	41,831	7,700	n.a.
60	Lease financing receivables	28,200	23,663	4,575	19,088	3,970	568
61	Assets held in trading accounts	38,770	37,953	17,466	20,488	562	255
62	Premises and fixed assets (including capitalized leases)	43,285	22,225		n.a.	13,726	7,334
63	Other real estate owned	10,248	4,287		n.a.	3,282	2,679
64	Investments in unconsolidated subsidiaries and associated companies	2,444	1,778		n.a.	618	47
65	Customers' liability on acceptances outstanding	37,752	37,358	n.a.	n.a.	373	21
66	Net due from own foreign offices, Edge and agreement subsidiaries, and IBFs	n.a.	n.a.		39,310	n.a.	n.a.
67	Intangible assets	4,410	2,954		n.a.	1,299	157
68	Other assets	78,348	58,011		n.a.	13,307	7,030

4.20 Continued

Item	Total	Banks with foreign offices[3,4]			Banks with domestic offices only[5]	
		Total	Foreign	Domestic	Over 100	Under 100
69 **Total liabilities, limited-life preferred stock, and equity capital**	**2,869,992**	**1,664,274**	**n.a.**	**n.a.**	**797,552**	**408,166**
70 **Total liabilities[7]**	**2,697,761**	**1,584,158**	**430,944**	**1,206,623**	**740,722**	**372,881**
71 Limited-life preferred stock	84	67	n.a.	n.a.	15	2
72 Total deposits	2,231,734	1,206,941	335,320	871,621	661,474	363,318
73 Individuals, partnerships, and corporations			178,964	769,715	599,307	330,859
74 U.S. government				3,288	1,989	785
75 States and political subdivisions in the United States				38,095	39,885	25,819
76 Commercial banks in the United States	n.a.	n.a.	n.a.	33,663	11,348	1,838
77 Other depository institutions in the United States				5,181	2,964	1,367
78 Banks in foreign countries				8,431	173	n.a.
79 Foreign governments and official institutions		35,348	33,481	1,866	210	n.a.
80 Certified and official checks	20,275	12,052	671	11,381	5,603	2,620
81 All other[8]	n.a.	n.a.	122,205	...	...	31
82 Total transaction accounts				318,645	200,862	99,169
83 *Individuals, partnerships, and corporations*				258,464	175,362	88,014
84 U.S. government				2,418	1,483	605
85 States and political subdivisions in the United States				8,649	9,723	6,868
86 Commercial banks in the United States	n.a.	n.a.	n.a.	24,983	6,792	508
87 Other depository institutions in the United States				3,917	1,812	545
88 Banks in foreign countries				7,821	79	n.a.
89 Foreign governments and official institutions				1,012	6	n.a.
90 Certified and official checks				11,381	5,603	2,620
91 All other				...	...	10
92 Demand deposits (included in total transaction accounts)				256,344	132,642	55,378
93 Individuals, partnerships, and corporations				197,951	111,489	48,615
94 U.S. government				2,410	1,458	588
95 States and political subdivisions in the United States				6,871	5,423	2,501
96 Commercial banks in the United States				24,983	6,788	506
97 Other depository institutions in the United States				3,917	1,795	538
98 Banks in foreign countries				7,821	77	n.a.
99 Foreign governments and official institutions				1,011	6	n.a.
100 Certified and official checks				11,381	5,603	2,620
101 All other				...	...	10
102 Total nontransaction accounts				552,977	460,612	264,149
103 Individuals, partnerships, and corporations	n.a.	n.a.	n.a.	511,251	423,945	242,845
104 U.S. government				870	506	179
105 States and political subdivisions in the United States				29,446	30,162	18,950
106 Commercial banks in the United States				8,680	4,556	1,331
107 U.S. branches and agencies of foreign banks				916	739	n.a.
108 Other commercial banks in the United States				7,764	3,817	n.a.
109 Other depository institutions in the United States				1,264	1,151	822
110 Banks in foreign countries				610	94	n.a.
111 Foreign branches of other U.S. banks				5	14	n.a.
112 Other banks in foreign countries				605	79	n.a.
113 Foreign governments and official institutions				855	203	n.a.
114 All other				...	...	21
115 Federal funds purchased and securities sold under agreements to repurchase	224,217	176,395	594	175,801	44,522	3,301
116 *Demand notes issued to the U.S. Treasury*	n.a.	n.a.	n.a.	20,946	4,567	757
117 Other borrowed money	91,996	73,774	30,898	42,876	17,293	930
118 Banks liability on acceptances executed and outstanding	37,859	37,465	7,181	30,284	374	21
119 Notes and debentures subordinated to deposits	17,170	14,635	n.a.	n.a.	2,166	368
120 Net due to own foreign offices, Edge and agreement subsidiaries, and IBFs	n.a.	n.a.	n.a.	14,098	n.a.	n.a.
121 All other liabilities	68,516	54,002	n.a.	n.a.	10,327	4,187
122 Total equity capital[9]	172,146	80,049	n.a.	n.a.	56,814	35,283
MEMO						
123 Holdings of commercial paper included in total loans, gross		1,320	663	657	1,033	n.a.
124 Total individual retirement accounts (IRA) and Keogh plan accounts				32,361	31,663	15,864
125 Total brokered deposits				24,305	4,159	646
126 Total brokered retail deposits				4,807	2,384	487
127 Issued in denominations of $100,000 or less				923	1,384	402
128 Issued in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less				3,883	1,000	85
Savings deposits						
129 Money market deposit accounts (MMDAs)				169,945	131,982	57,234
130 Other savings deposits (excluding MMDAs)				72,288	68,107	34,697
131 Total time deposits of less than $100,000				133,849	171	128,682
132 Time certificates of deposit of $100,000 or more	n.a.	n.a.	n.a.	148,910	85,024	41,942
133 Open-account time deposits of $100,000 or more				27,984	4,020	1,595
134 All NOW accounts (including Super NOW)				57,975	65,213	41,815
135 Total time and savings deposits				615,277	528,832	307,941
Quarterly averages						
136 Total loans				796,030	482,201	208,809
137 Obligations (other than securities) of states and political subdivisions in the United States				34,850	18,587	n.a.
138 Transaction accounts in domestic offices (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts)				64,099	69,562	43,533
Nontransaction accounts in domestic offices						
139 Money market deposit accounts (MMDAs)				171,653	133,699	57,887
140 Other savings deposits				71,838	68,100	34,174
141 Time certificates of deposit of $100,000 or more				146,273	84,357	42,165
142 All other time deposits				157,808	174,496	129,523
143 Number of banks	13,789	256		n.a.	2,355	11,178

Footnotes appear at the end of table 4.22

4.21 DOMESTIC OFFICES, Insured Commercial Banks with Assets of $100 Million or more or with foreign offices[1,2,3] Consolidated Report of Condition, June 30, 1987

Millions of dollars

Item	Total	Members			Non-members
		Total	National	State	
1 **Total assets[6]**	**2,083,879**	**1,693,550**	**1,330,636**	**362,914**	**390,329**
2 Cash and balances due from depository institutions	181,299	152,240	118,443	33,797	29,059
3 Cash items in process of collection and unposted debits	85,386	78,278	61,059	17,219	7,108
4 Currency and coin	19,804	16,366	13,490	2,876	3,438
5 Balances due from depository institutions in the United States	36,927	25,177	20,734	4,443	11,750
6 Balances due from banks in foreign countries and foreign central banks	8,997	6,975	5,382	1,593	2,022
7 Balances due from Federal Reserve Banks	30,184	25,444	17,778	7,666	4,740
8 **Total securities, loans and lease financing receivables, (net of unearned income)**	**1,753,926**	**1,409,815**	**1,120,544**	**289,272**	**344,110**
9 Total securities, book value	340,050	260,092	203,827	56,266	79,958
10 U.S. Treasury securities	124,498	95,389	76,590	18,799	29,109
11 U.S. government agency and corporation obligations	82,892	62,297	50,592	11,705	20,595
12 All holdings of U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages	48,709	40,267	31,947	8,320	8,443
13 All other	34,183	22,030	18,645	3,385	12,153
14 Securities issued by states and political subdivisions in the United States	99,228	78,530	58,216	20,314	20,698
15 Taxable	1,016	626	520	107	390
16 Tax-exempt	98,212	77,904	57,696	20,208	20,308
17 Other domestic securities	31,449	22,167	17,943	4,224	9,282
18 All holdings of private certificates of participation in pools of residential mortgages	5,617	4,547	2,805	1,742	1,070
19 All other	25,832	17,620	15,138	2,482	8,213
20 Foreign securities	1,982	1,709	486	1,223	273
21 Federal funds sold and securities purchased under agreements to resell	107,674	89,478	66,425	23,053	18,195
22 Total loans and lease financing receivables, gross	1,316,441	1,067,999	856,221	211,778	248,441
23 Less: Unearned income on loans	10,239	7,754	5,930	1,824	2,484
24 Total loans and leases (net of unearned income)	1,306,202	1,060,245	850,291	209,953	245,957
Total loans, gross, by category					
25 Loans secured by real estate	438,022	335,661	285,229	50,432	102,362
26 Construction and land development	105,830	86,424	70,861	15,563	19,406
27 Farmland	5,304	3,598	3,154	445	1,705
28 1–4 family residential properties	183,622	137,999	118,475	19,524	45,624
29 Multifamily (5 or more) residential properties	14,631	11,478	10,000	1,478	3,154
30 Nonfarm nonresidential properties	128,635	96,162	82,740	13,422	32,473
31 Loans to commercial banks in the United States	25,896	22,447	17,507	4,940	3,449
32 Loans to other depository institutions in the United States	5,206	4,936	3,695	1,242	270
33 Loans to banks in foreign countries	4,846	4,763	2,631	2,132	83
34 Loans to finance agricultural production and other loans to farmers	11,802	9,399	8,365	1,034	2,403
35 Commercial and industrial loans	421,747	348,867	271,191	77,675	72,880
36 To U.S. addressees (domicile)	417,726	345,153	268,215	76,938	72,573
37 To non-U.S. addressees (domicile)	4,020	3,714	2,977	737	307
38 Acceptances of other banks[10]	1,920	1,382	1,260	122	538
39 Of U.S. banks	801	683	617	67	118
40 Of foreign banks	380	274	264	10	106
41 Loans to individuals for household, family, and other personal expenditures (includes purchased paper)	259,956	210,316	171,620	38,696	49,640
42 Loans to foreign governments and official institutions	3,279	3,123	2,247	876	156
43 Obligations (other than securities) of states and political subdivisions in the United States	52,541	44,030	32,955	11,075	8,510
44 Taxable	1,927	1,358	1,194	164	568
45 Tax-exempt	50,614	42,672	31,761	10,911	7,942
46 Other loans	68,167	62,288	42,895	19,393	5,878
47 Loans for purchasing and carrying securities	18,636	16,793	10,037	6,757	1,843
48 All other loans	49,530	45,495	32,859	12,636	4,035
49 Lease financing receivables	23,058	20,786	16,626	4,161	2,271
50 Customers' liability on acceptances outstanding	29,789	28,922	19,751	9,172	866
51 Net due from own foreign offices, Edge and agreement subsidiaries, and IBFs	39,310	36,151	27,852	8,299	3,159
52 Remaining assets	118,866	102,572	71,898	30,674	16,293

