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Industrial Production and Capacity Utilization: Historical Revision and Recent Developments

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The Board of Governors of the Federal Reserve System has completed a revision of its measures of output, capacity, and capacity utilization for the industrial sector. The primary feature of the revision is a new formulation for aggregating the indexes and utilization rates using weights that are updated annually rather than every five years. The new formulation has been used to revise the output, capacity, and utilization rates back to 1977. It provides more accurate current estimates of developments in industrial production and capacity utilization and eliminates an earlier, small overstatement of the growth trends of production and capacity.

For 1992 and thereafter, the 264 individual industrial production (IP) series also incorporate additional or updated statistics that are typically available for an annual revision. Moreover, we added or altered eleven production series to improve their market classification, coverage, and reliability; some of these improvements were made to pre-1992 figures, depending on the availability of source data.

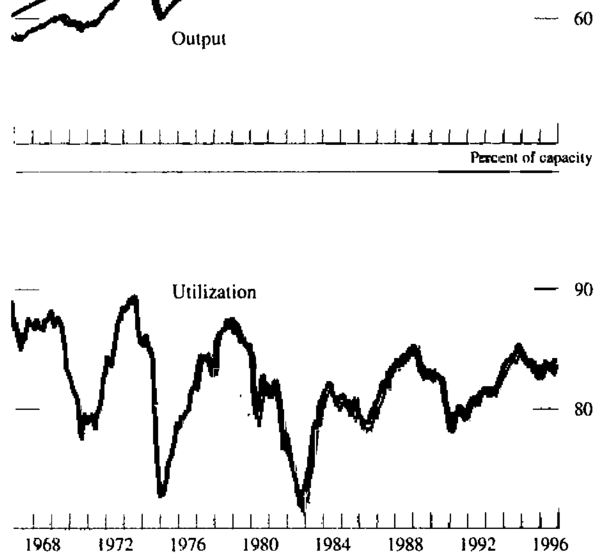
The industrial capacity indexes were reestimated from 1977 onward to be consistent with the revised IP series and updated measures of manufacturers' capital input. The revisions to both production and capacity indexes are, of course, reflected in the utilization ratio. Some additional small changes to aggregate capacity utilization rates were made from 1976 back to 1967 to improve their consistency with the new formulation.

Besides the reformulation of aggregates, the annual updating of all measures, and the improvement of selected series, the revised production and capacity indexes are now expressed as percentages of output in 1992. This rebasing affects all series from their start date, which is 1919 for total IP, 1948 for manufacturing capacity, and 1967 for total industrial capacity. The Federal Reserve's accompanying statistics for industrial electric power use, which begin in 1972, have also been rebased and revised to incorporate previously unavailable data.

REVISIONS TO OUTPUT, CAPACITY, AND UTILIZATION

The revised indexes of industrial production and capacity show slower growth, on average, than the earlier estimates, whereas the cyclical patterns of the revised measures are nearly the same as before (chart 1). Both from 1977 to 1987 and from 1987 to

1. Industrial production, capacity, and utilization, 1967–96



NOTE. Seasonally adjusted monthly data through December 1996.

NOTE. Other contributors to the revision and to this article include the following: Ana Aizcorbe, William Cleveland, Christopher Furgiuele, Michael Mohr, Cora Moyers, Gerald Storch, and Dixon Tranum.

1. Revised growth rates of industrial production and capacity, and level of capacity utilization, 1967–96

Item	Revised growth rate (percent)			Difference between revised and earlier growth rates (percentage points)			
				Total		Due to the new formulation	
	1967–77	1977–87	1987–96	1977–87	1987–96	1977–87	1987–96
Production							
Total industrial	3.3	2.3	2.3	−.3	−.2	−.3	−.2
Manufacturing	3.4	2.7	2.5	−.5	−.3	−.5	−.3
Excluding computers	3.2	2.2	2.1	.1	−.1	−.1	−.1
Capacity							
Total industrial	3.5	2.4	2.2	−.2	−.2	−.4	−.1
Manufacturing	3.6	2.8	2.5	−.5	−.3	−.6	−.2
Excluding computers	3.5	2.2	2.2	.1	−.1	−.1	−.1
Capacity utilization (level, end of period)							
Total industrial	83.9	82.7	83.2	−.1	−.2	−.1	−.7
Manufacturing	83.3	82.7	82.2	−.2	−.1	−.2	−.7
Excluding computers	83.3	82.9	82.0	−.1	.5	−.2	−.4

NOTE. Growth rates are calculated as the average percentage change in the seasonally adjusted index from the fourth quarter of the first year specified to the fourth quarter of the last year specified. For 1967 the calculations begin in the third quarter, and for 1996 the calculations in the last column end in the second quarter. The capacity utilization rates are for the fourth quarter of the last year specified.

1996, total industrial output grew at an average pace of about 2.3 percent per year—about ¼ percentage point less than previously estimated (table 1). The growth of industrial capacity was revised down nearly as much; consequently, the rate of total industrial capacity utilization was revised down only a fraction of a percentage point at the end of 1996. (See the summary tables in appendix A for details of the revised indexes.)

The downward revisions to production and capacity growth arise primarily from the introduction of the new formulation for those measures, which tends to reduce the influence of the fastest growing industries—such as computers—on aggregate growth. In particular, although the revised output and capacity indexes now show slower growth for total manufacturing, growth in manufacturing excluding computers is reduced only a bit as a result of introducing the new formulation (table 1).

The revisions for 1992-96 not only incorporate the new annual weighting formulation but also update source data. In particular, data from the Annual Survey of Manufactures of the Bureau of the Census account for most of the reduction of 1 percentage point in the growth in manufacturing output in 1994 (table 2). Since 1992, growth in manufacturing has averaged 3.8 percent a year, down 0.5 percentage point from the earlier estimates.

The largest revisions of the production indexes by market group—upward in consumer durable goods and downward in business equipment—relate to the treatment of computers; the downward revision in

2. Revised growth rates of industrial production and capacity, and level of capacity utilization, 1992–96

Item	Revised growth rate (percent)				Difference between revised and earlier growth rates (percentage points)			
	1992–96	1994	1995	1996	1992–96	1994	1995	1996
Production								
Total industrial	3.5	5.7	1.8	3.7	−.4	−.9	.2	−.8
Manufacturing	3.8	6.5	1.6	4.0	−.5	−1.0	.2	−.8
Excluding computers	3.2	6.0	.7	3.1	−.2	−.9	.5	−.1
Capacity								
Total industrial	2.8	2.5	3.3	3.7	−.4	−.3	−.5	−.3
Manufacturing	3.1	2.7	3.7	4.1	−.5	−.5	−.6	−.4
Excluding computers	2.6	2.3	3.1	3.3	−.3	−.3	−.4	−.1
Capacity utilization (level, end of period)								
Total industrial	...	84.3	83.1	83.2	...	−.4	.2	−.2
Manufacturing	...	83.9	82.3	82.2	...	−.4	.2	−.1
Excluding computers	...	83.9	82.1	82.0	...	−.2	.5	.5

NOTE. Growth rates for 1992 to 1996 are calculated as the average percentage change in the seasonally adjusted index from the fourth quarter of 1992 to the fourth quarter of 1996. Growth rates for years are calculated from the fourth quarter of the previous year to the fourth quarter of the year specified. The capacity utilization rates are for the last quarter of the year.

equipment reflects both the new formulation and the reassignment of a portion of computer output (mainly personal computers for home use) from business equipment to consumer durable goods other than automotive products (tables A.3 and A.5). Among major industry groups, the large upward revisions in semiconductors and electrical machinery relate to the use of quality-adjusted price indexes for semiconductor components to develop new annual production benchmarks (tables A.4 and A.6).

The slower overall trend growth in production is reflected in the lower trend growth in the revised estimate of manufacturing capacity, which is also 0.5 percentage point below the earlier estimate for the period from 1992 to 1996. (The effect of revisions of the production indexes on our capacity indexes is described in the section on methods.) The rate of manufacturing capacity utilization—the ratio of production to capacity—in the fourth quarter of 1996 is only 0.1 percentage point lower than the earlier estimate. Like the earlier estimates, the revised ones show that capacity utilization reached its most recent high at the beginning of 1995 and that pressures on industrial capacity have been lower since then.

Revisions to utilization rates are quite disparate among industries (table A.7). Substantial upward revisions in utilization in the fourth quarter of 1996 for miscellaneous manufacturing, apparel, aerospace and miscellaneous transportation equipment, and electrical machinery including semiconductors largely counterbalance the downward impact on utilization of the new annual weighting formulation and lower utilization rates for motor vehicles and parts, computers, and other industries.

Industrial Developments in the 1990s

The industrial sector entered the 1990s operating at a high level. Then, following the spike in oil prices that accompanied Iraq's invasion of Kuwait in August 1989, a rather shallow six-month contraction ensued. Output of durable manufactured goods fell 7 percent to a trough in March 1991 and then surpassed its previous peak in the fourth quarter of 1992, with the completion of the gradual recovery from the contraction.

During the four years since then, the industrial sector, led by gains in durable manufacturing, has continued to expand, with only a six-month pause after January 1995. During this expansion phase, output in durable manufacturing advanced at an annual rate of 6 percent; output at utilities, roughly 2½ percent; nondurable manufacturing, 1½ percent; and mining, 1 percent (table A.6). Despite the continuing expansion, productivity advances and the increased use of temporary employees have limited the hiring of permanent employees in industry. Employees on manufacturing payrolls numbered 18.3 million at the end of 1996, up only 200,000 since 1992 and down 1 million since the late 1980s. Employment in nondurable manufacturing, where production growth had been slow, declined in 1995 and 1996.

Production in the 1990s by Market Group

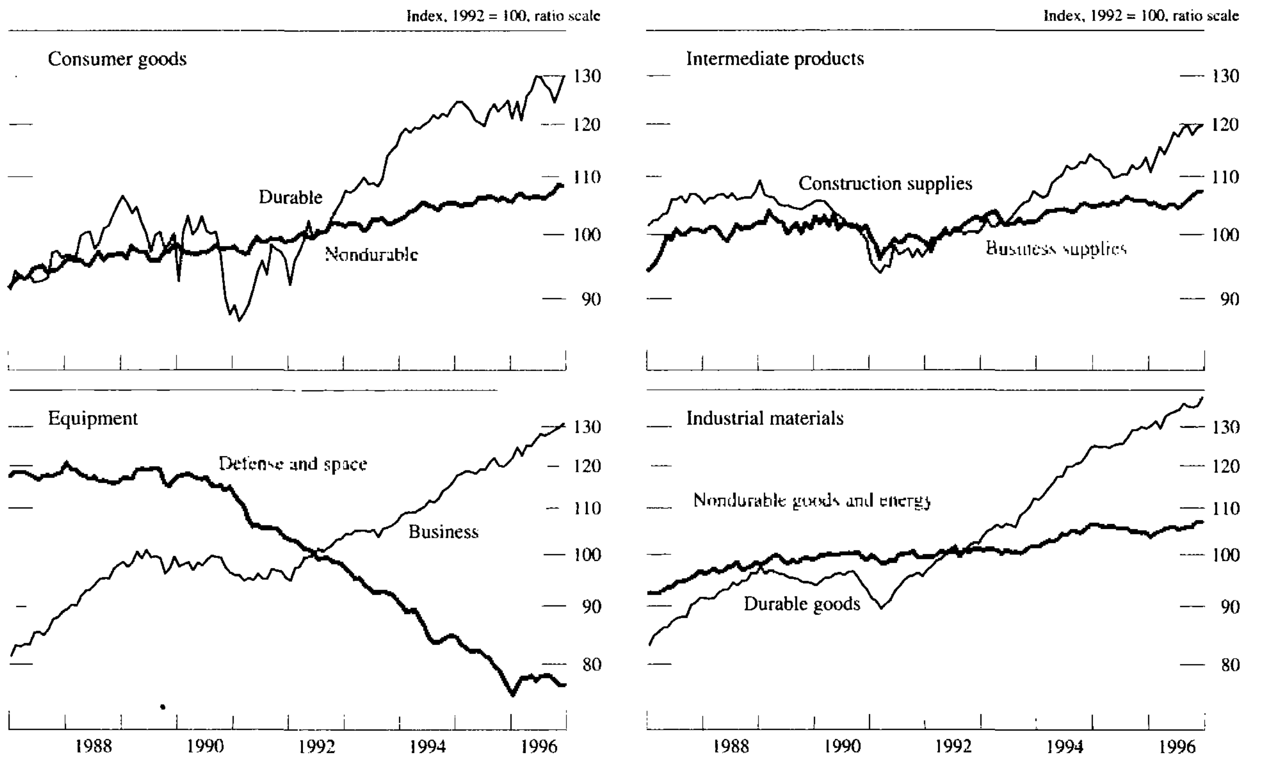
The output of durable consumer goods helped fuel the recovery and expansion from the 1991 trough until 1994, with strong gains in light trucks, automobiles, appliances, and personal computers (chart 2 and table A.5). Since then, real output of home computing equipment, adjusted for quality improvements, has risen more than 30 percent per year, while output of consumer durables other than personal computers has flattened noticeably.

Assemblies of autos and light trucks hit a cyclical low in early 1991, climbed at a double-digit rate through early 1994, and then essentially flattened. Domestic assemblies of light vehicles averaged about 11.7 million units annually from 1994 to 1996, while total sales, including imports, averaged nearly 15 million units.

Underlying the overall trend in U.S. production of light vehicles during the past decade were several important developments: the growth of U.S. assembly plants owned by Japanese manufacturers (transplants), which substantially cut imports of vehicles; quality improvements that made American-built vehicles more competitive; and the shift in the composition of overall output to light trucks, especially sport utility vehicles. Assemblies of light trucks in the United States, which averaged 3¾ million units in the late 1980s, reached 5½ million in the second half of 1996; in contrast, automobile production has trended down from 8 million units in 1985–86 to just over 6 million units last year—despite the growth of transplants.

In contrast to the substantial growth in the output of consumer durables during the 1990s, the production of consumer nondurables grew at an annual rate of only about 1½ percent. Significant disparities in growth rates are apparent among the components of this group. Newspaper circulation trended gradually downward. Production of clothing fell about one-tenth in 1995 and early 1996 to a level near the recession low of 1990–91. Foods and tobacco grew

2. Industrial production by market groups, 1987–96



NOTE. Seasonally adjusted monthly data through December 1996.

slowly overall. But production of drugs and medicines and output of paper products for the home exhibited strong growth.

The business equipment group lagged the cyclical improvement in overall IP but has been a major source of strength since early 1992. Led by a double-digit annual rate of growth in the output index for information processing and related equipment, the output of business equipment advanced more than one-third through the end of 1996. The quality-adjusted output of computers nearly quadrupled over the period and accounted for more than one-third of the growth in business equipment. Excluding computers, output of business equipment grew about 25 percent.

Growth in the industrial equipment group was strong from early 1992 to mid-1995 and then flattened at a level that exceeded its 1989 cyclical peak by about 15 percent; however, the output of construction equipment—the fastest growing component—continued to rise in the second half of 1995 and 1996. The output of the "other equipment" group, which includes farm and service industry equipment and office furniture, also grew rapidly in 1993 and 1994 and then paused before rising in the latter half of 1996 to a level about one-tenth above that preceding the last recession.

Of the major subgroups within business equipment, only transit equipment exhibited practically no net production growth from 1991 to early 1996 as assemblies of business autos stagnated and the output of commercial aircraft and parts dropped sharply, particularly in 1993. Demand for business trucks strengthened considerably early in the expansion, but then in late 1995 and 1996, assemblies of heavy trucks and trailers weakened significantly. The output of transit equipment eventually pushed to new highs, but not until 1996, with the strong recovery in production of commercial aircraft and parts.

The reductions in real federal investment in defense and space equipment have cut the production index for such equipment, which includes military aircraft and parts, about one-third since mid-1989. The decline, which was quite rapid from 1991 through 1995, is estimated to have eased in 1996.

The output of construction supplies, which dropped more than one-tenth during the 1990–91 recession, did not recover to prerecession levels until late 1993 and early 1994. The recovery was slowed by high vacancy rates and the related weakness in the construction of multifamily residential buildings and nonresidential structures, particularly office and industrial buildings, that persisted into 1993. In contrast, single-family starts recovered much sooner and more robustly. From the end of 1993 through late 1996, the output of construction supplies advanced at an average annual rate of roughly 4 percent, despite a decline in the first half of 1995 that was correlated with a dip in housing starts.

The output of business supplies grew slowly in the 1990s. Although commercial and other sales of electric and gas utilities expanded solidly, output of paper business supplies and agricultural chemicals grew hardly at all, and newspaper advertising trended sharply downward.

In the 1990s, the production of materials for further industrial processing grew more rapidly than the output of finished goods. Producers of industrial materials comprise a large, diverse group that accounts for roughly 40 percent of total industrial production. Durable goods materials, such as steel, turbines, semiconductors, and parts used in computers, motor vehicles, and aircraft, account for more than half of industrial materials. The output of durable goods materials has increased more than 40 percent since the beginning of the decade. Not surprisingly, computer parts and semiconductors led the advance with double-digit annual growth rates. The strength in the output of durable goods materials was supported by gains since the 1990–91 recession in the output of steel, motors, and other parts used to make motor vehicles, appliances, and heavy equipment. However, the weakness in the aerospace industry was a restraining influence until recently.

In comparison with the gains in durable goods industries, the growth in the production of nondurable goods materials and energy materials was anemic. The downtrend in crude oil production, particularly in Texas and Alaska, tended to offset recent gains in the production and use of natural gas and coal. Declines in the production of residual fuel oil, nuclear materials, and coke similarly offset a moderate rate of increase in the generation of electricity. Within nondurable goods materials, growth in textile, paper, and chemical materials was quite slow on balance from early 1989 until the third quarter of 1993 and then grew strongly for a time, only to fall back in 1995. From the start of the decade through late 1996, the output of this group grew at an annual rate of only 1½ percent. In this group, plastics resins, synthetic rubber, and paperboard were relatively strong performers.

Capacity and Utilization in the 1990s

So far in the 1990s, the rate of capacity utilization in total industry has reached neither the extreme highs nor the extreme lows of the 1970s and 1980s. This moderation reflects an acceleration in the growth of capacity as well as the relatively mild industrial recession at the start of the decade and the temperate pace of the expansion that has lasted nearly six years. An acceleration in the growth of capacity in recent years has accommodated this lengthy expansion without signs of substantial pressures on productive capacity. The low in utilization, 78.1 percent, occurred at the production trough in early 1991 and was well above the previous low of 71.1 percent in late 1982. Over the years of expansion after 1991, utilization reached a high of 84.9 percent in late 1994 and early 1995 (table A.1). Although this level was near the high recorded in the late 1980s, it was noticeably below the cyclical highs of the 1970s. Utilization eased in 1995 and ended 1996 at about 83½ percent—still more than a percentage point above the long-term average.

Within manufacturing, utilization rates in late 1996 were relatively high for industrial machinery and equipment, especially computers, and for a number of primary-processing industries including petroleum refining, rubber and plastics products, fabricated metal products, and primary metals, such as steel (table A.7). By contrast, apparel products, printing and publishing, and leather and products had utilization rates that were below their longer-run averages.

As the current expansion has continued, real investment expenditures for industrial plant and equipment have increased rapidly and contributed to a faster rate of growth of capacity. The annual rate of growth of manufacturing capacity roughly doubled, from approximately 2 percent early in the decade to more than 4 percent in 1996; in durable manufacturing, capacity growth tripled to more than 6 percent (table A.8). High and rising rates of growth of capacity were, of course, most evident for computers and semiconductors, but the acceleration was large even for more slowly growing industries such as steel, fabricated metals, and lumber. Growth in capacity in nondurable manufacturing has remained low.

In mining, the long-term decline in capacity moderated as the drop in available drilling rigs, which began in 1983, lessened substantially. Utilization in oil and gas well drilling, although far below earlier peaks, rose to its highest level since 1982. Recent increases in offshore drilling also helped to maintain reserves and offset the ongoing decline in oil and gas extraction from aging oil fields. Capacity growth in the rest of mining and in utilities was relatively modest. Output growth at utilities exceeded capacity growth over the past ten years; as a result, the excess capacity that developed after the energy shocks in the 1970s and early 1980s has essentially been eliminated.

New Aggregation Methods

As indicated, the most important improvement for this revision is the introduction of new aggregation methods from 1977 onward. As before, the contribution of an individual industry to total output or capacity is based on the value added by that industry. Now, however, we update the value-added weights annually, rather than quinquennially, and keep them concurrent with production. The aggregation method for IP, a version of the Fisher-ideal index formula, is more firmly rooted in economic theory and eliminates a source of upward bias in the previous estimates. Some of the same issues are addressed in the recent reformulation of the featured measure of real output published by the U.S. Department of Commerce's Bureau of Economic Analysis (BEA).[1]

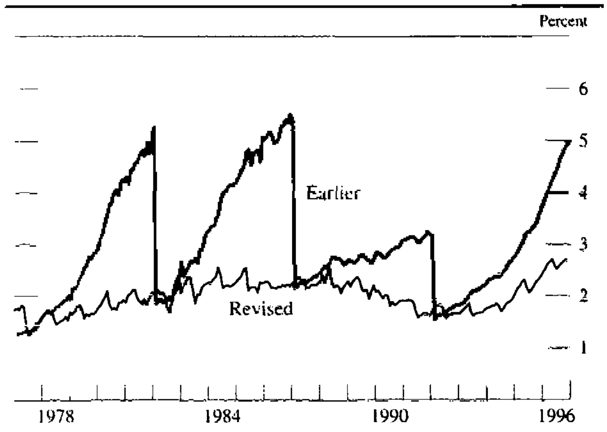
Measures of industrial output can be distorted if the relative valuations of the component series are out of date by even a few years. In order to minimize this bias, for the revised production index, annual weights are estimated through the most current periods even though comprehensive data on value added lag a few years. These estimates are developed from related information on producer prices or, if required, by statistical extrapolation.

The aggregation of capacity and capacity utilization is accomplished by a generalization of the method introduced in the 1990 revision of those series. The approach is discussed more fully in the accompanying box, "Aggregation of Industrial Production and Capacity Utilization—A Technical Note," which presents the algebraic formulations of the new industrial production and capacity utilization measures.

Industrial Production

To represent the changing relative price and cost structure of industries, the industrial production index was previously built, for the most part, in five-year chronological segments, each with value-added weights drawn from the first year of the segment—the year of the quinquennial Census of Manufactures, the underlying data source for value added. Chaining the segments together formed a continuous index expressed as a percentage of output in a reference year. Although the periodic introduction of new

3. Proportion of computer output in industrial production, 1977–96



weight years ensured that the IP index reflected the evolution of relative prices over time, the weights of very fast growing industries, such as computers, became outdated quickly and caused output growth to be overstated.

In general, a measure of real output based on relative prices of a more recent year increases less rapidly than a measure based on relative prices of an earlier year. This characteristic result, which has long been observed in the construction of index numbers, exists because the goods for which output grows rapidly tend to be those that are characterized by declining relative prices and production costs.[2] Economic theory suggests that the preferred measure of output growth between two periods is a geometric average of two indexes: one weighted according to the relative price structure of the earlier period and the second weighted according to the relative price structure of the later period. This result is called a Fisher-ideal index. Quantity measures derived as Fisher-ideal indexes usually grow more slowly than quantity measures derived using just the earlier period's prices as weights. Even though the previous IP index used a progression of valuation periods, it still overstated output growth because it used prices of a given year to weight quantities for some number of subsequent years.

An example of how this bias was manifested in the earlier index is illustrated by the pattern of the proportion of computer output in industrial production (chart 3). During the interval between the censuses,

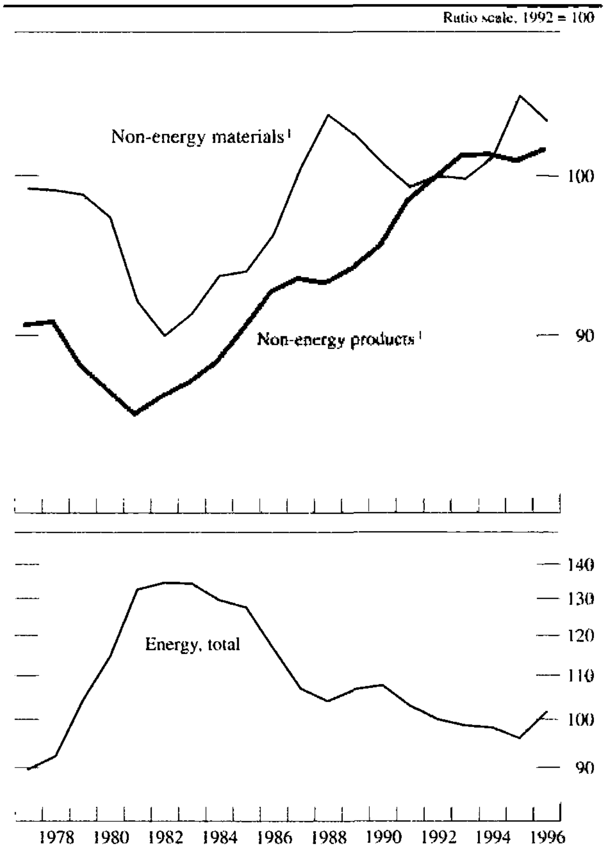
1. See J. Steven Landefeld and Robert P. Parker (with Jack E. Triplett), "Preview of the Comprehensive Revision of the National Income and Product Accounts: BEA's New Featured Measures of Output and Prices," *Survey of Current Business*, vol. 75 (July 1995), pp. 31–38, and the references contained therein.

2. For example, see the discussion and results of the use of alternative weight years for industrial production in Kenneth Armitage and Dixon A. Tranum, "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 188–204 (especially pp. 201–03).

the relative proportion of an industry in IP equaled its base-period proportion multiplied by its growth since the base year relative to the growth of total IP. Thus the share of an industry grew (or declined) along with its relative gain (or loss) in production, regardless of relative price movements. Under the earlier aggregation method, with base-period weights fixed at 1977, 1982, 1987, and 1992, the current proportion of computer industry output grew in intervening years along with its relative gain in production until a new weight year was introduced. It would fall back with the introduction of new weights because the industry's value added, measured in current dollars, did not rise nearly as steeply as did its real output. The revised index eliminates the exaggerated saw-tooth pattern of the computer share by updating the industry's value-added proportion—and its implied relative price—each year.[3] With weights updated annually, an industry's share fluctuates much less over time, but it will rise, for example, when a relative increase in an industry's real output is not offset by a proportionate relative decline in its value added per unit of output.

The revised IP index is called an annually weighted Fisher index. In the new formulation, the weights are expressed as unit value added (a "price") to facilitate the aggregation of IP as an annually weighted Fisher index for the recent period. Generally, the unit value-added measures track broad changes in corresponding producer prices and evolve considerably more slowly than the corresponding real output (or than value added itself, which contains both quantity and price-cost elements).[4] Therefore, even though the value-added data are available only after a lag of about two years (and sometimes longer), the weights required for aggregating IP in the most recent period can be (1) estimated from available data on producer prices through the most recent year and (2) extrapolated for the following year, given the persistence of many relative price trends.

4. Relative unit value added in industrial production, 1977–96



1. Non-energy materials and non-energy products exclude computers and semiconductors.

The relative unit value added of the combined series for computers and semiconductors in total IP declines about 13½ percent per year, on average, from 1977 to 1987, and by more than 10 percent, on average, since then. If the annual weights for IP were not estimated through the current period and this relative price of computers and semiconductors was held fixed for three years rather than allowed to continue its decline, the most recent IP estimates would overstate growth by about ½ percentage point at an annual rate. Within the index, aside from computers and semiconductors, the basic trends in relative unit value added for non-energy products, non-energy materials, and total energy can also diverge from one another at times (chart 4), and such developments are reflected in the timely producer price figures.

The new formulation for monthly IP is computationally more complex than the previous formulation: Each month's computation involves weights from

3. The IP index for computers was first benchmarked to an annual index of real output derived using a hedonic price index for computers in a revision published in April 1990 that affected data from 1977 onward. Although the total IP index and its major industry and market subtotals before 1977 remain as previously formulated, total IP growth before 1977 is not noticeably overstated from the effects of declines in the relative price of computers for those years. The growth trend from 1967 to 1977 of manufacturing IP and of manufacturing IP excluding computers was similar (table 1). Moreover, the results of this revision suggest that aside from computers, from 1977 onward relative price movements among components of the earlier IP index caused only a small overstatement of the trend growth of overall industrial production.

4. For example, for fourteen of the twenty two-digit industry groups in manufacturing, more than 50 percent of the variance of the change in value added is explained by the change in the IP index for the industry, and, in simple regressions, the coefficient on the change in IP is not significantly different from 1 for these fourteen industries. The notable exceptions to this pattern are the food, petroleum, and paper industries.

Aggregation of Industrial Production and Capacity Utilization—A Technical Note

Industrial Production

An individual IP series, I_n, represents a quantity of output for a period n expressed relative to the quantity produced in a reference period 0, that is, $I_n = (q_n/q_0)$. The previous practice was to compute an IP aggregate, either the total index or its major market and industry subtotals, I_n^A, as a weighted relative quantity,

$$I_n^A = \frac{\Sigma I_n v}{\Sigma v},$$

using value added, v, to indicate the relative importance of the individual quantities. As a result, the IP index was expressed as a value-added weighted sum of its components, $I_n^A = \Sigma I_n w$, where $w = v/\Sigma v$. The previous IP index generally was built in five-year segments, with the initial year of each segment used as the base year for weights; the segments were linked together over time to form a continuous index expressed as a percentage of output in a reference year.

The previous IP index was called a linked-Laspeyres index. Consider that value-added weights have both quantity and price-cost elements. With $v = q_0 p_0$, each segment of the former IP index could also be expressed as the weighted aggregate quantity, $\Sigma q_n p_0 / \Sigma q_0 p_0$. This is a Laspeyres quantity index, which shows changes in quantities with prices held fixed at base-year values.

Laspeyres quantity measures usually overstate output growth as one moves further from a base period. This occurs because, over time, the quantities that increase the most tend to be those whose prices have increased, relatively, the least. As a result, the use of weights from an earlier period increasingly exaggerates the relative importance of the fast growing components as time passes. Conversely, quantity measures derived from a Paasche index, which is expressed as $\Sigma q_n p_n / \Sigma q_0 p_n$ and shows changes in quantities with prices at current period values, usually understate the output change.

Economic theory suggests that the preferred measure of quantity change is a geometric average of a Laspeyres index and a Paasche index. This result is called a Fisher-ideal quantity index. Quantity measures derived as Fisher indexes register increases (or decreases) that fall between those derived from either a Laspeyres or a Paasche formulation.

The new formulation for aggregating industrial production is based on a Fisher index that updates the weights every year (but *not* every month). Source data on value added are available annually.

The "price" weights used in the new IP formulation are annual unit value added, that is, value added (an annual series in dollars) divided by an IP index for the year, $P_y = v_y/I_y$. Technically, the new formulation for monthly IP is a variant of the Fisher index described above in that it uses averages of *monthly* output growth estimates weighted by earlier and later *year* prices. Like the Bureau of Economic Analysis, which introduced this type of Fisher variant for its quarterly estimates of real GDP, the weights will be updated in the *middle* of the year. A convenient way of expressing this timing is that a monthly IP aggregate in month m is computed with weights from the years containing the months $(m-6)$ and $(m+6)$.

The new formula for the growth of monthly IP in month m is given by

$$\frac{I_m^A}{I_{m-1}^A} = \sqrt{\frac{\Sigma I_m P_{y(m-6)}}{\Sigma I_{m-1} P_{y(m-6)}} \times \frac{\Sigma I_m P_{y(m+6)}}{\Sigma I_{m-1} P_{y(m+6)}}},$$

where the subscript, $y(m)$, denotes "year containing month m." The new total IP index, as well as its major market and industry subtotals, are computed as the cumulative product of a monthly series of these growth estimates from 1977 onward. The monthly estimates for each aggregate are controlled so that their annual growth rates conform to the growth rates of an annually weighted Fisher index derived using annual data.

The revised monthly IP index and its major aggregates are computed as annually weighted Fisher indexes even for the most recent period. For the more recent estimates, Federal Reserve extrapolations of the annual weights are used.

With the more complex formulation of the new IP index, the Federal Reserve will provide users with additional time series representing the proportionate contribution of changes in a component index to the change in the total index. These statistics, which for a month are the average of implicit value-added shares for the component in month $m-1$ based on earlier and later-year unit value added, represent the linear term of a Taylor's series expansion of the formula for monthly IP growth given above.

Capacity and Capacity Utilization

An individual capacity utilization series, U_n, is a ratio of the actual level of output to a sustainable maximum level of output or capacity. The output figures are indexes of industrial production, and the related capacity series are derived from survey data on utilization and capacity to provide an integrated system of output, capacity, and utilization measures for the industrial sector.

The aggregation of capacity and capacity utilization rates presents distinct issues in that they are constructed and defined in relation to industrial production: Given that $U_n = q_n/c_n$ and that $I_n = q_n/q_0$ is a production index, then the capacity index, C_n, consistent with the production index is $c_n/q_0 = (q_n/q_0)/U_n$, or, $C_n = I_n/U_n$. Given a production

Aggregation of Industrial Production and Capacity Utilization—Continued

aggregate, it is desirable to preserve this relationship for related capacity and capacity utilization aggregates. That is, we want $C_n^A = I_n^A/U_n^A$, or equivalently, $U_n^A = I_n^A/C_n^A$ to hold after aggregation.

The revised utilization aggregates are given by

$$U_n^A = \frac{\Sigma v}{\Sigma(v/U_n)},$$

which expresses a utilization aggregate as the ratio of the components' aggregate actual value added to their aggregate value added at capacity. This expression is implemented in terms of a production index for a year, that is, with value added (an annual series in dollars) as $P_y I_y$, and given that $U_y = I_y/C_y$, then a utilization aggregate is calculated as

$$U_y^A = \frac{\Sigma P_y I_y}{\Sigma P_y C_y},$$

which is equivalent to the expression,

$$U_y^A = \Sigma \frac{P_y C_y}{\Sigma P_y C_y} U_y.$$

Thus, the aggregate utilization rates are equivalent to capacity-weighted aggregates of individual utilization rates; that is, they are a combination of component utilization rates weighted by proportions that reflect the component's share in the aggregate current value of production at capacity.

With the weights for production now updated annually, the utilization aggregates are now derived from component measures annually. The new monthly capacity aggregates are constructed in three steps: (1) utilization aggregates are calculated on an annual basis through the most recent full year; (2) the annual aggregate capacity is derived from the corresponding production and utilization aggregates; (3) the monthly capacity aggregate is obtained by interpolating with an annually weighted Fisher index of its constituent monthly capacity series. For the very recent period, since the most recent full year, each monthly capacity aggregate is extrapolated by this same Fisher index, adjusted by a factor that accounts for the differences in their relative growth rates.

Previously, the appropriate relationships for capacity utilization aggregates were exact only in each weight-base year. When a new base year was introduced into the production and capacity measures, however, each utilization aggregate for the new base year was calculated with weights for that year and the previous base year. The differences were often sizable for aggregates that contained components with divergent relative prices, such as computers or energy materials. As a result, the aggregate capacity indexes between the two base years were then smoothly adjusted so that no discontinuity in the utilization aggregate occurred.[1]

Just as using the ratio of a linked-Laspeyres IP index to a linked-Laspeyres capacity index might distort aggregate utilization, so using the ratio of a Fisher IP index to a Fisher capacity index might produce a similar distortion. Consequently, the new capacity aggregates are not annually weighted Fisher indexes of the individual capacity series. If a capacity aggregate were to be formulated in a way similar to that of a production aggregate and if a utilization aggregate were calculated as a ratio of the two separately aggregated series, a noticeable distortion in this utilization aggregate would occur if two conditions are present: (1) the relative price of a component industry changes significantly, and (2) the utilization rate of the component differs from the average of the group.[2] In general, only the direct aggregation of the individual proportional relationships preserves the appropriate aggregate for capacity utilization.

The major advantage of the new procedure is that utilization rates through the current period are aggregated with capacity proportions in current period values. Previously, the more recent capacity proportions were valued in prices of the most recent weight-base year, which could introduce distortions in current measures of capacity utilization.[3]

1. See Richard D. Raddock, "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin* vol. 76 (June 1990), pp. 411–35.

2. To illustrate the distortion that may result, consider a two-industry example. One industry grows slowly, another industry, such as computers, grows very fast and its unit value added is falling. If computer manufacturers typically operate at a higher rate of utilization than does the other industry, their share of overall capacity will be less than their share of actual production. The lower capacity share for computers implies a slower rate of growth for the Fisher index of combined capacity than for the Fisher index of combined production. Assume that the computer manufacturers produce 50 percent of the total value added (in current dollars) of the two industries but maintain only 45 percent of the total capacity (also in current dollars). If the actual and capacity output of computers in real terms were growing 20 percent per year (with no growth in nominal value added), and if the real output and capacity of the other industry were not growing, the Fisher production aggregate of the two industries would grow about 10 percent per year (0.50 × 0.20 + 0.50 × 0.00), and the Fisher capacity aggregate would grow about 9 percent per year (0.45 × 0.20 + 0.55 × 0.00). The ratio of the Fisher IP index to the Fisher capacity index would increase by 1 percent every year, and the aggregate utilization rate would increase without bound.

3. That is, the utilization aggregate for a month since the most recent weight-base year was computed as the ratio of a linked-Laspeyres production index to a linked-Laspeyres capacity index, which yielded,

$$U_m^A = \Sigma \frac{P_0 C_m}{\Sigma P_0 C_m} U_m,$$

where P_0 is unit value added in the base year.

two years. In addition, the unit value-added figures have little intuitive meaning as weights. Users (and estimators) of the former IP index always found its aggregation to be more conveniently viewed in terms of value-added shares rather than prices because the contribution of a component index to the total index was seen directly with value-added shares.

With the new Fisher formulation for IP, the *growth rate* of the total index can still be viewed as a value-added weighted sum of its components' *growth rates*. Specifically, the growth of a component index multiplied by its share of value added gives its approximate contribution to the growth of the total index (table A.9). To supplement the information on value-added proportions for the previous year that are shown in the statistical release, the Federal Reserve now provides corresponding (and more exact) monthly statistics representing the proportionate contribution of a monthly change in a component index to the monthly change in the total index—for example, the computer share shown in chart 3. With the additional statistics, many calculations frequently performed by users of the former index are achieved with the revised index in a similar fashion.[5]

This revision also updates the formulation used for the supplementary series on the gross value of products leaving the industrial sector, which are expressed in dollars. The industrial production data on gross value of products, which cover the period since 1977, continue to be aggregated from production indexes for products using weights based on the market value of production. (The materials series are excluded to avoid double-counting.) Previously, they were combined with gross-product weights drawn entirely from the year 1992. They are now derived as annually weighted Fisher indexes, with gross-product weights updated annually and expressed in 1992 dollars after aggregation.

Annual Weights

Annual weights for the aggregation of IP and capacity utilization were derived from annual estimates of industry value added. Annual weights for the aggregation of gross value of products are derived from estimates of the total market value of production. The sources of these figures are the same as those used for the periodic updating of weights for the earlier measures.[6]

For the most part, source data on value added were available through 1994 at the time the revision was compiled (in late 1996). To construct output, capacity, and capacity utilization using the new formulations through the most recent period requires unit value added for more recent years. For example, to compute IP growth as an annually weighted Fisher index for the second half of 1996 requires unit value added for 1996 and 1997. The estimates for recent periods were obtained in two steps. First, industry producer prices from the Bureau of Labor Statistics, which were available through the third quarter of 1996 at the time the revision was compiled, were extrapolated to obtain annual averages for 1996 and

5. An example of a typical calculation is as follows: Assume a 10 percent jump in the output of the motor vehicle and related industries and that these IP components account for 5 percent of total index points in value-added terms in the previous period. Then the contribution of this development to the percentage change in total IP for a given month is $0.05 \times 0.10 = 0.005$, or ½ percent for the month. Current estimates and historical time series of the monthly proportions (the 5 percent in the example) for IP components shown on tables 1 and 2 of the Federal Reserve's statistical release G.17 "Industrial Production and Capacity Utilization" are available with the revised index. (See box, "Data Availability.")

6. Annual value-added data are reported in the quinquennial Census of Manufactures and the Annual Survey of Manufactures of the Bureau of the Census. Value added for electric and gas utilities are computed from annual revenue and expense data reported by the Department of Energy and the American Gas Association. Value-added data for mining industries are available only every five years from the Census of Mineral Industries. Estimates of unit value added for intervening years are derived from related final product prices, either a producer price index from the Department of Labor's Bureau of Labor Statistics or a spot price for selected commodities such as crude oil, gold, or silver. Annual data on the total value of production (shipments plus inventory change, including the value of excise taxes) required for the gross value of product aggregates are derived from these same sources.

Data Availability

Files containing the revised data and the text and tables from the supplement to the G.17 release, "Industrial Production and Capacity Utilization: Historical Revision," are available on the Board's World Wide Web site at http://www.bog.frb.fed.us. Files will also be available through the Economic Bulletin Board of the Department of Commerce; for information, call (202) 482-1986. Diskettes containing either historical data (through 1985) or more recent data (1986 to those most recently published in the G.17 release) are available from Publications Services, Board of Governors of the Federal Reserve System, Washington, DC 20551, or phone (202) 452-3245.

This article will be available on the Board's Web site at (http://www.bog.frb.us/releases/G17/About.htm).

1997. Second, the unit value-added measures were extrapolated based on these annual averages of industry producer prices. Later this year, the formulation will require weights drawn from 1997 and 1998; at that time source data through 1995 will be available, and the same procedures will apply.

New Methods for Individual Production and Capacity Series

The revision also incorporated improvements in the composition of selected IP market aggregates and enhancements to the structure of selected production and capacity series. As part of the revision from 1992 onward, monthly source data for all IP series—physical product data and measures of inputs to production—were updated to reflect revisions by the data providers and were adjusted by the Federal Reserve to eliminate seasonal, calendar, and holiday variation.[7] The revised IP series reflect further adjustments of their annual averages to benchmark indexes derived from more comprehensive and newly available annual source data.

The revision to the Federal Reserve capacity estimates incorporated revised measures of industry capital input and detailed data from the Census Bureau's Survey of Plant Capacity for 1993 and 1994. No new broad survey results on capacity utilization rates beyond 1994 or on business investment plans beyond those first reported for 1996 were available for this revision. For the 1997 annual update, the Federal Reserve will have new results from the Survey of Plant Capacity for the fourth quarters of 1995 and 1996.

Modifications to Series

To improve the IP market aggregates, the portion of the output of computer and office equipment (SIC 357) designated as final product is now further split from 1982 onward into production of consumer goods, mainly personal computers for home use, and business equipment. The split is accomplished with expenditure data from the national income and product accounts. Formerly, all of the final product of the computer industry was assigned to business equipment. (As in the earlier index, the industry's semifinished product is allocated to the materials market group.)

To improve coverage and reliability, monthly source data for five IP series were modified. With these changes, the monthly IP index now comprises 264 series for the period since 1992, and the proportion that is derived from physical product data rises 2 percentage points, in 1994 value-added terms, to 42 percent.

Portions of two equipment series, farm equipment (SIC 352) and construction and mining equipment (SIC 3531–3), which were based on input data, now make up two new series derived from monthly production estimates reported in Stark's Off-Highway Ledger. A weighted average of assemblies of combines and two types of tractors is the basis for the new farm equipment series, which represents SIC 3523. The remaining portion of the former series, lawn and garden equipment (SIC 3524), is represented by production worker hours and, with this revision, assigned to the consumer durable goods market group. The new construction equipment series, which represents SIC 3531, is constructed using a weighted average of assemblies of crawlers, wheel loaders, skid steer loaders, wheel tractors, and other construction equipment. Production worker hours are the basis for the remaining portion of the former series, mining and oil and gas field equipment (SIC 3532–3). The revised IP index incorporates these new equipment series beginning in 1987.

Before the current revision, the monthly output of original equipment parts for new motor vehicles, a portion of the total motor vehicle parts industry (SIC 3714), was represented by data on production worker hours at parts plants and motor vehicle assemblies. The series from 1992 onward now derives from monthly production estimates reported in Stark's Component Ledger. The new series is constructed using a weighted combination of gas engines, transmissions and axles (on-highway), and brakes. These components cover more than 40 percent of the total value of production in SIC 3714 and most of the original-equipment parts subcomponent.

Production of medium and heavy trucks, formerly a single component of business trucks, is now represented by separate series for medium-weight (gross vehicle weight of 14,001–33,000 pounds) and for heavy trucks (33,001 pounds and more) based on the same monthly production figures as previously used (Ward's Automotive Reports) in combination with information on factory shipments by detailed weight class reported by the American Automobile Manu-

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7. For a summary of the Federal Reserve methods for seasonally adjusting the source data used to construct the index of industrial production, see Richard D. Raddock, "A Revision to Industrial Production and Capacity Utilization, 1991–95," *Federal Reserve Bulletin*, vol. 82 (January 1996), pp. 16–25 (especially pp. 23–24).

facturers Association. Similarly, capacity series for medium-weight trucks and another for heavy trucks and trailers were developed from the same sources; movements in the output of truck trailers are highly correlated with the output of heavy trucks.

Output of stone, sand, and gravel mining (SIC 141–2 and 144), formerly an input-based IP series, is now derived from quarterly production data reported by the Department of the Interior. These data, which cover most of the output of this industry, are interpolated to a monthly frequency and incorporated in the index beginning in 1992.

Updated Data and New Production Benchmarks

The regular updating of source data for industrial production includes the introduction of annual data from the Annual Survey of Manufactures for 1994 and selected Current Industrial Reports for 1995, both published by the Bureau of the Census. Available annual data on mining for 1994 and 1995 from the Department of the Interior were also introduced. Individual IP series incorporate revisions to the monthly indicators (either physical product data, production worker hours, or electric power usage) back to 1992. Seasonal factors for electric power and most physical product series were calculated on the basis of data through mid-1996; for production-worker hours and the unit counts of motor vehicle assemblies, seasonal factors were updated with data through October 1996. Productivity relationships used to extrapolate input-based IP series beyond 1994 or 1995 were updated using the revised output and input data.

With this revision, the annual updating of the individual IP series for manufacturing from 1992 onward reflects the incorporation of annual benchmarks of real output that are formulated as annually weighted Fisher indexes. While the vast majority of individual series were not revised for the years from 1977 to 1991, the new or modified series described earlier were adjusted to benchmarks formulated as annually weighted Fisher indexes from the initial year of the series. The sources for the basic data used to construct the new annual IP benchmarks in this revision are the same as those used for calculating the earlier benchmarks.

For this revision, the annual IP benchmark quantity indexes for semiconductors and related components and for computers and office equipment incorporate improvements from 1977 onward. The IP index for semiconductors and related components (SIC 3672–9) was benchmarked to an annual index of real output that incorporated a quality-adjusted price index for domestically produced integrated microcircuits (the major product of SIC 3674, which is the largest industry in the broader IP grouping). Board staff constructed this index from detailed price indexes for selected semiconductor components, mainly memory and logic chips, developed by the BEA as part of its recent comprehensive revision of the national income and product accounts. The BEA also revised its quality-adjusted price index for computers for that revision, and the IP benchmark index for computers and office equipment incorporates those results.

Revised Estimates of Industrial Capacity

The capacity utilization estimates fully incorporate the more detailed data from the latest Census Survey of Plant Capacity issued in September 1996, which provided revised utilization rates for manufacturing industries for the fourth quarters of 1989 to 1994. Preliminary results through 1994 from the Census survey had previously been incorporated in the Federal Reserve estimates of capacity and utilization. Revised or newly available estimates of capacity in physical volume (number of units, tons, barrels, and so forth) for selected industries for 1992–96 are also incorporated.

Measures of industry capital input, which are used in estimating manufacturing capacity, were updated with Federal Reserve estimates of manufacturers' real net capital stocks that are now built from investment data expressed in chained 1992 dollars; formerly, the net capital stocks were derived from investment flows in constant 1987 dollars.

Within manufacturing, those capacity indexes that are derived from the Census survey and estimates of capital input have been revised back to 1977; as a result, capacity utilization rates for manufacturing have been revised from January 1977 onward.[8] Capacity growth and utilization rates for mining and utilities have essentially been updated only in the 1990s, as have those manufacturing series derived from capacity and output data in physical units.

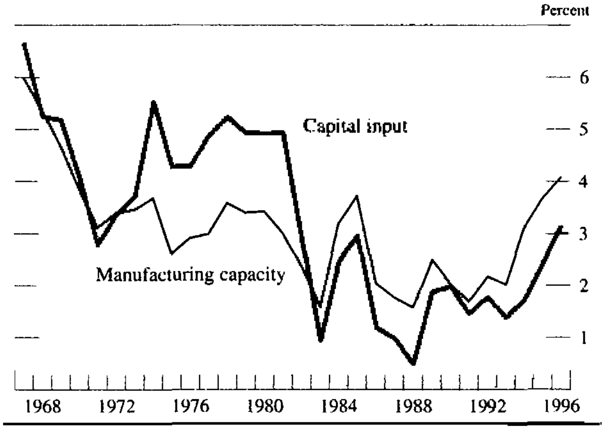
After a revision of the industrial production indexes, the individual capacity indexes must typically also be revised because capacity is calculated from industrial production and survey data on utiliza-

8. Some additional small changes to aggregate capacity utilization rates for the 1967–76 period were made to improve consistency with the new estimates from 1977 onward.

tion rates. For example, in this revision, the production index for semiconductors shows much faster growth because of a change in the methodology of measuring its output; consequently, the related capacity index (maximum output) had to be similarly revised; otherwise, output growth far in excess of capacity growth would yield a time series of implausible utilization rates. In many instances in manufacturing, we estimate a single capacity series to match a number of the individual production series. In such cases, the new annual weighting formulation affected the estimated growth of production and was a factor in the reestimation of individual capacity series. For the most part, these are series derived from industrial production, data on utilization rates from the Survey of Plant Capacity, and Federal Reserve estimates of capital input.

To construct an individual capacity index, we first calculate preliminary, implied end-of-year indexes of industrial capacity by dividing a production index by a utilization rate obtained from a survey for that end-of-year period. These ratios are expressed, like the indexes of industrial production, as percentages of production in a comparison base year, currently 1992, and they give the general level and trend of the capacity estimates.[9] The Federal Reserve's actual capacity indexes combine these preliminary indexes with information from alternative indicators of annual capacity change; these alternatives include capacity data in physical units and estimates of capital input. In general, the actual capacity indexes are proportional to fitted values from regressions that reflect both the trend growth of capacity implied by the survey data and the annual changes of the alternative

5. Change in manufacturing capacity and capital input, 1967–96



indicator.[10] Interpolating between the final end-of-year capacity indexes produces a continuous monthly time series.

The capital input measures, which reflect estimates of the service flow derived from the net stocks of productive tangible capital assets, were introduced in capacity estimation methods last year for the period from 1991 onward; as a result of the current revision the capital input measures are now incorporated in most manufacturing capacity series from 1977 onward.[11] As a result, the annual changes in manufacturing capacity from 1977 onward are more strongly correlated with changes in capital input than are the annual changes in previous figures.

In general, the relationship between capacity and capital input is variable over time and across indus-

9. Each implied capacity index number is an estimate of a sustainable maximum level of output expressed as a percentage of actual output in 1992. Thus, if in December 1992 the production index is 100 and a related utilization rate from a survey is 80 percent, then the implied capacity index is 100/0.8 = 125.

The capacity indexes capture the concept of sustainable practical capacity, which is defined as the greatest level of output that a plant can maintain within the framework of a realistic work schedule after taking account of normal downtime and assuming sufficient availability of inputs to operate the machinery and equipment in place. Both the questions asked in the broad Census survey and the narrower surveys of selected industries are generally consistent with this definiton of capacity. The concept itself generally conforms to that of a full-input point on a production function, with the qualification that capacity represents a realistically sustainable maximum, rather than some higher unsustainable short-term maximum. See Carol Corrado and Joe Mattey, "Capacity Utilization," *Journal of Economic Perspectives* (forthcoming, Winter 1997).

In the absence of utilization rate information for an industry, which is the case for a few series in mining, trends through peaks in production are used to estimate capacity output for that industry.

10. Specifically, the regressions fit the logarithm of the ratio of the capacity implied by the survey data to the alternative indicator by a low-order polynominal or piece-wise linear function of time. See Raddock, "A Revision to Industrial Production and Capacity Utilization, 1991–95," and "Recent Developments in Industrial Capacity and Utilization."

11. We estimate capital input for manufacturing industries in three steps. First, we prepare estimates of net capital stocks (by industry and asset type) from investment data using a perpetual inventory model; the methods used to derive the net stocks are described in Michael Mohr and Charles Gilbert, "Capital Stock Estimates for Manufacturing Industries: Methods and Data," Federal Reserve Board, Industrial Output Section, March 1996. Second, we develop annual estimates of the implicit rental prices for each asset type and use these estimates to create weights that describe the relative contribution made by each asset to the total input of capital. Finally, we create the annual estimates of capital input for each manufacturing capacity series by aggregating across the real net stocks by asset type using a chain-type quantity index that incorporates the weights created from the rental prices.

Since last year's annual revision, the basic elements used to create the capital input measures have been converted to use investment data expressed in chained 1992 dollars; otherwise, we use the same procedures to derive capital input.

tries. For total manufacturing, capital input grew more rapidly than capacity in the late 1970s and more slowly after 1982 (chart 5). Capital expenditures on pollution abatement equipment, which grew rapidly in the late 1970s, are included in the net stocks used to derive the capital input measures and can cause the growth rates of capital input and capacity output to differ. Similarly, the bunching of permanent plant closings in some industries and the lengthening of the workweek of capital in others in the 1980s can lead to differences in the measures. In recent years, the relatively fast growth of capacity output generally represents continued gains in manufacturers' overall productivity (output per unit of combined inputs, including capital, labor, and materials) and an increase in their rate of capital investment.

In compiling this revision of manufacturing capacity, every effort has been made to achieve continuity with the unrevised estimates before 1977. The McGraw-Hill/DRI survey was the primary determinant of the level of utilization series in manufacturing from 1955 through the mid-1970s. Following previous practice, continuity is achieved by applying a level adjustment to series whose data source changed from the McGraw-Hill/DRI survey to the Census survey to maintain consistency with the historical levels based on the earlier survey. (The two surveys overlapped for fourteen years.) Generally, utilization rates from the Census survey, now the main source for manufacturing utilization rates, were lower, on average, than those of the discontinued McGraw-Hill/DRI survey; thus Federal Reserve utilization rates for major industry totals and subtotals differ from those issued by the Census Bureau.

APPENDIX A. SUMMARY TABLES PUBLISHED IN THE G.17 SUPPLEMENT, JANUARY 27, 1997

A.1. [illegible]

Seasonally adjusted data except as noted

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual avg.[1]
	Industrial production (percentage change)																
1987	–.6	1.2	.4	.4	.4	.9	.6	.1	–.1	1.3	.3	.6	4.3	6.7	5.6	6.9	4.6
1988	.1	.3	.0	.6	.1	.0	.7	.5	–.4	.3	.7	.5	3.1	3.0	3.8	3.6	4.4
1989	.5	–.8	.9	.3	–.6	–.2	–1.0	.4	–.2	–.5	.4	.5	3.8	.5	–4.4	.0	1.8
1990	–.5	.5	.5	–.6	.4	.0	–.1	.2	.1	–.5	–1.3	–.6	1.9	.8	.9	–5.7	–.2
1991	–.5	–.8	–.9	.3	.8	1.2	.1	1	.9	–.1	–.1	–.6	–8.2	1.3	6.3	1.1	–2.0
1992	.0	.7	.8	.7	.4	–.3	.7	–.4	.5	.8	.6	.1	1.1	6.7	2.2	5.6	3.2
1993	.4	.5	.1	.3	–.6	.2	.3	–.2	1.0	.3	.5	.7	3.7	.8	1.7	5.8	3.4
1994	.3	.5	.7	.4	.6	.5	.5	.0	.1	.6	.6	.9	6.2	6.7	4.4	5.6	5.0
1995	.3	–.2	.1	–.3	.1	.2	.0	.8	.4	–.4	.2	.1	3.9	–.7	3.2	.8	3.3
1996	–.4	1.3	–.5	.9	.4	.6	.0	.3	.1	.0	.8	.7	1.6	6.2	3.3	3.8	2.7
	Industrial production (index)																
1987	90.2	91.2	91.5	91.9	92.3	93.1	93.7	93.8	93.7	94.9	95.2	95.8	91.0	92.5	93.7	95.3	93.1
1988	95.8	96.1	96.2	96.7	96.8	96.8	97.4	98.0	97.6	97.9	98.6	99.1	96.0	96.8	97.7	98.5	97.3
1989	99.7	98.9	99.8	100.1	99.5	99.3	98.3	98.7	98.5	98.1	98.5	98.9	99.5	99.6	98.5	98.5	99.0
1990	98.5	99.0	99.4	98.9	99.3	99.3	99.2	99.4	99.5	99.0	97.7	97.1	99.0	99.2	99.4	97.9	98.9
1991	96.7	95.9	95.0	95.3	96.0	97.2	97.2	97.4	98.3	98.2	98.1	97.4	95.8	96.2	97.6	97.9	96.9
1992	97.5	98.1	98.9	99.6	100.0	99.7	100.4	100.1	100.5	101.3	101.9	101.9	98.2	99.8	100.3	101.7	100.0
1993	102.3	102.8	102.8	103.2	102.6	102.8	103.1	102.8	103.9	104.1	104.6	105.4	102.6	102.8	103.3	104.7	103.4
1994	105.7	106.2	107.0	107.4	108.1	108.6	109.1	109.2	109.3	109.9	110.6	111.6	106.3	108.0	109.2	110.7	108.6
1995	111.9	111.6	111.7	111.4	111.5	111.7	111.7	112.6	113.0	112.5	112.7	112.8	111.8	111.6	112.4	112.7	112.1
1996	112.4	113.8	113.2	114.3	114.8	115.5	115.5	115.8	116.0	116.0	116.9	117.7	113.1	114.8	115.8	116.8	115.1
	Capacity (index)																
1987	113.9	114.0	114.1	114.3	114.4	114.5	114.6	114.7	114.8	115.0	115.1	115.2	114.0	114.4	114.7	115.1	114.6
1988	115.3	115.5	115.6	115.7	115.8	115.9	116.0	116.2	116.3	116.4	116.5	116.7	115.5	115.8	116.2	116.5	116.0
1989	116.8	117.0	117.2	117.4	117.6	117.8	118.0	118.2	118.4	118.6	118.8	119.0	117.0	117.6	118.2	118.8	117.9
1990	119.2	119.3	119.5	119.7	119.9	120.0	120.2	120.4	120.6	120.8	121.0	121.2	119.3	119.9	120.4	121.0	120.1
1991	121.4	121.5	121.7	121.9	122.0	122.2	122.4	122.5	122.7	122.8	123.0	123.2	121.5	122.0	122.5	123.0	122.3
1992	123.3	123.6	123.8	124.0	124.2	124.4	124.6	124.7	124.9	125.1	125.3	125.5	123.6	124.2	124.7	125.3	124.4
1993	125.7	125.8	126.0	126.2	126.4	126.6	126.7	126.9	127.1	127.3	127.5	127.7	125.8	126.4	126.9	127.5	126.7
1994	128.0	128.3	128.6	128.9	129.2	129.5	129.8	130.1	130.5	130.8	131.1	131.4	128.3	129.2	130.1	131.1	129.7
1995	131.8	132.1	132.5	132.8	133.2	133.6	134.0	134.3	134.7	135.1	135.5	135.9	132.1	133.2	134.3	135.5	133.8
1996	136.3	136.7	137.1	137.5	137.9	138.4	138.8	139.2	139.6	140.0	140.5	140.9	136.7	137.9	139.2	140.5	138.6
	Utilization (level, percent)																
1987	79.1	80.0	80.2	80.5	80.7	81.3	81.8	81.7	81.6	82.6	82.7	83.1	79.8	80.8	81.7	82.8	81.3
1988	83.1	83.3	83.2	83.6	83.6	83.5	84.0	84.3	84.0	84.1	84.6	85.0	83.2	83.6	84.1	84.6	83.9
1989	85.3	84.5	85.1	85.2	84.6	84.3	83.3	83.5	83.2	82.7	82.9	83.2	85.0	84.7	83.3	82.9	84.0
1990	82.6	82.9	83.2	82.6	82.8	82.7	82.5	82.5	82.5	81.9	80.7	80.1	82.9	82.7	82.5	80.9	82.3
1991	79.6	78.9	78.1	78.2	78.7	79.5	79.5	79.5	80.1	79.9	79.7	79.1	78.9	78.8	79.7	79.6	79.2
1992	79.0	79.4	79.9	80.4	80.6	80.2	80.6	80.2	80.5	81.0	81.3	81.2	79.5	80.4	80.4	81.2	80.4
1993	81.4	81.7	81.6	81.7	81.2	81.2	81.3	81.0	81.7	81.8	82.1	82.5	81.6	81.4	81.3	82.1	81.6
1994	82.6	82.8	83.2	83.3	83.7	83.9	84.1	83.9	83.7	84.1	84.4	84.9	82.9	83.6	83.9	84.4	83.7
1995	84.9	84.5	84.3	83.9	83.7	83.6	83.4	83.8	83.9	83.3	83.2	83.0	84.6	83.7	83.7	83.2	83.8
1996	82.4	83.2	82.6	83.1	83.2	83.5	83.2	83.2	83.1	82.8	83.2	83.5	82.8	83.3	83.2	83.2	83.1

NOTE. Monthly figures show the percentage change from the previous month; quarterly figures show the change from the previous quarter at a compound annual rate of growth. Estimates from October 1996 through December 1996 are subject to further revision in the upcoming monthly releases. Production and capacity indexes are expressed as percentages of output in 1992.

1. Annual averages of industrial production are calculated from not seasonally adjusted indexes.

A.2. Revised data for industrial production, capacity, and utilization for manufacturing industries, 1987–96

Seasonally adjusted data except as noted

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Annual avg.
	Industrial production (percentage change)																
1987	−.8	1.6	.2	.5	.3	1.0	.7	−.2	.1	1.3	.5	.6	5.0	7.0	5.5	7.6	5.3
1988	−.2	.4	−.1	1.0	−.1	.0	.7	.3	.2	.2	1.0	.6	2.4	4.1	3.7	5.2	4.7
1989	.9	−1.2	.8	.1	−.7	.0	−1.1	.4	−.3	−.6	.4	.1	4.3	−.7	−4.5	−1.4	1.9
1990	−.2	.9	.3	−.8	.4	−.1	.0	.3	.0	−.6	−1.3	−.6	2.9	−.1	.8	−6.3	−.5
1991	−.9	−.7	−1.1	.3	.7	1.4	.2	.2	1.1	−.1	−.2	−.5	−9.7	1.2	7.8	1.7	−2.4
1992	.2	.8	.9	.6	.4	−.1	.7	−.3	.4	.7	.6	−.1	2.3	7.3	2.8	5.1	4.0
1993	.8	.3	.1	.5	−.5	.0	.3	−.3	1.1	.2	.5	.8	4.5	1.4	1.2	6.2	3.7
1994	.1	.6	.9	.7	.7	.2	.8	.1	.2	.7	.7	.9	6.3	8.1	5.0	6.7	5.5
1995	.4	−.4	.1	−.3	−.1	.2	−.1	.7	.7	−.4	−.1	.1	4.2	−1.4	2.6	1.0	3.5
1996	−.4	1.3	−.8	1.1	.4	.7	.5	.1	.2	.0	.6	1.0	1.1	6.3	5.0	3.7	2.7
	Industrial production (index)																
1987	89.6	91.0	91.2	91.6	91.9	92.8	93.4	93.3	93.4	94.6	95.0	95.6	90.6	92.1	93.4	95.1	92.8
1988	95.4	95.8	95.7	96.7	96.6	96.6	97.2	97.5	97.7	97.9	98.9	99.4	95.7	96.6	97.5	98.7	97.1
1989	100.3	99.1	99.9	100.0	99.4	99.4	98.3	98.7	98.4	97.9	98.2	98.3	99.8	99.6	98.5	98.1	99.0
1990	98.1	99.0	99.3	98.6	99.0	98.9	98.8	99.1	99.1	98.5	97.2	96.6	98.8	98.8	99.0	97.4	98.5
1991	95.8	95.1	94.1	94.4	95.0	96.3	96.6	96.8	97.8	97.8	97.6	97.1	95.0	95.2	97.0	97.5	96.2
1992	97.2	98.0	98.9	99.5	100.0	99.9	100.5	100.2	100.6	101.4	102.0	101.8	98.0	99.8	100.5	101.7	100.0
1993	102.6	102.9	103.0	103.6	103.0	103.0	103.4	103.0	104.2	104.4	105.0	105.9	102.9	103.2	103.5	105.1	103.7
1994	106.0	106.6	107.5	108.2	109.0	109.2	110.0	110.1	110.3	111.1	111.9	112.9	106.7	108.8	110.2	111.9	109.4
1995	113.3	112.9	113.1	112.7	112.6	112.9	112.7	113.4	114.2	113.8	113.6	113.8	113.1	112.7	113.4	113.7	113.2
1996	113.4	114.8	113.9	115.2	115.7	116.4	117.0	117.2	117.4	117.4	118.1	119.3	114.0	115.8	117.2	118.3	116.3
	Capacity (index)																
1987	113.2	113.4	113.6	113.8	113.9	114.1	114.2	114.4	114.6	114.7	114.9	115.0	113.4	113.9	114.4	114.9	114.1
1988	115.1	115.3	115.4	115.5	115.7	115.8	116.0	116.1	116.3	116.5	116.6	116.8	115.3	115.7	116.1	116.6	115.9
1989	117.0	117.3	117.5	117.8	118.0	118.3	118.5	118.7	119.0	119.2	119.5	119.7	117.3	118.0	118.7	119.5	118.4
1990	119.9	120.1	120.3	120.5	120.7	120.9	121.1	121.3	121.5	121.7	121.9	122.2	120.1	120.7	121.3	121.9	121.0
1991	122.4	122.6	122.7	122.9	123.1	123.3	123.5	123.6	123.8	124.0	124.2	124.3	122.6	123.1	123.6	124.1	123.4
1992	124.5	124.7	125.0	125.2	125.4	125.7	125.9	126.1	126.3	126.5	126.8	127.0	124.7	125.4	126.1	126.8	125.8
1993	127.2	127.4	127.6	127.8	128.0	128.2	128.4	128.6	128.9	129.1	129.3	129.5	127.4	128.0	128.7	129.3	128.3
1994	129.8	130.1	130.5	130.8	131.2	131.5	131.9	132.2	132.6	132.9	133.3	133.6	130.1	131.2	132.2	133.3	131.7
1995	134.0	134.4	134.8	135.2	135.6	136.0	136.5	136.9	137.3	137.8	138.2	138.7	134.4	135.6	136.9	138.2	136.3
1996	139.1	139.6	140.1	140.5	141.0	141.5	142.0	142.5	142.9	143.4	143.9	144.4	139.6	141.0	142.5	143.9	141.7
	Utilization (level, percent)																
1987	79.1	80.2	80.3	80.6	80.7	81.4	81.8	81.5	81.5	82.5	82.8	83.1	79.9	80.9	81.6	82.8	81.3
1988	82.9	83.1	82.9	83.7	83.5	83.4	83.8	84.0	84.0	84.1	84.8	85.1	83.0	83.5	83.9	84.7	83.8
1989	85.7	84.5	85.0	84.9	84.2	84.1	83.0	83.1	82.7	82.1	82.2	82.2	85.1	84.4	82.9	82.1	83.6
1990	81.8	82.4	82.6	81.8	82.0	81.8	81.6	81.7	81.5	80.9	79.7	79.1	82.3	81.9	81.6	79.9	81.4
1991	78.2	77.6	76.6	76.8	77.2	78.1	78.2	78.3	79.0	78.9	78.6	78.1	77.5	77.4	78.5	78.5	78.0
1992	78.1	78.6	79.1	79.5	79.7	79.5	79.9	79.5	79.7	80.1	80.4	80.2	78.6	79.5	79.7	80.2	79.5
1993	80.7	80.8	80.7	81.0	80.5	80.4	80.5	80.1	80.9	80.9	81.2	81.7	80.7	80.6	80.5	81.3	80.8
1994	81.6	81.9	82.4	82.7	83.1	83.0	83.4	83.3	83.2	83.6	84.0	84.5	82.0	83.0	83.3	84.0	83.1
1995	84.6	84.0	83.9	83.4	83.0	83.0	82.6	82.9	83.2	82.6	82.2	82.0	84.2	83.1	82.9	82.3	83.1
1996	81.5	82.2	81.3	82.0	82.0	82.3	82.4	82.3	82.1	81.8	82.1	82.6	81.7	82.1	82.3	82.2	82.1

NOTE. See notes to table A.1.

A.3. Revised growth rates of industrial production, by market group, 1977–96

Series	Revised growth rate (percent)				Difference between revised and earlier growth rates (percentage points)			
	1977–82	1982–87	1987–92	1992–96	1977–82	1982–87	1987–92	1992–96
Total index	**.5**	**4.0**	**1.4**	**3.6**	**–.5**	**–.1**	**–.1**	**–.4**
Products, total	1.2	4.1	1.0	2.9	–.7	–.6	–.2	–.6
Final products	1.6	3.6	1.4	3.0	–.9	–.8	–.3	–.6
Consumer goods	–.2	3.5	1.3	2.5	.0	.1	.1	.1
Durable	–4.3	8.5	1.3	6.0	.0	.7	.7	1.1
Automotive products	–7.5	11.2	–.1	5.9	–.2	–.5	–.3	–1.0
Other durable goods	–2.2	6.7	2.3	6.0	.1	1.6	1.4	2.8
Nondurable	1.1	2.1	1.3	1.6	–.1	–.1	.0	–.2
Non-energy products	1.5	2.2	1.3	1.4	–.1	–.1	.0	–.2
Energy products	–.6	1.7	1.5	2.7	–.1	–.1	–.1	–.2
Equipment, total	3.9	3.6	1.5	4.0	–1.7	–1.7	–.8	–1.8
Business	2.6	3.8	3.3	6.1	–2.5	–2.7	–1.0	–2.0
Industrial	–2.6	–1.7	1.0	6.1	.0	.0	–.2	1.0
Information processing and related	14.5	9.1	4.8	9.4	–3.7	–5.3	–1.8	–4.5
Transit	–1.2	4.0	5.8	.0	–.4	–.6	–.5	.1
Other	–2.4	3.2	.3	3.8	–.1	–.1	–.3	–.7
Defense and space	6.0	10.1	–3.2	–6.3	.0	1.3	.1	.5
Intermediate products	.0	5.9	–.1	2.3	.0	.0	.0	–.5
Construction supplies	–2.7	6.7	–.9	4.0	–.1	.0	.1	–.3
Business supplies	2.1	5.3	.3	1.2	–.1	.0	–.1	–.6
Materials	–.5	3.8	2.0	4.7	.0	.5	.2	.0
Durable	–.6	6.9	2.7	7.6	–.1	.6	.3	.2
Nondurable	–1.1	4.0	1.9	1.5	.0	.0	.0	–.5
Energy	–.3	–.1	.8	1.0	–.2	.1	.0	.0
Aggregates, excluding computer and office equipment								
Total index	–.1	3.6	1.3	3.1	.0	.3	.1	–.1
Business equipment	–.2	1.6	2.8	3.7	–.2	–.1	–.1	–.2

NOTE. Growth rates are calculated as the average annual percentage change from the first to the last year indicated.

A.4. Revised growth rates of industrial production, by industry group, 1977–96

Series	SIC code[1]	Revised growth rate (percent)				Difference between revised and earlier growth rates (percentage points)			
		1977–82	1982–87	1987–92	1992–96	1977–82	1982–87	1987–92	1992–96
Total index	...	**.5**	**4.0**	**1.4**	**3.6**	**–.5**	**–.1**	**–.1**	**–.4**
Manufacturing	...	.3	5.2	1.5	3.9	–.6	–.3	–.1	–.4
Primary processing	...	–2.7	4.7	1.0	2.9	–.1	.0	.0	–.3
Advanced processing	...	1.9	5.4	1.8	4.3	–.8	–.5	–.1	–.5
Durable manufacturing	...	.0	6.2	1.7	5.9	–1.1	–.4	–.1	–.5
Lumber and products	24	–4.0	8.3	–1.0	2.3	.0	.1	.0	–.8
Furniture and fixtures	25	–.1	6.2	–.2	2.2	.0	.0	.0	–.7
Stone, clay, and glass products	32	–3.1	4.5	–.9	2.7	–.1	.0	.0	.0
Primary metals	33	–7.5	4.0	.5	4.0	–.2	.2	.1	–.1
Iron and steel	331,2	–10.2	3.5	.9	3.9	–.3	.5	.0	–.4
Raw steel	331pt	–9.8	3.5	.2	2.9	.0	.0	.0	.0
Nonferrous metals	333–6,9	–2.8	4.6	–.2	4.1	.3	.0	.2	.2
Fabricated metal products	34	–2.1	3.7	–.4	4.4	.0	.0	–.2	.1
Industrial machinery and equipment	35	3.1	5.5	3.1	11.8	–4.2	–3.9	–1.3	–1.6
Computer and office equipment	357	33.4	23.9	10.0	31.3	–1.6	–4.5	–1.6	–.9
Electrical machinery	36	6.3	7.9	5.7	13.0	.9	2.3	1.4	1.8
Semiconductors and related components	3672–9	23.1	15.8	14.6	26.7	6.9	9.5	5.2	7.4
Transportation equipment	37	–2.6	8.8	.8	1.4	–.1	–.3	–.1	–.7
Motor vehicles and parts	371	–9.2	10.8	1.0	6.0	–.1	–.4	–.4	–1.1
Autos and light trucks	371pt	–8.4	12.6	.3	5.6	–.2	–.1	–.1	–.7
Aerospace and miscellaneous transportation equipment	372–6	4.2	7.4	.5	–3.8	.0	–.1	.1	.1
Instruments	38	4.9	4.2	1.3	.7	.0	.1	.1	–.8
Miscellaneous manufactures	39	–1.6	1.8	1.3	3.0	.0	.1	.0	–.7
Nondurable manufacturing	...	.5	3.9	1.3	1.5	–.1	–.1	.0	–.3
Foods	20	2.0	2.6	1.3	1.5	–.1	–.1	.0	–.5
Tobacco products	21	.6	–.3	–.9	1.4	.0	.0	–.1	2.6
Textile mill products	22	–1.9	3.7	.8	1.7	.0	.0	.0	.5
Apparel products	23	–.3	1.8	–1.1	–.4	.0	–.3	.0	.9
Paper and products	26	1.2	4.1	1.9	1.9	.2	.0	.0	.1
Printing and publishing	27	3.2	5.7	–.5	–.3	.0	–.1	–.1	–.3
Chemicals and products	28	–.4	4.1	2.8	2.1	.0	.0	.1	–1.0
Petroleum products	29	–3.1	2.3	.6	1.6	.0	.0	.1	–.3
Rubber and plastic products	30	.3	8.7	3.1	4.8	–.1	.0	.0	–.3
Leather and products	31	–4.1	–7.2	–2.3	–5.3	.0	.0	.0	–1.3
Mining	...	1.5	–1.7	–.3	.8	.0	.1	–.1	.2
Metal mining	10	–2.2	2.5	10.1	.4	.9	–.3	–.3	.1
Coal mining	12	3.7	1.8	1.6	1.4	.0	.0	.0	–.1
Oil and gas extraction	13	1.5	–2.8	–1.5	.1	–.3	–.2	–.1	.2
Stone and earth minerals	14	–4.6	5.1	–.2	4.3	.0	.3	.0	.3
Utilities	...	.1	1.7	2.3	3.0	–.3	–.1	.0	–.1
Electric	491,493pt	1.6	3.1	2.3	3.0	.0	.0	.0	.0
Gas	492,493pt	–3.2	–2.8	2.4	2.7	–.6	.3	–.1	–.4
Aggregate, excluding computer and office equipment									
Manufacturing	...	–.4	4.7	1.3	3.3	–.1	.2	.1	–.2

NOTE. Growth rates are calculated as the average annual percentage change from the first to the last year indicated.

Primary-processing manufacturing includes textile mill products, paper and products, industrial chemicals, synthetic materials, and fertilizers, petroleum products, rubber and plastics products, lumber and products, primary metals, fabricated metals, and stone, clay, and glass products. Advanced-processing manufacturing includes foods, tobacco products, apparel products, printing and publishing, chemical products and other agricultural chemicals, leather and products, furniture and fixtures, industrial and commercial machinery and computer equipment, electrical machinery, transportation equipment, instruments, and miscellaneous manufactures.

1. Standard Industrial Classification; see Executive Office of the President, Office of Management and Budget, *Standard Industrial Classification Manual, 1987* (U.S. Government Printing Office, 1987).

pt Part of classification.