4.21 Continued

Item	Total	Members			Nonmembers
		Total	National	State	
53 **Total liabilities and equity capital**	**2,083,879**	**1,693,550**	**1,330,636**	**362,914**	**390,329**
54 **Total liabilities**[7]	**1,947,345**	**1,585,449**	**1,245,975**	**339,473**	**361,897**
55 Total deposits	1,533,095	1,212,467	971,256	241,211	320,628
56 Individuals, partnerships, and corporations	1,369,022	1,077,728	867,315	210,413	291,294
57 U.S. government	5,277	4,434	3,839	595	843
58 States and political subdivisions in the United States	77,980	59,428	49,837	9,590	18,552
59 Commercial banks in the United States	45,011	40,616	31,361	9,255	4,395
60 Other depository institutions in the United States	8,145	6,558	4,987	1,572	1,586
61 Banks in foreign countries	8,603	8,053	4,032	4,022	550
62 Foreign governments and official institutions	2,076	1,689	792	897	387
63 Certified and official checks	16,985	13,963	9,097	4,866	3,021
64 Total transaction accounts	519,507	425,176	330,475	94,700	94,331
65 Individuals, partnerships, and corporations	433,826	349,005	275,536	73,469	84,821
66 U.S. government	3,901	3,292	2,768	524	610
67 States and political subdivisions in the United States	18,371	14,926	11,983	2,943	3,445
68 Commercial banks in the United States	31,775	30,332	23,246	7,086	1,443
69 Other depository institutions in the United States	5,729	5,060	3,618	1,442	670
70 Banks in foreign countries	7,900	7,636	3,770	3,866	264
71 Foreign governments and official institutions	1,018	960	457	503	59
72 Certified and official checks	16,985	13,963	9,097	4,866	3,021
73 Demand deposits (included in total transaction accounts)	388,986	325,043	246,446	78,597	63,942
74 Individuals, partnerships, and corporations	309,439	253,482	195,272	58,210	55,957
75 U.S. government	3,868	3,261	2,740	521	607
76 States and political subdivisions in the United States	12,294	10,367	8,265	2,103	1,927
77 Commercial banks in the United States	31,770	30,328	23,242	7,086	1,442
78 Other depository institutions in the United States	5,711	5,045	3,603	1,441	666
79 Banks in foreign countries	7,897	7,634	3,767	3,866	264
80 Foreign governments and official institutions	1,017	959	456	503	58
81 Certified and official checks	16,985	13,963	9,097	4,866	3,021
82 Total nontransaction accounts	1,013,589	787,292	640,781	146,510	226,297
83 Individuals, partnerships, and corporations	935,196	728,723	591,779	136,944	206,474
84 U.S. government	1,376	1,143	1,072	71	233
85 States and political subdivisions in the United States	59,608	44,502	37,854	6,647	15,107
86 Commercial banks in the United States	13,236	10,284	8,115	2,169	2,952
87 U.S. branches and agencies of foreign banks	1,655	1,073	1,022	51	582
88 Other commercial banks in the United States	11,581	9,211	7,093	2,118	2,370
89 Other depository institutions in the United States	2,415	1,499	1,369	130	917
90 Banks in foreign countries	704	417	262	155	286
91 Foreign branches of other U.S. banks	19	13	8	5	7
92 Other banks in foreign countries	685	405	254	151	280
93 Foreign governments and official institutions	1,058	730	335	394	328
94 Federal funds purchased and securities sold under agreements to repurchase	220,323	199,561	154,401	45,160	20,762
95 Demand notes issued to the U.S. Treasury	25,512	23,466	17,441	6,025	2,047
96 Other borrowed money	60,169	52,604	36,502	16,101	7,565
97 Banks liability on acceptances executed and outstanding	30,658	29,790	20,600	9,191	868
98 Notes and debentures subordinated to deposits	2,166	1,284	1,154	130	882
99 Net due to own foreign offices, Edge and agreement subsidiaries, and IBFs	14,098	10,944	8,204	2,740	3,155
100 Remaining liabilities	75,422	66,277	44,621	21,655	9,145
101 **Total equity capital**[9]	**136,534**	**108,101**	**84,661**	**23,441**	**28,432**
MEMO					
102 Holdings of commercial paper included in total loans, gross	1,690	1,288	1,159	129	403
103 Total individual retirement accounts (IRA) and Keogh plan accounts	64,024	49,688	41,064	8,624	14,336
104 Total brokered deposits	28,464	23,504	19,783	3,721	4,960
105 Total brokered retail deposits	7,191	5,497	4,438	1,060	1,694
106 Issued in denominations of $100,000 or less	2,308	1,209	1,090	119	1,099
107 Issued in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less	4,884	4,289	3,348	941	595
Savings deposits					
108 Money market deposit accounts (MMDAs)	301,928	238,774	193,266	45,508	63,154
109 Other savings accounts	140,395	108,675	85,180	23,495	31,720
110 Total time deposits of less than $100,000	305,327	228,680	193,343	35,337	76,647
111 Time certificates of deposit of $100,000 or more	233,934	182,655	149,771	32,884	51,279
112 Open-account time deposits of $100,000 or more	32,004	28,507	19,222	9,286	3,497
113 All NOW accounts (including Super NOW accounts)	123,188	94,500	78,764	15,735	28,689
114 Total time and savings deposits	1,144,110	887,424	724,810	162,614	256,686
Quarterly averages					
115 Total loans	1,278,231	1,037,382	828,189	209,193	240,849
116 Obligations (other than securities) of states and political subdivisions in the United States	53,437	44,993	33,181	11,812	8,444
117 Transaction accounts (NOW accounts, ATS accounts, and telephone preauthorized transfer accounts)	133,660	103,283	84,417	18,866	30,377
Nontransaction accounts					
118 Money market deposit accounts (MMDAs)	305,352	241,294	195,652	45,642	64,058
119 Other savings deposits	139,938	108,269	85,547	22,723	31,669
120 Time certificates of deposit of $100,000 or more	230,630	179,925	146,993	32,933	50,705
121 All other time deposits	332,304	252,363	207,758	44,605	79,941
122 Number of banks	2,611	1,504	1,271	233	1,107

Footnotes appear at the end of table 4.22

4.22 DOMESTIC OFFICES, Insured Commercial Bank Assets and Liabilities[1,2,3]
Consolidated Report of Condition, June 30, 1987

Millions of dollars

Item	Total	Members			Nonmembers
		Total	National	State	
1 **Total assets**[6]	**2,492,045**	**1,865,670**	**1,471,731**	**393,939**	**626,375**
2 Cash and balances due from depository institutions	216,948	168,199	131,859	36,340	48,749
3 Currency and coin	23,944	18,131	14,940	3,191	5,813
4 Noninterest-bearing balances due from commercial banks	34,528	19,804	16,376	3,427	14,724
5 Other	158,476	130,264	100,543	29,721	28,212
6 **Total securities, loans, and lease financing receivables (net of unearned income)**	**2,112,301**	**1,560,052**	**1,243,308**	**316,744**	**552,249**
7 Total securities, book value	460,364	308,274	243,186	65,088	152,090
8 U.S. Treasury securities and U.S. government agency and corporation obligations	292,788	191,313	154,428	36,885	101,476
9 Securities issued by states and political subdivisions in the United States	125,818	89,250	67,034	22,216	36,568
10 Taxable	1,737	889	734	155	848
11 Tax-exempt	124,081	88,361	66,301	22,060	35,719
12 Other securities	41,757	27,711	21,724	5,987	14,047
13 All holdings of private certificates of participation in pools of residential mortgages	6,583	4,971	3,116	1,856	1,612
14 All other	35,174	22,739	18,608	4,131	12,435
15 Federal funds sold and securities purchased under agreements to resell	132,807	101,253	76,325	24,928	31,554
16 Total loans and lease financing receivables, gross	1,532,022	1,159,438	930,664	228,773	372,584
17 LESS: Unearned income on loans	12,893	8,913	6,867	2,045	3,980
18 Total loans and leases (net of unearned income)	1,519,130	1,150,525	923,797	226,728	368,604
Total loans, gross, by category					
19 Loans secured by real estate	533,206	375,799	317,906	57,892	157,408
20 Construction and land development	113,590	89,923	73,714	16,209	23,667
21 Farmland	13,796	6,516	5,496	1,019	7,280
22 1–4 family residential properties	235,542	160,273	136,459	23,814	75,269
23 Multifamily (5 or more) residential properties	16,575	12,268	10,648	1,620	4,307
24 Nonfarm nonresidential properties	153,704	106,819	91,589	15,230	46,885
25 Loans to depository institutions	36,822	32,670	24,316	8,354	4,152
26 Loans to finance agricultural production and other loans to farmers	30,396	16,058	13,594	2,463	14,338
27 Commercial and industrial loans	469,983	370,358	288,742	81,616	99,625
28 Acceptances of other banks	2,972	1,875	1,682	193	1,097
29 Loans to individuals for household, family, and other personal expenditures (includes purchased paper)	305,916	230,125	187,795	42,330	75,790
30 Obligations (other than securities) of states and political subdivisions in the United States	55,104	45,057	33,818	11,239	10,048
31 Nonrated industrial development obligations	2,124	1,438	1,262	176	686
32 Other obligations (excluding securities)	52,981	43,619	32,556	11,063	9,362
33 All other loans	73,998	66,495	46,013	20,482	7,503
34 Lease financing receivables	23,626	21,002	16,797	4,204	2,624
35 Customers' liability on acceptances outstanding	29,809	28,933	19,758	9,175	876
36 Net due from own foreign offices, Edge and agreement subsidiaries, and IBFs	39,310	36,151	27,852	8,299	3,159
37 Remaining assets	132,987	108,486	76,806	31,680	24,501
38 **Total liabilities and equity capital**	**2,492,045**	**1,865,670**	**1,471,731**	**393,939**	626,375
39 **Total liabilities**[7]	**2,320,226**	**1,742,869**	**1,375,168**	**367,701**	**577,357**
40 Total deposits	1,896,414	1,365,438	1,096,984	268,454	530,975
41 Individuals, partnerships, and corporations	1,699,881	1,217,433	982,186	235,246	482,448
42 U.S. government	6,062	4,780	4,131	649	1,282
43 States and political subdivisions in the United States	103,798	69,310	58,005	11,305	34,489
44 Commercial banks in the United States	46,850	41,736	32,174	9,562	5,114
45 Other depository institutions in the United States	9,511	7,269	5,598	1,671	2,242
46 Certified and official checks	19,605	15,154	10,053	5,101	4,451
47 All other	10,711	9,761	4,840	4,921	950
48 Total transaction accounts	618,676	467,043	365,025	102,019	151,633
49 Individuals, partnerships, and corporations	521,840	386,207	306,333	79,875	135,632
50 U.S. government	4,506	3,559	2,997	562	947
51 States and political subdivisions in the United States	25,240	17,475	14,096	3,379	7,765
52 Commercial banks in the United States	32,282	30,684	23,424	7,260	1,598
53 Other depository institutions in the United States	6,274	5,363	3,890	1,472	911
54 Certified and official checks	19,605	15,154	10,053	5,101	4,451
55 All other	8,928	8,600	4,229	4,371	328
56 Demand deposits (included in total transaction accounts)	444,363	349,080	266,189	82,891	95,283
57 Individuals, partnerships, and corporations	358,054	274,477	212,610	61,867	83,577
58 U.S. government	4,456	3,522	2,963	559	934
59 States and political subdivisions in the United States	14,795	11,302	9,039	2,263	3,493
60 Commercial banks in the United States	32,277	30,680	23,421	7,260	1,597
61 Other depository institutions in the United States	6,249	5,345	3,874	1,472	904
62 Certified and official checks	19,605	15,154	10,053	5,101	4,451
63 All other	8,924	8,597	4,226	4,371	327
64 Total nontransaction accounts	1,277,738	898,395	731,960	166,436	379,342
65 Individuals, partnerships, and corporations	1,178,042	831,225	675,854	155,372	346,816
66 U.S. government	1,556	1,221	1,134	87	334
67 States and political subdivisions in the United States	78,559	51,835	43,909	7,926	26,724
68 Commercial banks in the United States	14,567	11,052	8,750	2,302	3,515
69 Other depository institutions in the United States	3,238	1,907	1,708	199	1,331
70 All other	1,783	1,161	611	550	622

4.22 Continued

Item	Total	Members: Total	Members: National	Members: State	Non-members
71 Federal funds purchased and securities sold under agreements to repurchase	223,623	201,317	155,771	45,547	22,306
72 Demand notes issued to the U.S. Treasury	26,269	23,818	17,722	6,096	2,451
73 Other borrowed money	61,098	53,172	36,858	16,314	7,927
74 Banks liability on acceptances executed and outstanding	30,679	29,801	20,607	9,194	878
75 Notes and debentures subordinated to deposits	2,534	1,359	1,220	140	1,175
76 Net due to own foreign offices, Edge and agreement subsidiaries, and IBFs	14,098	10,944	8,204	2,740	3,155
77 Remaining liabilities	79,609	67,964	46,006	21,957	11,645
78 Total equity capital[9]	**171,819**	**122,801**	**96,563**	**26,238**	**49,018**
MEMO					
79 Assets held in trading accounts[10]	21,305	20,917	12,346	8,571	388
80 U.S. Treasury securities	9,155	9,116	4,687	4,429	39
81 U.S. government agency corporation obligations	4,609	4,600	2,344	2,255	9
82 Securities issued by states and political subdivisions in the United States	3,017	3,008	2,236	772	9
83 Other bonds, notes and debentures	490	490	295	195	0
84 Certificates of deposit	690	670	587	83	20
85 Commercial paper	135	135	132	3	0
86 Bankers acceptances	1,957	1,923	1,278	645	34
87 Other	703	692	523	169	11
88 Total individual retirement accounts (IRA) and Keogh plan accounts	79,888	56,039	46,316	9,724	23,849
89 Total brokered deposits	29,110	23,833	20,042	3,791	5,278
90 Total brokered retail deposits	7,679	5,759	4,645	1,115	1,919
91 Issued in denominations of $100,000 or less	2,710	1,413	1,255	158	1,297
92 Issued in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less	4,969	4,346	3,389	957	622
Savings deposits					
93 Money market deposit accounts (MMDAs)	359,161	264,037	214,003	50,034	95,124
94 Other savings deposits	175,092	123,214	96,848	26,366	51,878
95 Total time deposits of less than $100,000	434,009	279,630	234,894	44,736	154,379
96 Time certificates of deposit of $100,000 or more	275,876	202,418	166,519	35,900	73,457
97 Open-account time deposits of $100,000 or more	33,599	29,096	19,696	9,400	4,503
98 All NOW accounts (including Super NOW)	165,003	111,677	93,006	18,670	53,327
99 Total time and savings deposits	1,452,050	1,016,358	830,795	185,563	435,692
Quarterly averages					
100 Total loans	1,487,040	1,126,072	900,599	225,473	360,968
101 Transaction accounts (NOW accounts, ATS accounts, and telephone and preauthorized transfer accounts)	177,193	121,017	99,112	21,905	56,176
Nontransaction accounts					
102 Money market deposit accounts (MMDAs)	363,239	266,877	216,706	50,172	96,362
103 Other savings deposits	174,113	122,552	97,001	25,551	51,561
104 Time certificates of deposit of $100,000 or more	272,795	199,661	163,798	35,863	73,135
105 All other time deposits	461,827	303,571	249,554	54,017	158,255
106 Number of banks	13,789	5,790	4,693	1,097	7,999

1. Effective Mar. 31, 1984, the report of condition was substantially revised for commercial banks. Some of the changes are as follows: (1) Previously, banks with international banking facilities (IBFs) that had no other foreign offices were considered domestic reporters. Beginning with the Mar. 31, 1984 call report these banks are considered foreign and domestic reporters and must file the foreign and domestic report of condition; (2) banks with assets greater than $1 billion have additional items reported; (3) the domestic office detail for banks with foreign offices has been reduced considerably; and (4) banks with assets under $25 million have been excused from reporting certain detail items.

2. The "n.a." for some of the items is used to indicate the lesser detail available from banks without foreign offices, the inapplicability of certain items to banks that have only domestic offices and/or the absence of detail on a fully consolidated basis for banks with foreign offices.

3. All transactions between domestic and foreign offices of a bank are reported in "net due from" and "net due to." All other lines represent transactions with parties other than the domestic and foreign offices of each bank. Since these intraoffice transactions are nullified by consolidation, total assets and total liabilities for the entire bank may not equal the sum of assets and liabilities respectively, of the domestic and foreign offices.

4. Foreign offices include branches in foreign countries, Puerto Rico, and in U.S. territories and possessions; subsidiaries in foreign countries; all offices of Edge act and agreement corporations wherever located and IBFs.

5. The 'over 100' column refers to those respondents whose assets, as of June 30 of the previous calendar year, were equal to or exceeded $100 million. (These respondents file the FFIEC 032 or FFIEC 033 call report.) The 'under 100' column refers to those respondents whose assets, as of June 30 of the previous calendar year, were less than $100 million. (These respondents filed the FFIEC 034 call report.)

6. Since the domestic portion of allowances for loan and lease losses and allocated transfer risk reserve are not reported for banks with foreign offices, the components of total assets (domestic) will not add to the actual total (domestic).

7. Since the foreign portion of demand notes issued to the U.S. Treasury is not reported for banks with foreign offices, the components of total liabilities (foreign) will not add to the actual total (foreign).

8. The definition of 'all other' varies by report form and therefore by column in this table. See the instructions for more detail.

9. Equity capital is not allocated between the domestic and foreign offices of banks with foreign offices.

10. Components of assets held in trading accounts are only reported for banks with total assets of $1 billion or more; therefore the components will not add to the totals for this item.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, September 30, 1987

Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]
1 **Total assets**[4]	**445,097**	**226,218**	**328,375**	**180,183**	**66,891**	**30,442**	**28,122**	**9,744**
2 Claims on nonrelated parties	407,472	188,423	301,608	149,650	60,228	26,234	28,122	9,438
3 Cash and balances due from depository institutions	110,537	91,994	92,035	75,982	10,612	9,981	6,276	5,035
4 Cash items in process of collection and unposted debits	690	0	663	0	4	0	10	0
5 Currency and coin (U.S. and foreign)	25	n.a.	18	n.a.	2	n.a.	2	n.a.
6 Balances with depository institutions in United States	58,793	44,272	47,483	35,084	6,709	6,150	3,811	2,669
7 U.S. branches and agencies of other foreign banks (including their IBFs)	50,823	41,602	40,774	32,728	6,259	5,991	3,292	2,590
8 Other depository institutions in United States (including their IBFs)	7,970	2,670	6,709	2,357	450	159	519	80
9 Balances with banks in foreign countries and with foreign central banks	48,617	47,722	41,665	40,897	3,840	3,831	2,389	2,366
10 Foreign branches of U.S. banks	2,209	2,151	1,929	1,887	87	86	157	151
11 Other banks in foreign countries and foreign central banks	46,409	45,571	39,736	39,010	3,754	3,745	2,232	2,215
12 Balances with Federal Reserve Banks	2,412	n.a.	2,206	n.a.	56	n.a.	64	n.a.
13 **Total securities and loans**	**239,019**	**88,810**	**164,492**	**67,444**	**39,364**	**15,249**	**20,303**	**4,113**
14 Total securities, book value	32,743	9,088	26,480	6,920	4,069	1,814	1,166	254
15 U.S. Treasury	6,740	n.a.	6,366	n.a.	151	n.a.	138	n.a.
16 Obligations of U.S. government agencies and corporations	3,375	n.a.	3,325	n.a.	39	n.a.	0	n.a.
17 Other bonds, notes, debentures and corporate stock (including state and local securities)	22,629	9,088	16,789	6,920	3,879	1,814	1,028	254
18 Federal funds sold and securities purchased under *agreements to resell*	15,599	2,846	14,298	2,536	579	178	325	70
19 U.S branches and agencies of other foreign banks	9,105	940	8,275	752	378	110	198	20
20 Commercial banks in United States	3,237	782	2,987	778	79	0	31	0
21 Other	3,257	1,125	3,035	1,005	122	69	96	50
22 Total loans, gross	206,476	79,816	138,131	60,580	35,366	13,473	19,143	3,858
23 Less: Unearned income on loans	201	93	119	56	71	37	6	0
24 Equals: Loans, net	206,275	79,723	138,012	60,524	35,295	13,435	19,137	3,858
Total loans, gross, by category								
25 Real estate loans	11,195	105	4,585	71	2,737	29	1,805	0
26 Loans to depository institutions	64,927	46,213	47,682	32,010	11,872	9,904	3,936	3,185
27 Commercial banks in United States (including IBFs)	33,912	17,465	24,028	10,319	7,036	5,220	2,556	1,844
28 U.S. branches and agencies of other foreign banks	30,579	16,746	21,241	9,812	6,651	5,056	2,462	1,797
29 Other commercial banks in United States	3,333	719	2,787	508	385	164	94	47
30 *Other depository institutions in United States* (including IBFs)	171	19	126	9	10	0	25	0
31 Banks in foreign countries	30,844	28,729	23,528	21,681	4,826	4,684	1,355	1,341
32 Foreign branches of U.S. banks	1,172	1,129	895	853	248	247	29	29
33 Other banks in foreign countries	29,672	27,600	22,632	20,828	4,579	4,437	1,326	1,312
34 Other financial institutions	5,370	715	3,364	617	843	57	797	28
35 Commercial and industrial loans	101,367	17,721	62,345	14,826	17,921	2,217	12,043	369
36 U.S. addressees (domicile)	79,258	116	44,511	104	15,267	13	11,568	0
37 Non-U.S. addressees (domicile)	22,108	17,605	17,834	14,723	2,654	2,204	475	369
38 Acceptances of other banks	827	21	743	15	42	0	17	6
39 U.S. banks	238	0	184	0	30	0	1	0
40 Foreign banks	589	21	559	15	12	0	16	6
41 Loans to foreign governments and official institutions (including foreign central banks)	16,652	14,769	14,411	12,831	1,252	1,210	299	270
42 Loans for purchasing or carrying securities (secured and unsecured)	3,792	28	3,145	28	594	0	20	0
43 All other loans	2,346	244	1,856	182	105	56	228	0
44 All other assets	42,317	4,772	30,784	3,689	9,673	826	1,218	220
45 Customers' liability on acceptances outstanding	29,388	n.a.	20,442	n.a.	8,013	n.a.	610	n.a.
46 U.S. addressees (domicile)	19,280	n.a.	11,335	n.a.	7,233	n.a.	582	n.a.
47 Non-U.S. addressees (domicile)	10,108	n.a.	9,106	n.a.	780	n.a.	29	n.a.
48 Other assets including other claims on nonrelated parties	12,929	4,772	10,342	3,689	1,660	826	608	220
49 Net due from related depository institutions[5]	37,625	37,794	26,767	30,533	6,663	4,208	0	306
50 Net due from head office and other related depository institutions[5]	37,625	n.a.	26,767	n.a.	6,663	n.a.	0	n.a.
51 Net due from establishing entity, head offices, and other related depository institutions[5]	n.a.	37,794	n.a.	30,533	n.a.	4,208	n.a.	306
52 **Total liabilities**[4]	**445,097**	**226,218**	**328,375**	**180,183**	**66,891**	**30,442**	**28,122**	**9,744**
53 Liabilities to nonrelated parties	390,595	204,362	301,755	165,151	60,124	27,088	15,981	6,642