A.5. Revised growth rates of industrial production, by major market group, 1992–96

Market group	Revised growth rate (percent)					Difference between revised and earlier growth rates (percentage points)				
	1992	1993	1994	1995	1996	1992	1993	1994	1995	1996
Total index	**3.9**	**3.0**	**5.7**	**1.8**	**3.7**	**−.1**	**−.2**	**−.9**	**.2**	**−.8**
Products, total	3.9	1.9	4.3	1.1	3.7	−.2	−.6	−1.3	.1	−.9
Final products	4.0	2.0	4.3	1.4	3.9	−.3	−.6	−1.1	.0	−1.3
Consumer goods	3.7	2.2	3.9	.7	2.1	.3	.3	−.1	.2	.1
Durable	7.4	10.3	6.6	1.1	2.7	.6	−.3	.5	2.0	2.2
Automotive products	11.7	11.6	5.7	−.9	1.0	.3	−2.8	−1.6	.3	−1.0
Other durable goods	4.2	9.4	7.2	2.5	3.9	1.1	2.2	2.3	3.2	4.8
Nondurable	2.7	.1	3.2	.7	2.0	.2	.3	−.3	−.3	−.5
Non-energy products	2.8	−.4	4.4	−.3	2.4	.2	.2	−.3	−.5	−.2
Energy products	2.5	3.4	−4.0	6.6	−.4	.0	.9	.0	.0	−1.7
Equipment, total	4.6	1.5	4.9	2.4	6.9	−1.1	−2.0	−2.6	−.1	−3.0
Business	6.8	3.4	8.1	4.6	8.0	−1.4	−2.5	−3.3	.1	−3.0
Industrial	3.7	6.8	8.9	7.3	−.2	−.7	.9	.3	3.8	−.1
Information processing and related	13.2	2.0	11.5	12.2	11.2	−1.7	−5.5	−6.3	−1.8	−6.2
Transit	.8	−2.1	1.1	−13.4	21.6	.3	−2.9	−1.4	.8	5.3
Other	3.4	9.6	5.4	−.8	2.4	−1.3	−.4	−2.5	2.8	−1.2
Defense and space	−5.8	−6.5	−8.0	−8.2	−.9	.0	.5	2.3	.9	−2.1
Intermediate products	3.3	1.8	4.3	.1	3.1	.1	−.8	−2.0	.2	.3
Construction supplies	3.7	5.8	6.6	−.8	5.9	−.3	−.2	−1.5	−.4	.6
Business supplies	3.1	−.5	3.0	.7	1.3	.4	−1.1	−2.3	.7	.2
Materials	3.9	4.6	7.9	2.9	3.7	.2	.4	−.2	.5	−.7
Durable	6.5	8.2	10.9	5.7	5.1	.2	1.0	−.3	.4	−.3
Nondurable	2.4	1.7	5.9	−2.3	1.7	.1	−.6	−1.0	.4	−1.4
Energy	.0	−.6	2.1	.9	1.9	.0	−.2	.3	.8	−1.2
Aggregates, excluding computer and office equipment										
Total index	3.5	2.7	5.3	1.1	2.9	.2	−.1	−.8	.5	−.2
Business equipment	4.7	2.4	6.2	1.1	4.4	−.1	−1.1	−2.4	2.3	.7

NOTE. Growth rates are calculated as the percentage change in the seasonally adjusted index from the fourth quarter of the previous year to the fourth quarter of the year specified.

[illegible]

Industry group	SIC code[1]	Revised growth rate[2] (percent)					Difference between revised and earlier growth rates (percentage points)				
		1992	1993	1994	1995	1996	1992	1993	1994	1995	1996
Total index	...	**3.9**	**3.0**	**5.7**	**1.8**	**3.7**	**–.1**	**–.2**	**–.9**	**.2**	**–.8**
Manufacturing	...	4.4	3.3	6.5	1.6	4.0	–.1	–.4	–1.1	.2	–.8
Primary processing	...	3.9	4.0	6.2	–.9	2.6	–.1	–.3	–.8	.2	–.4
Advanced processing	...	4.6	3.0	6.7	2.8	4.7	–.1	–.4	–1.1	.3	–.9
Durable	...	5.2	5.8	8.2	3.7	5.6	–.3	–.4	–1.1	.3	–.9
Lumber and products	24	5.4	2.2	4.1	–.1	2.5	–.4	–1.7	–1.6	.1	.7
Furniture and fixtures	25	5.1	3.4	3.9	–1.7	3.2	.2	–1.8	–3.4	2.0	.4
Stone, clay, and glass products	32	3.6	4.2	4.7	–.5	2.4	–.2	.0	.7	–.6	–.3
Primary metals	33	1.1	7.2	8.4	–.9	2.9	.1	–.3	–1.4	.8	.8
Iron and steel	331,2	1.3	9.0	7.0	–1.2	2.9	.2	–.1	–1.3	1.2	–1.3
Raw steel	331pt	1.3	5.6	6.1	.6	–1.9	–.3	–.2	–.3	–.1	.8
Nonferrous	333–6,9	.9	4.9	10.3	–.7	2.9	.0	–.5	–1.5	.0	3.4
Fabricated metal products	34	4.1	4.6	8.5	.9	3.2	–1.0	.7	.1	.0	.0
Industrial machinery and equipment	35	7.1	12.0	14.7	11.7	10.0	–3.3	–.9	–.2	–.8	–5.2
Computer and office equipment	357	26.8	20.1	31.2	40.7	38.1	–1.2	–6.6	1.6	4.5	–2.5
Electrical machinery	36	13.1	8.6	18.6	15.9	7.2	3.2	.4	.9	4.0	2.8
Semiconductors and related components	3672–9	26.6	16.5	37.3	36.4	15.6	8.9	4.6	8.4	10.4	7.9
Transportation equipment	37	2.8	4.8	1.2	–6.1	5.4	–.1	–.1	–2.0	.1	–1.9
Motor vehicles and parts	371	10.1	18.0	6.8	–3.0	–3.7	–.6	1.2	–1.8	–.4	–6.0
Autos and light trucks	371pt	9.1	13.6	5.7	–3.3	–.5	.3	–2.1	–.3	–.6	–2.0
Aerospace and miscellaneous	372–6,9	–4.3	–8.9	–6.0	–10.6	19.3	.0	–1.0	–1.9	1.2	3.5
Instruments	38	1.2	–1.7	1.2	.5	3.0	.2	–.6	–2.8	–.1	.2
Miscellaneous	39	2.1	5.5	2.6	.9	2.5	.0	–.5	–3.6	.3	.9
Nondurable	...	3.5	.5	4.6	–.9	2.2	.3	–.4	–.9	.1	–.3
Foods	20	1.8	1.6	2.1	.8	2.1	.2	–1.0	–1.5	.4	.1
Tobacco products	21	4.1	–16.3	40.5	–8.8	2.3	–1.5	3.3	15.8	–2.7	–3.6
Textile mill products	22	6.5	5.1	5.9	–5.5	2.0	.2	.5	.9	.2	.2
Apparel products	23	.4	2.2	5.2	–7.6	–2.5	–.5	.9	1.2	1.4	.3
Paper and products	26	.3	6.5	4.7	–2.6	1.4	–.1	–.3	.5	.4	–.6
Printing and publishing	27	2.6	–2.6	1.2	–1.3	1.2	.3	–1.2	–1.4	.6	.5
Chemicals and products	28	4.9	–1.4	4.6	1.6	3.6	.5	–.4	–2.4	–.8	–1.2
Petroleum products	29	3.6	2.8	–.9	.4	3.1	.0	–.3	–.9	.2	–.4
Rubber and plastics products	30	9.0	6.4	9.5	–.5	2.9	.3	–.3	–.9	.0	–.6
Leather and products	31	5.0	–3.8	–8.3	–8.9	–3.4	–.1	–1.2	–5.1	.3	1.5
Mining	...	.3	–.3	1.6	–1.3	3.9	.0	.2	.4	.5	–.8
Metal mining	10	5.7	2.2	–3.0	4.7	.1	–.4	–.3	–.2	–3.3	3.7
Coal mining	12	–.7	–3.3	8.9	–.2	4.1	–.2	–.1	–.2	2.9	–6.2
Oil and gas extraction	13	–.3	–.6	–.3	–2.5	4.1	.2	.0	.4	.5	–.2
Stone and earth minerals	14	3.4	5.6	7.0	.2	5.6	–1.1	2.7	.6	–1.8	.3
Utilities	...	1.9	2.0	–.1	6.5	.4	–.1	.5	–.3	.3	–1.2
Electric	491,3pt	2.1	1.0	1.9	5.3	1.1	.2	.1	.1	.2	–.6
Gas	492,3pt	1.1	5.5	–7.2	10.9	–2.1	–1.0	1.6	–1.2	.4	–3.1
Aggregate, excluding computer and office equipment											
Manufacturing	...	3.9	3.0	6.0	.7	3.1	.2	–.2	–1.0	.4	–.1

NOTE. See notes to table A.4. Growth rates are calculated as the percentage change in the seasonally adjusted index from the fourth quarter of the previous year to the fourth quarter of the year specified.

1. Standard Industrial Classification, see table A.4, note 1.
pt Part of classification.

A.7. Revised and earlier capacity utilization rates, by major industry, 1967–96

Item	SIC code[1]	Revised index (percent of capacity)						Difference between revised and earlier indexes (percentage points)		
		1967–95 avg.	1988–89 high	1990–91 low	1994:Q4	1995:Q4	1996:Q4	1994:Q4	1995:Q4	1996:Q4
Total index	...	**82.0**	**85.3**	**78.1**	**84.4**	**83.2**	**83.2**	**–.3**	**.2**	**–.2**
Manufacturing	...	81.1	85.7	76.6	84.0	82.3	82.2	–.3	.2	–.1
Primary processing	...	82.0	88.9	77.8	88.7	86.2	86.4	–.6	.1	–.1
Advanced processing	...	80.6	84.2	76.1	81.9	80.5	80.4	–.2	.2	–.2
Durable	...	79.3	84.5	73.2	83.5	82.0	81.6	–.4	.3	–.1
Lumber and products	24	82.6	93.6	75.5	86.6	84.7	84.5	–4.0	–2.8	–2.6
Furniture and fixtures	25	81.7	86.6	72.5	83.8	81.3	82.0	–2.1	–.1	.3
Stone, clay, and glass products	32	77.9	83.6	69.7	80.7	79.3	79.5	–.1	–.2	.0
Primary metals	33	80.1	92.7	73.7	93.6	91.1	90.8	–1.7	–.7	–.1
Iron and steel	331,2	80.0	95.2	71.8	93.5	90.7	89.3	–1.4	–.2	–2.1
Raw steel	331pt	79.7	92.7	71.5	94.8	92.5	89.7	–.7	–.8	2.4
Nonferrous	333–6,9	80.5	89.3	74.2	93.9	91.8	92.7	–1.9	–1.2	2.5
Fabricated metal products	34	77.7	82.0	72.2	85.8	84.3	84.6	1.0	.5	–.2
Industrial machinery and equipment	35	80.9	85.4	72.4	88.0	90.2	89.1	.8	2.1	–1.2
Computer and office equipment	357	80.9	86.9	66.9	82.2	89.7	91.0	–.3	1.1	–5.4
Electrical machinery	36	80.8	84.0	75.1	87.8	87.3	80.3	.1	1.7	3.1
Semiconductors and related components	3672–9	79.4	81.0	75.5	87.3	88.2	78.6	1.9	2.2	4.7
Transportation equipment	37	76.0	85.8	68.5	76.0	69.4	72.2	–1.3	–1.6	–2.8
Motor vehicles and parts	371	76.6	89.1	55.9	82.5	74.7	69.5	–2.5	–3.7	–7.6
Autos and light trucks[2]	371pt		92.2	53.3	85.1	77.7	76.0	–.1	–2.6	–4.2
Aerospace and miscellaneous	372–6,9	75.7	87.3	79.2	68.1	62.5	75.7	.4	1.4	3.6
Instruments	38	82.1	81.4	77.2	77.2	77.6	79.9	–.8	–.2	.7
Miscellaneous	39	75.1	79.0	71.7	78.0	77.6	78.5	2.2	4.3	6.7
Nondurable	...	83.5	87.3	80.7	84.7	82.6	82.9	–.1	.3	–.1
Foods	20	83.1	85.4	82.7	82.5	81.5	81.7	–.4	–.3	–.5
Textile mill products	22	85.6	90.4	77.7	92.2	83.6	83.3	1.6	1.3	1.0
Apparel products	23	81.4	85.1	75.5	86.3	77.5	74.5	5.1	5.1	4.5
Paper and products	26	89.3	93.5	85.0	93.1	89.0	88.8	–.8	.8	1.4
Printing and publishing	27	86.2	91.7	79.6	82.3	81.4	82.8	.3	1.0	1.4
Chemicals and products	28	79.6	86.2	79.3	79.2	78.9	79.0	–1.5	–1.8	–3.5
Petroleum products	29	85.8	88.5	85.1	91.2	91.7	94.3	–1.6	–.6	–.5
Rubber and plastics products	30	84.5	89.6	77.4	93.5	91.0	92.1	–.3	.8	1.6
Leather and products	31	81.7	83.3	76.1	78.6	73.0	71.5	–6.2	–6.2	–5.7
Mining	...	87.3	86.8	86.1	88.7	88.0	91.8	–.6	.2	–.3
Metal mining	10	77.9	89.4	79.9	84.5	87.7	86.8	.1	–2.6	.6
Coal mining	12	87.0	91.5	83.4	84.4	84.9	87.6	–2.2	1.9	–2.9
Oil and gas extraction	13	88.3	86.6	87.5	89.8	88.3	92.9	–.4	.0	.0
Stone and earth minerals	14	84.9	89.1	79.4	92.7	91.2	94.5	2.4	1.6	2.5
Utilities	...	87.1	92.6	83.4	86.4	90.4	88.9	–.6	–1.1	–2.8
Electric	491,3pt	88.9	95.0	87.1	89.1	91.8	90.5	–.4	–1.2	–2.7
Gas	492,3pt	82.3	85.0	67.1	77.2	85.2	82.8	–1.1	–.7	–3.0
Aggregates, excluding computer and office equipment										
Total index	...	82.1	85.4	78.2	84.5	83.0	83.0	–.2	.3	.2
Manufacturing	...	81.1	85.8	76.8	84.1	82.1	81.9	–.1	.5	.5

NOTE. The "high" columns refer to periods in which utilization generally peaked; the "low" columns refer to recession years in which utilization generally bottomed out. The monthly highs and lows are specific to each series, and all did not occur in the same month.

1. Standard Industrial Classification; see table A.4, note 1.
2. Series begins in 1977.
pt Part of classification.

A.8. Revised growth rates of capacity, by major industry group, 1992–96

Industry group	SIC code	Revised growth rate (percent)					Difference between revised and earlier growth rates (percentage points)				
		1992	1993	1994	1995	1996	1992	1993	1994	1995	1996
Total index	...	**1.9**	**1.8**	**2.8**	**3.3**	**3.7**	**–.2**	**–.4**	**–.3**	**–.4**	**–.3**
Manufacturing	...	2.1	2.0	3.1	3.7	4.1	–.3	–.5	–.4	–.5	–.3
Primary processing	...	1.0	1.2	2.0	2.1	2.4	–.3	–.3	–.2	–.5	–.1
Advanced processing	...	2.6	2.4	3.7	4.6	4.9	–.3	–.6	–.4	–.3	–.4
Durable	...	2.0	2.5	4.1	5.5	6.1	–.5	–.6	–.5	–.5	–.5
Lumber and products	24	.1	.3	2.4	2.1	2.8	–.5	–.8	1.6	–1.2	.4
Furniture and fixtures	25	.5	1.3	1.4	1.3	2.3	–.5	–.6	–.6	–.4	–.1
Stone, clay, and glass products	32	.1	.1	.9	1.2	2.2	–.6	–.1	.0	–.5	–.5
Primary metals	33	–1.1	–.1	1.4	1.8	3.3	.1	.2	–.5	–.3	.2
Iron and steel	331,2	–2.3	–1.0	2.8	1.9	4.5	.0	.0	.0	.0	.9
Raw steel	331pt	–3.0	–4.2	.9	3.1	1.1	.0	.0	.0	.0	–2.8
Nonferrous	333–6,9	.5	.9	–.3	1.6	1.8	.2	.4	–1.0	–.7	–.6
Fabricated metal products	34	–.1	1.5	1.5	2.7	2.9	–.4	.4	–.4	.5	.9
Industrial machinery and equipment	35	3.8	4.7	6.3	9.0	11.4	–.3	–1.1	–2.4	–2.4	–1.1
Computer and office equipment	357	14.4	19.0	22.8	29.0	36.1	.4	.4	–2.2	2.2	6.8
Electrical machinery	36	6.5	8.1	11.7	16.6	16.5	.1	.8	2.0	1.8	.9
Semiconductors and related components	3672–9	15.9	20.6	27.3	35.1	29.7	1.8	8.0	9.0	10.0	4.2
Transportation equipment	37	1.4	.7	3.0	2.8	1.3	–.6	–1.3	–.4	.7	–.3
Motor vehicles and parts	371	3.2	2.9	7.5	7.2	3.4	–.5	–1.6	.9	1.6	–.6
Autos and light trucks	371pt	.8	.0	5.5	5.9	1.8	–1.6	–2.7	–.3	2.7	.0
Aerospace and miscellaneous	372–6,9	.1	–1.9	–2.1	–2.5	–1.5	–.2	–1.1	–1.8	–.3	.2
Instruments	38	1.1	.5	.2	.0	.0	–.1	–.4	–.8	–.9	–1.0
Miscellaneous	39	1.5	1.5	1.4	1.4	1.4	–3.4	–2.3	–2.4	–2.5	–2.5
Nondurable	...	2.2	1.4	1.8	1.6	1.7	–.1	–.4	–.3	–.3	.1
Foods	20	2.6	1.8	2.0	2.1	1.9	.4	–.2	.0	.4	.3
Textile mill products	22	1.7	2.5	3.5	4.1	2.4	–.8	–.8	.4	.4	.6
Apparel products	23	.2	.5	.4	2.9	1.3	–1.9	–2.1	–.6	.8	.8
Paper and products	26	1.8	2.3	1.5	1.9	1.6	–.5	.1	–.6	–1.3	–1.2
Printing and publishing	27	.6	–.8	–.1	–.2	–.5	–.3	.0	–1.7	–.2	.0
Chemicals and products	28	3.8	2.2	3.0	2.0	3.5	–.1	–.4	.7	–.4	.9
Petroleum products	29	–1.5	–.6	1.9	–.2	.3	–.3	.0	1.6	–.8	–.5
Rubber and plastics products	30	3.8	3.3	4.3	2.3	1.6	–.4	–.9	–.4	–1.2	–1.5
Leather and products	31	–2.6	–2.1	–1.7	–1.9	–1.4	.1	.1	.8	.9	1.0
Mining	...	–1.2	–.6	.7	–.4	–.4	.0	.4	.8	–.4	–.2
Metal mining	10	2.5	1.8	–1.5	.9	1.2	.0	.1	–1.2	–.1	.2
Coal mining	12	–.3	1.4	4.3	–.9	.8	–1.2	.3	3.2	–2.0	–.2
Oil and gas extraction	13	–1.8	–1.6	–.2	–.8	–1.1	.3	.3	.4	.0	–.2
Stone and earth minerals	14	.0	1.9	1.0	1.9	1.8	–.5	1.0	–.5	–1.1	–.7
Utilities	...	1.4	.8	1.2	1.8	2.1	.3	.2	.8	.8	.7
Electric	491,3pt	1.5	1.4	1.0	2.2	2.6	.0	.7	.6	1.1	1.0
Gas	492,3pt	.0	.2	.4	.5	.7	.0	.0	–.1	–.2	–.3
Aggregate, excluding computer and office equipment	...	1.7	1.5	2.5	2.8	3.0	–.2	–.3	–.1	–.2	–.1
Manufacturing	...	1.9	1.7	2.7	3.1	3.3	–.3	–.4	–.3	–.3	–.1

NOTE. See notes to table A.4. Growth rates are calculated as the percentage change in the seasonally adjusted index from the fourth quarter of the previous year to the fourth quarter of the year specified.

pt Part of classification.

A.9. Value added and annual proportions in industrial production, by industry groups, 1994–96

Item	SIC code[1]	Previous: 1992 value-added proportion	Previous: 1994 IP proportion	Previous: 1995 IP proportion	Revised: 1992 value-added proportion	Revised: 1994 IP proportion	Revised: 1995 IP proportion	Revised: 1996 IP proportion
Total index	...	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Manufacturing	...	85.4	86.2	86.5	85.4	86.6	86.6	86.4
Primary processing	...	26.6	26.7	26.3	26.5	28.2	28.3	27.7
Advanced processing	...	58.9	59.6	60.1	58.9	58.4	58.4	58.7
Durable	...	45.0	47.2	48.1	45.0	46.3	46.5	46.8
Lumber and products	24	2.0	2.0	1.9	2.0	2.2	2.0	2.1
Furniture and fixtures	25	1.4	1.4	1.4	1.4	1.4	1.3	1.3
Stone, clay, and glass products	32	2.1	2.0	2.0	2.1	2.2	2.1	2.1
Primary metals	33	3.1	3.2	3.2	3.1	3.6	3.6	3.5
Iron and steel	331,2	1.7	1.8	1.8	1.7	2.0	1.9	1.9
Raw steel	331pt	.1	.1	.1	.1	.1	.1	.1
Nonferrous	333–6,9	1.4	1.4	1.4	1.4	1.6	1.7	1.6
Fabricated metal products	34	5.0	5.1	5.1	5.0	5.2	5.3	5.3
Industrial machinery and equipment	35	8.0	9.2	10.1	8.0	8.6	9.1	9.5
Computer and office equipment	357	1.8	2.5	3.3	1.8	1.7	2.1	2.5
Electrical machinery	36	7.2	8.2	9.1	7.3	7.7	8.3	8.6
Semiconductors and related components	3672–9	2.6	3.3	4.0	2.6	4.2	4.6	4.8
Transportation equipment	37	9.5	9.5	9.1	9.5	9.3	8.6	8.4
Motor vehicles and parts	371	4.8	5.7	5.6	4.9	5.4	5.1	4.8
Autos and light trucks	371pt	2.5	3.0	2.9	2.6	2.7	2.4	2.3
Aerospace and miscellaneous	372–6,9	4.7	3.8	3.5	4.6	3.8	3.5	3.6
Instruments	38	5.4	5.0	4.9	5.4	5.0	4.8	4.7
Miscellaneous	39	1.3	1.4	1.3	1.3	1.3	1.3	1.3
Nondurable		40.5	39.1	38.3	40.4	40.3	40.2	39.5
Foods	20	9.4	9.1	9.0	9.4	9.3	9.3	9.4
Tobacco products	21	1.6	1.4	1.4	1.6	1.2	1.2	1.2
Textile mill products	22	1.8	1.8	1.7	1.8	1.8	1.7	1.6
Apparel products	23	2.2	2.1	1.9	2.2	2.1	1.9	1.8
Paper and products	26	3.6	3.6	3.5	3.6	3.7	3.7	3.3
Printing and publishing	27	6.8	6.3	6.1	6.7	6.6	6.5	6.5
Chemicals and products	28	9.9	9.5	9.5	9.9	10.0	10.2	10.1
Petroleum products	29	1.4	1.4	1.3	1.4	1.6	1.6	1.8
Rubber and plastics products	30	3.5	3.8	3.7	3.5	3.8	3.8	3.8
Leather and products	31	.3	.2	.2	.3	.2	.2	.2
Mining	...	6.9	6.3	6.1	6.9	5.9	5.6	5.6
Metal mining	10	.5	.4	.4	.5	.5	.5	.4
Coal mining	12	1.0	1.0	1.0	1.0	.9	.9	.9
Oil and gas extraction	13	4.8	4.4	4.2	4.8	3.9	3.7	3.7
Stone and earth minerals	14	.6	.6	.6	.6	.6	.6	.6
Utilities		7.7	7.4	7.4	7.7	7.5	7.7	8.0
Electric	491,3pt	6.1	5.9	5.9	6.2	5.9	6.0	6.3
Gas	492,3pt	1.6	1.5	1.5	1.6	1.6	1.7	1.8

NOTE. The IP proportion data are estimates of the industries' relative contributions to overall IP growth in the following year. For example, a 1 percent increase in durable goods manufacturing in 1997 would account for a 0.468 percent increase in total IP.

1. Standard industrial classification; see table A.4, note 1.
pt Part of classification.

APPENDIX B: REVISION OF ELECTRIC POWER DATA

The Federal Reserve's monthly indexes of industrial electric power use, which begin in 1972, have been revised.[12] The indexes are now expressed as percentages of electric power use in 1992; the previous comparison base year was 1987. The revisions of the electric power series stem from three sources: more complete reports from utilities and some changes in the Federal Reserve's utility reporting panel for recent years; more accurate staff estimates of the increase in the electricity generated by individual manufacturing and mining firms for their operations (cogeneration) that took place during the last half of the 1980s; and adjustments of the detailed series on purchased power consumption to annual benchmarks derived from data published in the Annual Survey of

12. The electric power indexes appear in table 9 of the Federal Reserve's monthly statistical release G.17, "Industrial Production and Capacity Utilization."

Manufactures (ASM) from 1972 to 1993. Compared with the previously published data, the revised index of total electric power use in manufacturing and mining shows somewhat stronger growth since 1989 and a slightly greater decline from 1979 to 1982; the overall pattern, however, is quite similar to previous results (chart B.1). The revised cogeneration component grows noticeably faster (chart B.2).

Since 1971 the electric power data have been used regularly to estimate key components of the monthly industrial production index. Currently, forty-one individual monthly production series are derived from electric power data, and these series represent 28 percent of the IP index in terms of its 1994 value-added proportions (table B.1). Electricity is an integral input to industrial production processes, with such diverse uses as powering industrial machinery and materials conversion processes to controlling lighting and climate. For these forty-one series, changes in electric power use are generally closely linked to output changes, a linkage that is primarily a reflection of the variation in machine operation rates or materials consumption that accompanies short-run adjustments in production. In the current revision of industrial production, the forty-one production series incorporate the revised electricity data from January 1992 onward.

The electric power data are also used to develop productivity extrapolations after 1994 for production series based on production-worker hours. In the monthly estimation process for the index of production, electric power data continue to be used to review output estimates made with physical product and production-worker-hour data. Thus, the use of electric power series goes beyond the direct monthly estimation of the forty-one series.

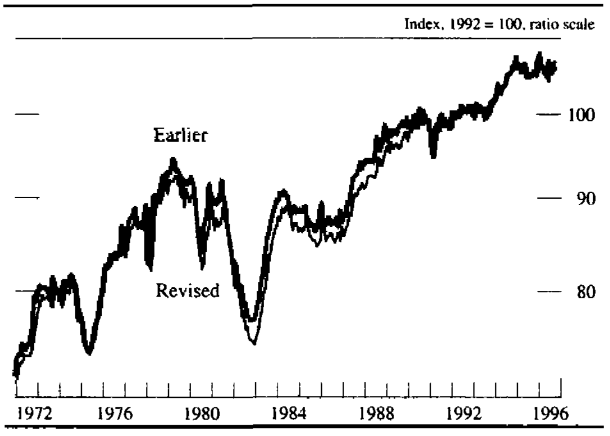
Description of Data Collected

The respondents to the Federal Reserve's Monthly Survey of Industrial Electricity Use report to the Reserve Bank in their Federal Reserve District. The survey consists of two voluntary reports: one for electric utility companies and one for manufacturing and mining firms that are cogenerators. The utilities report their data in thousands of kilowatt-hours of electric power sold to manufacturing and mining establishments classified according to their SIC for 1987.[13] Each utility reporter provides, on average, sales data for 120 three-digit SIC industry groups. Each cogenerator reports power used according to the SIC grouping for its own plant.

Currently, 175 utilities and 186 cogenerating companies voluntarily participate in the monthly electric power survey; the response rate for the combined panel is about 95 percent. A comparison of the kilowatt-hour sales reported by utilities to the Federal Reserve with establishment reports in the 1994 ASM indicates that the Board survey captured about 75 percent of the total sales by electric utilities to manufacturing establishments. Seventy-one new cogenerators joined the FRB reporting panel in 1992, raising the sample coverage from about 30 percent of cogener-

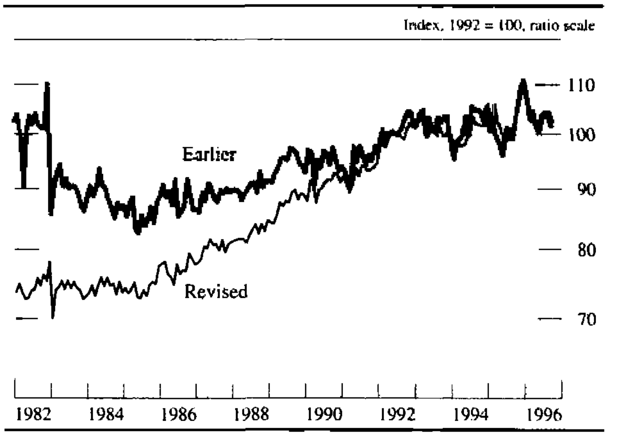
13. The reports are based on monthly meter readings, or billings, and may not uniformly represent electric power use. However, a new data collection procedure implemented in 1990 has allowed easier detection of instances of billing for two months or of delayed reporting. The possibility of a systematic irregular relation of billing periods (once corrected) to calendar months is generally rejected by the data; a statistical analysis comparing electric power data with production-worker-hour data for seventy different SIC codes showed the reports to be significantly more closely related for the same months than at any lag.

B.1. Revised and earlier industrial electric power use, 1972–96



NOTE. Seasonally adjusted monthly data through November 1996.

B.2. Revised and earlier electric power cogeneration, 1982–96



NOTE. Seasonally adjusted monthly data through November 1996.

B.1. Industrial production series based on electric power components as a proportion of total industrial production, 1994

Percent

Series	Proportion of IP index in 1994
Total	**28.31**
Job printing	2.98
Drugs and medicines	2.80
Office and computing equipment	2.09
Medical instruments	1.57
Soap and toiletries	1.51
Canned and frozen food	1.29
Metalworking machinery	1.09
Bakery products	1.01
Miscellaneous machinery	.99
Metal stampings	.98
Soft drinks	.88
Miscellaneous foods, n.e.c.	.81
General industrial equipment	.75
Electrical industrial apparatus	.68
Lighting and wiring products	.68
Office furniture, fixtures, and miscellaneous	.65
Household furniture	.64
Miscellaneous rubber products	.60
Concrete and plaster products	.60
Miscellaneous chemical products	.59
Hardware and tools	.48
Computer parts	.45
Iron and steel foundries	.44
Miscellaneous stone and earth manufacturers	.39
Metal services, wire products	.37
Knit garments	.36
Children's and miscellaneous garments	.33
Agricultural chemicals, n.e.c.	.32
Bolts, fasteners	.32
Electrical distribution equipment	.30
Glass products	.24
Paving and roofing materials	.19
Feeds	.18
Wood products, n.e.c.	.17
Miscellaneous glassware	.14
Miscellaneous primary metals	.13
Plumbing fixtures	.11
Wood containers	.07
Leather and belting	.05
Miscellaneous metal ores	.03
Consumer glassware	.03

n.e.c. Not elsewhere classified.

ated power to about 50 percent, judging from ASM data. Altogether, the panel of utilities and cogenerators accounts for about 73 percent of total industrial use of electric power in the United States.

Aspects of the Revision of Electric Power Data

The revised data incorporate more complete reports that have been received from respondents since the 1995 annual update. The new figures incorporate a more accurate classification of customer SIC codes by the utility respondents and also some changes in the reporting panel back to 1989. Although the effects of these changes are generally small relative to U.S. totals, the classification changes have improved the recent figures by detailed industry classification.

The electric power database has been revised back to 1982 to reflect the expansion of the cogenerator panel. Data provided by new participants in the cogenerator panel were incorporated in the revision of the electric power indexes in July 1994, which covered the period back to December 1991. The new participants typically began cogenerating operations after 1982 and contributed to the increase in cogeneration that took place in the last half of the 1980s. Passage of the 1978 Public Utilities Regulatory Policies Act stimulated much of this increase. In this revision, the staff estimated the likely effect of these new reporters on cogeneration at the three-digit SIC level for the years back to 1982 consistent with aggregate data on cogeneration from the ASM. New individual cogeneration series were prorated back linearly to zero in January 1982, unless we had specific information to indicate otherwise.

This revision introduced adjustments to annual benchmarks for the monthly electric purchased power series derived from ASM data at the three-digit SIC level. The purpose of these adjustments was to improve the accuracy of the Federal Reserve's historical data by detailed industry classification. The overall index has always captured total industrial power use quite well, judging from the ASM data, but discrepancies at the three-digit level were sizable.[14]

The benchmark adjustments to each Federal Reserve series involved the following steps: (1) The annual ASM series on purchased electric power was indexed and then converted to a monthly series by interpolating linearly between the annual index values. (2) The ratio of the ASM–Census monthly index to the Federal Reserve monthly index was calculated. (3) A centered, three-year average of the ratio was determined, with the weights for computing the three-year average tapered for twelve months at the beginning and end of the three-year period. (4) The smoothed monthly ratios were multiplied by the original Federal Reserve monthly index values to obtain the final monthly index. This method of adjustment to benchmarks preserves the higher-frequency, month-to-month changes in the Federal Reserve series while ensuring that the longer-run trends in the ASM data are reproduced.

14. Comparisons with Department of Energy (DOE) data on industrial sales of electricity by utilities are not useful because the industrial classification used by DOE relates partly to size of establishment; it includes large commercial and irrigation customers in the industrial category, while frequently classifying small industrial customers as commercial.

Results of the Revision

The revisions for major series are generally small (table B.2). The largest users of electric power are the chemicals, primary metals, and paper industries, followed by producers of food products, petroleum products, transportation equipment, and rubber and plastics products. Within chemicals, the inorganic chemical and plastics materials industries are the major consumers, and within primary metals, basic steel and primary aluminum processing absorb large amounts of electric power. Among these major industrial groups, the largest revisions since 1989 occur in petroleum refining.

Two-digit SIC groups of series were seasonally adjusted using a multivariate procedure that, in comparison with standard methods, yields seasonal factors that contain less noise and tend to be more stable as new data are received.[15] The standard deviation of the monthly growth rates for total electric power use is about 1.2 percentage points from 1973 to the present; it is about 0.9 percentage point over that period if recessions are excluded. The measurement precision of the growth rates is largely determined by the utility sample, which represents about 90 percent of total combined sample coverage (utilities plus cogenerators). A statistical analysis of the utility data suggests that the standard deviation of the measurement error of growth rates for total power use is 0.5 percentage point. For cogenerators, the standard deviation of the errors for sample growth rates is larger, 1.9 percentage points, but has been reduced from 3.0 percentage points, which was the standard deviation before the 1992 expansion of the reporting panel. These estimates of standard errors decline as the period of the growth rate lengthens. □

15. See Eric J. Bartelsman and William P. Cleveland, "Joint Seasonal Adjustment of Economic Time Series," Finance and Economics Discussion Series No. 93-28 (Board of Governors of the Federal Reserve System, August 1993).

B.2. Revised growth rates of electric power use, 1973–96

Series	Billions of kilowatt hours in 1992[1]	Revised growth rates (percent)			Difference between revised and earlier growth rates (percentage points)		
		1973–79	1979–89	1989–96	1973–79	1979–89	1989–96
Total index	**934.1**	**2.4**	**.5**	**1.3**	**–.1**	**.0**	**.1**
Total utilities	835.3	2.6	.5	1.2	–.2	–.1	.2
Total cogeneration	98.8	–1.6	1.0	2.4	2.8	1.7	1.1
Total manufacturing	854.0	2.2	.6	1.3	–.1	.0	.2
Durable manufacturing	365.8	1.9	.1	.6	.1	.0	.1
Nondurable anufacturing	488.3	2.5	1.0	2.0	–.2	–.1	.2
Mining	80.1	5.6	.4	1.0	–.2	.2	.0
Two-digit industries							
Chemicals and products	171.7	2.4	–.5	1.5	–.5	–.5	.0
Primary metals	150.9	1.9	–1.8	–.6	.3	.1	.0
Paper and products	113.3	3.2	2.7	1.6	.6	.5	–.1
Food and kindred products	58.8	2.7	2.4	2.6	–.3	.0	.1
Petroleum products	47.0	3.5	1.9	2.9	.1	1.3	1.5
Transportation equipment	39.6	.4	2.0	.6	.1	.3	.4
Rubber and plastic products	38.0	4.8	3.0	4.3	.0	–.5	.0
Oil and gas extraction	36.0	3.1	.5	.2	.2	–.1	.2
Stone, clay, and glass products	33.8	2.7	.0	1.0	.0	.1	.0
Industrial machinery and equipment	33.2	3.1	1.8	.6	.2	–.1	–.2
Electrical machinery	33.0	1.4	1.6	2.2	.1	–.3	.8
Textile mill products	31.5	.4	1.0	1.4	.0	.0	.1
Fabricated metal products	31.4	2.1	1.4	1.4	–.5	–.4	.2
Lumber and products	19.8	2.3	2.0	2.5	–2.2	–1.2	–.1
Metal mining	18.6	9.3	.1	2.9	–.3	1.0	–.5
Printing and publishing	17.3	2.2	4.9	2.6	–.7	–.2	–.1
Instruments	13.7	2.3	4.7	.8	.0	.0	1.3
Stone and earth minerals	12.8	4.5	–.1	1.4	–.7	.2	–.4
Coal mining	12.7	7.6	1.2	–.2	.1	–.3	.3
Apparel products	8.2	–1.9	.7	.0	–3.1	–1.7	–.5
Furniture and fixtures	6.0	1.0	3.3	1.8	–1.0	.2	–.4
Miscellaneous manufactures	4.5	2.3	1.0	4.1	–.6	–.1	–.6
Tobacco products	1.5	2.5	1.9	.5	2.3	2.4	–3.0
Leather and products	1.0	–2.1	–2.0	–2.5	–1.0	–3.0	–1.5

NOTE. Growth rates are calculated as the annual percentage change from the first year to the last year indicated. The 1996 estimate is the average through November.

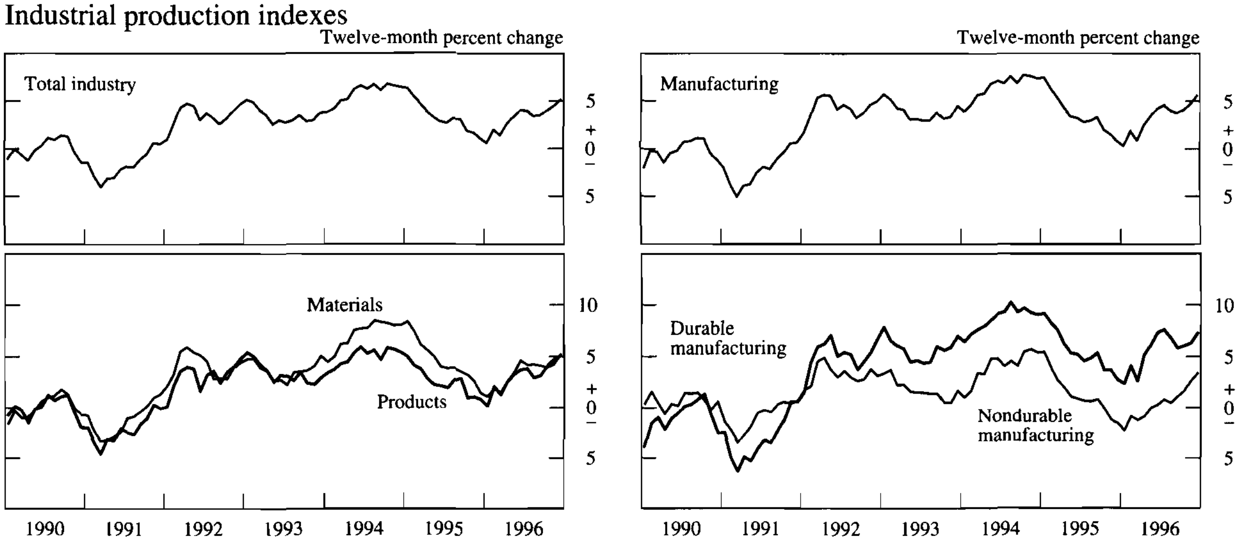
1. Sold in 1992 to each category as reported by the Bureau of the Census.

Industrial Production and Capacity Utilization for December 1996

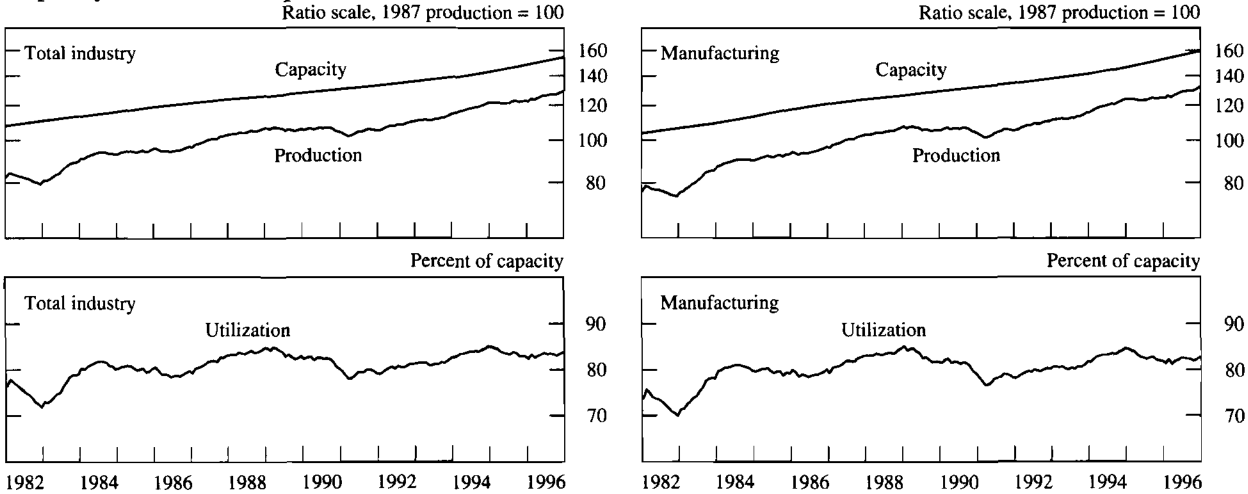
Released for publication January 17

Industrial production advanced 0.8 percent in December after a similar gain in November. The output of non-energy consumer goods, business equipment, and non-energy materials advanced sharply. The unseasonably mild weather in December caused a large drop in the output of utilities, reducing the growth rate of overall production about 0.3 percentage point. At 129.1 percent of its 1987 average, total industrial production in December was 5.1 percent higher than it was in December 1995. For the fourth quarter as a whole, industrial production grew 4.1 percent at an annual rate after an increase of 4.5 percent in the third quarter; growth in the fourth quarter was held down significantly by strike-related losses in the motor vehicle industry. The utilization of industrial capacity increased 0.4 percentage point in December, to 83.8 percent, the highest level since August 1995.

Industrial production indexes



Capacity and industrial production



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

Industrial production and capacity utilization, December 1996

Category	Industrial production, index, 1987=100								
	1996				Percentage change				
					1996[1]				Dec. 1995 to Dec. 1996
	Sept.[r]	Oct.[r]	Nov.[r]	Dec.[p]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.[p]	
Total	**127.2**	**127.1**	**128.1**	**129.1**	**.2**	**–.1**	**.8**	**.8**	**5.1**
Previous estimate	127.1	126.9	128.0	...	.1	–.2	.9	...	...
Major market groups									
Products, total[2]	123.1	123.1	124.4	125.2	.4	.0	1.0	.6	5.1
Consumer goods	116.8	116.7	118.2	118.7	.3	–.1	1.2	.5	2.6
Business equipment	172.0	172.5	174.6	176.6	.6	.3	1.2	1.1	11.5
Construction supplies	115.4	113.8	115.2	115.8	.8	–1.3	1.2	.5	4.8
Materials	133.4	133.1	133.8	135.1	–.1	–.2	.5	.9	5.2
Major industry groups									
Manufacturing	129.6	129.5	130.4	131.8	.3	–.1	.7	1.1	5.6
Durable	142.3	141.5	142.8	144.7	.0	–.5	.9	1.3	7.3
Nondurable	115.6	116.2	116.7	117.6	.7	.5	.5	.8	3.4
Mining	101.9	102.0	102.7	104.0	–.8	.1	.6	1.2	5.9
Utilities	125.4	125.5	128.4	124.1	–.1	.1	2.3	–3.3	–.8
	Capacity utilization, percent								MEMO Capacity, percentage change, Dec. 1995 to Dec. 1996
	Average, 1967–96	Low, 1982	High, 1988–89	1995	1996				
				Dec.	Sept.[r]	Oct.[r]	Nov.[r]	Dec.[p]	
Total	**82.1**	**71.8**	**84.9**	**82.9**	**83.4**	**83.0**	**83.4**	**83.8**	**4.0**
Previous estimate	...	...	...	...	83.3	82.9	83.3	...	...
Manufacturing	81.4	70.0	85.2	81.9	82.3	81.9	82.2	82.8	4.5
Advanced processing	80.7	71.4	83.5	80.2	80.5	80.0	80.6	81.1	5.3
Primary processing	82.8	66.8	89.0	86.0	86.7	86.6	86.1	86.9	2.4
Mining	87.5	80.6	86.5	87.7	91.2	91.3	91.9	93.0	–.1
Utilities	87.0	76.2	92.6	92.2	91.4	91.4	93.4	90.2	1.5

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

When analyzed by market group, the data show that the output of consumer goods advanced 0.5 percent, led by a 2.2 percent increase in the output of durable consumer goods. A surge in the production of appliances, which had been weak for several months, contributed a substantial portion of the increase in durable consumer goods. In addition, the output of motor vehicles, which had rebounded in November after the settlement of the strike at General Motors, rose slightly further in December. The production of nondurable consumer goods was flat, held down by a large decline in utility output for residential use. Excluding energy products, however, the nondurable consumer goods sector marked its fourth consecutive sizable monthly increase; the sector (excluding energy products) had been quite sluggish since the beginning of 1995. The recent strength has been concentrated in foods and tobacco and in chemicals.

The output of business equipment rose 1.1 percent in December, nearly matching the 1.2 percent jump posted in November. The production of industrial equipment, which had been weak for much of 1996, increased sharply in December, and the output of information processing equipment grew further.

The output of construction supplies rose 0.5 percent in December after an upward-revised increase of 1.2 percent in November. But with output quite weak in October, growth in construction supplies for the fourth quarter as a whole decelerated to a 3.5 percent annual rate after a 9.6 percent gain in the third quarter.

The output of materials increased 0.9 percent; the production of durable and nondurable materials rose sharply, but the output of energy materials declined. Among durable materials, which advanced 1.6 percent, output grew sharply in the parts and materials used primarily by the computer and motor vehicle industries. The output of nondurable materials increased 0.6 percent in December after a rise of 0.8 percent in November; advances in textile and paper materials led the increase in both months. The production of energy materials fell 0.6 percent, a drop reflecting the unseasonably mild weather in December.

When analyzed by industry group, the data show that factory output rose 1.1 percent after a revised increase of 0.7 percent in November; the production of durable goods increased 1.3 percent, while that of nondurable goods rose 0.8 percent. Within the durable and nondurable groupings, most major industries posted sizable gains. The only industries in which production was little changed were lumber, printing and publishing, and chemicals. The output at mines rose again, but production at utilities was sharply curtailed because of the mild weather.

For the fourth quarter as a whole, factory output advanced at a 4.1 percent annual rate. Production was held down by strike-related disruptions in motor vehicles, which were mainly concentrated in October. Production, outside of motor vehicles and parts, grew at an annual rate of 5.8 percent in the fourth quarter, up from its third-quarter rate of 5.1 percent. The pickup in growth in this grouping reflected stronger growth in nondurable manufacturing, particularly in foods, textiles, and paper.

The factory operating rate increased 0.6 percentage point, to 82.8 percent. The rate for advanced-processing industries rose 0.5 percentage point, to 81.1 percent; the rate for primary-processing industries rose 0.8 percentage point, to 86.9 percent.

This release and the history for all published series are available on the Internet at http://www.bog.frb.fed.us, the Board of Governors World Wide Web site.

Revision of Industrial Production and Capacity Utilization

The Federal Reserve will publish revisions of its measures of industrial production (IP), capacity, capacity utilization, and industrial use of electric power on January 27, 1997. The revisions of IP, capacity, and capacity utilization will incorporate updated source data for recent years and will feature a change in the method of aggregating the indexes. From 1977 onward, the value-added proportions used to weight individual series will be updated annually rather than quinquennially. In addition, the IP indexes and the capacity measures will be rebased so that 1992 actual output equals 100. Capacity utilization, the ratio of IP to capacity, will be recomputed on the basis of revised IP and capacity measures.

The aggregate IP indexes will be constructed with a superlative index formula similar to that introduced by the Bureau of Economic Analysis as the featured measure of real output in its January 1996 comprehensive revision of the National Income and Product Accounts. At present, the aggregate IP indexes are computed as linked Laspeyres indexes, with the weights updated every five years. Because of the rapid fall in the relative price of computers and peripheral equipment, that periodic updating of weights is too infrequent to provide reliable estimates of current changes in output, capacity, and capacity utilization. With the publication of the revision, value-added proportions will be updated annually, and the new index number formula will be applied to all aggregates of IP, capacity, and gross value of product.

For the most part, relative price movements among the 260 individual components of the IP index are likely to have little visible effect on total IP. However, the more frequent updating of the relative price of the output of the computer industry could lower overall IP growth in some years as much as ½ percentage point; in other years, the updating of weights will have virtually no effect. Because the new index number formula will slow capacity growth as well as IP growth, the effect of the reaggregation on overall capacity utilization should be small.

The regular updating of source data for IP will include the introduction of annual data from the *1994 Annual Survey of Manufactures* and selected *1995 Current Industrial Reports* of the Bureau of the Census. Available annual data on mining for 1994 and 1995 from the Department of the Interior will also be introduced. Revisions to the monthly indicators for each industry (physical product data, production-worker hours, or electric power usage) and revised seasonal factors will be incorporated back to 1992. In addition, the benchmark index for semiconductor output will be revised back to 1977 to reflect a hedonic price index, similar in concept to what is used for the computer industry.

The statistics on the industrial use of electric power will be revised back to 1972. These revisions stem from three basic sources. First, the new figures incorporate more complete reports received from utilities for the past few years. Second, an updated panel of reporters on cogeneration will be fully integrated into our survey of electric power use. Third, the levels of the monthly electric power series for manufacturing industries will be benchmarked to indexes derived from data published in the Census Bureau's annual surveys and censuses of manufactures. These indexes will also be revised so that 1992 electric power usage equals 100.

More detail on the plans for this revision is available on the Internet at http://www.bog.frb.fed.us, the Board's World Wide Web site. Once the revision is published, the revised data will be available at that site and on diskettes from the Board of Governors of the Federal Reserve System, Publications Services, 202-452-3245. The revised data will also be available through the Economic Bulletin Board of the Department of Commerce; for information about the Bulletin Board call 202-482-1986. In addition to the data currently provided, the time series of implicit prices necessary for a user to aggregate IP and capacity under the new methodology will be provided. For information on these revisions, call the Industrial Output Section of the Board of Governors at 202-452-3151. □

Announcements

LAWRENCE B. LINDSEY: RESIGNATION AS A MEMBER OF THE BOARD OF GOVERNORS

Lawrence B. Lindsey on January 10, 1997, announced his resignation as a member of the Board of Governors of the Federal Reserve System, effective February 5. His letter of resignation was sent to President Clinton yesterday.

Governor Lindsey will join the American Enterprise Institute in Washington as a Resident Scholar and holder of the Arthur F. Burns Chair in Economics. He will also become Managing Director of Economic Strategies, an economic advisory service based in New York City.

As is customary in such cases, Governor Lindsey will not attend the meeting of the Federal Open Market Committee that is scheduled for February 4 and 5.

Governor Lindsey served as a member of the Board of Governors for more than five years, from November 1991 to February 1997. Additionally, he was Chairman of the Board of the Neighborhood Reinvestment Corporation, a national public–private community redevelopment organization, from 1993 until the effective date of his resignation from the Federal Reserve.

Before joining the Board, Governor Lindsey was a Special Assistant to the President for Policy Development during the Bush Administration. He is a former professor of Economics at Harvard University and also served three years on the staff of the Council of Economic Advisers during the Reagan Administration where he was Senior Staff Economist for Tax Policy.

Governor Lindsey was born on July 18, 1954, in Peekskill, New York. He received his A.B. magna cum laude from Bowdoin College and his master's and Ph.D. in economics from Harvard University. He is the author of *The Growth Experiment: How the New Tax Policy is Transforming the U.S. Economy* (New York: Basic Books, 1990) and has contributed numerous articles to professional publications. His honors and awards include the Distinguished Public Service Award of the Boston Bar Association, 1994; an honorary Juris Doctor Degree from Bowdoin College, 1993; selection as a Citicorp/Wriston Fellow of the Manhattan Institute for Economic Research, 1988; and the Outstanding Doctoral Dissertation Award from the National Tax Association, 1985.

Governor Lindsey, his wife Susan, son Troy, and daughter Emily, reside in Clifton, Virginia.

A copy of his letter of resignation appears below.

January 9, 1997

The Honorable William Jefferson Clinton
The President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

I hereby submit my resignation as a Member of the Board of Governors of the Federal Reserve System effective February 5, 1997. Consequently, I will not be attending the Federal Open Market Committee meeting on February 4th and 5th.

It has been my honor and privilege to have served on the Board of Governors for more than five years. During that time, under the outstanding leadership of Chairman Greenspan, the Federal Reserve has played an integral role in the recapitalization and strengthening of the banking system and has administered monetary policy in a manner which has made our economic performance the envy of the world.

My tenure at the Board has also allowed me, both as Chairman of the Board's Community and Consumer Affairs Committee and as Chairman of the Neighborhood Reinvestment Corporation, to become actively involved in the areas of community development and affordable housing. Frankly, this involvement has been one of the most personally and intellectually enriching experiences of my life, and the area has become one in which I expect I will retain an abiding interest.

I have been most impressed with the talent, dedication, and integrity of my colleagues at the Board. The ten men and women with whom I have served during my tenure have each brought exceptional insights, energy and skills to the tasks at hand. The country has been fortunate to have had the services of each of them. I therefore respectfully suggest that in your search for a successor to my seat on the Board, that you consider my colleagues, past and present, as ideal models for the type of individual who will be an asset to the Board.

Sincerely,

Lawrence B. Lindsey

Appointments of New Members to the Thrift Institutions Advisory Council

The Federal Reserve Board announced on December 27, 1996, the names of seven new members of its Thrift Institutions Advisory Council and designated a new president and vice president of the council for 1997.

The council is an advisory group made up of twelve representatives from thrift institutions. The panel was established by the Board in 1980 and includes representatives from savings and loans, savings banks, and credit unions. The council meets at least four times each year with the Board of Governors to discuss developments relating to thrift institutions, the housing industry, mortgage finance, and certain regulatory issues.

The new council president for 1997 is David F. Holland, Chairman, President, and CEO, Boston Federal Savings Bank, Burlington, Massachusetts. The new vice president is Charles R. Rinehart, Chairman and CEO, Home Savings of America, FSB, Irwindale, California.

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

David E.A. Carson, Chairman, President, and CEO, People's Bank, Bridgeport, Connecticut

William A. Fitzgerald, Chairman and CEO, Commercial Federal Bank, Omaha, Nebraska

Stephen D. Hailer, President and CEO, North Akron Savings Association, Akron, Ohio

Edward J. Molnar, President and CEO, Harleysville Savings Bank, Harleysville, Pennsylvania

Guy C. Pinkerton, Chairman, President, and CEO, Washington Federal Savings & Loan Association, Seattle, Washington

Terry R. West, President and CEO, JAX Navy Federal Credit Union, Jacksonville, Florida

Frederick Willetts, III, President and CEO, Cooperative Bank for Savings, Inc., SSB, Wilmington, North Carolina

Increase in the Amount of Revenue That Section 20 Subsidiaries May Derive from Underwriting and Dealing in Securities

The Federal Reserve Board announced on December 20, 1996, an increase in the amount of revenue that a section 20 subsidiary may derive from underwriting and dealing in securities from 10 percent to 25 percent of its total revenue.

The increase is effective March 6, 1997. Section 20 subsidiaries will therefore be allowed to employ the 25 percent limit for the first quarter of 1997.

The revenue limit is designed to ensure that a section 20 subsidiary will not be engaged principally in underwriting and dealing in securities in violation of section 20 of the Glass–Steagall Act.

Based on its experience in supervising these subsidiaries and developments in the securities markets since the revenue limitation was adopted in 1987, the Board concluded that a company earning 25 percent or less of its revenue from underwriting and dealing would not be engaged principally in that activity for purposes of section 20.

Adoption of a Revised Interagency Uniform Financial Institutions Rating System

The Federal Reserve Board announced on December 24, 1996, adoption of a revised interagency Uniform Financial Institutions Rating System (UFIRS), commonly known as the CAMEL rating system, to include an increase in the emphasis on risk management processes and the addition of a sixth rating component for sensitivity to market risk. The revised rating system was effective January 1, 1997, for use at examinations of state member banks.

The existing CAMEL rating system produces a composite rating of an institution's overall condition and performance by assessing five components, which form the acronym CAMEL: capital adequacy, asset quality, management administration, earnings, and liquidity. The updated rating system will now be referred to as the CAMELS rating system, to include sensitivity to market risk.

The UFIRS is an internal supervisory tool used by federal supervisory agencies represented on the Federal Financial Institutions Examination Council to evaluate the soundness of financial institutions on a uniform basis and to identify those institutions requiring special supervisory attention or concern.

Expansion of the Federal Reserve Board's Audit Contract

The Federal Reserve Board said on December 17, 1996, that it had expanded its audit contract with Coopers & Lybrand to include an annual financial audit of each of the twelve Federal Reserve Banks.

These audits by the independent outside auditor will be in addition to the annual audit of the combined Reserve Bank financial statements that Coopers & Lybrand has conducted since 1995.

The use of an outside accounting firm to audit all twelve Reserve Banks was announced recently by Chairman Alan Greenspan during a Washington, D.C. speech.

Since 1995, Coopers & Lybrand has conducted year-end audits of the combined Reserve Bank financial statements as well as of the individual financial statements of two or three Reserve Banks each year. The audit of the 1995 combined Reserve Bank financial statements represented the first such audit conducted by an independent accounting firm. Based on the success of this program, the Board has decided to extend the outside audit to all twelve Reserve Banks.

The Reserve Banks will continue to be audited by each Bank's internal audit function and by the Board's financial examiners. The General Accounting Office also conducts audits of the Reserve Banks.

Regulation D: Final Rule and Proposal

The Federal Reserve Board announced on December 26, 1996, a final rule and notice of proposed rulemaking designed to simplify and update the Board's Regulation D (Reserve Requirements of Depository Institutions) and to reduce regulatory burden. The final rule is effective April 1, 1997.

The final rule adopts an earlier proposed rule as it was proposed and makes certain technical changes. In general the final rule deletes transitional rules relating to the expansion of reserve requirements to nonmember depository institutions, the authorization of NOW accounts nationwide, and other matters that no longer have a significant effect. The final rule also eliminates the transition rules for de novo institutions and separate transition rules for "dissimilar" mergers.

The proposed rule requests comment on a clarification of the definition of "savings deposit," consistent with comments the Board received on the earlier proposal, and conforming changes to the definition of "transaction account." The proposed definitions also incorporate existing staff interpretations. No substantive change is intended. Comments on the proposal are requested by February 4, 1997.

The rules are in accordance with the Board's policy of regular review of its regulations and the Board's review of its regulations under section 303 of the Riegle Community Development and Regulatory Improvement Act.

Regulation Z: Adjustment of the Dollar Amount That Triggers Additional Disclosure for Certain Types of Mortgages

The Federal Reserve Board has published, under Regulation Z (Truth in Lending) requirements, an adjustment of the dollar amount that triggers additional disclosure for certain types of mortgages. The adjustment is effective January 1, 1997.

The Board is required to adjust annually the total amount of total points and fees paid by the borrower that triggers additional disclosures under Truth in Lending. The adjustment is based on the annual percentage change in the consumer price index in effect on June 1, 1996. In 1996 the base amount was raised to $424.

This adjustment was made as a result of the Home Ownership and Equity Protection Act of 1994, which sets forth rules for creditors offering home-secured loans with total points and fees payable by the consumer at or before loan consummation that exceed the greater of $400 or 8 percent of the total loan amount.

Proposed Actions

The Federal Reserve Board on December 23, 1996, published for public comment proposed revisions to its Regulation B (Equal Credit Opportunity). Comments were requested by January 31, 1997.

In addition, on December 23, 1996, the Board withdrew a proposed amendment to Regulation B relating to the collection of data on race and other information in credit transactions. The proposed amendments would have eliminated a rule that generally bars creditors from asking about sex, race, color, religion, and national origin. Under the proposal, creditors would have been allowed but not required to collect this information for all types of nonmortgage credit applications. In withdrawing the proposal, the Board stated its belief that the issue was one that is best left for the Congress to consider.

The Federal Reserve Board on December 17, 1996, published for public comment proposed revisions to its Regulation C (Home Mortgage Disclosure). Comments are requested by February 25, 1997.

The Federal Reserve Board on December 18, 1996, requested comment on proposed revisions to Regulation M (Consumer Leasing) to implement amendments of the Consumer Leasing Act. Comments were requested by February 7, 1997.

Also, on December 18, 1996, the Federal Reserve Board announced a month-long extension of time to receive public comments on proposed amendments to its margin regulations (Regulations G, T, and U) issued in response to the enactment of the National Securities Markets Improvement Act. As a result of the extension, comments were requested by January 31, 1997.

The Federal Reserve Board on December 23, 1996, requested public comment on issues to be addressed in a proposed consumer information study required by the Economic Growth and Regulatory Paperwork Reduction Act of 1996. Comments were requested by January 31, 1997.

The Federal Reserve Board on December 24, 1996, joined with the Department of Housing and Urban Development in issuing a request for public comment on possible amendments to the Truth in Lending Act and the Real Estate Settlement Procedures Act. Comments were requested by January 31, 1997.

PUBLICATION OF THE ANNUAL DIRECTORY OF COMMUNITY DEVELOPMENT INVESTMENTS BY BANKING ORGANIZATIONS

The Federal Reserve Board announced on December 23, 1996, the publication of its annual update of the directory of community development investments by banking organizations.

This year's directory has been expanded to include a separate section featuring community development investments by state member banks. Previous editions included only bank holding company investments.

The directory consists of descriptive profiles of more than 150 existing community development corporations (CDCs) and investments made by bank holding companies and state member banks. These profiles provide information on the amount of initial capital invested by an institution, a description of the community development projects or activities undertaken or planned, and contact persons who can provide additional information on the organization and operation of the CDC or other community development investment activity.

In issuing the directory, the Board emphasized that bank holding companies or state member banks that are considering making community development investments are encouraged to consult with staff members of both Community Affairs and Applications at their District Federal Reserve Bank.

Single or multiple copies of the directory may be obtained by contacting the Community Affairs offices of the District Federal Reserve Banks. For further information, contact the Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551, or phone (202) 452-3378. □

Minutes of the Federal Open Market Committee Meeting Held on November 13, 1996

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D.C., on Wednesday, November 13, 1996, at 9:00 a.m.

Present:

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Boehne
Mr. Jordan
Mr. Kelley
Mr. Lindsey
Mr. McTeer
Mr. Meyer
Ms. Phillips
Ms. Rivlin
Mr. Stern
Ms. Yellen

Messrs. Broaddus, Guynn, Moskow, and Parry, Alternate Members of the Federal Open Market Committee

Messrs. Hoenig, Melzer, and Ms. Minehan, Presidents of the Federal Reserve Banks of Kansas City, St. Louis, and Boston respectively

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

Messrs. Lang, Lindsey, Mishkin, Promisel, Rolnick, Siegman, Simpson, Sniderman, and Stockton, Associate Economists

Mr. Fisher, Manager, System Open Market Account

Mr. Ettin, Deputy Director, Division of Research and Statistics, Board of Governors
Messrs. Madigan and Slifman, Associate Directors, Divisions of Monetary Affairs and Research and Statistics respectively, Board of Governors
Mr. Reinhart, Assistant Director, Division of Monetary Affairs, Board of Governors
Ms. Low, Open Market Secretariat Assistant, Division of Monetary Affairs, Board of Governors
Mr. Moore, First Vice President, Federal Reserve Bank of San Francisco
Ms. Browne, Messrs. Davis, Dewald, Eisenbeis, Goodfriend, and Hunter, Senior Vice Presidents, Federal Reserve Banks of Boston, Kansas City, St. Louis, Atlanta, Richmond, and Chicago respectively
Messrs. Cox and Judd, Vice Presidents, Federal Reserve Banks of Dallas and San Francisco respectively
Ms. Perelmuter, Assistant Vice President, Federal Reserve Bank of New York

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on September 24, 1996, were approved.

The Manager of the System Open Market Account reported on recent developments in foreign exchange markets. There were no open market transactions in foreign currencies for System account during the period since the meeting on September 24, 1996, and thus no vote was required by the Committee.

The Manager also reported on developments in domestic financial markets and on System open market transactions in government securities and federal agency obligations during the period September 24, 1996, through November 12, 1996. By unanimous vote, the Committee ratified these transactions.

By unanimous vote, the Committee authorized the renewal for an additional one-year period of the System's reciprocal currency ("swap") arrangements with foreign central banks and the Bank for International Settlements. The amounts and maturity dates of the arrangements approved for renewal are shown in the table below.

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

Foreign bank	Amount of arrangement (millions of dollars equivalent)	Term (months)	Maturity date
Austrian National Bank	250	12	12/04/96
Bank of England	3,000		12/04/96
Bank of Japan	5,000		12/04/96
Bank of Norway	250		12/04/96
Bank of Sweden	300		12/04/96
Swiss National Bank	4,000		12/04/96
Bank for International Settlements:			
Swiss francs	600		12/04/96
Other authorized European currencies	1,250		12/04/96
Bank of Mexico	3,000		12/13/96
Bank of Canada	2,000		12/15/96
National Bank of Belgium	1,000		12/18/96
National Bank of Denmark	250		12/28/96
Bank of France	2,000		12/28/96
German Federal Bank	6,000		12/28/96
Bank of Italy	3,000		12/28/96
Netherlands Bank	500		12/28/96

The information reviewed at this meeting suggested that the growth of economic activity slowed substantially in the third quarter, and the limited information available for the period since then indicated continued moderate expansion. A marked softening in the growth of consumer expenditures accounted for much of the slowing in the third quarter, but slight weakening in housing demand, net exports, and federal purchases of goods and services also exerted retarding effects. On the other hand, a sizable increase in inventory investment, greater strength in business demand for durable equipment, and an upturn in spending on nonresidential construction helped foster moderate further economic growth in the third quarter. Employment posted sizable increases over the third quarter and rose substantially further in October, but on balance the gains were somewhat below those recorded earlier in the year. Industrial production had weakened somewhat recently. Consumer price inflation had picked up this year because of larger increases in food and energy prices. Increases in labor compensation, though moderating in the third quarter, also had been somewhat larger this year.

Private nonfarm payroll employment increased considerably in October after a small rise in September; private payroll growth had moderated on balance since midyear but nevertheless had remained substantial. In October, job gains were large in service industries; construction employment registered another moderate gain; and manufacturing payrolls edged up after a sizable September loss. The civilian unemployment rate in October was unchanged at 5.2 percent.

Industrial production appeared to have declined appreciably in October after having grown briskly on balance over earlier months of the year. Much of the slackening in October resulted from work stoppages in the motor vehicles industry, but the output of other industries also apparently decreased slightly on balance. The drop in production was accompanied by a slight decline in capacity utilization in manufacturing.

Total retail sales rose appreciably in September after having changed little on net over July and August; for the third quarter as a whole, total retail sales edged higher after having expanded briskly in the first half of the year. September sales totals were boosted by strong spending at automotive dealers, food stores, and nondurable goods outlets. However, expenditures for furniture, appliances, and other non-auto durable goods fell, and apparel sales weakened a little further. Housing starts declined in September from the unusually high level recorded in August, and permits moved lower for a second straight month. Home sales were mixed, with sales of new homes well sustained in September while those of existing homes continued on a downtrend.

Growth of business fixed investment surged in the third quarter. Outlays for durable equipment picked up sharply, and new orders for business equipment remained on an upward trend. Sales of computers and communications equipment increased rapidly, but demand for other capital goods was up only slightly during the quarter. In the transportation sector, expenditures on motor vehicles and aircraft strengthened while sales of heavy trucks continued to drift lower. Spending on nonresidential structures more than reversed a second-quarter decline; however, incoming data on contracts pointed to a continuation of the pattern of somewhat slower growth recorded thus far in 1996.

The pace of inventory investment picked up markedly after midyear, but inventory–sales ratios nonetheless remained relatively low. In manufacturing, inventories rose moderately in the third quarter, more than offsetting a small rundown in stocks in the previous quarter; stock–shipments ratios for most industries remained near the low end of their recent ranges. In the wholesale sector, inventories declined sharply in September after having edged down in the previous two months, and the aggregate inventory–sales ratio for the sector fell to the low end of its range over recent years. At the retail level, substantial inventory accumulation occurred over the July–August period (latest data). Although stock–sales ratios rose slightly, inventories remained relatively well aligned with sales.

The nominal deficit on U.S. trade in goods and services narrowed somewhat in August from a high rate in July; however, for the two months combined, the deficit was considerably wider than its average rate for the second quarter. Exports declined appreciably over the July–August period, with most of the decrease occurring in nonmonetary gold and aircraft. Imports rose only marginally on balance over the two months. The limited available information suggested that, on average, economic activity in the major foreign industrial countries expanded moderately in the third quarter.

Consumer price inflation had picked up on balance this year as a result of sizable increases in food and energy prices. Over August and September, however, increases in food prices were offset by a net decline in energy prices, and overall consumer prices rose more moderately. For the twelve months ended in September, the advance in consumer prices of items other than food and energy was a little smaller than it had been over the previous twelve months. At the producer level, price inflation also was moderate over August and September despite appreciable increases in the prices of food and energy items; producer prices of items other than food and energy rose considerably less over the twelve months ended in September than they had over the previous twelve months. Growth in the employment cost index for private industry workers slowed considerably in the third quarter after having trended up over the first two quarters of the year; however, this measure of labor compensation was up slightly over the twelve months ended in September compared with the previous twelve months. Average hourly earnings of production and nonsupervisory workers were unchanged in October, but the twelve-month rise in this index through October was a bit larger than the increase over the previous twelve months.

At its meeting on September 24, 1996, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions but that included a bias toward the possible firming of reserve conditions during the intermeeting period. The directive stated that in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, somewhat greater reserve restraint would be acceptable and slightly lesser reserve restraint might be acceptable during the intermeeting period. The reserve conditions associated with this directive were expected to be consistent with moderate growth of M2 and M3 over coming months.

With incoming information continuing to suggest moderate economic growth and subdued price inflation, open market operations during the intermeeting period were directed toward maintaining the existing degree of pressure on reserve positions, and the federal funds rate generally remained close to the level expected with an unchanged policy stance. Market participants had anticipated some tightening of monetary policy at the September 24 meeting, and the announcement of an unchanged policy led to an immediate decline in interest rates, with the larger decreases occurring at the shorter end of the yield curve. Interest rates, especially those at intermediate and longer maturities, dropped further over the remainder of the period in response to information indicating that price and labor cost pressures were lower than market participants had expected. Equity markets responded to the declines in interest rates as well as to favorable earnings reports, and most major indexes reached record highs.

In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies depreciated slightly on balance over the intermeeting period. Interest rates in the foreign industrial countries fell somewhat less on average than did U.S. interest rates. The dollar changed little against the German mark and most other major continental European currencies, but it rose against the yen as prospects for a significant supplemental budget package in Japan waned in the aftermath of the recent elections in that country. The dollar declined against the pound sterling in response to the release of favorable data on the U.K. economy as well as an unexpected increase in the Bank of England's minimum lending rate.

M2 grew at a slower pace in September and October than it had over earlier months of the year; the weaker expansion resulted from a continuing rapid runoff in its liquid deposit components. Nonetheless, M2 was estimated to have grown for the year through October at a rate in the upper half of the Committee's annual range. By contrast, M3 expanded at a substantially faster rate in September and October than it had earlier in the year, reflecting a surge in its large time deposit and other managed liability components to meet business demand for bank loans. For the year through October, M3 was estimated to have grown at a rate around the top of its annual range. Total domestic nonfinancial debt had expanded moderately on balance over recent months and had remained in the middle portion of its range.

The staff forecast prepared for this meeting suggested that the expansion would continue at a rate close to, or perhaps a little above, the economy's estimated growth potential. Consumer spending was projected to rebound in the current quarter and subsequently to expand at a moderate pace in line with the projected increase in disposable income; the favorable effect on household wealth of the rise that had occurred in stock prices and the ample availability of credit for most borrowers were expected to balance continuing consumer concerns about the adequacy of their savings and the restraining effect of high household debt burdens. Homebuilding was forecast to decline slightly further in response to the previous backup in residential mortgage rates but to stabilize at a relatively high level in the context of continued income growth and a generally favorable cash flow affordability of home ownership. Business spending on equipment and structures was projected to grow less rapidly in light of the anticipated moderate growth of sales and profits. On balance, the external sector was expected to exert a small restraining influence on economic activity over the projection period. A slight degree of fiscal restraint was anticipated over the forecast horizon. Continued pressure on resources, especially in labor markets, pointed to a likely underlying tendency toward higher inflation over the projection period; however, it was expected that improved supply conditions in food and energy markets, as well as planned technical changes, would damp increases in the consumer price index relative to the elevated 1996 rate.

In the Committee's discussion, members commented that most recent developments bearing on the outlook for economic growth and inflation had been favorable. The information on economic activity since the September meeting had confirmed earlier indications of appreciable slowing in the expansion to a sustainable pace close to the economy's potential. The outlook remained subject, as usual, to considerable uncertainty, but many of the members observed that underlying trends in key sectors of the economy along with generally supportive financial conditions seemed consistent with further moderate economic expansion. In this regard, several focused on what they saw as the promising prospects for a rebound in the growth of consumer expenditures following weak expansion in the third quarter; the pickup would help sustain moderate economic growth over the nearer term despite some anticipated retrenchment in inventory accumulation. With respect to the outlook for inflation, members emphasized that despite widespread indications of tight labor markets, the increase in wages had been muted and somewhat less than anticipated, and there was no broad evidence of rising price inflation. Indeed, many major measures of inflation had exhibited a slight downtrend since 1993. Looking ahead, views differed to some extent regarding the most likely course for inflation. Several members indicated that, while recent developments were encouraging, they continued to see the risks as tilted toward some rise, even assuming that the expansion settled into a pattern of growth near the economy's potential as they anticipated and resource utilization remained near current levels; other members felt that the risks surrounding the forecasts for both economic growth and price inflation had become more evenly balanced, but more evidence was needed before a firm judgment could be reached.

In their review of developments in key sectors of the economy, members said that they anticipated a pickup in consumer spending from its much reduced rate of growth in the third quarter. While the factors relating to the prospects for consumer expenditures did not all point toward greater strength, members tended to focus on those favoring an upturn. These included persisting growth in employment and incomes and clearly upbeat consumer sentiment as evidenced by recent surveys and anecdotal reports. Financial factors also seemed likely on balance to accommodate continuing growth in consumer spending, in particular the marked increases that had occurred in the value of stock holdings and a still-ample availability of credit to most households. Supporting evidence included anecdotal reports from retailers in a number of areas who were experiencing sizable gains in sales and seemed optimistic about the outlook for the upcoming holiday season. Among the developments that would tend to limit growth in consumer spending, members emphasized that the level of consumer indebtedness had strained the liquidity of many households. The growth of consumer credit was now exhibiting a moderating trend, possibly pointing to restrained spending by many households because of already heavy debt service burdens and generally tightening credit standards for consumer loans. Other negative factors cited in the outlook for consumer expenditures were the possibility of a correction in the stock market and the probable satisfaction of much of the earlier pent-up demand for consumer durables. In balancing these conflicting influences, the members generally concluded that a pickup in the growth of consumer spending to a moderate pace was a likely prospect for this critical sector of the economy.

Business fixed investment was expected to provide further but diminished impetus to the expansion. This view took account of the continued availability of debt and equity financing on favorable terms but also of expectations of a more moderate growth trend in sales and the substantial buildup that had already occurred in stocks of equipment and structures. With regard to the latter, some overbuilding of commercial and other structures characterized conditions in a number of areas. Nonetheless, members reported considerable nonresidential building activity in several parts of the country, and nationwide such activity was expected to help sustain modest growth in overall nonresidential construction in coming quarters.

Recent data, supported by anecdotal reports from several though not all parts of the country, suggested that residential building activity was slowing somewhat, apparently in lagged response to earlier increases in mortgage interest rates. However, in the context of the partial reversal recently of the previous increases in mortgage rates and sustained growth in employment and incomes, the housing sector was viewed as likely to exert only a minor constraint on overall economic activity over the forecast horizon. Another somewhat negative factor in the outlook for economic activity was the prospect of some widening in the nation's trade deficit over the projection period.

Fiscal policy currently remained on a mildly restrictive course, but the range of potential developments was especially wide, injecting an element of considerable uncertainty in the economic outlook. Legislation affecting the federal budget could have marked beneficial or adverse effects not only directly on spending and incomes but also on business and consumer confidence and financial markets.

The growth of nonfarm business inventories in the third quarter had exceeded earlier expectations, but members commented that the sizable rise appeared to have been largely voluntary and the overall level of inventories was still historically low in relation to sales. Against this background, inventory accumulation was likely to continue but at a slower pace in the current quarter. Beyond the near term, inventory investment was expected to become a more neutral factor in the performance of the economy, given the absence of incentives to build stocks relative to sales in a period of moderate growth in projected demand. The members recognized, however, that the prospective behavior of inventories remained subject to substantial uncertainties.

In their discussion of the outlook for inflation, members again focused on developments in labor markets and the extent to which rising cost pressures in those markets might be passed through to higher prices. The statistical and anecdotal information generally continued to point to tight labor markets and to a somewhat faster rise in labor compensation costs this year. Even so, the increases in such costs were still falling short of those that would have been anticipated on the basis of historical experience under similar labor market conditions. Moreover, the advance in the overall employment cost index in the third quarter, while perhaps understated to some extent, was appreciably below expectations. At the same time, business firms generally were not raising their prices sufficiently to compensate for faster increases in their labor costs, to the extent that the latter were occurring, evidently because of the persistence of intense competition in most markets. Indeed, with the notable exception of the overall consumer price index, the rate of inflation as measured by various broad price indexes had tended to ease marginally or at worst to stabilize over the past two years. Prices of farm commodities and industrial materials had declined considerably recently.