4.30 Continued

Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs	IBFs only[3]	Total excluding IBFs	IBFs only[3]	Total excluding IBFs	IBFs only[3]	Total excluding IBFs	IBFs only[3]
54 Total deposits and credit balances	57,901	162,990	48,399	146,204	1,814	9,306	2,952	3,069
55 Individuals, partnerships, and corporations	44,596	14,512	35,963	10,789	1,717	439	2,376	60
56 U.S. addressees (domicile)	34,596	186	29,004	179	532	0	2,185	0
57 Non-U.S. addressees (domicile)	10,000	14,326	6,959	10,610	1,186	439	191	60
58 Commercial banks in United States (including IBFs)	8,581	55,013	7,947	48,440	36	4,723	553	1,425
59 U.S. branches and agencies of other foreign banks	4,422	47,046	3,911	41,273	6	4,307	489	1,140
60 Other commercial banks in United States	4,158	7,967	4,036	7,167	31	417	64	285
61 Banks in foreign countries	2,012	83,478	1,936	77,239	17	4,090	2	1,567
62 Foreign branches of U.S. banks	243	7,846	243	6,774	0	686	0	317
63 Other banks in foreign countries	1,769	75,633	1,694	70,466	17	3,404	2	1,250
64 Foreign governments and official institutions (including foreign central banks)	854	9,937	796	9,687	11	53	3	17
65 All other deposits and credit balances	1,126	49	1,107	48	4	0	2	0
66 Certified and official checks	732	n.a.	649	n.a.	30	n.a.	17	n.a.
67 Transaction accounts and credit balances (excluding IBFs)	6,327		5,452		174		216	
68 Individuals, partnerships, and corporations	3,665		2,991		135		193	
69 U.S. addressees (domicile)	2,124		1,731		89		189	
70 Non-U.S. addressees (domicile)	1,541		1,260		45		4	
71 Commercial banks in United States (including IBFs)	650		645		0		1	
72 U.S. branches and agencies of other foreign banks	82		81		0		0	
73 Other commercial banks in United States	568	n.a.	564	n.a.	0	n.a.	0	n.a.
74 Banks in foreign countries	771		722		6		2	
75 Foreign branches of U.S. banks	23		23		0		0	
76 Other banks in foreign countries	748		699		6		2	
77 Foreign governments and official institutions (including foreign central banks)	350		301		2		3	
78 All other deposits and credit balances	159		144		1		1	
79 Certified and official checks	732		649		30		17	
80 Demand deposits (included in transaction accounts and credit balances)	4,916		4,248		99		203	
81 Individuals, partnerships, and corporations	3,108		2,634		61		180	
82 U.S. addressees (domicile)	1,802		1,521		33		176	
83 Non-U.S. addressees (domicile)	1,306		1,113		27		4	
84 Commercial banks in United States (including IBFs)	58		54		0		1	
85 U.S. branches and agencies of other foreign banks	11		11		0		0	
86 Other commercial banks in United States	47	n.a.	43	n.a.	0	n.a.	0	n.a.
87 Banks in foreign countries	604		555		6		2	
88 Foreign branches of U.S. banks	2		2		0		0	
89 Other banks in foreign countries	602		554		6		2	
90 Foreign governments and official institutions (including foreign central banks)	290		241		2		3	
91 All other deposits and credit balances	124		115		0		1	
92 Certified and official checks	732		649		30		17	
93 Non-transaction accounts (including MMDAs, excluding IBFs)	51,574		42,948		1,641		2,736	
94 Individuals, partnerships, and corporations	40,931		32,972		1,583		2,183	
95 U.S. addressees (domicile)	32,472		27,274		443		1,996	
96 Non-U.S. addressees (domicile)	8,459		5,698		1,140		187	
97 Commercial banks in United States (including IBFs)	7,931		7,302		36		552	
98 U.S. branches and agencies of other foreign banks	4,340		3,830		6		489	
99 Other commercial banks in United States	3,590	n.a.	3,472	n.a.	30	n.a.	63	n.a.
100 Banks in foreign countries	1,241		1,215		11		0	
101 Foreign branches of U.S. banks	220		220		0		0	
102 Other banks in foreign countries	1,021		994		11		0	
103 Foreign governments and official institutions (including foreign central banks)	504		495		9		0	
104 All other deposits and credit balances	967		964		3		1	
105 IBF deposit liabilities		162,990		146,204		9,306		3,069
106 Individuals, partnerships, and corporations		14,512		10,789		439		60
107 U.S. addressees (domicile)		186		179		0		0
108 Non-U.S. addressees (domicile)		14,326		10,610		439		60
109 Commercial banks in United States (including IBFs)		55,013		48,440		4,723		1,425
110 U.S. branches and agencies of other foreign banks		47,046		41,273		4,307		1,140
111 Other commercial banks in United States	n.a.	7,967	n.a.	7,167	n.a.	417	n.a.	285
112 Banks in foreign countries		83,478		77,239		4,090		1,567
113 Foreign branches of U.S. banks		7,846		6,774		686		317
114 Other banks in foreign countries		75,633		70,466		3,404		1,250
115 Foreign governments and official institutions (including foreign central banks)		9,937		9,687		53		17
116 All other deposits and credit balances		49		48		0		0

For notes see end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, September 30, 1987[1]—Continued
Millions of dollars

Item	All states[2]		New York		California		Illinois	
	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]	Total including IBFs	IBFs only[3]
117 Federal funds purchased and securities sold under agreements to repurchase	40,620	3,085	30,332	1,607	7,369	1,339	2,292	88
118 U.S. branches and agencies of other foreign banks	11,889	1,406	7,729	599	2,777	706	1,120	55
119 Other commercial banks in United States	11,414	251	7,423	110	2,852	137	888	0
120 Other	17,317	1,428	15,180	898	1,740	496	285	33
121 Other borrowed money	87,979	34,488	46,945	14,302	31,975	15,914	6,636	3,299
122 Owed to nonrelated commercial banks in United States (including IBFs)	59,146	13,531	31,133	3,693	22,699	8,723	3,437	580
123 Owed to U.S. offices of nonrelated U.S. banks	26,720	2,648	16,650	986	7,485	1,408	1,823	86
124 Owed to U.S. branches and agencies of nonrelated foreign banks	32,425	10,883	14,482	2,707	15,214	7,315	1,614	495
125 Owed to nonrelated banks in foreign countries	19,513	18,852	9,390	8,779	6,933	6,926	2,741	2,709
126 Owed to foreign branches of nonrelated U.S. banks	2,863	2,640	1,222	1,002	1,262	1,262	273	273
127 Owed to foreign offices of nonrelated foreign banks	16,650	16,212	8,168	7,777	5,671	5,664	2,468	2,436
128 Owed to others	9,320	2,105	6,423	1,830	2,344	265	459	10
129 All other liabilities	41,106	3,799	29,875	3,038	9,660	529	1,032	185
130 Branch or agency liability on acceptances executed and outstanding	31,304	n.a.	21,776	n.a.	8,581	n.a.	611	n.a.
131 Other liabilities to nonrelated parties	9,801	3,799	8,098	3,038	1,079	529	420	185
132 Net due to related depository institutions[5]	54,502	21,856	26,620	15,032	6,767	3,354	12,141	3,102
133 Net due to head office and other related depository institutions[5]	54,502	n.a.	26,620	n.a.	6,767	n.a.	12,141	n.a.
134 Net due to establishing entity, head office, and other related depository institutions[5]	n.a.	21,856	n.a.	15,032	n.a.	3,354	n.a.	3,102
MEMO								
135 Non-interest bearing balances with commercial banks in United States	2,415	12	2,219	12	98	0	43	0
136 Holding of commercial paper included in total loans	576		396		79		84	
137 Holding of own acceptances included in commercial and industrial loans	2,753		1,619		839		145	
138 Commercial and industrial loans with remaining maturity of one year or less	55,742		31,256		11,141		7,953	
139 Predetermined interest rates	35,066	n.a.	18,391	n.a.	8,399	n.a.	5,181	n.a.
140 Floating interest rates	20,676		12,865		2,742		2,772	
141 Commercial and industrial loans with remaining maturity of more than one year	45,613		31,077		6,779		4,089	
142 Predetermined interest rates	15,111		9,373		3,182		1,834	
143 Floating interest rates	30,502		21,704		3,598		2,256	

4.30 Continued

Millions of dollars

Item	All states[2] Total excluding IBFs	All states[2] IBFs only[3]	New York Total excluding IBFs	New York IBFs only[3]	California Total excluding IBFs	California IBFs only[3]	Illinois Total excluding IBFs	Illinois IBFs only[3]
144 Components of total nontransaction accounts, included in total deposits and credit balances of nontransactional accounts, including IBFs	67,879	n.a.	59,094	n.a.	1,616	n.a.	3,007	n.a.
145 Time CDs in denominations of $100,000 or more	39,636	n.a.	32,873	n.a.	1,120	n.a.	2,259	n.a.
146 Other time deposits in denominations of $100,000 or more	8,725	n.a.	8,109	n.a.	312	n.a.	238	n.a.
147 Time CDs in denominations of $100,000 or more with remaining maturity of more than 12 months	19,518	n.a.	18,112	n.a.	184	n.a.	509	n.a.

Item	All states[2] Total including IBFs	All states[2] IBFs only[3]	New York Total including IBFs	New York IBFs only[3]	California Total including IBFs	California IBFs only[3]	Illinois Total including IBFs	Illinois IBFs only[3]
148 Market value of securities held	33,933	10,626	27,986	8,540	3,780	1,700	1,160	254
149 Immediately available funds with a maturity greater than one day included in other borrowed money	53,814	n.a.	28,765	n.a.	21,192	n.a.	2,723	n.a.
150 Number of reports filed[6]	499	....	227	....	122	....	49	....