Despite the recent encouraging reports on labor compensation and prices, the members agreed that the risks of rising inflation could not be dismissed, and several continued to view slightly higher inflation as a likely if not inevitable prospect. Much would depend, of course, on the strength of the economic expansion and the associated degree of pressure on resources, notably in labor markets which appeared to have comparatively little slack in relation to other producer resources. It was suggested in this regard that restrained increases in labor compensation in comparison with historical experience probably were a transitory phenomenon, though one could not predict when a more normal relationship would re-emerge. A related concern was whether the tightness in labor markets would ease sufficiently and quickly enough to prevent inflation pressures from escalating significantly. Some members mentioned a number of favorable factors in the outlook for inflation that tended to attenuate such concerns, such as reduced pressures on food prices as a result of better-than-expected harvests and improved supply conditions in markets for energy. Relatively restrained monetary growth in recent months also was cited as a development consistent with subdued inflationary pressures. Moreover, the view was advanced that recent developments in bond markets could be read as suggesting some decrease in inflationary expectations. On balance, while the members expressed varying degrees of concern that tight labor markets and attendant increases in wages might at some point lead to rising price inflation, they agreed that there was little or no evidence of such a development at this point and the outlook was far from certain.

In the Committee's discussion of policy for the intermeeting period ahead, all the members indicated that they could support an unchanged policy stance and the retention of a bias toward restraint in the directive. The slowing of the expansion to a sustainable pace near the economy's growth potential and the recent surprisingly favorable inflationary developments suggested lower risks of strengthening price pressures and provided the Committee with a desirable opportunity to pause and observe further developments bearing on the course of economic activity and inflation. Indeed, to the extent that inflation expectations had declined recently, short-term interest rates, which had changed little in nominal terms, had edged higher in real terms, implying slightly greater monetary restraint and reducing the odds that inflation would pick up.

With regard to possible adjustments to policy during the intermeeting period, all the members indicated that they could support a proposal to retain the current bias toward restraint. Several viewed such a bias as desirable because they continued to believe that the risks remained tilted, at least to some extent, toward rising inflation over time. In the circumstances, an asymmetric directive would best reflect their views even if, as seemed likely, intermeeting developments did not prompt a policy tightening adjustment. Other members commented that a shift to a symmetric directive might be viewed as more consistent with the apparently diminished inflationary pressures. They agreed, however, that such a shift would be premature in the currently uncertain environment and might signal, inaccurately, that the Federal Reserve was less concerned about the possibility of a a modest upward trajectory in price inflation.

At the conclusion of the Committee's discussion, all the members indicated that they supported a directive that called for maintaining the existing degree of pressure on reserve positions and retaining a bias toward the possible firming of reserve conditions during the intermeeting period. Accordingly, in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, the Committee decided that somewhat greater reserve restraint would be acceptable and slightly lesser reserve restraint might be acceptable during the intermeeting period. The reserve conditions contemplated at this meeting were expected to be consistent with moderate growth of M2 and relatively strong expansion in M3 over coming months.

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

The information reviewed at this meeting suggests that growth in economic activity slowed substantially in the third quarter, and the limited available information indicates continued moderate expansion more recently. Private nonfarm payroll employment increased appreciably on balance over September and October. The civilian unemployment rate remained at 5.2 percent in October. Industrial production, which continued to rise in the third quarter, appears to have declined in October owing in important measure to work stoppages in the motor vehicles industry. Total retail sales turned up in September after slumping earlier in the summer. Housing starts fell in September from the exceptionally high level registered in August. Outlays for business equipment were strong in the third quarter and new orders continued to trend upward; business spending on nonresidential structures posted a moderate advance. Inventory investment was substantial in the third quarter, but inventory–sales ratios remained relatively low. The nominal deficit on U.S. trade in goods and services widened considerably in July–August from its average rate in the second quarter. Increases in labor compensation, though moderating in the third quarter, have trended up this year; consumer price inflation also has picked up this year, owing to larger increases in food and energy prices.

Market interest rates have moved lower since the Committee meeting on September 24, 1996, with the largest declines occurring in intermediate- and long-term maturities. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies has depreciated slightly over the intermeeting period.

Growth of M2 in September and October remained below its pace in the first half of the year, while expansion of M3 was substantially higher over those two months. For the year through October, M2 is estimated to have grown at a rate in the upper half of the Committee's annual range, and M3 at a rate around the top of its range. Expansion in total domestic nonfinancial debt has been moderate on balance over recent months and has remained in the middle portion of its range.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at its meeting in July reaffirmed the ranges it had established in January for growth of M2 and M3 of 1 to 5 percent and 2 to 6 percent respectively, measured from the fourth quarter of 1995 to the fourth quarter of 1996. The monitoring range for growth of total domestic nonfinancial debt was maintained at 3 to 7 percent for the year. For 1997 the Committee agreed on a tentative basis to set the same ranges as in 1996 for growth of the monetary aggregages and debt, measured from the fourth quarter of 1996 to the fourth quarter of 1997. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, somewhat greater reserve restraint would or slightly lesser reserve restraint might be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with moderate growth in M2 and relatively strong expansion in M3 over coming months.

Votes for this action: Messrs. Greenspan, McDonough, Boehne, Jordan, Kelley, Lindsey, McTeer, Meyer, Mses. Phillips, Rivlin, Mr. Stern, and Ms. Yellen. Votes against this action: None.

It was agreed that the next meeting of the Committee would be held on Tuesday, December 17, 1996.

The meeting adjourned at 12:25 p.m.

Donald L. Kohn
Secretary

Legal Developments

Final Rule—Amendment to Regulation D

The Board of Governors is amending 12 C.F.R. Part 204, its Regulation D (Reserve Requirements of Depository Institutions), issued pursuant to section 19 of the Federal Reserve Act in order to simplify and update it and reduce regulatory burden. The amendments to modernize Regulation D are in accordance with the Board's policy of regular review of its regulations and the Board's review of its regulations under section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994.

Effective April 1, 1997, 12 C.F.R. Part 204 is amended as follows:

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

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

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

2. Section 204.2 is amended as follows:

a. In paragraph (c)(1)(i) introductory text, the introductory text of footnote 1 is amended by removing "before maturity" and adding in its place "during the period when an early withdrawal penalty would otherwise be required under this part", removing "the" after "imposing" and adding in its place "an", removing "penalties" and adding in its place "penalty", and footnote 2 is removed.
b. In paragraphs (c)(1)(iv)(C), (c)(1)(iv)(E), and (d)(2), footnotes 3 through 5 are redesignated as footnotes 2 through 4, respectively, and footnote 6 is removed.
c. Paragraph (f)(1)(iii) is revised.
d. Paragraph (f)(1)(iv) is removed and paragraph (f)(1)(v) is redesignated as paragraph (f)(1)(iv).
e. In newly redesignated paragraphs (f)(1)(iv)(C) and (f)(1)(iv)(E), footnotes 7 and 8 are redesignated as footnotes 5 and 6, respectively.
f. Paragraph (f)(3) is removed and footnote 9 is removed.
g. In paragraph (h)(1)(ii)(A), footnote 10 is redesignated as footnote 7 and is amended by removing "(1) that were acquired before October 7, 1979, or (2)".
h. In paragraph (h)(2)(ii), footnote 11 is redesignated as footnote 8 and is amended by revising "footnote 10" to read "footnote 7".
i. In paragraph (t), footnote 12 is redesignated as footnote 9, and footnote reference 2 is redesignated as footnote reference 9.

The revisions are as follows:

Section 204.2—Definitions

* * * * *

(f)(1) *Nonpersonal time deposit* * * *

* * * * *

(iii) A transferable time deposit. A time deposit is transferable unless it contains a specific statement on the certificate, instrument, passbook, statement or other form representing the account that it is not transferable. A time deposit that contains a specific statement that it is not transferable is not regarded as transferable even if the following transactions can be effected: a pledge as collateral for a loan, a transaction that occurs due to circumstances arising from death, incompetency, marriage, divorce, attachment, or otherwise by operation of law or a transfer on the books or records of the institution; and

* * * * *

3. Section 204.3 is amended as follows:

a. Paragraph (a)(3)(i) is removed and the paragraph designation (a)(3)(ii) is removed.
b. Paragraph (f)(1) is revised.
c. In paragraphs (h)(1) and (h)(2), the words "required clearing balance penalty-free band" are revised to read "required charge-free band".
d. Paragraph (i)(1)(ii) is amended in the last sentence by removing "in its operating circular" and adding in its place "in its discretion."
e. Paragraph (i)(4)(ii) is amended by removing "penalties" in the second sentence and "penalty" in the third sentence and adding in their place "charges" and "charge," respectively.
f. Paragraph (i)(5)(iv) is removed.

The revisions are as follows:

Section 204.3—Computation and maintenance

* * * * *

(f) *Deductions allowed in computing reserves.* (1) In determining the reserve balance required under this part, the amount of cash items in process of collection and balances subject to immediate withdrawal due from other depository institutions located in the United States (including such amounts due from United States branches and agencies of foreign banks and Edge and agreement corporations) may be deducted from the amount of gross transaction accounts. The amount that may be deducted may not exceed the amount of gross transaction accounts.

* * * * *

4. Section 204.4 is revised to read as follows:

Section 204.4—Transitional adjustments in mergers

In cases of mergers and consolidations of depository institutions, the amount of reserves that shall be maintained by the surviving institution shall be reduced by an amount determined by multiplying the amount by which the required reserves during the computation period immediately preceding the date of the merger (computed as if the depository institutions had merged) exceeds the sum of the actual required reserves of each depository institution during the same computation period, times the appropriate percentage as specified in the following schedule:

Maintenance periods occurring during quarters following merger or consolidation	Percentage applied to difference to compute amount to be subracted
1	87.5
2	75.0
3	62.5
4	50.0
5	37.5
6	25.0
7	12.5
8 and succeeding	0

5. Section 204.7 is amended in paragraph (a)(1) by removing "after application of the 2 percent carryover provided in section 204.3(h)" and adding in its place "after application of the carryover provided in section 204.3(h)."
6. Section 204.8 is amended as follows:
a. In paragraph (a)(2)(i)(B)(5), footnotes 13 and 14 are redesignated as footnotes 10 and 11, respectively.
b. In paragraph (a)(3)(v), footnotes 15 and 16 are redesignated as footnotes 12 and 13, respectively, and revised to read as follows:

Section 204.8—International banking facilities

(a) *Definitions.* * * *

* * * * *

(3) * * *
(v) * * * [12] * * * [13] * * *

12. *See* footnote 10.
13. *See* footnote 11.

* * * * *

7. Section 204.9 is amended by removing paragraph (b), by redesignating paragraph (a)(1) and (a)(2) as paragraphs (a) and (b), respectively.

Orders Issued Under Bank Holding Company Act

Orders Issued Under Section 3 of the Bank Holding Company Act

Community First Bankshares, Inc.
Fargo, North Dakota

Order Approving the Acquisition of a Bank Holding Company

Community First Bankshares, Inc., Fargo, North Dakota ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to merge with Mountain Parks Financial Corp. ("MPF"), and indirectly acquire MPF's wholly owned subsidiary bank, Mountain Parks Bank ("MP Bank"), both of Denver, Colorado.

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 46,650 (1996)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Applicant, with total consolidated assets of $2.3 billion, operates subsidiary banks in seven states.[1] Applicant is the fourteenth largest banking or thrift organization ("depository institution") in Colorado, controlling $401.1 million in deposits, representing 1.2 percent of total deposits in depository institutions in the state.[2] MPF is the sixteenth largest depository institution in Colorado, controlling $361.7 million in deposits, representing 1.1 percent of total deposits in depository institutions in Colorado. On consummation of this proposal, and taking into account proposed divestitures, Applicant would become the eighth largest depository institution in the state, controlling $644.2 million in deposits, representing 2 percent of total deposits in depository institutions in Colorado.

Section 3(d) of the BHC Act, as amended by section 101 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company, if certain conditions are met.[3] For purposes of the BHC Act, the Applicant's home state is

1. Asset data are as of June 30, 1996.
2. State deposit data are as of June 30, 1995, but are adjusted to take into account mergers and acquisitions through October 31, 1996.
3. Pub. L. No. 103-328, 108 Stat. 2338 (1994). A bank holding company's home state is the state in which the operations of the bank holding company's banking subsidiaries were principally conducted

North Dakota, and Applicant would acquire a bank in Colorado. The conditions for an interstate acquisition under section 3(d) are met in this case.[4] In view of all the facts of record, the Board is permitted to approve this proposal under section 3(d) of the BHC Act.

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly, or if the proposal would substantially lessen competition in any relevant market, unless such anticompetitive effects are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.[5]

Applicant and MPF compete in the Grand County banking market, the Summit County banking market, and the Denver-Boulder banking market, all in Colorado.[6] On consummation of this proposal, concentration would not significantly increase in the Denver-Boulder banking market.[7] The Herfindahl–Hirschman Index ("HHI"), for the Denver-Boulder banking market would increase by 1 point to a level of 1057.[8]

In order to mitigate the potential adverse competitive effects of the proposal in the Grand County and Summit County banking markets,[9] Applicant has committed to make divestitures in each of these banking markets.[10] In the Grand County banking market, Applicant proposes to divest the Grandby, Colorado, branch of MP Bank to an out-of-market acquirer. In the Summit County banking market, Applicant proposes to divest its controlling interest in Vail Banks, Inc., Vail, Colorado ("Vail Banks"), to Vail Banks or to an out-of-market acquirer. After the divestiture in the Grand County banking market, four competitors would remain in the market, including a new competitor controlling 24.8 percent of market deposits. The HHI would increase by no more than 53 points to a level of 3142. After the divestiture in the Summit County banking market, market concentration, as measured by the HHI, would remain unchanged.[11]

In accordance with the BHC Act, the Board sought comments from the Department of Justice on the competitive effects of the proposal in the relevant banking markets. The Department of Justice has indicated that, subject to completion of the proposed divestitures, consummation of the proposal would not likely have any significantly adverse effect on competition in any relevant banking market, and has not objected to consummation of the proposal. The Office of the Comptroller of the Currency also has not objected to the proposal.

Based on all the facts of record, and subject to Applicant's divestiture commitments, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

The Board has carefully reviewed the financial and managerial resources and future prospects of Applicant and MPF in light of all the facts of record, including relevant supervisory reports of examination. The Board also concludes that the financial and managerial resources and future prospects of the institutions involved in this proposal, and considerations relating to the convenience and

on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

4. *See* 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). Applicant is adequately capitalized and adequately managed. On consummation of this proposal, Applicant and its affiliates would not control more than 10 percent of the total amount of deposits of insured depository institutions in the United States or more than the state limit of 25 percent of the total amount of deposits in all federally insured financial institutions in Colorado. There is no minimum age requirement for subsidiary banks acquired as a result of the purchase of a Colorado bank holding company. Colo. Rev. Stats. § 11–6.4–103 (2), (4) (Supp. 1996).

5. 12 U.S.C. § 1842(c).

6. The Grand County banking market is approximated by Grand County, Colorado, and the Summit County banking market is approximated by Summit County, Colorado. The Denver-Boulder banking market is approximated by the Denver RMA and the remaining portions of Adams and Arapahoe Counties, Boulder County, and the towns of Erie, Frederick, and Keensburg in Weld County.

7. Market data are as of June 30, 1995. Market deposit data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

8. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated and a market in which the post-merger HHI is over 1800 is considered highly concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal threshold for an increase in the HHI when screening bank mergers and acquisitions for anticompetitive effects implicitly recognizes the competitive effects of limited-purpose lenders and other non-depository financial entities.

9. Applicant would become the largest depository institution in both banking markets, and would control deposits of $50.9 million (representing 69.4 percent of market deposits) in the Grand County banking market, and $108.2 million of deposits (representing 55.9 percent of market deposits), in the Summit County banking market. The HHI would increase by 2261 points to a level of 5350 in the Grand County banking market and by 1085 points to a level of 5069 in the Summit County banking market.

10. Applicant has committed to execute a sales agreement to accomplish the divestitures before consummation of the proposal and to complete the divestitures within 180 days of consummation. Applicant also has committed that, if it is unsuccessful in completing the divestitures within 180 days of consummation, it will transfer all interests necessary to effect the divestitures to an independent trustee that is acceptable to the Board and that will be instructed to sell the assets promptly. In addition, Applicant has committed to submit executed trust agreements acceptable to the Board stating the terms of the divestitures prior to consummation of the proposal.

11. Applicant currently owns 24.6 percent of the voting shares of Vail Banks. Applicant acknowledged that its ownership of these shares constituted a controlling interest for purposes of the BHC Act when it acquired them in 1994.

needs of the communities to be served, are consistent with approval of this application. The other supervisory factors the Board must consider under section 3 of the BHC Act also are consistent with approval.

Based on the foregoing and all other facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is expressly conditioned on compliance by Applicant with its divestiture commitments and other commitments made in connection with this proposal. For purposes of this action, the commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective December 2, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Country Bank Shares Corporation
Mount Horeb, Wisconsin

Order Approving the Acquisition of a Bank Holding Company

Country Bank Shares Corporation, Mount Horeb, Wisconsin ("Country"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all the voting shares of Belleville Bancshares Corporation ("Belleville") and thereby indirectly acquire Belleville State Bank ("Belleville Bank"), both of Belleville, Wisconsin.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 36,884 (1996)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

Country is the 34th largest commercial banking organization in Wisconsin, controlling total deposits of approximately $206.3 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.[1] Belleville is the 213th largest commercial banking organization in Wisconsin, controlling deposits of approximately $34.7 million, representing less than 1 percent of total deposits in commercial banking organizations in the state. On consummation of the proposal, Country would become the 30th largest commercial banking organization in Wisconsin, with approximately $241 million in deposits.

Competitive Considerations

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly, or would substantially lessen competition in any relevant banking market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effects of the proposal in meeting the convenience and needs of the community to be served.

Country and Belleville compete directly in the Madison, Wisconsin, banking market.[2] Country operates the 11th largest banking or thrift organization ("depository institution") in the Madison banking market, controlling deposits of approximately $77.1 million, representing approximately 2 percent of total deposits in depository institutions in the market ("market deposits").[3] Belleville operates the 24th largest depository institution in the market, controlling deposits of approximately $34.7 million, representing less than 1 percent of market deposits. On consummation of this proposal, Country would become the ninth largest depository institution in the Madison banking market, controlling deposits of $111.8 million, representing approximately 3 percent of market deposits. The market would remain moderately concentrated, as measured by the Herfindahl–Hirschman Index ("HHI"),[4] and numerous

1. State deposit data are as of June 30, 1995.

2. The Madison, Wisconsin, banking market is approximated by Dane County except for the eastern tier of townships; and Dekorra, Lowville, Otsego, Fountain, Prairie, Columbus, Hampden, Leeds, Arlington, Lodi, and West Point townships in Columbia County, all in Wisconsin.

3. Market data are as of June 30, 1995. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

4. On consummation of this proposal, the HHI would increase 3 points to 1245. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal threshold for an increase in the HHI when screening bank mergers and acquisitions for anticompeti-

competitors would remain in this market. Based on all the facts of record, the Board concludes that consummation of this proposal would not result in any significantly adverse effects on competition or on the concentration of banking resources in the Madison banking market or any other relevant banking market.

The Board also must consider the financial and managerial resources and future prospects of the companies and banks involved, the convenience and needs of the community to be served, and certain other supervisory factors.

Supervisory Factors

The Board has carefully considered the financial and managerial resources and future prospects of Country, Belleville, and their respective subsidiaries,[5] and other supervisory factors in light of all the facts of record. These facts include supervisory reports of examination assessing the financial and managerial resources of the organizations and confidential information provided by Country.[6] Based on these and all the facts of record, the Board concludes that all supervisory factors that the Board is required to consider under the BHC Act, including the financial and managerial resources and future prospects of Country and Belleville weigh in favor of approval of this proposal.[7]

Convenience and Needs Factor

The Board has long held that consideration of the convenience and needs factor includes a review of the relevant depository institution's record of performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). As provided in the CRA, the Board has evaluated this factor in light of examinations by the primary federal supervisor of the CRA performance records of the relevant institutions. The Board also has considered comments from the Wisconsin Rural Development Center, Inc. ("Protestant"), which maintain that Country's lead bank, Mt. Horeb Bank, has not adequately assisted in meeting the credit needs of small- to medium-sized family farmers, small businesses, and low-income borrowers in its community. Protestant also contends that the bank's participation in government-guaranteed programs has been minimal, and that the bank is improperly reducing its agricultural lending through more stringent underwriting criteria for farm loans.

An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its primary federal supervisor.[8] The

tive effects implicitly recognizes the competitive effects of limited-purpose lenders and other non-depository financial entities.

5. The Board received comments alleging that two directors of Country's lead subsidiary bank, State Bank of Mt. Horeb, Mount Horeb, Wisconsin ("Mt. Horeb Bank"), have potential conflicts of interest because they extend credit in their farm-related private businesses in Mount Horeb at a higher rate to borrowers who are unable to obtain loans from Mt. Horeb Bank. The comments also contend that Mt. Horeb Bank has been unwilling to restructure or consolidate existing farm loans, has not honored its loan commitments, has treated its customers poorly and unprofessionally, and has taken too long to act on loan applications. Country denies the allegations made in the comments, and, in particular, notes that all the extensions of credit made by the two directors in their private businesses were to long-standing account holders on the same terms offered to other customers. In its evaluation of the managerial factors in this case, the Board has considered the comments and recent reports of examination by the bank's primary federal supervisor, the Federal Deposit Insurance Corporation ("FDIC"), assessing the managerial resources and operations of Mt. Horeb Bank. Based on all the facts of record, including confidential supervisory information provided by the FDIC, the Board concludes that the comments do not warrant denial of the proposal.

6. One commenter contends that adverse managerial considerations are raised by a preliminary ruling in 1994 in a lawsuit against a director of Country based on his actions as a director of a manufacturing company. The lawsuit involved an attempt by the directors of the manufacturing company to acquire control of the company through a stock repurchase program. The case was settled without a final judgment by the court. In addition, the commenter maintains that this director and two other principals of Belleville used unethical tactics to encourage minority shareholders of the bank to sell their shares at below-market prices in connection with the formation of Belleville as a bank holding company in 1992. These allegations involve personal offers made by a group of Belleville Bank shareholders to purchase shares of other shareholders of the bank. The offers did not involve bank funds or any corporate action by the bank. The shareholder group members deny that they used unethical tactics to encourage minority shareholders to sell their shares, and note that they informally consulted with four other members of the bank's board of directors and representatives of two brokerage firms to determine the fairness of the prices offered. The commenter also alleges that this director continued to exercise influence over Belleville Bank's board of directors after his resignation from the board in 1990 while he also served as a director of Country. The Board has considered these comments in light of relevant reports of examination and other supervisory information assessing the competence, experience, and integrity of Country's director and in light of the court's preliminary findings and the final disposition of the cases noted. In addition, the Board has carefully reviewed supervisory information regarding steps taken by the Country director to ensure compliance with the interlock prohibitions of the Depository Institution Management Interlocks Act (12 U.S.C. § 3201) ("DIMIA") and the Board's Regulation L (12 C.F.R. 212).

This commenter also notes that an attorney who provides legal services to Country and Belleville, and who also is a minority shareholder of Country, was suspended from the practice of law for six months by the Wisconsin Supreme Court for failing to account properly with his law firm for fees received from Country. Country states that the attorney is one of a number of attorneys employed by these organizations, owns less than 10 percent of the voting shares of Country, and does not serve as an officer or director of either organization or their subsidiaries.

7. Two commenters state generally that Belleville's management does not consider the interest of the minority shareholders of Belleville Bank, and a number of commenters contend that these shareholders have not received a fair return on their investment and would not benefit from the proposal. Based on all the facts of record, the Board concludes that these matters do not relate to factors specified in the BHC Act and are therefore beyond the jurisdiction of the Board to consider in reviewing applications under section 3 of the BHC Act. *See Western Bancshares, Inc. v. Board of Governors*, 480 F.2d 749 (10th Cir. 1973).

8. The Board notes that the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that

Board also takes into account information on an institution's lending activities that assist in meeting the credit needs of low- and moderate-income neighborhoods, including programs and activities initiated since its most recent CRA performance examination.

Country's four subsidiary banks received CRA performance ratings of "satisfactory" or "outstanding" in their most recent evaluations for CRA performance by their primary federal regulator, the FDIC. Country's lead bank, Mt. Horeb Bank, received an "outstanding" rating for CRA performance from the FDIC as of January 1996 ("January 1996 Examination").[9] Belleville Bank, received a "satisfactory" rating for CRA performance from the FDIC as of January 1995.

Mt. Horeb Bank is a small bank, with total assets of approximately $88 million, and operates a main office and one drive-in branch.[10] It primarily makes residential real estate loans, farm loans, commercial real estate loans, and small business loans.[11] As of the January 1996 Examination, approximately 23 percent of Mt. Horeb Bank's outstanding loans were for residential real estate purchase and improvement, 20 percent for agricultural-related purposes, 20 percent for financing real estate construction and development, 18 percent for business purposes, and 10 percent for consumer loans.[12]

The January 1996 examination characterized the bank's loan-to-deposit ratio as strong and calculated the average loan-to-deposit ratio as 79 percent from December 31, 1993, to September 30, 1995.[13] A substantial majority of Mt. Horeb Bank's loans, when measured either as a percentage of total number of loans or as a percentage of total dollar amounts of loans, were within its assessment area. Examiners also found that the bank had an excellent record of originating loans among borrowers of different income levels, especially low- and moderate-income ("LMI") borrowers, and to small businesses and small farms. The January 1996 Examination considered the bank's loans to be reasonably distributed throughout its assessment area.

Examiners reviewed loans made by the bank, including consumer installment, single payment and real estate-related loans, and rejected credit applications for compliance with applicable fair lending and other applicable laws.[14] The examiners concluded that loan denials appeared to be reasonable and supported, and they found no violations of substantive provisions of anti-discrimination laws and regulations.

As noted in the January 1996 Examination, Mt. Horeb Bank actively engages in agricultural lending activities, with agricultural lending constituting approximately 20 percent of the bank's outstanding loans. In addition, the bank participates in government-sponsored loan programs designed to assist farmers, including programs offered by the Wisconsin Housing and Economic Development Authority CROP ("WHEDA/CROP") Fund[15] and the Farmers Home Administration ("FmHA").[16] In 1995, Mt. Horeb Bank originated 12 WHEDA/CROP loans totalling $172,000, and 7 FmHA loans totalling $744,000. The bank's other lending activities included 5 Small Business Administration loans totalling more than $266,000, and financing for three centers that provide affordable housing and care facilities to LMI elderly and disabled individuals.

The Board has carefully reviewed all the facts of record in considering the CRA performance record of Bank, including information provided by Protestants, Country's responses, and relevant reports of examination. Based on

reports of these examinations will be given great weight in the applications process. 54 *Federal Register* 13,742, 13,745 (1989).

9. Protestant asserts that the bank's rating is incorrect because examiners did not have the information provided by Protestant's comments to this proposal.

10. A subsidiary bank of a bank holding company is a small bank for purposes of the new regulations jointly promulgated by the federal financial supervisory agencies to implement the CRA if it had less than $250 million in assets as of December 31 of either of the prior two calendar years, and was an affiliate of a holding company that, as of December 31 of either of the prior two calendar years, had total banking and thrift assets of less than $1 billion. *See* 60 *Federal Register* 22,156 (May 4, 1995). *See also* 12 C.F.R. 345.12(t).

11. For purposes of the new CRA regulation, a small business loan is a commercial and industrial loan with an original amount of $1 million or less, or a loan secured by nonfarm, nonresidential property with an original amount of $1 million or less. *See* 12 C.F.R. 228.12(u).

12. Mt. Horeb Bank also sells loans on the secondary market. In 1995, the bank originated and sold 66 loans totalling $6.3 million. Accounting for these loans would increase the residential real estate lending to more than 50 percent.

13. Mt. Horeb Bank's average loan-to-deposit ratio was 79.1 percent in 1994 and 72.8 percent in 1995. The bank's average loan-to-deposit ratio would increase to approximately 85 percent by accounting for its loans sold on the secondary market.

14. The Board has carefully considered the results of the bank's compliance examination in light of comments by a community organization contending that closing costs and charges on loan transactions are not adequately disclosed.

15. Protestant criticizes Mt. Horeb Bank's participation in the WHEDA/CROP Fund, contending that the bank refuses to restructure program loans and makes poor credit decisions that result in a large number of forbearances for program loans. Protestant also maintains that Mt. Horeb Bank violated WHEDA/CROP interest payment rules by underwriting loans on the basis of 360 days rather than 365 days, and alleges that bank officials have threatened retaliation against any borrower who publicizes these practices. Country has denied any improper actions by bank officials in connection with the WHEDA/CROP Fund. Under WHEDA/CROP guidelines, a participating bank may submit a request for forbearance to prevent a default, and a proposed repayment schedule for WHEDA's approval. In 1995, Mt. Horeb Bank submitted forbearance requests for ten loans to WHEDA. Two loans were paid in full before WHEDA considered the forbearance requests and forbearances were granted for the remaining eight loans. The Board has provided copies of Protestant's contentions to WHEDA, and WHEDA staff informally has indicated that it does not consider the number of loans submitted by the bank to be excessive, and characterized the interest payment rule violation as technical in nature. The Board also has considered these comments in light of confidential supervisory information provided by the FDIC, and has concluded that these comments do not warrant denial of the proposal.

16. Protestant also argues that Mt. Horeb Bank's participation in the FmHA program is inadequate. FmHA loans represent more than 15 percent of Mt. Horeb Bank's outstanding agricultural loans.

this review, and for the reasons discussed above, the Board concludes that convenience and needs considerations are consistent with approval.[17]

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved.[18] The Board's approval is expressly conditioned on Country's compliance with all the commitments made in connection with this application. The commitments and conditions relied on by the Board in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective December 9, 1996.

17. The Board also has considered comments from a number of area residents objecting to the loss of a locally owned bank. The Board has considered these comments in light of all the facts of record, including the records of Country's subsidiary banks in assisting to meet the credit needs of their communities.

18. Protestant also has requested a private meeting with the Federal Reserve Bank of Chicago ("Reserve Bank") to discuss the issues raised in Protestant's comments, but declined to meet with the Reserve Bank in the presence of Country. Although the Board's Rules of Procedure permit System staff to arrange for a private meeting between a protestant and the applicant for the purposes of clarifying and narrowing the issues and providing a forum for resolving differences, this procedure does not authorize a private meeting with any one party during the processing of an application. *See* 12 C.F.R. 262.25(c). Protestant also has requested that the Board hold public hearings or meetings to consider public testimony regarding the managerial and the convenience and needs considerations in the proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing or meeting unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, neither the FDIC nor the Wisconsin Commissioner of Banking has recommended denial.

Under its rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered Protestant's request in light of all the facts of record. In the Board's view, Protestant has had ample opportunity to submit its views and has, in fact, submitted materials that have been considered by the Board in acting on the application. Protestant has not demonstrated why its written submissions do not adequately present its allegations and what, if any, additional matters would be addressed in a public hearing or meeting. Based on all the facts of record, the Board has determined that a public hearing or meeting is not necessary to clarify the factual record and is not otherwise warranted in this case. Accordingly, Protestant's request for public hearings or meetings on the application is denied.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

GB Bancorporation
San Diego, California

Order Approving Acquisition of Shares of a Bank

GB Bancorporation, San Diego, California ("GBB"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire up to 24.9 percent of the voting shares of Pacific Commerce Bank, Chula Vista, California ("Pacific Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 52,947 (1996)). 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 of the BHC Act.

GBB, with consolidated assets of approximately $527 million, is the 37th largest commercial banking organization in California, controlling deposits of approximately $415 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.[1] Pacific Bank, with assets of approximately $59 million, is the 250th largest commercial banking organization in California, controlling approximately $43 million in deposits, representing less than 1 percent of total deposits in commercial banking organizations in the state.

Pacific Bank has objected to the proposal, contending that it is not for sale and that management will oppose any attempts by GBB to gain control of Pacific Bank.

The Board notes that the BHC Act does not bar GBB from acquiring control of Pacific Bank, if it obtains prior Board approval. As noted above, however, GBB would acquire less than 25 percent of the voting shares of Pacific Bank, and GBB does not propose to control Pacific Bank without the prior approval of the Board. GBB also has made a number of commitments that are similar to commitments previously relied on by the Board to determine that an investing bank holding company would not exercise a controlling influence over another bank holding company or bank for purposes of the BHC Act.[2] GBB has committed not to exercise or attempt to exercise a controlling influence over the management or policies of Pacific Bank; not to seek or accept representation on the board of directors of Pacific Bank; not to challenge a nominee of management for the board of directors of Pacific Bank; and not to have

1. Asset data are as of June 30, 1996. Deposit data are as of June 30, 1995, and reflect transactions through September 30, 1996.

2. *See, e.g., Mansura Bancshares, Inc.*, 79 *Federal Reserve Bulletin* 37 (1993) ("*Mansura*"). The commitments provided by GBB are set forth in the Appendix.

any representative of GBB serve as an officer, agent or employee of Pacific Bank. GBB also has committed not to attempt to influence the dividend policies, loan decisions, personnel decisions, or operations of Pacific Bank; and not to dispose or threaten to dispose of shares of Pacific Bank in response to any action or non-action by the bank.

The Board has adequate supervisory authority to monitor GBB's compliance with its commitments, and retains express authority to initiate a control proceeding against GBB if facts presented later indicate that GBB or any of its subsidiaries or affiliates in fact controls Pacific Bank for purposes of the BHC Act. Based on these commitments and all other facts of record, it is the Board's judgment that, for purposes of the BHC Act, GBB would not acquire control of Pacific Bank on consummation of the proposal.[3]

The Board has noted that one company need not acquire control of another company in order substantially to lessen competition between them, and that the specific facts of each case will determine whether a minority investment would have significant anticompetitive effects.[4] GBB and Pacific Bank compete directly in the San Diego, California, banking market.[5] As a combined organization, GBB would remain the fourth largest commercial banking organization in the market, controlling deposits of approximately $443 million, representing 2.6 percent of total deposits in commercial banks or thrift institutions in the market.[6] Based on all the facts of record, including the increase in market concentration as measured by the Herfindahl–Hirschman Index ("HHI")[7] and the number of competitors that would remain in the market, if GBB were to control Pacific Bank, the elimination of competition between the two entities would not substantially lessen competition in the San Diego banking market or any other relevant banking market.

In light of all the facts of record, the Board concludes that competitive considerations are consistent with approval. The financial and managerial resources and future prospects of GBB and its subsidiaries and Pacific Bank also are consistent with approval, as are considerations related to the convenience and needs of the communities to be served and other supervisory factors the Board must consider under section 3 of the BHC Act.

Based on all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is expressly conditioned on compliance by GBB with all the commitments made in connection with this application, including the commitments discussed in this order. The commitments and conditions relied on by the Board in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective December 18, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

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3. The Board previously has indicated that the acquisition of less than a controlling interest in a bank or bank holding company is not a normal acquisition for a bank holding company. *See, e.g., North Fork Bancorporation,* Inc., 81 *Federal Reserve Bulletin* 734 (1995) ("*North Fork*"); *State Street Boston Corporation,* 67 *Federal Reserve Bulletin* 862 (1981). Nonetheless, the requirement in section 3(a)(3) of the BHC Act that the Board's approval be obtained before a bank holding company acquires more than 5 percent of the voting shares of a bank suggests that Congress contemplated the acquisition by bank holding companies of between 5 and 25 percent of the voting shares of a bank or a bank holding company. *See* 12 U.S.C. § 1842(a)(3); 12 C.F.R. 225.11(c). Nothing in section 3(c) of the BHC Act, moreover, requires the Board to deny an application solely because a bank holding company proposes to acquire less than a controlling interest in a bank or bank holding company. Accordingly, the Board previously has approved the acquisition by a bank holding company of less than a controlling interest in a bank or a bank holding company. *See, e.g., North Fork* (acquisition of 19.9 percent of the voting shares of a bank holding company); *Mansura* (acquisition of 9.7 percent of the voting shares of a bank holding company); and *SunTrust Banks, Inc.,* 76 *Federal Reserve Bulletin* 542 (1990) ("*SunTrust*") (acquisition of up to 24.99 percent of the voting shares of a bank).

4. *See, e.g., North Fork; Mansura; SunTrust.* For example, the acquisition of a substantial ownership interest in a competitor or a potential competitor of the acquiring firm might alter the market behavior of both firms in such a way as to weaken or eliminate independent action at each organization and increase the likelihood of cooperative operations. *See Mansura* at 38.

5. The San Diego banking market consists of the San Diego, California, RMA.

6. Market share data are as of June 30, 1995, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp,* 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation,* 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.,* 77 *Federal Reserve Bulletin* 52 (1991).

7. The HHI would increase 1 point to 1470. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is between 1000 and 1800 is considered to be moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognizes the competitive effect of limited-purpose lenders and other non-depository financial entities.

Appendix

GBB commits that it will not, directly or indirectly, without the Board's prior approval:

(1) Take any action that would cause Pacific Bank or any of its subsidiaries to become a subsidiary of GBB or any of its subsidiaries;
(2) Acquire or retain shares of Pacific Bank that would cause the combined interests of GBB and any of its subsidiaries and any of its officers, directors, principal shareholders, and affiliates to equal or exceed 25 percent of the outstanding voting shares of Pacific Bank or any of its subsidiaries;
(3) Seek or accept any representation on the board of directors of Pacific Bank or any of its subsidiaries;
(4) Exercise or attempt to exercise a controlling influence over the management or policies of Pacific Bank or any of its subsidiaries;
(5) Have or seek to have any representative serve as an officer, agent, or employee of Pacific Bank or any of its subsidiaries;
(6) Propose a director or slate of directors in opposition to a nominee or slate of nominees proposed by the management or board of directors of Pacific Bank or any of its subsidiaries;
(7) Solicit or participate in soliciting proxies with respect to any matter presented to the shareholders of Pacific Bank or any of its subsidiaries;
(8) Attempt to influence the dividend policies or practices; the investment, loan, or credit decisions or policies; the pricing of services; personnel decisions; operating activities (including the location of any offices or branches or their hours of operation, etc.); or any similar activities or decisions of Pacific Bank or any of its subsidiaries;
(9) Enter into any other banking or nonbanking transactions with Pacific Bank or any of its subsidiaries, except that GBB may establish and maintain deposit accounts with Pacific Bank, provided that the aggregate balance of all such deposit accounts does not exceed $500,000 and that the accounts are maintained on substantially the same terms as those prevailing for comparable accounts of persons unaffiliated with Pacific Bank or any of its subsidiaries; and
(10) Dispose or threaten to dispose of shares of Pacific Bank or any of its subsidiaries in any manner as a condition of specific action or non-action by Pacific Bank or any of its subsidiaries.

GB Bancorporation
San Diego, California

Order Approving Acquisition of Shares of a Bank

GB Bancorporation, San Diego, California ("GBB"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire up to 24.9 percent of the voting shares of Rancho Vista National Bank, Vista, California ("Rancho Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 52,947 (1996)). 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 of the BHC Act.

GBB, with consolidated assets of approximately $527 million, is the 37th largest commercial banking organization in California, controlling deposits of approximately $415 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.[1] Rancho Bank, with assets of approximately $93 million, is the 172d largest commercial banking organization in California, controlling approximately $81 million in deposits, representing less than 1 percent of total deposits in commercial banking organizations in the state.

Rancho Bank has objected to the proposal, contending that GBB intends to acquire control of the bank. Rancho Bank also has asserted that the proposed investment would cause experienced officers and employees to leave Rancho Bank and create uncertainty about its long-term prospects, thereby adversely affecting the bank's ability to compete for and retain customers.

The Board notes that the BHC Act does not bar GBB from acquiring control of Rancho Bank, if it obtains prior Board approval. As noted above, however, GBB would acquire less than 25 percent of the voting shares of Rancho Bank, and GBB does not propose to control Rancho Bank without the prior approval of the Board. GBB also has made a number of commitments that are similar to commitments previously relied on by the Board to determine that an investing bank holding company would not exercise a controlling influence over another bank holding company or bank for purposes of the BHC Act.[2] GBB has committed not to exercise or attempt to exercise a controlling influence over the management or policies of Rancho Bank; not to seek or accept representation on the board of directors of Rancho Bank; not to challenge a nominee of management for the board of directors of Rancho Bank; and not to have any representative of GBB serve as an officer, agent or employee of Rancho Bank. GBB also has committed not to attempt to influence the dividend policies, loan decisions, personnel decisions, or operations of Rancho Bank; and not to dispose or threaten to dispose of shares of Rancho Bank in response to any action or non-action by the bank.

The Board has adequate supervisory authority to monitor GBB's compliance with its commitments, and retains express authority to initiate a control proceeding against GBB if facts presented later indicate that GBB or any of its

1. Asset data are as of June 30, 1996. Deposit data are as of June 30, 1995, and reflect transactions through September 30, 1996.

2. *See, e.g., Mansura Bancshares, Inc.*, 79 *Federal Reserve Bulletin* 37 (1993) ("Mansura"). The commitments provided by GBB are set forth in the Appendix.

subsidiaries or affiliates in fact controls Rancho Bank for purposes of the BHC Act.[3] The Board notes that the bank's managerial resources are adequate, and that management of Rancho Bank has clearly expressed its intention to remain independent. Based on these commitments and all other facts of record, it is the Board's judgment that, for purposes of the BHC Act, GBB would not acquire control of Rancho Bank on consummation of the proposal.[4]

The Board has noted that one company need not acquire control of another company in order substantially to lessen competition between them, and that the specific facts of each case will determine whether a minority investment would have significant anticompetitive effects.[5] GBB and Rancho Bank compete directly in the Oceanside, California, banking market.[6] As a combined organization, GBB would become the fourth largest commercial banking organization in the market, controlling deposits of approximately $87 million, representing 6.4 percent of total deposits in commercial banks or thrift institutions in the market.[7] Based on all the facts of record, including the increase in market concentration as measured by the Herfindahl–Hirschman Index ("HHI")[8] and the number of competitors that would remain in the market, if GBB were to control Rancho Bank, the elimination of competition between the two entities would not substantially lessen competition in the Oceanside banking market or any other relevant banking market.

In light of all the facts of record, the Board concludes that competitive considerations are consistent with approval. The financial and managerial resources and future prospects of GBB and its subsidiaries and Rancho Bank also are consistent with approval, as are considerations related to the convenience and needs of the communities to be served and other supervisory factors the Board must consider under section 3 of the BHC Act.

Based on all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is expressly conditioned on compliance by GBB with all the commitments made in connection with this application, including the commitments discussed in this order. The commitments and conditions relied on by the Board in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective December 18, 1996.

3. Rancho Bank alleged that GBB's continued expression of interest in acquiring Rancho Bank conflicts with the commitments made by GBB, and that this alleged conflict raises adverse managerial considerations. GBB responded that its actions were intended only to explore the feasibility of acquiring Rancho Bank through a transaction that would be negotiated with the bank's board of directors. The Board does not believe that such general expressions of interest violate the commitments or the BHC Act's prohibition against exercising a controlling influence over the management or policies of a banking organization. Under the BHC Act and the Board's regulations, GBB may not actually acquire ownership of, control, or vote shares of Rancho Bank without the Board's prior approval. The Board also has considered Rancho Bank's concerns in light of a review of the managerial resources of GBB by the Federal Reserve Bank of San Francisco in its most recent examination and management's record for complying with applicable rules and regulations.

4. The Board previously has indicated that the acquisition of less than a controlling interest in a bank or bank holding company is not a normal acquisition for a bank holding company. *See, e.g., North Fork Bancorporation, Inc.*, 81 *Federal Reserve Bulletin* 734 (1995) ("*North Fork*"); *State Street Boston Corporation*, 67 *Federal Reserve Bulletin* 862 (1981). Nonetheless, the requirement in section 3(a)(3) of the BHC Act that the Board's approval be obtained before a bank holding company acquires more than 5 percent of the voting shares of a bank suggests that Congress contemplated the acquisition by bank holding companies of between 5 and 25 percent of the voting shares of a bank or a bank holding company. *See* 12 U.S.C. § 1842(a)(3); 12 C.F.R. 225.11(c). Nothing in section 3(c) of the BHC Act, moreover, requires the Board to deny an application solely because a bank holding company proposes to acquire less than a controlling interest in a bank or bank holding company. Accordingly, the Board previously has approved the acquisition by a bank holding company of less than a controlling interest in a bank or a bank holding company. *See, e.g., North Fork* (acquisition of 19.9 percent of the voting shares of a bank holding company); *Mansura* (acquisition of 9.7 percent of the voting shares of a bank holding company); and *SunTrust Banks, Inc.*, 76 *Federal Reserve Bulletin* 542 (1990) ("*SunTrust*") (acquisition of up to 24.99 percent of the voting shares of a bank).

5. *See, e.g., North Fork; Mansura; SunTrust*. For example, the acquisition of a substantial ownership interest in a competitor or a potential competitor of the acquiring firm might alter the market behavior of both firms in such a way as to weaken or eliminate independent action at each organization and increase the likelihood of cooperative operations. *See Mansura* at 38.

6. The Oceanside banking market consists of the Oceanside RMA and the towns of Bonsall and Fallbrook, all in California.

7. Market share data are as of June 30, 1995, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

8. The HHI would increase 11 points to 1418. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is between 1000 and 1800 is considered to be moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognizes the competitive effect of limited-purpose lenders and other non-depository financial entities.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

GBB commits that it will not, directly or indirectly, without the Board's prior approval:

(1) Take any action that would cause Rancho Bank or any of its subsidiaries to become a subsidiary of GBB or any of its subsidiaries;
(2) Acquire or retain shares of Rancho Bank that would cause the combined interests of GBB and any of its subsidiaries and any of its officers, directors, principal shareholders, and affiliates to equal or exceed 25 percent of the outstanding voting shares of Rancho Bank or any of its subsidiaries;
(3) Seek or accept any representation on the board of directors of Rancho Bank or any of its subsidiaries;
(4) Exercise or attempt to exercise a controlling influence over the management or policies of Rancho Bank or any of its subsidiaries;
(5) Have or seek to have any representative serve as an officer, agent, or employee of Rancho Bank or any of its subsidiaries;
(6) Propose a director or slate of directors in opposition to a nominee or slate of nominees proposed by the management or board of directors of Rancho Bank or any of its subsidiaries;
(7) Solicit or participate in soliciting proxies with respect to any matter presented to the shareholders of Rancho Bank or any of its subsidiaries;
(8) Attempt to influence the dividend policies or practices; the investment, loan, or credit decisions or policies; the pricing of services; personnel decisions; operating activities (including the location of any offices or branches or their hours of operation, etc.); or any similar activities or decisions of Rancho Bank or any of its subsidiaries;
(9) Enter into any other banking or nonbanking transactions with Rancho Bank or any of its subsidiaries, except that GBB may establish and maintain deposit accounts with Rancho Bank, provided that the aggregate balance of all such deposit accounts does not exceed $500,000 and that the accounts are maintained on substantially the same terms as those prevailing for comparable accounts of persons unaffiliated with Rancho Bank or any of its subsidiaries; and
(10) Dispose or threaten to dispose of shares of Rancho Bank or any of its subsidiaries in any manner as a condition of specific action or non-action by Rancho Bank or any of its subsidiaries.

Ida Grove Bancshares, Inc.
Ida Grove, Iowa

American Bancshares, Inc.
Holstein, Iowa

Order Approving the Acquisition of a Bank Holding Company

Ida Grove Bancshares, Inc., Ida Grove, and American Bancshares, Inc., Holstein ("American") (collectively "Ida Grove"),[1] bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all of the voting shares of Pierson Bancorporation ("Pierson"), and thereby acquire Farmers Savings Bank ("Farmers"), both of Pierson, and all in Iowa.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 51,114 (1996)). 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 of the BHC Act.

Ida Grove, with total consolidated assets of approximately $197 million, is the 29th largest commercial banking organization in Iowa, controlling deposits of approximately $174.6 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.[2] Pierson, with total consolidated assets of approximately $15.5 million, is the 364th largest commercial banking organization in Iowa, controlling deposits of approximately $12.6 million, representing less than 1 percent of total deposits in commercial banking organizations in the state. On consummation of this proposal, Ida Grove would become the 27th largest commercial banking organization in Iowa, controlling deposits of approximately $187.2 million.

After the acquisition of Pierson, Ida Grove proposes to effect a series of transactions which would result in its subsidiary bank, Western Bank and Trust, Moville, Iowa ("Western Bank"), operating branches in Kingsley and Pierson, Iowa.[3] The Board has carefully reviewed comments that assert that the proposal, when viewed in its entirety, would permit Ida Grove to evade state law branching restrictions. Iowa law generally prohibits the establishment of a *de novo* branch in a town that has an office of

1. Ida Grove Bancshares, Inc. owns approximately 80.1 percent of the voting shares of American.

2. Asset and state deposit data are as of June 30, 1996.

3. Ida Grove has applied for the Board's approval to acquire Pierson, and to merge Pierson into American. American would survive the merger and directly own all the voting shares of Farmers. After these transactions, Ida Grove would cause Farmers to relocate its main office to Kingsley and to establish a branch at its former location in Pierson, both in Iowa. Farmers would then merge into Western Bank, and Western Bank would operate branches in Kingsley and Pierson, Iowa.

another bank.[4] Each transaction proposed by Ida Grove is separately authorized by state statute, and the overall transaction has been approved by the Iowa Department of Banking.[5] In this light, the Board concludes that the overall transaction is not prohibited by state law. The Board also notes that the first and only step in the overall transaction requiring the Board's approval—the acquisition of Pierson by Ida Grove—is clearly authorized by state law.[6]

Western Bank and Farmers compete directly in the Sioux City, Iowa, banking market ("Sioux City banking market").[7] On consummation of the proposal, Western Bank would become the 15th largest commercial banking or thrift organization ("depository organization") in the market, controlling deposits of approximately $13.8 million, representing approximately 1 percent of total deposits in depository organizations in the market ("market deposits").[8] Concentration in the banking market, as measured by the Herfindahl–Hirschman Index ("HHI"), would remain at a level of 1555, and numerous competitors would remain in the market after consummation.[9] Based on these and all the facts of record, the Board has concluded that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in the Sioux City banking market or any other relevant banking market.[10]

Based on all the facts of record, the Board also has concluded that the financial and managerial resources[11] and future prospects of Ida Grove, Pierson, and their respective subsidiaries, and all other supervisory factors that the Board must consider under section 3 of the BHC Act, are consistent with approval of this proposal.[12]

The Board also has considered the convenience and needs of the communities to be served, including the records of performance of the institutions involved under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The Board notes that Farmers—the bank being acquired in this case—received a "needs to improve" rating at its most recent examination for CRA performance from its primary federal supervisor, the FDIC, as of May 1996. Ida Grove has stated that it will implement CRA policies and programs similar to those of Ida Grove's

4. Section 524.1202 of the Iowa Code provides that a bank with headquarters in one county may establish a branch in a town in the same or a contiguous county if that town does not have an office of another bank in operation. Iowa Code Ann. § 524.1202. Kingsley, Pierson, and Moville are all located in the same or contiguous Iowa counties.

5. A bank with headquarters in a contiguous county may relocate its main office to another town. *See* Iowa Code Ann. § 524.312. Therefore, Farmers may relocate to Kingsley. Farmers also may operate a branch office in Pierson, the town from which it relocated, because no office of another bank is located in Pierson. *See* Iowa Code Ann. § 524.1202(1). Western Bank also may operate branches in Kingsley and Pierson after its merger with Farmers because the Iowa branching restrictions prohibiting the establishment of a branch office in a town with an office of another bank do not apply to branches acquired in a merger between banks located in the same or contiguous counties. *See* Iowa Code Ann. § 524.1202(3).

6. Iowa Code Ann. § 524.1804.

7. The Sioux City banking market is approximated by Woodbury County, excluding the townships of Lakeport, Sloan, Willow, and Little Sioux; the townships of Garfield and Elkhorn in Plymouth County, all in Iowa; and the Sioux City Rand McNally Area located in South Dakota and Nebraska.

8. Market deposit data are as of June 30, 1995, and include data from Western Bank, a newly formed bank subsidiary of Ida Grove, as of November 29, 1996. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

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

10. Two financial institutions ("Protestants") contend that numerous competitors serve the credit needs of Moville and Kingsley, Iowa, both of which are in the Sioux City banking market, and that an additional competitor could adversely affect the existing banks in these "over-banked" towns. As noted above, Western Bank currently operates in Moville and the proposal would not increase the number of competitors in that town. The Board has previously concluded that the BHC Act requires the Board to focus on whether a proposal would substantially lessen competition or create a monopoly, and that the *de novo* entry of a bank would have a positive effect on competition in any banking market. *See Wilson Bank Holding Company*, 82 *Federal Reserve Bulletin* 568 (1996). The Board concludes that the entry into Kingsley by Ida Grove would enhance competition for banking services.

11. One protestant contends that a loan from Ida Grove to American violates section 23A of the Federal Reserve Act (12 U.S.C. § 371c) ("Section 23A"). Section 23A imposes restrictions on loans between a subsidiary bank and its affiliates, and by its terms would not apply to a loan between affiliated bank holding companies.

12. Protestants allege that Ida Grove and its subsidiary banks are and will be undercapitalized. In addition, Protestants contend that Western Bank's pricing policies (interest rates paid on certificates of deposits and charged for loans) will adversely affect Western Bank's financial condition, thereby adversely affecting American's capacity to retire the debt to be incurred in connection with the acquisition of Pierson, and that these pricing policies constitute unfair competitive practices. The Board has carefully reviewed these comments in light of all facts of record, including the most recent reports of examination assessing the managerial and financial resources of the relevant companies. The Board has consulted the Federal Deposit Insurance Corporation ("FDIC") on the effect of Western Bank's pricing policies on the financial condition of the bank and on the FDIC's assessment of the bank's current management. The Board notes that Ida Grove would remain well-capitalized after consummation of this proposal and would retire the proposal's acquisition debt in accordance with the Board's guidelines. The Board also has reviewed the interest rates offered under Wester Bank's pricing policies for evidence of predatory pricing in light of pricing information nationwide and in the local market where Western Bank competes. Based on all the facts of record, the Board concludes that all the supervisory factors considered under the BHC Act are consistent with approval.

lead bank, United Bank of Iowa, Ida Grove, Iowa ("United Bank"), after consummation of the proposal.[13] United Bank received an "outstanding" rating for CRA performance at its most recent examination for CRA performance by the FDIC as of March 1996. In addition, Western Bank plans to advertise extensively in the community through various media, as well as to implement a comprehensive officer calling program, to promote its credit products and services. Moreover, Western Bank will enter into a regulatory compliance services agreement with United Bank whereby experienced staff of United Bank will review and monitor compliance policies and procedures, and train and consult with Western's staff on regulatory compliance issues, including the CRA. The Board expects that the actions proposed by Ida Grove will address the deficiencies in Farmers' record of performance, particularly in the types and geographic distribution of its loans.

In light of these commitments, and based on all the facts of record, the Board concludes that considerations relating to the convenience and needs of the communities to be served, including the CRA performance records of the institutions involved, are consistent with approval.[14] The Board will review the effectiveness of these efforts in future applications by Ida Grove to establish depository facilities.

Based on all the facts of record, the Board has determined that this application should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by Ida Grove with all the commitments made in connection with the application and with the conditions referenced in this order. For purposes of this action, these commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

13. As noted above, Farmers would be merged into Western Bank. Although Western Bank has not been examined for CRA performance by the FDIC, Ida Grove is initiating CRA policies and programs at Western Bank that are similar to those of United Bank.

14. One depository institution argues that, because it has a satisfactory record of CRA performance in Kingsley, the convenience and needs of the community are already being served. The CRA was not intended to limit either the number of service providers or competition in providing services to a community. Rather, the CRA recognizes the responsibility of each depository institution in a community to help meet the credit needs of the community. CRA performance ratings evaluate the efforts of a particular institution in helping meet the credit needs of the community, and do not reflect a judgment regarding whether the community would benefit from additional services that may be provided by other depository institutions. The Board, moreover, concludes that the steps proposed by Ida Grove to strengthen Farmers' CRA performance will have a positive effect on serving the overall credit needs of the community.

By order of the Board of Governors, effective December 20, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

JDOB Inc.
Sandstone, Minnesota

Order Approving Acquisition of a Bank

JDOB Inc., Sandstone, Minnesota ("JDOB"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Centennial National Bank ("Bank"), Walker, Minnesota, a *de novo* nationally chartered bank.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 53,746 (1996)). 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 of the BHC Act.

JDOB is the 166st largest commercial banking organization in Minnesota, controlling deposits of approximately $39.1 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.[1] Bank's *de novo* entry into the Brainerd, Minnesota banking market[2] would enhance competition in that market. Based on all the facts of record, the Board concludes that consummation of the proposal would not have any significantly adverse effects on competition or the concentration of banking resources in any relevant market.

The Board also has determined in light of all the facts of record that financial and managerial resources and future prospects of JDOB, its subsidiaries, and Bank, and considerations relating to the convenience and needs of the communities to be served, are consistent with approval of the application, as are the other supervisory factors the Board must consider under section 3 of the BHC Act.[3]

1. All banking data are as of June 30, 1996.

2. The Brainerd banking market consists of Crow Wing County and portions of southern Cass County, all in Minnesota.

3. Comments by First National Bank of Walker, Walker, Minnesota ("First National"), contend that information in JDOB's application to charter Bank, primarily financial data and projections, is incorrect. In addition, First National maintains that Bank's proposed chief executive officer cannot effectively manage both Bank and another JDOB subsidiary bank and that numerous financial institutions currently serve the credit needs of the community. First National also has asserted that the banking market cannot support an additional competitor. The Board has carefully reviewed these comments in light of all the facts of record, including information from JDOB that substantiates its financial information, reports of examination assessing the financial and managerial resources of JDOB and the Bank's effect on those resources, and the "satisfactory" rating of JDOB's current

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval of the proposal is conditioned on compliance by JDOB with commitments made in connection with the application. The commitments and conditions relied on by the Board in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

The acquisition shall not be consummated before the fifteenth calendar day following the effective date of this order, or later than three months after the effective date of this order, and Bank shall be open for business within six months after the effective date of this order, unless such periods are extended for good cause by the Board or the Federal Reserve Bank of Minneapolis, acting pursuant to delegated authority.

By order of the Board of Governors, effective December 20, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

subsidiary bank at its most recent examination for Community Reinvestment Act performance by its primary federal supervisor, the Office of the Comptroller of the Currency ("OCC"). The Board previously has concluded that the BHC Act requires the Board to focus on whether a proposal would substantially lessen competition or create a monopoly and that the establishment of a *de novo* bank would have a positive effect on competition in any banking market. *See Wilson Bank Holding Company,* 82 *Federal Reserve Bulletin* 568 (1996). In addition, the OCC has reviewed First National's contentions and reaffirmed its preliminary determination to approve Bank's charter. For these reasons, and based on all the facts of record, the Board concludes that all the factors required to be considered under the BHC Act are consistent with approval.

Orders Issued Under Section 4 of the Bank Holding Company Act

BancSecurity Corporation
Marshalltown, Iowa

Order Denying Acquisition of a Thrift Holding Company

BancSecurity Corporation, ("BancSecurity"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to acquire Marshalltown Financial Corporation ("MFC"), and MFC's wholly owned thrift subsidiary, Marshalltown Savings Bank, FSB ("Savings"), all of Marshalltown, Iowa, and thereby to engage in operating a savings association.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 42,251 (1996)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

BancSecurity is the 12th largest depository institution in Iowa, controlling deposits of $415 million, representing approximately 1.1 percent of total deposits in depository institutions in the state.[1] MFC, with deposits of $103 million, is the 57th largest depository institution in the state, representing less than 1 percent of deposits in depository institutions in the state. On consummation of the proposal, BancSecurity would become the ninth largest depository institution in Iowa, controlling total deposits of $518 million, representing approximately 1.4 percent of total deposits in depository institutions in the state.

The Board previously has determined by regulation that the operation of a savings association by a bank holding company is closely related to banking within the meaning of section 4(c)(8) of the BHC Act. 12 C.F.R 225.25(b)(9).

Competitive Considerations

Under section 4(c)(8) of the BHC Act, the Board is required to consider whether a proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.[2] The Board concludes that consummation of this proposal would result in significantly adverse effects on competition in the relevant banking market. In reaching this conclusion, the Board carefully considered the entire record, including information, analysis and arguments provided by BancSecurity.

The Board and the courts have found that the relevant geographic banking market for analyzing the competitive effects of a proposal must reflect commercial and banking realities and should consist of the local area where the depository institutions involved offer their services and where local consumers can practicably turn for alternatives.[3] In making a determination on the geographic market in this case, the Board has considered worker commuting patterns (as indicated by census data), shopping patterns and other indicia of economic integration and the transmission of competitive forces among depository institutions, and relevant banking data. In addition, the Board has reviewed information from on-site investigations of the area conducted by staff of the Board and the Federal

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

2. 12 U.S.C. § 1843(c)(8).

3. *See St. Joseph Valley Bank,* 68 *Federal Reserve Bulletin* 673 (1982). The key question to be considered in making this selection "is not where the parties to the merger do business or even where they compete, but where, within the area of competitive overlap, the effect of the merger on competition will be direct and immediate." *United States v. Philadelphia Nat'l Bank,* 374 U.S. at 357 (1963); *United States v. Phillipsburg Nat'l Bank,* 399 U.S. 350 (1969).

Reserve Bank of Chicago in connection with the proposal ("Federal Reserve Survey"), which included interviews with bankers, consumers, and owners of small businesses in Marshall County and adjacent areas.[4]

The Board has determined that the relevant market for analyzing the competitive effects of this proposal is a rural area in central Iowa approximated by Marshall County plus the townships of Spring Creek, Carlton, Indian Village and Highland in Tama County ("Marshall County banking market"). The Board also has concluded that the relevant banking market does not include Howard, Toledo, Tama and Columbia Townships in Tama County and Felix and Clay Townships in southern Grundy County as proposed by BancSecurity.[5]

Banking data reveal that a very high proportion of deposits and loans of BancSecurity's subsidiary bank, Security Bank, Marshalltown, Iowa ("Security Bank"), and Savings are received and originate from the Marshall County banking market. Data provided by BancSecurity show that approximately 96 percent of Security Bank's deposit accounts and 94 percent of its loans, and approximately 78 percent of Savings's deposits and 95 percent of the loans made by Savings, originated in the Marshall County banking market.[6] In contrast, approximately 2 percent of Security Bank's deposit accounts and approximately 3 percent of its loans are from the portions of Tama County not included in the banking market. In addition, Security Bank received approximately 1 percent of its deposit accounts from and made approximately 2 percent of its loans in Felix and Clay Townships in southern Grundy County.

Discussions with senior management of depository institutions in Marshall, Tama and Grundy Counties, moreover, confirmed that competition among banking organizations in different counties is limited. Banks in Marshall County generally reported only a modest amount of business from Tama County, mostly from the western townships that are included in the Marshall County banking market. In addition, Marshall County banks that were located near the border with Tama County reported that only 5 to 8 percent of their business originated in Tama County. On the other hand, banks located in the eastern three quarters of Tama County generally reported few or no accounts with Marshall County residents. Banks in Clay Township indicated that they derived small to modest amounts of business in Marshall and Tama Counties.[7] The Federal Reserve Survey also suggests that there is relatively little advertising by area financial institutions outside their local communities.[8]

The Federal Reserve Survey of households and businesses in Marshall County indicated that Marshall County consumers almost exclusively obtained banking services from Marshall County depository institutions. Almost all the transaction and savings accounts, and all the certificates of deposit reported in a telephone survey of Marshall County residents were in Marshall County depository institutions. In addition, 40 of the 47 consumer loans and 16 of 17 commercial and industrial loans to the Marshall County participants in the telephone survey within the last five years were from Marshall County depository institutions, and none of the eight remaining consumer loans were from depository institutions in either Tama or Grundy Counties. An overwhelming majority of households and business owners interviewed in Marshall County stated that they would seek another Marshall County depository institution if they became dissatisfied with their current institution. Almost none of the respondents stated that they would consider an institution in Tama or Grundy County.

Marshalltown, with a population of approximately 25,000 residents, is the largest town in the Marshall County banking market. The communities surrounding Marshalltown, particularly those identified by BancSecurity as included in the relevant banking market, are small, offer few incentives for regular travel to these areas by Marshall County residents, and are not conveniently located to Marshalltown.[9] Tama and Toledo, for example, have populations of approximately 2,700 and 2,400 residents, respectively, and are located approximately 20 miles from Marshalltown. Travel time between the communities and

4. BancSecurity objects to consideration by the Board of any information or staff submissions that have not been provided to it under the Freedom of Information Act ("FOIA"). Certain information in the record has been withheld from BancSecurity as privileged from disclosure under the FOIA. The Board notes that the rules regarding access to information under the FOIA provide the appropriate framework for considering a challenge to confidential treatment accorded staff's submissions and other information, and that BancSecurity's challenge was reviewed under the FOIA and denied. The Board's rules do not provide an applicant access to information that is otherwise exempt from disclosure under the FOIA. BancSecurity, moreover, has been provided all nonconfidential information in the record of this notice.

5. During the processing of the notice, BancSecurity proposed additional larger geographic areas as the relevant banking market. For the reasons discussed in detail in this order, the Board concludes that these alternative proposals would not constitute the relevant banking market for considering the competitive effects of the proposed acquisition.

6. The data have been adjusted to exclude banking data from offices of Security Bank in Jasper and Hardin Counties.

7. There are no banks in Felix Township.

8. All Marshall County banks advertise in the Marshalltown daily newspaper that circulates primarily in Marshall County. The newspaper has few subscribers in Tama and Toledo in Tama County or Felix and Clay Townships in southern Grundy County. Security Bank and Savings are two of only three depository institutions with offices in both Marshall and Tama counties. Security Bank's Tama County branch advertises primarily in a local weekly newspaper in the town where the branch is located. The Toledo branch of Savings advertises primarily in a Tama weekly newspaper. Although Security Bank and Savings also advertise on Marshalltown radio stations, these stations broadcast over an area even larger than the extended area identified by BancSecurity as the relevant banking market. For example, one Marshalltown station broadcasts over an area encompassing 25 Iowa counties. Banking data also show little indication that the radio advertising has been effective in generating customers from outside the Marshall County banking market.

9. The Board notes that general survey data suggest that individuals in households and small business owners have a strong preference for purchasing basic banking services very close to where they live or work, and that the data are similar in urban and rural markets.

Marshalltown is approximately 30 minutes.[10] Clay and Felix Townships in southern Grundy County have populations of approximately 1,500 and 300 residents, respectively, and are located approximately 15 miles from Marshalltown. Travel time between the communities and Marshalltown is approximately 20 to 25 minutes.

Commuting data indicate that Marshall County residents generally do not regularly travel outside of their county.[11] In addition, except for the Tama County townships included in the Marshall County banking market, residents of Tama County generally do not commute in large numbers to Marshall County.[12] Approximately 13 percent of the work force residing in Tama County commute to Marshall County, with more than half of these commuters traveling from the four Tama County townships that are included in the Marshall County banking market. Only 4.5 percent of the Tama County work force commuting to Marshall County resides in Howard, Toledo, Tama, and Columbia Townships, that BancSecurity argues should be included within the Marshall County banking market. A significant percentage of the labor force from Felix and Clay Townships in southern Grundy County commute to Marshall County. Other data, including interviews with Grundy County banking officials, indicate, however, that banks in these southern Grundy County townships do not consider Marshall County banks to be significant competitors. Moreover, even if these Grundy County townships were included in the market, the competitive effects of this proposal still would be significantly adverse.[13]

The Federal Reserve Survey found that Marshalltown's large number of retail shopping options provided a disincentive for Marshalltown residents to shop in neighboring communities. In addition, on-site visits to communities surrounding Marshall County did not lend support to broadening the Marshall County banking market beyond the previously identified westernmost townships in Tama County on the basis of travel patterns for goods and services. Basic services such as restaurants, clothing stores, and medical and financial services were available in most of the communities surrounding Marshall County.

Based on all the facts of record, and for the reasons discussed above, the Board concludes that the Marshall County banking market, an area that includes all of Marshall County and Spring Creek, Carlton, Indian Village, and Highland Townships, in Tama County, is the appropriate geographic market for analyzing the competitive effects of the proposal. The Board also concludes that Howard, Toledo, Tama, and Columbia Townships in Tama County, and Felix and Clay Townships in southern Grundy County, should not be included in the relevant banking market.

Competitive Effects in the Marshall County Banking Market

Security Bank and Savings compete in the Marshall County banking market. Security Bank is the largest of 14 depository institutions in the market, controlling approximately $214 million of deposits and representing almost 38 percent of the total deposits in the market ("market deposits").[14] Savings is the third largest of the 14 depository institutions in the market, controlling deposits of approximately $87 million, representing 7.7 percent of market deposits. On consummation, BancSecurity would control total deposits of approximately $301 million, representing approximately 49.2 percent of market deposits.[15]

10. BancSecurity maintains that designation of Tama and Marshall Counties as a Rand-McNally basic trade area and the overlap of school district boundaries between the Counties, among other things, support its contention that the relevant banking market should be larger. The Board notes that these delineations are made for purposes not related to the competitive overlap between depository institutions and that the facts of this case, including those noted above, indicate that these delineations do not adequately reflect the area in which competition for banking services is real and immediate. *See Wyoming Bancorporation v. Board of Governors*, 729 F.2d 687 (1984).

11. Residents of Marshall County have one of the lowest rates of commuting outside their county in Iowa. Only 9.5 percent of the county's workers commute outside Marshall County for employment, and only approximately 1.8 percent commute to Tama or Grundy County.

12. BancSecurity states that 1990 census data understate the number of commuters because the data do not fully reflect the 1,500 new jobs created in the Marshalltown area in the last five years nor the large number of retirement-age residents of Tama County who may travel to the Marshalltown area for reasons other than employment. BancSecurity also argues that data from the Iowa Department of Transportation show a high traffic flow on the main highways between Marshall and Tama Counties and that, in a 1992 labor survey, many Tama County residents reported that they would accept a daily commuting distance of up to 60 miles. The Board has considered these data in light of all the facts of record, including data that suggest that events since 1990 may have decreased the amount of commuting into Marshalltown. For example, the data indicate that firms have exited or downsized in Marshalltown, a number of workers from out of state have transferred to Marshalltown in the case of the relocation of workers after a corporate consolidation, and there have been increases in employment opportunities in Tama County, such as the recent opening of a gambling casino in the Meskwaki Indian Settlement in southwest Tama County and the expansion of several other companies in Tama County.

13. The Herfindahl–Hirschman Index would increase by 733 points to 2623, and BancSecurity would control 45.3 percent of total deposits in the market.

14. Market data are as of June 30, 1995, and are based on calculations that include the deposits of thrift institutions at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 743 (1984). Because the deposits of Savings would be controlled by a commercial banking organization after consummation of the proposal, those deposits are included at 100 percent in the calculation of BancSecurity's *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669 (1990).

15. BancSecurity contends that the methodology used to assess the competitive effects in the market does not give sufficient weight to the deposits of a thrift competitor in the market and gives too much weight to the deposits acquired from Savings, which will continue to be operated as a traditional thrift after consummation of the proposal. The deposits controlled by the thrift competitor have not been given full weight because it does not provide the full range of products and services offered by commercial banks in the relevant market, particularly residential mortgages or commercial loans. The deposits of

The market, as measured by the Herfindahl–Hirschman Index ("HHI"), is already highly concentrated.[16] Consummation of this proposal would cause the HHI to increase by 849 points to 3032. This increase in concentration would significantly exceed the threshold levels in the Justice Department merger guidelines.[17]

The Board notes that HHI thresholds are used as guidelines to help the Board, the Justice Department, and other banking agencies identify cases in which a more detailed competitive analysis is appropriate to ensure that the proposal would not have a significantly adverse effect on competition in any relevant banking market. A proposal that fails to pass the HHI market screen nevertheless may be approved if other information indicates that the proposal would not have a significantly adverse effect on competition.[18] The Board has carefully considered BancSecurity's contentions that consummation of the proposal would not result in significantly adverse competitive effects because BancSecurity and Savings do not provide the same types of banking products and services other than residential mortgage loans and retail deposits[19] and that a number of considerations would mitigate any potential adverse competitive effect in any relevant banking market, including the number of depository institution competitors remaining in the banking market, the attractiveness of the banking market to potential entrants and low regulatory barriers for entry, and competition provided by credit unions and other providers of financial services located within and outside the banking market.

Security Bank and Savings compete directly in a number of products, including residential mortgage loans, an individual product that is important to Marshall County banking market residents.[20] Security Bank is the largest provider of residential mortgage loans in the market, with a market share of approximately 36 percent. Savings is the second largest provider, with approximately 25 percent of the market. After consummation of the proposal, the concentration in the market for residential mortgage loans, as measured by the HHI, would increase 1758 points to 3953 and BancSecurity would have a *pro forma* share of more than 60 percent of the residential mortgage loan market. This *pro forma* market share would be approximately five times larger than the market share of the next largest competitor, and 10 of the remaining competitors would each control a market share of less than 5 percent.

Security Bank and Savings also compete directly with respect to federally insured deposit accounts. Security Bank is the largest provider of these accounts in the Marshall County banking market with a market share of approximately 34 percent. Savings is the third largest provider of these accounts with approximately a 14 percent market share. After consummation of this proposal, concentration in the market for federally insured deposit accounts, as measured by the HHI, would increase 961 points to 2933, and BancSecurity would have a *pro forma* share of greater than 48 percent of the market.[21] BancSecurity's market share after consummation of the proposal would be more than twice as large as the share of the next largest competitor, more than five times as large as the third largest competitor, and ten competitors would have market shares of less than 5 percent.

The Board has carefully considered the mitigating effect of the fact that 13 depository institutions would remain in the market after consummation, including several banks controlled by large bank holding companies, in light of BancSecurity's *pro forma* share of market deposits. BancSecurity would control market deposits at least ten times larger than market deposits controlled by all but two of the remaining competitors. In addition, 10 of the 12 remaining competitors would have less than 5 percent of deposits, and

Savings, however, have been included *pro forma* at 100 percent because the deposits would directly enhance the capacity of BancSecurity to offer a full range of commercial banking products. Indeed, in this case, BancSecurity characterizes as a public benefit of the transaction the fact that Savings will be able to attract larger lending transactions as a result of combined lending limits available through loan participations with BancSecurity's banking subsidiaries. BancSecurity also has referred to public benefits from the availability of other new banking services from Savings. In this light, the Board concludes that its traditional methodology appropriately considers thrift deposits in analyzing the competitive effect of the proposal.

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

17. The proposal also would significantly exceed the Justice Department Merger Guidelines under BancSecurity's delineation of the relevant banking market by causing the HHI to increase 697 points to 2224. In addition, market share calculations based on BancSecurity's contentions regarding the weight accorded deposits held by thrift competitors in the Marshall County banking market also would significantly exceed the screening guidelines. If deposits of the thrift competitor in the market were given full weight, the HHI would increase 823 points to 2933, and BancSecurity would control 48.3 percent of market deposits. If the deposits controlled by Savings were weighted at 50 percent pre- and post-merger, the HHI would increase 578 points to 2761 and BancSecurity would control 45 percent of market deposits.

18. HHI calculations are based on deposit data that were assembled before Tama State Bank moved its main office to Marshalltown in September 1996. The Marshalltown office is a recently established *de novo* office, and the bank has retained its office in Tama County. The deposits of this institution, therefore, have not been included in the HHI calculations.

19. Savings, a thrift institution, engages primarily in accepting federally insured deposits and making residential mortgages. Security Bank engages in a wide variety of banking products and services including mortgage, commercial, agricultural, and consumer lending, and deposit taking.

20. The analysis of the proposal's structural impact on residential mortgage loans is based on call report mortgage data, discussions with area bankers, and a telephone consumer survey of borrowing practices by local residents.

21. This calculation is based on weighting thrift institutions in the market at 100 percent.

nine of these competitors would have less than 3 percent of deposits.[22] BancSecurity's share of market deposits would approximately equal the market shares of all other depository institutions combined, and would be more than twice as large as the market share of its closest competitor. The degree of disparity between the market shares of BancSecurity and its competitors significantly reduces the mitigating effect of the number of remaining competitors and would permit BancSecurity to maintain a dominant market position despite the presence of firms that may have overall greater organizational resources.

The Board also notes that, although several large depository institutions have competed in the banking market for a number of years, deposit market shares have been fairly stable in the past five years, without significant encroachment on BancSecurity's market share by competitors. Between 1991 and 1994, for example, Security Bank continued to control more than twice the share of market deposits as its next largest competitor.[23] Data also indicate that Security Bank currently has a dominant market share in every lending category examined in the Federal Reserve Survey.[24] For certain types of credit, Security Bank's share in the Marshall County banking market is two or three times more than the share of the next largest provider. These conditions have prevailed despite the entry into the market of five banking organizations since 1994.[25] Moreover, the Federal Reserve Survey found that residents tended to form long-standing banking relationships with local depository institutions that were not easily displaced by depository institutions that did not have an established record of serving the Marshall County community.

Although the Marshall County banking market has characteristics that make it attractive for entry,[26] the barriers to entry imposed by Iowa law on new entrants into a banking market substantially offset the mitigating effect of this consideration. Specifically, office protection laws restricting intrastate branching significantly limit the number of potential competitors eligible to enter the Marshall County banking market.[27] Entry by acquisition of an existing financial institution is permissible; however, this proposal would effectively eliminate MFC as an entry vehicle, and entry through the acquisition of a competitor to BancSecurity would not increase the number of competitors in this market. Although interstate banking will be permitted in Iowa after June 1, 1997, out-of-state banking organizations will only be permitted to acquire an Iowa bank that has operated for at least five years and will not be able to establish *de novo* branches.[28]

BancSecurity contends that credit unions and other financial institutions in and outside the Marshall County banking market exert a mitigating competitive influence. In the aggregate, however, the four credit unions in the Marshall County banking market control less than 7 percent of the market deposits. Three of the four credit unions control small amounts of deposits and have restrictive membership requirements. The largest credit union is open for membership to all residents of Marshall, Tama, Grundy, and Hardin Counties, but offers a narrow product line that excludes residential mortgages and commercial deposit and lending services.[29]

In addition, as previously discussed, the Justice Department guidelines used to screen the competitive effects of depository institution acquisitions implicitly take into account competition provided by credit unions and nondepository lenders in the banking market. Specifically, the adoption of higher thresholds for screening bank mergers recognizes that competition by nonbank sources not included in the calculation of the HHI may serve to mitigate the adverse competitive impact of a merger.

22. In addition to the small market shares held by nearly all remaining competitors, the Board notes that more than half of the remaining firms are in small communities throughout Marshall County.

23. BancSecurity indicates that Norwest Bancorp, Minneapolis, Minnesota ("Norwest"), has increased its share of market deposits by 63 percent since entering the market through the acquisition of a branch of a failed thrift institution in June 1994, has established a second location in Marshalltown for the purpose of offering mortgage and other loans as well as securities brokerage services, and has announced plans to build a new bank facility in Marshalltown. The Board notes, however, that Norwest controls less than 3 percent of the deposits in the Marshall County banking market.

24. In addition to Security Bank's share of the market for federally insured deposits, residential mortgage loans, and consumer loans, Security Bank also controls approximately 44 percent of the market for small commercial and industrial loans (loans in amounts of less than $1 million) and approximately 57 percent of the market for all commercial and industrial loans.

25. Recent entry by banking organizations appears to have contributed little to increasing competition in the banking market because four of the five entrants have acquired existing banking offices. The fifth entrant, Tama State Bank, relocated its headquarters from Tama County to Marshalltown in September 1996.

26. Data indicate that population and deposits per banking office, per capita income and growth in market deposits, and profitability of banks in the banking market (as measured by the return on assets (annualized)) are all above the average for Iowa's rural counties.

27. *See* Iowa Code Ann. §§ 524.1202 & 524.1419. Iowa law would permit a bank headquartered in a contiguous county to establish a new branch in Marshall County only in towns that do not already have a bank office in operation. *De novo* branching into the relevant banking market would therefore be limited to eight very small towns, none of which has a population in excess of 350. A bank headquartered in a contiguous county could also relocate its home office into the market, or a new bank could be established. (*See* Iowa Code Ann. §§ 524.312 & 524.301) However, the fixed costs of building a suitable facility, hiring additional staff, advertising costs and other activities associated with establishing a new headquarters make this option unrealistic for many small banking firms. The establishment of a new bank would involve costs similar to those of relocating an existing bank, but also would include costs to meet the initial capital requirements and to gain regulatory approval. Federal savings banks may branch without restriction under Iowa law and may act as an agent for their banking affiliates under federal interstate banking law. However, this affects only a small number of institutions and does not make the office protection barriers any less significant for most potential competitors.

28. Iowa Code Ann. §§ 524.1205 & 524.1805.

29. If deposits controlled by this credit union were given the same weight as thrift institutions in the banking market, the HHI would increase 818 points to 2903 on consummation of the proposal. The HHI for federally insured retail deposits would increase by 880 points to 2705 under the proposal if deposits in this credit union were given full weight.

The Board concludes in light of all the facts of record, including the Federal Reserve Survey, which indicates that the overwhelming majority of retail and commercial customers in the Marshall County banking market obtain their banking services from a local depository institution, that out-of-market financial institutions, including institutions providing electronic banking services, do not mitigate the substantially adverse competitive effects of this proposal.[30]

Public Benefits

The Board has considered whether the potential benefits to the public, such as greater convenience, increased competition, or gains in efficiency outweigh possible adverse effects of the proposal. BancSecurity has indicated that it could expand the programs of Savings to include those offered by BancSecurity to benefit the existing customers of both institutions. BancSecurity also states that, through the acquisition of Savings, it would be able to improve the quality of services provided to the customers of both institutions, and to increase the lending limits of the combined entity.

The requirement under section 4 of the BHC Act that the Board must determine that public benefits from a proposal can reasonably be expected to outweigh potential adverse effects necessarily involves a balancing process that takes into account the extent of the potential for adverse effects. The Board notes that MFC and Savings are well-managed organizations in satisfactory financial condition and that Savings received a "satisfactory" rating from its primary federal supervisor in its most recent evaluation for performance under the Community Reinvestment Act. For the reasons discussed in this order, however, the effects on competition in the Marshall County banking market are substantially adverse. In light of these and all the facts of record, the Board has concluded that the public benefits resulting from potential costs savings, gains in efficiency or greater convenience identified in the proposal are not sufficient, on balance, to outweigh the significantly adverse effects on competition in the Marshall County banking market.

For reasons noted above, and based on all of the facts of record, the Board concludes that the proposed transaction would have significantly adverse effects on the Marshall County banking market. The Board also concludes that considerations relating to public benefits, including financial and managerial resources of the institutions involved, do not lend sufficient weight to outweigh these adverse competitive effects. Accordingly, the Board hereby denies BancSecurity's notice under section 4(c)(8) of the BHC Act.

By order of the Board of Governors, effective December 9, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

30. BancSecurity has noted the absence of any comments by the Justice Department, any other federal regulator of financial institutions, or any competitor in the market about possible adverse competitive effects of this proposal. The BHC Act, however, charges the Board with determining independently whether a particular proposal can reasonably be expected to produce benefits to the public that outweigh possible adverse effects, such as undue concentration of resources or decreased or unfair competition. (12 U.S.C. § 1843(c)(8)). In making its determinations, however, the Board carefully considers the views provided to it by other agencies.

Bank of Montreal
Montreal, Canada

The Bank of Nova Scotia
Toronto, Canada

Canadian Imperial Bank of Commerce
Toronto, Canada

The Chase Manhattan Corporation
New York, New York

First Chicago NBD Corporation
Chicago, Illinois

National Bank of Canada
Montreal, Canada

Royal Bank of Canada
Montreal, Canada

The Toronto Dominion Bank
Toronto, Canada

Order Approving a Notice to Engage in Certain Nonbanking Activities and Application to Become a Member of the Federal Reserve System

Bank of Montreal, Montreal, Canada; The Bank of Nova Scotia, Toronto, Canada; Canadian Imperial Bank of Commerce, Toronto, Canada; The Chase Manhattan Corporation, New York, New York; First Chicago NBD Corporation, Chicago, Illinois; National Bank of Canada, Montreal, Canada; Royal Bank of Canada, Montreal, Canada; and The Toronto Dominion Bank, Toronto, Canada (collectively, "Notificants"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) each to acquire up to 13.3 percent of the voting shares of Multinet International Bank, New York, New York ("Multinet"). Notificants propose that Multinet, a *de novo* uninsured state licensed trust company, would serve as a clearinghouse for multilateral netting of foreign exchange transactions. Multinet would provide the proposed services to all qualifying participants worldwide.

In addition, Multinet has applied under section 9 of the Federal Reserve Act to become a member of the Federal Reserve System.[1] As a state member bank, Multinet would have an account at the Federal Reserve Bank of New York ("Reserve Bank") and would use Federal Reserve System payment services to clear and settle U.S. dollar payments to and from the clearinghouse.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 39,660 (1996)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act and section 9 of the Federal Reserve Act.

Notificants are large commercial banking organizations headquartered in Canada and the United States. They engage directly and through subsidiaries in a broad range of banking and permissible nonbanking activities in the United States.

Proposed Activities

Multinet would address the risks inherent in foreign exchange clearing and settlement by establishing a clearinghouse for financial institutions that enter into foreign exchange contracts. Multinet would net spot and forward[2] foreign exchange contracts between participants in the clearinghouse, and condition payments to a participant under a foreign exchange contract on strict compliance by the participant with the clearinghouse rules. Those procedures would reduce the volume of settlement payments among participants and have the potential to reduce significantly the credit, liquidity, and other risks and the transaction costs associated with clearing and settling foreign exchange contracts.[3]

Multilateral netting would be achieved through the legal technique of novation and substitution, whereby Multinet would become the counterparty to each participant in every contract accepted for netting and would receive payments from and make payments to each participant in the proper currencies.[4] Multinet would charge participants a fee for each trade that it cleared.

As a member of the Federal Reserve System, Multinet would open an account with, and receive payment services from, the Reserve Bank. Multinet would have access to Fedwire to make and receive U.S. dollar payments, which, among other things, would be used to conduct U.S. dollar settlements and would have a book-entry securities account, which would be used to hold and manage U.S. Treasury securities pledged by participants as collateral.[5]

Multinet's key service provider would be International Clearing Systems, Inc. ("ICSI"), a wholly owned subsidiary of The Options Clearing Corporation ("Options Clearing"), both of Chicago, Illinois.[6] ICSI would operate VALUNET®, a proprietary netting, settlement, and risk management software system developed and tested with the direction and support of Options Clearing and currently in use by ICSI to effect bilateral netting of foreign exchange contracts.[7] In addition, two representatives of ICSI would serve on Multinet's 12-member board of directors, and one of ICSI's representatives also would serve on the board's executive committee and risk management committee.[8]

Closely Related to Banking Analysis

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval, engage in any activity that the Board determines to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto."[9] Multinet proposes to engage in trust company activities (including activities of a fiduciary, agency, or custodial nature) related to the maintenance of

1. Multinet would not accept deposits and would not be insured by the Federal Deposit Insurance Corporation. On August 21, 1996, Multinet received an Organizational Certificate and conditional Authorization Certificate from the New York State Banking Department. The Authorization Certificate is conditioned on Multinet's becoming a member of the Federal Reserve System and addressing certain other organizational and operational matters.

2. Forward contracts would have a maturity of not more than two years.

3. Multinet also would provide bilateral netting services to subscribers outside the clearinghouse. Because Multinet would not be a party to those transactions, its assets and the collateral pledged by participants in the clearinghouse would not be at risk with respect to the transactions. Multinet has committed that it will not net or settle obligations created by or through any other bilateral or multilateral netting service without prior notice to the Federal Reserve System.

4. Operations are expected to begin in U.S. and Canadian dollars only, with transactions in other currencies to be added thereafter. Multinet has committed that it will not clear foreign exchange contracts in any additional currencies, and will not make any change in the overall currency liquidity limit or level of available credit facilities in any eligible currency, without prior notice to the Federal Reserve System.

5. Multinet has committed that it will not incur any overdrafts in its account at the Reserve Bank.

6. Options Clearing is a registered clearing agency that is owned by several U.S. stock and commodity exchanges and regulated by the Securities and Exchange Commission. Options Clearing is the largest clearinghouse for options contracts in the world, and has developed complex risk management and settlement techniques for the numerous products it clears.

7. ICSI staff would monitor participants' positions and submitted contracts for compliance with Multinet's policies and procedures, and, under the direction of Multinet staff, would make and receive all settlement payments. ICSI staff also would help to assess the operational capabilities of potential and active participants, train applicants in the use of VALUNET®, and provide participants with telephone support.

8. Nine of the 10 other members of the board of directors would be representatives of Notificants. The tenth member would be a representative of Multinet.

9. 12 U.S.C. § 1843(c)(8). Regulation Y also provides that bank holding companies may engage in incidental activities that are necessary to carry on an activity that is closely related to banking. *See* 12 C.F.R. 225.21(a)(2).

the collateral pool to be pledged by participants; foreign exchange transactions (through the substitution of Multinet as the counterparty to both sides of every accepted contract); and processing and transmitting financial, banking, and economic data. All these activities are permissible for bank holding companies under section 4(c)(8) of the BHC Act, and would be performed by Multinet in the manner authorized by the Board.[10]

Proper Incident to Banking Analysis

In order to approve the proposal, the Board also must determine that the proposed activities are a proper incident to banking; that is, that the activity "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[11] As part of its evaluation of these factors, the Board has carefully reviewed the financial and managerial resources of the Notificants and Multinet and the effect the proposed transaction would have on these resources. Based on all the facts of record, the financial and managerial[12] resources of the Notificants and Multinet are consistent with approval of the proposal.

The Board also has reviewed the proposal in light of its Policy Statement on Privately Operated Large-Dollar Multilateral Netting Systems ("Policy Statement").[13] Multinet would take multiple steps to control the risks inherent in its operations, including imposing membership criteria on participants, evaluating all foreign exchange contracts before acceptance on the basis of several risk-related criteria, withholding payments due a defaulting participant, and using a line of credit secured by withheld payments and the securities pledged by participants to fund settlement payments when a participant defaults.

To address the risk that financially weak institutions or institutions that lack experience in foreign exchange transactions would default or be unable to fulfill their obligations on a timely basis, Multinet would subject potential and active participants to stringent and objective membership requirements, including minimum requirements with respect to capital, credit rating, and experience in the foreign exchange dealer market.[14] Applicants also would be required to complete successfully a trial period as a subscriber to Multinet's bilateral netting service.[15] Multinet would continue to monitor the performance of participants after they became members.

To address the risk to Multinet arising from the potential default of a qualified participant, Multinet would establish and continually update for each participant a series of exposure measurements and collateral requirements based on Multinet's expected loss if the participant failed to perform on any of its outstanding foreign exchange contracts. Each contract submitted would be evaluated to determine whether it would cause either party to the contract to exceed its exposure limits or collateral requirement. Contracts that would cause any of the exposure limits to be exceeded, or that required additional collateral that was not timely provided, would not be accepted for netting.[16] Participants also would be required to contribute collateral to cover Multinet's estimated exposure to settlement losses in the clearinghouse as a whole and to the risk that a settlement agent might fail to deliver a currency under Multinet's multi-currency line of credit. Multinet also would monitor the risk profile of participants to identify possible future limit violations or the need to call for additional collateral.[17]

10. Multinet would not be a bank, would not make loans or investments, and would not accept deposits other than of funds generated from trust activities that were not currently invested and were properly secured, and would satisfy the other limitations of Regulation Y with respect to trust company activities. *See* 12 C.F.R. 225.25(b)(3). Foreign exchange trading has been approved by the Board by order. *See The Hongkong and Shanghai Banking Corporation*, 75 *Federal Reserve Bulletin* 217 (1989); *The Long-Term Credit Bank of Japan, Limited*, 74 *Federal Reserve Bulletin* 573 (1988). Multinet also would provide data processing and transmission services pursuant to a written agreement, and would observe certain limitations on the facilities and hardware provided with its data processing and transmission services, as required by Regulation Y. *See* 12 C.F.R. 225.25(b)(7).

11. 12 U.S.C. § 1843(c)(8).

12. Each of the Notificants would have a representative on the board of directors of Multinet, who may be an officer or director of the Notificant. Under the Depository Institution Management Interlocks Act (12 U.S.C. § 3201 *et seq.*) ("Interlocks Act") and the Board's Regulation L (12 C.F.R. Part 212), certain management interlocks between depository institutions or depository holding companies, as defined in the Interlocks Act, that are not affiliated for purposes of the Interlocks Act are prohibited. The general purpose of the Interlocks Act is to promote competition between depository institutions in the provision of credit to the general public. *See* H.R. Rep. No. 95–1383, at 14 (1978), *reprinted in* 1978 U.S.C.C.A.N. 9273, 9286. In view thereof, the Board previously has determined that a management interlock between a depository institution and a limited purpose trust company that does not have the power to accept deposits or make personal or commercial loans is not prohibited by the Interlocks Act. *See* Letter from General Counsel to Charles M. Thompson, Esq., dated July 13, 1994; Letter from General Counsel to Mr. John A. O'Conner, Jr., dated July 8, 1994.

13. *See* 59 *Federal Register* 67,534 (December 29, 1994). The Policy Statement also incorporates the minimum standards for multilateral netting systems set forth in the Report of the Committee on Interbank Netting Schemes of the Central Banks of the Group of Ten Countries.

14. Multinet has committed that it will not admit a foreign financial institution as a member of the clearinghouse without prior notice to the Federal Reserve System, unless the System has previously approved the admission to Multinet of the identical type of financial institution from the same foreign country.

15. All Notificants have successfully completed this trial period.

16. Contracts that were not accepted would remain bilateral contracts and would be settled outside Multinet.

17. Multinet's credit exposure on accepted forward contracts would be fully collateralized by U.S. government obligations, and additional collateral would be required to cover the potential volatility of the accepted forward contracts over five business days. Multinet also would be authorized to close out a participant's forward contracts in whole or in part to cover any collateral deficiencies resulting from

Multinet proposes to establish several standard clearinghouse techniques to control and allocate the risk associated with the failure by a participant to settle on a timely basis its payment obligations on accepted foreign exchange contracts. In general, if a participant failed to pay Multinet, Multinet would withhold payments due the defaulting participant and use the withheld payments, along with securities in the collateral pool, to secure an advance under Multinet's line of credit in the currencies and in the amounts that the defaulting participant failed to deliver. As currently structured, Multinet would use the loan to pay the parties that performed their payment obligations to the clearinghouse. In the event the collateral pool was drawn down, participants would be required to replenish the pool by pledging additional collateral. A participant's failure to make a required pledge would constitute a default and enable Multinet to withhold settlement payments due that participant, thereby providing additional collateral to the pool.[18] Multinet would minimize its operating risk through its reliance on the back-office support staff of ICSI and the use of comprehensive disaster recovery facilities and procedures.

The risk management policies and procedures that Multinet proposes to implement in providing foreign exchange clearinghouse services are consistent with the Board's Policy Statement. Based on all the facts of record, the Board finds that the risk management policies and procedures are consistent with approval of the proposal.

The risk management techniques of Multinet also can reasonably be expected to produce notable public benefits by increasing the reliability of clearing and settlement in foreign exchange transactions. All participants would be subject to clearinghouse standards concerning their financial condition and operational capabilities, their volume of payments would be reduced, and the multi-party collateral, loss-sharing, and credit arrangements would ensure prompt payment to performing parties. Moreover, the proposal can reasonably be expected to increase competition in the provision of foreign exchange services. Multinet would be the first clearinghouse for multilateral netting of foreign exchange transactions in the United States and only the second such clearinghouse in operation worldwide. By increasing the availability of clearing and settlement services, these services should be available at lower cost and to a larger number of financial institutions and their customers.

For these reasons, and in reliance on all the commitments made in connection with the proposal, the Board concludes that the proposal can reasonably be expected to produce public benefits that would outweigh the potential of the proposal for adverse effects, if any, under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

The Board also has considered the factors it is required to consider when reviewing an application to become a member bank under section 9 of the Federal Reserve Act. Multinet has provided the Board with several commitments intended to ensure that the Board would have adequate enforcement authority over Multinet as an uninsured state member bank.[19] Based on all the facts of record, the Board finds that Multinet's application for membership is consistent with approval.[20]

Conclusion

Based on all the facts of record, including all the commitments, stipulations, and representations made by the Notificants and Multinet, and subject to all the terms and conditions set forth in this order, the Board has determined that the notices and the application should be, and hereby are, approved. Approval of the notices and application is specifically conditioned on compliance by Notificants with the commitments and stipulations made in connection with the notices and application. The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in section 225.7 and 225.23(g) (12 C.F.R. 225.7 and 225.23(g)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with and to prevent evasion of the provisions of the BHC Act and the Board's regulations and orders thereunder. The Board's decision is specifically conditioned on compliance with all the commitments, stipulations, and representations made in the notices and application, including the commitments and conditions discussed in this order. The commitments, stipulations, representations, and conditions relied on in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective December 4, 1996.

changes in exchange rates or the value of the collateral or from the maturation of accepted forward contracts and the shift of collateral to the settlement collateral pool. Based on these collateral requirements, the Board has determined that Multinet's credit exposure on forward foreign exchange transactions would not be significant.

18. Multinet has committed that it will notify the Federal Reserve System of all proposed changes to its rules and user manual, and that it will provide the System with a copy of any final agreement or legal opinion related to its netting and settlement services and related collateral arrangements, or any amendment to such documents before using or acting in reliance on such documents or amendments thereto.

19. Multinet also has stipulated that it is subject to the supervisory, examination, and enforcement powers of the Board under the BHC Act as if it were a subsidiary of a bank holding company, and to the supervisory, examination, and enforcement powers of the Board under the Federal Deposit Insurance Act ("FDI Act") as if Multinet were an insured depository institution for which the Board is the appropriate Federal banking agency under the FDI Act.

20. *See* 12 U.S.C. § 322; 12 C.F.R. 208.5.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Barnett Banks, Inc.
Jacksonville, Florida

Crestar Financial Corporation
Richmond, Virginia

First Union Corporation
Charlotte, North Carolina

NationsBank Corporation
Charlotte, North Carolina

Southern National Corporation
Winston-Salem, North Carolina

Wachovia Corporation
Winston-Salem, North Carolina

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

Barnett Banks, Inc., Jacksonville, Florida; Crestar Financial Corporation, Richmond, Virginia; First Union Corporation, Charlotte, North Carolina; NationsBank Corporation, Charlotte, North Carolina; Southern National Corporation, Winston-Salem, North Carolina; and Wachovia Corporation, Winston-Salem, North Carolina (collectively, "Applicants"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have given notice under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to acquire or retain control of 5 percent or more of the voting shares of Southeast Switch, Inc., Maitland, Florida ("SES"), after its mergers with Internet, Inc., Reston, Virginia ("Internet"), and Alabama Network, Inc., Birmingham, Alabama ("Alabama Network").[1]

Currently, SES operates an electronic funds transfer ("EFT") network under the tradename HONOR, Internet operates an EFT network under the tradename MOST, and Alabama Network operates an EFT network under the tradename ALERT. These EFT networks provide data processing and data transmission services to banks and retail merchants who are members of their branded automated teller machine ("ATM") and point of sale ("POS") networks.[2] The combined entity ("Company") would engage in certain nonbanking activities related to the operation of ATM and POS networks, including various data processing services, pursuant to section 225.25(b)(7) of Regulation Y (12 C.F.R. 225.25(b)(7)).[3] Applicants propose to conduct these activities throughout the United States, Bermuda, Canada, Mexico, Central America, and the Caribbean.

Notice of the proposals, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 56,547, 58,882 (1996)). The time for filing comments has expired, and the Board has considered the notices and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act. As in other cases, the Board also sought comments from the Department of Justice on the competitive effects of these proposals. The Department of Justice conducted an investigation of the proposals and indicated that it had no objection to consummation of the proposed transactions.

Applicants are large commercial banking organizations with headquarters in Florida, Virginia, and North Carolina, and they engage directly and through subsidiaries in a broad range of banking and permissible nonbanking activities in the United States.[4]

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

The Board also must consider whether the performance of the proposed activities by Applicants through Company "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair com-

1. Applicants are the bank holding companies that would control more than 5 percent of any class of Company's voting shares. Other current shareholders of SES, Internet, and Alabama Network also would own shares of Company after consummation of this proposal.

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

3. A list of Company's proposed data processing and transmission activities is set forth in Appendix A. In connection with its EFT-related data processing and transmission activities, Company also would provide management consulting services to depository institutions for EFT-related activities pursuant to section 225.25(b)(11) of Regulation Y (12 C.F.R. 225.25(b)(11)) and check verification services to retailers pursuant to section 225.25(b)(22) of Regulation Y (12 C.F.R. 225.25(b)(22)), which permits a bank holding company to engage in authorizing a subscribing merchant to accept personal checks and purchasing from the merchant validly authorized checks that are subsequently dishonored.

4. Asset and deposit information for each of the Applicants is set forth in Appendix B.

5. *See* 12 C.F.R. 225.25(b)(7), (11), and (22); *The Bank of New York Company, Inc., et al.*, 80 *Federal Reserve Bulletin* 1107 (1994) ("*Bank of NY Order*").

petition, conflicts of interests, or unsound banking practices."[6] As part of this consideration under section 4(c)(8) of the BHC Act, the Board reviews the financial and managerial resources of the Applicants and their subsidiaries, and any company to be acquired, and the effect of the proposal on those resources.[7] Based on all the facts of record, the Board concludes that financial and managerial considerations are consistent with approval of the proposals. In addition, there is no evidence in the record that the proposals would result in conflicts of interests or unsound banking practices.

Competitive Considerations

The proposals would result in a joint venture between large banking organizations that would operate the predominant EFT network in a multi-state area in the southeastern United States. The Board has considered whether the proposed joint venture would result in undue concentration of resources or unfair competition under applicable principles of antitrust law.

The Board previously has concluded that the economic and market structure characteristics of the EFT industry tend to favor establishing a dominant network to serve a multi-state region.[8] For example, network externalities, such as the economies of ubiquity, appear to promote consolidation of regional ATM networks.[9] As a result, dominant ATM networks have emerged in various geographic areas throughout the EFT industry.[10] One recent study indicates that the ten largest regional networks now account for 80 percent of all regional ATM network transactions in the United States.[11]

The proposed joint venture would provide services to depository affiliates of the joint venture participants, including the Applicants, and to unaffiliated financial institutions under operating rules that promote open access to the network, which are discussed in detail below. Accordingly, smaller financial institutions would have the opportunity to provide their customers with greater access to their deposit accounts and thereby could compete with larger, multistate organizations for retail deposit funds without the necessity of substantial investments in branch systems or their own proprietary ATM networks. The operating rules also promote competition between Company's network and alternative providers of EFT-related services, including national ATM and POS networks, other regional networks, and third-party providers of EFT switching and processing services, thereby encouraging price and other competition for the services provided by the proposed network.

In addition, each of the Applicants would be free to continue to operate its own proprietary network and to participate in other national and regional networks while participating in Company's network. Moreover, there is no evidence in the record that this proposal would reduce competition among Applicants, the other owners of Company, and other banking organizations as providers of banking products and services. In particular, Company's operating rules do not set prices that a member institution must charge its retail customers for ATM or POS transactions. In this light, and based on all the facts of record, the Board concludes that the proposal would not result in adverse effects such as undue concentration of resources or unfair competition.

The Board also has considered whether these proposals would result in decreased competition. The Board and the courts traditionally have considered the area of effective competition between the merging parties in order to determine whether a particular merger transaction is likely to decrease competition. This area of effective competition has been defined by reference both to a line of commerce, or product market, and to a geographic market.

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

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

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

(3) ATM processing (the data processing and telecommunications facilities used to operate, monitor, and support a bank's ATMs).[12]

HONOR provides all three services to its network members. In contrast, MOST and ALERT provide only network access directly; network services and ATM processing are provided to members of these networks through third par-

6. *See* 12 U.S.C. § 1843(c)(8).

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

8. Early ATM networks typically were composed of banks that used their ATMs for dispensing cash, and were confined to branches in local banking markets. The smaller ATM networks have tended to consolidate in response to several factors, including increased consumer desire to obtain widespread access to their accounts, the rise of interstate banking, the competitive advantage produced by economies of scale, and the desire to undertake relevant and timely technology research and development and thereby enhance the products available from and through the network.

9. As an ATM network expands the number of its financial institution members and available ATMs, its value to network cardholders increases due to the greater accessibility of their deposit accounts. Similarly, as the number of cardholders increases, so does the number of transactions and hence the economic return on ATM terminals in the network. This increased economic return provides incentives for banks to establish additional ATMs, thereby further enhancing the network's value to cardholders. Accordingly, banks tend to place a greater value on membership in a network as its membership expands.

10. Although the network in the proposals would become the nation's largest regional EFT network in transaction volume, a number of other large networks would continue to operate both in Company's service area and elsewhere throughout the United States.

11. *See* McAndrews and Rob, "Shared Ownership and Pricing in a Network Switch," 14 *International Journal of Industrial Organization* 727 (October 1996).

12. *See Banc One Corporation, et al.,* 81 *Federal Reserve Bulletin* 492 (1995) ("*EPS Order*").

ties.[13] The relevant product market in which to examine the competitive effects of this proposal, therefore, is the network access market.[14]

The Board previously has determined that the geographic market for network access is an area significantly larger than local banking markets and has considered the market area of an ATM network to consist of regions comprising several states.[15] In this case, the HONOR network operates primarily in the Southeast, in North Carolina, South Carolina, Georgia, and Florida ("HONOR core states"), and is the predominant regional EFT network in that area. MOST operates primarily in the Middle Atlantic, in Maryland, Virginia, the District of Columbia, and Tennessee ("MOST core states"), and is the predominant regional EFT network in that area. ALERT operates primarily in Alabama and is the predominant regional EFT network in that state. On consummation of these proposals, Company would provide network access in a region consisting of those states and adjacent states ("Southeast Region").

Although the three networks involved in this proposal operate primarily in areas adjacent to one another, the record also indicates that the MOST network has a notable presence in the HONOR core states and that the HONOR network maintains a notable presence both in the MOST core states and in Alabama.[16] There are a number of considerations, however, that mitigate any decrease in existing or potential competition resulting from these proposals.

For example, the extent of geographic overlap among HONOR, MOST, and ALERT results primarily from the geographic expansion of a few member institutions, and the record indicates that the EFT networks generally have not actively competed for new members in each other's core states.[17] In addition, several other large regional networks, such as MAC and NYCE, currently operate in areas adjacent to Company's proposed network. The Board believes that these regional networks would provide competitive constraints to the proposed network, and that their existence may become increasingly significant as multistate banking organizations continue to expand geographically.[18] Moreover, smaller networks and third-party processors will continue to operate EFT networks within the Southeast Region, and to provide both direct and potential competition for Company.[19] Finally, national networks offer an attractive alternative to regional networks for some financial institutions in the Southeast Region, and national networks appear to be increasing their competitive pressure on regional networks.[20]

The Board also believes that proposed operating rules for Company, when taken together, facilitate competition with national and other regional networks and with third-party service providers, and ensure access to the network for all depository institutions.[21] Applicants anticipate that Company would continue the use of certain procompetitive rules currently implemented by one or more of the constituent networks. For example, all depository institutions would be permitted to participate in the network on a nondiscriminatory basis and would be permitted to join other regional networks and to co-brand their cards and ATM terminals. The Board also notes that national network transactions initiated at a terminal in Company's network would not be required to be routed through Company's switch. The combined entity, moreover, would allow the use of third-party processors and would permit unbranded subswitching[22] of transactions subject only to a royalty fee established to compensate Company for the use of its brand.[23]

13. Several regional or national firms, such as Deluxe Data Systems and Electronic Data Systems, offer network services and ATM processing services to unaffiliated networks and their members.

14. In considering network access for POS transactions, the Board notes that there are a number of competitors in the market, including two large national networks that have grown substantially in recent years throughout the nation (VisaCheck and MasterMoney). Based on all the facts of record, the Board concludes that the proposals would not significantly affect competition in any market for POS-related services.

15. *See EPS Order* at p. 494–95.

16. For example, HONOR operates 484 ATMs in Virginia, and MOST operates 419 ATMs in North Carolina.

17. The record indicates that the overlap among these networks is attributable primarily to (1) the membership of two large interstate bank holding companies in both the HONOR and MOST networks, and (2) the membership of a few large Alabama-based organizations in both the ALERT and HONOR networks.

18. The record indicates that banking organizations tend to transport regional ATM marks as they expand into new geographic areas.

19. For example, Publix Supermarkets Inc., operates an ATM network under the tradename PRESTO in Florida and Georgia, and First Tennessee Bank operates an ATM network under the tradename Money Belt in Tennessee, Virginia, Georgia, and Florida. Electronic Data Systems, a large third-party processor, operates an ATM network under the tradename MPACT in 14 states, including Mississippi and Arkansas.

20. A number of smaller banks in the Southeast Region that are members of a national network are not members of HONOR, MOST, or ALERT. In addition, VISA operates a national EFT network under the tradename PLUS, and recently has announced that it plans to change the PLUS mark to VISA in order to generate greater brand recognition in all regions of the country.

21. The Board previously has determined that ATM network operating rules are an important consideration in assessing the competitive impact of a proposal under the section 4(c)(8) factors. *See Bank of NY Order; EPS Order.* In addition, Company's corporate structure ensures that its board of directors will represent a wide range of interests and that Company policy will not be dominated by the organizations with the largest shareholdings. Twenty-two members of the Company's 26-member board of directors will be appointed by the Company's Class A shareholders, which are all financial institutions. The Class A shareholders consist of both net issuers and net acquirers of network transactions, vary in asset size of the organization, and are geographically diverse.

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

23. Applicants have stated that Company's proposed operating rules would not be made final until the proposals are consummated. The Board believes that the benefits of the five operating rules summarized

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

Public Benefits

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

Consumers would benefit from the added account availability and convenience resulting from the consummation of these proposals. In particular, an ATM network with a larger number of financial institution members and available ATMs has greater value to network cardholders, because they would have broader and more convenient access to their deposit accounts. In this case, the geographic territory covered by a network in the Southeast Region would expand significantly, and, accordingly, the benefits to consumers in this area of the country would be enhanced, particularly as consumers travel increasingly and business activity continues to grow.[24]

Furthermore, as noted above, the proposed joint venture would offer services to all financial institutions, and smaller financial institutions would have the opportunity to provide their customers with greater access to their deposit accounts. Membership in Company's network would thereby enable smaller financial institutions to compete with larger, multi-state organizations for retail deposit funds without the necessity of making substantial investments in branch systems or their own proprietary ATM networks.

Consummation of these proposals would result in other public benefits. For example, the proposal is expected to produce economies of scale and reduce average costs for the combined network.[25] The Board expects that a portion of these cost savings would be passed on to member financial institutions, and to consumers, in the form of lower fees.[26] The record also indicates that Company plans to increase research and development expenditures over the levels budgeted by the constituent networks in the past. The broader ownership base of Company should improve the probability of success for new products by increasing the number of financial institutions that would be willing to introduce these products to consumers in earlier stages of development.

For the foregoing reasons, and after careful consideration of all the facts of record, the Board has concluded that the balance of the public interest factors it must consider under the proper incident to banking standard of section 4(c)(8) of the BHC Act is favorable and consistent with approval of these proposals.

Conclusion

Based on all the facts of record, the Board has determined that the notices should be, and hereby are, approved. The Board's approval is specifically conditioned on Applicants' compliance with the commitments made in connection with these notices and the conditions referred to in this order. The Board's determination also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(g) of Regulation Y (12 C.F.R. 225.7 and 225.23(g)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, the commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

above are important considerations in its determination to approve these proposals. Accordingly, Company must notify the Board if Company does not adopt those operating rules substantially as proposed so the Board can determine whether the rules as adopted affect the Board's consideration of the factors in this case.

24. *See generally* Schiller, "The Travel Market in the United States and the Third District," *Business Review of the Federal Reserve Bank of Philadelphia,* pages 11–21 (September-October 1996) (demonstrating increases in aggregate travel during the period from 1984 to 1994). Moreover, available evidence indicates that the benefits of ubiquity have continued to grow over time as ATM networks have consolidated. In particular, the number and percentage of interchange transactions—in which consumers access their accounts through terminals not deployed by their own financial institutions—have increased markedly in recent years. *See generally Bank Network News* (1988-1995).

25. The MOST and ALERT networks do not provide switching and processing services directly to their members. HONOR provides switching and processing services directly to its members and currently maintains some excess capacity in its system. The record indicates that HONOR's marginal costs to provide switching services are substantially lower than the prices charged to MOST and ALERT by a third-party provider of these services. Hence, increased transaction volume for the HONOR switch and the elimination of costs attributable to the current outsourcing of services for MOST and ALERT network transactions would be likely to allow Company to realize economies of scale and to reduce average costs for the combined network. The transactional cost savings for Company could be substantial, even after taking into account the added capital, conversion, and operating costs that would be incurred in expanding Company's network processing capacity and utilization.

The Board also notes that, due to the large market share of the third party performing switching services for MOST and ALERT network transactions, the conversion of transaction volume from the third-party switch to the HONOR switch could increase competition in this product market.

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

the Federal Reserve Bank of Atlanta or the Federal Reserve Bank of Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective December 9, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix A

List of Activities

(1) ATM access and network services;
(2) On-line and off-line POS access and network services;
(3) Point of banking services that will permit customers to conduct transactions similar to those available at ATM terminals with the help of a third party;
(4) Scrip services, in which a customer receives a voucher (scrip) that is redeemable for cash at a retail register;
(5) Gateway services, by which Company will route transaction requests for participants between the Company's network and other EFT networks;
(6) Group purchasing, in which Company will purchase EFT-related supplies for the benefit of network participants;
(7) ATM terminal driving services, in which Company's terminal driving data processing system will operate, monitor, and otherwise control ATMs for participating financial institutions and other ATM owners;
(8) POS terminal driving services, in which Company's POS terminal driving data processing system will operate, monitor, and otherwise control POS terminals of customers under contract with Company;
(9) Transaction authorization services;
(10) Card production, issuance, and related activities, including ordering and embossing cards, encoding information on cards, generating and assigning personal identification numbers, providing emergency card issuance services, maintaining cardholder records, distributing marketing materials and notices, and providing special card handling and related services;
(11) Electronic benefit transfer services;
(12) Automated clearinghouse processing services;
(13) Home banking and bill payment services;
(14) Proprietary ATM services for non-financial entities, in which Company will provide all ATM services discussed above to non-financial entities; and
(15) Private financial network services, in which Company will provide telecommunication links between Company's EFT processing systems and the data processing systems of its customers.

Appendix B

Asset and Deposit Data as of June 30, 1996

Barnett Banks, Inc., with approximately $41.8 billion in total consolidated assets, is the 13th largest commercial banking organization in the United States, controlling $34.6 billion in deposits. Barnett operates subsidiary banks in Florida and Georgia.

Crestar Financial Corporation, with approximately $18.5 billion in total consolidated assets, is the 40th largest commercial banking organization in the United States, controlling $11.7 billion in deposits. Crestar operates subsidiary banks in Virginia, Maryland, and the District of Columbia.

First Union Corporation, with approximately $139.9 billion in total consolidated assets, is the sixth largest commercial banking organization in the United States, controlling $90 billion in deposits. First Union operates subsidiary banks in Connecticut, Delaware, the District of Columbia, Florida, Georgia, Maryland, North Carolina, Pennsylvania, South Carolina, Tennessee, and Virginia.

NationsBank Corporation, with approximately $192.3 billion in total consolidated assets, is the fifth largest commercial banking organization in the United States, controlling $98.4 billion in deposits. NationsBank operates subsidiary banks in North Carolina, Delaware, the District of Columbia, Florida, Georgia, Kentucky, Maryland, New Mexico, South Carolina, Tennessee, Texas, and Virginia.

Southern National Corporation, with approximately $20.6 billion in total consolidated assets, is the 32d largest commercial banking organization in the United States, controlling $14.7 billion in deposits. Southern National operates subsidiary banks in North Carolina, South Carolina, and Virginia.

Wachovia Corporation, with approximately $46 billion in total consolidated assets, is the 31st largest commercial banking organization in the United States, controlling $25.1 billion in deposits. Wachovia operates subsidiary banks in North Carolina, South Carolina, Georgia, and Delaware.

Royal Bank of Canada
Montreal, Canada

Norwest Corporation
Minneapolis, Minnesota

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

ABN AMRO North America, Inc.
Chicago, Illinois

Order Approving Notices to Engage in Nonbanking Activities

Royal Bank of Canada, Montreal, Canada, a foreign banking organization that is subject to the Bank Holding Company ("BHC") Act; Norwest Corporation, Minneapolis, Minnesota; Stichting Prioriteit ABN AMRO Holding, Stichting Administratiekantoor ABN AMRO Holding, ABN AMRO Holding N.V., ABN AMRO Bank N.V., and ABN AMRO North America, Inc., bank holding companies within the meaning of the BHC Act, have requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) each to acquire more than 5 percent of the voting interests in Integrion Financial Network, LLC, White Plains, New York ("Integrion"), and thereby engage in data processing and data transmission activities pursuant to section 225.25(b)(7) of the Board's Regulation Y (12 C.F.R. 225.25(b)(7)).[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 54,441 (1996)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

RBC, with total consolidated assets of approximately $131.6 billion,[2] is the largest commercial banking organization in Canada, and operates a branch in New York, New York; agencies in Los Angeles, California, and Miami, Florida; and a representative office in Chicago, Illinois.

Norwest, with total consolidated assets of $77.8 billion,[3] is the 12th largest commercial banking organization in the United States, and controls banks in Minnesota and 14 other states.

ABN AMRO, with total consolidated assets of $339.4 billion, is the largest commercial banking organization in the Netherlands, and controls seven depository institutions in Illinois and one commercial bank in New York. ABN AMRO Bank N.V. also operates branches in Boston, Massachusetts; Chicago, Illinois; New York, New York; Pittsburgh, Pennsylvania; and Seattle, Washington; and agencies in Atlanta, Georgia; Miami, Florida; Houston, Texas; and Los Angeles and San Francisco, California.

Each Notificant also engages in a number of nonbanking activities in the United States.

1. Royal Bank of Canada ("RBC"), Norwest Corporation ("Norwest") and Stichting Prioriteit ABN AMRO Holding ("ABN AMRO") and its subsidiaries listed above are hereafter collectively referred to as "Notificants".

2. Except as otherwise noted, asset and ranking data are as of December 31, 1995, and use exchange rates then in effect.

3. Asset and ranking data for Norwest are as of June 30, 1996.

Proposed Activities

Integrion is a joint venture among Notificants, 12 national banks, one savings and loan holding company,[4] and Gemini Management Corporation, a subsidiary of International Business Machines Corporation ("IBM"). Integrion will design, develop, and operate a data processing and transmission system through which depository institutions and their affiliates would make available home banking and other financial services to their respective customers. Integrion will not itself provide home banking or other financial services. Instead, the data processing and data transmission system ("gateway") Integrion designs and operates will serve as a switch or interface, electronically connecting customers of member depository institutions with the member depository institutions themselves.[5]

Customers would connect to Integrion's gateway, and thus a member depository institution, using a variety of devices, including personal computers ("PCs"), touch-tone telephones, or other electronic communication devices.[6] Once a customer is connected to the gateway, Integrion would electronically route and connect the customer to the appropriate member depository institution, using software developed by Integrion that would facilitate communications between the customer's PC (or other device) and the depository institution's hardware and software.[7] In this manner, the Integrion gateway will provide customers with access to the menu of electronic banking and financial services offered by their respective member depository institutions, including remote banking services;[8] bill-

4. The following national banks would become members of Integrion on consummation of the proposal: Bank of America NT & SA; NationsBank, N.A.; KeyBank, N.A.; Bank One, Columbus, N.A.; Mellon Bank, N.A.; Barnett Bank, N.A.; First Bank N.A.; PNC Bank, N.A; Michigan National Bank; The First National Bank of Chicago; Comerica Bank-Ann Arbor, N.A.; and Fleet National Bank. Each of these national banks has applied to the Office of the Comptroller of the Currency to invest in Integrion through an operating subsidiary of the bank. Washington Mutual Inc., a savings and loan holding company, also would become a member of Integrion and has provided notice of its intent to invest in Integrion to the Office of Thrift Supervision.

5. Notificants do not currently anticipate that Integrion's facilities would be used by member depository institutions to store customer account data. Notificants do expect that Integrion would store limited amounts of data related to transactions conducted through the gateway, such as information relating to bill payment instructions transmitted to member depository institutions. Integrion is permitted to store and transmit data to the extent permissible under section 225.25(b)(7) of the Board's Regulation Y. 12 C.F.R. 225.25(b)(7).

6. Customers using a PC may connect to the Integrion gateway through dedicated, private communications networks; through personal financial software programs; or through the Internet.

7. Integrion has contracted with IBM to provide the telecommunications and data network infrastructure necessary for Integrion to electronically link member depository institutions with their customers. Under this contract, communications between Integrion and member depository institutions will be transmitted through an existing, proprietary IBM telecommunications and data network.

8. It is expected that the remote banking services offered by a member depository institution would include the ability to gain access to account information, transfer funds between accounts, obtain information on available loan or deposit products, apply for a loan,

payment functions; and access to stock quotations.[9]

The proposed activities appear to be data processing and transmission activities that are permissible for bank holding companies under section 4(c)(8) of the BHC Act and section 225.25(b)(7) of the Board's Regulation Y. The Board previously has determined by regulation that certain data processing and transmission activities are closely related to banking and therefore permissible for bank holding companies under section 4(c)(8) of the BHC Act. Regulation Y permits bank holding companies to provide data processing and transmission services, facilities, data bases, or access to such services, facilities, or data bases by any technological means, if the data to be processed or furnished are financial, banking, or economic in nature.[10] Regulation Y also provides that bank holding companies may engage in incidental activities that are necessary to carry on an activity that is closely related to banking.[11]

Internet Access

In addition to providing these services, Integrion's gateway will provide customers of member depository institutions with a means of connecting to the Internet, a nonproprietary computer network that contains significant amounts of data that are not financial, banking, or economic in nature.[12] As an accommodation to its member depository institutions and their customers, Integrion proposes to provide an electronic link to an Internet access provider.[13]

The Board previously has permitted bank holding companies providing permissible data processing and transmission services to financial institutions to process and transmit a limited amount of nonfinancial data for such institutions as an incidental activity.[14] Notificants contend that member depository institutions desire to offer Internet access to their customers in order to make their package of banking and financial services more marketable, and to permit the institutions to compete more effectively with nonbank financial service providers. Notificants have indicated that providing Internet access to customers of member depository institutions would constitute a small part of Integrion's overall data processing and transmission activities,[15] and would not require modification of the gateway's capabilities or systems. In addition, as noted above, Integrion would provide Internet access only as an accommodation to its member depository institutions, which in turn would offer Internet access to their customers only as part of a broader package of banking or financial services. In light of the foregoing, and based on all the facts of record, the Board has concluded that Integrion's provision of Internet access to customers of its member depository institutions is incidental to its permissible data processing and transmission activities.

Other Considerations

In order to approve this notice, the Board also must find that the performance of the proposed activities by Integrion "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."[16] As part of the Board's evaluation of these factors, the Board considers the financial and managerial resources of the notificants and their subsidiaries and the effect the transaction would have on such resources.[17] The Board notes that the capital ratios of Norwest and ABN AMRO North America, Inc. meet applicable risk-based capital standards and that each of the foreign bank Notificants maintains capital equivalent to the capital levels that would be required of a U.S. banking organization. Based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval.

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establish additional accounts, order checks, or communicate electronically with a customer service representative.

9. The individual banking and financial services that a customer would be able to gain access to through Integrion's gateway would depend on the products offered by the member depository institution. Such products and services would be offered by the member depository institution in its own name, and would be displayed to the customer using the graphics, logo, and service marks chosen and developed by the depository institution. Thus, it would appear to customers connecting to their depository institutions through the Integrion gateway that they are connected directly to the depository institution, and the data processing and transmission services provided by Integrion would be essentially transparent to consumers.

10. *See* 12 C.F.R. 225.25(b)(7); *see also Cardinal Bancshares, Inc.*, 82 *Federal Reserve Bulletin* 674 (1996); and *The Royal Bank of Canada*, 82 *Federal Reserve Bulletin* 363 (1996) (bank holding companies may provide data processing and transmission services to financial institutions for purposes of allowing such institutions to offer electronic banking, bill payment, and stock quotation services). Notificants must provide these financial data processing and transmission services through Integrion in accordance with the limitations set forth in section 225.25(b)(7) of Regulation Y.

11. *See* 12 C.F.R. 225.21(a)(2).

12. Notificants must consult with the Federal Reserve System prior to providing, through Integrion, data processing or transmission services to any non-depository organization, or providing access to non-financial databases other than as described in this order, in order to permit the System to determine whether such activities are permissible under section 4 of the BHC Act and Regulation Y.

13. Integrion could, for example, provide access to the Internet through an electronic link to IBM's proprietary network, which maintains connections to a wide variety of public and proprietary databases and computer networks, or to other Internet access providers.

14. *See BNCCORP, INC.*, 81 *Federal Reserve Bulletin* 295 (1995); *see also First National of Nebraska, Inc.*, 82 *Federal Reserve Bulletin* 82 (1996).

15. Notificants expect that less than 10 percent of Integrion's revenues would be derived from providing Internet access to customers of member depository institutions. Notificants have committed that Integrion will provide nonfinancial data processing and transmission services in accordance with the limitations in Regulation Y and relevant Board orders.

16. 12 U.S.C. § 1843(c)(8).

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

The Board believes that consummation of the proposal would enhance consumer convenience by expanding the availability of remote banking services and by making these services available in new ways. Consummation of the proposal would permit member depository institutions and their affiliates to deliver remote banking services to their customers more efficiently, and would establish a joint venture that pools the resources of a number of banking organizations for the purpose of developing data processing and transmission systems that would facilitate the creation and distribution of additional remote banking products that respond to consumer needs. In addition, the communications gateway operated by Integrion would allow member depository institutions and their affiliates to make existing remote banking services available to consumers through additional means, such as through personal financial software programs, screen phones, and the public Internet. There is no evidence in the record to indicate that consummation of the proposal would result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition,[18] conflicts of interests, or unsound banking practices, that are not outweighed by the public benefits of this proposal.[19] On the basis of the foregoing and all the facts of record, the Board has concluded that the public benefits reasonably to be expected from Integrion's proposed activities outweigh any possible adverse effects from the proposal, and, therefore, that the activities are a proper incident to banking under section 4(c)(8) of the BHC Act.

Conclusion

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

By order of the Board of Governors, effective December 2, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

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

Order Approving Notice to Engage in Certain Nonbanking Activities, Including Underwriting and Dealing in All Types of Debt and Equity on a Limited Basis, and Certain Other Securities- and Derivatives-Related Activities

Stichting Prioriteit ABN AMRO Holding, Stichting Administratiekantoor ABN AMRO Holding, ABN AMRO Holding N.V., and ABN AMRO Bank N.V., all of Amsterdam, The Netherlands (collectively, "Notificants"), bank holding companies within the meaning of the Bank Holding Company ("BHC") Act, have requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to acquire all the voting securities of ChiCorp Inc., Chicago, Illinois ("ChiCorp"), and thereby engage in a wide range of nonbanking activities, including securities- and derivatives-related activities.

Notificants have applied to engage in the following nonbanking activities throughout the United States, and propose to provide the following services worldwide:

(1) Making, acquiring, and servicing loans and other extensions of credit for their own account and for the account of others, pursuant to section 225.25(b)(1) of the Board's Regulation Y;

18. The Board notes that, pursuant to the terms of Integrion's charter, Notificants and other members of Integrion will remain free to compete with each other and Integrion in the development and marketing of data processing and transmission networks similar to the Integrion gateway, as well as remote banking and other financial services.

19. In considering the public interest factors in this case, the Board has carefully considered the measures that Integrion and member financial institutions will take to protect the account data and other financial information that will be transmitted through the gateway from electronic interception, interference, or fraud. The Board previously has noted that the nature of the risks associated with providing electronic banking services is not different from those associated with more traditional forms of banking. *See Cardinal Bancshares, Inc.*, 82 *Federal Reserve Bulletin* 674, 676 (1996). Among other security measures, Integrion and member depository institutions will use log-in passwords and encryption procedures to attempt to maintain the privacy and integrity of data transmitted. In addition, as part of its operations, Integrion will transmit data to member institutions through a private communications network.

(2) Providing various types of investment and financial advisory services, pursuant to section 225.25(b)(4) of Regulation Y;
(3) Leasing personal or real property or acting as agent, broker, or adviser in leasing such property, pursuant to section 225.25(b)(5) of Regulation Y;
(4) Operating an automated front-end securities order entry system, and thereby providing to others data processing and data transmission services, facilities and data bases, and access to such services, facilities and data bases, for the processing, transmission or storage of financial, banking, or economic data, pursuant to section 225.25(b)(7) of Regulation Y;
(5) Conducting discount and full-service brokerage activities, pursuant to section 225.25(b)(15) of Regulation Y;
(6) Underwriting and dealing in obligations of the United States and other obligations that state member banks may underwrite and deal in under 12 U.S.C. §§ 335 and 24(7) ("bank-eligible securities"), pursuant to section 225.25(b)(16) of Regulation Y;
(7) Acting as a futures commission merchant ("FCM") for nonaffiliated persons in the execution and clearance on major commodity exchanges of futures contracts and options on futures contracts based on bullion, foreign exchange, government securities, or certificates of deposit or other money market instruments that a bank may buy or sell in the cash market for its own account, and providing investment advice with respect to such contracts as an FCM or a commodity trading advisor ("CTA"), pursuant to sections 225.25(b)(18) and (19) of Regulation Y;
(8) Underwriting and dealing in, to a limited extent, all types of debt and equity securities other than interests in open-end investment companies ("bank-ineligible securities");
(9) Buying and selling all types of debt and equity securities on the order of customers as a "riskless principal" and acting as agent in the private placement of all types of debt and equity securities;
(10) Trading for their own account, for purposes other than hedging, and for the account of customers in gold and silver bullion, bars, rounds and coins, and platinum and palladium coin and bullion;
(11) Trading for their own account in foreign exchange spot, forward, futures, options, and options on futures contracts, and providing transaction and advisory services to nonaffiliated customers with respect to such foreign exchange-related instruments;
(12) Acting as an FCM for nonaffiliated persons in the execution and clearance on major commodity exchanges of futures and options on futures contracts based on bonds or other debt instruments, certain commodities, and stock, bond, or commodity indices, and providing investment advice, including discretionary management services, with respect to such contracts;
(13) Providing execution-only and clearing-only services for options on securities to institutional customers;
(14) Providing clearing-only services for futures and options on futures contracts to, and serving as the primary clearing firm for, certain professional floor traders on the Kansas City Board of Trade ("KCBOT") and the Minneapolis Grain Exchange ("MGE"); and
(15) Providing brokerage services with respect to forward contracts for the delivery of certain financial and nonfinancial commodities.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 41,413 (1996)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Stichting Prioriteit ABN AMRO Holding, with total consolidated assets of $339.4 billion,[1] is the largest commercial banking organization in the Netherlands. Notificants control seven depository institutions in Illinois and one commercial bank in New York. ABN AMRO Bank N.V. also operates branches in Boston, Massachusetts; Chicago, Illinois; New York, New York; Pittsburgh, Pennsylvania; and Seattle, Washington; and agencies in Atlanta, Georgia; Miami, Florida; Houston, Texas; and Los Angeles and San Francisco, California.

ChiCorp and its principal subsidiary, The Chicago Corporation, Chicago, Illinois ("TCC"), engage worldwide in a wide range of investment advisory, securities underwriting, and futures-related activities. Notificants propose to merge TCC with and into Notificants' existing section 20 subsidiary, ABN AMRO Securities (USA) Inc., Chicago, Illinois ("Company").[2] TCC and Company are, and Company will continue to be, broker-dealers registered with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*) and a member of the National Association of Securities Dealers ("NASD"). In addition, TCC is, and Company would become, registered as an FCM and CTA with the Commodity Futures Trading Commission ("CFTC") under the Commodity Exchange Act (7 U.S.C. § 1 *et seq.*) and a member of the National Futures Association ("NFA"). Accordingly, Company will be subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act, the Commodity Exchange Act, the SEC, CFTC, NASD and NFA.

Activities Previously Approved by the Board

Activities Approved by Regulation—The Board previously has determined by regulation that certain of the proposed lending, investment and financial advisory, leasing, data processing, securities brokerage, bank-eligible underwrit-

1. Asset and ranking data are as of December 31, 1995, and use exchange rates then in effect.
2. *See Stichting Prioriteit ABN AMRO Holding*, 81 *Federal Reserve Bulletin* 182 (1995).

ing and dealing, and FCM and futures advisory services are so closely related to banking as to be proper incidents thereto within the meaning of section 4(c)(8) of the BHC Act.[3] Except as discussed below, Notificants have committed that these activities will be conducted within the limitations established by Regulation Y and the Board's orders related to these activities.

Bank-Ineligible Underwriting and Dealing Activities — The Board has determined that, subject to the prudential framework of limitations established in previous decisions to address the potential for conflicts of interests, unsound banking practices, or other adverse effects, the proposed activities of underwriting and dealing in bank-ineligible securities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[4] Notificants have committed that Company will conduct the proposed underwriting and dealing activities using the same methods and procedures and subject to the same prudential limitations established by the Board in the Section 20 Orders.[5]

The Board also has determined that the conduct of these securities underwriting and dealing activities is consistent with section 20 of the Glass–Steagall Act (12 U.S.C. § 377), provided that the company engaged in the underwriting and dealing activities derives no more than 10 percent of its total gross revenue from underwriting and dealing in bank-ineligible securities over any two-year period.[6] Notificants have committed that Company will conduct its underwriting and dealing activities in bank-ineligible securities subject to the 10-percent revenue test.[7]

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

"Riskless principal" is the term used in the securities business to refer to a transaction in which a broker-dealer, after receiving an order to buy (or sell) a security for a customer, purchases (or sells) the security for its own account to offset a contemporaneous sale to (or purchase from) the customer.[8] Riskless principal transactions are understood in the industry to include only transactions in the secondary market. Thus, Company would not act as a riskless principal in selling bank-ineligible securities at the order of a customer that is the issuer of the securities to be sold, or in any transaction where Company has a contractual agreement to place the securities as agent of the issuer. Company also would not act as a riskless principal in any transaction involving a bank-ineligible security for which it or an affiliate makes a market.

The Board has determined that, subject to the limitations established by the Board in prior orders, the proposed private placement and riskless principal activities are so

3. *See* 12 C.F.R. 225.25(b)(1), (4), (5), (7), (15), (18) and (19). As part of its securities brokerage activities, Company would provide execution-only and clearing-only services with respect to securities to institutional customers. Company will provide clearing-only services with respect to securities only if Company has the ability and the right to reject a trade given to Company for clearance for any reason. As discussed further below, the Board has separately considered Notificants' requests to provide clearing-only services to professional floor traders and with respect to options on securities.

4. *See Canadian Imperial Bank of Commerce, et al.*, 76 *Federal Reserve Bulletin* 158 (1990); *J.P. Morgan & Co. Incorporated, et al.*, 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 900 F.2d 360 (D.C. Cir. 1990); *Citicorp, et al.*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir. 1988), *cert. denied*, 486 U.S. 1059 (1988); as modified by *Review of Restrictions on Director, Officer and Employee Interlocks, Cross-Marketing Activities, and the Purchase and Sale of Financial Assets Between a Section 20 Subsidiary and an Affiliated Bank or Thrift*, 82 *Federal Reserve Bulletin* 1113 (1996) (Order dated October 30, 1996) (collectively, "Section 20 Orders").

5. To address potential conflicts of interests arising from Company's conduct of full-service brokerage activities along with underwriting and dealing in bank-ineligible securities, Notificants have committed that Company will inform its full-service brokerage customers at the commencement of the relationship that, as a general matter, Company may be a principal or may be engaged in underwriting with respect to, or may purchase from an affiliate, those securities for which brokerage and advisory services are provided. In addition, at the time any brokerage order is taken, the customer will be informed (usually orally) whether Company is acting as agent or principal with respect to a security. Confirmations sent to customers also will state whether Company is acting as agent or principal. *See PNC Financial Corp.*, 75 *Federal Reserve Bulletin* 396 (1989).

6. *See* Section 20 Orders. Compliance with the 10-percent revenue limitation shall be calculated in accordance with the method stated in the Section 20 Orders, as modified by the *Order Approving Modifications to the Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989); the *Order Approving Modifications to the Section 20 Orders*, 79 *Federal Reserve Bulletin* 226 (1993); the *Supplement to Order Approving Modifications to Section 20 Orders*, 79 *Federal Reserve Bulletin* 360 (1993); and *10 Percent Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing Securities*, 82 *Federal Reserve Bulletin* 1008 (1996) (Order dated September 11, 1996) (collectively, "Modification Orders"). The Board notes that Notificants have not adopted the Board's alternative indexed-revenue test to measure compliance with the 10-percent limitation on bank-ineligible securities activities, and, absent such election, Notificants will continue to employ the Board's original 10-percent revenue test.

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

8. *See* SEC Rule 10b-10(a)(8)(i) (17 C.F.R. 240.10b-10(a)(8)(i)). The Board notes that Company, as a registered broker-dealer, must conduct its riskless principal activities in accordance with the customer disclosure and other requirements of the federal securities laws.

closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[9] The Board also has determined that acting as agent in the private placement of securities, and purchasing and selling securities on the order of investors as a riskless principal, do not constitute underwriting and dealing in securities for purposes of section 20 of the Glass–Steagall Act, and that revenue derived from these activities is not subject to the 10-percent revenue limitation on bank-ineligible securities underwriting and dealing.[10]

Notificants have committed that Company will conduct its private placement activities using the same methods and procedures and subject to the same prudential limitations as those established by the Board in *Bankers Trust* and *J.P. Morgan*,[11] including the comprehensive framework of restrictions imposed by the Board in connection with underwriting and dealing in bank-ineligible securities, which were designed to avoid potential conflicts of interests, unsound banking practices, and other adverse effects.[12] Notificants also have committed that Company will conduct its riskless principal activities subject to the limitations previously established by the Board.[13]

General Partnership Activities — Company proposes to assume TCC's role as general partner and investment adviser to several limited partnerships ("Partnerships") that invest in assets that a bank holding company is permitted to own.[14] The Board previously has permitted bank holding companies to serve as general partner and investment adviser for unregistered limited partnerships that invest in securities.[15] Notificants have committed that the proposed activities would be conducted in accordance with limitations contained in the BHC Act and in previous Board decisions.[16] Notificants have committed, for example, that the Partnerships, together with Notificants and their affiliates, will not control more than 5 percent of any class of voting securities of any issuer without prior Board approval.[17] Notificants also have committed that no directors, officers, or employees of Notificants or their affiliates will serve as directors, officers, or employees of any issuer of which the Partnerships, Notificants and their affiliates hold more than 10 percent of the total equity.[18]

Precious Metal and Foreign Exchange Activities — Notificants propose that Company trade in gold and silver

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

10. *See Bankers Trust*.

11. Among the prudential limitations discussed more fully in *Bankers Trust* and *J.P. Morgan* are that Company will not privately place open-end investment company securities or securities of investment companies that are advised by Notificants or any of their affiliates. In addition, Company will make no general solicitation or general advertising for securities it places.

12. Notificants have indicated that Company may purchase, for its own account, a portion of the securities that it privately places. Notificants have committed that if Company purchases for its own account any securities that it privately places, Company will treat all revenue derived from the placement transaction as bank-ineligible revenue subject to the 10-percent limitation. Company also proposes to act as principal or agent in the resale of privately placed securities through transactions that would be exempt from registration under the Securities Act of 1933, such as, for example, resales to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. Notificants have committed that, if Company acts as principal with respect to any portion of such an unregistered resale transaction, Company will treat the revenue derived from the entire transaction as part of Company's bank-ineligible revenues subject to the 10-percent revenue limitation.

13. *See The Bank of New York Company, Inc.*, 82 *Federal Reserve Bulletin* 748 (1996). Neither Company nor its affiliates will hold themselves out as making a market in the bank-ineligible securities that Company buys and sells as riskless principal, or enter quotes for specific bank-ineligible securities in any dealer quotation system in connection with Company's riskless principal transactions, except that Company and its affiliates may enter bid or ask quotations, or publish "offering wanted" or "bid wanted" notices on trading systems other than NASDAQ or an exchange, if Company or the affiliate does not enter price quotations on different sides of the market for a particular security for two business days. In other words, Company or its affiliate must wait at least two business days after entering a "bid" quote on a security before entering an "ask" quote on the same security and vice versa. Company will not act as riskless principal for registered investment company securities or for any securities of investment companies that are advised by Notificants or its affiliates. In addition, because Company proposes to provide riskless principal services in combination with investment advisory services, Company will conduct its riskless principal activities in accordance with the limitations established by the Board for the full-service brokerage activities of bank holding companies. *See* 12 C.F.R. 225.25(b)(15)(ii).

14. The Partnerships would not register as investment companies under the Investment Company Act of 1940 (15 U.S.C. § 80a-1 *et seq.*). Each Partnership would be limited to not more than 100 investors. As general partner, Notificants may provide certain administrative and advisory services to the partnership, including monitoring the development of the limited partnerships' investments in the portfolio companies, issuing reports to limited partners, administering cash flow, and distributing dividends.

15. *See Meridian Bancorp, Inc.*, 80 *Federal Reserve Bulletin* 736 (1994) ("*Meridian*").

16. *See Meridian*. The Partnerships will not invest in futures contracts or options on futures contracts on any financial or nonfinancial commodity, or knowingly acquire debt securities that are in default at the time of acquisition, without prior approval from the Federal Reserve System. In addition, Notificants have committed that they will consolidate the Partnerships with other subsidiaries of Notificant for purposes of calculating Notificants' capital adequacy whenever such information is required to be presented to the Board of Governors. In consolidating the capital ratios, Notificants will exclude the limited partners' investments and an equal amount of assets from the numerator and denominator, respectively.

17. Notificants also have committed that the Partnerships will not control more than 25 percent of the total equity, including subordinated debt, of any issuer without prior Board approval. In furtherance of the commitments, Notificants have committed that they will monitor, on a system-wide basis, the holdings of the Partnerships and all other entities controlled by Notificants.

18. Company also proposes to serve as investment adviser with discretionary voting authority for several trusts established for pension fund customers that invest in banks and bank holding companies ("Bank Trusts"). Notificants must obtain the Board's approval under the BHC Act before Notificants acquire in the aggregate control of more than 5 percent of the voting shares of any bank or bank holding company. In this regard, Notificants have committed that, in the event that shares held by the Bank Trusts would cause the aggregate holdings of the Bank Trusts, Notificants and any Partnership to exceed 5 percent of any class of voting securities of a bank or bank holding company, Company will irrevocably transfer the voting rights associated with the securities held by the Bank Trusts to an unaffiliated corporate trustee.

bullion, bars, rounds, and coins, and platinum and palladium bullion and coins for its own account and for the account of customers. Notificants also propose that Company trade for its own account in foreign exchange spot, forward, futures, options and options on futures transactions, and provide execution and limited advisory services with respect to such instruments to unaffiliated customers. The Board previously has determined that the proposed precious metals activities are closely related to banking and permissible for bank holding companies under section 4(c)(8) of the BHC Act.[19] The Board also previously has approved the proposed foreign exchange-related activities subject to certain limitations,[20] and Notificants have committed that Company will conduct its foreign exchange-related activities in accordance with the limitations established by the Board.[21]

Additional FCM and CTA Activities — Notificants also propose that Company act as an FCM for, and provide advisory services to, unaffiliated persons in connection with the purchase and sale of futures and options on futures based on bonds or other debt instruments, certain commodities, or stock, bond or commodity indices.[22] Company's FCM activities would include engaging in execution-only, clearing-only and omnibus account activities with respect to futures and options on futures based on financial and nonfinancial commodities, and providing discretionary portfolio management services with respect to futures and options on futures on financial and nonfinancial commodities.[23] Company would provide these additional futures-related execution-only, clearing-only and discretionary portfolio management services only to institutional customers[24] and certain sophisticated non-institutional commercial hedger customers.[25]

The Board previously has determined that Company's proposed futures-related execution, clearing and advisory activities, including its proposed clearing-only activities, are so closely related to banking as to be proper incidents thereto, provided that the activities are conducted in conformity with certain limitations and conditions designed to, *inter alia,* ensure that the activities are consistent with safe and sound banking practices and mitigate potential conflicts of interests.[26] Notificants have committed that Company will conduct these additional FCM and advisory

19. *See The Bessemer Group, Incorporated,* 82 *Federal Reserve Bulletin* 569 (1996) (palladium coin and bullion); *Swiss Bank Corporation,* 81 *Federal Reserve Bulletin* 185 (1995) (platinum coin and bullion); *Midland Bank PLC,* 76 *Federal Reserve Bulletin* 860 (1990) (gold and silver bullion and coin). Company may engage in metal assaying, storage and transport activities as an incident to its precious metal trading activities. *See Westpac Banking Corporation,* 73 *Federal Reserve Bulletin* 61 (1987).

20. *The Long-Term Credit Bank of Japan, Limited,* 79 *Federal Reserve Bulletin* 347 (1993) ("*LTCB*").

21. *See LTCB.* Company's foreign exchange-related advisory services will be limited to discussions regarding current market conditions, and will not be provided on a separate fee basis. In addition, Company will not recommend that a customer purchase or sell particular foreign exchange instruments or contracts.

22. Company proposes to provide FCM and related advisory services with respect to certain futures contracts and options on futures contracts that are based on indices that track estimated losses to the insurance industry from catastrophic events. Notificants have stated that Company's execution and advisory services with respect to such contracts will not require Company to register as an insurance agent or broker in any state.

23. Notificants have committed that Company would provide these services in accordance with the limitations previously established by the Board. *See Northern Trust Corporation,* 79 *Federal Reserve Bulletin* 723 (1993) ("*Northern Trust*"); *Bank of Montreal,* 79 *Federal Reserve Bulletin* 1049 (1993) ("*Bank of Montreal*"); and *J.P. Morgan & Co. Incorporated,* 80 *Federal Reserve Bulletin* 151 (1994) ("*1994 J.P. Morgan Order*").

24. For purposes of determining whether an individual meets the $1 million net worth requirement for an institutional customer in Regulation Y, Notificants will consider a parent's net worth to include accounts of the parent's minor children if the parent has discretionary authority over the account or the selection of the account's investment manager. Furthermore, Notificants will consider a grantor trust to be an institutional customer if:

(i) The grantor is the trustee or fiduciary of the trust with discretionary authority over the trust's assets, and

(ii) The net worth of the grantor, including grantor trusts over which it retains discretionary authority, exceeds $1 million.

25. Notificants have stated that all non-institutional commercial hedger customers would be engaged, or affiliated with a commercial enterprise engaged, in producing, manufacturing, processing or merchandising products or providing services related to the commodities underlying the futures and options on futures contracts in which the customer trades. In addition, such customers would not be engaged in executing their own trades on the floors of commodity exchanges. Notificants have committed that Company will:

(i) Require its non-institutional commercial hedger customers to state in writing that they would engage in "bona fide hedging transactions" as defined by the CFTC (*see* 17 C.F.R. 1.3(z));

(ii) Establish an initial credit review process to determine whether the proposed hedging activities of a non-institutional commercial hedger customer were appropriate in light of the customer's net worth and business activities;

(iii) Not permit a non-institutional commercial hedger customer to trade in any commodities other than those that the customer would trade to hedge risks that arise from its commercial activities; and

(iv) Establish a system to detect any unauthorized trading activity by a non-institutional commercial hedger customer. *See Societe Generale,* 81 *Federal Reserve Bulletin* 880 (1995) ("*Societe Generale*").

26. *See Northern Trust* (clearing-only services for financial futures and maintenance of omnibus accounts); *Bank of Montreal* (execution and clearing and clearing-only services for nonfinancial futures); *1994 J.P. Morgan Order* (execution and advisory services on nonfinancial futures); *Banque Nationale de Paris,* 81 *Federal Reserve Bulletin* 386 (1995) ("*BNP*") (discretionary portfolio management services for financial futures); *CS Holding,* 81 *Federal Reserve Bulletin* 803 (1995) ("*CS Holding*") (discretionary portfolio management services for non-financial futures); *Societe Generale* (financial and nonfinancial futures execution, clearing-only, and advisory services for non-institutional commercial hedger customers). Because non-institutional commercial hedger customers have special expertise in commodity-related transactions, the Board previously has noted that such customers are capable of detecting conflicts of interest or advice that is motivated by the bank holding company's self-interest, and are unlikely to rely unduly on commodity-related investment advice provided by a bank holding company. *See Societe Generale.*

activities in accordance with the limitations established by the Board in previous cases.[27]

Notificants also propose that Company provide clearing-only services to, and serve as the primary clearing firm for, certain professional floor traders on the KCBOT and MGE with respect to the futures contracts and options on futures contracts traded on such exchanges.[28] The Board previously has determined that providing clearing services with respect to exchange-traded securities, options, futures, and options on futures contracts is closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[29] In 1991, however, the Board denied an application by Notificants to engage *de novo* in providing the proposed services to market makers and other professional floor traders dealing for their own accounts.[30] The Board's decision in the *1991 ABN AMRO Order* was based on the Board's conclusion that, at the time of the application, the applicants had not sufficiently demonstrated that the potential public benefit of the proposed activity outweighed the financial risks associated with serving as the primary clearing firm for professional floor traders.[31]

In the *1991 ABN AMRO Order*, the Board recognized that a company serving as the primary clearing firm for professional floor traders may be exposed to significant financial risks because the company generally would not have the ability to reject an executed trade presented to it for clearance, even where the company believes the trade presents unacceptable risks in light of market conditions or the traders' financial position. The Board also noted that, at the time of the application, the applicants lacked appropriate operational systems to track and manage the intra-day risks arising from the trading activities of the floor traders. This lack of a mechanism to monitor intra-day trading activities presented the possibility that a professional floor trader could incur substantial losses through the trading of options or futures contracts, which the applicants would be obligated to clear and guarantee, before the applicants could act to mitigate their credit risk exposure.

Since 1991, the Board and bank holding companies have gained substantial experience with the conduct, methods, procedures, and regulation of clearing-only activities. Also, the Board has authorized bank holding companies to provide clearing-only services with respect to futures contracts and options on futures contracts for customers other than professional floor traders, subject to certain conditions designed to assure that the bank holding companies have the ability to manage the attendant financial risks.[32] In particular, the bank holding companies agreed to provide the clearing-only services pursuant to "give-up" agreements that provide the bank holding companies the right to refuse to accept for clearance any customer trade that the bank holding company deems unsuitable in light of market conditions or a customer's financial situation or objective.[33] In addition, the bank holding companies agreed to establish procedures to monitor the intra-day trading activities and risk exposure of their clearing-only customers.

The facts of record in this case indicate that TCC has, and Company will have, sufficient risk management policies, procedures, and systems to permit Notificants and Company to adequately monitor and control the risks, including the intra-day risks, associated with Company's proposal to serve as the primary clearing firm for a limited number of professional floor traders on the KCBOT and MGE.[34] Specifically, TCC establishes trading, credit, margin, and exposure limits for each professional floor trader for which it serves as the primary clearing firm.[35] Adherence to these limits is monitored on an intra-day basis by experienced TCC personnel who are physically present on

27. Company also proposes to provide clearing-only services to unaffiliated customers with respect to options on securities. Options on securities are treated as securities for purposes of the federal securities laws, and the Board has treated options on securities as securities for purposes of the Glass–Steagall Act. *See* 15 U.S.C. § 77b(1), § 78c(a)(10); *Swiss Bank Corporation*, 82 *Federal Reserve Bulletin* 685 (1996). The Board previously has determined that providing clearing services with respect to exchange-traded securities, options, futures, and options on futures contracts is closely related to banking within the meaning of section 4(c)(8) of the BHC Act. *See Stichting Prioriteit ABN AMRO Holding*, 77 *Federal Reserve Bulletin* 189 (1991) ("*1991 AMRO Order*"); *BNP; Northern Trust*. Company will provide clearing-only services with respect to options on securities only to institutional customers and pursuant to agreements that permit Company the right to review and reject any trade presented to it for clearance for any reason. These commitments are similar to those relied on by the Board in previous cases in which the Board determined that providing clearing-only services with respect to exchange-traded futures and options on futures is a proper incident to banking within the meaning of section 4(c)(8) of the BHC Act. *See Northern Trust; Bank of Montreal.*

28. ChiCorp currently serves as the primary clearing firm for 17 professional floor traders on the KCBOT and 34 professional floor traders on the MGE. Because the number of professional floor traders on these exchanges may vary over time depending on trading volume and other factors, Notificants have requested authority for Company to act as the primary clearing firm for up to 20 professional floor traders on the MGE and 40 professional floor traders on the MGE.

29. *See 1991 ABN AMRO Order; BNP;* and *Northern Trust.*

30. *See 1991 ABN AMRO Order.*

31. A primary clearing firm is obligated to accept and clear all trades submitted by a professional floor trader, even if the trade was initially presented to, and rejected by, another clearing firm. Once a primary clearing firm clears a trade for a professional floor trader, the firm becomes obligated to settle the trade in the event of a default by the professional floor trader. Particular exchanges may refer to companies serving as a primary clearing firm by different titles. For example, the Chicago Mercantile Exchange refers to firms providing primary clearing services as qualifying clearing firms.

32. *See Northern Trust; Bank of Montreal.*

33. The Board also noted that the rules of the applicable exchanges provided the bank holding companies with sufficient time to review an executed trade before determining whether to accept the trade for clearance.

34. The Board received comments supporting Notificants' proposal to provide clearing-only activities for professional floor traders from The Options Clearing Corporation, the Board of Trade Clearing Corporation, and the Chicago Board of Trade ("Commenters"). The Commenters asserted that approval of the proposal would increase competition in the futures markets and would not result in adverse effects in light of the risk management systems that are utilized by major futures exchanges and their clearing members.

35. Notificants have stated that Company will adopt the risk management policies, procedures, and systems used by TCC in connection with its primary clearing activities.

the floor of the KCBOT and MGE.[36] These TCC personnel visually monitor the trading activities of floor traders on the exchanges and review trades submitted by the floor traders for clearance.[37] If a TCC employee determines that a floor trader is exceeding the limits established by TCC, or is otherwise engaged in questionable trading activities, the employee has the ability to limit or halt the floor trader's activities, require the floor trader to post additional margin, partially or entirely liquidate the floor trader's positions, or immediately revoke the floor traders membership on the exchange.[38] The managers of TCC's operations on the KCBOT and MGE also personally guarantee TCC against any losses that TCC may incur from serving as the primary clearing firm for floor traders on the exchanges, which provides such personnel with an incentive to closely monitor the trading activities of the floor traders. Notificants have stated that Company will install an on-line risk management system that will provide personnel in Chicago, Kansas City, and Minneapolis with intra-day data on the trading activities of professional floor traders on the KCBOT and MGE, and that will permit such personnel to analyze Company's exposure to such trading activities on an intra-day basis.

The Board notes that the type of risk management systems necessary to appropriately manage the risks arising from a particular activity necessarily depends on the scope and nature of the proposed activity. Company proposes to serve as the primary clearing firm for a limited number of professional floor traders on two exchanges. These exchanges have relatively small trading areas and volumes, which permits personnel on the floors of the exchanges to monitor trading activity on the exchanges. The Federal Reserve Bank of Chicago ("Reserve Bank") conducted an on-site review of the operational and managerial infrastructure maintained by TCC in Chicago, Kansas City, and Minneapolis to monitor and control the financial risks associated with TCC's primary clearing activities on the KCBOT and MGE. Based on this review and other facts of record, the Board concludes that TCC has the managerial and operational resources and systems adequately to monitor and control the financial risks arising from its role as primary clearing firm on the KCBOT and MGE.