1. Data are aggregates of categories reported on the quarterly form FFIEC 002, "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks." Details may not add to totals because of rounding. This form was first used for reporting data as of June 30, 1980, and was revised as of December 31, 1985. From November 1972 through May 1980, U.S. branches and agencies of foreign banks had filed a monthly FR 886a report. Aggregate data from that report were available through the Federal Reserve statistical release G.11, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items.
2. Includes the District of Columbia.
3. Effective December 1981, the Federal Reserve Board amended Regulations D and Q to permit banking offices located in the United States to operate International Banking Facilities (IBFs). As of December 31, 1985, data for IBFs are reported in a separate column. These data are either included in or excluded from the total columns as indicated in the headings. The notation "n.a." indicates that no IBF data are reported for that item, either because the item is not an eligible IBF asset or liability or because that level of detail is not reported for IBFs. From December 1981 through September 1985, IBF data were included in all applicable items reported.
4. Total assets and total liabilities include *net* balances, if any, due from or due to related banking institutions in the United States and in foreign countries (see footnote 5). On the former monthly branch and agency report, available through the G.11 statistical release, *gross* balances were included in total assets and total liabilities. Therefore, total asset and total liability figures in this table are not comparable to those in the G.11 tables.
5. "Related banking institutions" includes the foreign head office and other U.S. and foreign branches and agencies of the bank, the bank's parent holding company, and majority-owned banking subsidiaries of the bank and of its parent holding company (including subsidiaries owned both directly and indirectly).
6. In some cases two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

4.31 Pro forma balance sheet for priced services of the Federal Reserve System

Millions of dollars

Item	September 30, 1987		September 30, 1986	
Short-term assets[1]				
Imputed reserve requirement on clearing balances	217.3		213.4	
Investment in marketable securities	1,593.7		1,564.6	
Receivables	54.6		51.9	
Materials and supplies	5.1		5.2	
Prepaid expenses	8.2		7.0	
Net items in process of collection	688.8		455.1	
Total short-term assets		2,567.7		2,297.3
Long-term assets[2]				
Premises	219.1		195.2	
Furniture and equipment	108.7		114.5	
Leases and leasehold improvements	3.1		3.8	
Prepaid pension costs	14.0		—	
Total long-term assets		345.0		313.5
Total assets		**2,912.6**		**2,610.9**
Short-term liabilities				
Clearing balances and balances arising from early credit of uncollected items	2,499.8		2,233.1	
Short-term debt	67.9		64.2	
Total short-term liabilities		2,567.7		2,297.3
Long-term liabilities				
Obligations under capital leases	1.2		1.6	
Long-term debt	104.9		99.2	
Total long-term liabilities		106.1		100.8
Total liabilities		2,673.7		2,398.1
Equity		238.9		212.8
Total liabilities and equity[3]		**2,912.6**		**2,610.9**

Details may not add to totals because of rounding.

1. *Short-term assets*. The accounts "imputed reserve requirement on clearing balances" and "investment in marketable securities" reflect the Federal Reserve's treatment of clearing balances that depository institutions maintain on deposit with the Reserve Banks. For balance sheet and income statement presentation, clearing balances are reported in a manner comparable to the way correspondent banks report compensating balances that respondent institutions hold with them: These respondent balances are subject to a reserve requirement established by the Federal Reserve, which must be satisfied either with vault cash or with nonearning balances maintained at a Reserve Bank. Following this model, clearing balances maintained with Reserve Banks for priced-service purposes are subject to imputed reserve requirements. Therefore, a portion of the clearing balances held with the Federal Reserve is classified on the asset side of the balance sheet as required reserves and is reflected in a manner similar to vault cash and due-from-bank balances normally shown on a correspondent bank's balance sheet. The remainder of clearing balances is assumed to be available for investment. For these purposes, the Federal Reserve assumes that all such balances are invested in three-month Treasury bills.

The amount of "net items in the process of collection" represents float as of the balance sheet date and is the difference between the value of items in the process of collection (including checks, coupons, securities, wire transfers, and automated clearinghouse (ACH) transactions) and the value of deferred-availability items. The cost base for providing services that must be recovered under the Monetary Control Act includes the cost of float incurred by the Federal Reserve during the period valued at the federal funds rate. Conventional accounting procedures would call for inclusion on a balance sheet of the gross amount of items in the process of collection and of deferred-availability items. However, because the gross amounts have no implications for income, costs, or the private sector adjustment factor (PSAF), and because the inclusion of these amounts could lead to distortions and misinterpretations of the assets employed in the provision of priced services that must be financed, only the net amount is shown. That amount represents the assets that involve a financing cost.

2. *Long-term assets*. Long-term assets reflected on the balance sheet have been allocated to priced services using a direct determination basis. That method uses the Federal Reserve's Planning and Control System to ascertain directly the value of assets used solely in priced service operations, and to apportion the value of jointly used assets between priced and nonpriced services. In addition, an estimate of the assets of the Board of Governors directly involved in the development of priced services is included in long-term assets in the premises account.

The category "long-term assets" also includes an allocation of prepaid pension costs associated with priced services. The Federal Reserve Banks implemented Financial Accounting Standards Board Statement No. 87—Employers' Accounting for Pensions, effective January 1, 1987. In accordance with the statement's terms, the Reserve Banks recognized a credit to expenses and an increase in this long-term asset account.

3. *Liabilities and equity*. A matched-book capital structure for those assets that are not "self-financing" has been used to determine the liability and equity amounts. Short-term assets are financed with short-term debt. Long-term assets are financed with long-term debt and equity in a proportion equal to the ratio of long-term debt and equity of the bank holding companies used in the PSAF model.

4.32 Pro forma income statement for priced services of the Federal Reserve System[1]

Millions of dollars

Item	Quarter ending September 30				Nine months ending September 30			
	1987		1986		1987		1986	
Income[2]								
Services provided to depository institutions		163.8		156.7		484.3		465.4
Expenses[3]								
Production expenses		127.9		124.1		375.3		368.0
Income from operations		35.8		32.6		109.0		97.5
Imputed costs[4]								
Interest on float	6.9		3.9		17.2		15.5	
Interest on debt	4.0		3.3		12.1		10.0	
Sales taxes	1.6		1.9		5.0		5.5	
FDIC insurance	.4	12.9	.4	9.5	1.4	35.7	1.1	32.0
Income from operations after imputed costs		22.9		23.0		73.3		65.5
Other income and expenses[5]								
Investment income	31.5		26.6		86.9		86.2	
Earnings credits	28.9	2.6	25.2	1.4	83.9	3.0	80.1	6.1
Income before income taxes		25.5		24.5		76.3		71.5
Imputed income taxes[6]		8.7		9.2		25.9		26.9
Net income		**16.9**		**15.3**		**50.4**		**44.6**
Targeted return on equity[6]		7.3		6.8		22.0		20.5

Details may not add to totals because of rounding.

1. The income statement reflects income and expenses for priced services. Included in these amounts are imputed float costs, imputed financing costs, and income related to clearing balances.

2. *Income*. Income represents charges to depository institutions for priced services. This income is realized through one of two methods: direct charges to an institution's account, or charges against accumulated earnings credits. Income includes charges for per-item fees, fixed fees, package fees, explicitly priced float, account maintenance fees, shipping and insurance fees, and surcharges.

3. *Production expenses*. Production expenses include direct, indirect, and other general administrative expenses of the Federal Reserve Banks for providing priced services. Included in this amount in 1987 is the reduction in expenses because of implementation of Financial Accounting Standards Board Statement No. 87 (see note 2, table 4.31). Also included are the expenses of the staff of the Board of Governors working directly on the development of priced services, which in both years amounted to $0.4 million in the third quarter and $1.3 million in the first nine months.

4. *Imputed costs*. Imputed float costs represent the value of float to be recovered, either explicitly or through per-item fees, during the period. Float costs cover float incurred on checks, book-entry securities, noncash collection, ACH transactions, and wire transfers.

The following table reports the Federal Reserve's daily average float performance and float recovery for the third quarter of 1987 in millions of dollars:

Total float	755.5
Unrecovered float	43.8
Float subject to recovery	711.7
Sources of float recovery	
Income on clearing balances	86.0
As of adjustments	317.5
Direct charges	101.6
Per-item fees	206.6

In the table, unrecovered float includes float generated in providing services to government agencies or in other central bank services. Float recovered through income on clearing balances represents increased investable clearing balances as a result of reducing imputed reserve requirements through the use of a CIPC deduction for float when calculating the reserve requirement; this income then reduces float required to be recovered through other means. As of adjustments to the institution's reserve or clearing balance, or valuing the float at the federal funds rate and billing the institution directly, are ways of recovering midweek closing float and interterritory check float from depositing institutions. The float recovered through per-item fees is valued at the federal funds rate and has been added to the cost base subject to recovery in the third quarter of 1987.

Also included in imputed costs is the interest on debt assumed necessary to finance priced-service assets and the sales taxes and FDIC insurance assessment that the Federal Reserve would have paid had it been a private business firm.

5. *Other income and expenses*. The category "Other income and expenses" is comprised of income on clearing balances and the cost of earnings credits granted to depository institutions on their clearing balances. Income on clearing balances represents the average coupon-equivalent yield on three-month Treasury bills applied to the *total* clearing balance maintained, adjusted for the effect of reserve requirements on clearing balances. Expenses for earnings credits are derived by applying the average federal funds rate to the *required* portion of clearing balances, and are adjusted for the net effect of reserve requirements on clearing balances.

6. *Income taxes and return on equity*. Imputed income taxes are calculated at the effective tax rate derived from a model consisting of the 25 largest bank holding companies.

The targeted return on equity represents the after-tax rate of return on equity based on the bank holding company model that the Federal Reserve would have earned had it been a private business firm.