The record in this case also indicates that Notificants' proposal to assume the clearing-only activities of ChiCorp on the KCBOT and MGE, within the framework discussed in this order, can reasonably be expected to produce public benefits that outweigh possible adverse effects. The Board notes that the KCBOT and MGE are small exchanges with relatively low transaction volumes, and that ChiCorp serves as the primary clearing firm for a significant percentage of the professional floor traders on such exchanges. Notificants' proposal would permit Company to continue providing primary clearing services to the professional floor traders on the KCBOT and MGE that are currently customers of TCC.

In light of all the facts of record, including the limited nature of Company's proposed clearing-only activities for professional floor traders, the commitments provided by Notificants, and the operational and managerial systems that Company will have in place to monitor and control the risks arising from the proposed activities, the Board has concluded that the credit and other risk considerations associated with the proposed clearing-only activities for professional floor traders on the KCBOT and the MGE are consistent with approval of this notice and that, therefore, the proposed activity is a proper incident to banking within the meaning of section 4(c)(8) of the BHC Act.[39]

Brokerage Services With Respect to Forward Contracts Based on Certain Financial and Nonfinancial Commodities — Notificants propose that Company act as broker with respect to forward contracts based on certain financial and nonfinancial commodities. In this capacity, Company would assist customers in arranging forward contracts with third parties pursuant to which the customers would make (or receive) delivery of financial and nonfinancial commodities on a future date.[40] Company would act as a broker only with respect to forward contracts that are based on

36. TCC has four risk management employees who monitor trading on the KCBOT, and three risk management employees who monitor trading at the MGE.

37. Trades on the KCBOT and MGE are not electronically submitted to the clearing firm or the exchange. Instead, trading cards for each trade are submitted by each professional floor trader to its clearing firm, which enters the trade into the exchange's clearing system. Both the KCBOT and the MGE require that TCC collect the trading cards from each floor trader at least once during each half hour period, thereby providing TCC personnel with an opportunity to review the intra-day trading activities of floor traders. KCBOT rules also require that TCC enter all collected trades into the exchange's on-line clearing system within 45 minutes of the end of the half-hour period during which the trades were collected. The KCBOT's on-line clearing system also permits TCC to monitor the trading activities of floor traders, both individually and in the aggregate, on an intra-day basis, and allows TCC to identify any potentially unmatched trades. Although the MGE does not operate an on-line clearing system, TCC personnel maintain tally sheets that are updated every 30 minutes and that reflect all trades submitted by each professional floor trader throughout the day.

38. TCC risk management personnel in Chicago also electronically receive trade information four times a day from the KCBOT and at the end of the day from the MGE. Reports based on such data are prepared by risk management personnel and reviewed daily by officers in Chicago, Kansas City, and Minneapolis.

39. The Board notes that it has requested comment on whether the list of permissible activities in Regulation Y should be amended to permit bank holding companies to provide clearing-only services to professional floor traders. *See* 61 *Federal Register* 47,242, 47,254 (1996) ("Regulation Y Proposal"). The Board will consider whether to amend Regulation Y to permit bank holding companies in general to provide clearing-only services to professional floor traders at the time it considers the proposed amendments to Regulation Y.

The Board also has proposed in its revision of Regulation Y to modify the conditions that govern certain other activities that TCC currently conducts without restriction. Notificants have committed that, during the one-year period following consummation of the proposal, Company will engage in these activities in accordance with the limitations set forth in the Regulation Y Proposal and, thereafter, will conduct these activities subject to the conditions adopted by the Board in Regulation Y, as then in effect.

40. Because Company will act only as a broker, Company will not itself be required to take physical delivery of the nonfinancial com-

those financial and nonfinancial commodities that also serve as the basis for an exchange-traded futures contract.[41]

Bank holding companies are permitted to act as a broker in the execution and clearance of futures contracts and options on futures contracts based on financial and nonfinancial commodities.[42] As noted above, the forward contracts that Company proposes to broker would be based on the same financial and nonfinancial commodities that underlie futures contracts that bank holding companies are permitted to broker as an FCM. Bank holding companies also are permitted to broker forward contracts on foreign exchange and arrange swap transactions that are based on nonfinancial commodities or indices of nonfinancial commodities.[43] Accordingly, the Board has concluded that acting as a broker for forward contracts based on those financial and nonfinancial commodities that underlie an exchange-traded futures contract is a permissible activity for bank holding companies under section 4(c)(8) of the BHC Act.[44]

Other Considerations

In order to approve this notice, the Board must determine that the activities are a proper incident to banking, that is, that the performance of the proposed activities "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices."[45] As part of its review of these factors, the Board considers the financial and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[46] The Board notes that Notificants' capital ratios satisfy applicable risk-based standards under the Basle Accord, and are considered equivalent to the capital levels that would be required of a United States banking organization. The Board also has reviewed the capitalization of Notificants and Company in accordance with the standards set forth in the Section 20 Orders and finds the capitalization of each to be consistent with approval.[47] The determination of the capitalization of Company is based on all the facts of record, including Notificants' projections of the volume of Company's underwriting and dealing activities in bank-ineligible securities.

In connection with this proposal, the Reserve Bank has reviewed the operational and managerial infrastructure of Company, including its computer, audit, and accounting systems and internal risk management procedures and controls, with respect to the proposed underwriting and dealing in debt and equity securities, and has determined that Company has established an adequate operational and managerial infrastructure to ensure compliance with the requirements of the Section 20 Orders. The Reserve Bank also has reviewed the operational and managerial infrastructure of ChiCorp with respect to its provision of clearing-only services to locals on the KCBOT and MGE, including the policies, procedures, and systems that ChiCorp has, and that Company will have, in place to monitor and control the financial risks associated with such activities. On the basis of the Reserve Bank's review, and all the facts of record, the Board concludes that financial and managerial considerations are consistent with approval of this proposal.[48]

Consummation of the proposal can reasonably be expected to provide added convenience and services to Notificants' customers by offering them an expanded range of products and services. Notificants also have stated that consummation of the proposal would give ChiCorp access to Notificants' worldwide customer base and contacts and would permit ChiCorp and Company to compete more effectively in the market for securities- and futures-related services. There are numerous providers of the proposed nonbanking services and, therefore, consummation of the proposal would not significantly decrease competition in any relevant market. The Board also believes that the conduct of the proposed activities within the framework established in this order, prior orders, and Regulation Y is not likely to result in significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, or unsound banking practices. Accordingly, and for the reasons set forth in this order and in the Section 20 Orders, the Board has concluded that Notificants' proposal to engage in the proposed activities is consistent with the Glass–Steagall Act, and that the proposed activities are so

modities underlying the forward contracts that it arranges under any circumstances.

41. Exchange-traded futures contracts may be based on a wide variety of commodities, including precious metals, oil, cocoa or wool. Banking regulators have not expressly permitted banks to engage in the proposed activity. *See* OCC Interp. Ltr. No. 494, *reprinted in* [1989-1990 Transfer Binder] Fed. Banking L. Rep. (CC) at ¶ 83,083 (Dec. 20, 1989).

42. *See Bank of Montreal*, 79 *Federal Reserve Bulletin* 1049 (1993).

43. *See* 12 C.F.R. 225.25(b)(17); *Swiss Bank Corporation*, 81 *Federal Reserve Bulletin* 185 (1995).

44. *See Bank of Montreal*, 79 *Federal Reserve Bulletin* 1049 (1993); *Swiss Bank Corporation*, 81 *Federal Reserve Bulletin* 185 (1995).

45. 12 U.S.C. § 1843(c)(8).

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

47. The Board notes that, as a registered broker-dealer, Company must comply with the SEC's net capital rule. *See* 15 C.F.R. 240.15c3-1.

48. The Board received a comment from an anonymous source contending that ChiCorp has no minorities or women in senior management positions and requesting that the Board deny the proposal on this basis. The Equal Employment Opportunity Commission ("EEOC") has jurisdiction to investigate and determine whether companies are in compliance with federal equal employment laws. The Board has noted that unsubstantiated allegations of improper actions under a statute administered by another federal agency are beyond the scope of the Board's review under the factors specified in the BHC Act. On the other hand, substantiated improper actions may be considered by the Board in light of all the facts of record of an application under the factors in the BHC Act or in the context of the Board's general supervisory authority over bank holding companies. *See Norwest Corporation*, 82 *Federal Reserve Bulletin* 580, 582 (1996). The Board has referred the comment to the EEOC.

closely related to banking as to be proper incidents thereto within the meaning of section 4(c)(8) of the BHC Act, provided that Notificants limit Company's activities as specified in this order and the Section 20 Orders, as modified by the Modification Orders.[49]

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

The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(g) (12 C.F.R. 225.7 and 225.23(g)), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with and to prevent evasion of the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on Notificants' compliance with all the commitments made in connection with this notice, including the commitments discussed in this order and the conditions set forth in the Board regulations and orders noted above. The commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions, and may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective December 11, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

49. ChiCorp's subsidiary, ChiCorp Insurance Agency, engages in the sale as agent of insurance products, including annuities, in Illinois. Notificants propose to transfer these activities to a subsidiary of Notificants' thrift subsidiary, LaSalle Bank, F.S.B. ("LaSalle Bank"), Chicago, Illinois, upon consummation of this proposal. The Board has determined that LaSalle Bank is a Qualified Savings Association within the meaning of section 4(i)(3) of the BHC Act and is, therefore, entitled to engage in these types of insurance agency activities in Illinois. *See Stichting Prioriteit ABN AMRO Holding*, 78 *Federal Reserve Bulletin* 296 (1992).

Unidanmark A/S
Unibank A/S
Copenhagen, Denmark

Order Approving Notice to Engage in Nonbanking Activities

Unidanmark A/S and its wholly owned subsidiary Unibank A/S, both of Copenhagen, Denmark (collectively, "Notificants"), foreign banking organizations subject to the provisions of the Bank Holding Company Act ("BHC Act"), have requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to retain their ownership of 100 percent of the voting shares of Aros Securities Inc., New York, New York ("Aros"),[1] and thereby engage in the following activities:

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

(2) Providing discount and full-service securities brokerage services pursuant to 12 C.F.R. 225.25(b)(15); and

(3) Acting as agent in the private placement of all types of securities, and buying and selling all types of securities on the order of customers as a "riskless principal" through Company.[2]

Aros is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*) and is a member of the National Association of Securities Dealers ("NASD"). Accordingly, Aros is subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934, the SEC and the NASD.

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 56,961 (1996)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Unidanmark A/S, with total consolidated assets of approximately \$45.9 billion, is the second largest banking organization in Denmark.[3] In the United States, Unibank A/S operates a branch in New York, New York.

1. Notificants previously received approval under section 4(c)(9) of the BHC Act to retain temporarily their ownership interest in Aros. *See* Letter dated August 14, 1996, from Jennifer J. Johnson, Deputy Secretary of the Board, to Robert L. Tortoriello, Esq. ("4(c)(9) Approval Letter").

2. Aros also engages in certain securities underwriting and dealing activities. Pursuant to the 4(c)(9) Approval Letter, Aros must discontinue such activities within six months of the date on which Notificants acquired control of Aros.

3. Asset and ranking data are as of December 31, 1995, and use exchange rates then in effect.

Activities Approved by Regulation

The Board previously has determined by regulation that the proposed investment advisory and securities brokerage activities are closely related to banking for purposes of section 4(c)(8) of the BHC Act.[4] Notificants propose to conduct the activities in accordance with the Board's regulations and prior Board decisions relating to the activities.

Private Placement and "Riskless Principal" Activities

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

"Riskless principal" is the term used in the securities business to refer to a transaction in which a broker-dealer, after receiving an order to buy (or sell) a security for a customer, purchases (or sells) the security for its own account to offset a contemporaneous sale to (or purchase from) the customer.[5] Riskless principal transactions are understood in the industry to include only transactions in the secondary market. Thus, Aros would not act as a riskless principal in selling bank-ineligible securities at the order of a customer that is the issuer of the securities to be sold, or in any transaction where Aros has a contractual agreement to place the securities as agent of the issuer.[6] Aros also would not act as a riskless principal in any transaction involving a bank-ineligible security for which it or an affiliate makes a market.

The Board has determined that, subject to the limitations established by the Board in prior orders, the proposed private placement and riskless principal activities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[7] The Board also has determined that acting as agent in the private placement of securities, and purchasing and selling securities on the order of investors as a riskless principal, do not constitute underwriting and dealing in securities for purposes of section 20 of the Glass–Steagall Act, and that revenue derived from these activities is not subject to the 10-percent revenue limitation on bank-ineligible securities underwriting and dealing.[8]

Notificants have committed that Aros will conduct its private placement activities using the same methods and procedures and subject to the same prudential limitations as those established by the Board in *Bankers Trust* and *J.P. Morgan*,[9] including the comprehensive framework of restrictions imposed by the Board in connection with underwriting and dealing in bank-ineligible securities, which were designed to avoid potential conflicts of interests, unsound banking practices, and other adverse effects. Notificants also have committed that Aros will conduct its riskless principal activities subject to the limitations previously established by the Board.[10]

Financial Factors, Managerial Resources, and Other Considerations

Under the proper incident to banking standard of section 4(c)(8) of the BHC Act, in order to approve this notice, the Board must determine that the performance of the proposed activities by Notificants can reasonably be expected to produce public benefits that would outweigh possible adverse effects. As part of the Board's evaluation of these factors, the Board considers the financial and managerial resources of the notificants and their subsidiaries and the effect the transaction would have on such resources.[11] The

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

5. *See* SEC Rule 10b-10(a)(8)(i) (17 C.F.R. 240.10b-10(a)(8)(i)). The Board notes that Aros, as a registered broker-dealer, must conduct its riskless principal activities in accordance with the customer disclosure and other requirements of the federal securities laws.

6. "Bank-ineligible securities" refers to securities that state member banks are not authorized to underwrite or deal in under 12 U.S.C. §§ 335 and 24(7).

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

8. *See Bankers Trust*.

9. Among the prudential limitations discussed more fully in *Bankers Trust* and *J.P. Morgan* are that Aros will not privately place open-end investment company securities or securities of investment companies that are advised by Notificants or any of their affiliates. In addition, Aros will make no general solicitation or general advertising for securities it places.

10. *See The Bank of New York Company, Inc.*, 82 *Federal Reserve Bulletin* 748 (1996). Neither Aros nor its affiliates will hold themselves out as making a market in the bank-ineligible securities that Aros buys and sells as riskless principal, or enter quotes for specific bank-ineligible securities in any dealer quotation system in connection with Aros' riskless principal transactions, except that Aros and its affiliates may enter bid or ask quotations, or publish "offering wanted" or "bid wanted" notices on trading systems other than NASDAQ or an exchange, if Aros or the affiliate does not enter price quotations on different sides of the market for a particular security for two business days. In other words, Aros or its affiliate must wait at least two business days after entering a "bid" quote on a security before entering an "ask" quote on the same security and vice versa. Aros will not act as riskless principal for registered investment company securities or for any securities of investment companies that are advised by Notificants or their affiliates. In addition, because Aros proposes to provide riskless principal services in combination with investment advisory services, Aros will conduct its riskless principal activities in accordance with the limitations established by the Board for the full-service brokerage activities of bank holding companies. *See* 12 C.F.R. 225.25(b)(15)(ii).

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

Board notes that Notificants' capital ratios satisfy applicable risk-based standards under the Basle Accord, and are considered equivalent to the capital levels that would be required of a United States banking organization. Based on all the facts of record, the Board concludes that financial and managerial factors are consistent with approval of the proposal. There is no evidence in the record indicating that consummation of this proposal is likely to result in significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. The Board expects, moreover, that consummation of the proposal would provide added convenience to Notificants' customers and would increase the level of competition among existing providers of these services. The Board has determined, therefore, that the performance of the proposed activities by Notificants can reasonably be expected to produce public benefits that outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the foregoing and all the facts of record, including the commitments discussed in this order and all other commitments and representations made by Notificants in connection with this notice, and subject to the terms and conditions set forth in this order, the Board has determined that the notice should be, and hereby is, approved. The Board's determination is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(g) of Regulation Y (12 C.F.R. 225.7 and 225.23(g)), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on Notificants' compliance with the commitments and representations made in connection with this notice, including the commitments and conditions discussed in this order. The commitments, representations, and conditions relied on in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision and may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective December 16, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

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

NationsBank Corporation
Charlotte, North Carolina

NB Holdings Corporation
Charlotte, North Carolina

Order Approving the Merger of Bank Holding Companies

NationsBank Corporation and NB Holdings Corporation, both of Charlotte, North Carolina (collectively, "NationsBank"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have filed applications and notices under sections 3 and 4(c)(8) of the BHC Act (12 U.S.C. §§ 1842 and 1843(c)(8)) to acquire the banking and nonbanking subsidiaries of Boatmen's Bancshares, Inc., St. Louis, Missouri ("Boatmen's").[1] NationsBank also has filed a notice under sections 211.4 and 211.5 of Regulation K (12 C.F.R. 211.4 and 211.5) to acquire Boatmen's Foreign Investment Company, an agreement corporation under section 25 of the Federal Reserve Act (12 U.S.C. §§ 601–604a), also of St. Louis, Missouri. Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 53,375 (1996)). The time for filing comments has expired, and the Board has considered the applications and notices and all comments received in light of the factors set forth in the BHC Act, the Federal Reserve Act, and regulations promulgated thereunder.

NationsBank, with total consolidated assets of approximately $192.3 billion, is the fifth largest commercial banking organization in the United States, controlling approximately 4.6 percent of total banking assets of insured commercial banks ("total banking assets").[2] Its subsidiary banks operate in North Carolina, Delaware, the District of Columbia, Florida, Georgia, Kentucky, Maryland, South Carolina, Tennessee, Texas, and Virginia. NationsBank also engages in a number of permissible nonbanking activities nationwide. Boatmen's, with total consolidated assets of approximately $40.7 billion, is the 24th largest banking organization in the United States. Boatmen's, which operates subsidiary banks in Missouri, Arkansas, Illinois, Iowa, Kansas, New Mexico, Oklahoma, Tennessee, and Texas,

1. Boatmen's would merge with and into NB Holding Corporation, a wholly owned subsidiary of NationsBank, with NB Holding as the surviving corporation. Boatmen's subsidiary banks are listed in Appendix A, and Boatmen's nonbank subsidiaries are listed in Appendix B. NationsBank also has requested the Board's approval for an option to purchase up to 19.9 percent of the voting shares of Boatmen's if certain events occur. The option would expire on consummation of the proposal.

2. State asset and banking data are as of June 1995, and consolidated asset data are as of June 30, 1996.

controls approximately 1.1 percent of total banking assets in the United States.

After consummation of the proposal, NationsBank would become the fourth largest commercial banking organization in the United States, with total consolidated assets of approximately $233 billion, and would control approximately 5.7 percent of total banking assets in the United States. NationsBank would also control 5 percent of the total deposits in banks and savings associations insured by the Federal Deposit Insurance Corporation ("FDIC").

Interstate Analysis

Section 3(d) of the BHC Act, as amended by Section 101 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, ("Riegle-Neal Act") allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company, if certain conditions are met. For purposes of the BHC Act, NationsBank's home state is North Carolina.[3] As noted above, Boatmen's controls banks in Missouri, Arkansas, Illinois, Iowa, Kansas, New Mexico, Oklahoma, Tennessee, and Texas. The conditions for an interstate acquisition enumerated in section 3(d) are met in this case.[4] In view of all the facts of record, the Board is permitted to approve this proposal under section 3(d) of the BHC Act.[5]

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving any proposal that would result in a monopoly, or that would substantially lessen competition for banking services in any relevant part of the country unless the Board finds that the anticompetitive effects are outweighed in the public interest by a proposal's effect on the convenience and needs of the community. NationsBank and Boatmen's compete directly in three banking markets in Tennessee (Lawrence County, Memphis and Nashville) and in two banking markets in Texas (El Paso and Austin).[6] The Board has carefully reviewed the competitive effects of the proposal in these banking markets in light of all the facts of record, including the number of competitors that would remain in the markets, the characteristics of the markets, the projected increase in the concentration of total deposits in depository institutions[7] in the markets ("market deposits") as measured by the Herfindahl–Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines"),[8] and commitments made by NationsBank to divest certain branches. In evaluating the competitive factors in this case, the Board also has considered carefully comments from the Coalition that assert that the proposal would have a significantly adverse effect on competition in the El Paso banking market.

Consummation of the proposal would not exceed the threshold levels of market concentration, as measured by the HHI, in the Memphis, Nashville, and Austin banking markets.[9] In order to mitigate the potential anticompetitive effects of the proposal in the Lawrence County and El Paso

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

4. 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). Comments from Inner City Press/Community on the Move, the Mid-South Peace and Justice Center of Memphis, Tennessee, and the Statewide New Mexico Alliance (collectively, the "Coalition"), maintain that the proposal does not meet the conditions in section 3(d) because NationsBank is not adequately managed and because NationsBank would acquire a percentage of the insured deposits in New Mexico and Missouri that exceed state law limits. Based on all the facts of record, and for the reasons discussed in the order, the Board concludes that NationsBank is adequately managed and adequately capitalized. In addition, on consummation of the proposal, NationsBank and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States, and less than 30 percent of the total amount of deposits of insured depository institutions in any state in which Boatmen's bank subsidiaries are currently located, including New Mexico, which imposes a 40-percent deposit limitation. The Missouri Commissioner of Finance has confirmed that the deposit limitation in Missouri law does not apply to an initial acquisition by an out-of-state banking organization and has approved the transaction. All the Boatmen's banks to be acquired by NationsBank also would have been in existence and have continuously operated for at least the minimum period of time required under applicable state law. All other requirements of section 3(d) of the BHC Act would be met on consummation of the proposal.

5. The Coalition also notes that a federal court has recently invalidated the relocation of the main office of a NationsBank's subsidiary bank in Texas into New Mexico because the bank retained a branch at its former Texas location. *Ghiglieri v. Sun World, N.A. and Eugene Ludwig*, No. EP 96 CA 324 (W.D. Tex. 1996). The relocation had been approved by the Office of the Comptroller of the Currency ("OCC") under section 30 of the National Bank Act and the OCC has appealed the court's decision. NationsBank will abide by the final disposition of the matter by the courts.

6. The banking markets are described in Appendix C.

7. In this context, depository institutions include commercial banks, savings banks, and savings associations. Market data used for the table in Appendix C are as of June 30, 1995. Market concentration calculations include deposits of thrift institutions at 50 percent. The Board has previously indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market concentration on a 50-percent weighted basis. *See e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

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

9. The HHI would remain unchanged at a level of 1468 in the Nashville banking market, increase 23 points to 1689 in the Memphis

banking markets, NationsBank has committed to divest all the Boatmen's branches in Lawrence County and two branches in El Paso.[10]

Although the HHI for the El Paso banking market would increase 222 points to 2199 after the proposed divestitures, the Board believes that a number of factors would mitigate any potential anticompetitive effect. Ten commercial banking organizations, including three large multi-state banking organizations, would remain in the market. Two of the multi-state banking organizations together would control more than 50 percent of the market deposits, and two additional bank competitors would each control at least 5 percent of the market deposits. NationsBank would become the third largest competitor in the El Paso banking market, controlling market deposits of approximately 23 percent. The market also has characteristics that make it attractive for entry for out-of-market firms.[11] Two banking organizations have entered the market *de novo* since 1990, and 14 commercial bank branches have opened or been announced to open in the market since June 1995.

The Board sought comments from the United States Attorney General, Department of Justice ("Attorney General"), the OCC, the FDIC, and the Office of Thrift Supervision ("OTS") on the competitive effects of this proposal. The Attorney General advised the Board that consummation of the proposal would not likely have any significantly adverse effects on competition in any relevant market. The OTS, OCC and the FDIC also have not objected to consummation of the proposal. Based on all the facts of record, and for the reasons discussed in this order, and after carefully considering public comments on the competitive factor, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.[12]

Other Factors under the BHC Act

The BHC Act also requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in a proposal, the convenience and needs of the community to be served, and certain other supervisory factors.

A. Supervisory Factors

The Board has carefully considered the financial and managerial resources of the companies and banks involved in this proposal and the effect of the proposed acquisition on the future prospects of these organizations, and other supervisory factors in light of the facts of record including the views expressed by NationsBank and the commenters.[13] The Board notes that NationsBank, Boatmen's, and their subsidiary banks meet or exceed the "well capitalized" thresholds and are expected to continue to do so after consummation of the proposal.[14] The Board also has re-

banking market, and increase 69 points to 1055 in the Austin banking market.

10. Nationsbank has committed to execute sales agreements for each of the proposed divestitures prior to consummation of this transaction, and to complete the divestiture within 180 days of consummation. NationsBank also has committed that, in the event it is unsuccessful in completing these divestitures within 180 days of consummation, it will transfer the unsold branches to an independent trustee that is acceptable to the Board and that will be instructed to sell the branches promptly. *See Bankamerica Corporation,* 78 *Federal Reserve Bulletin* 338 (1992); *United New Mexico Financial Corporation,* 77 *Federal Reserve Bulletin* 484 (1991). NationsBank also has committed to submit to the Board, before consummation of this proposal, an executed trust agreement acceptable to the Board stating the terms of these divestitures.

11. For example, the banking market's population and amount of deposits have increased by 2.1 and 1.9 percent, respectively, from 1992 to 1995 in contrast to all other Texas metropolitan statistical areas which averaged annual increases of 1.6 and 1.0 percent for population and amount of deposits, respectively.

12. In analyzing the competitive effects of the proposal, the Board considered the Coalition's contention, based in part on public statements by NationsBank officials and banking commentators, that NationsBank's policy of imposing a surcharge on ATM transactions by non-customers would have adverse competitive effects by causing customers of small banks to terminate their relationships with the small banks and become customers of large banks with extensive ATM networks, like NationsBank, to avoid the surcharge. The Board notes that the practice of surcharging ATM transactions by non-customers is fairly recent and limited data are available on the effect of ATM surcharging on customer behavior. An analysis of deposit data in Texas, although preliminary, does not support the Coalition's contentions. Moreover, the Coalition provides no facts to show that NationsBank has sufficient market power through its network of ATMs to compete unfairly with smaller institutions in the market for banking services. The Board notes that smaller banks may be able to provide their customers with access to a large number of ATM machines, through alternative regional and national networks or numerous convenient ATMs that do not have a surcharge. Based on all the facts of record, the Board concludes that the record in this proposal does not support the conclusion that NationsBank's ATM surcharge policy would have a significantly adverse effect on competition or on the availability of ATM services to consumers.

13. The Coalition cites instances of litigation and administrative regulatory actions regarding securities-related activities by NationsBank's securities brokerage subsidiary, NationsSecurities, including the sale and marketing of securities and the compensation paid to bank employees for customer information. Some of these actions are pending and no conclusions of wrongdoing have been reached. Other cases have resulted in settlements with state regulatory agencies or individuals in which NationsSecurities has taken corrective actions or paid compensatory damages. NationsSecurities is a registered broker/dealer subject to the jurisdiction of the Securities and Exchange Commission ("SEC") and, as a wholly owned subsidiary of a national bank, is subject to the supervision and jurisdiction of the OCC. The Board has carefully reviewed the Coalition's comments in light of confidential supervisory information from the OCC. The Board also has provided the Coalition's allegations of improper securities trading by Boatmen's officials to the SEC for consideration.

The Coalition also makes a number of allegations regarding the business practices of Stephens, Inc., an Arkansas securities firm, and its business relationships with NationsBank and Boatmen's. The Coalition objects to a fairness opinion on the proposal by Stephens, Inc., because that company owns approximately 2.5 percent of the stock of Boatmen's. This interest was disclosed to NationsBank's shareholders, who must vote to approve the acquisition, in accordance with applicable securities laws. Moreover, federal and state securities regulators have the authority to investigate and adjudicate any improper actions by Stephens, Inc.

14. The Coalition asserts that NationsBank projects a decline in capital as a result of the proposal and intends to rely on Boatmen's

viewed the operational and management structure for NationsBank after it acquires Boatmen's.[15] Based on all the facts of record, including all comments that have been received relating to these factors, and a review of relevant reports of examination of the companies and the banks involved in the proposal, the Board concludes that the financial and managerial resources and future prospects of the companies and banks concerned are consistent with approval, as are the other supervisory factors that the Board must consider under section 3 of the BHC Act.[16]

B. Convenience and Needs Considerations

The Board has carefully considered the effect of the proposed acquisition on the convenience and needs of the community to be served in light of all the facts of record. The Board notes that NationsBank provides a full range of financial services, including commercial and retail banking services, trust and investment management services, corporate and investment banking services, and international banking services, through its bank and nonbank subsidiaries. NationsBank has stated that the acquisition would result in an enhancement and expansion of the banking services available in the markets currently served by Boatmen's. NationsBank also would provide the communities served by Boatmen's with one of the larger retail branch networks in the country, expanded access to services at ATMs, and special products such as bank-by-mail, PC home banking, and bank-by-phone.

The Board also has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The Board has received and considered comments from a number of commenters relating to the CRA performance records of both institutions. Forty-six commenters have commended the assistance NationsBank and Boatmen's provided in community redevelopment activities and have favorably noted the records of both organizations for reinvesting in their communities.[17] These commenters generally asserted that the combined organization would benefit all the communities to be served.

Fifteen commenters, including the Coalition ("Protestants"), criticized the CRA performance records of NationsBank and Boatmen's.[18] Protestants maintain that the 1995 Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA") data and the record of branch closings for both organizations support denial of the proposal. Protestants also contend that NationsBank's record of CRA performance is deficient in a number of areas, including activities involving housing-related and small business lending, ascertainment and marketing, and community development.[19]

The Board has carefully considered the CRA performance records of both institutions in light of all the facts of record and the comments received on the proposal. NationsBank indicated that it intends to enhance Boatmen's community investment program by integrating it with the NationsBank program. In this light, the Board has given substantial consideration to the existing record of NationsBank as reflected in CRA and supervisory examinations, and the current programs and policies of NationsBank, of helping to serve the convenience and needs of all its communities.

CRA Performance Examinations

As provided in the CRA, the Board has evaluated the convenience and needs factor in light of examinations by the primary federal supervisors of the CRA performance records of the relevant institutions. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed on-site evaluation of the institutions's

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excess capital. The Coalition also notes that NationsBank was forced to recognize a loss of $40 million in the first quarter of 1996 for losses from its participation interest in a loan with other banks involving fraudulent conduct by a borrower, and provides estimates for other potential liabilities for NationsBank.

15. The Board has taken into account the Coalition's comments:

(1) Objecting to the replacement of Boatmen's senior management by NationsBank officials,

(2) Criticizing NationsBank's management for a computer failure in 1996 and for a retracted mail solicitation of home equity loans in Texas,

(3) Challenging the effectiveness of its board of directors, and

(4) Citing reviews of NationsBank's operations in Nashville, Tennessee, and Charlotte, North Carolina, by the Department of Labor ("DOL"), and NationsBank's response to proposed DOL reviews of NationsBank's operations in Tampa, Florida, and Columbia, South Carolina.

The Coalition also cites pending lawsuits brought by former NationsBank employees that have not adjudicated any improper actions by NationsBank. These comments have been carefully considered in light of all the facts of record, including confidential reports of examination assessing the managerial resources of NationsBank, and confidential information provided by the DOL.

16. The Board also has considered other comments relating to these factors, including comments from a developer and investors criticizing NationsBank's involvement in a multi-family housing project and from a trust beneficiary criticizing NationsBank's conduct as trustee. These comments have been provided to the OCC, the primary federal supervisor of the NationsBank subsidiaries involved, for consideration. Another commenter alleges that NationsBank's subsidiary bank in Virginia has engaged in improper conduct in connection with a community block grant program administered by the City of Lynchburg. For the reasons previously stated by the Board, the facts of record do not support the commenter's allegations, and no new facts are presented in this case. *See NationsBank Corporation,* 82 *Federal Reserve Bulletin* 154 (1996).

17. These commenters included the ACORN Housing Corporation, the Greater Washington Urban League, the NAACP, and the United Way of Mid South.

18. These commenters included Vickers & Associates, representing several community-based groups, Texas Community Reinvestment Coalition and Corporation for Affordable Housing, and several individual commenters.

19. Several commenters questioned NationsBank's commitment to community development based on their experiences in a redevelopment project in Texas.

overall record of performance under the CRA by its primary federal supervisor.[20]

All the NationsBank subsidiary banks in Virginia, North Carolina, Georgia, Florida, Tennessee, and Texas, comprising approximately 96 percent of the organization's banking assets, received "outstanding" ratings at the most recent examinations of their CRA performance by their primary federal supervisor, the OCC, as of July 1995.[21] In addition, all of Boatmen's subsidiary banks received "outstanding" or "satisfactory" ratings for CRA performance at their most recent examinations by their primary federal supervisors.[22]

Lending Performance Record of NationsBank

In general and Lead Bank. The Board has reviewed the 1993, 1994, and 1995 HMDA data reported by NationsBank's bank subsidiaries and NationsBanc Mortgage Corporation ("NBMC") in light of Protestants' comments. These data generally indicate that NationsBank has improved its record of home mortgage lending in low- to moderate-income ("LMI") census tracts and census tracts with predominately minority residents ("minority census tracts").[23] NationsBank reports that its nationwide HMDA data from 1992 and 1995 show an increase of approximately 36 percent in loans to individuals in LMI census tracts and an increase of approximately 61 percent in loans to individuals in minority census tracts.[24] In addition, 1995 HMDA data for communities served by Lead Bank indicate an increase in the number of loan applications received from, and loans extended to, minorities and individuals in LMI census tracts.[25]

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

In light of the limitations of HMDA data, the Board has carefully reviewed other information, particularly examination reports that provide an on-site evaluation of compliance by NationsBank and Boatmen's with the fair lending laws. The examinations of NationsBank's subsidiary banks, which included a fair lending review of NBMC, and Boatmen's subsidiary banks found no evidence of prohibited discrimination or other illegal credit practices at the institutions. Examiners also found no evidence of practices intended to discourage applications for the types of credit listed in the banks' CRA statements.[27]

NationsBank also has taken a number of steps to increase lending by its subsidiary banks to LMI and minority borrowers. NationsBank has implemented second and third level reviews of declined loan applications from minorities and LMI individuals to ensure that consistent loan decisions are made. Other corporate fair lending programs include periodic reviews of underwriting guidelines and procedures, regression modeling to test variances in credit decisions, and on-going sensitivity and cultural diversity training for all bank personnel. In addition, NationsBank's corporate fair lending group provides a comprehensive

20. The Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process. 54 *Federal Register* 13,742 and 13,745 (1989).

21. The following mergers occurred after the examinations were conducted:

(1) NationsBank, N.A (Carolinas), Charlotte, North Carolina and NationsBank, N.A., Richmond, Virginia, merged to form NationsBank, N.A., Charlotte, North Carolina ("Lead Bank"); and

(2) NationsBank of Florida, N.A, Tampa, Florida, and NationsBank of Georgia, N.A., Atlanta, Georgia, merged to form NationsBank, N.A. (South), Atlanta, Georgia.

NationsBank of Texas, N.A., Dallas, Texas, and NationsBank of Tennessee, N.A., Nashville, Tennessee, also received "outstanding" ratings for CRA performance by the OCC in July 1995. NationsBank of Delaware, N.A., Dover, Delaware, a limited purpose credit card bank, and NationsBank of Kentucky, N.A., Hopkinsville, Kentucky, received "satisfactory" CRA performance ratings in their most recent CRA performance examinations by the OCC as of July 1995. NationsBank also recently acquired Sun World, N.A., El Paso, Texas ("Sun World"), which has not been examined for CRA performance by the OCC. Sun World's predecessor, Sun World Savings Bank, F.S.B. received a CRA rating of "outstanding" from its primary supervisor, the OTS at its most recent CRA performance examination.

22. The CRA performance ratings for Boatmen's subsidiary banks are set forth in Appendix D.

23. NationsBank conducts most of its housing-related lending through NBMC, a wholly owned subsidiary of NationsBank's subsidiary bank in Texas and the Board has considered HMDA data reported by NBMC for areas served by NationsBank's bank subsidiaries.

24. During the same period, applications received from LMI census tracts increased by approximately 67 percent and applications received from minority census tracts increased by approximately 98 percent.

25. Boatmen's HMDA data for 1994 and 1995 HMDA also generally indicate increases in housing-related lending in LMI and minority census tracts, and Boatmen's origination rate for loans in LMI and minority areas exceeded the average origination rates for all lending institutions in the St. Louis, Missouri MSA.

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

27. As part of its examination for compliance with fair lending laws of the NationsBank's subsidiary banks and NBMC, the OCC selected samples from a wide range of housing-related loan applications by minority and non-minority borrowers for comparative analysis. The review found no evidence of illegal credit discrimination.

on-going review of bank performance in providing all applicants fair access to credit.

NationsBank's senior management has developed extensive written policies, procedures and training programs to help ensure that its bank and operating subsidiaries do not illegally discourage or pre-screen applicants. According to examiners, NationsBank regularly assesses the adequacy of nondiscriminatory policies, procedures and training programs through internal reviews and management reporting mechanisms. As part of its continuing evaluation of fair lending practices and procedures, in 1994, NationsBank contracted with an outside vendor to evaluate the treatment of prospective applicants throughout its bank branch and mortgage company offices.

NationsBank engages in a number of housing-related and small business and small farm lending activities that are designed to assist in meeting the credit needs of its entire community.[28] Examiners noted, for example, that NationsBank has taken additional steps to assist in meeting the housing-related credit needs of the LMI communities within its banks' delineations. NBMC committed in mid-1995 to provide incentive financing for qualified borrowers with incomes of less than 80 percent of median household incomes. Approximately 600 families took advantage of the program in 1995, resulting in an aggregate loan volume of $39.1 million. NBMC renewed and increased its commitment of below-market funds available in 1996 to $240 million. Through September 7, 1996, more than 3,400 families have gained access to the below-market interest rates to purchase a home. In December 1995, NationsBank also established a partnership with the Neighborhood Assistance Corporation of America to provide $500 million for home mortgages in LMI communities. The program provides 100-percent financing, as well as intensive individualized credit and homebuyer counseling, and is being tested in Washington, D.C.; Baltimore, Maryland; Charlotte, North Carolina; and Atlanta, Georgia.

NationsBank also participates in programs designed to meet the small business credit needs of its delineated communities. NationsBank actively participates in government-sponsored programs, such as those of the Small Business Administration ("SBA") and various city governments. In 1995, NationsBank made 743 SBA loans totaling $102 million.[29] NationsBank also helped establish Small Business Resource Centers in four cities in partnership with the SBA and the Department of Commerce Minority Business Development Agency.[30] In 1995, NationsBank originated 5,473 loans for $2.5 billion to small and minority-owned businesses located in LMI communities.[31]

NationsBank engages in a number of community development activities to help meet the credit needs of its communities through its community development corporation, NationsBank Community Development Corporation ("NCDC"). Examiners commended NationsBank's high level of participation in local development and redevelopment projects in the 1995 CRA examinations and noted that NationsBank continues to pursue lending relationships that promote the development and redevelopment of its communities. The NCDC has invested $200 million for the purpose of making housing available to LMI individuals and families through partnerships with local community organizations.

NationsBank also has implemented a Community Development Financial Institutions ("CDFI") initiative to provide capital to financial institutions that specialize in revitalizing neighborhoods. The program has two components:

(1) The CDFI will invest $15 million in development banks and bank holding companies located in NationsBank communities, and

(2) NationsBank will invest $10 million directly into non-bank CDFI institutions such as community development credit unions, multi-bank community development corporations, and loan funds.

The Board also has considered NationsBank's progress under its Community Investment Program ("CIP"), a 10-year program to make a minimum of $10 billion of community investment loans.[32] Since the program began in

28. Some Protestants contend that services provided by Boatmen's subsidiary banks — particularly small business loans and other types of business credit — will be diminished by the proposal because NationsBank provides less autonomy in lending decisions to management of its subsidiary banks. The Board believes an institution's performance should be assessed on the institution's actual record of assisting to meet the credit needs of its entire community, and accordingly, in reviewing the proposal has focused on NationsBank's record as discussed above.

29. NationsBank has been designated by the SBA as a "Preferred Lender" or "Certified Lender" in every state in which its subsidiary banks operate.

30. These centers provide loans, technical assistance, counseling and access to innovative business technology for start-up and existing businesses.

31. One commenter alleges that NationsBank illegally discriminates against minority-owned businesses. The comments provided no facts and are based on studies of NationsBank's HMDA data that have been previously considered by the Board and found not to substantiate allegations of illegal discrimination in NationsBank's mortgage lending. *See NationsBank Corporation* (Bank South) 82 *Federal Reserve Bulletin* 172 (1996); *NationsBank Corporation* (CSF Holdings) 81 *Federal Reserve Bulletin* 1121 (1995). The Board also has considered the commenter's objection to the discontinuance of Boatmen's plan to increase lending to minority-owned small businesses in light of NationsBank's record of small business lending.

32. Protestants criticize the program for improperly including automobile and debt consolidation loans. The types of loans under the CIP included consumer loans as well as mortgages for single-family and multi-family housing, purchase and rehabilitation mortgage loans, home improvement loans, commercial real estate financing, and small business loans to minority-owned businesses. The CRA requires the federal banking agencies to encourage depository institutions to help meet the credit needs of the community, and does not establish a statutory preference for any specific type of credit. Protestants provide no substantiation for their allegation that a significant portion of the loans reported by NationsBank under the CIP charged usurious rates of interest and relevant examinations of NationsBank do not substantiate this allegation.

1991, NationsBank has made CIP loans totalling $13 billion.

Lead Bank. The Lead Bank, which serves North Carolina, South Carolina, Maryland, Virginia, and the District of Columbia, received credit applications from all segments of its communities, including LMI areas, and had a reasonable geographic distribution of loans throughout its communities, including LMI areas, according to the 1995 CRA performance examination ("Lead Bank Examination"). Examiners noted, in particular, that Lead Bank effectively identifies potentially underserved areas and targets these areas for additional resources.

Examiners also noted that the bank offered a wide variety of credit and financial products and services to help meet community needs. The Lead Bank Examination found that the bank assisted in meeting housing-related credit needs in its communities by originating loans with flexible terms and underwriting standards through NBMC. In particular, Lead Bank originated 303 affordable mortgage loans totalling $19 million in North Carolina, 451 affordable mortgage loans totalling $27 million in South Carolina, and 951 affordable mortgage loans totalling $90 million in Virginia, Maryland and Washington, D.C in 1994. Lead Bank also continued its efforts to help meet the needs of small businesses in its communities, including LMI areas. In 1994, business loans in LMI areas totalled $73 million in North Carolina, $38 million in South Carolina, and $287 million in Virginia, Maryland and Washington, D.C.

In other states. The Board also has considered Protestants' criticisms of NationsBank's lending record in Florida, Georgia, Kentucky, Tennessee and Texas in light of all the facts of record. As noted above, except NationsBank's subsidiary bank in Kentucky which received a "satisfactory" rating, all of NationsBank's subsidiary banks received an "outstanding" rating from the OCC in their 1995 examinations for CRA performance.

The 1995 CRA performance examinations for the NationsBank subsidiary banks in these states found that the community delineations for the banks were generally reasonable and did not arbitrarily exclude any LMI neighborhoods. None of the banks was found to have engaged in illegal credit practices or practices that discouraged applications for credit. Examiners also determined that the banks' ascertainment efforts were generally effective, and in some cases commendable, and that marketing activities were adequate. The banks engaged in various lending activities and community development programs to help meet the credit needs of their communities, including LMI neighborhoods. Examiners found that all these banks offered some type of program to support affordable housing and small business lending in their communities, and that all banks participated to some extent in federal and local government-sponsored loan programs. The OCC's examinations, moreover, noted that these banks were actively involved in community development lending programs.

Florida. The 1995 CRA performance examination for NationsBank's subsidiary bank in Florida ("Florida Examination") found that the bank's lending activities reflected a reasonable geographic distribution of applications received and loans made throughout its service communities. Examiners concluded, for example, that the Florida bank effectively provided residential and business real estate loans to LMI individuals and in LMI geographies within its communities after analyzing its total lending activity. In addition, the bank actively participated in government-sponsored loan programs for housing and small businesses offered through the Federal Housing Authority ("FHA"), Veterans Administration ("VA") and the SBA. Examiners noted that SBA lending increased from 21 loans, totalling approximately $3.3 million in 1993 to 42 loans, totalling approximately $8.5 million in 1994.

The Florida Examination also considered the bank's participation in state and local housing loan programs, including the Broward County Housing Finance Authority and the Florida Housing Finance Agency Single Family Bond Program. The Florida bank's participation in local development and redevelopment projects, particularly within metropolitan markets, was characterized by examiners as very active. Examiners also noted that the bank's participation through various national corporate and local initiatives and partnerships often reflected a leadership role. Community development projects cited in the examination included the Tampa Challenge Fund II, a lending partnership with local organizations and the City of Tampa for the construction and rehabilitation of single- and multiple-family affordable housing in which the Florida bank financed 24 projects totalling $1.1 million in 1994, and the Keystone Challenge Fund, a program providing purchase mortgages to LMI homeowners in which the Florida bank made 18 loans totalling $1.3 million in 1994.

Georgia. In the 1995 CRA performance examination of NationsBank's subsidiary bank in Georgia ("Georgia Examination"), examiners noted that the lending activities of the bank in Georgia effectively reached LMI individuals and geographies. For example, the Georgia bank participated in various community-based partnerships that resulted in the origination of 88 loans totalling $6.5 million in 1994. The bank also increased the number of business loans made in LMI areas of Georgia from $131 million in 1993 to $200 million in 1994. According to examiners, the bank effectively identified potentially underserved areas and targeted them for priority attention and additional resources.

The Georgia Examination also found that the bank had undertaken significant efforts to meet the credit needs of its delineated community through the origination of loans for residential mortgages, home improvement, small businesses, and small farms. The bank participated in governmentally insured, guaranteed, or subsidized loan programs for housing and small business. Examiners noted that the number of SBA-guaranteed loans originated by the Georgia bank almost doubled in number and dollar volume from 1993 to 1994.

Kentucky. NationsBank's subsidiary bank in Kentucky is its smallest bank representing less than 1 percent of

NationsBank's total assets. The 1995 CRA performance examination ("Kentucky Examination") found that the number of mortgages made in LMI areas had increased each year since 1992.[33] Examiners also noted that the bank's management identified potentially underserved areas and focused efforts in these areas to assist in meeting credit needs. The Kentucky Examination concluded that the bank offered a wide variety of credit and financial products and services to meet the needs of its delineated community, including housing-related loans with flexible terms and underwriting standards. In addition, the Kentucky bank assisted in meeting credit needs for affordable housing through its participation in projects with the Kentucky Housing Corporation and the Affordable Home Ownership Program.

The Kentucky Examination also found that the bank provided small business loans, including small businesses in LMI areas. In 1994, the Kentucky bank originated 88 loans totalling $7.8 million to small businesses in its delineated community, and offered loans guaranteed by the SBA. The bank also actively engaged in agricultural lending, originating loans totalling $957 thousand in 1994.

Tennessee. NationsBank's subsidiary bank in Tennessee received credit applications from all segments of its communities, including LMI areas and had a reasonable geographic distribution of its loans and applications throughout its delineated community, according to its 1995 CRA performance examination ("Tennessee Examination"). Examiners also noted that the Tennessee bank had been successful in its efforts to lend to LMI individuals.

The Tennessee Examination found that the bank assisted in meeting housing-related credit needs in its community by originating 477 loans with flexible terms and underwriting standards totalling $28 million through NBMC.[34] Examiners also noted that the bank originated loans totalling $70 million to small businesses located in LMI areas in 1994. Agricultural lending for the Tennessee bank in 1994 totalled $12 million. In addition, the Tennessee bank actively participated in loans guaranteed by the SBA and originated 40 SBA loans totalling $5.6 million in 1994. Examiners also favorably noted the bank's participation with the Tennessee Housing Development Agency in origination loans to LMI borrowers and a number of other community development projects designed to serve the credit needs of its community through housing-related and small business loans.

Texas. The geographic distribution of loan and applications for NationsBank's subsidiary bank in Texas was found to be reasonable in the 1995 CRA performance examination of the bank ("Texas Examination") and indicated that the bank affirmatively solicited credit applications from all segments of its communities, particularly in LMI neighborhoods. Overall, the bank made 87 percent of its loans within its delineated communities in 1994 in response to ascertained credit needs of the community. The Texas bank participated in loans and loan pools with other financial institutions, non-profit community development organizations, public housing authorities, private developers, and other organizations that promote affordable rental and owner-occupied housing for LMI consumers. The bank, in conjunction with a community group providing homebuyer education seminars, made 539 loans totalling $31 million in 1994.[35]

The Texas Examination also noted that the bank made a total of $375 million in small businesses within its delineated communities in 1994, and a total of $18 million in agricultural-related loans in 1994, with $7 million of the total originated in rural communities. In addition, the Texas bank actively participated in community development and redevelopment activities, particularly in the large urban markets. Examiners noted that during 1993 and 1994, the bank participated in 73 credit programs that focused on helping to meet the credit needs of LMI consumers in the areas of affordable mortgages, affordable multi-family housing, and small business operations, including multi-family housing projects with NCDC. During 1994 and 1995, NationsBank provided more than $5 million in financing to the Parks at Wynnewood Partnership, a partnership formed to acquire and rehabilitate a 484-unit multi-family project in the Oak Cliff area of South Dallas.[36] NationsBank and the Texas bank also provided more than $6 million in financing to the Carlton Court Limited Partnership, a project designed to assist LMI individuals to buy their first homes.

Branch Locations and Closings

Protestants have expressed concerns that branch closings resulting from the proposal would have a materially adverse effect on the community, particularly in LMI neighborhoods. Protestants also contend that NationsBank's branch closings to date have adversely affected LMI neighborhoods. The Board has carefully considered these comments in light of all the facts of record.

NationsBank states that it does not have a final branch closing plan for branches of Boatmen's banks because of

33. For example, 15.3 percent of bank's and mortgage company's HMDA originations were in LMI areas in 1994, in comparison to 11.1 percent in 1993.

34. Eleven of the loans, totalling $605,000, were extended through a partnership with a local community-based organization.

35. Homebuyers completing the seminar received a 1 percent discount on the loan's rate of interest.

36. One commenter from Texas contends that NationsBank does not assist LMI communities in Austin, Texas. The record indicates that NationsBank has been involved in several affordable housing projects in Austin, that include assisting a developer to purchase and renovate properties in East Austin and assisting a community-based organization in the Dove Spring area to construct new properties. NationsBank is also involved with the Austin Housing Authority and a local community group in providing home buyer and ownership education to the residents in LMI housing. In 1995, moreover, NationsBank's percentage of total originations in Texas made to Hispanics (16.7 percent) and in LMI areas (22.2 percent) exceeded the aggregate's percentage of originations to Hispanics (15.9 percent) and in LMI areas (14.8 percent).

the number and the diversity of the markets in which the NationsBank and Boatmen's banks operate. NationsBank does not expect to have identified potential branch closures before March 31, 1997. NationsBank indicates that it does not intend to vacate any area currently served by Boatmen's, and notes that in past branch closures, it has consistently avoided any closings or consolidations that might have an adverse effect on LMI areas. NationsBank also projects, as a general matter, that any branch closings or consolidations that might result from the proposed merger would likely result from NationsBank and Boatmen's each having branches in close proximity.

All NationsBank subsidiary banks are required to use the corporate Banking Center Opening and Closing Policy in closing a branch, and the Board expects that this policy will be used for the branch closings resulting from the proposal. Before a branch can be considered for closure, the policy requires that the Community Investment Program manager for the appropriate state consider whether the closing would have an adverse impact on the community served and what actions will be taken to minimize that impact. This consideration would include the other financial institutions serving the area and the banking alternatives available to customers affected by the closure. The Community Investment Program manager may also hold at least one meeting with neighborhood leaders to assess the impact of the closure, and implement appropriate suggestions from the meeting to minimize the impact of the closure. All closings of branches serving LMI areas must be approved by the Community Investment Program manager.

The OCC has reviewed this policy and found it to be effective in enabling the NationsBank banks to provide reasonable access to banking services in their communities. As part of the 1995 CRA performance examinations, OCC examiners reviewed branches closed pursuant to the policy. The OCC concluded that all of the NationsBank subsidiary banks generally had good records of opening, closing and relocating their offices while providing all segments of the communities with reasonable access to bank services.[37] None of the 1995 CRA performance examinations noted any materially adverse effects on LMI neighborhoods from branch closings.

The Board notes that branch closings resulting from the proposal will be assessed by the primary federal supervisor for CRA performance of the bank closing the branch in future CRA performance examinations. NationsBank also is required to give at least 90 days written notice of all branch closing subject to the Joint Agency Policy Statement on Branch Closings ("Joint Policy Statement").[38]

In weighing the convenience and needs factor in this application, the Board has taken into account the branch closing policy of NationsBank and its record of closing branches as reviewed by its primary supervisor in the examination process. The Board also has considered that this proposal involves an acquisition with little institutional overlap. To permit the Board to monitor the potential effect of branch closings that may result from this transaction, NationsBank must provide a copy of its proposed branch closures as soon as available to the Federal Reserve Bank of Richmond ("Reserve Bank"), and notify the Reserve Bank of any changes in the preliminary plan for closing branches for a period of two years or until the depository institution where the branch closings are proposed is examined by its primary federal supervisor for CRA performance, whichever period is shorter. For branches to be closed in LMI census tracts, NationsBank's preliminary plan should indicate the proximity to the closest NationsBank branch and any steps NationsBank would take to mitigate the impact of the branch closure. The Board will also review branch closures resulting from the proposal in future applications to expand the operations of NationsBank's depository institutions.[39]

Other Aspects of NationsBank's CRA Performance

Fair lending law compliance. Protestants allege that NationsBank's subsidiary banks, including NBMC,[40] and NationsBank's nonbank lending subsidiaries have engaged in lending practices that violate the fair lending laws.[41]

37. At the time of the examination, the Kentucky bank had not opened or closed a branch office since the previous examination and no other weaknesses were noted regarding branch closings. Examiners considered the Kentucky bank's record in this regard to be adequate.

38. *See* 58 *Federal Register* 49,083 (1993) (interpreting section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1)). Under these provisions, all insured depository institutions are required to submit a notice of any proposed branch closing to the appropriate federal banking agency no later than 90 days before the date of closure that contains:

(1) The identity of the branch to be closed and the proposed closing date;

(2) A detailed statement of the reasons for the decision to close the branch; and

(3) Statistical or other information supporting closure consistent with the institution's written policy for branch closings.

39. The Board has considered Protestants' objection to certain lease arrangements for Boatmen's branches that prohibit the leasing of the property to another bank for a period of up to one year after the lease is terminated. The Board does not believe such provisions warrant an adverse finding under the convenience and needs or competitive factors.

40. The Coalition maintains that NationsBank's subsidiary banks illegally "steer" minority applicants to NationsBank's nonbank lending subsidiary, NationsCredit Corp. ("NationsCredit"), and cites NationsBank's HMDA data, NationsBank's policy of compensating bank employees for referrals that result in loans by NationsCredit, and experiences of individual borrowers with the referral process. The Coalition also contends that NationsBank's subsidiary banks and NBMC illegally discriminate against African Americans, citing allegations in a recent law suit regarding NationsBank's lending in the Washington, D.C. metropolitan area. The Board has provided a copy of the Coalition's comments to the banks' primary federal supervisor, the OCC, for consideration.

41. The Coalition contends that NationsBank's nonbank subsidiaries, NationsCredit and SunStar Acceptance Corp., have engaged in deceptive trade practices and other improper lending activities, including an allegation that NationsCredit targets minority borrowers for loans that have high rates of interest. The Coalition cites pending lawsuits, a survey of housing-related loans in Fulton and DeKalb

NationsBank denies Protestants' allegations and maintains that it complies with fair lending laws and HMDA reporting requirements.

The Board has carefully considered the comments of Protestants and NationsBank in light of all the facts of record, including the OCC's fair lending examination findings and the NationsBank fair lending policies and procedures. As noted, these examinations found no evidence of illegal discrimination by the banks or NBMC, and favorably commented on NationsBank's fair lending policies and procedures to prevent illegal practices like prescreening. The Board also notes that NationsCredit has a consumer compliance program in place. Staff of the program perform compliance reviews for NationsCredit and work closely with the compliance group responsible for overseeing the compliance program for the NationsBank subsidiary banks. In addition, NationsBank's internal audit department performs consumer compliance reviews of NationsCredit. Moreover, the pending civil actions cited by Protestants to support their allegations are in their preliminary stages and no conclusions of wrongdoing have been made.[42] The Board notes that the OCC and the Board retain sufficient supervisory authority to take appropriate action against NationsBank if a court determines, or an examination finds, that NationsBank has engaged in illegal activities. The Board also can take such findings into account in considering future applications by NationsBank to expand its operations.[43]

Outreach and Marketing Activities. Protestants maintain that NationsBank's outreach and marketing efforts, particularly in Florida, Kentucky, Tennessee and Texas, are inadequate. The 1995 CRA performance examinations of the NationsBank subsidiary banks, including the banks serving the states identified by the Protestants, found multi-faceted outreach and marketing programs for the development and promotion of the banks' credit and special deposit-related products. Examiners noted, for example, that NationsBank's ascertainment process was comprehensive and effectively used contacts with government officials and community organizations. The 1995 CRA performance examinations also found that these outreach efforts supported the development of innovative products and services. According to the examinations, management officials regularly monitored ascertainment efforts to determine if unmet credit needs existed and to what extent new credit products should be considered.

Members of the communities served by NationsBank's subsidiary banks are informed of the banks' credit and other banking products through a variety of local media, including newspapers, radio and television stations, and publications that have a predominately minority readership. For example, NationsBank's subsidiary bank in Florida and Texas use Spanish-language marketing materials in larger cities with large Hispanic populations. NationsBank also works with approximately 300 community-based organizations to provide education seminars to customers on such topics as operating a small business, purchasing a home, and money management skills for high school students. In addition, NationsBank's subsidiary banks, including its banks in Tennessee and Kentucky, hosted community "loan day" programs primarily in LMI areas.[44] The banks also used direct mail advertising to promote credit products in LMI communities.

Conclusion on Convenience and Needs Considerations

The Board has carefully considered all the facts of record, including the comments received from all commenters and responses to those comments and the CRA performance records of the subsidiary banks of NationsBank and Boatmen's, including relevant reports of examination from their primary federal supervisors.[45] Based on a review of the entire record, the Board concludes that convenience and needs considerations, including the CRA records of performance of both organizations' subsidiary banks, are consistent with approval of this proposal.[46]

Counties in Georgia that shows a high percentage of loans by NationsCredit to minority borrowers, and the complaints of individual borrowers. The Coalition also alleges that NationsCredit improperly classifies loans secured by real property as home equity loans to avoid HMDA reporting requirements.

42. The Board has reviewed pending and past litigation against NationsBank. The pending proceedings will provide injured parties with an adequate remedy if the allegations of improper practices by NationsBank can be sustained. Other law suits have been concluded with injured parties receiving a settlement or an award of compensatory damages in some cases.

43. Protestants have requested that, prior to acting on this proposal, the Board conduct an on-site examination of NationsBank's nonbank lending subsidiaries for the purpose of examining their compliance with fair lending laws. In light of all the facts of record, the Board concludes that such an examination is not warranted. The complaint by an individual identified in the Coalition's comments has been forwarded to the OCC, the primary supervisor of NationsBank N.A. (South), Atlanta, Georgia, and also will be reviewed by the Reserve Bank as a consumer complaint.

44. These events offered credit education sessions, information on credit and deposit products, and free access to credit reports.

45. Protestants allege that consummation of this proposal could result in significant job losses, particularly in Memphis, Tennessee. The convenience and needs factor has been consistently interpreted by the federal banking agencies, the courts, and Congress to relate to the effect of a proposal on the availability and quality of banking services in the community. In this light, the Board previously has concluded that the effect of a proposed acquisition on employment in a community is not among the factors included in the BHC Act. *See Wells Fargo & Company*, 82 *Federal Reserve Bulletin* 445, 457 (1996).

46. The Board has carefully reviewed Protestants' comments contending that NationsBank's checking and ATM fees adversely affect LMI individuals. As discussed above, NationsBank provides a full range of credit products and banking services that assist in meeting the credit and banking needs of LMI individuals and these products include a low-fee checking account for LMI customers that allow a certain number of free withdrawals per month. In addition, there is no evidence in the record that the fees charged by NationsBank are based on any factor that would be prohibited under law. NationsBank has indicated that after consummation of this proposal it will continue to offer Boatmen's low-fee checking account as well as a low-fee checking product currently offered by NationsBank. Although the Board has recognized that banks help serve the banking needs of their communities by making basic services available at nominal or no charge, the

Nonbanking Activities

NationsBank also has given notice under section 4(c)(8) of the BHC Act to acquire the nonbanking subsidiaries of Boatmen's listed in Appendix B and thereby engage in the described nonbanking activities. Section 4(c)(8) of the BHC Act provides that a bank holding company may, with the Board's approval, engage in any activity that the Board determines to be "so closely related to banking or managing or controlling banks, as to be a proper incident thereto." The Board previously has determined by regulation or order, subject to certain prudential limitations, that each of the activities described in Appendix B is closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[47] NationsBank has provided the Board with all the commitments the Board obtained in other cases in which it has approved an application by a bank holding company to engage in these activities in accordance with the Board's regulations and prior orders.

In order to approve this proposal, the Board also must determine that the performance of the proposed activities are a proper incident to banking, that is that the proposed transaction "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[48] As part of the Board's evaluation of these factors, the Board considers the financial and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[49] As noted above, based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of these notices.

The Board also has carefully considered the competitive effects of the proposed acquisition of the nonbanking companies and, in so doing, has considered the comments submitted by the Coalition regarding the competitive effects of the proposed acquisition. The Board believes that the markets for these nonbanking services, in each case, are unconcentrated, and notes that there are numerous providers of these services. As a result, consummation of this proposal would have a *de minimis* effect on competition for these services. Based on all the facts of record, the Board concludes that the proposal is not likely to result in decreased or unfair competition, conflicts of interests, unsound banking practices, undue concentration of resources, or other adverse effects.

The Board expects, moreover, that the acquisition of Boatmen's by NationsBank would provide added convenience to Boatmen's customers and the public. As noted, NationsBank will provide enhanced products and services to the communities served by Boatmen's. NationsBank also indicates that the proposal would result in efficiencies through integration of certain of NationsBank's and Boatmen's back office operations and the sharing and pooling of expertise and other resources resulting in benefits to the customers of both organizations. Accordingly, based on all the facts of record, the Board has determined that the proposal can reasonably be expected to produce public benefits that outweigh any adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act. The Board also concludes that all the factors required to be considered under the Federal Reserve Act and the Board's Regulation K are consistent with the acquisition of Boatmen's Foreign Investment Company.

Conclusion

The Board has considered all the issues raised in public comments filed in connection with this proposal in light of the factors that the Board is required to consider under the BHC Act. Based on the foregoing and all the facts of record, the Board has determined that this transaction should be, and hereby is, approved.[50] The Board's approval of this proposal is specifically conditioned on compliance by NationsBank with all the commitments made in connec-

CRA does not impose any limitation on the fees or surcharges for services.

47. *See e.g. Boatmen's Corporation*, 74 *Federal Reserve Bulletin* 706 (1988); 80 *Federal Reserve Bulletin* 448 (1994).

48. *See* 12 U.S.C. § 1843(c)(8).

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

50. Several Protestants have requested that the Board hold a public hearing or meeting on the proposal. Protestants contend that a hearing is necessary to provide community groups and consumers in various states an opportunity to comment on the applications and notices and to provide additional information for the record. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the Board has not received such a recommendation from any state or federal supervisory authority. The Board's rules also provide for a hearing on notices under section 4 of the BHC Act if there are disputed issues of material fact that cannot be resolved in some other manner. *See* 12 C.F.R. 225.23(g). Protestant have not identified any disputes of material fact relating to the section 4 notice by NationsBank to acquire Boatmen's savings association.

Under the Board's rules, the Board may also, in its discretion, hold a public hearing or meeting on an application or notice to clarify factual issues related to the notice and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered these requests in light of all the facts of record. In the Board's view, Protestants have had ample opportunity to submit their views, and have, in fact, provided numerous submissions that have been considered by the Board in acting on this proposal. Protestants' requests fail to demonstrate why their substantial written submissions do not adequately present their allegations. After a careful review of all the facts of record, the Board concludes that Protestants' requests dispute the weight that should be accorded to, and the conclusions that may be drawn from, the existing facts of record, but do not identify any genuine dispute about facts that are material to the Board's decision. Based on all the facts of record, the Board has determined that a public hearing or meeting is not necessary to clarify the factual record in the proposal, and is not otherwise warranted in this case. Accordingly, the requests for a public hearing or meeting on the proposal are denied.

tion with this proposal and the conditions in this order.[51] The Board's determination on the proposed nonbanking activities also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b)(3) of Regulation Y, and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

The acquisition of Boatmen's subsidiary banks may not be consummated before the fifteenth calendar day after the effective date of this order, and this proposal may not be consummated later than three months after the effective date of this order, unless such period is extended by the Board or by the Reserve Bank, acting pursuant to delegated authority.

By order of the Board of Governors, effective December 16, 1996.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix A

Bank Subsidiaries of Boatmen's to be Acquired by NationsBank Banks in Arkansas

(1) Boatmen's Bank of Northeast Arkansas, Jonesboro
(2) Boatmen's National Bank of Arkansas, Little Rock
(3) Boatmen's National Bank of Batesville, Batesville
(4) Boatmen's National Bank of Conway, Conway
(5) Boatmen's National Bank of Hot Springs, Hot Springs
(6) Boatmen's National Bank of Newark, Newark
(7) Boatmen's National Bank of North Central Arkansas, Bull Shoals
(8) Boatmen's National Bank of Northwest Arkansas, Fayetteville
(9) Boatmen's National Bank of Pine Bluff, Pine Bluff
(10) Boatmen's National Bank of Russellville, Russellville
(11) Boatmen's National Bank of South Arkansas, Camden

Banks in Illinois

(1) Boatmen's Bank of Quincy, Quincy
(2) Boatmen's Bank of South Central Illinois, Mount Vernon
(3) Boatmen's National Bank of Central Illinois, Hillsboro
(4) Boatmen's National Bank of Coles County, Charleston
(5) Boatmen's Bank of Franklin County, Benton

Banks in Iowa

(1) Boatmen's Bank of Fort Dodge, Fort Dodge
(2) Boatmen's Bank of North Iowa, Mason City
(3) Boatmen's National Bank of Northwest Iowa, Spencer
(4) Boatmen's Bank Iowa, National Association, Des Moines

Bank in Kansas

(1) Bank IV, National Association, Wichita

Banks in Missouri

(1) Boatmen's Bank of Marshall, Marshall
(2) Boatmen's Bank of Mid Missouri, Columbia
(3) Boatmen's Bank of Pulaski County, Richland
(4) Boatmen's Bank of Southern Missouri, Springfield
(5) Boatmen's Bank of Southwest Missouri, Carthage
(6) Boatmen's Bank of Troy, Troy
(7) Boatmen's Bank of Vandalia, Vandalia
(8) Boatmen's First National Bank of Kansas City, Kansas City
(9) Boatmen's First National Bank of West Plains, West Plains
(10) Boatmen's National Bank of Boonville, Boonville
(11) Boatmen's National Bank of Cape Girardeau, Cape Girardeau
(12) Boatmen's National Bank of Lebanon, Lebanon
(13) The Boatmen's National Bank of St. Louis, St. Louis
(14) Boatmen's Osage Bank, Butler
(15) Boatmen's River Valley Bank, Lexington
(16) Boatmen's Bank of Kennett, Kennett
(17) Boatmen's Bank Rolla, Rolla

Banks in New Mexico

(1) Boatmen's Credit Card Bank, Albuquerque
(2) Sunwest Bank of Albuquerque, National Association, Albuquerque

51. Several Protestants have requested that the Board delay action on, or extend the public comment period for, the proposal in order that more information could be considered. Protestants contend that NationsBank has not sufficiently responded to requests for additional information or the issues raised by the Protestants. Protestants also maintain that they have not had sufficient time to review and comment on all the information submitted in connection with these applications and notices. The Board is required under the BHC Act to act on applications and notices within specified time periods. The Board notes, moreover, that the Protestants and NationsBank have had a reasonable opportunity to comment as provided under the Board's application processing procedures and have, in fact, submitted voluminous comments that have been carefully considered by the Board. Based on all the facts of record, and for the reasons discussed above, the Board concludes that the record is sufficient to act on the proposal at this time, and that delay or denial of the proposal on the grounds of informational insufficiency is not warranted.

(3) Sunwest Bank of Clovis, National Association, Clovis
(4) Sunwest Bank of Farmington, Farmington
(5) Sunwest Bank of Gallup, Gallup
(6) Sunwest Bank of Grant County, Silver City
(7) Sunwest Bank of Hobbs, National Association, Hobbs
(8) Sunwest Bank of Las Cruces, National Association, Las Cruces
(9) Sunwest Bank of Raton, National Association, Raton
(10) Sunwest Bank of Rio Arriba, National Association, Espanola
(11) Sunwest Bank of Roswell, National Association, Roswell
(12) Sunwest Bank of Santa Fe, Santa Fe

Bank in Oklahoma

(1) Boatmen's National Bank of Oklahoma, Tulsa

Bank in Tennessee

(1) Boatmen's Bank of Tennessee, Memphis

Banks in Texas

(1) Boatmen's National Bank of Austin, Austin
(2) Sunwest Bank of El Paso, El Paso
(3) Boatmen's First National Bank of Amarillo, Amarillo

Appendix B

Nonbank Subsidiaries of Boatmen's and Their Activities:

(1) Boatmen's Trust Company, St. Louis, Missouri, Boatmen's Trust Company of Arkansas, Little Rock, Arkansas, Boatmen's Trust Company of Illinois, Belleville, Illinois, Boatmen's Trust Company of Oklahoma, Oklahoma City, Oklahoma, Boatmen's Trust Company of Texas, Amarillo, Texas: corporate trust, pension, and personal trust administration pursuant to section 225.25(b)(3) of Regulation Y;
(2) Boatmen's Trust Company of Kansas, Overland Park, Kansas: pension administration activities pursuant to section 225.25(b)(3) of Regulation Y;
(3) Union Realty and Securities Company, St. Louis, Missouri: holding certain real estate in a fiduciary capacity for the customers of its parent, Boatmen's Trust Company, in connection with the parent's trust activities pursuant to section 225.25(b)(3) of Regulation Y;
(4) Superior Federal Bank, F.S.B., Fort Smith, Arkansas: traditional thrift activities pursuant to section 225.25(b)(9) of Regulation Y;
(5) Fourth Investment Advisors, Inc., Tulsa, Oklahoma: providing portfolio investment advice to third parties pursuant to section 225.25(b)(4) of Regulation Y;
(6) Boatmen's Community Development Corporation, St. Louis, Missouri: providing community development lending and equity investments in all states in which Boatmen's has subsidiary banks, pursuant to section 225.25(b)(6) of Regulation Y;
(7) Bank IV Community Development Corporation, Wichita, Kansas: providing loans to and making equity investments in corporations or projects designed primarily to promote community welfare pursuant to section 225.25(b)(6) of Regulation Y;
(8) Bank IV Affordable Housing Corporation, Wichita, Kansas: acting as a special limited partner in an investment designed primarily to promote community welfare pursuant to section 225.25(b)(6) of Regulation Y;
(9) Boatmen's Life Insurance Company, St. Louis, Missouri: underwriting credit insurance sold in connection with loans made by certain affiliated banks and reinsuring credit life and credit accident and health insurance underwritten by third party insurance companies in connection with loans made by certain affiliated banks pursuant to section 225.25(b)(8)(i) of Regulation Y;
(10) Fourth Financial Insurance Company, Wichita, Kansas: reinsuring credit life and credit accident and health insurance underwritten by third party insurers in connection with loans made by certain affiliated banks pursuant to section 225.25(b)(8)(i) of Regulation Y;
(11) Arch Reinsurance Company, LTD, Georgetown, Grand Cayman: reinsuring various operating insurance policies underwritten by third party insurers for the benefit of the applicant and its affiliates; and reinsuring credit insurance products underwritten by third party insurers and sold by affiliates pursuant to section 225.25(b)(8)(i) of Regulation Y;
(12) Consumers Protective Life Insurance Company, Little Rock, Arkansas: underwriting credit insurance sold in connection with loans made by its Arkansas banking affiliates pursuant to section 225.25(b)(8)(i) of Regulation Y;
(13) Southwest Protective Life Insurance Company, Fort Smith, Arkansas: reinsuring credit life insurance underwritten by third party insurers in connection with loans made by its affiliated thrift pursuant to section 225.25(b)(8)(i) of Regulation Y;
(14) Boatmen's Insurance Agency, Inc., St. Louis, Missouri: sale of credit insurance directly related to extensions of credit by its affiliated banks, and direct mail solicitation of accidental death and dismemberment insurance to the applicant's deposit and loan customers pursuant to section 225.25(b)(8)(i) of Regulation Y; and
(15) River City Capital Management, Inc., St. Louis, Missouri: acting as a general partner for certain limited partnerships that would be exempt from registration as investment companies under the Investment Company Act of 1940 (15 U.S.C. § 80a-1) (*See Meridian Bancorp, Inc.*, 80 *Federal Reserve Bulletin* 736 (1994).

Appendix C

Local banking markets where the bank subsidiaries of NationsBank and Boatmen's compete:

(1) Lawrence County, Tennessee banking market — approximated by Lawrence County, Tennessee.
(2) Memphis, Tennessee banking market — approximated by Shelby, Tipton and Fayette Counties in Tennessee; Crittendon County, Arkansas; and De Soto and Tate Counties in Mississippi.
(3) Nashville, Tennessee banking market — approximated by Cheatham, Davidson, Robertson, Rutherford, Sumner, Williamson and Wilson Counties, plus the town of Spring Hill in Maury County, all in Tennessee.
(4) El Paso, Texas banking market — approximated by El Paso County, Texas, and a portion of Dona Ana County, New Mexico.
(5) Austin, Texas banking market — approximated by Williamson, Travis, Hayes, Caldwell and Bastrop Counties, all in Texas.

Appendix D
Boatmen's CRA Performance Examination Rating

Boatmen's Subsidiary Banks	CRA rating	Date
Boatmen's National Bank of Batesville, Batesville, Arkansas	Outstanding	4/29/96
Boatmen's National Bank of North Central Arkansas, Bull Shoals, Arkansas	Outstanding	4/1/96
Boatmen's National Bank of South Arkansas, Camden, Arkansas	Outstanding	4/29/96
Boatmen's National Bank of Conway, Conway, Arkansas	Outstanding	4/29/96
Boatmen's National Bank of North West Arkansas, Fayetteville, Arkansas	Outstanding	5/6/96
Superior Federal Bank, FSB, Fort Smith, Arkansas	Outstanding	8/8/94
Boatmen's National Bank of Hot Springs, Hot Springs, Arkansas	Outstanding	4/15/96
Boatmen's Bank of Northeast Arkansas, Jonesboro, Arkansas	Satisfactory	2/13/95
Boatmen's National Bank of Arkansas, Little Rock, Arkansas	Outstanding	4/8/96
Boatmen's National Bank of Newark, Newark, Arkansas	Outstanding	5/6/96
Boatmen's National Bank of Pine Bluff, Pine Bluff, Arkansas	Outstanding	4/29/96
Boatmen's National Bank of Russellville, Russellville, Arkansas	Outstanding	4/22/96
Boatmen's Bank of Franklin County, Benton, Illinois	Satisfactory	11/28/94
Boatmen's National Bank of Coles County, Charleston, Illinois	Satisfactory	9/27/94
Boatmen's National Bank of Central Illinois, Hillsboro, Illinois	Satisfactory	9/12/94
Boatmen's Bank of S. Central Illinois, Mount Vernon, Illinois	Outstanding	1/3/94
Boatmen's Bank of Quincy, Quincy, Illinois	Outstanding	2/4/94
Boatmen's Bank Iowa, N.A., Des Moines, Iowa	Outstanding	9/6/94
Boatmen's Bank of Fort Dodge, Fort Dodge, Iowa	Outstanding	4/24/95
Boatmen's Bank of North Iowa, Mason City, Iowa	Outstanding	7/15/96
Boatmen's National Bank of Northwest Iowa, Spencer, Iowa	Satisfactory	7/25/94
Bank IV N.A., Wichita, Kansas	Outstanding	3/13/95
Boatmen's National Bank of Boonville, Boonville, Missouri	Satisfactory	10/3/94
Boatmen's Osage Bank, Butler, Missouri	Outstanding	12/30/94

Appendix D—(*continued*)

Boatmen's Subsidiary Banks	CRA rating	Date
Boatmen's National Bank of Cape Girardeau, Cape Girardeau, Missouri	Satisfactory	4/4/94
Boatmen's Bank of Southwest Missouri, Carthage, Missouri	Outstanding	9/5/95
Boatmen's Bank of Mid Missouri, Columbia, Missouri	Outstanding	12/12/94
Boatmen's First National Bank of Kansas, Kansas City, Missouri	Outstanding	1/18/94
Boatmen's Bank of Kennett, Kennett, Missouri	Satisfactory	4/1/96
Boatmen's National Bank of Lebanon, Lebanon, Missouri	Satisfactory	8/15/94
Boatmen's River Valley Bank, Lexington, Missouri	Outstanding	1/19/96
Boatmen's Bank of Marshall, Marshall, Missouri	Outstanding	8/16/94
Boatmen's Bank of Pulaski County, Richland, Missouri	Outstanding	9/5/95
Boatmen's Bank Rolla, Rolla, Missouri	Outstanding	8/8/94
The Boatmen's National Bank of St. Louis, St. Louis, Missouri	Outstanding	2/26/96
Boatmen's Bank of Southern Missouri, Springfield, Missouri	Outstanding	10/18/95
Boatmen's Bank of Troy, Troy, Missouri	Satisfactory	4/3/95
Boatmen's Bank of Vandalia, Vandalia, Missouri	Satisfactory	1/10/95
Boatmen's First National Bank of West Plains, West Plains, Missouri	Satisfactory	9/12/94
Boatmen's Credit Card Bank, Albuquerque, New Mexico	Satisfactory	8/19/94
Sunwest Bank of Albuquerque, N.A., Albuquerque, New Mexico	Outstanding	4/4/94
Sunwest Bank of Clovis, N.A., Clovis, New Mexico	Outstanding	3/31/94
Sunwest Bank of Rio Arriba, N.A., Espanola, New Mexico	Satisfactory	3/31/94
Sunwest Bank of Farmington, Farmington, New Mexico	Satisfactory	3/8/96
Sunwest Bank of Gallup, Gallup, New Mexico	Satisfactory	1/12/96
Sunwest Bank of Hobbs, N.A., Hobbs, New Mexico	Satisfactory	4/11/94
Sunwest Bank of Las Cruces, N.A., Las Cruces, New Mexico	Satisfactory	4/18/94
Sunwest Bank of Raton, N.A., Raton, New Mexico	Outstanding	3/31/94
Sunwest Bank of Roswell, N.A., Roswell, New Mexico	Satisfactory	3/31/94
Sunwest Bank of Santa Fe, Santa Fe, New Mexico	Outstanding	11/25/94
Sunwest Bank, Silver City, New Mexico	Outstanding	4/24/95
Boatmen's National Bank of Oklahoma, Tulsa, Oklahoma	Satisfactory	9/12/95
Boatmen's Bank of Tennessee, Memphis, Tennessee	Outstanding	12/12/94
Boatmen's First National Bank of Amarillo, Amarillo, Texas	Satisfactory	5/16/94
Boatmen's National Bank of Austin, Austin, Texas	Satisfactory	10/14/94
Sunwest Bank of El Paso, El Paso, Texas	Outstanding	7/8/96

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT
By the Secretary of the Board

Recent applications have been approved by the Secretary of the Board as listed below. Copies are available upon request to the Freedom of Information Office, Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant(s)	Bank(s)	Effective Date
Compass Bancshares, Inc., Birmingham, Alabama Compass Banks of Texas, Inc., Birmingham, Alabama Compass Bancorporation of Texas, Inc., Wilmington, Delaware	Greater Brazos Valley Bancorp, Inc., College Station, Texas Greater Brazos Valley Delaware Bancorp, Inc., Dover, Delaware Commerce National Bank, College Station, Texas	December 4, 1996

By Federal Reserve Banks

Recent applications have been approved by the Federal Reserve Banks as listed below. Copies are available upon request to the Reserve Banks.

Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
1st Floyd Bankshares, Inc., Rome, Georgia	1st Floyd Bank, Rome, Georgia	Atlanta	November 27, 1996
ABC Bancorp, Moultrie, Georgia	M&F Financial Corporation, Donalsonville, Georgia Merchants & Farmers Bank, Donalsonville, Georgia	Atlanta	December 13, 1996
Albany Bancorp, Inc., Albany, Kentucky	First National Bancorp of Columbia, Inc., Columbia, Kentucky First National Bank of Columbia, Columbia, Kentucky	St. Louis	December 6, 1996
Berthoud Bancorp Employee Stock Ownership Plan, Berthoud, Colorado	Berthoud Bancorp, Inc., Berthoud, Colorado	Kansas City	December 19, 1996
Bluestem Bank Holding Company, L.L.C., Sioux Falls, South Dakota	Thomson Holdings, Inc., Centerville, South Dakota	Minneapolis	December 12, 1996
BOK Financial Corporation, Tulsa, Oklahoma	Park Cities Bancshares, Inc., Dallas, Texas	Kansas City	December 9, 1996
Capitol Bancorp, Limited, Lansing, Michigan	Brighton Commerce Bank, Clinton Township, Michigan	Chicago	November 27, 1996
Carolina Financial Corporation, Charleston, South Carolina	Community FirstBank of Charleston, Charleston, South Carolina	Richmond	December 23, 1996

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Central Texas Bankshare Holdings, Inc., Columbus, Texas Colorado County Investment Holdings, Inc., Wilmington, Delaware	Hill Bancshares Holdings, Inc., Weimar, Texas Hill Bancshares, Inc., Wilmington, Delaware Hill Bank & Trust Company, Weimar, Texas	Dallas	December 26, 1996
Citizens Bancorp, Inc., Newport, Kentucky	Citizens Bank of Campbell County, Newport, Kentucky	Cleveland	November 29, 1996
City National Corporation, Beverly Hills, California	Ventura County National Bancorp, Oxnard, California Ventura County National Bank, Oxnard, California Frontier Bank, N.A., La Palma, California	San Francisco	December 3, 1996
CN Bancorp, Inc., Glen Burnie, Maryland	County National Bank, Glen Burnie, Maryland	Richmond	December 4, 1996
CNB Bancshares, Inc., Evansville, Indiana	BMC Bancshares, Inc., Mt. Carmel, Illinois Bank of Mt. Carmel, Mt. Carmel, Illinois	St. Louis	December 17, 1996
The Colonial BancGroup, Inc., Montgomery, Alabama	Jefferson Bancorp, Inc., Miami Beach, Florida Jefferson Bank of Florida, Miami Beach, Florida	Atlanta	December 13, 1996
Columbus Bancorp, Inc., Indianapolis, Indiana	Salin Bank and Trust Company, Indianapolis, Indiana	Chicago	November 27, 1996
Cullen/Frost Bankers, Inc., San Antonio, Texas The New Galveston Company, Wilmington, Delaware	Corpus Christi Bancshares, Corpus Christi, Texas C.S.B.C.C., Inc., Wilmington, Delaware Citizens State Bank, Corpus Christi, Texas	Dallas	December 5, 1996
Deerwood Bancshares, Inc., Deerwood, Minnesota	Deerwood Bancorporation, Inc., Deerwood, Minnesota First National Bank of Deerwood, Deerwood, Minnesota	Minneapolis	November 27, 1996
Diboll State Bancshares, Inc., Diboll, Texas Diboll State Bancshares of Delaware, Inc., Wilmington, Delaware	The First State Bank, Jasper, Texas	Dallas	December 3, 1996
F&M Bancorporation, Kaukauna, Wisconsin F&M Merger Corporation, Kaukauna, Wisconsin	East Troy Bancshares, Inc., East Troy, Wisconsin State Bank of East Troy, East Troy, Wisconsin	Chicago	November 22, 1996
F&M Bancorporation, Kaukauna, Wisconsin	Green County Bank, Brodhead, Wisconsin	Chicago	November 22, 1996
FBOP Corporation, Oak Park, Illinois	SDNB Financial Corp., San Diego, California San Diego National Bank, San Diego, California	Chicago	December 10, 1996

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
First American Corporation, Nashville, Tennessee	Hartsville Bancshares, Inc., Hartsville, Tennessee CommunityFIRST Bank, Hartsville, Tennessee	Atlanta	December 12, 1996
First Mineola, Inc., Mineola, Texas	First National Bank, Mineola, Texas	Dallas	December 17, 1996
First SCK Financial Corporation, Anthony, Kansas	First National Bank of Anthony, Anthony, Kansas	Kansas City	December 4, 1996
FNB Company, Livingston, Texas	FNB Company of Delaware, Wilmington, Delaware The First National Bank of Livingston, Livingston, Texas	Dallas	December 13, 1996
FNB Company of Delaware, Wilmington, Delaware	The First National Bank of Livingston, Livingston, Texas	Dallas	December 13, 1996
Forrest City Financial Corporation, Forrest City, Arkansas	Forrest City Bank, FSB, Forrest City, Arkansas	St. Louis	November 27, 1996
Forsyth Bancshares, Inc., Cumming, Georgia	The Citizens Bank of Forsyth County, Cumming, Georgia	Atlanta	November 25, 1996
Fredonia State Bankshares, Inc., Fredonia, Kansas	State Bank of Fredonia, Fredonia, Kansas	Kansas City	November 22, 1996
Frandsen Financial Corporation, Forest Lake, Minnesota	State Bank of Lonsdale, Lonsdale, Minnesota	Minneapolis	November 21, 1996
Great Basin Financial Corporation, Elko, Nevada	Great Basin Bank of Nevada, Elko, Nevada	San Francisco	December 24, 1996
Haviland Bancshares, Inc., Haviland, Kansas	Fredonia State Bancshares, Inc., Fredonia, Kansas	Kansas City	November 29, 1996
Hoeme Family Partnership, Scott City, Kansas	First National Bancshares of Scott City, Ltd., Scott City, Kansas	Kansas City	December 20, 1996
Independent Bancorp, Limited, Little Chute, Wisconsin	Bank of Little Chute, Little Chute, Wisconsin	Chicago	December 13, 1996
Liberty Financial Corporation, West Des Moines, Iowa	B and K Bancorporation, Inc., West Des Moines, Iowa Liberty Bank & Trust, Bloomfield, Iowa Winnebago County Bancorporation, West Des Moines, Iowa Liberty Bank and Trust, Forest City, Iowa L.B.T. Bancorporation, West Des Moines, Iowa Liberty Bank & Trust, Lake Mills, Iowa First Liberty Bancorp., West Des Moines, Iowa Liberty Bank & Trust, Mason City, Iowa BW3 Bancorporation, West Des Moines, Iowa Liberty Bank & Trust, N.A., Pocahontas, Iowa	Chicago	December 2, 1996

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Liberty Financial Corporation, West Des Moines, Iowa—Continued	I.S.B. Bancorporation, Inc., West Des Moines, Iowa Liberty Bank & Trust, Woodbine, Iowa A.B.C. Bancorporation, Inc., Tucson, Arizona Liberty Bank & Trust, Tucson, Arizona	Chicago	December 2, 1996
Linn Holding Company, Inc., Linn, Missouri	Heritage Bank, Loose Creek, Missouri	St. Louis	December 10, 1996
MainBancorp, Inc., Austin, Texas	MainCorp Intermediate Holding Company, Wilmington, Delaware ROSB Bancorp, Inc., Red Oak, Texas MainBank, Red Oak, Texas	Dallas	November 26, 1996
MainCorp Intermediate Holding Company, Inc., Wilmington, Delaware	ROSB Bancorp, Inc., Red Oak, Texas MainBank, Red Oak, Texas	Dallas	November 26, 1996
Mancos Bancorporation, Inc., Mancos, Colorado	Southern Colorado Bank Holding Company, Pagosa Springs, Colorado	Kansas City	December 4, 1996
Mark Twain Bancshares, Inc., St. Louis, Missouri	First City Bancshares, Inc. of Springfield, Missouri, Springfield, Missouri First City National Bank, Springfield, Missouri	St. Louis	November 26, 1996
Metrocorp, Inc., East Moline, Illinois	Metrobank - Illinois, N.A., East Moline, Illinois	Chicago	December 23, 1996
New Asia Bancorp, Inc., Chicago, Illinois	NAB Bank, Chicago, Illinois	Chicago	December 9, 1996
The Oskey Limited Partnership, Mesa, Arizona	Hiawatha Bancshares, Inc., Hager City, Wisconsin Glenwood Bancshares, Inc., Glenwood City, Wisconsin	Minneapolis	December 16, 1996
Panhandle Aviation, Inc., Clarinda, Iowa	National Bank of Iowa, Denison, Iowa	Chicago	December 18, 1996
Pennwood Bancorp, Inc., Pittsburgh, Pennsylvania	Pennwood Savings Bank, Pittsburgh, Pennsylvania	Cleveland	November 27, 1996
Pineries Bankshares, Inc., Stevens Point, Wisconsin	Mattoon State Bank, Mattoon, Wisconsin	Chicago	December 13, 1996
Pontiac Bancorp, Inc., Pontiac, Illinois	Bank of Dwight, Dwight, Illinois	Chicago	December 10, 1996
Provident Bancorp, Inc., Cincinnati, Ohio	South Hillsborough Community Bank, Apollo Beach, Florida	Cleveland	December 4, 1996
Salin Bancshares, Inc., Indianapolis, Indiana	Columbus Bancorp, Inc., Indianapolis, Indiana	Chicago	November 27, 1996
Security Bancshares, Inc., Amory, Mississippi	Security Bank of Amory, Amory, Mississippi	St. Louis	December 20, 1996

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
South Central Bancshares, Inc., Russellville, Kentucky	Hopkins Bancorp, Inc., Wickliffe, Kentucky Citizens State Bank, Wickliffe, Kentucky	St. Louis	November 22, 1996
South Coast Bancorp, Inc., Irvine, California	South Coast Thrift and Loan Association, Irvine, California	San Francisco	December 9, 1996
State Financial Services, Inc., Harrodsburg, Kentucky	State Bank & Trust Company, Harrodsburg, Kentucky	St. Louis	December 19, 1996
Summit Bancorp., Princeton, New Jersey Summit Bank, Hackensack, New Jersey	B.M.J. Financial Corp., Bordentown, New Jersey The Bank of Mid-Jersey, Bordentown, New Jersey	New York	December 6, 1996
Two Rivers Bank Holding Company, Rock Valley, Iowa	Rock Valley State Bank, Rock Valley, Iowa	Chicago	December 19, 1996
UST Corp., Boston, Massachusetts	Walden Bancorp, Inc., Acton, Massachusetts	Boston	December 2, 1996
U.S. Trust Corporation, New York, New York	U.S. Trust Company of New Jersey, Princeton, New Jersey	New York	December 20, 1996
Walker Ban Co., Walker, Minnesota	Pequot Area Bancorporation, Inc., Pequot Lakes, Minnesota	Minneapolis	December 18, 1996
Wintrust Financial Corporation, Lake Forest, Illinois	Barrington Bank & Trust Company, N.A., Barrington, Illinois	Chicago	December 4, 1996

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Campello Bancorp, Brockton, Massachusetts	Cody Services Corporation, Brockton, Massachusetts	Boston	December 3, 1996
Cattail Bancshares, Inc., Atwater, Minnesota	To engage *de novo* in making and servicing loans	Minneapolis	November 26, 1996
First Citizens BancShares, Inc., Raleigh, North Carolina	Atlantic States Bank, Raleigh, North Carolina	Richmond	December 4, 1996
The Fuji Bank, Limited, Tokyo, Japan	Heller Financial, Inc., Chicago, Illinois	New York	December 18, 1996
FW Financial, Inc./First Western Bancorp, Inc., Huron, South Dakota	FW Insurance Agency, Atkinson, Nebraska	Minneapolis	November 22, 1996
Heartland Financial USA, Inc., Dubuque, Iowa	Tri-State Community Credit Corporation, Dubuque, Iowa	Chicago	December 20, 1996
JS Investments, Limited Partnership, Billings, Montana Nbar5, Limited Partnership, Ranchester, Wyoming First Interstate BancSystems of Montana, Billings, Montana	Mountain Bank, Whitefish, Montana	Minneapolis	December 17, 1996
MidAmerica Bancshares, Inc., Newport, Minnesota	MidAmerica Financial Corporation, Newport, Minnesota	Minneapolis	December 6, 1996

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Mid Am, Inc., Bowling Green, Ohio	Mid Am Private Trust, N.A., Cincinnati, Ohio	Cleveland	December 11, 1996
The Mitsubishi Trust and Banking Corporation, Tokyo, Japan	Spectrum Capital, Ltd., New York, New York	New York	December 16, 1996
National Commerce Bancorporation, Memphis, Tennessee	J & S Leasing, Inc., Knoxville, Tennessee	St. Louis	December 24, 1996
Norwest Corporation, Minneapolis, Minnesota	Advance Mortgage, Chesapeake, Virginia	Minneapolis	December 3, 1996
Norwest Corporation, Minneapolis, Minnesota	Mortgage One, Canton, Ohio	Minneapolis	December 4, 1996
Peoples Bancorp Inc., Marietta, Ohio	Russell Federal Savings Bank, Russell, Kentucky	Cleveland	November 27, 1996
Provident Bancorp, Inc., Cincinnati, Ohio	Information Leasing Corporation, Cincinnati, Ohio Procurement Alternatives Corporation, Cincinnati, Ohio	Cleveland	November 22, 1996
Royal Bank of Canada, Montreal, Quebec, Canada	To engage *de novo* through a wholly owned subsidiary in certain activities related to making and servicing loans	New York	November 22, 1996
The Royal Bank of Scotland Group plc, Edinburgh, Scotland The Royal Bank of Scotland plc, Edinburgh, Scotland The Governor and Company of the Bank of Ireland, Dublin, Ireland Citizens Financial Group, Inc., Providence, Rhode Island	CFG, Citizens Capital, Inc., Boston, Massachusetts	Boston	December 4, 1996
Southern National Corporation, Winston-Salem, North Carolina BB&T Financial Corporation of Virginia, Winston-Salem, North Carolina	Fidelity Financial Bankshares Corporation, Richmond, Virginia Fidelity Federal Savings Bank, Richmond, Virginia	Richmond	December 16, 1996

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Louisville Development Bancorp, Inc., Louisville, Kentucky	Louisville Community Development Bank, Louisville, Kentucky Louisville Real Estate Development Company, Louisville, Kentucky	St. Louis	December 11, 1996
Magna Group, Inc., St. Louis, Missouri HBC Acquisition Sub, Inc., St. Louis, Missouri	Homeland Bankshares Corporation, Waterloo, Iowa Homeland Savings Bank, FSB, Des Moines, Iowa Homeland Trust Company, Des Moines, Iowa Homeland Student Loan Company, West Des Moines, Iowa	St. Louis	December 17, 1996

APPLICATIONS APPROVED UNDER BANK MERGER ACT
By Federal Reserve Banks

Recent applications have been approved by the Federal Reserve Banks as listed below. Copies are available upon request to the Reserve Banks.

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
The Citizens Banking Company, Sandusky, Ohio	EST National Bank, Elyria, Ohio	Cleveland	December 24, 1996
FCNB Bank, Frederick, Maryland	Elkridge Bank, Elkridge,Maryland	Richmond	December 11, 1996
Mercantile Bank of Lawrence, Lawrence, Kansas	Mercantile Bank, Overland Park, Kansas	Kansas City	December 2, 1996
Summit Bank, Hackensack, New Jersey	The Bank of Mid-Jersey, Bordentown, New Jersey	New York	December 6, 1996
Tehama County Bank, Red Bluff, California	Wells Fargo Bank, N.A., San Francisco, California	San Francisco	December 11, 1996

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.

The New Mexico Alliance v. Board of Governors, No. 96–9552 (10th Cir., filed December 24, 1996). Petition for review of a Board order dated December 16, 1996, approving the acquisition by NationsBank Corporation and NB Holdings Corporation, both of Charlotte, North Carolina, of Boatmen's Bancshares, Inc., St. Louis, Missouri. Also on December 24, 1996, petitioners moved for an emergency stay of the Board's order.

Artis v. Greenspan, No. 1:96CV02619 (D.D.C., filed November 19, 1996). Employment discrimination action. On December 20, 1996, the Board moved to dismiss the action.

First Baird Bancshares, Inc. v. Board of Governors, No. 96–1426 (D.C. Cir., filed November 18, 1996). Petition for review of Board order dated November 6, 1996, approving applications of First Commercial Corporation, Little Rock, Arkansas, Arvest Bank Group, Inc., Bentonville, Arkansas, and TRH Bank Group, Inc., Norman, Oklahoma, to acquire all the shares of The Oklahoma National Bank of Duncan, Duncan, Oklahoma. On November 20, 1996, the Court denied petitioners' motion for a stay.

Snyder v. Board of Governors, No. 96–1403 (D.C. Cir., filed October 23, 1996). Petition for review of Board order dated September 11, 1996, prohibiting John K. Snyder and Donald E. Hedrick from further participation in the banking industry. On November 21, 1996, the Board moved to dismiss the petition.

American Bankers Insurance Group, Inc. v. Board of Governors, No. 96-CV-2383-EGS (D.D.C., filed October 16, 1996). Action seeking declaratory and injunctive relief invalidating a new regulation issued by the Board under the Truth in Lending Act relating to treatment of fees for debt cancellation agreements. On October 18, 1996, the district court denied plaintiffs' motion for a temporary restraining order. A hearing on the motion for preliminary and permanent injunctive relief is set for February 10, 1997.

Clifford v. Board of Governors, No. 96–1342 (D.C. Cir., filed September 17, 1996). Petition for review of Board order dated August 21, 1996, denying petitioners' motion to dismiss enforcement action against them. On November 4, 1996, the Board filed a motion to dismiss the petition.

Artis v. Greenspan, No. 96-CV-02105 (D. D.C., filed September 11, 1996). Class complaint alleging race discrimination in employment. On December 20, 1996, the Board moved to dismiss the action.

Leuthe v. Board of Governors, No. 96–5725 (E.D. Pa., filed August 16, 1996). Action against the Board and other Federal banking agencies challenging the constitutionality of the Office of Financial Institution Adjudication.

Long v. Board of Governors, No. 96–9526 (10th Cir., filed July 31, 1996). Petition for review of Board order dated July 2, 1996, assessing a civil money penalty and cease and desist order for violations of the Bank Holding Company Act. The Board's brief in opposition to the petition was filed November 27, 1996.

Board of Governors v. Interamericas Investments, Ltd., No. 96–7108 (D.C. Cir., filed June 14, 1996). Appeal of district court ruling granting, in part, the Board's application to enforce an adminstrative investigatory subpoena for documents and testimony. On November 15, 1996, the court dismissed the action on appellants' motion.

Interamericas Investments, Ltd. v. Board of Governors, No. 96–60326 (5th Cir., filed May 8, 1996). Petition for review of order imposing civil money penalties and cease and desist order in enforcement case. Petitioners' brief was filed on July 26, 1996, and the Board's brief was filed on September 27, 1996. On August 20, petitioners' motion for a stay of the Board's orders pending judicial review was denied by the Court of Appeals.

Kuntz v. Board of Governors, No. 96–1079 (D.C. Cir., filed March 7, 1996). Petition for review of a Board order dated February 7, 1996, approving applications by The Fifth Third Bank, Cincinnati, Ohio, and The Firth Third Bank of Columbus, Columbus, Ohio, to acquire certain assets and assume certain liabilities of 25 branches of NBD Bank, Columbus, Ohio. Petitioner has moved to consolidate the case with *Kuntz v. Board of Governors,* No. 95–1495. On April 8, 1996, the Board filed a motion to dismiss the action.

Henderson v. Board of Governors, No. 96–1054 (D.C. Cir., filed February 16, 1996). Petition for review of a Board order dated January 17, 1996, approving the merger of First Citizens BancShares, Inc., Raleigh, North Carolina, with Allied Bank Capital, Inc., Sanford, North Carolina. Petitioners' motion for a stay was denied on March 7, 1996. Following briefing on the merits of the petition, petitioners filed a motion for voluntary dismissal on December 19, 1996.

Research Triangle Institute v. Board of Governors, No. 1:96CV00102 (M.D.N.C., filed February 12, 1996). Contract dispute. On May 3, 1996, the Board filed a motion to dismiss the action.

Inner City Press/Community on the Move v. Board of Governors, No. 96-4008 (2nd Cir., filed January 19, 1996). Petition for review of a Board order dated January 5, 1996, approving the applications and notices by Chemical Banking Corporation to merge with The Chase Manhattan Corporation, both of New York, New York, and by Chemical Bank to merge with The Chase Manhattan Bank, N.A., both of New York, New York. Petitioners' motion for an emergency stay of the transaction was denied following oral argument on March 26, 1996. The Board's brief on the merits was filed July 8, 1996. The case has been consolidated for oral argument and decision with *Lee v. Board of Governors,* No. 95–4134 (2d Cir.); oral argument is scheduled for January 13, 1997.

Kuntz v. Board of Governors, No. 95–1495 (D.C. Cir., filed September 21, 1995). Petition for review of Board order dated August 23, 1995, approving the applications of The Fifth Third Bank, Cincinnati, Ohio, to acquire certain assets and assume certain liabilities of 12 branches of PNC Bank, Ohio, N.A., Cincinnati, Ohio, and to establish certain branches. The Board's motion to dismiss was filed on October 26, 1995.

Lee v. Board of Governors, No. 95–4134 (2nd Cir., filed August 22, 1995). Petition for review of Board orders dated July 24, 1995, approving certain steps of a corporate reorganization of U.S. Trust Corporation, New York, New York, and the acquisition of U.S. Trust by Chase Manhattan Corporation, New York, New York. On September 12, 1995, the court denied petitioners' motion for an emergency stay of the Board's orders. The Board's brief was filed on April 16, 1996. Oral argument, consolidated with *Inner City Press/Community on the Move v. Board of Governors,* is scheduled for January 13, 1996.

Beckman v. Greenspan, No. 95–35473 (9th Cir., filed May 4, 1995). Appeal of dismissal of action against Board and others seeking damages for alleged violations of constitutional and common law rights. The appellants' brief was filed on June 23, 1995; the Board's brief was filed on July 12, 1995.

Money Station, Inc. v. Board of Governors, No. 95–1182 (D.C. Cir., filed March 30, 1995). Petition for review of a Board order dated March 1, 1995, approving notices by Bank One Corporation, Columbus, Ohio; CoreStates Financial Corp., Philadelphia, Pennsylvania; PNC Bank Corp., Pittsburgh, Pennsylvania; and KeyCorp, Cleveland, Ohio, to acquire certain data processing assets of National City Corporation, Cleveland, Ohio, through a joint venture subsidiary. On April 23, 1996, the court vacated the Board's order. On July 31, 1996, the full court granted the Board's suggestion for rehearing *en banc,* and vacated the April 23 panel decision. On December 19, 1996, the parties filed a stipulation of voluntary dismissal. *In re Subpoena Duces Tecum,* Misc. No. 95–06 (D.D.C., filed January 6, 1995). Action to enforce subpoena seeking pre-decisional supervisory documents sought in connection with an action by Bank of New England Corporation's trustee in bankruptcy against the Federal Deposit Insurance Corporation. The Board filed its opposition on January 20, 1995. Oral argument on the motion was held July 14, 1995.

Board of Governors v. Pharaon, No. 91-CIV-6250 (S.D. New York, filed September 17, 1991). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On September 17, 1991, the court issued an order temporarily restraining the transfer or disposition of the individual's assets.

FINAL ENFORCEMENT ORDERS ISSUED BY THE BOARD OF GOVERNORS

Banco Latino C.A., S.A.C.A.
Caracas, Venezuela

The Federal Reserve Board announced on December 4, 1996, the issuance of an Amended Cease and Desist Order against Banco Latino C.A., S.A.C.A., Caracas, Venezuela, and Banco Latino International, Miami, Florida.

Nir Kantor
New York, New York

The Federal Reserve Board announced on December 23, 1996, the issuance of an Order of Prohibition against Nir Kantor, a former officer and institution-affiliated party of BT Securities Corporation, New York, New York, a nonbank subsidiary of Bankers Trust New York Corporation, New York, New York, a registered bank holding corporation.

George T. Wittman
New York, New York

The Federal Reserve Board announced on December 11, 1996, the issuance of an Order of Prohibition against George T. Wittman, a former private banking account officer and institution-affiliated party of the New York Branch of Banque Indosuez, Paris, France.

TERMINATION OF ENFORCEMENT ACTIONS

The Federal Reserve Board announced on December 13, 1996, the termination of the following enforcement actions:

Bankers Trust New York Corporation
Bankers Trust Company
BT Securities Corporation
New York, New York

Written Agreement dated December 9, 1994—terminated December 9, 1996.

Ronald E. Bond, Former President
and Chairman of American State Bancshares, Inc.
Broken Bow, Oklahoma

Written Agreement dated April 24, 1992—terminated December 9, 1996.

Northern Bancorp, Inc.
Woburn, Massachusetts
and James J. Mawn and Robert L. McCrensky

Written Agreement dated February 15, 1996—terminated November 6, 1996.

Financial and Business Statistics

DOMESTIC NONFINANCIAL STATISTICS—CONTINUED

Selected Measures—Continued

INTERNATIONAL STATISTICS

Summary Statistics

Reported by Banks in the United States

Reported by Nonbanking Business Enterprises in the United States

Securities Holdings and Transactions

Interest and Exchange Rates

Guide to Tabular Presentation

SYMBOLS AND ABBREVIATIONS

c	Corrected
e	Estimated
n.a.	Not available
n.e.c.	Not elsewhere classified
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
. . .	Cell not applicable
ATS	Automatic transfer service
BIF	Bank insurance fund
CD	Certificate of deposit
CMO	Collateralized mortgage obligation
FFB	Federal Financing Bank
FHA	Federal Housing Administration
FHLBB	Federal Home Loan Bank Board
FHLMC	Federal Home Loan Mortgage Corporation
FmHA	Farmers Home Administration
FNMA	Federal National Mortgage Association
FSLIC	Federal Savings and Loan Insurance Corporation
G-7	Group of Seven
G-10	Group of Ten
GNMA	Government National Mortgage Association
GDP	Gross domestic product
HUD	Department of Housing and Urban Development
IMF	International Monetary Fund
IO	Interest only
IPCs	Individuals, partnerships, and corporations
IRA	Individual retirement account
MMDA	Money market deposit account
MSA	Metropolitan statistical area
NOW	Negotiable order of withdrawal
OCD	Other checkable deposit
OPEC	Organization of Petroleum Exporting Countries
OTS	Office of Thrift Supervision
PO	Principal only
REIT	Real estate investment trust
REMIC	Real estate mortgage investment conduit
RP	Repurchase agreement
RTC	Resolution Trust Corporation
SAIF	Savings Association Insurance Fund
SCO	Securitized credit obligation
SDR	Special drawing right
SIC	Standard Industrial Classification
VA	Department of Veterans Affairs

GENERAL INFORMATION

In many of the tables, components do not sum to totals because of rounding.

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

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

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1995	1996			1996				
	Q4	Q1	Q2	Q3	July	Aug	Sept	Oct.[r]	Nov.
Reserves of depository institutions[2]									
1 Total	−6.9	−7.9	−6.4	−16.4	−20.3	−20.9	−21.1	−28.4	−6.7
2 Required	−7.7	−8.5	−5.7	−16.6	−18.8	−19.0	−23.3	−27.9	−7.5
3 Nonborrowed	−6.4	−6.5	−7.6	−17.6	−20.0	−20.3	−22.0	−26.7	−5.0
4 Monetary base[3]	2.7	1.5	2.2	5.9	7.6	6.3	4.5	3.5	5.8
Concepts of money, liquid assets, and debt[4]									
5 M1	−5.1	−2.7	−.7	−7.0	−9.1	−9.9	−8.7	−16.8	.1
6 M2	4.1	5.7	3.8	2.7	1.6	3.8[r]	3.3[r]	2.9	7.1
7 M3	4.6	7.1	5.5	4.4[r]	2.8	4.9[r]	7.2[r]	8.6	6.6
8 L	6.0	5.0	5.7	4.8	3.3[r]	6.6[r]	8.3[r]	3.9	n.a.
9 Debt	4.7	5.0	5.6	5.0[r]	5.9[r]	4.5[r]	3.8[r]	4.6	n.a.
Nontransaction components									
10 In M2[5]	8.4	9.4	5.7	6.9[r]	6.2	9.5[r]	8.3[r]	10.9	9.9
11 In M3 only[6]	6.8	12.7	12.4	10.7	7.3[r]	9.3[r]	21.8[r]	29.8	5.0
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	13.1	22.6	12.7	11.5	9.6	17.5	10.2	17.4	16.7
13 Small time[7]	4.8	2.5	−2.9	3.7[r]	5.4	6.2[r]	6.2[r]	5.6	8.0
14 Large time[8,9]	19.5	8.0	17.6	16.8	16.3	10.0	21.4	49.6	16.9
Thrift institutions									
15 Savings, including MMDAs	−2.8	−.3	8.1	−.2	−.7	−4.9	−1.0	3.3	−2.6
16 Small time[7]	4.9	−2.3	−3.2	−.6[r]	−2.7	3.8[r]	3.4[r]	6.8	2.0
17 Large time[8]	8.4	6.4	−3.0	8.5	12.7	9.4	18.8	13.8	9.1
Money market mutual funds									
18 Retail	16.9	13.3	9.4	13.6	13.1	14.9	17.4	14.5	14.8
19 Institution-only	10.3	27.9	8.7	18.6	16.8	20.4	25.7	7.3	13.2
Repurchase agreements and Eurodollars									
20 Repurchase agreements[10]	−12.7	3.4	16.3	−4.2	−11.1	−5.6	19.4	13.6	−17.1
21 Eurodollars[10]	−6.7	17.0	7.4	−.3	−17.2	7.5	21.1	56.0	−23.3
Debt components[4]									
22 Federal	2.3	3.0	4.7	3.8	6.0	4.5	1.0	3.7	n.a.
23 Nonfederal	5.5[r]	5.8	5.9	5.5[r]	5.8[r]	4.6[r]	4.8[r]	4.9	n.a.

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding during preceding month or quarter.

2. Figures incorporate adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.20.)

3. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

4. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of depository institutions, (2) travelers checks of nonbank issuers, (3) demand deposits at all commercial banks other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float, and (4) other checkable deposits (OCDs), consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. Seasonally adjusted M1 is computed by summing currency, travelers checks, demand deposits, and OCDs, each seasonally adjusted separately.

M2: M1 plus (1) savings (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than $50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of $100,000 or more), (2) balances in institutional money funds (money funds with minimum initial investments of $50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

5. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances, each seasonally adjusted separately.

6. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees, each seasonally adjusted separately.

7. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits.

8. Large time deposits are those issued in amounts of $100,000 or more excluding those booked at international banking facilities.

9. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

10. Includes both overnight and term.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT[1]

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1996			1996						
	Sept.	Oct.	Nov.	Oct. 16	Oct. 23	Oct. 30	Nov. 6	Nov. 13	Nov. 20	Nov. 27
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	427,377	426,254[r]	430,853	427,910	427,779	425,131[r]	428,123	429,842	432,168	430,814
U.S. government securities[2]										
2 Bought outright—System account	387,118	386,942	392,296	387,116	387,020	386,640	386,486	393,581	393,796	394,121
3 Held under repurchase agreements	4,540	3,042	3,219	3,945	3,634	2,251	4,904	429	3,982	2,588
Federal agency obligations										
4 Bought outright	2,319	2,289	2,245	2,309	2,288	2,249	2,247	2,247	2,247	2,242
5 Held under repurchase agreements	824	1,434	967	1,624	1,782	1,652	1,874	228	686	659
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	95	50	77	158	4	5	9	8	63	221
8 Seasonal credit	310	212	105	213	197	181	126	109	106	96
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	595	704[r]	789	907	1,136	402[r]	504	1,260	799	462
11 Other Federal Reserve assets	31,577	31,580[r]	31,155	31,638	31,718	31,751[r]	31,972	31,981	30,489	30,426
12 Gold stock	11,050	11,049	11,049	11,049	11,049	11,049	11,049	11,049	11,049	11,049
13 Special drawing rights certificate account	9,718	9,718	9,718	9,718	9,718	9,718	9,718	9,718	9,718	9,718
14 Treasury currency outstanding	24,739	24,800	24,862	24,794	24,808	24,822	24,836	24,850	24,864	24,878
ABSORBING RESERVE FUNDS										
15 Currency in circulation	431,635	432,734	436,949	433,891	433,263	432,201	433,764	436,538	437,167	438,091
16 Treasury cash holdings	282	287	276	292	281	281	280	277	275	272
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	6,139	5,064	4,939	4,885	5,414	5,228	5,013	4,905	5,039	4,996
18 Foreign	176	174	169	178	166	182	170	166	173	170
19 Service-related balances and adjustments	6,379	6,655[r]	6,896	6,799	6,659	6,666[r]	7,004	6,794	6,774	6,936
20 Other	357	373	352	381	358	378	370	359	364	343
21 Other Federal Reserve liabilities and capital	14,088	13,883	14,263	13,834	14,139	14,146	14,060	14,152	14,457	14,381
22 Reserve balances with Federal Reserve Banks[3]	13,828	12,651[r]	12,637	13,211	13,075	11,637[r]	13,064	12,268	13,550	11,271

Factor	End-of-month figures			Wednesday figures						
	Sept.	Oct.	Nov.	Oct. 16	Oct. 23	Oct. 30	Nov. 6	Nov. 13	Nov. 20	Nov. 27
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	428,168	430,602[r]	437,240	427,170	434,727	426,869[r]	433,040	432,548	437,679	435,169
U.S. government securities[2]										
2 Bought outright—System account	383,910	385,087	392,662	387,055	386,616	387,585	387,367	393,765	393,430	392,767
3 Held under repurchase agreements	7,014	7,830	7,548	1,255	9,332	2,680	7,270	0	8,475	5,988
Federal agency obligations										
4 Bought outright	2,309	2,247	2,237	2,309	2,260	2,247	2,247	2,247	2,247	2,237
5 Held under repurchase agreements	1,338	2,970	2,763	824	2,897	2,120	2,375	0	1,725	2,323
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	1,360	6	111	704	12	5	3	17	372	2
8 Seasonal credit	294	157	76	205	189	180	110	112	99	90
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	640	312[r]	951	3,395	981	100[r]	1,352	4,295	1,158	979
11 Other Federal Reserve assets	31,302	31,994[r]	30,892	31,422	32,440	31,952[r]	32,316	32,113	30,173	30,783
12 Gold stock	11,050	11,049	11,049	11,049	11,049	11,049	11,049	11,049	11,049	11,049
13 Special drawing rights certificate account	9,718	9,718	9,718	9,718	9,718	9,718	9,718	9,718	9,718	9,718
14 Treasury currency outstanding	24,766	24,836	24,892	24,794	24,808	24,822	24,836	24,850	24,864	24,878
ABSORBING RESERVE FUNDS										
15 Currency in circulation	430,394	433,238	440,914	434,677	433,308	433,379	435,668	437,994	437,742	440,953
16 Treasury cash holdings	286	281	273	281	281	281	278	276	272	273
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	7,700	5,897	4,857	3,594	5,337	5,388	5,774	4,512	5,119	4,688
18 Foreign	265	176	170	165	168	165	166	169	183	164
19 Service-related balances and adjustments	6,539	7,004[r]	7,110	6,799	6,659	6,666[r]	7,004	6,794	6,774	6,936
20 Other	368	363	292	366	364	330	362	346	366	299
21 Other Federal Reserve liabilities and capital	13,744	14,066	14,219	13,660	13,937	13,884	13,866	13,964	14,212	14,165
22 Reserve balances with Federal Reserve Banks[3]	14,406	15,181[r]	15,064	13,190	20,249	12,366[r]	15,526	14,111	18,644	13,337

1. Amounts of cash held as reserves are shown in table 1.12, line 2.

2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.

3. Excludes required clearing balances and adjustments to compensate for float.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1993	1994	1995	1996						
	Dec.	Dec.	Dec.	May	June	July	Aug.	Sept.	Oct.	Nov.
1 Reserve balances with Reserve Banks[2]	29,374	24,658	20,440	16,753	16,590	15,392	14,761	13,688	12,800[r]	12,881
2 Total vault cash[3]	36,818	40,378	42,088	41,146	41,979	42,773	42,517	43,639	42,913	42,737
3 Applied vault cash[4]	33,484	36,682	37,460	36,382	37,095	37,451	36,880	37,309	36,749[r]	36,854
4 Surplus vault cash[5]	3,334	3,696	4,628	4,764	4,883	5,322	5,637	6,330	6,164	5,883
5 Total reserves[6]	62,858	61,340	57,900	53,135	53,686	52,843	51,642	50,997	49,550[r]	49,735
6 Required reserves	61,795	60,172	56,622	52,275	52,535	51,778	50,681	49,959	48,556[r]	48,715
7 Excess reserve balances at Reserve Banks[7]	1,063	1,168	1,278	860	1,150	1,065	961	1,038	994	1,021
8 Total borrowings at Reserve Banks[8]	82	209	257	127	386	368	334	368	287	214
9 Seasonal borrowings	31	100	40	105	192	284	309	306	212	109
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0
	Biweekly averages of daily figures for two week periods ending on dates indicated									
	1996									
	July 31	Aug. 14	Aug. 28	Sept. 11	Sept. 25	Oct. 9	Oct. 23	Nov. 6[r]	Nov. 20	Dec. 4
1 Reserve balances with Reserve Banks[2]	14,448	14,940	14,613	14,623	13,324	12,653	13,141	12,371	12,914	13,143
2 Total vault cash[3]	43,492	43,326	41,604	43,007	44,028	43,941	42,196	43,013	42,497	42,908
3 Applied vault cash[4]	37,740	37,604	36,114	37,083	37,505	37,258	36,267	37,021	36,768	36,874
4 Surplus vault cash[5]	5,752	5,722	5,490	5,924	6,523	6,683	5,929	5,992	5,729	6,034
5 Total reserves[6]	52,188	52,544	50,726	51,705	50,829	49,911	49,408	49,392	49,682	50,017
6 Required reserves	50,964	51,514	49,835	50,741	49,745	48,839	48,470	48,388	48,678	48,963
7 Excess reserve balances at Reserve Banks[7]	1,223	1,029	891	964	1,084	1,072	938	1,004	1,004	1,054
8 Total borrowings at Reserve Banks[8]	442	306	349	394	335	402	286	161	143	346
9 Seasonal borrowings	304	290	328	308	317	274	205	154	108	86
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover. Data are not break-adjusted or seasonally adjusted.
2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.
3. Total "lagged" vault cash held by depository institutions subject to reserve requirements. Dates refer to the maintenance periods during which the vault cash may be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.
4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.
5. Total vault cash (line 2) less applied vault cash (line 3).
6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).
7. Total reserves (line 5) less required reserves (line 6).
8. Also includes adjustment credit.
9. Consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Banks[1]

Millions of dollars, averages of daily figures

Source and maturity	1996, week ending Monday								
	Sept. 30	Oct. 7	Oct. 14	Oct. 21	Oct. 28	Nov. 4	Nov. 11	Nov. 18	Nov. 25
Federal funds purchased, repurchase agreements, and other selected borrowings									
From commercial banks in the United States									
1 For one day or under continuing contract	71,817	73,330	72,201	72,887	71,752[r]	83,017	85,282	86,493	81,974
2 For all other maturities	15,154	15,306	16,965	16,168	16,576	15,678	15,144	15,001	15,895
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 For one day or under continuing contract	15,419	15,857	19,483	15,192	14,466	18,374	21,104	18,616	17,421
4 For all other maturities	19,277	19,255	17,812	18,432	19,023	18,015	18,894	18,894	18,976
Repurchase agreements on U.S. government and federal agency securities									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	17,772	17,002	16,570	18,957	17,104	18,184	18,228	20,466	18,998
6 For all other maturities	36,037	36,853	37,152	35,978	36,034	34,934	34,302	32,556	32,243
All other customers									
7 For one day or under continuing contract	40,007	40,916	42,297	41,575	41,046	41,867	41,395	43,135	41,956
8 For all other maturities	13,730	14,084	14,588	14,137	14,134	14,024	13,878	13,525	13,461
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	64,758	62,470	59,218	62,154	62,229[r]	70,222	69,818	72,489	70,607
10 To all other specified customers[2]	23,324	23,066	23,302	24,890	22,879	24,108	23,756	25,456	22,362

1. Banks with assets of $4 billion or more as of Dec. 31, 1988.
Data in this table also appear in the Board's H.5 (507) weekly statistical release. For ordering address, see inside front cover.
2. Brokers and nonbank dealers in securities, other depository institutions, foreign banks and official institutions, and U.S. government agencies.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit[1]			Seasonal credit[2]			Extended credit[3]		
	On 1/3/97	Effective date	Previous rate	On 1/3/97	Effective date	Previous rate	On 1/3/97	Effective date	Previous rate
Boston	5.00	2/1/96	5.25	5.40	1/2/97	5.35	5.90	1/2/97	5.85
New York		1/31/96							
Philadelphia		1/31/96							
Cleveland		1/31/96							
Richmond		2/1/96							
Atlanta		1/31/96							
Chicago		2/1/96							
St. Louis		2/5/96							
Minneapolis		1/31/96							
Kansas City		2/1/96							
Dallas		1/31/96							
San Francisco	5.00	1/31/96	5.25	5.40	1/2/97	5.35	5.90	1/2/97	5.85

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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6.5	6.5
20	6.5	6.5
May 11	6.5–7	7
12	7	7
July 3	7–7.25	7.25
10	7.25	7.25
Aug. 21	7.75	7.75
Sept. 22	8	8
Oct. 16	8–8.5	8.5
20	8.5	8.5
Nov. 1	8.5–9.5	9.5
3	9.5	9.5
1979—July 20	10	10
Aug. 17	10–10.5	10.5
20	10.5	10.5
Sept. 19	10.5–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
1981—May 5	13–14	14
8	14	14

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1981—Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11.5–12	11.5
23	11.5	11.5
Aug. 2	11–11.5	11
3	11	11
16	10.5	10.5
27	10–10.5	10
30	10	10
Oct. 12	9.5–10	9.5
13	9.5	9.5
Nov. 22	9–9.5	9
26	9	9
Dec. 14	8.5–9	9
15	8.5–9	8.5
17	8.5	8.5
1984—Apr. 9	8.5–9	9
13	9	9
Nov. 21	8.5–9	8.5
26	8.5	8.5
Dec. 24	8	8
1985—May 20	7.5–8	7.5
24	7.5	7.5
1986—Mar. 7	7–7.5	7
10	7	7
Apr. 21	6.5–7	6.5
23	6.5	6.5
July 11	6	6
Aug. 21	5.5–6	5.5
22	5.5	5.5
1987—Sept 4	5.5–6	6
11	6	6

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1988—Aug. 9	6–6.5	6.5
11	6.5	6.5
1989—Feb. 24	6.5–7	7
27	7	7
1990—Dec. 19	6.5	6.5
1991—Feb 1	6–6.5	6
4	6	6
Apr. 30	5.5–6	5.5
May 2	5.5	5.5
Sept. 13	5–5.5	5
17	5	5
Nov. 6	4.5–5	4.5
7	4.5	4.5
Dec. 20	3.5–4.5	3.5
24	3.5	3.5
1992—July 2	3–3.5	3
7	3	3
1994—May 17	3–3.5	3.5
18	3.5	3.5
Aug. 16	3.5–4	4
18	4	4
Nov. 15	4–4.75	4.75
17	4.75	4.75
1995—Feb 1	4.75–5.25	5.25
9	5.25	5.25
1996—Jan. 31	5.00–5.25	5.00
Feb. 5	5.00	5.00
In effect Jan. 3, 1997	5.00	5.00

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

2. Available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intrayearly movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates charged by market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period, however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

4. For earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, and *1941–1970*; and the *Annual Statistical Digest, 1970–1979*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment-credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. A surcharge of 2 percent was reimposed on Nov. 17, 1980; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981, the formula for applying the surcharge was changed from a calendar quarter to a moving thirteen-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Type of deposit	Requirement	
	Percentage of deposits	Effective date
Net transaction accounts[2]		
1 $0 million–$49.3 million[3]	3	1/2/97
2 More than $49.3 million[4]	10	1/2/97
3 Nonpersonal time deposits[5]	0	12/27/90
4 Eurocurrency liabilities[6]	0	12/27/90

1. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmember institutions may maintain reserve balances with a Federal Reserve Bank indirectly, on a pass-through basis, with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* or the *Federal Reserve Bulletin* Under the Monetary Control Act of 1980, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. Transaction accounts include all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, or telephone or preauthorized transfers for the purpose of making payments to third persons or others. However, accounts subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month (of which no more than three may be by check, draft, debit card, or similar order payable directly to third parties) are savings deposits, not transaction accounts.

3. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 of each year. Effective with the reserve maintenance period beginning January 2, 1997, for depository institutions that report weekly, and with the period beginning January 16, 1997, for institutions that report quarterly, the amount was decreased from $52.0 million to $49.3 million.

Under the Garn–St Germain Depository Institutions Act of 1982, the Board adjusts the amount of reservable liabilities subject to a zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is made in the event of a decrease. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement. Effective with the reserve maintenance period beginning January 2, 1997, for depository institutions that report weekly, and with the period beginning January 16, 1997, for institutions that report quarterly, the exemption was raised from $4.3 million to $4.4 million.

4. The reserve requirement was reduced from 12 percent to 10 percent on Apr. 2, 1992, for institutions that report weekly, and on Apr. 16, 1992, for institutions that report quarterly.

5. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to 1½ percent for the maintenance period that began Dec. 13, 1990, and to zero for the maintenance period that began Dec. 27, 1990. For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan. 17, 1991.

The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1993	1994	1995	1996						
				Apr.	May	June	July	Aug.	Sept	Oct.
U.S. TREASURY SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	17,717	17,484	10,932	88	0	3,311	0	0	0	0
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	332,229	376,277	398,487	32,218	40,467	31,726	32,368	34,271	32,791	38,661
4 Redemptions	0	0	900	0	0	0	0	0	0	0
Others within one year										
5 Gross purchases	1,223	1,238	390	35	0	0	0	1,240	0	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shifts	31,368	0	0	3,511	5,107	0	2,807	2,780	2,371	1,623
8 Exchanges	−36,582	−21,444	0	−4,824	−5,448	0	−4,415	−3,580	−2,890	−1,770
9 Redemptions	0	0	0	787	0	0	0	0	0	0
One to five years										
10 Gross purchases	10,350	9,168	4,966	1,899	0	0	0	1,279	0	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shifts	−27,140	−6,004	0	−3,511	−4,049	0	−2,807	−1,409	−2,371	−1,623
13 Exchanges	0	17,801	0	4,824	3,748	0	3,694	1,780	2,890	1,395
Five to ten years										
14 Gross purchases	4,168	3,818	1,239	479	0	0	0	297	0	0
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shifts	0	−3,145	0	0	−1,058	0	0	−1,371	0	0
17 Exchanges	0	2,903	0	0	1,700	0	721	900	0	375
More than ten years										
18 Gross purchases	3,457	3,606	3,122	1,065	0	0	0	900	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shifts	0	−918	0	0	0	0	0	0	0	0
21 Exchanges	0	775	0	0	0	0	0	900	0	0
All maturities										
22 Gross purchases	36,915	35,314	20,649	3,566	0	3,311	0	3,716	0	0
23 Gross sales	0	0	0	0	0	0	0	0	0	0
24 Redemptions	767	2,337	2,376	787	0	0	0	0	0	0
Matched transactions										
25 Gross purchases	1,475,941	1,700,836	2,197,736	253,482	259,135	248,534	267,438	265,397	234,992	268,304
26 Gross sales	1,475,085	1,701,309	2,202,030	251,510	259,595	249,277	268,975	264,536	238,036	267,128
Repurchase agreements										
27 Gross purchases	475,447	309,276	331,694	46,449[r]	30,688	43,048	46,151	45,202	36,014	33,836
28 Gross sales	470,723	311,898	328,497	50,345	24,984[r]	41,666	37,779	56,286	33,374	33,020
29 Net change in U.S. Treasury securities	41,729	29,882	17,175	854[r]	5,244[r]	3,950	6,836	−6,508	−404	1,993
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	774	1,002	1,303	82	16	40	52	0	27	63
Repurchase agreements										
33 Gross purchases	35,063	52,696	36,851	2,372	5,722	4,113[r]	3,145	8,500	4,536	12,683
34 Gross sales	34,669	52,696	36,776	3,372	4,372	6,488	2,863	7,544	4,436	11,051
35 Net change in federal agency obligations	−380	−1,002	−1,228	−1,082	1,334	−2,415[r]	231	956	73	1,569
36 Total net change in System Open Market Account	**41,348**	**28,880**	**15,948**	**−228[r]**	**6,578[r]**	**1,535[r]**	**7,066**	**−5,552**	**−331**	**3,562**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

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

Millions of dollars

Account	Wednesday					End of month		
	1996					1996		
	Oct. 30	Nov. 6	Nov. 13	Nov. 20	Nov. 27	Sept. 30	Oct. 31	Nov. 30
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,049	11,049	11,049	11,049	11,049	11,050	11,049	11,049
2 Special drawing rights certificate account	9,718	9,718	9,718	9,718	9,718	9,718	9,718	9,718
3 Coin	616	618	623	624	619	596	621	621
Loans								
4 To depository institutions	185	113	129	471	93	1,654	162	188
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	2,247	2,247	2,247	2,247	2,237	2,309	2,247	2,237
8 Held under repurchase agreements	2,120	2,375	0	1,725	2,323	1,338	2,970	2,763
9 **Total U.S. Treasury securities**	**390,265**	**394,637**	**393,765**	**401,905**	**398,755**	**390,924**	**392,917**	**400,210**
10 Bought outright[2]	387,585	387,367	393,765	393,430	392,767	383,910	385,087	392,662
11 Bills	187,325	187,106	193,504	193,169	192,507	183,650	184,826	192,401
12 Notes	152,392	152,392	152,392	150,922	150,922	152,392	152,392	150,922
13 Bonds	47,869	47,869	47,869	49,339	49,339	47,869	47,869	49,339
14 Held under repurchase agreements	2,680	7,270	0	8,475	5,988	7,014	7,830	7,548
15 **Total loans and securities**	**394,817**	**399,372**	**396,140**	**406,347**	**403,407**	**396,226**	**398,296**	**405,397**
16 Items in process of collection	6,458	7,748	13,208	7,000	6,682	2,521	5,646	3,609
17 Bank premises	1,214	1,216	1,217	1,221	1,221	1,207	1,215	1,221
Other assets								
18 Denominated in foreign currencies[3]	19,518	19,518	19,526	19,534	19,542	19,484	19,511	19,338
19 All other[4]	11,352	11,707	11,464	9,488	10,013	10,679	11,442	10,332
20 **Total assets**	**454,742**	**460,946**	**462,945**	**464,981**	**462,251**	**451,481**	**457,498**	**461,286**
LIABILITIES								
21 Federal Reserve notes	409,453	411,728	414,042	413,774	416,966	406,510	409,304	416,915
22 **Total deposits**	**25,923**	**29,303**	**26,084**	**31,042**	**25,309**	**29,331**	**29,754**	**27,450**
23 Depository institutions	20,041	23,001	21,057	25,376	20,158	20,997	23,317	22,131
24 U.S. Treasury—General account	5,388	5,774	4,512	5,119	4,688	7,700	5,897	4,857
25 Foreign—Official accounts	165	166	169	183	164	265	176	170
26 Other	330	362	346	366	299	368	363	292
27 Deferred credit items	5,482	6,050	8,855	5,954	5,811	1,897	4,375	2,702
28 Other liabilities and accrued dividends[5]	4,475	4,443	4,467	4,709	4,666	4,515	4,598	4,730
29 **Total liabilities**	**445,333**	**451,523**	**453,448**	**455,479**	**452,752**	**442,252**	**448,031**	**451,796**
CAPITAL ACCOUNTS								
30 Capital paid in	4,565	4,577	4,577	4,581	4,587	4,535	4,565	4,587
31 Surplus	3,860	3,860	3,860	3,860	3,860	3,958	3,860	3,860
32 Other capital accounts	984	986	1,059	1,061	1,052	736	1,042	1,043
33 **Total liabilities and capital accounts**	**454,742**	**460,946**	**462,945**	**464,981**	**462,251**	**451,481**	**457,498**	**461,286**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	596,136	600,971	603,941	607,563	610,668	590,730	600,425	614,599
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	530,439	530,703	530,522	530,248	529,445	533,392	530,917	529,197
36 LESS: Held by Federal Reserve Banks	120,986	118,975	116,479	116,474	112,479	126,882	121,613	112,282
37 Federal Reserve notes, net	409,453	411,728	414,042	413,774	416,966	406,510	409,304	416,915
Collateral held against notes, net								
38 Gold certificate account	11,049	11,049	11,049	11,049	11,049	11,050	11,049	11,049
39 Special drawing rights certificate account	9,718	9,718	9,718	9,718	9,718	9,718	9,718	9,718
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	388,686	390,960	393,275	393,007	396,199	385,742	388,537	396,148
42 **Total collateral**	**409,453**	**411,728**	**414,042**	**413,774**	**416,966**	**406,510**	**409,304**	**416,915**

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

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1996					1996		
	Oct. 30	Nov. 6	Nov. 13	Nov. 20	Nov. 27	Sept. 30	Oct. 31	Nov. 30
1 **Total loans**	**185**	**113**	**129**	**471**	**93**	**1,654**	**186**	**188**
2 Within fifteen days[1]	167	22	38	464	87	1,508	171	140
3 Sixteen days to ninety days	18	91	91	7	6	145	15	48
4 **Total U.S. Treasury securities**	**390,265**	**394,637**	**393,765**	**401,905**	**398,755**	**383,910**	**385,087**	**392,662**
5 Within fifteen days[1]	18,935	27,714	18,010	18,434	21,270	7,494	11,135	7,741
6 Sixteen days to ninety days	88,745	83,344	93,258	91,814	85,628	91,276	83,090	92,763
7 Ninety-one days to one year	113,426	113,893	112,810	120,133	120,333	115,601	121,176	120,633
8 One year to five years	94,775	95,303	95,303	95,917	95,917	95,531	95,302	95,917
9 Five years to ten years	34,028	34,028	34,028	33,782	33,782	33,653	34,028	33,782
10 More than ten years	40,356	40,356	40,356	41,826	41,826	40,356	40,356	41,826
11 **Total federal agency obligations**	**4,367**	**4,622**	**2,247**	**3,972**	**4,560**	**2,309**	**2,247**	**2,237**
12 Within fifteen days[1]	2,274	2,375	10	2,062	2,662	335	154	339
13 Sixteen days to ninety days	806	967	957	630	644	566	806	644
14 Ninety-one days to one year	275	268	268	268	242	477	275	242
15 One year to five years	520	520	520	520	520	440	520	520
16 Five years to ten years	467	467	467	467	467	467	467	467
17 More than ten years	25	25	25	25	25	25	25	25

1. Holdings under repurchase agreements are classified as maturing within fifteen days in accordance with maximum maturity of the agreements.

NOTE. Total acceptances data have been deleted from this table because data are no longer available.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1992 Dec.	1993 Dec.	1994 Dec.	1995 Dec.	1996 Apr.	1996 May	1996 June	1996 July	1996 Aug.	1996 Sept.	1996 Oct.[r]	1996 Nov.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	54.37	60.52	59.36	56.36	55.18	54.23	54.11	53.20	52.27	51.35	50.14	49.85
2 Nonborrowed reserves[4]	54.24	60.44	59.16	56.11	55.09	54.10	53.73	52.83	51.94	50.98	49.85	49.64
3 Nonborrowed reserves plus extended credit[5]	54.24	60.44	59.16	56.11	55.09	54.10	53.73	52.83	51.94	50.98	49.85	49.64
4 Required reserves	53.21	59.46	58.20	55.09	54.06	53.37	52.96	52.13	51.31	50.31	49.14	48.83
5 Monetary base[6]	351.24	386.88	418.72	435.01	436.64	437.01	439.09	441.88	444.20	445.86	447.16	449.30
	Not seasonally adjusted											
6 Total reserves[7]	56.06	62.37	61.13	58.02	56.00	53.29	53.87	53.05	51.88	51.27	49.85	50.06
7 Nonborrowed reserves	55.93	62.29	60.92	57.76	55.90	53.16	53.48	52.69	51.55	50.90	49.56	49.85
8 Nonborrowed reserves plus extended credit[5]	55.93	62.29	60.92	57.76	55.90	53.16	53.48	52.69	51.55	50.90	49.56	49.85
9 Required reserves[8]	54.90	61.31	59.96	56.74	54.88	52.43	52.72	51.99	50.92	50.23	48.85	49.04
10 Monetary base[9]	354.55	390.59	422.51	439.03	437.12	436.13	439.89	443.22	444.58	445.53	445.41	449.23
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	56.54	62.86	61.34	57.90	55.87	53.14	53.69	52.84	51.64	51.00	49.55	49.74
12 Nonborrowed reserves	56.42	62.78	61.13	57.64	55.78	53.01	53.30	52.48	51.31	50.63	49.26	49.52
13 Nonborrowed reserves plus extended credit[5]	56.42	62.78	61.13	57.64	55.78	53.01	53.30	52.48	51.31	50.63	49.26	49.52
14 Required reserves	55.39	61.80	60.17	56.62	54.75	52.28	52.54	51.78	50.68	49.96	48.56	48.72
15 Monetary base[12]	360.90	397.62	427.25	444.45	442.96	442.17	445.95	449.29	450.77	451.70	451.88	455.87
16 Excess reserves[13]	1.16	1.06	1.17	1.28	1.12	.86	1.15	1.07	.96	1.04	.99	1.02
17 Borrowings from the Federal Reserve	.12	.08	.21	.26	.09	.13	.39	.37	.33	.37	.29	.21

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data starting in 1959 and estimates of the effect on required reserves of changes in reserve requirements are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.10.)

3. Seasonally adjusted, break-adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).

4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).

5. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

6. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).

8. To adjust required reserves for discontinuities that are due to regulatory changes in reserve requirements, a multiplicative procedure is used to estimate what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves include required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).

9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with regulatory changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since the introduction of contemporaneous reserve requirements in February 1984, currency and vault cash figures have been measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item	1992 Dec.	1993 Dec.	1994 Dec.	1995 Dec.	1996 Aug.	1996 Sept.	1996 Oct.[r]	1996 Nov.
				Seasonally adjusted				
Measures[2]								
1 M1	1,024.4	1,128.6	1,148.7	1,124.9	1,099.1	1,091.1	1,075.8	1,075.9
2 M2	3,438.7	3,494.0	3,509.2	3,657.4	3,754.4[r]	3,764.7[r]	3,773.7	3,796.0
3 M3	4,187.1	4,249.6	4,319.2	4,572.4	4,752.1[r]	4,780.6[r]	4,814.7	4,841.3
4 L	5,075.6	5,164.5	5,302.9	5,681.9	5,881.9[r]	5,922.8[r]	5,942.0	n.a.
5 Debt	11,880.7[r]	12,506.5[r]	13,148.4[r]	13,866.9[r]	14,368.9[r]	14,414.3[r]	14,469.8	n.a.
M1 components								
6 Currency[3]	292.9	322.4	354.9	373.2	385.0	387.5	390.3	392.6
7 Travelers checks[4]	8.1	7.9	8.5	8.9	8.4	8.4	8.5	8.6
8 Demand deposits[5]	339.1	384.3	382.4	389.8	407.3	405.3	396.1	400.6
9 Other checkable deposits[6]	384.2	414.0	402.9	353.0	298.4	290.0	280.9	274.1
Nontransaction components								
10 In M2[7]	2,414.3	2,365.4	2,360.5	2,532.6	2,655.3[r]	2,673.6[r]	2,697.9	2,720.1
11 In M3 only[8]	748.5	755.6	810.0	914.9	997.7	1,015.8[r]	1,041.0	1,045.3
Commercial banks								
12 Savings deposits, including MMDAs	754.1	785.0	751.9	775.0	857.2	864.5	877.0	889.2
13 Small time deposits[9]	509.3	470.3	505.3	578.3	580.6[r]	583.6[r]	586.3	590.2
14 Large time deposits[10, 11]	286.5	272.2	298.3	342.1	375.3	382.0	397.8	403.4
Thrift institutions								
15 Savings deposits, including MMDAs	433.0	433.8	397.0	359.5	367.1	366.8	367.8	367.0
16 Small time deposits[9]	361.9	317.6	318.2	359.4	352.8[r]	353.8[r]	355.8	356.4
17 Large time deposits[10]	67.1	61.5	64.8	75.1	76.8	78.0	78.9	79.5
Money market mutual funds								
18 Retail	356.0	358.7	388.1	460.3	497.7	504.9	511.0	517.3
19 Institution-only	199.8	197.9	183.7	227.2	257.2	262.7	264.3	267.2
Repurchase agreements and Eurodollars								
20 Repurchase agreements[12]	128.1	157.5	180.9	179.4	191.6	194.7	196.9	194.1
21 Eurodollars[12]	66.9	66.3	82.3	91.1	96.8	98.5	103.1	101.1
Debt components								
22 Federal debt	3,064.3	3,323.3	3,492.2	3,638.8	3,743.4	3,746.5[r]	3,758.2	n.a.
23 Nonfederal debt	8,816.4[r]	9,183.1[r]	9,656.2[r]	10,228.1[r]	10,625.5[r]	10,667.8[r]	10,711.6	n.a.
				Not seasonally adjusted				
Measures[2]								
24 M1	1,046.0	1,153.7	1,174.2	1,150.7	1,095.0	1,088.6	1,075.2	1,083.7
25 M2	3,455.1	3,514.1	3,529.6	3,677.1	3,758.4[r]	3,761.8[r]	3,769.4	3,801.9
26 M3	4,205.1	4,271.2	4,340.9	4,593.4	4,758.2[r]	4,775.4[r]	4,815.5	4,855.4
27 L	5,102.9	5,194.1	5,332.3	5,711.4	5,885.1[r]	5,907.5[r]	5,933.3	n.a.
28 Debt	11,882.3[r]	12,508.5[r]	13,150.0[r]	13,867.4[r]	14,317.9[r]	14,377.1[r]	14,434.3	n.a.
M1 components								
29 Currency[3]	295.0	324.8	357.5	376.1	385.9	386.8	389.0	392.8
30 Travelers checks[4]	7.8	7.6	8.1	8.5	9.0	8.8	8.6	8.4
31 Demand deposits[5]	354.4	401.8	400.1	407.9	404.9	404.5	399.1	408.3
32 Other checkable deposits[6]	388.9	419.4	408.4	358.1	295.2	288.4	278.5	274.1
Nontransaction components								
33 In M2[7]	2,409.1	2,360.4	2,355.4	2,526.4	2,663.4[r]	2,673.2[r]	2,694.2	2,718.2
34 In M3 only[8]	750.0	757.1	811.4	916.3	999.8	1,013.6	1,046.1	1,053.6
Commercial banks								
35 Savings deposits, including MMDAs	752.9	784.3	751.6	775.0	860.3	866.9	878.9	892.9
36 Small time deposits[9]	507.8	468.2	502.3	574.3	582.0[r]	583.6[r]	585.4	587.1
37 Large time deposits[10, 11]	286.0	272.0	298.1	342.0	376.1	382.7	400.9	407.0
Thrift institutions								
38 Savings deposits, including MMDAs	432.4	433.4	396.9	359.5	368.4	367.8	368.6	368.5
39 Small time deposits[9]	360.9	316.1	316.3	356.9	353.6[r]	353.8[r]	355.3	354.6
40 Large time deposits[10]	67.0	61.5	64.8	75.1	76.9	78.1	79.5	80.2
Money market mutual funds								
41 Retail	355.1	358.3	388.2	460.6	499.1	501.1	506.0	515.2
42 Institution-only	201.1	199.4	185.5	229.4	256.9	258.0	262.6	269.9
Repurchase agreements and Eurodollars								
43 Repurchase agreements[12]	127.2	156.6	179.6	178.0	192.7	195.7	198.8	193.6
44 Eurodollars[12]	68.7	67.6	83.4	91.9	97.2	99.0	104.3	102.8
Debt components								
45 Federal debt	3,069.8	3,329.5	3,499.0	3,645.9	3,730.9	3,736.1	3,740.9	n.a.
46 Nonfederal debt	8,812.5[r]	9,179.0[r]	9,651.0[r]	10,221.4[r]	10,587.0[r]	10,641.1[r]	10,693.4	n.a.

Footnotes appear on following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data starting in 1959 are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of depository institutions, (2) travelers checks of nonbank issuers, (3) demand deposits at all commercial banks other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float, and (4) other checkable deposits (OCDs), consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. Seasonally adjusted M1 is computed by summing currency, travelers checks, demand deposits, and OCDs, each seasonally adjusted separately.

M2: M1 plus (1) savings deposits (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than $50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of $100,000 or more) issued by all depository institutions, (2) balances in institutional money funds (money funds with minimum initial investments of $50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

3. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of depository institutions.

4. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

5. Demand deposits at commercial banks and foreign-related institutions other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float.

6. Consists of NOW and ATS account balances at all depository institutions, credit union share draft account balances, and demand deposits at thrift institutions.

7. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances.

8. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees.

9. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRAs and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.

10. Large time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

11. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

12. Includes both overnight and term.

1.22 DEPOSIT INTEREST RATES AND AMOUNTS OUTSTANDING Commercial and BIF-insured saving banks[1]

Item	1994 Dec.	1995 Dec.	1996 Mar.	Apr.	May	June	July	Aug	Sept.[r]	Oct.[r]	Nov.
	Interest rates (annual effective yields)[2]										
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts	1.96	1.91	1.85	1.88	1.88	1.89	1.90	1.91	1.90	1.91	1.98
2 Savings deposits[3]	2.92	3.10	2.91	2.91	2.89	2.87	2.88	2.86	2.84	2.85	2.85
Interest-bearing time deposits with balances of less than $100,000, by maturity											
3 7 to 91 days	3.79	4.10	4.02	4.01	4.03	4.08	4.13	4.17	4.11	4.11	4.10
4 92 to 182 days	4.44	4.68	4.49	4.51	4.51	4.55	4.59	4.60	4.61	4.60	4.60
5 183 days to 1 year	5.12	5.02	4.83	4.86	4.88	4.95	5.00	5.00	5.04	5.02	4.99
6 More than 1 year to 2½ years	5.74	5.17	4.94	5.03	5.10	5.18	5.25	5.25	5.29	5.27	5.23
7 More than 2½ years	6.30	5.40	5.19	5.28	5.36	5.46	5.50	5.50	5.54	5.52	5.48
BIF-INSURED SAVINGS BANKS[4]											
8 Negotiable order of withdrawal accounts	1.94	1.91	1.83	1.84	1.81	1.80	1.81	1.81	1.84	1.90	1.92
9 Savings deposits[3]	2.87	2.98	2.86	2.85	2.84	2.86	2.88	2.86	2.84	2.80	2.82
Interest-bearing time deposits with balances of less than $100,000, by maturity											
10 7 to 91 days	3.80	4.43	4.37	4.42	4.49	4.54	4.64	4.64	4.59	4.64	4.67
11 92 to 182 days	4.89	4.95	4.76	4.77	4.83	4.91	5.01	5.06	5.11	5.08	5.03
12 183 days to 1 year	5.52	5.18	4.89	4.91	4.96	5.02	5.09	5.26	5.33	5.32	5.29
13 More than 1 year to 2½ years	6.09	5.33	5.15	5.23	5.26	5.35	5.41	5.59	5.61	5.60	5.56
14 More than 2½ years	6.43	5.46	5.24	5.32	5.38	5.51	5.60	5.80	5.82	5.79	5.76
	Amounts outstanding (millions of dollars)										
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts	304,896	248,417	218,500	228,551	208,570	201,037	204,980	190,696	190,033	188,803	167,497
16 Savings deposits[3]	737,068	776,466	827,561	805,419	839,319	838,385	835,033	860,719	852,336	859,524	896,645
17 Personal	580,438	615,113	661,686	639,848	668,788	667,802	662,465	683,081	675,576	680,596	712,581
18 Nonpersonal	156,630	161,353	165,875	165,572	170,531	170,583	172,568	177,638	176,759	178,928	184,064
Interest-bearing time deposits with balances of less than $100,000, by maturity											
19 7 to 91 days	32,265	32,170	35,426	34,117	30,383	31,483	31,690	32,907	32,695	32,428	32,482
20 92 to 182 days	96,650	93,941	97,230	96,168	95,911	94,654	93,941	91,235	91,167	91,195	92,530
21 183 days to 1 year	163,062	183,834	186,206	190,297	193,821	194,900	197,108	200,038	200,008	199,397	201,278
22 More than 1 year to 2½ years	164,395	208,601	209,051	208,571	208,932	209,390	208,906	209,618	211,234	213,012	214,033
23 More than 2½ years	192,712	199,002	199,267	198,236	198,922	198,935	198,224	199,755	198,324	199,126	198,596
24 IRA and Keogh plan deposits	144,155	150,546	151,517	151,396	151,652	151,690	150,873	151,048	151,309	151,276	151,363
BIF-INSURED SAVINGS BANKS[4]											
25 Negotiable order of withdrawal accounts	11,175	11,918	11,671	11,461	11,715	11,255	10,889	10,682	9,838	9,938	9,710
26 Savings deposits[3]	70,082	68,643	67,215	66,729	67,630	66,938	66,854	67,431	67,980	67,975	68,102
27 Personal	67,159	65,366	64,152	63,486	64,121	63,642	63,557	63,927	64,425	64,326	64,135
28 Nonpersonal	2,923	3,277	3,063	3,243	3,510	3,296	3,296	3,504	3,555	3,649	3,967
Interest-bearing time deposits with balances of less than $100,000, by maturity											
29 7 to 91 days	2,144	2,001	2,145	2,182	2,349	2,229	2,368	2,316	2,540	2,503	2,405
30 92 to 182 days	11,361	12,140	13,499	13,931	13,955	13,725	13,587	13,440	13,474	13,300	13,088
31 183 days to 1 year	18,391	25,686	26,577	27,305	28,121	27,950	28,506	29,339	29,383	29,659	29,316
32 More than 1 year to 2½ years	17,787	27,482	25,959	25,704	25,444	25,513	26,132	26,199	27,192	28,063	28,573
33 More than 2½ years	21,293	22,866	22,671	22,547	22,661	22,593	22,563	22,477	22,348	22,156	21,822
34 IRA and Keogh plan accounts	19,013	21,321	20,766	20,697	20,683	21,116	21,051	21,052	21,002	20,983	20,627

1. BIF, Bank Insurance Fund. Data in this table also appear in the Board's H.6 (508) Special Supplementary Table monthly statistical release. For ordering address, see inside front cover. Estimates are based on data collected by the Federal Reserve System from a stratified random sample of about 425 commercial banks and 75 savings banks on the last day of each month. Data are not seasonally adjusted and include IRA and Keogh deposits and foreign currency-denominated deposits. Data exclude retail repurchase agreements and deposits held in U.S. branches and agencies of foreign banks.

2. As of October 31, 1994, interest rate data for NOW accounts and savings deposits reflect a series break caused by a change in the survey used to collect these data.