Federal Reserve Board of Governors

ALAN GREENSPAN, *Chairman*
MANUEL H. JOHNSON, *Vice Chairman*
MARTHA R. SEGER
WAYNE D. ANGELL

OFFICE OF BOARD MEMBERS

JOSEPH R. COYNE, *Assistant to the Board*
DONALD J. WINN, *Assistant to the Board*
LYNN SMITH FOX, *Special Assistant to the Board*
BOB STAHLY. MOORE, *Special Assistant to the Board*

LEGAL DIVISION

MICHAEL BRADFIELD, *General Counsel*
J. VIRGIL MATTINGLY, JR., *Deputy General Counsel*
RICHARD M. ASHTON, *Associate General Counsel*
OLIVER IRELAND, *Associate General Counsel*
RICKI R. TIGERT, *Assistant General Counsel*
MARYELLEN A. BROWN, *Assistant to the General Counsel*

OFFICE OF THE SECRETARY

WILLIAM W. WILES, *Secretary*
BARBARA R. LOWREY, *Associate Secretary*
JAMES MCAFEE, *Associate Secretary*

DIVISION OF CONSUMER AND COMMUNITY AFFAIRS

GRIFFITH L. GARWOOD, *Director*
GLENN E. LONEY, *Assistant Director*
ELLEN MALAND, *Assistant Director*
DOLORES S. SMITH, *Assistant Director*

DIVISION OF BANKING SUPERVISION AND REGULATION

WILLIAM TAYLOR, *Staff Director*
FRANKLIN D. DREYER, *Deputy Director*[1]
DON E. KLINE, *Associate Director*
FREDERICK M. STRUBLE, *Associate Director*
WILLIAM A. RYBACK, *Deputy Associate Director*
STEPHEN C. SCHEMERING, *Deputy Associate Director*
RICHARD SPILLENKOTHEN, *Deputy Associate Director*
HERBERT A. BIERN, *Assistant Director*
JOE M. CLEAVER, *Assistant Director*
ANTHONY CORNYN, *Assistant Director*
JAMES I. GARNER, *Assistant Director*
JAMES D. GOETZINGER, *Assistant Director*
MICHAEL G. MARTINSON, *Assistant Director*
ROBERT S. PLOTKIN, *Assistant Director*
SIDNEY M. SUSSAN, *Assistant Director*
LAURA M. HOMER, *Securities Credit Officer*

1. On loan from the Federal Reserve Bank of Chicago.

DIVISION OF INTERNATIONAL FINANCE

EDWIN M. TRUMAN, *Staff Director*
LARRY J. PROMISEL, *Senior Associate Director*
CHARLES J. SIEGMAN, *Senior Associate Director*
DAVID H. HOWARD, *Deputy Associate Director*
ROBERT F. GEMMILL, *Staff Adviser*
DONALD B. ADAMS, *Assistant Director*
PETER HOOPER III, *Assistant Director*
KAREN H. JOHNSON, *Assistant Director*
RALPH W. SMITH, JR., *Assistant Director*

DIVISION OF RESEARCH AND STATISTICS

MICHAEL J. PRELL, *Director*
EDWARD C. ETTIN, *Deputy Director*
JARED J. ENZLER, *Associate Director*
THOMAS D. SIMPSON, *Associate Director*
LAWRENCE SLIFMAN, *Associate Director*
ELEANOR J. STOCKWELL, *Associate Director*
MARTHA BETHEA, *Deputy Associate Director*
PETER A. TINSLEY, *Deputy Associate Director*
MARK N. GREENE, *Assistant Director*
MYRON L. KWAST, *Assistant Director*
SUSAN J. LEPPER, *Assistant Director*
MARTHA S. SCANLON, *Assistant Director*
DAVID J. STOCKTON, *Assistant Director*
JOYCE K. ZICKLER, *Assistant Director*
LEVON H. GARABEDIAN, *Assistant Director (Administration)*

DIVISION OF MONETARY AFFAIRS

DONALD L. KOHN, *Director*
DAVID E. LINDSEY, *Deputy Director*
BRIAN F. MADIGAN, *Assistant Director*
RICHARD D. PORTER, *Assistant Director*
NORMAND R.V. BERNARD, *Special Assistant to the Board*

OFFICE OF THE INSPECTOR GENERAL

BRENT L. BOWEN, *Inspector General*

and Official Staff

H. ROBERT HELLER
EDWARD W. KELLEY, JR.

OFFICE OF STAFF DIRECTOR FOR MANAGEMENT

S. DAVID FROST, *Staff Director*
EDWARD T. MULRENIN, *Assistant Staff Director*
PORTIA W. THOMPSON, *Equal Employment Opportunity Programs Officer*

DIVISION OF PERSONNEL

DAVID L. SHANNON, *Director*
JOHN R. WEIS, *Assistant Director*
CHARLES W. WOOD, *Assistant Director*

OFFICE OF THE CONTROLLER

GEORGE E. LIVINGSTON, *Controller*
STEPHEN J. CLARK, *Assistant Controller (Programs and Budgets)*
DARRELL R. PAULEY, *Assistant Controller (Finance)*

DIVISION OF SUPPORT SERVICES

ROBERT E. FRAZIER, *Director*
GEORGE M. LOPEZ, *Assistant Director*
DAVID L. WILLIAMS, *Assistant Director*

OFFICE OF THE EXECUTIVE DIRECTOR FOR INFORMATION RESOURCES MANAGEMENT

ALLEN E. BEUTEL, *Executive Director*
STEPHEN R. MALPHRUS, *Associate Director*

DIVISION OF HARDWARE AND SOFTWARE SYSTEMS

BRUCE M. BEARDSLEY, *Director*
THOMAS C. JUDD, *Assistant Director*
ELIZABETH B. RIGGS, *Assistant Director*
ROBERT J. ZEMEL, *Assistant Director*

DIVISION OF APPLICATIONS DEVELOPMENT AND STATISTICAL SERVICES

WILLIAM R. JONES, *Director*
DAY W. RADEBAUGH, *Assistant Director*
RICHARD C. STEVENS, *Assistant Director*
PATRICIA A. WELCH, *Assistant Director*

OFFICE OF STAFF DIRECTOR FOR FEDERAL RESERVE BANK ACTIVITIES

THEODORE E. ALLISON, *Staff Director*

DIVISION OF FEDERAL RESERVE BANK OPERATIONS

CLYDE H. FARNSWORTH, JR., *Director*
ELLIOTT C. MCENTEE, *Associate Director*
DAVID L. ROBINSON, *Associate Director*
C. WILLIAM SCHLEICHER, JR., *Associate Director*
CHARLES W. BENNETT, *Assistant Director*
JACK DENNIS, JR., *Assistant Director*
EARL G. HAMILTON, *Assistant Director*
JOHN H. PARRISH, *Assistant Director*
LOUISE L. ROSEMAN, *Assistant Director*
FLORENCE M. YOUNG, *Adviser*

Federal Open Market Committee

FEDERAL OPEN MARKET COMMITTEE

MEMBERS

ALAN GREENSPAN, *Chairman*

E. GERALD CORRIGAN, *Vice Chairman*

WAYNE D. ANGELL
EDWARD G. BOEHNE
ROBERT H. BOYKIN
H. ROBERT HELLER
MANUEL H. JOHNSON
SILAS KEEHN
EDWARD W. KELLEY, JR.
MARTHA R. SEGER
GARY H. STERN

ALTERNATE MEMBERS

ROBERT P. BLACK
ROBERT T. PARRY
ROBERT P. FORRESTAL
THOMAS M. TIMLEN
W. LEE HOSKINS

STAFF

DONALD L. KOHN, *Secretary and Staff Adviser*
NORMAND R.V. BERNARD, *Assistant Secretary*
ROSEMARY R. LONEY, *Deputy Assistant Secretary*
MICHAEL BRADFIELD, *General Counsel*
ERNEST T. PATRIKIS, *Deputy General Counsel*
EDWIN M. TRUMAN, *Economist (International)*
~~PETER FOUSEK, *Associate Economist*~~
RICHARD W. LANG, *Associate Economist*
DAVID E. LINDSEY, *Associate Economist*
MICHAEL J. PRELL, *Associate Economist*
ARTHUR J. ROLNICK, *Associate Economist*
HARVEY ROSENBLUM, *Associate Economist*
KARL A. SCHELD, *Associate Economist*
CHARLES J. SIEGMAN, *Associate Economist*
THOMAS D. SIMPSON, *Associate Economist*

PETER D. STERNLIGHT, *Manager for Domestic Operations, System Open Market Account*
SAM Y. CROSS, *Manager for Foreign Operations, System Open Market Account*

FEDERAL ADVISORY COUNCIL

J. TERRENCE MURRAY, First District
WILLARD C. BUTCHER, Second District
SAMUEL A. MCCULLOUGH, Third District
THOMAS H. O'BRIEN, Fourth District
FREDERICK DEANE, JR., Fifth District
BENNETT A. BROWN, Sixth District
CHARLES T. FISHER, III, Seventh District
DONALD N. BRANDIN, Eighth District
DEWALT H. ANKENY, JR., Ninth District
F. PHILLIPS GILTNER, Tenth District
GERALD W. FRONTERHOUSE, Eleventh District
PAUL HAZEN, Twelfth District

HERBERT V. PROCHNOW, SECRETARY
WILLIAM J. KORSVIK, ASSOCIATE SECRETARY

and Advisory Councils

CONSUMER ADVISORY COUNCIL

STEVEN W. HAMM, Columbia, South Carolina, *Chairman*
EDWARD J. WILLIAMS, Chicago, Illinois, *Vice Chairman*

NAOMI G. ALBANESE, Greensboro, North Carolina
STEPHEN BROBECK, Washington, D.C.
EDWIN B. BROOKS, JR., Richmond, Virginia
JUDITH N. BROWN, Edina, Minnesota
MICHAEL S. CASSIDY, New York, New York
BETTY TOM CHU, Monterey, California
JERRY D. CRAFT, Atlanta, Georgia
DONALD C. DAY, Boston, Massachusetts
RICHARD B. DOBY, Denver, Colorado
RICHARD H. FINK, Washington, D.C.
NEIL J. FOGARTY, Jersey City, New Jersey
STEPHEN GARDNER, Dallas, Texas
KENNETH A. HALL, Picayune, Mississippi
ELENA G. HANGGI, Little Rock, Arkansas
ROBERT A. HESS, Washington, D.C.
ROBERT J. HOBBS, Boston, Massachusetts
RAMON E. JOHNSON, Salt Lake City, Utah
ROBERT W. JOHNSON, West Lafayette, Indiana
A. J. (JACK) KING, Kalispell, Montana
JOHN M. KOLESAR, Cleveland, Ohio
ALAN B. LERNER, Dallas, Texas
RICHARD L. D. MORSE, Manhattan, Kansas
WILLIAM E. ODOM, Dearborn, Michigan
SANDRA R. PARKER, Richmond, Virginia
SANDRA PHILLIPS, Pittsburgh, Pennsylvania
JANE SHULL, Philadelphia, Pennsylvania
RALPH E. SPURGIN, Columbus, Ohio
LAWRENCE WINTHROP, Portland, Oregon

THRIFT INSTITUTIONS ADVISORY COUNCIL

JAMIE J. JACKSON, Houston, Texas, *President*
GERALD M. CZARNECKI, Honolulu, Hawaii, *Vice President*

ROBERT S. DUNCAN, Hattiesburg, Mississippi
BETTY GREGG, Phoenix, Arizona
THOMAS A. KINST, Hoffman Estates, Illinois
RAY MARTIN, Los Angeles, California
JOE C. MORRIS, Emporia, Kansas
JOSEPH W. MOSMILLER, Baltimore, Maryland
JANET M. PAVLISKA, Arlington, Massachusetts
LOUIS H. PEPPER, Seattle, Washington
WILLIAM G. SCHUETT, Milwaukee, Wisconsin
DONALD B. SHACKELFORD, Columbus, Ohio

Federal Reserve Board Publications

Copies are available from PUBLICATIONS SERVICES, Mail Stop 138, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. *When a charge is indicated, payment should accompany request and be made to the Board of Governors of the Federal Reserve System. Payment from foreign residents should be drawn on a U.S. bank. Stamps and coupons are not accepted.*

THE FEDERAL RESERVE SYSTEM—PURPOSES AND FUNCTIONS. 1984. 120 pp.
ANNUAL REPORT.
ANNUAL REPORT: BUDGET REVIEW, 1986–87.
FEDERAL RESERVE BULLETIN. Monthly. $20.00 per year or $2.00 each in the United States, its possessions, Canada, and Mexico; 10 or more of same issue to one address, $18.00 per year or $1.75 each. Elsewhere, $24.00 per year or $2.50 each.
BANKING AND MONETARY STATISTICS. 1914–1941. (Reprint of Part I only) 1976. 682 pp. $5.00.
BANKING AND MONETARY STATISTICS. 1941–1970. 1976. 1,168 pp. $15.00.
ANNUAL STATISTICAL DIGEST
- 1974–78. 1980. 305 pp. $10.00 per copy.
- 1981. 1982. 239 pp. $ 6.50 per copy.
- 1982. 1983. 266 pp. $ 7.50 per copy.
- 1983. 1984. 264 pp. $11.50 per copy.
- 1984. 1985. 254 pp. $12.50 per copy.
- 1985. 1986. 231 pp. $15.00 per copy.
- 1986. 1987. 288 pp. $15.00 per copy.

HISTORICAL CHART BOOK. Issued annually in Sept. $1.25 each in the United States, its possessions, Canada, and Mexico; 10 or more to one address, $1.00 each. Elsewhere, $1.50 each.
SELECTED INTEREST AND EXCHANGE RATES—WEEKLY SERIES OF CHARTS. Weekly. $21.00 per year or $.50 each in the United States, its possessions, Canada, and Mexico; 10 or more of same issue to one address, $19.50 per year or $.45 each. Elsewhere, $26.00 per year or $.60 each.
THE FEDERAL RESERVE ACT, and other statutory provisions affecting the Federal Reserve System, as amended through April 20, 1983, with Supplements covering amendments through August 1986. 576 pp. $7.00.
REGULATIONS OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM.
ANNUAL PERCENTAGE RATE TABLES (Truth in Lending—Regulation Z) *Vol. I* (Regular Transactions). 1969. 100 pp. *Vol. II* (Irregular Transactions). 1969. 116 pp. Each volume $2.25; 10 or more of same volume to one address, $2.00 each.
FEDERAL RESERVE MEASURES OF CAPACITY AND CAPACITY UTILIZATION. 1978. 40 pp. $1.75 each; 10 or more to one address, $1.50 each.
THE BANK HOLDING COMPANY MOVEMENT TO 1978: A COMPENDIUM. 1978. 289 pp. $2.50 each; 10 or more to one address, $2.25 each.
INTRODUCTION TO FLOW OF FUNDS. 1980. 68 pp. $1.50 each; 10 or more to one address, $1.25 each.
PUBLIC POLICY AND CAPITAL FORMATION. 1981. 326 pp. $13.50 each.
FEDERAL RESERVE REGULATORY SERVICE. Looseleaf; updated at least monthly. (Requests must be prepaid.)
- Consumer and Community Affairs Handbook. $75.00 per year.
- Monetary Policy and Reserve Requirements Handbook. $75.00 per year.
- Securities Credit Transactions Handbook. $75.00 per year.
- Federal Reserve Regulatory Service. 3 vols. (Contains all three Handbooks plus substantial additional material.) $200.00 per year.
- *Rates for subscribers outside the United States are as follows and include additional air mail costs:*
- Federal Reserve Regulatory Service, $250.00 per year.
- Each Handbook, $90.00 per year.

THE U.S. ECONOMY IN AN INTERDEPENDENT WORLD: A MULTICOUNTRY MODEL, May 1984. 590 pp. $14.50 each.
WELCOME TO THE FEDERAL RESERVE.
PROCESSING AN APPLICATION THROUGH THE FEDERAL RESERVE SYSTEM. August 1985. 30 pp.
INDUSTRIAL PRODUCTION—1986 EDITION. December 1986. 440 pp. $9.00 each.
FINANCIAL FUTURES AND OPTIONS IN THE U.S. ECONOMY. December 1986. 264 pp. $10.00 each.

CONSUMER EDUCATION PAMPHLETS

Short pamphlets suitable for classroom use. Multiple copies are available without charge.

Consumer Handbook on Adjustable Rate Mortgages
Consumer Handbook to Credit Protection Laws
Fair Credit Billing
Federal Reserve Glossary
A Guide to Business Credit and the Equal Credit Opportunity Act
Guide to Federal Reserve Regulations
How to File A Consumer Credit Complaint
If You Borrow To Buy Stock
If You Use A Credit Card
Series on the Structure of the Federal Reserve System
- The Board of Governors of the Federal Reserve System
- The Federal Open Market Committee
- Federal Reserve Bank Board of Directors
- Federal Reserve Banks
- Organization and Advisory Committees

PAMPHLETS FOR FINANCIAL INSTITUTIONS

Short pamphlets on regulatory compliance, primarily suitable for banks, bank holding companies and creditors.

Limit of 50 copies

The Board of Directors' Opportunities in Community Reinvestment

The Board of Directors' Role in Consumer Law Compliance
Combined Construction/Permanent Loan Disclosure and Regulation Z
Community Development Corporations and the Federal Reserve
Construction Loan Disclosures and Regulation Z
Finance Charges Under Regulation Z
How to Determine the Credit Needs of Your Community
Regulation Z: The Right of Rescission
The Right to Financial Privacy Act
Signature Rules in Community Property States: Regulation B
Signature Rules: Regulation B
Timing Requirements for Adverse Action Notices: Regulation B
What An Adverse Action Notice Must Contain: Regulation B
Understanding Prepaid Finance Charges: Regulation Z
Closing the Loan: A Consumer's Guide to Mortgage Settlement Costs
Refinancing Your Mortgage
A Consumer's Guide to Lock-Ins

STAFF STUDIES: Summaries Only Printed in the Bulletin

Studies and papers on economic and financial subjects that are of general interest. Requests to obtain single copies of the full text or to be added to the mailing list for the series may be sent to Publications Services.

Staff Studies 115–125 are out of print.

114. MULTIBANK HOLDING COMPANIES: RECENT EVIDENCE ON COMPETITION AND PERFORMANCE IN BANKING MARKETS, by Timothy J. Curry and John T. Rose. Jan. 1982. 9 pp.
126. DEFINITION AND MEASUREMENT OF EXCHANGE MARKET INTERVENTION, by Donald B. Adams and Dale W. Henderson. August 1983. 5 pp. *Out of print.*
127. U.S. EXPERIENCE WITH EXCHANGE MARKET INTERVENTION: JANUARY–MARCH 1975, by Margaret L. Greene. August 1984. 16 pp. *Out of print.*
128. U.S. EXPERIENCE WITH EXCHANGE MARKET INTERVENTION: SEPTEMBER 1977–DECEMBER 1979, by Margaret L. Greene. October 1984. 40 pp. *Out of print.*
129. U.S. EXPERIENCE WITH EXCHANGE MARKET INTERVENTION: OCTOBER 1980–OCTOBER 1981, by Margaret L. Greene. August 1984. 36 pp.
130. EFFECTS OF EXCHANGE RATE VARIABILITY ON INTERNATIONAL TRADE AND OTHER ECONOMIC VARIABLES: A REVIEW OF THE LITERATURE, by Victoria S. Farrell with Dean A. DeRosa and T. Ashby McCown. January 1984. *Out of print.*
131. CALCULATIONS OF PROFITABILITY FOR U.S. DOLLAR–DEUTSCHE MARK INTERVENTION, by Laurence R. Jacobson. October 1983. 8 pp.
132. TIME-SERIES STUDIES OF THE RELATIONSHIP BETWEEN EXCHANGE RATES AND INTERVENTION: A REVIEW OF THE TECHNIQUES AND LITERATURE, by Kenneth Rogoff. October 1983. 15 pp.
133. RELATIONSHIPS AMONG EXCHANGE RATES, INTERVENTION, AND INTEREST RATES: AN EMPIRICAL INVESTIGATION, by Bonnie E. Loopesko. November 1983. *Out of print.*
134. SMALL EMPIRICAL MODELS OF EXCHANGE MARKET INTERVENTION: A REVIEW OF THE LITERATURE, by Ralph W. Tryon. October 1983. 14 pp. *Out of print.*
135. SMALL EMPIRICAL MODELS OF EXCHANGE MARKET INTERVENTION: APPLICATIONS TO CANADA, GERMANY, AND JAPAN, by Deborah J. Danker, Richard A. Haas, Dale W. Henderson, Steven A. Symansky, and Ralph W. Tryon. April 1985. 27 pp. *Out of print.*
136. THE EFFECTS OF FISCAL POLICY ON THE U.S. ECONOMY, by Darrell Cohen and Peter B. Clark. January 1984. 16 pp. *Out of print.*
137. THE IMPLICATIONS FOR BANK MERGER POLICY OF FINANCIAL DEREGULATION, INTERSTATE BANKING, AND FINANCIAL SUPERMARKETS, by Stephen A. Rhoades. February 1984. *Out of print.*
138. ANTITRUST LAWS, JUSTICE DEPARTMENT GUIDELINES, AND THE LIMITS OF CONCENTRATION IN LOCAL BANKING MARKETS, by James Burke. June 1984. 14 pp. *Out of print.*
139. SOME IMPLICATIONS OF FINANCIAL INNOVATIONS IN THE UNITED STATES, by Thomas D. Simpson and Patrick M. Parkinson. August 1984. 20 pp.
140. GEOGRAPHIC MARKET DELINEATION: A REVIEW OF THE LITERATURE, by John D. Wolken. November 1984. 38 pp. *Out of print.*
141. A COMPARISON OF DIRECT DEPOSIT AND CHECK PAYMENT COSTS, by William Dudley. November 1984. 15 pp. *Out of print.*
142. MERGERS AND ACQUISITIONS BY COMMERCIAL BANKS, 1960–83, by Stephen A. Rhoades. December 1984. 30 pp. *Out of print.*
143. COMPLIANCE COSTS AND CONSUMER BENEFITS OF THE ELECTRONIC FUND TRANSFER ACT: RECENT SURVEY EVIDENCE, by Frederick J. Schroeder. April 1985. 23 pp. *Out of print.*
144. SCALE ECONOMIES IN COMPLIANCE COSTS FOR CONSUMER CREDIT REGULATIONS: THE TRUTH IN LENDING AND EQUAL CREDIT OPPORTUNITY LAWS, by Gregory E. Elliehausen and Robert D. Kurtz. May 1985. 10 pp.
145. SERVICE CHARGES AS A SOURCE OF BANK INCOME AND THEIR IMPACT ON CONSUMERS, by Glenn B. Canner and Robert D. Kurtz. August 1985. 31 pp. *Out of print.*
146. THE ROLE OF THE PRIME RATE IN THE PRICING OF BUSINESS LOANS BY COMMERCIAL BANKS, 1977–84, by Thomas F. Brady. November 1985. 25 pp.
147. REVISIONS IN THE MONETARY SERVICES (DIVISIA) INDEXES OF THE MONETARY AGGREGATES, by Helen T. Farr and Deborah Johnson. December 1985. 42 pp.
148. THE MACROECONOMIC AND SECTORAL EFFECTS OF THE ECONOMIC RECOVERY TAX ACT: SOME SIMULATION RESULTS, by Flint Brayton and Peter B. Clark. December 1985. 17 pp.
149. THE OPERATING PERFORMANCE OF ACQUIRED FIRMS IN BANKING BEFORE AND AFTER ACQUISITION, by Stephen A. Rhoades. April 1986. 32 pp.
150. STATISTICAL COST ACCOUNTING MODELS IN BANKING: A REEXAMINATION AND AN APPLICATION, by John T. Rose and John D. Wolken. May 1986. 13 pp.
151. RESPONSES TO DEREGULATION: RETAIL DEPOSIT PRICING FROM 1983 THROUGH 1985, by Patrick I. Mahoney, Alice P. White, Paul F. O'Brien, and Mary M. McLaughlin. January 1987. 30 pp.

152. Determinants of Corporate Merger Activity: A Review of the Literature, by Mark J. Warshawsky. April 1987. 18 pp.
153. Stock Market Volatility, by Carolyn D. Davis and Alice P. White. September 1987. 14 pp.
154. The Effects on Consumers and Creditors of Proposed Ceilings on Credit Card Interest Rates, by Glenn B. Canner and James T. Fergus. October 1987. 783 pp.
155. The Funding of Private Pension Plans, by Mark J. Warshawsky. November 1987. 25 pp.

REPRINTS OF BULLETIN ARTICLES

Most of the articles reprinted do not exceed 12 pages.

Limit of 10 copies

Foreign Experience with Targets for Money Growth. 10/83.
Intervention in Foreign Exchange Markets: A Summary of Ten Staff Studies. 11/83.
A Financial Perspective on Agriculture. 1/84.
Survey of Consumer Finances, 1983. 9/84.
Bank Lending to Developing Countries. 10/84.
Survey of Consumer Finances, 1983: A Second Report. 12/84.
Union Settlements and Aggregate Wage Behavior in the 1980s. 12/84.
The Thrift Industry in Transition. 3/85.
A Revision of the Index of Industrial Production. 7/85.
Financial Innovation and Deregulation in Foreign Industrial Countries. 10/85.
Recent Developments in the Bankers Acceptance Market. 1/86.
The Use of Cash and Transaction Accounts by American Families. 2/86.
Financial Characteristics of High-Income Families. 3/86.
Prices, Profit Margins, and Exchange Rates. 6/86.
Agricultural Banks under Stress. 7/86.
Foreign Lending by Banks: A Guide to International and U.S. Statistics. 10/86.
Recent Developments in Corporate Finance. 11/86.
U.S. International Transactions in 1986. 5/87.
Measuring the Foreign-Exchange Value of the Dollar. 6/87.
Changes in Consumer Installment Debt: Evidence from the 1983 and 1986 Surveys of Consumer Finances. 10/87.

Index to Statistical Tables

References are to pages A3–A81 although the prefix "A" is omitted in this index

Federal Reserve Banks, Branches, and Offices

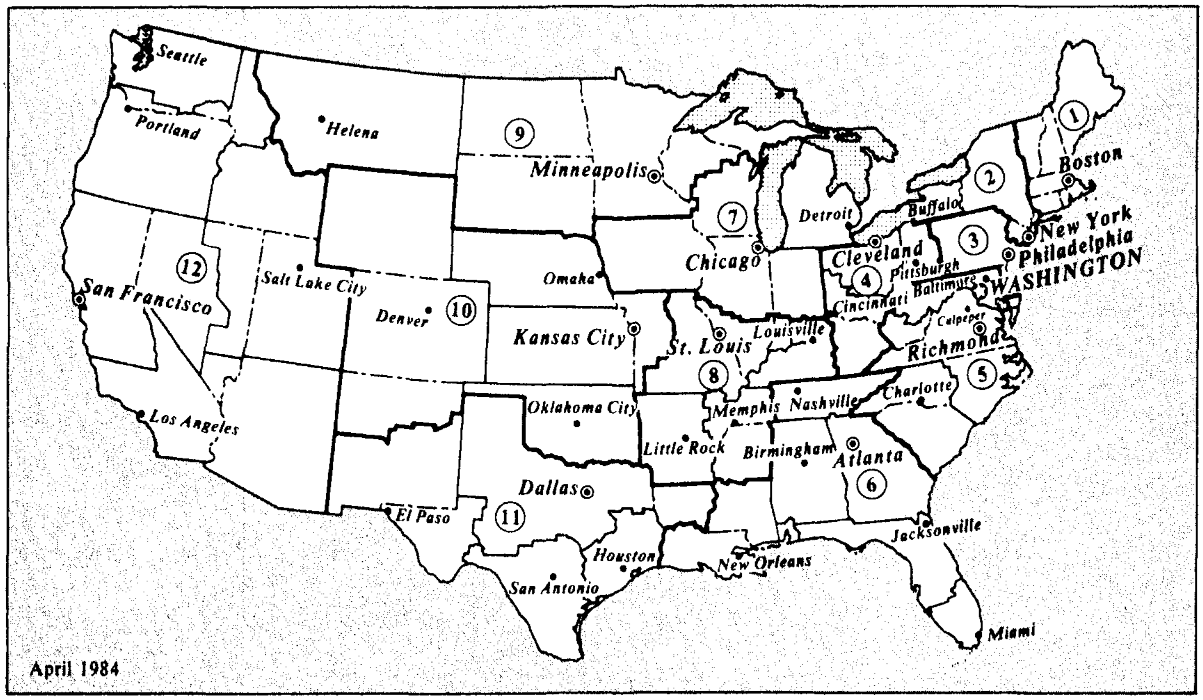
FEDERAL RESERVE BANK, branch, or *facility* Zip	Chairman Deputy Chairman	President First Vice President	Vice President in charge of branch
BOSTON* 02106	George N. Hatsopoulos Richard N. Cooper	Frank E. Morris Robert W. Eisenmenger	
NEW YORK* 10045	John R. Opel To be announced	E. Gerald Corrigan Thomas M. Timlen	
Buffalo 14240	Mary Ann Lambertsen		John T. Keane
PHILADELPHIA 19105	Nevius M. Curtis Peter A. Benoliel	Edward G. Boehne William H. Stone, Jr.	
CLEVELAND* 44101	Charles W. Parry John R. Miller	W. Lee Hoskins William H. Hendricks	
Cincinnati 45201	Owen B. Butler		Charles A.Cerino[1]
Pittsburgh 15230	James E. Haas		Harold J. Swart[1]
RICHMOND* 23219	Robert A. Georgine Hanne Merriman	Robert P. Black Jimmie R. Monhollon	
Baltimore 21203	Gloria L. Johnson		Robert D. McTeer, Jr.[1]
Charlotte 28230	G. Alex Bernhardt		Albert D. Tinkelenberg[1]
Culpeper Communications and Records Center 22701			John G. Stoides[1]
ATLANTA 30303	Bradley Currey, Jr. Larry L. Prince	Robert P. Forrestal Jack Guynn	Delmar Harrison[1]
Birmingham 35283	Roy D. Terry		Fred R. Herr[1]
Jacksonville 32231	E. William Nash, Jr.		James D. Hawkins[1]
Miami 33152	Sue McCourt Cobb		Patrick K. Barron[1]
Nashville 37203	Condon S. Bush		Donald E. Nelson
New Orleans 70161	Sharon A. Perlis		Henry H. Bourgaux
CHICAGO* 60690	Robert J. Day Marcus Alexis	Silas Keehn Daniel M. Doyle	
Detroit 48231	Richard T. Lindgren		Roby L. Sloan[1]
ST. LOUIS 63166	Robert L. Virgil, Jr. H. Edwin Trusheim	Thomas C. Melzer James R. Bowen	
Little Rock 72203	James R. Rodgers		John F. Breen
Louisville 40232	Raymond M. Burse		James E. Conrad
Memphis 38101	Katherine H. Smythe		Paul I. Black, Jr.
MINNEAPOLIS 55480	Michael W. Wright John A. Rollwagen	Gary H. Stern Thomas E. Gainor	
Helena 59601	Marcia S. Andersen	Warren H. Ross	Robert F. McNellis
KANSAS CITY 64198	Irvine O. Hockaday, Jr. Fred W. Lyons, Jr.	Roger Guffey Henry R. Czerwinski	
Denver 80217	James C. Wilson		Enis Alldredge, Jr.
Oklahoma City 73125	Patience S. Latting		William G. Evans
Omaha 68102	Kenneth L. Morrison		Robert D. Hamilton
DALLAS 75222	Bobby R. Inman Hugh G. Robinson	Robert H. Boykin William H.Wallace	Tony J. Salvaggio[1]
El Paso 79999	Peyton Yates		Sammie C. Clay
Houston 77252	Walter M. Mischer, Jr.		Robert Smith, III[1]
San Antonio 78295	Robert F. McDermott		Thomas H. Robertson
SAN FRANCISCO 94120	Robert F. Erburu Carolyn S. Chambers	Robert T. Parry Carl E. Powell	John F. Hoover[1]
Los Angeles 90051	Richard C. Seaver		Thomas C. Warren[2]
Portland 97208	Paul E. Bragdon		Angelo S. Carella[1]
Salt Lake City 84125	Don M. Wheeler		E. Ronald Liggett[1]
Seattle 98124	Carol A. Nygren		Gerald R. Kelly[1]

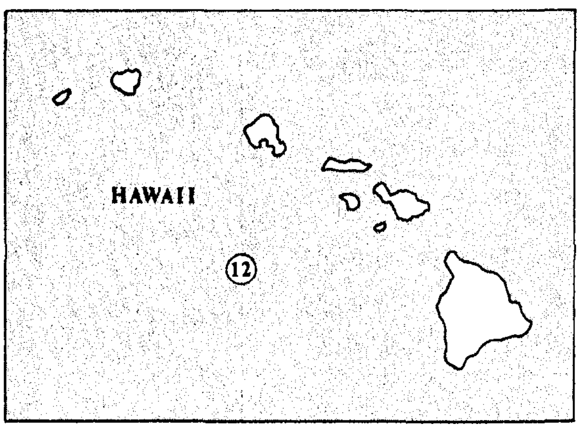
*Additional offices of these Banks are located at Lewiston, Maine 04240; Windsor Locks, Connecticut 06096; Cranford, New Jersey 07016; Jericho, New York 11753; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; and Milwaukee, Wisconsin 53202.

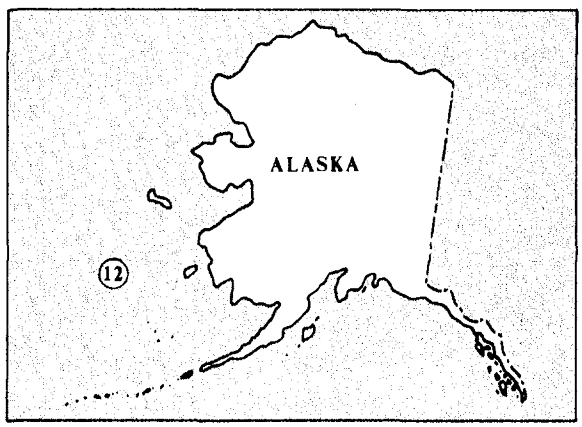
1. Senior Vice President.
2. Executive Vice President.

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