3. Includes personal and nonpersonal money market deposits.

4. Includes both mutual and federal savings banks.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]

A. All commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1995	1996							1996			
	Nov.	May	June	July	Aug.	Sept.	Oct.r	Nov.	Nov. 6	Nov. 13	Nov. 20	Nov. 27
	Seasonally adjusted											
Assets												
1 Bank credit	3,598.8r	3,674.2r	3,681.3r	3,687.7r	3,678.0r	3,692.6	3,720.4	3,747.9	3,734.7	3,740.9	3,734.4	3,777.3
2 Securities in bank credit	999.1	996.6r	989.7r	983.7r	972.3r	966.5r	968.4	986.2	982.3	980.4	982.2	997.2
3 U.S. government securities	714.1	713.2	708.5	707.6	701.3	702.2	700.8	705.4	705.9	703.2	703.6	709.7
4 Other securities	285.0	283.4r	281.3r	276.1r	271.0r	264.3r	267.6	280.8	276.4	277.2	278.5	287.5
5 Loans and leases in bank credit[2]	2,599.7r	2,677.6r	2,691.6r	2,704.0r	2,705.8r	2,726.1r	2,752.0	2,761.7	2,752.4	2,760.5	2,752.3	2,780.1
6 Commercial and industrial	713.6	735.3	738.5	743.0	744.4	759.0	770.2	774.8	770.7	773.7	772.4	780.1
7 Real estate	1,077.0r	1,100.3r	1,103.7r	1,105.8r	1,112.0r	1,113.6r	1,115.8	1,119.0	1,114.7	1,115.2	1,120.5	1,123.9
8 Revolving home equity	78.8	79.6r	79.3	79.9r	80.6r	81.2r	82.4	83.5	82.9	83.0	83.6	83.9
9 Other	998.2r	1,020.6r	1,024.5r	1,025.9r	1,031.4r	1,032.4r	1,033.4	1,035.5	1,031.7	1,032.2	1,036.9	1,039.9
10 Consumer	490.7r	504.7r	510.3r	513.5r	514.9r	518.7r	518.7	519.6	519.5	518.4	520.1	519.8
11 Security[3]	86.3	82.0	81.5	79.1	72.7	73.4	78.6	78.7	78.3	81.7	72.4	84.3
12 Other loans and leases	232.1	255.3	257.6	262.6	261.7	261.3	268.8	269.6	269.2	271.6	266.9	272.0
13 Interbank loans	193.7	210.7	208.4	197.3	198.3	205.0	199.6	213.0	213.0	210.4	214.7	215.4
14 Cash assets[4]	216.1	219.5	217.2	219.1	221.8	220.0	222.3	231.3	227.7	242.1	223.5	235.4
15 Other assets[5]	220.0	230.6	240.5	250.0	255.6	258.5	251.2	261.7	253.6	263.8	259.3	264.2
16 **Total assets[6]**	**4,172.1r**	**4,278.0r**	**4,290.1r**	**4,296.5r**	**4,296.2r**	**4,318.5r**	**4,335.6**	**4,396.1**	**4,371.2**	**4,399.5**	**4,374.2**	**4,434.7**
Liabilities												
17 Deposits	2,648.1	2,712.3	2,721.1	2,732.2	2,753.2	2,777.5	2,810.6	2,846.7	2,828.5	2,850.9	2,815.1	2,880.6
18 Transaction	768.7	755.1	750.0	741.9	734.1	725.6	719.6	723.0	717.7	729.3	703.0	746.8
19 Nontransaction	1,879.4	1,957.2	1,971.2	1,990.3	2,019.1	2,051.9	2,091.0	2,123.7	2,110.8	2,121.6	2,112.1	2,133.9
20 Large time	423.2	438.6	444.2	453.9	460.5	471.5	487.3	493.6	489.9	492.4	490.9	497.4
21 Other	1,456.2	1,518.6	1,527.0	1,536.4	1,558.7	1,580.4	1,603.7	1,630.0	1,620.9	1,629.2	1,621.2	1,636.5
22 Borrowings	674.1r	722.0r	713.4r	706.3r	718.2r	719.2r	683.4	697.9	686.9	693.9	705.8	713.8
23 From banks in the U.S.	291.5r	307.4r	303.5r	295.4r	300.4r	303.9r	294.8	298.1	292.3	290.1	305.3	308.5
24 From others	382.6	414.6	409.9	410.9	417.8	415.3	388.7	399.8	394.6	403.8	400.5	405.3
25 Net due to related foreign offices	264.4	256.9	257.2	253.6	244.4	248.9	243.8	236.4	246.9	241.4	243.9	216.4
26 Other liabilities	222.9	219.7	226.4	218.7	218.6	218.6	238.3	252.8	248.5	254.3	246.9	257.5
27 **Total liabilities**	**3,809.5r**	**3,910.8r**	**3,918.1r**	**3,910.8r**	**3,934.4r**	**3,964.3r**	**3,976.2**	**4,033.8**	**4,010.8**	**4,040.5**	**4,011.9**	**4,068.3**
28 Residual (assets less liabilities)[7]	362.6r	367.2r	372.1r	385.8r	361.8r	354.2r	359.5	362.3	360.4	359.0	362.3	366.4
	Not seasonally adjusted											
Assets												
29 Bank credit	3,604.9r	3,671.8r	3,678.4r	3,680.9r	3,677.1r	3,696.5r	3,719.3	3,746.9	3,740.4	3,739.9	3,733.1	3,769.8
30 Securities in bank credit	997.8	1,001.7r	991.1r	980.7r	976.5r	969.2r	967.7	978.4	977.4	973.9	975.1	985.1
31 U.S. government securities	712.4	714.0	708.6	705.4	704.5	703.7	700.1	704.1	705.8	702.7	702.1	706.1
32 Other securities	285.4	287.7r	282.5r	275.3r	272.0r	265.5r	267.6	274.3	271.5	271.2	273.0	279.1
33 Loans and leases in bank credit[2]	2,607.2r	2,670.1r	2,687.3r	2,700.2r	2,700.7r	2,727.3r	2,751.6	2,768.5	2,763.0	2,766.0	2,758.0	2,784.7
34 Commercial and industrial	711.9	740.8	741.4	744.1	741.1	754.0	765.7	772.9	769.7	770.4	771.5	778.6
35 Real estate	1,082.7r	1,097.2r	1,102.3r	1,105.6r	1,111.5r	1,115.5r	1,118.9	1,124.7	1,121.0	1,122.0	1,125.4	1,128.9
36 Revolving home equity	79.2	79.5r	79.2	80.0r	80.8r	81.7r	83.0	84.0	83.5	83.5	84.1	84.3
37 Other	1,003.4r	1,017.7r	1,023.1r	1,025.6r	1,030.7r	1,033.8r	1,035.8	1,040.8	1,037.5	1,038.5	1,041.3	1,044.6
38 Consumer	491.6r	503.0r	506.6	510.8r	515.1r	519.9r	519.2	520.4	519.9	518.8	520.5	521.2
39 Security[3]	87.7	77.9	79.5	76.6	70.8	73.1	76.9	79.2	80.9	81.7	72.7	83.4
40 Other loans and leases	233.3	251.2	257.5	263.1	262.2	264.9	271.0	271.2	271.6	273.1	267.8	272.6
41 Interbank loans	197.0	204.3	204.5	194.5	192.9	199.5	197.8	215.9	214.2	216.7	214.8	214.2
42 Cash assets[4]	220.1	216.9	215.1	216.8	212.3	220.9	223.1	235.7	220.9	252.4	227.3	242.7
43 Other assets[5]	219.4	231.4	240.1	250.8	257.5	259.8	251.5	260.2	255.0	263.9	254.6	261.7
44 **Total assets[6]**	**4,184.8**	**4,267.3r**	**4,280.9r**	**4,285.8r**	**4,282.3r**	**4,318.8r**	**4,334.0**	**4,400.7**	**4,372.6**	**4,415.0**	**4,371.8**	**4,430.5**
Liabilities												
45 Deposits	2,664.1	2,702.0	2,717.9	2,725.3	2,740.9	2,776.8	2,808.3	2,861.4	2,840.3	2,875.9	2,827.0	2,885.3
46 Transaction	782.3	742.8	743.5	734.8	720.4	724.7	717.9	734.7	721.0	747.6	713.6	755.2
47 Nontransaction	1,881.8	1,959.3	1,974.4	1,990.5	2,020.5	2,052.1	2,090.4	2,126.6	2,119.3	2,128.3	2,113.3	2,130.1
48 Large time	424.2	444.0	444.1	451.7	459.7	470.2	485.5	495.1	491.5	493.4	492.1	499.5
49 Other	1,457.6	1,515.3	1,530.4	1,538.8	1,560.8	1,581.9	1,604.9	1,631.6	1,627.8	1,634.9	1,621.2	1,630.6
50 Borrowings	681.9r	717.3	721.9r	715.0r	709.5r	711.5r	674.1	692.0	685.9	690.4	693.1	699.8
51 From banks in the U.S.	294.6r	303.8	305.5r	293.5r	289.2r	288.5r	284.8	298.4	292.9	295.5	298.1	302.1
52 From others	387.4	413.5	416.4	421.5	420.3	423.0	389.3	393.6	393.0	394.9	395.0	397.6
53 Net due to related foreign offices	263.3	259.1	249.5	251.8	243.4	245.1	245.2	233.7	236.6	236.3	237.7	229.4
54 Other liabilities	224.9	222.3	227.1	218.2	218.1	218.7	238.3	252.8	248.5	254.3	246.9	257.5
55 **Total liabilities**	**3,834.1r**	**3,900.8r**	**3,916.5r**	**3,910.3r**	**3,911.8r**	**3,952.1r**	**3,965.9**	**4,039.8**	**4,011.4**	**4,056.9**	**4,004.7**	**4,071.9**
56 Residual (assets less liabilities)[7]	350.6r	366.5r	364.5r	375.5r	370.5r	366.8r	368.1	361.0	361.2	358.1	367.1	358.6
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	68.3	71.4	70.3	68.4	70.2	74.7
58 Revaluation losses on off-balance-sheet items[8]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	58.2	60.4	60.4	57.0	59.2	63.0

Footnotes appear on page A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

B. Domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1995	1996							1996			
	Nov.	May	June	July	Aug.	Sept.	Oct.[r]	Nov	Nov. 6	Nov 13	Nov 20	Nov 27
	Seasonally adjusted											
Assets												
1 Bank credit	3,159.7[r]	3,215.0[r]	3,215.3[r]	3,221.7[r]	3,213.4[r]	3,228.7[r]	3,237.1	3,243.7	3,238.4	3,239.8	3,236.4	3,258.0
2 Securities in bank credit	854.9	845.7	838.1	836.2	823.7	822.5	821.5	822.0	822.3	819.7	820.3	826.1
3 U.S. government securities	647.1	635.4	629.4	628.3	620.2	619.9	618.4	617.1	619.9	616.4	616.0	617.4
4 Other securities	207.8	210.3	208.7	207.9	203.5	202.6	203.2	204.9	202.4	203.4	204.3	208.7
5 Loans and leases in bank credit[2]	2,304.8[r]	2,369.3[r]	2,377.1[r]	2,385.5[r]	2,389.7[r]	2,406.2[r]	2,415.5	2,421.7	2,416.1	2,420.1	2,416.1	2,432.0
6 Commercial and industrial	534.6	548.2	548.4	550.6	552.7	560.5	563.2	564.3	562.8	563.1	562.7	567.4
7 Real estate	1,040.3[r]	1,066.8[r]	1,070.6[r]	1,072.7[r]	1,078.9[r]	1,080.8[r]	1,082.4	1,085.6	1,081.1	1,081.8	1,087.1	1,090.4
8 Revolving home equity	78.8[r]	79.6[r]	79.2[r]	79.8[r]	80.5[r]	81.2	82.3	83.5	82.9	83.0	83.6	83.9
9 Other	961.5[r]	987.2[r]	991.3[r]	992.9[r]	998.4[r]	999.6[r]	1,000.0	1,002.1	998.2	998.9	1,003.5	1,006.5
10 Consumer	490.7[r]	504.7[r]	510.3[r]	513.5[r]	514.9[r]	518.7[r]	518.7	519.6	519.5	518.4	520.1	519.8
11 Security[3]	53.6	50.7	46.8	45.9	41.9	44.1	43.8	43.1	44.0	45.8	39.3	43.4
12 Other loans and leases	185.6	198.9	201.0	202.8	201.2	202.1	207.5	209.2	208.7	211.1	206.9	210.9
13 Interbank loans	168.8	187.4	184.1	178.0	181.4	185.5	181.1	192.6	191.8	189.1	191.7	199.3
14 Cash assets[4]	185.9	193.2	191.4	191.3	194.0	192.2	193.6	200.6	197.7	211.4	193.3	204.3
15 Other assets[5]	173.7	187.6	200.7	210.9	215.5	220.2	218.2	226.4	219.3	228.0	225.1	228.6
16 **Total assets[6]**	**3,631.6[r]**	**3,726.4[r]**	**3,734.4[r]**	**3,744.5[r]**	**3,746.8[r]**	**3,769.0[r]**	**3,772.3**	**3,805.8**	**3,789.6**	**3,810.8**	**3,789.1**	**3,832.6**
Liabilities												
17 Deposits	2,479.2	2,539.9	2,549.5	2,552.4	2,572.8	2,591.8	2,605.0	2,640.2	2,624.4	2,647.4	2,611.5	2,670.5
18 Transaction	759.1	744.3	739.3	731.3	723.7	716.1	709.0	712.3	706.3	718.8	692.6	736.4
19 Nontransaction	1,720.1	1,795.6	1,810.2	1,821.1	1,849.0	1,875.7	1,896.0	1,927.9	1,918.1	1,928.6	1,918.9	1,934.1
20 Large time	267.5	279.4	283.2	287.1	292.1	297.6	295.4	300.4	298.9	301.0	299.8	300.6
21 Other	1,452.7	1,516.2	1,527.0	1,534.0	1,557.0	1,578.1	1,600.6	1,627.6	1,619.3	1,627.5	1,619.1	1,633.6
22 Borrowings	566.1[r]	585.7[r]	583.2[r]	581.4[r]	586.5[r]	597.4[r]	567.7	571.6	568.9	567.1	584.3	574.3
23 From banks in the U.S	259.9[r]	270.3[r]	270.7[r]	264.6[r]	264.9[r]	270.3[r]	260.8	261.0	259.2	256.4	271.7	261.8
24 From others	306.2	315.4	312.5	316.9	321.6	327.1	306.9	310.6	309.7	310.6	312.7	312.5
25 Net due to related foreign offices	89.8	88.8	80.6	78.0	73.9	74.0	78.7	69.6	71.1	71.2	71.6	65.5
26 Other liabilities	141.3	147.5	157.1	151.4	153.1	153.1	165.8	172.8	170.8	175.8	168.1	174.8
27 **Total liabilities**	**3,276.4**	**3,361.8**	**3,370.4[r]**	**3,363.3[r]**	**3,386.3[r]**	**3,416.3[r]**	**3,417.2**	**3,454.2**	**3,435.3**	**3,461.5**	**3,435.5**	**3,485.1**
28 Residual (assets less liabilities)[7]	355.1[r]	364.5	363.9[r]	381.3[r]	360.5[r]	352.7[r]	355.1	351.5	354.3	349.3	353.6	347.5
	Not seasonally adjusted											
Assets												
29 Bank credit	3,169.4[r]	3,215.4[r]	3,215.5[r]	3,213.9[r]	3,210.2[r]	3,231.2[r]	3,239.2	3,250.6	3,248.4	3,246.5	3,243.1	3,261.7
30 Securities in bank credit	855.7	849.0	841.4	832.3	825.8	824.0	819.8	820.4	822.0	818.3	818.9	822.4
31 U.S. government securities	646.1	637.0	630.6	626.3	622.1	622.0	618.3	616.9	620.4	616.1	615.5	616.0
32 Other securities	209.6	212.0	210.8	206.0	203.6	202.0	201.5	203.5	201.5	202.2	203.4	206.4
33 Loans and leases in bank credit[2]	2,313.7[r]	2,366.4[r]	2,374.1[r]	2,381.6[r]	2,384.4[r]	2,407.2[r]	2,419.4	2,430.2	2,426.4	2,428.1	2,424.2	2,439.3
34 Commercial and industrial	533.6	553.6	550.9	550.6	548.5	556.3	560.7	563.2	562.6	561.6	562.4	566.0
35 Real estate	1,045.7[r]	1,063.9[r]	1,069.2[r]	1,072.6[r]	1,078.4[r]	1,082.6[r]	1,085.5	1,091.1	1,087.2	1,088.5	1,091.8	1,095.2
36 Revolving home equity	79.2[r]	79.5[r]	79.2[r]	80.0	80.8	81.7	83.0	83.9	83.5	83.5	84.0	84.3
37 Other	966.5[r]	984.4[r]	990.0[r]	992.7[r]	997.6[r]	1,000.9[r]	1,002.5	1,007.2	1,003.8	1,005.0	1,007.7	1,010.9
38 Consumer	491.6[r]	503.0[r]	506.6	510.8[r]	515.1[r]	519.9[r]	519.2	520.4	519.9	518.8	520.5	521.2
39 Security[3]	55.5	49.6	47.0	44.6	41.0	44.0	44.0	44.5	45.8	46.4	41.2	45.0
40 Other loans and leases	187.3	196.3	200.4	203.0	201.5	204.5	210.0	211.0	210.9	212.9	208.4	211.8
41 Interbank loans	172.8	180.8	182.1	175.3	176.5	179.4	177.9	196.1	195.3	195.3	193.8	196.9
42 Cash assets[4]	190.3	191.0	188.6	188.6	183.8	192.2	194.0	205.4	191.6	221.8	197.3	212.0
43 Other assets[5]	172.4	187.9	200.5	212.2	216.4	221.3	218.7	224.5	220.1	227.7	220.0	225.4
44 **Total assets[6]**	**3,648.3[r]**	**3,718.1**	**3,729.5[r]**	**3,732.9[r]**	**3,729.4[r]**	**3,766.2[r]**	**3,772.4**	**3,818.8**	**3,797.6**	**3,833.7**	**3,796.5**	**3,838.4**
Liabilities												
45 Deposits	2,494.2	2,528.2	2,544.1	2,547.8	2,562.1	2,591.1	2,604.4	2,652.9	2,634.5	2,669.9	2,621.5	2,673.1
46 Transaction	772.6	732.7	733.1	724.1	710.2	714.5	707.1	723.9	709.7	736.8	703.0	744.7
47 Nontransaction	1,721.6	1,795.5	1,811.0	1,823.6	1,852.0	1,876.6	1,897.3	1,929.0	1,924.8	1,933.1	1,918.5	1,928.4
48 Large time	267.2	282.7	283.1	287.2	293.4	296.9	294.9	300.0	299.3	300.5	299.6	300.1
49 Other	1,454.4	1,512.8	1,528.0	1,536.4	1,558.5	1,579.6	1,602.5	1,629.1	1,625.5	1,632.6	1,618.9	1,628.3
50 Borrowings	576.3[r]	584.2[r]	587.4[r]	584.4[r]	575.9[r]	587.9[r]	560.9	569.4	567.9	567.4	575.8	568.9
51 From banks in the U.S.	263.3[r]	268.7	270.9[r]	261.2[r]	254.1[r]	255.0[r]	253.0	261.9	260.7	261.3	265.5	257.6
52 From others	313.0	315.5	316.5	323.1	321.8	332.9	307.9	307.5	307.2	306.1	310.3	311.3
53 Net due to related foreign offices	88.4	93.8	79.3	76.9	72.2	70.8	77.9	67.9	67.8	67.6	69.3	68.6
54 Other liabilities	142.9	149.0	157.5	151.4	151.7	153.0	165.8	172.8	170.8	175.8	168.1	174.8
55 **Total liabilities**	**3,301.8[r]**	**3,355.1**	**3,368.4[r]**	**3,360.4[r]**	**3,361.9[r]**	**3,402.8[r]**	**3,409.1**	**3,463.1**	**3,441.0**	**3,480.7**	**3,434.7**	**3,485.4**
56 Residual (assets less liabilities)[7]	346.5[r]	363.0	361.2[r]	372.5	367.5[r]	363.4[r]	363.3	355.8	356.6	353.0	361.8	353.0
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	32.4	33.1	32.1	31.5	32.6	35.0
58 Revaluation losses on off-balance-sheet items[8]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a	28.9	28.9	29.1	27.0	27.9	30.6
59 Mortgage-backed securities[9]	n.a.	n.a.	n.a.	n.a	n.a.	n.a.	236.3	238.3	237.9	235.5	239.3	239.6

Footnotes appear on page A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

C. Large domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1995	1996							1996			
	Nov.	May	June	July	Aug.	Sept.	Oct.	Nov.	Nov. 6	Nov. 13	Nov. 20	Nov. 27
	Seasonally adjusted											
Assets												
1 Bank credit	1,820.3[r]	1,826.1[r]	1,816.1[r]	1,810.3[r]	1,793.0[r]	1,800.8[r]	1,803.5[r]	1,804.9	1,803.8	1,802.3	1,798.2	1,814.7
2 Securities in bank credit	453.0	434.1	425.4	421.3	408.6	406.7	406.3	408.8	408.7	405.5	407.7	413.2
3 U.S. government securities	323.1	303.9	296.5	293.3	285.1	284.2	284.0	284.7	287.1	283.2	284.2	285.4
4 Trading account	21.0	21.5	20.9	20.8	19.5	20.6	21.3	21.8	23.1	21.1	20.3	22.4
5 Investment account	302.2	282.4	275.6	272.5	265.6	263.6	262.7	263.0	264.0	262.1	263.9	262.9
6 Other securities	129.9	130.2	128.9	128.0	123.5	122.5	122.3	124.0	121.6	122.3	123.5	127.8
7 Trading account	59.1	59.9	58.4	59.6	57.7	57.1	55.7	57.8	56.0	56.6	57.1	61.0
8 Investment account	70.7	70.3	70.5	68.3	65.8	65.4	66.6	66.2	65.5	65.7	66.4	66.9
9 State and local government	22.0	21.0	20.6	20.6	20.5	20.3	20.2	20.2	20.2	20.3	20.3	20.1
10 Other	48.7	49.3	49.9	47.7	45.3	45.1	46.4	46.0	45.4	45.4	46.1	46.8
11 Loans and leases in bank credit[2]	1,367.2[r]	1,392.0[r]	1,390.6[r]	1,389.0[r]	1,384.4[r]	1,394.1[r]	1,397.1[r]	1,396.1	1,395.2	1,396.8	1,390.5	1,401.5
12 Commercial and industrial	368.5	374.0	372.7	373.4	373.5	379.3	380.8[r]	380.5	379.6	379.5	379.3	382.8
13 Real estate	554.8[r]	558.2[r]	557.2[r]	553.9[r]	554.8[r]	553.5[r]	551.6[r]	551.5	549.7	548.7	552.1	554.1
14 Revolving home equity	52.6[r]	52.9[r]	52.5[r]	52.9[r]	53.0[r]	53.2[r]	53.3[r]	53.9	53.6	53.5	54.1	54.3
15 Other	502.2[r]	505.3[r]	504.7[r]	501.1[r]	501.8[r]	500.3[r]	498.3[r]	497.6	496.1	495.2	498.0	499.8
16 Consumer	271.7[r]	278.6[r]	282.0[r]	282.5[r]	282.8[r]	285.3[r]	282.5[r]	282.2	283.2	282.2	282.6	281.5
17 Security[3]	48.2	45.4	41.5	40.8	36.8	38.9	38.7	37.8	38.7	40.5	34.1	37.9
18 State and local government	11.6	11.2	11.1	11.2	11.1	10.8	10.8	11.1	11.0	11.0	11.1	11.1
19 All other	112.4	124.6	126.1	127.3	125.4	126.3	132.6	132.9	133.0	134.9	131.3	134.1
20 Interbank loans	114.9	135.2	131.8	129.8	131.8	133.9	130.1	137.8	137.0	134.5	139.0	142.8
21 Cash assets[4]	123.9	127.0	124.7	126.7	128.3	127.1	127.6[r]	133.2	131.8	141.1	129.7	134.7
22 Other assets[5]	123.4	138.9	150.1	155.0	159.1	162.1	159.2[r]	164.7	160.3	166.3	164.1	164.5
23 **Total assets**[6]	**2,146.1**[r]	**2,191.0**[r]	**2,186.3**[r]	**2,184.9**[r]	**2,175.4**[r]	**2,187.2**[r]	**2,183.6**[r]	**2,204.3**	**2,196.5**	**2,207.8**	**2,194.7**	**2,220.5**
Liabilities												
24 Deposits	1,293.4[r]	1,331.8	1,332.2	1,336.6	1,340.6	1,344.8	1,350.8[r]	1,361.6	1,355.6	1,363.3	1,346.8	1,378.9
25 Transaction	425.9	416.7	409.9	407.9	399.7	390.2[r]	384.9	384.7	382.9	388.2	372.5	400.0
26 Nontransaction	867.5	915.1	922.3	928.7	940.9	954.7	965.9	976.9	972.7	975.1	974.3	978.9
27 Large time	125.4	130.4	134.3	136.3	139.3	145.3	151.9	153.8	153.7	155.0	153.1	153.2
28 Other	742.1	784.7	788.0	792.4	801.6	809.3	814.0	823.0	819.0	820.0	821.2	825.7
29 Borrowings	428.2[r]	435.2[r]	427.3[r]	417.2[r]	415.5[r]	426.7[r]	402.8[r]	408.6	406.2	404.5	419.9	410.3
30 From banks in the U.S.	182.6[r]	186.2[r]	185.5[r]	184.4[r]	182.3[r]	185.9[r]	172.9[r]	176.5	174.7	173.3	184.6	176.1
31 From others	245.6	248.9	241.8	232.9	233.2	240.8	229.9	232.1	231.5	231.2	235.3	234.2
32 Net due to related foreign offices	84.2	84.0	75.2	72.2	69.5	68.2	75.4	67.3	68.9	69.0	69.2	62.9
33 Other liabilities	112.9	118.3	128.8	122.3	124.9	126.5	141.0[r]	149.2	146.9	152.7	143.5	151.6
34 **Total liabilities**	**1,918.6**[r]	**1,969.3**[r]	**1,963.6**[r]	**1,948.3**[r]	**1,950.5**[r]	**1,966.2**[r]	**1,970.0**[r]	**1,986.7**	**1,977.5**	**1,989.4**	**1,979.5**	**2,003.7**
35 Residual (assets less liabilities)[7]	227.4[r]	221.7[r]	222.7[r]	236.6[r]	224.9[r]	221.0[r]	213.7[r]	217.7	219.0	218.4	215.2	216.8
	Not seasonally adjusted											
Assets												
36 Bank credit	1,828.5[r]	1,825.2[r]	1,814.4[r]	1,802.6[r]	1,790.8[r]	1,800.0[r]	1,804.4[r]	1,810.4	1,811.8	1,807.5	1,803.9	1,816.7
37 Securities in bank credit	456.0	435.2	426.4	418.0	412.1	408.4	406.6	409.0	410.2	406.0	408.5	410.6
38 U.S. government securities	324.6	303.6	295.4	291.7	288.4	286.4	285.9	286.5	289.4	284.9	286.1	285.5
39 Trading account	22.0	21.3	19.6	19.9	20.9	21.0	22.0	22.7	23.8	22.3	22.0	22.3
40 Investment acount	302.6	282.3	275.8	271.8	267.5	265.4	263.9	263.8	265.6	262.6	264.1	263.2
41 Other securities	131.4	131.6	131.0	126.4	123.7	122.0	120.6	122.5	120.7	121.1	122.4	125.1
42 Trading account	59.8	61.7	61.1	58.7	57.8	56.2	53.5	55.4	54.4	54.6	55.0	57.3
43 Investment account	71.6	69.9	69.9	67.7	65.9	65.8	67.1	67.1	66.4	66.5	67.4	67.8
44 State and local government	22.2	21.1	20.7	20.3	20.3	20.3	20.2	20.3	20.2	20.4	20.4	20.3
45 Other	49.5	48.8	49.2	47.4	45.6	45.5	46.9	46.8	46.2	46.1	47.0	47.6
46 Loans and leases in bank credit[2]	1,372.6[r]	1,390.0[r]	1,387.9[r]	1,384.6[r]	1,378.7[r]	1,391.6[r]	1,397.8[r]	1,401.4	1,401.6	1,401.5	1,395.4	1,406.0
47 Commercial and industrial	368.2	377.6	373.8	373.2	370.6	376.2	379.2	380.3	380.1	378.8	379.7	382.2
48 Real estate	557.6[r]	556.1[r]	556.0[r]	553.7[r]	554.4[r]	553.7[r]	552.9[r]	554.5	553.1	552.5	554.4	556.3
49 Revolving home equity	53.0[r]	52.8[r]	52.4[r]	52.9[r]	53.2[r]	53.5[r]	53.8[r]	54.3	54.0	53.9	54.5	54.6
50 Other	504.7[r]	503.3[r]	503.6[r]	500.9[r]	501.2[r]	500.2[r]	499.1[r]	500.2	499.1	498.6	500.0	501.7
51 Consumer	272.0[r]	277.3[r]	279.6[r]	280.1[r]	282.5[r]	284.9[r]	282.5[r]	282.5	283.2	282.4	282.4	282.0
52 Security[3]	49.8	44.5	41.8	39.7	35.9	38.8	38.9	38.9	40.1	40.8	35.7	39.5
53 State and local government	11.6	11.2	11.1	11.2	11.2	10.9	10.9	11.1	11.0	11.0	11.1	11.2
54 All other	113.3	123.2	125.6	126.6	124.2	127.0	133.5	134.0	134.1	136.0	132.1	134.8
55 Interbank loans	114.2	131.7	132.9	129.6	127.6	129.3	126.0	137.0	134.3	136.1	136.5	139.5
56 Cash assets[4]	126.0	125.4	123.6	124.4	120.5	127.3	127.3[r]	135.7	125.6	148.0	131.3	139.6
57 Other assets[5]	122.6	139.4	151.1	156.4	159.7	162.5	159.2[r]	163.4	160.2	165.4	160.9	163.1
58 **Total assets**[6]	**2,154.7**[r]	**2,185.4**[r]	**2,185.5**[r]	**2,176.4**[r]	**2,161.8**[r]	**2,182.2**[r]	**2,180.3**[r]	**2,209.9**	**2,195.4**	**2,220.4**	**2,196.1**	**2,222.5**
Liabilities												
59 Deposits	1,302.1	1,323.9	1,330.4	1,333.2	1,333.9	1,344.8[r]	1,348.1	1,368.8	1,357.8	1,377.7	1,352.6	1,381.3
60 Transaction	433.9	408.8	407.0	402.4	389.9	390.2	382.3	391.7	380.9	399.8	379.6	407.1
61 Nontransaction	868.2[r]	915.1	923.5	930.9	944.0	954.6	965.8	977.1	976.9	977.8	973.0	974.2
62 Large time	125.1	132.8	134.3	136.7	140.8	144.6	151.0	153.5	153.8	154.4	152.8	153.0
63 Other	743.1	782.3	789.1	794.2[r]	803.1	810.0	814.8	823.6	823.1	823.4	820.2	821.3
64 Borrowings	436.3[r]	431.6[r]	430.1[r]	422.8[r]	410.6[r]	420.5[r]	398.3[r]	407.3	407.5	405.9	413.7	404.6
65 From banks in the U.S.	185.6[r]	183.8[r]	184.9[r]	183.7[r]	176.5[r]	175.5[r]	168.2[r]	177.9	177.1	177.8	181.2	172.9
66 From nonbanks in the U.S	250.6[r]	247.7	245.2	239.1	234.1	245.0	230.1	229.4	230.3	228.1	232.5	231.7
67 Net due to related foreign offices	83.0	89.2	74.1	71.2	67.8	65.0	74.5	65.8	65.6	65.3	67.0	66.3
68 Other liabilities	114.6	120.1	129.2	122.5[r]	123.5	126.2	141.0[r]	149.2	146.9	152.7	143.5	151.6
69 **Total liabilities**	**1,936.0**[r]	**1,964.8**[r]	**1,963.9**[r]	**1,949.8**[r]	**1,935.8**[r]	**1,956.4**[r]	**1,962.0**[r]	**1,991.1**	**1,977.7**	**2,001.6**	**1,976.9**	**2,003.8**
70 Residual (assets less liabilities)[7]	218.8[r]	220.6[r]	221.6[r]	226.6[r]	226.0[r]	225.8[r]	218.4[r]	218.8	217.7	218.8	219.3	218.7
MEMO												
71 Revaluation gains on off-balance-sheet items[8]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	33.7	34.5	32.1	31.5	32.6	35.0
72 Revaluation losses on off-balance-sheet items[8]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	28.9	28.9	29.1	27.0	27.9	30.6
73 Mortgage-backed securities[9]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	186.1	187.5	187.2	184.9	188.4	188.6

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

D. Small domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1995	1996							1996			
	Nov.	May	June	July	Aug.	Sept.	Oct.	Nov.	Nov. 6	Nov. 13	Nov. 20	Nov. 27
	Seasonally adjusted											
Assets												
1 Bank credit	1,339.4	1,388.9	1,399.2	1,411.4	1,420.4	1,427.9	1,433.6	1,438.8	1,434.6	1,437.6	1,438.2	1,443.4
2 Securities in bank credit	401.9	411.6	412.7	415.0	415.1	415.8	415.2	413.2	413.6	414.2	412.6	412.9
3 U.S. government securities	323.9	331.4	332.9	335.0	335.1	335.8	334.3	332.4	332.8	333.2	331.8	332.0
4 Other securities	77.9	80.1	79.8	80.0	80.0	80.0	80.9	80.9	80.8	81.0	80.8	80.9
5 Loans and leases in bank credit[2]	937.6	977.3	986.5	996.4	1,005.3	1,012.1	1,018.4	1,025.6	1,020.9	1,023.4	1,025.6	1,030.5
6 Commercial and industrial	166.1	174.2	175.7	177.2	179.2	181.2	182.3	183.8	183.1	183.6	183.5	184.6
7 Real estate	485.5	508.6	513.3	518.8	524.0	527.3	530.7	534.1	531.4	533.1	535.0	536.3
8 Revolving home equity	26.2	26.7	26.7	27.0	27.5	27.9	29.0	29.6	29.3	29.4	29.5	29.6
9 Other	459.3	481.9	486.6	491.8	496.5	499.4	501.7	504.5	502.1	503.7	505.4	506.7
10 Consumer	219.0	226.1	228.3	231.0	232.1	233.4	236.2	237.3	236.4	236.2	237.6	238.4
11 Security[3]	5.4	5.3	5.3	5.1	5.2	5.2	5.1	5.3	5.3	5.3	5.2	5.5
12 Other loans and leases	61.6	63.2	63.9	64.3	64.8	65.0	64.1	65.1	64.7	65.2	64.4	65.7
13 Interbank loans	53.8	52.2	52.3	48.2	49.7	51.6	51.1	54.8	54.8	54.5	52.7	56.5
14 Cash assets[4]	61.9	66.2	66.7	64.7	65.7	65.1	66.0	67.3	65.8	70.3	63.6	69.6
15 Other assets[5]	50.3	48.7	50.6	55.9	56.4	58.1	59.1	61.7	59.0	61.7	61.0	64.1
16 **Total assets**[6]	**1,485.5**	**1,535.4**	**1,548.0**	**1,559.6**	**1,571.4**	**1,581.8**	**1,588.6**	**1,601.4**	**1,593.1**	**1,603.0**	**1,594.4**	**1,612.2**
Liabilities												
17 Deposits	1,185.8	1,208.1	1,217.2	1,215.8	1,232.2	1,247.0	1,254.2	1,278.6	1,268.8	1,284.1	1,264.7	1,291.6
18 Transaction	333.2	327.6	329.4	323.4	324.1	325.9	324.1	327.6	323.4	330.6	320.0	336.4
19 Nontransaction	852.7	880.5	887.9	892.4	908.1	921.1	930.1	951.1	945.4	953.5	944.7	955.2
20 Large time	142.1	149.0	148.9	150.7	152.8	152.3	143.5	146.6	145.1	146.0	146.8	147.3
21 Other	710.5	731.5	739.0	741.6	755.4	768.8	786.6	804.5	800.3	807.5	797.9	807.9
22 Borrowings	137.9	150.5	155.9	164.2	171.0	170.7	165.0	163.0	162.7	162.6	164.4	164.0
23 From banks in the U.S	77.3	84.0	85.3	80.2	82.6	84.4	87.9	84.5	84.5	83.1	87.1	85.7
24 From others	60.6	66.5	70.7	84.0	88.4	86.3	77.0	78.5	78.2	79.5	77.3	78.3
25 Net due to related foreign offices	5.6	4.7	5.4	5.8	4.4	5.8	3.3	2.3	2.3	2.3	2.3	2.6
26 Other liabilities	28.5	29.2	28.3	29.1	28.2	26.6	24.7	23.6	24.0	23.2	24.5	23.2
27 **Total liabilities**	**1,357.8**	**1,392.6**	**1,406.8**	**1,414.9**	**1,435.7**	**1,450.1**	**1,447.2**	**1,467.6**	**1,457.8**	**1,472.1**	**1,456.0**	**1,481.4**
28 Residual (assets less liabilities)[7]	127.7	142.8	141.2	144.7	135.6	131.7	141.4	133.9	135.3	130.9	138.4	130.7
	Not seasonally adjusted											
Assets												
29 Bank credit	1,340.9	1,390.2	1,401.1	1,411.3	1,419.4	1,431.2	1,434.8	1,440.2	1,436.6	1,439.0	1,439.2	1,445.0
30 Securities in bank credit	399.7	413.8	415.0	414.3	413.6	415.6	413.2	411.4	411.8	412.4	410.4	411.8
31 U.S. government securities	321.5	333.5	335.3	334.6	333.7	335.6	332.4	330.4	331.0	331.2	329.4	330.5
32 Other securities	78.2	80.3	79.8	79.6	79.9	80.1	80.8	81.0	80.8	81.1	81.0	81.3
33 Loans and leases in bank credit[2]	941.1	976.4	986.1	997.0	1,005.8	1,015.6	1,021.6	1,028.8	1,024.8	1,026.6	1,028.8	1,033.2
34 Commercial and industrial	165.4	176.0	177.1	177.3	177.9	180.1	181.6	182.9	182.4	182.7	182.7	183.8
35 Real estate	488.1	507.8	513.2	518.9	524.0	528.8	532.6	536.6	534.1	535.9	537.3	538.9
36 Revolving home equity	26.3	26.7	26.8	27.1	27.6	28.1	29.2	29.7	29.4	29.5	29.6	29.7
37 Other	461.8	481.1	486.4	491.8	496.5	500.7	503.4	507.0	504.6	506.4	507.7	509.2
38 Consumer	219.6	225.7	227.0	230.7	232.6	234.9	236.7	237.8	236.7	236.4	238.1	239.2
39 Security[3]	5.7	5.1	5.2	4.9	5.1	5.1	5.1	5.6	5.6	5.5	5.4	5.5
40 Other loans and leases	62.4	61.9	63.7	65.2	66.1	66.6	65.7	65.8	65.9	66.0	65.3	65.9
41 Interbank loans	58.6	49.1	49.2	45.7	49.0	50.1	52.0	59.1	61.0	59.2	57.3	57.4
42 Cash assets[4]	64.3	65.6	65.0	64.2	63.3	64.9	66.7	69.7	65.9	73.9	66.0	72.4
43 Other assets[5]	49.8	48.5	49.4	55.8	56.7	58.8	59.6	61.1	59.9	62.3	59.1	62.3
44 **Total assets**[6]	**1,493.6**	**1,532.8**	**1,544.0**	**1,556.5**	**1,567.6**	**1,584.0**	**1,592.0**	**1,608.9**	**1,602.2**	**1,613.2**	**1,600.4**	**1,615.9**
Liabilities												
45 Deposits	1,192.1	1,204.2	1,213.7	1,214.5	1,228.2	1,246.3	1,256.3	1,284.1	1,276.7	1,292.3	1,268.9	1,291.8
46 Transaction	338.6	323.8	326.1	321.8	320.2	324.3	324.8	332.2	328.8	337.0	323.4	337.6
47 Nontransaction	853.5	880.4	887.6	892.8	908.0	922.0	931.5	951.9	947.8	955.3	945.5	954.2
48 Large time	142.2	149.8	148.8	150.5	152.6	152.4	143.8	146.5	145.4	146.1	146.8	147.2
49 Other	711.3	730.5	738.8	742.3	755.4	769.7	787.7	805.4	802.4	809.2	798.7	807.0
50 Borrowings	140.0	152.6	157.3	161.6	165.3	167.4	162.7	162.1	160.4	161.5	162.1	164.3
51 From banks in the U.S.	77.7	84.9	86.0	77.5	77.6	79.6	84.8	84.0	83.5	83.5	84.3	84.7
52 From others	62.3	67.7	71.3	84.0	87.7	87.9	77.8	78.1	76.9	77.9	77.8	79.6
53 Net due to related foreign offices	5.4	4.6	5.2	5.7	4.4	5.9	3.4	2.2	2.3	2.2	2.3	2.2
54 Other liabilities	28.3	28.9	28.3	28.9	28.2	26.8	24.7	23.6	24.0	23.2	24.5	23.2
55 **Total liabilities**	**1,365.9**	**1,390.3**	**1,404.5**	**1,410.6**	**1,426.1**	**1,446.4**	**1,447.1**	**1,472.0**	**1,463.3**	**1,479.1**	**1,457.8**	**1,481.6**
56 Residual (assets less liabilities)[7]	127.7	142.4	139.6	145.8	141.5	137.5	145.0	136.9	138.9	134.1	142.5	134.4
MEMO												
57 Mortgage-backed securities[9]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	50.3	50.8	50.7	50.5	50.9	51.0

Footnotes appear on page A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

E. Foreign-related institutions

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1995	1996							1996			
	Nov.	May	June	July	Aug.	Sept.	Oct.	Nov.	Nov. 6	Nov. 13	Nov. 20	Nov. 27
	Seasonally adjusted											
Assets												
1 Bank credit	439.1	459.2[r]	466.1[r]	466.0[r]	464.7[r]	463.9[r]	483.3[r]	504.2	496.3	501.1	498.0	519.3
2 Securities in bank credit	144.2	150.9[r]	151.6[r]	147.4[r]	148.6[r]	144.0[r]	146.9[r]	164.2	160.0	160.7	161.9	171.1
3 U.S. government securities	67.1	77.8	79.0	79.3	81.1	82.3	82.5	88.3	86.0	86.8	87.7	92.4
4 Other securities	77.2	73.0[r]	72.5[r]	68.2[r]	67.5[r]	61.7[r]	64.4	75.9	74.0	73.8	74.2	78.8
5 Loans and leases in bank credit[2]	294.9	308.3	314.5	318.5	316.1	319.8	336.4	340.0	336.3	340.4	336.1	348.2
6 Commercial and industrial	179.0	187.2	190.0	192.4	191.7	198.5	207.0[r]	210.5	207.9	210.6	209.6	212.7
7 Real estate	36.7	33.5	33.2	33.1	33.1	32.8	33.4[r]	33.4	33.6	33.4	33.5	33.5
8 Security[3]	32.7	31.3	34.7	33.2	30.8	29.3	34.8	35.6	34.3	35.9	33.0	40.9
9 Other loans and leases	46.5	56.4	56.5	59.8	60.5	59.2	61.2	60.4	60.5	60.5	60.0	61.1
10 Interbank loans	25.0	23.3	24.3	19.3	16.9	19.6	18.5	20.4	21.2	21.4	23.0	16.1
11 Cash assets[4]	30.2	26.3	25.7	27.7	27.8	27.8	28.7	30.7	30.0	30.7	30.2	31.2
12 Other assets[5]	46.2	42.9	39.8	39.1	40.2	38.3	33.0	35.2	34.3	35.7	34.2	35.6
13 **Total assets**[6]	**540.5**	**551.7**[r]	**555.8**[r]	**552.0**[r]	**549.5**[r]	**549.5**[r]	**563.4**[r]	**590.3**	**581.7**	**588.7**	**585.1**	**602.0**
Liabilities												
14 Deposits	168.9	172.4	171.7	179.8	180.5	185.8	205.7[r]	206.5	204.1	203.5	203.6	210.1
15 Transaction	9.7	10.8	10.7	10.6	10.3	9.6	10.7	10.7	11.5	10.5	10.5	10.4
16 Nontransaction	159.3	161.7	161.0	169.2	170.1	176.2	195.0	195.7	192.7	193.0	193.2	199.7
17 Large time	155.7	159.2	161.0	166.8	168.4	173.8	191.9	193.3	191.0	191.3	191.1	196.8
18 Other	3.6	2.5	0.0	2.4	1.7	2.3	3.1	2.5	1.6	1.7	2.1	2.9
19 Borrowings	108.0	136.3	130.2	124.9	131.7	121.8	115.7	126.3	118.0	126.9	121.5	139.5
20 From banks in the U.S.	31.6	37.1	32.7	30.8	35.5	33.6	33.9	37.1	33.1	33.7	33.7	46.7
21 From others	76.4	99.2	97.5	94.0	96.2	88.2	81.8[r]	89.2	84.9	93.2	87.8	92.8
22 Net due to related foreign offices	174.6	168.1	176.6	175.6	170.5	174.9	165.1	166.8	175.7	170.2	172.4	151.0
23 Other liabilities	81.5	72.2	69.2	67.3	65.5	65.5	72.6	80.0	77.7	78.4	78.8	82.7
24 **Total liabilities**	**533.0**	**549.0**	**547.7**	**547.5**	**548.2**	**548.0**	**559.0**	**579.6**	**575.5**	**579.0**	**576.4**	**583.2**
25 Residual (assets less liabilities)[7]	7.5	2.7[r]	8.1[r]	4.5[r]	1.3[r]	1.4[r]	4.4[r]	10.8	6.1	9.7	8.8	18.8
	Not seasonally adjusted											
Assets												
26 Bank credit	435.5	456.4[r]	462.9[r]	467.0[r]	467.0[r]	465.4[r]	480.0	496.3	492.0	493.4	489.9	508.2
27 Securities in bank credit	142.1	152.7[r]	149.7[r]	148.4[r]	150.7[r]	145.2[r]	147.9	158.0	155.4	155.6	156.2	162.7
28 U.S. government securities	66.3	77.0	78.0	79.0	82.4	81.7	81.8	87.2	85.4	86.6	86.6	90.1
29 Trading account	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	18.6	21.8	20.6	20.5	21.4	24.3
30 Investment account	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	63.2	65.4	64.8	66.0	65.2	65.8
31 Other securities	75.8	75.7[r]	71.7[r]	69.3[r]	68.3[r]	63.5[r]	66.1	70.8	70.0	69.0	69.6	72.7
32 Trading account	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	47.8[r]	51.7	50.8	49.9	50.5	53.7
33 Investment account	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	18.4[r]	19.1	19.1	19.1	19.0	18.9
34 Loans and leases in bank credit[2]	293.5	303.7	313.2	318.7	316.3	320.2	332.1	338.3	336.7	337.8	333.7	345.4
35 Commercial and industrial	178.4	187.1	190.5	193.5	192.6	197.7	204.9[r]	209.7	207.1	208.8	209.2	212.6
36 Real estate	36.9	33.3	33.1	33.0	33.1	33.0	33.4[r]	33.6	33.8	33.5	33.6	33.7
37 Security[3]	32.2	28.3	32.5	32.0	29.8	29.1	32.9	34.7	35.1	35.3	31.5	38.4
38 Other loans and leases	46.0	54.9	57.1	60.1	60.7	60.4	60.9	60.3	60.7	60.2	59.4	60.7
39 Interbank loans	24.2	23.4	22.4	19.2	16.4	20.2	19.8	19.8	18.9	21.4	21.0	17.3
40 Cash assets[4]	29.8	25.9	26.6	28.2	28.5	28.7	29.1	30.3	29.3	30.5	29.9	30.6
41 Other assets[5]	47.0	43.5	39.6	38.6	41.1	38.5	32.8	35.7	34.9	36.1	34.6	36.2
42 **Total assets**[6]	**536.5**	**549.2**[r]	**551.4**[r]	**553.0**[r]	**552.9**[r]	**552.6**[r]	**561.6**	**581.9**	**574.9**	**581.3**	**575.3**	**592.1**
Liabilities												
43 Deposits	169.9	173.9	173.8	177.5	178.8	185.7	203.9	208.4	205.8	206.0	205.4	212.1
44 Transaction	9.7	10.1	10.4	10.6	10.3	10.2	10.8	10.8	11.3	10.8	10.6	10.5
45 Nontransaction	160.2	163.8	163.4	166.9	168.5	175.5	193.0	197.6	194.5	195.2	194.8	201.7
46 Large time	156.9	161.3	161.0	164.5	166.3	173.2	190.6	195.1	192.2	192.9	192.5	199.3
47 Other	3.2	2.4	2.4	2.4	2.3	2.3	2.5	2.5	2.3	2.3	2.3	2.3
48 Borrowings	105.6	133.2	134.4	130.6	133.6	123.6	113.2	122.6	118.0	123.0	117.3	130.9
49 From banks in the U.S	31.3	35.1	34.5	32.2	35.1	33.5	31.8	36.5	32.3	34.2	32.6	44.6
50 From others	74.4	98.1	99.9	98.4	98.5	90.1	81.4	86.1	85.8	88.9	84.7	86.3
51 Net due to related foreign offices	174.8	165.3	170.2	175.0	171.2	174.3	167.2	165.7	168.8	168.7	168.4	160.9
52 Other liabilities	81.9	73.3	69.7	66.8	66.4	65.7	72.6	80.0	77.7	78.4	78.8	82.7
53 **Total liabilities**	**532.3**	**545.7**	**548.1**	**549.9**	**549.9**	**549.2**	**556.9**[r]	**576.7**	**570.3**	**576.2**	**570.0**	**586.6**
54 Residual (assets less liabilities)[7]	4.2	3.5[r]	3.3[r]	3.1[r]	3.0[r]	3.4[r]	4.7	5.2	4.6	5.1	5.3	5.5
MEMO												
55 Revaluation gains on off-balance-sheet items[8]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	35.9	38.4	38.1	36.9	37.6	39.7
56 Revaluation losses on off-balance-sheet items[8]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	29.3	31.5	31.4	30.0	31.3	32.4

Footnotes appear on page A21.

NOTES TO TABLE 1.26

NOTE. Tables 1.26, 1.27, and 1.28 have been revised to reflect changes in the Board's H.8 statistical release, "Assets and Liabilities of Commercial Banks in the United States." Table 1.27, "Assets and Liabilities of Large Weekly Reporting Commercial Banks," and table 1.28, "Large Weekly Reporting U.S. Branches and Agencies of Foreign Banks," are no longer being published in the *Bulletin*. Instead, abbreviated balance sheets for both large and small domestically chartered banks have been included in table 1.26, parts C and D. Data are both merger-adjusted and break-adjusted. In addition, data from large weekly reporting U.S. branches and agencies of foreign banks have been replaced by balance sheet estimates of all foreign-related institutions and are included in table 1.26, part E. These data are break-adjusted.

The not-seasonally-adjusted data for all tables now contain additional balance sheet items, which were available as of October 2, 1996.

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic); other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks, and Edge Act and agreement corporations (foreign-related institutions). Excludes International Banking Facilities. Data are Wednesday values or *pro rata* averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign-related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.

The data for large and small domestic banks presented on pp. A18 and A19 are adjusted to remove the estimated effects of mergers between these two groups. The adjustment for mergers changes past levels to make them comparable with current levels. Estimated quantities of balance sheet items acquired in mergers are removed from past data for the bank group that contained the acquired bank and put into past data for the group containing the acquiring bank. Balance sheet data for acquired banks are obtained from Call Reports, and a ratio procedure is used to adjust past levels.

2. Excludes federal funds sold to, reverse RPs with, and loans made to commercial banks in the United States, all of which are included in "Interbank loans."

3. Consists of reverse RPs with brokers and dealers and loans to purchase and carry securities.

4. Includes vault cash, cash items in process of collection, balances due from depository institutions, and balances due from Federal Reserve Banks.

5. Excludes the due-from position with related foreign offices, which is included in "Net due to related foreign offices."

6. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.

7. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis. On a seasonally adjusted basis this item reflects any differences in the seasonal patterns estimated for total assets and total liabilities.

8. Fair value of derivative contracts (interest rate, foreign exchange rate, other commodity and equity contracts) in a gain/loss position, as determined under FASB Interpretation No. 39.

9. Includes mortgage-backed securities issued by U.S. government agencies, U.S. government-sponsored enterprises, and private entities.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1996					
	1991 Dec.	1992 Dec.	1993 Dec.	1994 Dec.	1995 Dec.	May	June	July	Aug.	Sept.	Oct.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**528,832**	**545,619**	**555,075**	**595,382**	**674,904**	**719,069**	**731,027**	**734,731[r]**	**753,276[r]**	**757,155[r]**	**757,718**
Financial companies[1]											
2 Dealer-placed paper[2], total	212,999	226,456	218,947	223,038	275,815	301,670	310,524	317,426[r]	329,026	336,833[r]	349,288
3 Directly placed paper[3], total	182,463	171,605	180,389	207,701	210,829	221,463	223,236	222,583	230,318	226,599	225,977
4 Nonfinancial companies[4]	133,370	147,558	155,739	164,643	188,260	195,936	197,267	194,722	193,932[r]	193,724	182,454
	Bankers dollar acceptances (not seasonally adjusted)[5]										
5 **Total**	**43,770**	**38,194**	**32,348**	**29,835**	**29,242**						
By holder											
6 Accepting banks	11,017	10,555	12,421	11,783							
7 Own bills	9,347	9,097	10,707	10,462							
8 Bills bought from other banks	1,670	1,458	1,714	1,321							
Federal Reserve Banks[6]											
9 Foreign correspondents	1,739	1,276	725	410	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Others	31,014	26,364	19,202	17,642							
By basis											
11 Imports into United States	12,843	12,209	10,217	10,062							
12 Exports from United States	10,351	8,096	7,293	6,355							
13 All other	20,577	17,890	14,838	13,417							

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
2. Includes all financial-company paper sold by dealers in the open market.
3. As reported by financial companies that place their paper directly with investors.
4. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
5. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January. Beginning January 1995, data for Bankers dollar acceptances are reported annually in September.
6. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1994—Mar. 24	6.25	1994	7.15	1995—Jan.	8.50	1996—Jan.	8.50
Apr. 19	6.75	1995	8.83	Feb.	9.00	Feb.	8.25
May 17	7.25	1996	8.27	Mar.	9.00	Mar.	8.25
Aug. 16	7.75			Apr.	9.00	Apr.	8.25
Nov. 15	8.50	1994—Jan.	6.00	May	9.00	May	8.25
		Feb.	6.00	June	9.00	June	8.25
1995—Feb. 1	9.00	Mar.	6.06	July	8.80	July	8.25
July 7	8.75	Apr.	6.45	Aug.	8.75	Aug.	8.25
Dec. 20	8.50	May	6.99	Sept.	8.75	Sept.	8.25
		June	7.25	Oct.	8.75	Oct.	8.25
1996—Feb. 1	8.25	July	7.25	Nov.	8.75	Nov.	8.25
		Aug.	7.51	Dec.	8.65	Dec.	8.25
		Sept.	7.75				
		Oct.	7.75				
		Nov.	8.15				
		Dec.	8.50				

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most recent Call Report. Data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Percent per year; figures are averages of business day data unless otherwise noted

Item	1993	1994	1995	1996				1996, week ending				
				Aug.	Sept.	Oct.	Nov.	Nov. 1	Nov. 8	Nov. 15	Nov. 22	Nov. 29
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	3.02	4.21	5.83	5.22	5.30	5.24	5.31	5.27	5.32	5.21	5.41	5.30
2 Discount window borrowing[2,4]	3.00	3.60	5.21	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Commercial paper[3,5,6]												
3 1-month	3.17	4.43	5.93	5.39	5.45	5.37	5.39	5.37	5.38	5.39	5.40	5.42
4 3-month	3.22	4.66	5.93	5.42	5.52	5.43	5.41	5.42	5.41	5.41	5.41	5.42
5 6-month	3.30	4.93	5.93	5.51	5.66	5.45	5.40	5.42	5.41	5.40	5.39	5.40
Finance paper, directly placed[3,5,7]												
6 1-month	3.12	4.33	5.81	5.28	5.33	5.25	5.25	5.25	5.26	5.26	5.25	5.24
7 3-month	3.16	4.53	5.78	5.31	5.38	5.31	5.29	5.31	5.29	5.29	5.28	5.29
8 6-month	3.15	4.56	5.68	5.33	5.40	5.28	5.23	5.26	5.23	5.22	5.23	5.22
Bankers acceptances[3,5,8]												
9 3-month	3.13	4.56	5.81	5.32	5.39	5.32	5.29	5.30	5.30	5.30	5.28	5.29
10 6-month	3.21	4.83	5.80	5.40	5.51	5.36	5.29	5.32	5.29	5.29	5.28	5.30
Certificates of deposit, secondary market[3,9]												
11 1-month	3.11	4.38	5.87	5.32	5.38	5.28	5.30	5.28	5.28	5.29	5.30	5.34
12 3-month	3.17	4.63	5.92	5.40	5.51	5.41	5.38	5.39	5.38	5.37	5.38	5.38
13 6-month	3.28	4.96	5.98	5.57	5.71	5.51	5.43	5.46	5.44	5.43	5.43	5.43
14 Eurodollar deposits, 3-month[3,10]	3.18	4.63	5.93	5.41	5.49	5.41	5.38	5.38	5.38	5.38	5.38	5.38
U.S. Treasury bills												
Secondary market[3,5]												
15 3-month	3.00	4.25	5.49	5.05	5.09	4.99	5.03	5.03	5.03	5.03	5.03	5.02
16 6-month	3.12	4.64	5.56	5.13	5.24	5.11	5.07	5.10	5.08	5.07	5.06	5.06
17 1-year	3.29	5.02	5.60	5.35	5.50	5.25	5.14	5.18	5.15	5.13	5.13	5.13
Auction average[3,5,11]												
18 3-month	3.02	4.29	5.51	5.09	5.15	5.01	5.03	5.04	5.04	5.02	5.03	5.03
19 6-month	3.14	4.66	5.59	5.17	5.29	5.12	5.07	5.15	5.08	5.07	5.07	5.07
20 1-year	3.33	5.02	5.69	5.36	5.57	5.34	5.20	n.a.	n.a.	5.20	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	3.43	5.32	5.94	5.67	5.83	5.55	5.42	5.48	5.44	5.41	5.42	5.41
22 2-year	4.05	5.94	6.15	6.03	6.23	5.91	5.70	5.81	5.76	5.70	5.68	5.65
23 3-year	4.44	6.27	6.25	6.21	6.41	6.08	5.82	5.97	5.89	5.81	5.79	5.75
24 5-year	5.14	6.69	6.38	6.39	6.60	6.27	5.97	6.15	6.05	5.97	5.94	5.90
25 7-year	5.54	6.91	6.50	6.52	6.73	6.42	6.10	6.29	6.17	6.08	6.06	6.03
26 10-year	5.87	7.09	6.57	6.64	6.83	6.53	6.20	6.42	6.30	6.18	6.16	6.12
27 20-year	6.29	7.49	6.95	6.97	7.17	6.90	6.58	6.79	6.66	6.56	6.53	6.51
28 30-year	6.59	7.37	6.88	6.84	7.03	6.81	6.48	6.71	6.57	6.45	6.43	6.41
Composite												
29 More than 10 years (long-term)	6.45	7.41	6.93	6.94	7.13	6.87	6.55	6.76	6.63	6.53	6.51	6.49
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
30 Aaa	5.38	5.77	5.80	5.64	5.57	5.52	5.43	5.53	5.52	5.39	5.41	5.41
31 Baa	5.83	6.17	6.10	5.85	5.79	5.73	5.69	5.70	5.66	5.71	5.70	5.70
32 *Bond Buyer* series[14]	5.60	6.18	5.95	5.76	5.87	5.72	5.59	5.70	5.67	5.60	5.55	5.54
CORPORATE BONDS												
33 Seasoned issues, all industries[15]	7.54	8.26	7.83	7.76	7.95	7.68	7.41	7.58	7.48	7.38	7.36	7.37
Rating group												
34 Aaa	7.22	7.97	7.59	7.46	7.66	7.39	7.10	7.28	7.18	7.08	7.05	7.06
35 Aa	7.40	8.15	7.72	7.63	7.82	7.58	7.31	7.48	7.38	7.28	7.26	7.27
36 A	7.58	8.28	7.83	7.77	7.95	7.70	7.41	7.59	7.49	7.38	7.37	7.38
37 Baa	7.93	8.63	8.20	8.18	8.35	8.07	7.79	7.96	7.86	7.75	7.75	7.75
38 A-rated, recently offered utility bonds[16]	7.46	8.29	7.86	7.87	8.06	7.83	7.54	7.73	7.59	7.52	7.48	7.42
MEMO												
Dividend–price ratio[17]												
39 Common stocks	2.78	2.82	2.56	2.22	2.20	2.11	2.01	2.11	2.04	2.03	2.00	1.97

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year for bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.
7. An average of offering rates on paper directly placed by finance companies.
8. Representative closing yields for acceptances of the highest-rated money center banks.
9. An average of dealer offering rates on nationally traded certificates of deposit.
10. Bid rates for Eurodollar deposits at approximately 11:00 a.m. London time. Data are for indication purposes only.
11. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
13. General obligation bonds based on Thursday figures; Moody's Investors Service.
14. State and local government general obligation bonds maturing in twenty years are used in compiling this index. The twenty-bond index has a rating roughly equivalent to Moodys' A1 rating. Based on Thursday figures.
15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
16. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
17. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

NOTE. Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1993	1994	1995	1996 Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.
	Prices and trading volume (averages of daily figures)[1]											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	249.71	254.16	291.18	346.73	347.50	354.84	358.32	345.06	354.59	360.96	373.54	388.75
2 Industrial	300.10	315.32	367.40	439.55	441.99	452.63	458.30	438.58	444.91	459.69	473.98	490.60
3 Transportation	242.68	247.17	270.14	324.77	326.42	334.66	331.57	316.57	321.61	323.12	332.80	348.32
4 Utility	114.55	104.96	110.64	122.83	122.44	124.86	123.60	122.66	122.37	121.12	130.04	135.88
5 Finance	216.55	209.75	238.48	290.44	287.92	290.43	294.42	287.89	302.95	308.16	324.42	345.30
6 Standard & Poor's Corporation (1941–43 = 10)[2]	451.63	460.42	541.72	647.07	647.17	661.23	668.50	644.06	662.68	674.88	701.46	735.67
7 American Stock Exchange (Aug. 31, 1973 = 50)[3]	438.77	449.49	498.13	565.69	580.60	600.93	591.99	550.16	554.88	564.87	574.46	583.21
Volume of trading (thousands of shares)												
8 New York Stock Exchange	263,374	290,652	345,729	426,198	419,941	404,184	392,413	398,245	333,343	400,951	420,835	443,521
9 American Stock Exchange	18,188	17,951	20,387	22,988	24,886	28,127	23,903	21,281	17,916	19,449	18,780	22,151
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[4]	**60,310**	**61,160**	**76,680**	**78,308**	**81,170**	**86,100**	**87,160**	**79,860**	**82,980**	**89,300**	**88,740**	**91,680**
Free credit balances at brokers[5]												
11 Margin accounts[6]	12,360	14,095	16,250	15,770	15,780	16,890	16,800	17,700	17,520	17,940	19,890	20,020
12 Cash accounts	27,715	28,870	34,340	33,113	33,100	33,760	33,775	32,935	32,680	35,360	36,610	36,650

Margin requirements (percent of market value and effective date)[7]

Indicator	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. Daily data on prices are available upon request to the Board of Governors. For ordering address, see inside front cover.
2. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
3. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.
4. Since July 1983, under the revised Regulation T, margin credit at broker–dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
5. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.
6. Series initiated in June 1984.
7. Margin requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

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

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year			Calendar year					
				1996					
	1993	1994	1995	June	July	Aug.	Sept.	Oct.	Nov.
U.S. budget[1]									
1 Receipts, total	1,153,535	1,257,737	1,355,213	151,995	103,893	99,996	157,668	100,056[r]	97,917
2 On-budget	841,601	922,711	1,004,134	116,794	75,282	71,505	125,806	74,044[r]	70,086
3 Off-budget	311,934	335,026	351,079	35,201	28,611	28,491	31,862	26,012	27,831
4 Outlays, total	1,408,675	1,460,841	1,519,133	117,655	130,749	141,828	122,243	140,315[r]	135,795
5 On-budget	1,142,088	1,181,469	1,230,469	103,997	104,214	113,840	90,253	113,690[r]	106,395
6 Off-budget	266,587	279,372	288,664	13,657	26,535	27,987	31,989	26,625	29,400
7 Surplus or deficit (−), total	−255,140	−203,104	−163,920	34,340	−26,856	−41,831	35,426	−40,259	−37,878
8 On-budget	−300,487	−258,758	−226,335	12,797	−28,932	−42,335	35,553	−39,646	−36,309
9 Off-budget	45,347	55,654	62,415	21,544	2,076	504	−127	−613	−1,569
Source of financing (total)									
10 Borrowing from the public	248,619	185,344	171,288	−8,619	29,098	16,160	−5,892	15,588	45,459
11 Operating cash (decrease, or increase (−))	6,283	16,564	−2,007	−33,519	1,262	23,705	−31,159	18,592	−673
12 Other[2]	238	1,196	−5,361	7,798	−3,504	1,966	1,625	6,079	−6,908
MEMO									
13 Treasury operating balance (level, end of period)	52,506	35,942	37,949	38,033	36,771	13,066	44,225	25,633	26,306
14 Federal Reserve Banks	17,289	6,848	8,620	7,701	6,836	5,149	7,700	5,897	4,857
15 Tax and loan accounts	35,217	29,094	29,329	30,332	29,936	7,917	36,525	19,736	21,449

1. Since 1990, off-budget items have been the social security trust funds (federal old-age survivors insurance and federal disability insurance) and the U.S. Postal Service.

2. Includes special drawing rights (SDRs); reserve position on the U.S. quota in the International Monetary Fund (IMF); loans to the IMF; other cash and monetary assets; accrued interest payable to the public; allocations of SDRs; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain or loss for U.S. currency valuation adjustment; net gain or loss for IMF loan-valuation adjustment; and profit on sale of gold

SOURCE. Monthly totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year 1994	Fiscal year 1995	Calendar year 1994 H2	1995 H1	1995 H2	1996 H1	1996 Sept.	1996 Oct.	1996 Nov.
RECEIPTS									
1 **All sources**	**1,257,737**	**1,355,213**	**625,781**	**711,003**	**656,865**	**767,099**	**157,668**	**100,056r**	**97,917**
2 Individual income taxes, net	543,055	590,244	273,315	307,498	292,393	347,285	68,672	54,000	46,338
3 Withheld	459,699	499,927	240,063	251,398	256,916	264,177	39,537	48,866	46,989
4 Nonwithheld	160,433	175,855	42,029	132,001	45,521	162,782	30,629	5,639	2,003
5 Refunds	77,077	85,538	8,787	75,959	10,058	79,735	1,495	505	2,656
Corporation income taxes									
6 Gross receipts	154,205	174,422	78,393	92,132	88,302	96,480	36,378	5,654	3,522
7 Refunds	13,820	17,418	7,747	10,399	7,518	9,704	1,274	4,792	1,183
8 Social insurance taxes and contributions, net	461,475	484,473	220,140	261,837	224,269	277,767	43,372	36,104	39,952
9 Employment taxes and contributions[2]	428,810	451,045	206,615	241,557	211,323	257,446	42,817	34,428	36,967
10 Unemployment insurance	28,004	28,878	11,177	18,001	10,702	18,068	206	1,330	2,574
11 Other net receipts[3]	4,661	4,550	2,349	2,279	2,247	2,254	348	346	411
12 Excise taxes	55,225	57,484	30,178	27,452	30,014	25,682	5,315	3,923	4,678
13 Customs deposits	20,099	19,301	11,041	8,848	9,849	8,731	1,604	1,432	1,219
14 Estate and gift taxes	15,225	14,763	7,067	7,425	7,718	8,775	1,698	1,547	1,394
15 Miscellaneous receipts[4]	22,274	31,944	13,395	16,211	11,839	12,087	1,902	2,187r	1,997
OUTLAYS									
16 **All types**	**1,460,841**	**1,519,133**	**752,378**	**761,289**	**752,856**	**785,368r**	**122,243r**	**140,315r**	**135,795**
17 National defense	281,642	272,066	141,885	135,648	132,886r	132,600	19,738	22,284	24,911
18 International affairs	17,083	16,434	11,889	4,797	6,908	8,074	1,007	4,112	814
19 General science, space, and technology	16,227	16,724	7,604	8,611	7,970	8,897	1,689	1,447	1,586
20 Energy	5,219	4,936	2,923	2,358	1,992	1,355	563	−207	−96
21 Natural resources and environment	21,064	22,105	11,911	10,273	11,384	10,238	1,913	1,758	1,888
22 Agriculture	15,046	9,773	7,623	4,039	3,072	71	3,309	2,347	1,405
23 Commerce and housing credit	−5,118	−14,441	−4,042	−13,471	−3,941	−6,861	1,559	−167	−4,535
24 Transportation	38,066	39,350	21,835	18,193	20,725	18,291	3,537	3,870	3,386
25 Community and regional development	10,454	10,641	6,283	5,073	5,570r	5,237	1,191	1,247	990
26 Education, training, employment, and social services	46,307	54,263	27,450	25,893	26,295	26,137	5,082	4,176	4,973
27 Health	107,122	115,418	54,147	59,057	57,112r	59,957	10,004	10,378	10,060
28 Social security and Medicare	464,312	495,701	236,817	251,975	251,387r	264,649	41,693	45,420	45,936
29 Income security	214,031	220,449	101,806	117,190	104,760	121,032	13,664	18,544	19,714
30 Veterans benefits and services	37,642	37,938	19,761	19,269	18,687	18,164	1,641	3,336	5,156
31 Administration of justice	15,256	16,223	7,753	8,051	8,092r	9,021	1,382	1,311	1,897
32 General government	11,303	13,835	7,355	5,796	7,602	4,641	1,548	1,763r	200
33 Net interest[5]	202,957	232,173	109,434	116,169	119,349	120,579	19,243	21,472	20,144
34 Undistributed offsetting receipts[6]	−37,772	−44,455	−20,066	−17,631	−26,995	−16,716	−6,522	−2,777	−2,635

1. Functional details do not sum to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for receipts and outlays do not correspond to calendar year data because revisions from the *Budget* have not been fully distributed across months.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Federal employee retirement contributions and civil service retirement and disability fund.
4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
5. Includes interest received by trust funds.
6. Rents and royalties for the outer continental shelf, U.S. government contributions for employee retirement, and certain asset sales.

SOURCE. Fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1997*; monthly and half-year totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government.*

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1994		1995				1996		
	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30
1 **Federal debt outstanding**	**4,721**	**4,827**	**4,891**	**4,978**	**5,001**	**5,017**	**5,153**	**5,197**	**5,260**
2 Public debt securities	4,693	4,800	4,864	4,951	4,974	4,989	5,118	5,161	5,225
3 Held by public	3,480	3,543	3,610	3,635	3,653	3,684	3,764	3,739	n.a.
4 Held by agencies	1,213	1,257	1,255	1,317	1,321	1,305	1,354	1,422	n.a.
5 Agency securities	29	27	27	27	27	28	36	36	35
6 Held by public	29	27	26	27	27	28	28	28	n.a.
7 Held by agencies	0	0	0	0	0	0	8	8	n.a.
8 **Debt subject to statutory limit**	**4,605**	**4,711**	**4,775**	**4,861**	**4,885**	**4,900**	**5,030**	**5,073**	**5,137**
9 Public debt securities	4,605	4,711	4,774	4,861	4,885	4,900	5,030	5,073	5,137
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,900	4,900	4,900	4,900	4,900	4,900	5,500	5,500	5,500

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

SOURCE. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin*.

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

Billions of dollars, end of period

Type and holder	1992	1993	1994	1995	1995	1996		
					Q4	Q1	Q2	Q3
1 **Total gross public debt**	**4,177.0**	**4,535.7**	**4,800.2**	**4,988.7**	**4,988.7**	**5,117.8**	**5,161.1**	**5,224.8**
By type								
2 Interest-bearing	4,173.9	4,532.3	4,769.2	4,964.4	4,964.4	5,083.0	5,126.8	5,220.8
3 Marketable	2,754.1	2,989.5	3,126.0	3,307.2	3,307.2	3,375.1	3,348.4	3,418.4
4 Bills	657.7	714.6	733.8	760.7	760.7	811.9	773.6	761.2
5 Notes	1,608.9	1,764.0	1,867.0	2,010.3	2,010.3	2,014.1	2,025.8	2,098.7
6 Bonds	472.5	495.9	510.3	521.2	521.2	534.1	534.1	543.5
7 Nonmarketable[1]	1,419.8	1,542.9	1,643.1	1,657.2	1,657.2	1,707.9	1,778.3	1,802.4
8 State and local government series	153.5	149.5	132.6	104.5	104.5	96.5	97.8	95.7
9 Foreign issues[2]	37.4	43.5	42.5	40.8	40.8	40.4	37.8	37.5
10 Government	37.4	43.5	42.5	40.8	40.8	40.4	37.8	37.5
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	155.0	169.4	177.8	181.9	181.9	183.0	183.8	184.2
13 Government account series[3]	1,043.5	1,150.0	1,259.8	1,299.6	1,299.6	1,357.7	1,428.5	1,454.7
14 Non-interest-bearing	3.1	3.4	31.0	24.3	24.3	34.8	34.3	4.0
By holder[4]								
15 U.S. Treasury and other federal agencies and trust funds	1,047.8	1,153.5	1,257.1	1,304.5	1,304.5	1,353.8	1,422.4	
16 Federal Reserve Banks	302.5	334.2	374.1	391.0	391.0	381.0	391.0	
17 Private investors	2,839.9	3,047.4	3,168.0	3,294.9	3,294.9	3,382.8	3,347.3	
18 Commercial banks	294.4	322.2	290.1	278.3	278.3	283.8	285.0	
19 Money market funds	79.7	80.8	67.6	71.3	71.3	87.3	82.2	
20 Insurance companies	197.5	234.5	240.1	250.8	250.8	256.0	258.0	
21 Other companies	192.5	213.0	226.5	228.8	228.8	229.0	230.9	n.a.
22 State and local treasuries[5,6]	563.3	605.9	483.4	352.2	352.2	336.8	340.0	
Individuals								
23 Savings bonds	157.3	171.9	180.5	185.0	185.0	185.8	186.5	
24 Other securities	131.9	137.9	150.7	162.7	162.7	161.4	161.1	
25 Foreign and international[7]	549.7	623.0	688.7	862.1	862.1	930.2	958.6	
26 Other miscellaneous investors[6,8]	673.5	658.3	840.5	903.7	903.7	912.5	845.0	

1. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.
3. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Includes state and local pension funds.
6. In March 1996, in a redefinition of series, fully defeased debt backed by nonmarketable federal securities was removed from "Other miscellaneous investors" and added to "State and local treasuries." The data shown here have been revised accordingly.
7. Consists of investments of foreign balances and international accounts in the United States.
8. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally sponsored agencies.

SOURCE. U.S. Treasury Department, data by type of security, *Monthly Statement of the Public Debt of the United States;* data by holder, *Treasury Bulletin*.

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Millions of dollars, daily averages

Item	1996			1996, week ending								
	Aug.	Sept.	Oct.	Oct. 2	Oct. 9	Oct. 16	Oct. 23	Oct. 30	Nov. 6	Nov. 13	Nov. 20	Nov. 27
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	45,218	53,964	46,500	50,819	43,084	57,220	43,664	41,575	50,868	60,104	47,856	38,613
Coupon securities, by maturity												
2 Five years or less	91,717	101,720	99,043	105,597	97,239	90,604	104,279	98,278	106,346	100,651	113,446	90,343
3 More than five years	44,894	47,945	53,211	51,999	60,188	48,211	45,365	56,383	64,128	68,880	57,284	62,421
4 Federal agency	33,593	33,559	30,349	36,011	29,336	30,898	30,713	28,210	30,770	30,724	35,444	33,916
5 Mortgage-backed	35,793	39,470	40,500	37,357	63,617	36,951	29,804	29,510	53,829	63,146	38,702	26,757
By type of counterparty												
With interdealer broker												
6 U.S. Treasury	106,811	118,528	114,131	116,513	116,899	111,875	110,756	113,359	125,283	130,624	123,412	107,387
7 Federal agency	713	796	848	905	926	865	833	719	991	689	753	887
8 Mortgage-backed	13,496	13,533	14,927	11,272	23,807	13,631	11,755	10,505	20,994	21,535	13,792	12,031
With other												
9 U.S. Treasury	75,018	85,100	84,624	91,902	83,613	84,161	82,552	82,877	96,059	99,011	95,173	83,991
10 Federal agency	32,880	32,763	29,502	35,106	28,410	30,033	29,881	27,491	29,779	30,035	34,692	33,029
11 Mortgage-backed	22,297	25,937	25,573	26,084	39,810	23,319	18,049	19,005	32,835	41,611	24,909	14,726
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
12 U.S. Treasury bills	429	428	96	0	0	189	28	78	159	75	156	209
Coupon securities, by maturity												
13 Five years or less	1,649	1,710	1,029	1,286	1,095	832	975	1,063	1,064	826	1,310	2,215
14 More than five years	11,373	14,057	11,938	13,306	12,559	11,173	9,707	13,339	13,309	16,479	13,479	15,278
15 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
16 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
17 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
18 Five years or less	2,194	3,555	3,143	3,341	3,890	3,825	1,659	3,114	3,850	2,238	1,872	1,643
19 More than five years	4,408	3,924	4,548	3,942	5,439	4,785	3,774	4,319	5,374	6,661	4,620	3,583
20 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
21 Mortgage-backed	848	1,132	1,113	2,728	1,263	592	1,160	719	945	1,399	608	729

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Monthly averages are based on the number of trading days in the month. Transactions are assumed evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Outright transactions include immediate and forward transactions. Immediate delivery refers to purchases or sales of securities (other than mortgage-backed federal agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

3. Futures transactions are standardized agreements arranged on an exchange. All futures transactions are included regardless of time to delivery.

4. Options transactions are purchases or sales of put and call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

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

Millions of dollars

Item	1996			1996, week ending							
	Aug.	Sept.	Oct.	Oct. 2	Oct. 9	Oct. 16	Oct. 23	Oct. 30	Nov. 6	Nov. 13	Nov. 20
	Positions[2]										
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	13,673	4,530	607	−5,285	−4,184	4,113	3,209	1,006	383	12,706	11,838
Coupon securities, by maturity											
2 Five years or less	−3,839	−3,592	384	−1,272	−1,113	−6,003	6,925	557	11,898	961	9,466
3 More than five years	−14,771	−21,281	−17,347	−22,724	−18,641	−16,180	−15,453	−17,883	−15,199	−17,666	−19,061
4 Federal agency	22,836	20,899	25,339	23,845	26,331	21,897	27,301	26,197	25,729	27,827	22,520
5 Mortgage-backed	36,468	36,981	39,361	38,786	37,679	39,210	39,250	40,855	43,646	44,320	41,239
NET FUTURES POSITIONS[4]											
By type of deliverable security											
6 U.S. Treasury bills	−4,401	−963	−1,315	−622	−935	−1,311	−1,447	−1,707	−1,720	−1,959	−1,831
Coupon securities, by maturity											
7 Five years or less	−473	1,741	667	632	1,009	1,423	268	86	−90	−367	−2,319
8 More than five years	−19,325	−7,520	−10,401	−8,577	−10,030	−8,214	−11,002	−12,170	−15,377	−14,422	−18,630
9 Federal agency	0	0	0	0	0	0	0	0	0	0	0
10 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
By type of deliverable security											
11 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
12 Five years or less	−647	−992	−1,261	−1,275	−785	−1,678	−2,554	50	−1,765	−2,591	−1,853
13 More than five years	2,759	−1,021	−1,433	−858	−518	−685	−2,424	−2,325	−1,050	−432	1,189
14 Federal agency	0	0	0	0	0	0	0	0	0	0	0
15 Mortgage-backed	2,003	1,620	2,343	1,629	2,172	2,025	2,605	2,914	1,376	1,174	2,088
	Financing[5]										
Reverse repurchase agreements											
16 Overnight and continuing	280,269	269,777	253,416	276,218	240,183	270,797	246,917	248,408	259,323	258,190	287,053
17 Term	480,446	450,345	501,087	450,007	498,531	475,818	512,144	527,486	535,831	542,617	433,133
Securities borrowed											
18 Overnight and continuing	179,112	187,938	182,236	184,764	184,142	184,313	179,717	180,066	182,134	189,731	196,070
19 Term	67,680	66,776	74,103	73,646	75,365	72,697	74,481	73,923	74,647	73,361	64,746
Securities received as pledge											
20 Overnight and continuing	4,034	4,067	3,778	4,090	4,047	4,151	3,406	3,467	3,429	3,456	3,908
21 Term	78	59	41	43	47	31	31	39	146	147	108
Repurchase agreements											
22 Overnight and continuing	577,973[r]	566,786[r]	572,193	585,714[r]	562,918	580,508	571,109	568,125	587,925	589,545	606,286
23 Term	429,700	391,841	445,809	387,463	434,487	421,972	459,694	478,488	482,670	491,467	387,544
Securities loaned											
24 Overnight and continuing	4,210	3,864	3,860	3,993	3,136	4,166	3,951	4,104	4,172	3,468	3,364
25 Term	3,541	3,567	3,566	3,572	n.a.	n.a.	n.a.	n.a.	3,553	3,664	n.a.
Securities pledged											
26 Overnight and continuing	41,671	44,798	43,365	45,498	43,289	44,173	42,334	42,919	44,317	48,605	52,942
27 Term	5,795	6,752	6,843	7,305	6,981	6,975	6,839	6,364	7,406	7,487	1,405
Collateralized loans											
28 Overnight and continuing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
29 Term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
30 Total	19,828[r]	14,912[r]	13,787	13,576[r]	12,649	13,721	14,382	14,113	16,203	15,259	15,037
MEMO: Matched book[6]											
Securities in											
31 Overnight and continuing	278,385	263,184	252,532	265,784	244,183	263,374	249,688	248,308	258,048	257,765	287,100
32 Term	476,457	446,548	498,543	453,206	496,432	476,050	506,764	523,420	529,751	532,284	427,813
Securities out											
33 Overnight and continuing	369,423[r]	359,468[r]	362,320	382,992[r]	361,544	377,223	355,610	347,735	371,154	373,086	379,899
34 Term	384,256	349,869	398,155	347,930	386,457	375,578	409,703	430,485	431,378	439,326	337,720

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net outright positions include immediate and forward positions. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions for mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.

Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

4. Futures positions reflect standardized agreements arranged on an exchange. All futures positions are included regardless of time to delivery.

5. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day. Financing data are reported in terms of actual funds paid or received, including accrued interest.

6. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched-book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or different types of collateralization.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1992	1993	1994	1995	1996 May	1996 June	1996 July	1996 Aug.	1996 Sept.
1 **Federal and federally sponsored agencies**	**483,970**	**570,711**	**738,928**	**844,611**	**868,599**	**879,355**	n.a.		
2 Federal agencies	41,829	45,193	39,186	37,347	31,029	31,448	30,939		
3 Defense Department[1]	7	6	6	6	6	6	6		
4 Export-Import Bank[2,3]	7,208	5,315	3,455	2,050	2,015	1,853	1,853	n.a.	n.a.
5 Federal Housing Administration[4]	374	255	116	97	56	62	62		
6 Government National Mortgage Association certificates of participation[5]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
7 Postal Service[6]	10,660	9,732	8,073	5,765	n.a.	n.a.	n.a.		
8 Tennessee Valley Authority	23,580	29,885	27,536	29,429	28,952	29,465	28,956		
9 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
10 Federally sponsored agencies[7]	442,141	523,452	699,742	807,264	837,570	847,807	854,461	861,564	866,071
11 Federal Home Loan Banks	114,733	139,512	205,817	243,194	243,389	249,240	251,169	253,847	254,920
12 Federal Home Loan Mortgage Corporation	29,631	49,993	93,279	119,961	141,248	143,363	146,534	148,729	146,954
13 Federal National Mortgage Association	166,300	201,112	257,230	299,174	305,050	308,385	310,503	312,374	319,153
14 Farm Credit Banks[8]	51,910	53,123	53,175	57,379	61,197	62,182	60,294	60,219	60,126
15 Student Loan Marketing Association[9]	39,650	39,784	50,335	47,529	46,735	44,718	46,053	46,459	44,962
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt**[13]	**154,994**	**128,187**	**103,817**	**78,681**	**64,931**	**63,654**	**62,233**		
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	7,202	5,309	3,449	2,044	2,009	1,847	1,847		
21 Postal Service[6]	10,440	9,732	8,073	5,765	n.a.	n.a.	n.a.		
22 Student Loan Marketing Association	4,790	4,760	n.a.	n.a.	n.a.	n.a.	n.a.		
23 Tennessee Valley Authority	6,975	6,325	3,200	3,200	n.a.	n.a.	n.a.	n.a.	n.a.
24 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Other lending[14]									
25 Farmers Home Administration	42,979	38,619	33,719	21,015	21,015	20,625	19,575		
26 Rural Electrification Administration	18,172	17,578	17,392	17,144	16,944	16,952	16,844		
27 Other	64,436	45,864	37,984	29,513	24,964	24,230	23,967		

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. On-budget since Sept. 30, 1976.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Includes Federal Agricultural Mortgage Corporation; therefore details do not sum to total. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, which is shown on line 17.
9. Before late 1982, the association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.
12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.
13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table to avoid double counting.
14. Includes FFB purchases of agency assets and guaranteed loans; the latter are loans guaranteed by numerous agencies, with the amounts guaranteed by any one agency generally being small. The Farmers Home Administration entry consists exclusively of agency assets, whereas the Rural Electrification Administration entry consists of both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1993	1994	1995	1996 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.
1 **All issues, new and refunding**[1]	**279,945**	**153,950**	**145,657**	**13,673**	**15,647**	**17,496**	**11,819**	**12,502**	**11,635**	**16,296**	**12,453**
By type of issue											
2 General obligation	90,599	54,404	56,980	5,145	5,491	6,709	4,158	4,104	3,488	5,610	4,777
3 Revenue	189,346	99,546	88,677	8,528	10,156	10,787	7,661	8,398	8,147	10,686	7,676
By type of issuer											
4 State	27,999	19,186	14,665	818	2,803	1,038	672	1,180	870	1,912	1,247
5 Special district or statutory authority[2]	178,714	95,896	93,500	10,097	10,313	10,722	7,597	8,432	8,096	10,435	7,719
6 Municipality, county, or township	73,232	38,868	37,492	2,758	2,531	5,736	3,550	2,890	2,669	3,949	3,487
7 **Issues for new capital**	**91,434**	**105,972**	**102,390**	**9,767**	**9,468**	**14,193**	**8,817**	**7,133**	**7,840**	**11,928**	**8,039**
By use of proceeds											
8 Education	16,831	21,267	23,964	2,241	2,840	3,396	2,200	2,320	1,521	2,656	1,515
9 Transportation	9,167	10,836	11,890	964	799	1,400	580	622	846	2,897	1,158
10 Utilities and conservation	12,014	10,192	9,618	613	1,375	972	693	409	785	1,388	1,082
11 Social welfare	13,837	20,289	19,566	1,796	1,633	3,086	2,589	2,412	2,041	1,450	2,017
12 Industrial aid	6,862	8,161	6,581	618	382	610	392	271	581	520	451
13 Other purposes	32,723	35,227	30,771	3,535	2,439	4,729	2,363	1,099	2,066	3,017	1,816

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

SOURCE. Securities Data Company beginning January 1990; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1993	1994	1995	1996 Mar.	Apr.	May	June	July[r]	Aug.[r]	Sept.[r]	Oct.
1 **All issues**[1]	**769,088**	**583,240**	n.a.	**55,792**	**49,030[r]**	**69,220**	**67,072**	**40,066**	**44,102**	**59,564**	**58,892**
2 **Bonds**[2]	**646,634**	**498,039**	n.a.	**48,363**	**36,334[r]**	**55,814**	**54,158**	**32,632**	**38,499**	**53,049**	**46,400**
By type of offering											
3 Public, domestic	487,029	365,222	408,806	41,526	30,574	46,745	45,157	26,506	32,548	43,831	38,400
4 Private placement, domestic[3]	121,226	76,065	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	38,379	56,755	76,910	6,837	5,759	9,069	9,001	6,126	5,952	9,218	8,000
By industry group											
6 Manufacturing	88,160	43,423	42,950	3,435	2,503	5,887	6,009	4,066	2,882	4,030	6,763
7 Commercial and miscellaneous	58,559	40,735	37,139	3,803	2,664[r]	4,933	4,272	2,720	2,611	3,170	4,862
8 Transportation	10,816	6,867	5,727	137	120	819	906	525	293	620	436
9 Public utility	56,330	13,322	11,974	788	444	691	1,144	1,046	129	229	1,299
10 Communication	31,950	13,340	18,158	2,253	724	1,097	2,231	647	1,450	829	1,000
11 Real estate and financial	400,820	380,352	369,769	37,948	29,879	42,386	39,597	23,628	31,135	44,171	32,040
12 **Stocks**[2]	**122,454**	**85,155**	n.a.	**7,430[r]**	**12,705[r]**	**13,437[r]**	**12,935**	**7,649**	**5,678**	**6,553**	**12,492**
By type of offering											
13 Public preferred	18,897	12,570	10,964	967	2,000	1,660	3,309	1,779	1,164	1,890	3,855
14 Common	82,657	47,828	57,809	6,463[r]	10,705[r]	11,777[r]	9,626	5,870	4,514	4,663	8,637
15 Private placement[3]	20,900	24,800		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
16 Manufacturing	22,271	17,798		2,051	3,982	3,294	2,653	1,740	1,007	781	1,535
17 Commercial and miscellaneous	25,761	15,713	n.a.	3,597	4,125	5,103	6,629	2,732	2,087	2,995	5,686
18 Transportation	2,237	2,203		232	37	322	197	104	143	0	37
19 Public utility	7,050	2,214		319	149	297	569	299	306	276	100
20 Communication	3,439	494		100	144	1,205	837	1,083	51	0	526
21 Real estate and financial	61,004	46,733		1,130	4,267[r]	3,216[r]	2,050	1,690	2,085	2,501	4,609

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data cover only public offerings.
3. Monthly data are not available.

SOURCE. Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System.

1.47 OPEN–END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1994	1995	1996							
			Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
1 **Sales of own shares**[2]	**841,286**	**871,415**	**93,856**	**101,310**	**96,501**	**88,115**	**93,053**	**86,225**	**84,171**	**92,730**
2 Redemptions of own shares	699,823	699,497	65,748	81,005	69,419	69,072	76,485	64,993	65,601	72,537
3 Net sales[3]	141,463	171,918	28,108	20,305	27,082	19,044	16,568	21,232	18,570	20,193
4 **Assets**[4]	**1,550,490**	**2,067,337**	**2,212,517**	**2,293,491**	**2,356,307**	**2,363,024**	**2,297,216**	**2,366,030**	**2,474,339**	**2,517,049**
5 Cash[5]	121,296	142,572	142,697	148,777	145,554	144,275	148,647	155,129	156,689	149,937
6 Other	1,429,195	1,924,765	2,069,820	2,144,713	2,201,752	2,218,749	2,147,337	2,210,901	2,317,651	2,367,112

1. Data on sales and redemptions exclude money market mutual funds but include limited-maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited-maturity municipal bond funds.
2. Includes reinvestment of net income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes sales and redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.
4. Market value at end of period, less current liabilities.
5. Includes all U.S. Treasury securities and other short-term debt securities.

SOURCE. Investment Company Institute. Data based on reports of membership, which comprises substantially all open–end investment companies registered with the Securities and Exchange Commission. Data reflect underwritings of newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1993	1994	1995	1994	1995				1996		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1 Profits with inventory valuation and capital consumption adjustment	464.4	529.5	586.6	570.9	560.0	562.3	612.5	611.8	645.1	655.8	661.2
2 Profits before taxes	464.3	531.2	598.9	572.4	594.5	589.6	607.2	604.2	642.2	644.6	635.6
3 Profits-tax liability	163.8	195.3	218.7	213.5	217.3	214.2	224.5	218.7	233.4	236.4	233.4
4 Profits after taxes	300.5	335.9	380.2	358.8	377.2	375.3	382.8	385.5	408.8	408.1	402.2
5 Dividends	197.3	211.0	227.4	218.5	221.7	224.6	228.5	234.7	239.9	243.1	245.2
6 Undistributed profits	103.2	124.8	152.8	140.3	155.5	150.8	154.3	150.8	168.9	165.1	156.9
7 Inventory valuation	−6.6	−13.3	−28.1	−22.8	−51.9	−42.3	−9.3	−8.8	−17.4	−11.0	2.0[r]
8 Capital consumption adjustment	6.7	11.6	15.9	21.3	17.4	15.0	14.6	16.5	20.4	22.3	23.6[r]

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1993	1994	1995	1994	1995				1996	
				Q4	Q1	Q2	Q3	Q4	Q1	Q2[r]
ASSETS										
1 Accounts receivable, gross[2]	482.8	551.0	614.6	551.0	568.5	586.9	594.7	614.6	621.8	631.4
2 Consumer	116.5	134.8	152.0	134.8	135.8	141.7	146.2	152.0	151.9	154.6
3 Business	294.6	337.6	375.9	337.6	351.9	361.8	362.4	375.9	380.9	383.7
4 Real estate	71.7	78.5	86.6	78.5	80.8	83.4	86.1	86.6	89.1	93.1
5 LESS: Reserves for unearned income	50.7	55.0	63.2	55.0	58.9	62.1	61.2	63.2	61.5	59.6
6 Reserves for losses	11.2	12.4	14.1	12.4	12.9	13.7	13.8	14.1	14.2	14.1
7 Accounts receivable, net	420.9	483.5	537.3	483.5	496.7	511.1	519.7	537.3	546.1	557.7
8 All other	170.9	183.4	210.7	183.4	194.6	198.1	198.1	210.7	212.8	216.1
9 **Total assets**	**591.8**	**666.9**	**748.0**	**666.9**	**691.4**	**709.2**	**717.8**	**748.0**	**758.9**	**773.8**
LIABILITIES AND CAPITAL										
10 Bank loans	25.3	21.2	23.1	21.2	21.0	21.5	21.8	23.1	23.5	26.2
11 Commercial paper	159.2	184.6	184.5	184.6	181.3	181.3	178.0	184.5	184.8	186.9
Debt										
12 Owed to parent	42.7	51.0	62.3	51.0	52.5	57.5	59.0	62.3	62.3	68.4
13 Not elsewhere classified	206.0	235.0	284.7	235.0	254.4	264.4	272.1	284.7	291.4	301.3
14 All other liabilities	87.1	99.5	106.2	99.5	102.5	102.1	102.4	106.2	105.7	100.1
15 Capital, surplus, and undivided profits	71.4	75.7	87.2	75.7	79.7	82.5	84.4	87.2	91.1	90.9
16 **Total liabilities and capital**	**591.8**	**666.9**	**748.0**	**666.9**	**691.4**	**709.2**	**717.8**	**748.0**	**758.9**	**773.8**

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are amounts carried on the balance sheets of finance companies; securitized pools are not shown, as they are not on the books.

2. Before deduction for unearned income and losses.

1.52 DOMESTIC FINANCE COMPANIES Consumer, Real Estate, and Business Credit[1]

Millions of dollars, amounts outstanding, end of period

Type of credit	1993	1994	1995	1996[r]					
				May	June	July	Aug.	Sept.	Oct.
	Seasonally adjusted								
1 **Total**	**546,103**	**615,618**	**691,616**	**710,367**	**724,193**	**729,091**	**737,289**	**737,152**	**744,842**
2 Consumer	160,227	176,085	198,861	207,027	209,856	211,332	210,907	210,948	210,477
3 Real estate[2]	72,043	78,910	87,077	90,180	96,644	97,023	99,806	100,317	103,457
4 Business	313,833	360,624	405,678	413,160	417,694	420,736	426,576	425,887	430,908
	Not seasonally adjusted								
5 **Total**	**550,751**	**620,975**	**697,340**	**712,429**	**727,257**	**722,399**	**730,923**	**733,230**	**743,656**
6 Consumer	162,770	178,999	202,101	205,678	209,367	209,309	210,148	211,788	210,987
7 Motor vehicles	56,057	61,609	70,061	74,327	74,936	75,736	74,433	76,333	75,916
8 Other consumer[3]	60,396	73,221	81,988	80,435	79,474	79,112	78,928	78,451	77,527
9 Securitized motor vehicles[4]	36,024	31,897	33,633	31,435	34,529	33,731	34,636	32,807	32,565
10 Securitized other consumer[4]	10,293	12,272	16,419	19,481	20,428	20,730	22,151	24,197	24,979
11 Real estate[2]	71,727	78,479	86,606	90,182	95,803	97,276	100,295	100,182	103,709
12 Business	316,254	363,497	408,633	416,569	422,087	415,814	420,480	421,260	428,960
13 Motor vehicles	95,173	118,197	133,277	134,196	136,757	133,325	135,063	138,615	140,057
14 Retail loans[5]	18,091	21,514	25,304	27,151	29,033	28,649	28,404	28,875	29,072
15 Wholesale loans[6]	31,148	35,037	36,427	31,360	32,095	26,888	28,188	30,294	30,982
16 Leases	45,934	61,646	71,546	75,685	75,629	77,788	78,471	79,446	80,003
17 Equipment	145,452	157,953	177,297	178,151	184,396	183,119	182,816	181,111	177,677
18 Loans[7]	43,514	49,358	59,109	57,327	58,788	57,216	55,528	56,132	56,703
19 Leases	101,938	108,595	118,188	120,824	125,608	125,903	127,288	124,979	120,974
20 Other business[8]	53,997	61,495	65,363	68,112	64,987	64,397	68,367	67,290	74,255
21 Securitized business assets[4]	21,632	25,852	32,696	36,110	35,947	34,973	34,234	34,244	36,971
22 Retail loans	2,869	4,494	4,723	4,790	4,688	4,613	4,700	4,600	4,650
23 Wholesale loans	10,584	14,826	21,327	25,028	24,868	23,988	23,151	23,170	23,183
24 Leases	8,179	6,532	6,646	6,292	6,391	6,372	6,383	6,474	9,138

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are before deductions for unearned income and losses. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

2. Includes all loans secured by liens on any type of real estate, for example, first and junior mortgages and home equity loans.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, general merchandise, and recreation vehicles.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Passenger car fleets and commercial land vehicles for which licenses are required.

6. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

7. Beginning with the June 1996 data, retail and wholesale business equipment loans have been combined and are no longer separately available.

8. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1993	1994	1995	1996						
				May	June	July	Aug.	Sept.	Oct.	Nov.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	163.1	170.4	175.8	179.5	180.1	194.0	184.8	187.1	183.9	188.1
2 Amount of loan (thousands of dollars)	123.0	130.8	134.5	137.6	139.4	144.2	141.1	141.7	139.0	143.3
3 Loan-to-price ratio (percent)	78.0	78.8	78.6	79.3	78.7	76.2	77.7	77.2	77.7	78.0
4 Maturity (years)	26.1	27.5	27.7	27.2	25.8	26.7	27.2	27.7	27.4	27.4
5 Fees and charges (percent of loan amount)[2]	1.30	1.29	1.21	1.16	1.31	1.25	1.38	1.28	1.11	1.19
Yield (percent per year)										
6 Contract rate[1]	7.03	7.26	7.65	7.61	7.75	7.80	7.85	7.77	7.76	7.60
7 Effective rate[1,3]	7.24	7.47	7.85	7.80	8.05	8.01	8.08	7.98	7.95	7.80
8 Contract rate (HUD series)[4]	7.37	8.58	8.05	8.34	8.37	8.28	8.45	8.23	8.01	7.73
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	7.46	8.68	8.18	8.57	8.55	8.56	8.58	8.56	8.00	8.14
10 GNMA securities[6]	6.65	7.96	7.57	7.81	7.91	7.84	7.68	7.85	7.53	7.19
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	190,861	222,057	253,511	267,330	270,042	272,458	275,133	278,003	279,544	283,835
12 FHA/VA insured	23,857	27,558	28,762	30,442	30,936	30,830	30,803	30,840	30,815	30,744
13 Conventional	167,004	194,499	224,749	236,888	239,106	241,628	244,330	247,163	248,729	253,091
14 Mortgage transactions purchased (during period)	92,037	62,389	56,598	6,720	5,421	5,345	5,360	5,353	4,235	6,805
Mortgage commitments (during period)										
15 Issued[7]	92,537	54,038	56,092	5,228	5,280	5,036	5,673	4,264	5,199	6,533
16 To sell[8]	5,097	1,820	360	13	0	0	0	53	0	0
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	55,012	72,693	107,424	121,058	123,806	125,574	127,345	129,426	132,260	135,270
18 FHA/VA insured	321	276	267	212	209	205	201	197	195	195
19 Conventional	54,691	72,416	107,157	120,846	123,597	125,369	127,144	129,229	132,065	135,075
Mortgage transactions (during period)										
20 Purchases	229,242	124,697	98,470	12,385	10,266	9,934	9,643	8,687	9,538	9,198
21 Sales	208,723	117,110	85,877	11,904	9,969	9,496	8,994	8,167	8,797	8,456
22 Mortgage commitments contracted (during period)[9]	274,599	136,067	118,659	11,075	11,164	10,626	8,992	9,315	8,214	9,032

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.
4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.
5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.
6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.
7. Does not include standby commitments issued, but includes standby commitments converted.
8. Includes participation loans as well as whole loans.
9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1992	1993	1994	1995 Q3	1995 Q4	1996 Q1	1996 Q2	1996 Q3[p]
1 **All holders**	**4,091,827**	**4,266,932[r]**	**4,472,718[r]**	**4,657,899[r]**	**4,706,615[r]**	**4,781,996[r]**	**4,869,404**	**4,949,067**
By type of property								
2 One- to four-family residences	3,036,251	3,225,545[r]	3,429,424[r]	3,587,143[r]	3,626,329[r]	3,689,189[r]	3,757,694	3,824,932
3 Multifamily residences	274,234	270,824[r]	275,705[r]	284,201[r]	287,994[r]	291,893[r]	296,974	301,129
4 Nonfarm, nonresidential	700,604	689,365[r]	684,618[r]	702,202[r]	707,673[r]	715,696[r]	728,193	735,659
5 Farm	80,738	81,198[r]	82,971	84,352	84,620	85,217[r]	86,543	87,347
By type of holder								
6 Major financial institutions	1,769,187	1,768,093[r]	1,815,845[r]	1,895,350[r]	1,888,970[r]	1,901,524[r]	1,925,040	1,951,812
7 Commercial banks[2]	894,513	940,595[r]	1,004,322[r]	1,072,844[r]	1,080,366[r]	1,087,207[r]	1,099,585	1,112,970
8 One- to four-family	507,780	556,660[r]	611,391[r]	661,907[r]	663,614[r]	665,935[r]	670,735	676,753
9 Multifamily	38,024	38,657[r]	39,360[r]	42,894[r]	43,842[r]	44,700[r]	45,127	45,753
10 Nonfarm, nonresidential	328,826	324,413[r]	331,004[r]	344,219[r]	349,081[r]	352,641[r]	359,162	365,640
11 Farm	19,882	20,866[r]	22,567	23,824	23,829	23,931	24,561	24,825
12 Savings institutions[3]	627,972	598,437[r]	596,191[r]	604,614	596,789	602,631[r]	612,889	627,999
13 One- to four-family	489,622	470,000[r]	477,626[r]	488,869[r]	482,351[r]	489,634[r]	499,021	513,133
14 Multifamily	69,791	67,367[r]	64,343[r]	63,605[r]	61,988[r]	60,540[r]	60,809	61,444
15 Nonfarm, nonresidential	68,235	60,765[r]	53,933[r]	51,849[r]	52,162[r]	52,155[r]	52,739	53,102
16 Farm	324	305	289	291	288	302[r]	320	320
17 Life insurance companies	246,702	229,061	215,332	217,892	211,815	211,686	212,565	210,842
18 One- to four-family	11,441	9,458	7,910	7,701	7,476	7,472	7,503	7,440
19 Multifamily	27,770	25,814	24,306	24,638	23,920	23,906	24,007	23,802
20 Nonfarm, nonresidential	198,269	184,305	173,539	175,910	170,783	170,681	171,402	169,944
21 Farm	9,222	9,484	9,577	9,643	9,636	9,627	9,653	9,656
22 Federal and related agencies	286,263	327,014	319,327	314,353	313,760	312,950	314,694	311,697
23 Government National Mortgage Association	30	22	6	2	2	2	2	2
24 One- to four-family	30	15	6	2	2	2	2	2
25 Multifamily	0	7	0	0	0	0	0	0
26 Farmers Home Administration[4]	41,695	41,386	41,781	41,858	41,791	41,594	41,547	41,575
27 One- to four-family	16,912	15,303	13,826	12,914	12,643	12,327	11,982	11,630
28 Multifamily	10,575	10,940	11,319	11,557	11,617	11,636	11,645	11,652
29 Nonfarm, nonresidential	5,158	5,406	5,670	6,096	6,248	6,365	6,552	6,681
30 Farm	9,050	9,739	10,966	11,291	11,282	11,266	11,369	11,613
31 Federal Housing and Veterans' Administrations	12,581	12,215	10,964	9,535	9,809	8,439	8,052	6,627
32 One- to four-family	5,153	5,364	4,753	4,918	5,180	4,228	3,861	3,190
33 Multifamily	7,428	6,851	6,211	4,617	4,629	4,211	4,191	3,438
34 Resolution Trust Corporation	32,045	17,284	10,428	4,889	1,864	0	0	0
35 One- to four-family	12,960	7,203	5,200	2,299	691	0	0	0
36 Multifamily	9,621	5,327	2,859	1,420	647	0	0	0
37 Nonfarm, nonresidential	9,464	4,754	2,369	1,170	525	0	0	0
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	0	14,112	7,821	5,015	4,303	5,553	5,016	4,025
40 One- to four-family	0	2,367	1,049	618	492	839	840	675
41 Multifamily	0	1,426	1,595	722	428	1,099[r]	955	766
42 Nonfarm, nonresidential	0	10,319	5,177	3,674	3,383	3,616[r]	3,221	2,584
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	137,584	166,642	178,059	182,229	183,782	183,531	186,041	185,221
45 One- to four-family	124,016	151,310	162,160	166,393	168,122	167,895	170,572	170,083
46 Multifamily	13,568	15,332	15,899	15,836	15,660	15,636	15,469	15,138
47 Federal Land Banks	28,664	28,460	28,555	28,151	28,428	28,891	29,362	29,579
48 One- to four-family	1,687	1,675	1,671	1,656	1,673	1,700	1,728	1,740
49 Farm	26,977	26,785	26,885	26,495	26,755	27,191	27,634	27,839
50 Federal Home Loan Mortgage Corporation	33,665	46,892	41,712	42,673	43,781	44,939	44,674	44,668
51 One- to four-family	31,032	44,345	38,882	39,239	39,929	40,877	40,477	40,304
52 Multifamily	2,633	2,547	2,830	3,434	3,852	4,062	4,197	4,364
53 Mortgage pools or trusts[5]	1,433,183	1,562,925	1,717,991	1,795,041	1,853,607[r]	1,894,686[r]	1,946,135	1,987,981
54 Government National Mortgage Association	419,516	414,066	450,934	463,654	472,292[r]	475,829[r]	485,441	497,248
55 One- to four-family	410,675	404,864	441,198	453,114	461,447[r]	464,650[r]	473,950	485,303
56 Multifamily	8,841	9,202	9,736	10,540	10,845	11,179	11,491	11,945
57 Federal Home Loan Mortgage Corporation	407,514	447,147	490,851	503,370	515,051	524,327	536,671	545,608
58 One- to four-family	401,525	442,612	487,725	500,417	512,238	521,722	534,238	543,341
59 Multifamily	5,989	4,535	3,126	2,953	2,813	2,605	2,433	2,267
60 Federal National Mortgage Association	444,979	495,525	530,343	559,585	582,959	599,546	621,285	636,362
61 One- to four-family	435,979	486,804	520,763	548,400	569,724	585,527	606,271	619,869
62 Multifamily	9,000	8,721	9,580	11,185	13,235	14,019	15,014	16,493
63 Farmers Home Administration[4]	38	28	19	12	11	10	9	7
64 One- to four-family	8	5	3	2	2	1	1	0
65 Multifamily	0	0	0	0	0	0	0	0
66 Nonfarm, nonresidential	17	13	9	5	5	5	4	4
67 Farm	13	10	7	5	4	4	4	3
68 Private mortgage conduits	161,136	206,159	245,844	268,420	283,294	294,974	302,729	308,756
69 One- to four-family[6]	139,637	171,988	194,145	207,679	214,635	219,392	221,380	224,280
70 Multifamily	6,305	8,701	14,925	18,903	21,279	24,477	26,809	28,141
71 Nonfarm, nonresidential	15,194	25,469	36,774	41,838	47,380	51,104	54,541	56,336
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[7]	603,194	608,901[r]	619,555[r]	653,155[r]	650,279[r]	672,835[r]	683,535	697,576
74 One- to four-family	447,795	455,572[r]	461,117[r]	491,015[r]	486,111[r]	506,987[r]	515,134	527,190
75 Multifamily	64,688	65,398[r]	69,615[r]	71,896[r]	73,239[r]	73,823[r]	74,826	75,926
76 Nonfarm, nonresidential	75,441	73,922[r]	76,142[r]	77,441[r]	78,105[r]	79,129[r]	80,573	81,369
77 Farm	15,270	14,009	12,681	12,804	12,824	12,896	13,002	13,091

1. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. Includes securitized home equity loans.
7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCE. Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve. Line 69 from Inside Mortgage Securities and other sources.

1.55 CONSUMER CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1993	1994	1995	1996 May	June	July	Aug.	Sept.[r]	Oct.
				Seasonally adjusted					
1 **Total**	**844,118**	**966,457**	**1,103,296**	**1,150,801[r]**	**1,158,118[r]**	**1,170,605[r]**	**1,176,426[r]**	**1,175,663**	**1,177,935**
2 Automobile	279,786	317,182	350,848	362,298	367,039	373,026[r]	373,087	373,633	373,573
3 Revolving	287,011	339,337	413,894	443,451	445,104	452,097	454,625	455,369	456,880
4 Other[2]	277,321	309,939	338,554	345,052[r]	345,974[r]	345,482[r]	348,714[r]	346,662	347,482
				Not seasonally adjusted					
5 **Total**	**863,924**	**990,247**	**1,131,881**	**1,141,032[r]**	**1,150,954[r]**	**1,160,848[r]**	**1,173,254[r]**	**1,179,680**	**1,179,684**
By major holder									
6 Commercial banks	399,683	462,923	507,753	504,865[r]	507,587[r]	511,084[r]	517,697[r]	517,753	518,196
7 Finance companies	116,453	134,830	152,624	155,893	155,864	157,102[r]	155,579[r]	156,956	153,443
8 Credit unions	101,634	119,594	131,939	134,562	136,055	138,249	140,635	141,968	143,723
9 Savings institutions	37,855	38,468	40,106	41,617	41,089	42,100	42,200	43,000	43,800
10 Nonfinancial business[3]	77,229	86,621	85,061	74,638	72,018	71,148	71,021	68,570	67,926
11 Pools of securitized assets[4]	131,070	147,811	214,398	229,457	238,341	241,165	246,122[r]	251,433	252,596
By major type of credit[5]									
12 Automobile	281,538	319,715	354,055	359,614	365,552	371,849[r]	374,535	377,047	377,837
13 Commercial banks	122,000	141,895	149,094	150,524	152,921	154,639	155,984	155,443	155,643
14 Finance companies	56,057	61,609	70,626	74,327	74,286	75,736[r]	74,433	76,333	75,916
15 Pools of securitized assets[4]	39,561	36,376	44,411	41,180	44,694	45,100	45,589	45,177	44,555
16 Revolving	302,201	357,307	435,674	437,581	440,229	445,715	451,664	455,303	456,368
17 Commercial banks	149,920	182,021	210,298	203,432	204,049	207,926	211,026	213,809	214,638
18 Nonfinancial business[3]	50,125	56,790	53,525	45,182	42,574	41,715	41,258	38,816	38,105
19 Pools of securitized assets[4]	80,242	96,130	147,934	164,509	168,844	170,966	174,026	177,406	178,101
20 Other	280,185	313,225	342,152	343,837[r]	345,173[r]	343,284[r]	347,055[r]	347,330	345,479
21 Commercial banks	127,763	139,007	148,361	150,909[r]	150,617[r]	148,519[r]	150,687[r]	148,501	147,915
22 Finance companies	60,396	73,221	81,998	81,566	81,578	81,366[r]	81,146[r]	80,623	77,527
23 Nonfinancial business[3]	27,104	29,831	31,536	29,456	29,444	29,433	29,763	29,754	29,821
24 Pools of securitized assets[4]	11,267	15,305	22,053	23,768	24,803	25,099	26,507[r]	28,850	29,940

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Comprises mobile home loans and all other loans that are not included in automobile or revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.
3. Includes retailers and gasoline companies.
4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.
5. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER CREDIT[1]

Percent per year except as noted

Item	1993	1994	1995	1996 Apr.	May	June	July	Aug.	Sept.	Oct.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	8.09	8.12	9.57	n.a.	8.93	n.a.	n.a.	9.11	n.a.	n.a.
2 24-month personal	13.47	13.19	13.94	n.a.	13.52	n.a.	n.a.	13.37	n.a.	n.a.
Credit card plan										
3 All accounts	n.a.	15.69	16.02	n.a.	15.44	n.a.	n.a.	15.65	n.a.	n.a.
4 Accounts assessed interest	n.a.	15.77	15.79	n.a.	15.41	n.a.	n.a.	15.64	n.a.	n.a.
Auto finance companies										
5 New car	9.48	9.79	11.19	9.64	9.37	9.53	9.81	10.49	10.52	10.40
6 Used car	12.79	13.49	14.48	13.26	13.49	13.62	13.77	13.92	13.87	13.75
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.5	54.0	54.1	51.5	50.8	50.4	50.5	51.4	51.9	52.5
8 Used car	48.8	50.2	52.2	51.8	51.7	51.6	51.7	51.3	51.0	51.1
Loan-to-value ratio										
9 New car	91	92	92	91	91	91	91	92	91	89
10 Used car	98	99	99	99	99	100	100	100	100	101
Amount financed (dollars)										
11 New car	14,332	15,375	16,210	16,605	16,686	16,854	16,926	16,927	17,182	17,435
12 Used car	9,875	10,709	11,590	12,024	12,233	12,249	12,242	12,132	12,108	12,326

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Data are available for only the second month of each quarter.
3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1991	1992	1993	1994	1995	1994	1995[r]				1996[r]	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**481.7**	**543.0**	**627.0[r]**	**621.2[r]**	**720.4[r]**	**656.5[r]**	**845.7**	**866.0**	**578.7**	**591.4**	**874.5**	**693.7**
By sector and instrument												
2 Federal government	278.2	304.0	256.1	155.9	144.4	166.8	247.8	184.7	86.0	59.3	239.9	62.4
3 Treasury securities	292.0	303.8	248.3	155.7	142.9	172.5	249.0	183.1	85.6	54.1	242.2	60.2
4 Budget agency securities and mortgages	−13.8	.2	7.8	.2	1.5	−5.7	−1.2	1.6	.4	5.1	−2.3	2.2
5 Nonfederal	203.5	239.0	370.9[r]	465.4[r]	576.0[r]	489.7[r]	597.9	681.3	492.7	532.1	634.6	631.3
By instrument												
6 Commercial paper	−18.4	8.6	10.0	21.4	18.1	35.3[r]	6.0	34.3	18.1	14.1	30.1	10.7
7 Municipal securities	87.8	30.5	74.8	−29.3	−44.2[r]	−53.5	−54.9	−2.2	−107.2	−12.6	−14.2	36.9
8 Corporate bonds	78.8	67.6	75.2	23.3	73.3	6.2	53.0	98.4	59.8	82.0	60.9	71.5
9 Bank loans n.e.c.	−40.9	−13.7	3.6[r]	73.2[r]	99.6	77.9[r]	145.5	99.1	75.3	78.5	29.8	78.8
10 Other loans and advances	−48.5	10.1	−9.4[r]	54.4	59.0[r]	67.0[r]	82.5	57.3	35.2	61.0	32.9	26.9
11 Mortgages	158.4	130.9	155.2[r]	196.0[r]	228.6[r]	214.4[r]	228.2	239.5	255.0	191.7	363.6	318.7
12 Home mortgages	173.6	187.6	185.8[r]	203.9[r]	196.9[r]	220.5[r]	209.9	190.8	227.9	159.1	319.1	248.8
13 Multifamily residential	−5.5	−10.4	−6.0	1.7[r]	10.5[r]	−3.8[r]	6.6	10.9	11.3	13.3	13.8	18.4
14 Commercial	−10.0	−47.8	−25.0	−11.3[r]	19.5[r]	−3.7[r]	10.0	36.1	13.7	18.2	28.4	46.1
15 Farm	.4	1.4	.5	1.8	1.6	1.4	1.7	1.7	2.2	1.1	2.4	5.3
16 Consumer credit	−13.7	5.0	61.5	126.3	141.6	142.5[r]	137.6	155.0	156.4	117.5	131.5	87.8
By borrowing sector												
17 Household	183.8	198.3	255.9[r]	372.4[r]	383.1[r]	405.5[r]	382.3	389.9	424.6	335.6	461.0	398.4
18 Nonfinancial business	−61.9	19.5	52.7[r]	136.4[r]	241.5[r]	152.4[r]	269.8	300.4	178.4	217.4	186.2	202.7
19 Corporate	−53.0	34.1	46.5	121.7[r]	205.1[r]	133.9[r]	230.4	268.3	140.5	181.3	139.8	158.4
20 Nonfarm noncorporate	−11.0	−16.0	4.2	11.9[r]	34.8[r]	19.3[r]	38.5	29.1	34.4	37.1	46.3	37.2
21 Farm	2.1	1.3	2.0	2.8	1.6	−.8	.8	3.0	3.5	−1.0	.1	7.1
22 State and local government	81.6	21.1	62.3	−43.4	−48.6[r]	−68.2	−54.2	−9.0	−110.3	−20.9	−12.5	30.1
23 Foreign net borrowing in United States	14.8	23.7	70.4	−15.3	69.5	44.7[r]	67.1	45.5	88.3	76.9	49.2	36.6
24 Open market paper	6.4	5.2	−9.0	−27.3	13.6	5.0[r]	43.2	−8.7	23.7	−3.9	−8.4	9.6
25 Bonds	15.0	16.8	82.9	12.2	48.3	39.1	13.9	51.2	55.2	72.7	47.9	11.1
26 Bank loans n.e.c.	3.1	2.3	.7	1.4	8.5	−.5	8.1	5.6	8.2	11.9	8.7	15.1
27 Other loans and advances	−9.8	−.6	−4.2	−1.6	−.8	1.1	1.9	−2.6	1.3	−3.9	1.1	.7
28 **Total domestic plus foreign**	**496.5**	**566.7**	**697.4[r]**	**606.0[r]**	**789.9[r]**	**701.2[r]**	**912.8**	**911.4**	**667.0**	**668.3**	**923.7**	**730.3**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**155.6**	**240.0**	**292.2[r]**	**466.7[r]**	**446.7[r]**	**534.2**	**267.7**	**439.9**	**507.0**	**572.0**	**330.3**	**687.5**
By instrument												
30 U.S. government-related	145.7	155.8	165.3[r]	287.5[r]	205.1	316.1	86.7	196.5	227.7	309.5	143.8	302.0
31 Government-sponsored enterprise securities	9.2	40.3	80.6	176.9	106.9	249.0	62.9	127.2	101.5	136.1	37.4	132.9
32 Mortgage pool securities	136.6	115.6	84.7[r]	115.4[r]	98.2	67.1	23.8	69.3	126.2	173.4	106.5	169.1
33 Loans from U.S. government	.0	.0	.0	−4.8	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	9.8	84.2	126.9	179.2	241.6[r]	218.1	181.0	243.4	279.3	262.5	186.5	385.5
35 Open market paper	−32.0	−.7	−6.2	41.6	42.6	86.5	37.6	33.9	43.7	55.1	17.8	105.7
36 Corporate bonds	69.9	82.7	120.1	117.5	184.7[r]	84.9	167.6	182.3	217.6	171.6	143.8	201.8
37 Bank loans n.e.c.	8.8	2.2	−13.0	−12.3	5.5	3.7	−5.0	20.7	7.9	−1.8	24.9	23.6
38 Other loans and advances	−37.3	−.6	22.4	22.6	3.4	38.1	−24.5	1.3	4.9	32.0	−5.5	48.6
39 Mortgages	.5	.6	3.6	9.8	5.3	4.9	5.2	5.2	5.2	5.6	5.5	5.8
By borrowing sector												
40 Commercial banking	−13.2	10.0	13.4	20.1	22.5	20.7	21.7	39.0	38.9	−9.7	−32.6	40.1
41 Savings institutions	−44.7	−7.0	11.3	12.8	2.6	36.1	−18.9	−7.2	5.1	31.5	11.0	42.1
42 Credit unions	.0	.0	.2	.2	−.1	.2	−.3	−.1	.1	.0	−.1	−.2
43 Life insurance companies	.0	.0	.2	.3	−.1	1.3	.0	.1	−.1	−.4	2.5	.3
44 Government-sponsored enterprises	9.1	40.2	80.6	172.1	106.9	249.0	62.9	127.2	101.5	136.1	37.4	132.9
45 Federally related mortgage pools	136.6	115.6	84.7[r]	115.4[r]	98.2	67.1	23.8	69.3	126.2	173.4	106.5	169.1
46 Issuers of asset-backed securities (ABSs)	54.0	58.5	83.3	68.5	132.3[r]	62.8	67.6	113.2	164.8	183.5	132.8	128.2
47 Finance companies	17.7	−1.6	.2	50.2	51.6	53.0	80.2	52.0	19.8	54.3	47.1	68.4
48 Mortgage companies	−2.4	8.0	.0	−11.5	.4	1.1	−7.4	14.8	4.0	−10.0	20.0	16.0
49 Real estate investment trusts (REITs)	1.2	.3	3.4	13.7	5.4	6.3	5.2	5.2	5.2	6.0	5.9	6.5
50 Brokers and dealers	3.7	2.7	12.0	.5	−5.0	19.3	−29.5	−.1	2.1	7.7	−31.8	13.2
51 Funding corporations	−6.5	13.2	2.9	24.2	32.0	17.2	62.5	26.4	39.4	−.4	31.6	70.9

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Transaction category or sector	1991	1992	1993	1994	1995	1994	1995r				1996r	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
	All sectors											
52 **Total net borrowing, all sectors**	**652.1**	**806.6r**	**989.6r**	**1,072.7r**	**1,236.5r**	**1,235.4r**	**1,180.5**	**1,351.3**	**1,174.0**	**1,240.3**	**1,254.0**	**1,417.8**
53 Open market paper	−44.0	13.1	−5.1	35.7	74.3	126.9r	86.8	59.5	85.5	65.3	39.5	126.0
54 U.S. government securities	424.0	459.8	421.4r	448.1r	349.5	482.9	334.5	381.1	313.7	368.8	383.7	364.4
55 Municipal securities	87.8	30.5	74.8	−29.3	−44.2r	−53.5	−54.9	−2.2	−107.2	−12.6	−14.2	36.9
56 Corporate and foreign bonds	163.6	167.1	278.2	153.0	306.3r	130.1	234.5	331.9	332.5	326.3	252.5	284.5
57 Bank loans n.e.c.	−29.1	−9.3	−8.6r	62.3r	113.5	81.1r	148.7	125.4	91.4	88.6	63.3	117.5
58 Other loans and advances	−95.6	8.9	8.7r	70.7r	61.6r	106.2r	59.8	56.0	41.3	89.2	28.6	76.2
59 Mortgages	158.9	131.5	158.8r	205.8r	233.9r	219.3r	233.4	244.7	260.3	197.2	369.1	324.5
60 Consumer credit	−13.7	5.0	61.5	126.3	141.6	142.5r	137.6	155.0	156.4	117.5	131.5	87.8
	Funds raised through mutual funds and corporate equities											
61 **Total net issues**	**224.1r**	**312.5r**	**453.6r**	**152.2r**	**155.3r**	**−83.6r**	**50.1**	**147.0**	**196.8**	**227.3**	**295.6**	**416.5**
62 Corporate equities	76.9r	103.4r	129.9r	23.3r	−18.6r	−68.4r	−34.0	−18.0	−5.2	−17.2	8.0	65.3
63 Nonfinancial corporations	18.3	27.0	21.3	−44.9	−73.8r	−118.0	−60.0	−71.3	−92.8	−71.2	−85.2	−16.0
64 Financial corporations	28.0r	44.0r	45.2r	20.1r	4.5r	12.2r	9.6	12.5	−.6	−3.5	3.4	11.7
65 Foreign shares purchased by U.S. residents	30.7	32.4	63.4	48.1	50.7	37.4	16.4	40.8	88.2	57.4	89.8	69.7
66 Mutual funds	147.2	209.1	323.7	128.9	173.9	−15.2	84.1	165.0	202.0	244.5	287.6	351.2

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.5. For ordering address, see inside front cover.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

Billions of dollars except as noted; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1991	1992	1993	1994	1995	1994 Q4	1995 Q1	1995 Q2	1995 Q3	1995 Q4	1996[r] Q1	1996[r] Q2
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**652.1**	**806.6[r]**	**989.6[r]**	**1,072.7[r]**	**1,236.5[r]**	**1,235.4[r]**	**1,180.5[r]**	**1,351.3[r]**	**1,174.0[r]**	**1,240.3[r]**	**1,254.0**	**1,417.8**
2 Domestic nonfederal nonfinancial sectors	113.7[r]	105.3[r]	77.1[r]	248.4[r]	-101.0[r]	248.8[r]	9.1[r]	-161.5[r]	-67.7[r]	-183.9[r]	-74.9	212.0
3 Households	38.0[r]	98.5[r]	65.2[r]	293.3[r]	32.7[r]	362.7[r]	155.1[r]	-117.3[r]	189.3[r]	-96.4[r]	12.4	184.9
4 Nonfinancial corporate business	30.7	27.8	9.1	49.6	-6.0[r]	52.0[r]	-41.7[r]	37.7[r]	-53.1[r]	33.0[r]	-4.4	53.9
5 Nonfarm noncorporate business	-5.3	-.1	-1.1[r]	.2[r]	.3[r]	.3[r]	.3[r]	.3[r]	.3[r]	.3[r]	.4	.4
6 State and local governments	50.3[r]	-20.9[r]	3.9[r]	-94.8[r]	-127.9[r]	-166.2[r]	-104.5[r]	-82.2[r]	-204.2[r]	-120.8[r]	-83.3	-27.3
7 Federal government	10.5	-11.9	-18.4	-24.2	-21.5[r]	-24.3	-13.1	-24.2	-24.3[r]	-24.4[r]	-20.7	-15.2
8 Rest of the world	13.3	98.4	129.3[r]	132.3[r]	272.7[r]	207.2[r]	249.9[r]	322.2[r]	361.0[r]	157.6[r]	341.1	268.2
9 Financial sectors	514.6[r]	614.9[r]	801.6[r]	716.2[r]	1,086.4[r]	803.8[r]	934.6[r]	1,214.8[r]	905.0[r]	1,291.0[r]	1,008.5	952.8
10 Monetary authority	31.1	27.9	36.2	31.5	12.7	25.5	18.4	16.7	-4.1	19.7	16.9	9.4
11 Commercial banking	80.8	95.3	142.2	163.4	265.9	179.8	333.0	319.4	244.8	166.2	121.7	190.1
12 U.S. chartered banks	35.7	69.5	149.6	148.1	186.5	178.4	178.7	222.4	227.0	118.1	80.5	125.5
13 Foreign banking offices in United States	48.5	16.5	-9.8	11.2	75.4	-4.5	153.5	86.6	25.6	36.1	44.2	57.5
14 Bank holding companies	-1.5	5.6	.0	.9	-.3	-2.4	-1.5	5.3	-9.6	4.6	-5.1	5.3
15 Banks in U.S. affiliated areas	-1.9	3.7	2.4	3.3	4.2	8.3	2.4	5.2	1.8	7.4	2.1	1.7
16 Savings institutions	-158.9	-79.0	-23.3[r]	6.7[r]	-7.5	5.6	17.8[r]	-11.7[r]	32.2[r]	-68.4	34.1	45.2
17 Credit unions	12.8	17.7	21.7	28.1	16.2	24.9	11.6	22.8	11.0	19.5	22.1	34.8
18 Bank personal trusts and estates	10.0	8.0	9.5	7.1	-18.8	1.4	-10.8	-20.6	-23.7	-20.2	-18.1	-12.3
19 Life insurance companies	86.5	78.5	100.9	66.4[r]	99.1[r]	77.0[r]	134.9[r]	135.5	72.9	53.2[r]	48.7	2.4
20 Other insurance companies	30.0	6.7	27.7	24.9	21.5	30.4	20.8	20.9	21.9	22.3	23.6	23.7
21 Private pension funds	35.4	41.1	45.9	47.0	61.3	74.7	58.9	57.2	50.5	78.5	82.6	127.5
22 State and local government retirement funds	33.8[r]	5.9[r]	21.1[r]	30.7[r]	22.7[r]	44.6[r]	62.9[r]	4.9[r]	2.6[r]	20.2[r]	58.7	50.0
23 Money market mutual funds	32.7	4.7	20.4	30.0	86.5	52.8	56.4	134.4	30.0	125.1	175.0	18.4
24 Mutual funds	80.1	126.2	159.5	-7.1	52.5	-78.6	-13.4	23.4	58.0	141.9	67.5	63.7
25 Closed-end funds	12.8	18.2	14.4[r]	-3.3[r]	13.3[r]	.7[r]	8.4[r]	15.1[r]	16.7[r]	13.2[r]	10.9	9.8
26 Government sponsored enterprises	15.1	68.8	88.6[r]	120.6[r]	88.9	171.1[r]	22.2[r]	93.0	50.0	190.5	39.4	127.8
27 Federally related mortgage pools	136.6	115.6	84.7[r]	115.4[r]	98.2	67.1	23.8	69.3	126.2	173.4[r]	106.5	169.1
28 Asset-backed securities issuers (ABSs)	50.0	53.7	80.8	61.9	112.1	42.6	55.5	100.9	154.4	137.4	113.0	118.1
29 Finance companies	-9.2	7.5	-9.0	68.2	64.2	80.7	85.1	67.2	50.8	53.7	40.9	38.9
30 Mortgage companies	11.2	.1	.0	-22.9	-3.4	2.1	-14.4	29.9	7.3	-36.4	47.9	-17.3
31 Real estate investment trusts (REITs)	-.7	1.1	.6	4.7	1.8	2	1.8	1.8	1.8	1.9	1.9	1.7
32 Brokers and dealers	17.5	-1.3	14.8	-44.2	90.1	-8.0	30.5	146.2	-1.8	185.6	-109.0	-72.0
33 Funding corporations	7.0[r]	18.2[r]	-34.9	-12.7[r]	9.2[r]	9.1[r]	31.2[r]	-11.4[r]	3.5[r]	13.7[r]	124.1	23.8
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
34 **Net flows through credit markets**	**652.1**	**806.6[r]**	**989.6[r]**	**1,072.7[r]**	**1,236.5[r]**	**1,235.4[r]**	**1,180.5[r]**	**1,351.3[r]**	**1,174.0[r]**	**1,240.3[r]**	**1,254.0**	**1,417.8**
Other financial sources												
35 Official foreign exchange	-5.9	-1.6	.8	-5.8	8.8	-8.6	17.8	10.3	9.0	-1.9	-.9	1.6
36 Special drawing rights certificates	.0	-2.0	.0	.0	2.2	.0	.0	.0	8.6	.0	.0	.0
37 Treasury currency	.0	.2	.4	.7	.6	.7	.7	.7	.8	.0	.0	.0
38 Foreign deposits	-26.5	-3.5	-18.5	54.0	33.5	106.4	34.6	110.8	-29.5	18.2	85.0	.9
39 Net interbank transactions	-3.4	49.4	50.5	89.7	10.0[r]	108.5	-22.3	-4.8[r]	-13.5[r]	80.6[r]	-89.2	-52.1
40 Checkable deposits and currency	86.3	113.5	117.3	-9.7	-12.8	-37.3	31.3	100.2	-113.1	-69.3	43.3	4.5
41 Small time and savings deposits	1.5	-57.2	-70.3	-40.0	96.5	-42.7	29.8	95.6	145.6	114.9	212.5	-4.6
42 Large time deposits	-58.5	-73.2	-23.5	19.6	65.6	36.2	108.8	74.4	80.2	-.9	55.1	83.5
43 Money market fund shares	41.6	4.5	20.2	43.3	142.3	81.1	74.2	221.1	122.9	151.1	244.0	4.1
44 Security repurchase agreements	-16.5	43.1	71.2	78.3	110.7	48.5	172.5	115.6	95.0	59.8	-19.1	117.7
45 Corporate equities	76.9[r]	103.4[r]	129.9[r]	23.3[r]	-18.6[r]	-68.4[r]	-34.0[r]	-18.0[r]	-5.2[r]	-17.2[r]	8.0	65.3
46 Mutual fund shares	147.2	209.1	323.7	128.9	173.9	-15.2	84.1	165.0	202.0	244.5	287.6	351.2
47 Trade payables	31.0	46.6	52.4[r]	114.0[r]	96.3[r]	148.0[r]	85.0[r]	80.7[r]	129.3[r]	90.1[r]	62.7	126.8
48 Security credit	51.4	4.6	61.4	-.1	26.7	32.7	-5.4	30.1	32.3	49.7	120.6	-37.7
49 Life insurance reserves	25.9[r]	28.0[r]	36.0[r]	34.5[r]	44.9[r]	23.2[r]	50.7[r]	57.6[r]	33.1[r]	38.3[r]	20.1	42.8
50 Pension fund reserves	201.6[r]	241.9[r]	250.5[r]	251.9[r]	240.3[r]	298.5[r]	271.8[r]	290.4[r]	211.2[r]	187.8[r]	258.4	287.4
51 Taxes payable	-7.4	9.7	5.2	3.2	1.3	4.1	12.0	1.0	2.4	-10.2	5.6	6.6
52 Investment in bank personal trusts	16.1	-7.1	1.6	18.8	-47.7	11.9	-44.3	-45.6	-63.9	-37.1	-47.3	-20.2
53 Noncorporate proprietors' equity	.5	16.7	19.7[r]	25.9[r]	41.3[r]	19.6[r]	41.7[r]	39.9[r]	45.3[r]	38.3[r]	38.1	23.4
54 Miscellaneous	262.3[r]	264.9[r]	353.4[r]	268.0[r]	501.3[r]	381.8[r]	320.9[r]	422.2[r]	426.5[r]	835.5[r]	570.0	279.0
55 **Total financial sources**	**1,476.4[r]**	**1,797.5[r]**	**2,371.5[r]**	**2,171.3[r]**	**2,753.7[r]**	**2,364.5[r]**	**2,410.5[r]**	**3,098.7[r]**	**2,492.9[r]**	**3,012.5[r]**	**3,108.6**	**2,697.9**
Liabilities not identified as assets (−)												
56 Treasury currency	-.6	-.2	-.2	-.2	-.5	-.2	-.2	-.4	-.3	-1.0	-1.1	-1.0
57 Foreign deposits	-24.0	-2.8	-7.0	44.9	27.2[r]	64.8	41.6	101.5[r]	-55.7	21.5[r]	61.4	23.6
58 Net interbank liabilities	26.2	-4.9	4.2	-2.7	-3.1	3.5	-.4	-.9	12.3	-23.6	10.9	-26.9
59 Security repurchase agreements	-10.7[r]	4.1[r]	34.2[r]	32.4[r]	2.8[r]	89.0[r]	68.9[r]	-52.4[r]	26.6[r]	-31.9[r]	-34.5	82.5
60 Taxes payable	-2.2	11.9	11.1	8.6	8.7	-.2	-7.5	31.0	9.3	2.2	-23.2	24.9
61 Miscellaneous	-13.2[r]	-32.2[r]	-139.7[r]	-106.0[r]	-7.5[r]	-36.8[r]	-251.4[r]	15.1[r]	-34.8[r]	241.0[r]	-198.1	-259.5
Floats not included in assets (−)												
62 Federal government checkable deposits	-13.1	.7	-1.5	-4.8	-6.0	-17.1	4.6	-18.6	3.8	-13.8	8.6	-10.5
63 Other checkable deposits	4.5	1.6	-1.3	-2.8	-3.8	-2.3	-3.6	-3.8	-3.2	-4.7	-3.8	-4.2
64 Trade credit	36.1	11.3	-4.0[r]	-3.1[r]	-23.3[r]	-61.2[r]	48.9[r]	30.0[r]	-46.7[r]	-125.5[r]	43.1	25.6
65 **Total identified to sectors as assets**	**1,473.3[r]**	**1,808.1[r]**	**2,475.6[r]**	**2,205.1[r]**	**2,759.2[r]**	**2,325.0[r]**	**2,509.6[r]**	**2,997.1[r]**	**2,581.6[r]**	**2,948.4[r]**	**3,245.2**	**2,843.3**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.6 and F.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

Transaction category or sector	1992	1993	1994	1995	1994 Q4	1995 Q1	1995 Q2	1995 Q3	1995 Q4	1996[r] Q1	1996[r] Q2
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**11,894.6[r]**	**12,536.4[r]**	**13,163.8[r]**	**13,884.2[r]**	**13,163.8[r]**	**13,339.7[r]**	**13,547.7[r]**	**13,700.5[r]**	**13,884.2[r]**	**14,080.4**	**14,228.8**
By sector and instrument											
2 Federal government	3,080.3	3,336.5	3,492.3	3,636.7	3,492.3	3,557.9	3,583.5	3,603.4	3,636.7	3,717.2	3,693.8
3 Treasury securities	3,061.6	3,309.9	3,465.6	3,608.5	3,465.6	3,531.5	3,556.7	3,576.5	3,608.5	3,689.6	3,665.5
4 Budget agency securities and mortgages	18.8	26.6	26.7	28.2	26.7	26.4	26.8	26.9	28.2	27.6	28.2
5 Nonfederal	8,814.2	9,199.9[r]	9,671.5[r]	10,247.5[r]	9,671.5[r]	9,781.8[r]	9,964.2[r]	10,097.1[r]	10,247.5[r]	10,363.2	10,535.0
By instrument											
6 Commercial paper	107.1	117.8	139.2	157.4	139.2	149.8	162.9	163.3	157.4	174.2	181.7
7 Municipal securities and loans	1,302.8	1,377.5	1,348.2	1,304.0[r]	1,348.2	1,335.4	1,331.7	1,308.2[r]	1,304.0[r]	1,302.0	1,307.8
8 Corporate bonds	1,154.5	1,229.7	1,253.0	1,326.3	1,253.0	1,266.3	1,290.9	1,305.8	1,326.3	1,341.5	1,359.4
9 Bank loans n.e.c.	672.2	675.9[r]	749.0	848.6[r]	749.0	782.7[r]	810.7[r]	824.3[r]	848.6[r]	853.9	876.8
10 Other loans and advances	686.5	677.1[r]	737.8[r]	796.8[r]	737.8[r]	762.6[r]	776.9[r]	782.1[r]	796.8[r]	809.3	815.7
11 Mortgages	4,088.7	4,258.0[r]	4,454.0[r]	4,682.6	4,454.0[r]	4,494.1[r]	4,560.3[r]	4,635.2	4,682.6	4,756.6	4,842.5
12 Home mortgages	3,037.4	3,225.5[r]	3,429.4[r]	3,626.3[r]	3,429.4[r]	3,465.0[r]	3,519.0[r]	3,587.1[r]	3,626.3[r]	3,689.2	3,757.7
13 Multifamily residential	272.5	267.9[r]	269.5[r]	280.1[r]	269.5[r]	271.2[r]	273.9[r]	276.7[r]	280.1[r]	283.5	288.1
14 Commercial	698.1	683.4	672.1[r]	691.6[r]	672.1[r]	674.6[r]	683.6[r]	687.0[r]	691.6[r]	698.7	710.2
15 Farm	80.7	81.2	83.0	84.6	83.0	83.4	83.8	84.4	84.6	85.2	86.5
16 Consumer credit	802.4	863.9	990.2	1,131.9	990.2	990.9	1,030.8	1,078.2	1,131.9	1,125.8	1,151.0
By borrowing sector											
17 Households	4,021.5[r]	4,279.7[r]	4,651.8[r]	5,034.9[r]	4,651.8[r]	4,696.9[r]	4,801.4[r]	4,925.9[r]	5,034.9[r]	5,094.8	5,203.3
18 Nonfinancial business	3,696.8	3,761.9[r]	3,904.9[r]	4,146.4[r]	3,904.9[r]	3,982.8[r]	4,066.0[r]	4,098.8[r]	4,146.4[r]	4,203.8	4,263.0
19 Corporate	2,437.6	2,496.5	2,624.8[r]	2,829.9[r]	2,624.8[r]	2,695.4[r]	2,767.3[r]	2,790.0[r]	2,829.9[r]	2,878.3	2,923.0
20 Nonfarm noncorporate	1,122.9	1,127.1[r]	1,139.0[r]	1,173.8[r]	1,139.0[r]	1,148.5[r]	1,155.9[r]	1,164.0[r]	1,173.8[r]	1,185.2	1,194.7
21 Farm	136.3	138.3	141.2	142.7	141.2	138.9	142.8	144.8	142.7	140.3	145.3
22 State and local government	1,095.9	1,158.2	1,114.8	1,066.2[r]	1,114.8	1,102.2	1,096.8	1,072.4[r]	1,066.2[r]	1,064.6	1,068.7
23 **Foreign credit market debt held in United States**	**315.2**	**385.6**	**370.4**	**439.9**	**370.4**	**385.7**	**396.8**	**419.8**	**439.9**	**450.8**	**459.6**
24 Commercial paper	77.7	68.7	41.4	55.0	41.4	50.9	48.1	55.8	55.0	51.5	53.4
25 Bonds	147.2	230.1	242.3	290.6	242.3	245.8	258.6	272.4	290.6	302.5	305.3
26 Bank loans n.e.c.	23.9	24.6	26.1	34.6	26.1	28.2	29.6	31.6	34.6	36.8	40.5
27 Other loans and advances	66.4	62.1	60.6	59.7	60.6	60.8	60.5	60.0	59.7	60.0	60.4
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**12,209.8[r]**	**12,921.9[r]**	**13,534.2[r]**	**14,324.1[r]**	**13,534.2[r]**	**13,725.4[r]**	**13,944.5[r]**	**14,120.3[r]**	**14,324.1[r]**	**14,531.2**	**14,688.4**
	Financial sectors										
29 **Total credit market debt owed by financial sectors**	**3,025.0**	**3,322.6[r]**	**3,794.6**	**4,243.9[r]**	**3,794.6**	**3,861.5**	**3,971.9**	**4,096.3**	**4,243.9[r]**	**4,324.7**	**4,496.6**
By instrument											
30 Federal government-related	1,720.0	1,885.2[r]	2,172.7	2,377.8[r]	2,172.7	2,196.2	2,247.1	2,300.1	2,377.8[r]	2,416.6	2,493.5
31 Government-sponsored enterprises securities	443.1	523.7	700.6	807.5	700.6	716.3	748.1	773.5	807.5	816.9	850.1
32 Mortgage pool securities	1,272.0	1,356.8[r]	1,472.1	1,570.3	1,472.1	1,479.9	1,499.0	1,526.6	1,570.3	1,599.7	1,643.4
33 Loans from U.S. government	4.8	4.8	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	1,305.1	1,437.4	1,621.9	1,866.0[r]	1,621.9	1,665.3	1,724.8	1,796.2	1,866.0[r]	1,908.1	2,003.1
35 Open market paper	394.3	393.5	442.8	488.0	442.8	454.1	462.8	473.6	488.0	491.9	518.5
36 Corporate bonds	738.4	858.5	973.5	1,158.2[r]	973.5	1,012.3	1,056.4	1,112.6[r]	1,158.2[r]	1,190.8	1,239.8
37 Bank loans n.e.c.	80.5	67.6	55.3	60.8	55.3	53.4	58.4	60.3	60.8	66.4	72.2
38 Other loans and advances	86.6	108.9	131.6	135.0	131.6	125.4	125.7	127.0	135.0	133.6	145.8
39 Mortgages	5.4	8.9	18.7	24.0	18.7	20.0	21.3	22.6	24.0	25.4	26.9
By borrowing sector											
40 Commercial banks	80.0	84.6	94.5	102.6	94.5	95.0	99.9	102.0	102.6	100.5	103.6
41 Bank holding companies	114.6	123.4	133.6	148.0	133.6	137.7	142.9	150.3[r]	148.0	141.3	148.4
42 Savings institutions	88.4	99.6	112.4	115.0	112.4	107.7	105.9	107.2	115.0	117.8	128.3
43 Credit unions	.0	.2	.5	.4	.5	.4	.3	.4	.4	.4	.3
44 Life insurance companies	.0	.2	.6	.5	.6	.6	.6	.6	.5	1.1	1.2
45 Government-sponsored enterprises	447.9	528.5	700.6	807.5	700.6	716.3	748.1	773.5	807.5	816.9	850.1
46 Federally related mortgage pools	1,272.0	1,356.8[r]	1,472.1	1,570.3	1,472.1	1,479.9	1,499.0	1,526.6	1,570.3	1,599.7	1,643.4
47 Issuers of asset-backed securities (ABSs)	404.3	487.6	556.1	688.4[r]	556.1	570.0	596.8	639.8[r]	688.4[r]	718.2	748.9
48 Brokers and dealers	21.7	33.7	34.3	29.3	34.3	26.9	26.8	27.4	29.3	21.4	24.6
49 Finance companies	390.4	390.5	440.7	492.3	440.7	456.7	467.2	471.9	492.3	499.8	514.4
50 Mortgage companies	30.2	30.2	18.7	19.1	18.7	16.9	20.6	21.6	19.1	24.1	28.1
51 Real estate investment trusts (REITs)	13.9	17.4	31.1	36.5	31.1	32.4	33.7	35.0	36.5	38.0	39.6
52 Funding corporations	161.6	169.9	199.3	233.9	199.3	221.1	230.0	239.9	233.9	245.6	265.6
	All sectors										
53 **Total credit market debt, domestic and foreign**	**15,234.8[r]**	**16,244.5[r]**	**17,328.8[r]**	**18,568.0[r]**	**17,328.8[r]**	**17,586.9[r]**	**17,916.3[r]**	**18,216.6[r]**	**18,568.0[r]**	**18,855.9**	**19,185.0**
54 Open market paper	579.0	580.0	623.5	700.4	623.5	654.7	673.8	692.7	700.4	717.6	753.6
55 U.S. government securities	4,795.5	5,216.9[r]	5,665.0	6,014.6	5,665.0	5,754.1	5,830.6	5,903.5	6,014.6	6,133.8	6,187.2
56 Municipal securities	1,302.8	1,377.5	1,348.2	1,304.0[r]	1,348.2	1,335.4	1,331.7	1,308.2[r]	1,304.0[r]	1,302.0	1,307.8
57 Corporate and foreign bonds	2,040.1	2,318.3	2,468.8	2,775.1[r]	2,468.8	2,524.4	2,605.9	2,690.8[r]	2,775.1[r]	2,834.9	2,904.6
58 Bank loans n.e.c.	776.6	768.0[r]	830.4	943.9	830.4	864.3[r]	898.7[r]	916.2[r]	943.9	957.0	989.6
59 Other loans and advances	844.2	852.9[r]	929.9[r]	991.5[r]	929.9[r]	948.8[r]	963.2[r]	969.1[r]	991.5[r]	1,002.9	1,021.8
60 Mortgages	4,094.1	4,266.9[r]	4,472.7[r]	4,706.6[r]	4,472.7[r]	4,514.2[r]	4,581.6	4,657.9[r]	4,706.6[r]	4,782.0	4,869.4
61 Consumer credit	802.4	863.9	990.2	1,131.9	990.2	990.9	1,030.8	1,078.2	1,131.9	1,125.8	1,151.0

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

Transaction category or sector	1992	1993	1994	1995	1994	1995				1996r	
					Q4	Q1	Q2	Q3	Q4	Q1	Q2
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**15,234.8r**	**16,244.5r**	**17,328.8r**	**18,568.0r**	**17,328.8r**	**17,586.9r**	**17,916.3r**	**18,216.6r**	**18,568.0r**	**18,855.9**	**19,185.0**
2 Domestic nonfederal nonfinancial sectors	2,688.8r	2,758.7r	3,037.4r	2,901.2r	3,037.4r	3,001.7r	2,950.9r	2,953.4r	2,901.2r	2,857.8	2,882.4
3 Households	1,635.0r	1,688.5r	2,012.2r	2,009.6r	2,012.2r	2,033.1r	1,987.9r	2,055.5r	2,009.6r	2,013.0	2,023.4
4 Nonfinancial corporate business	257.8	271.5	321.1	315.1r	321.1	292.6	303.5r	290.6r	315.1r	291.3	307.9
5 Nonfarm noncorporate business	38.1	37.0r	37.2r	37.5r	37.2r	37.3r	37.3r	37.4r	37.5r	37.6	37.7
6 State and local governments	757.9r	761.7r	666.9r	539.0r	666.9r	638.7r	622.1r	569.9r	539.0r	515.9	513.4
7 Federal government	236.1r	231.7	207.5r	186.1r	207.5r	204.2	198.2	192.2	186.1r	180.8	177.0
8 Rest of the world	1,023.0	1,147.8r	1,254.7r	1,561.8r	1,254.7r	1,324.0r	1,402.1r	1,493.4r	1,561.8r	1,653.6	1,718.2
9 Financial sectors	11,286.9r	12,106.3r	12,829.1r	13,918.9r	12,829.1r	13,057.1r	13,365.2r	13,577.6r	13,918.9r	14,163.8	14,407.3
10 Monetary authority	300.4	336.7	368.2	380.8	368.2	367.1	375.7	370.6	380.8	379.6	386.3
11 Commercial banking	2,948.6	3,090.8	3,254.3	3,520.1	3,254.3	3,327.8	3,410.1	3,473.2	3,520.1	3,541.6	3,590.8
12 U.S. chartered banks	2,571.9	2,721.5	2,869.6	3,056.1	2,869.6	2,906.5	2,963.7	3,023.7	3,056.1	3,068.8	3,101.3
13 Foreign banking offices in United States	335.8	326.0	337.1	412.6	337.1	373.6	396.0	401.1	412.6	422.2	437.1
14 Bank holding companies	17.5	17.5	18.4	18.0	18.4	18.0	19.3	16.9	18.0	16.8	18.1
15 Banks in U.S. affiliated areas	23.4	25.8	29.2	33.4	29.2	29.8	31.1	31.5	33.4	33.9	34.3
16 Savings institutions	937.4	914.1r	920.8r	913.3	920.8r	925.3	922.4	930.4	913.3	921.8	933.1
17 Credit unions	197.1	218.7	246.8	263.0	246.8	248.1	255.0	258.5	263.0	267.0	276.9
18 Bank personal trusts and estates	231.5	240.9	248.0	229.2	248.0	245.3	240.2	234.2	229.2	224.7	221.6
19 Life insurance companies	1,309.1	1,420.6	1,487.1r	1,586.2	1,487.1r	1,523.1	1,557.1	1,575.5	1,586.2	1,600.5	1,601.0
20 Other insurance companies	389.4	422.7	446.4	468.7	446.4	451.9	457.3	463.0	468.7	474.5	480.2
21 Private pension funds	571.7	617.6	664.6	725.9	664.6	679.3	693.6	706.2	725.9	746.5	778.4
22 State and local government retirement funds	402.3r	423.4r	454.1r	476.8r	454.1r	469.4r	470.9r	470.6r	476.8r	491.1	504.0
23 Money market mutual funds	408.6	429.0	459.0	545.5	459.0	480.6	508.0	505.7	545.5	595.6	594.7
24 Mutual funds	566.4	725.9	718.8	771.3	718.8	719.3	724.8	739.2	771.3	792.4	807.9
25 Closed-end funds	67.7	82.0r	78.7r	92.0r	78.7r	80.8r	84.6r	88.7r	92.0r	94.8	97.2
26 Government-sponsored enterprises	457.8	546.4r	667.0r	756.0	667.0r	671.9	695.9	708.4	756.0	765.2	797.8
27 Federally related mortgage pools	1,272.0	1,356.8r	1,472.1	1,570.3	1,472.1	1,479.9	1,499.0	1,526.6	1,570.3	1,599.7	1,643.4
28 Asset-backed securities issuers (ABSs)	378.0	458.8	520.7	632.7	520.7	531.5	555.2	595.7	632.7	657.6	685.7
29 Finance companies	496.4	482.8	551.0	615.2	551.0	568.5	586.9	594.7	615.2	621.7	632.6
30 Mortgage companies	60.5	60.4	37.5	34.1	37.5	33.9	41.4	43.2	34.1	46.1	41.7
31 Real estate investment trusts (REITs)	8.1	8.6	13.3	15.1	13.3	13.8	14.2	14.7	15.1	15.6	16.1
32 Brokers and dealers	122.7	137.5	93.3	183.4	93.3	101.0	137.5	137.0	183.4	156.2	138.2
33 Funding corporations	161.3r	132.5r	127.5r	139.3r	127.5r	138.6r	135.5r	141.4r	139.3r	171.8	179.6
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
34 **Total credit market debt**	**15,234.8r**	**16,244.5r**	**17,328.8r**	**18,568.0r**	**17,328.8r**	**17,586.9r**	**17,916.3r**	**18,216.6r**	**18,568.0r**	**18,855.9**	**19,185.0**
Other liabilities											
35 Official foreign exchange	51.8	53.4	53.2	63.7	53.2	64.1	67.1	65.1	63.7	62.1	61.4
36 Special drawing rights certificates	8.0	8.0	8.0	10.2	8.0	8.0	8.0	10.2	10.2	10.2	10.2
37 Treasury currency	16.5	17.0	17.6	18.2	17.6	17.8	18.0	18.2	18.2	18.2	18.2
38 Foreign deposits	267.7	271.8	324.6	361.4	324.6	333.3	361.0	353.6	361.4	382.7	382.9
39 Net interbank liabilities	138.5	189.3	280.0	290.7r	280.0	272.8	265.9	267.2r	290.7r	266.3	249.9
40 Checkable deposits and currency	1,134.4	1,251.7	1,242.0	1,229.3	1,242.0	1,193.7	1,246.2	1,200.3	1,229.3	1,183.3	1,212.3
41 Small time and savings deposits	2,293.5	2,223.2	2,183.3	2,279.7	2,183.3	2,200.2	2,222.6	2,255.8	2,279.7	2,342.3	2,340.1
42 Large time deposits	415.2	391.7	411.2	476.9	411.2	441.2	456.3	477.5	476.9	493.6	511.1
43 Money market fund shares	539.5	559.6	602.9	745.3	602.9	634.0	678.5	702.7	745.3	816.9	809.5
44 Security repurchase agreements	399.9	471.1	549.4	660.1	549.4	603.4	629.3	655.5	660.1	666.2	692.1
45 Mutual fund shares	992.5	1,375.4	1,477.3	1,852.8	1,477.3	1,553.3	1,661.0	1,782.0	1,852.8	1,994.3	2,130.6
46 Security credit	217.7	279.0	279.0	305.6	279.0	269.5	277.9	286.2	305.6	326.9	318.6
47 Life insurance reserves	434.8r	470.8r	505.3r	550.2r	505.3r	518.0r	532.4r	540.6r	550.2r	555.2	565.9
48 Pension fund reserves	4,225.4r	4,638.5r	4,846.9r	5,567.1r	4,846.9r	5,030.8r	5,224.2r	5,439.5r	5,567.1r	5,749.7	5,897.7
49 Trade payables	995.1	1,048.2r	1,162.2r	1,258.5r	1,162.2r	1,155.1r	1,177.5r	1,211.1r	1,258.5r	1,246.0	1,278.6
50 Taxes payable	79.7	84.9	88.0	89.3	88.0	94.3	89.2	91.9	89.3	94.3	90.3
51 Investment in bank personal trusts	660.6	691.3	699.4	767.4	699.4	719.7	739.7	758.6	767.4	781.6	790.9
52 Miscellaneous	4,784.5r	5,173.0r	5,436.9r	5,839.8r	5,436.9r	5,516.[illegible]r	5,574.1r	5,684.4r	5,839.8r	5,974.4	5,988.9
53 **Total liabilities**	**32,890.0r**	**35,442.4r**	**37,496.2r**	**40,934.0r**	**37,496.2r**	**38,212.4r**	**39,145.2r**	**40,017.0r**	**40,934.0r**	**41,820.1**	**42,534.3**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	19.6	20.1	21.1	22.1	21.1	21.7	22.9	22.1	22.1	22.1	22.0
55 Corporate equities	5,456.8r	6,280.0r	6,263.3r	8,389.9r	6,263.3r	6,797.5r	7,348.4r	7,972.4r	8,389.9r	8,875.8	9,170.9
56 Household equity in noncorporate business	2,460.1r	2,495.5r	2,587.5r	2,699.6r	2,587.5r	2,607.2r	2,641.1r	2,655.0r	2,699.6r	2,736.1	2,758.3
Liabilities not identified as assets (−)											
57 Treasury currency	−4.9	−5.1	−5.4	−5.8	−5.4	−5.4	−5.5	−5.6	−5.8	−6.1	−6.3
58 Foreign deposits	217.6	232.6	278.7	309.0r	278.7	289.1	314.5	300.6	309.0r	324.4	330.3
59 Net interbank transactions	−9.3	−4.7	−6.5	−9.0	−6.5	−2.7	−2.9	.1	−9.0	−2.6	−8.0
60 Security repurchase agreements	41.9r	76.1r	108.5r	111.2r	108.5r	130.7r	110.2r	131.2r	111.2r	106.7	118.2
61 Taxes payable	25.2	26.8	35.4r	44.1r	35.4r	20.5r	35.9r	39.1r	44.1r	23.9	38.0
62 Miscellaneous	−698.8r	−816.7r	−876.0r	−911.7r	−876.0r	−877.2r	−830.6r	−793.8r	−911.7r	−981.8	−1,057.0
Floats not included in assets (−)											
63 Federal government checkable deposits	6.8	5.6	3.4	3.1	3.4	4.2	2.0	.6	3.1	.0	−3.4
64 Other checkable deposits	42.0	40.7	38.0	34.2	38.0	33.3	35.7	27.3	34.2	29.6	31.8
65 Trade credit	−251.1	−248.0r	−252.0r	−275.4r	−252.0r	−295.1r	−306.2r	−330.0r	−275.4r	−326.5	−336.2
66 **Total identified to sectors as assets**	**41,457.1r**	**44,930.6r**	**47,044.0r**	**52,745.9r**	**47,044.0r**	**48,342.6r**	**49,804.6r**	**51,297.2r**	**52,745.9r**	**54,286.6**	**55,378.2**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.6 and L.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1987=100, except as noted

Measure	1993	1994	1995	1996								
				Mar.	Apr.	May	June	July	Aug.[r]	Sept.[r]	Oct.[r]	Nov.
1 **Industrial production**[1]	**111.5**	**118.1**	**121.9**	**123.6**	**124.5**	**125.4**	**126.4**	**126.3**	**126.9**	**127.1**	**126.9**	**128.0**
Market groupings												
2 Products, total	110.0	115.6	118.3	120.0	120.8	121.3	122.3	122.5	122.7	123.0	123.0	124.1
3 Final, total	112.7	118.3	121.4	123.4	124.8	125.1	126.0	126.7	126.5	126.7	126.7	128.2
4 Consumer goods	109.5	113.7	115.1	115.3	115.9	116.3	116.8	117.3	116.5	116.6	116.3	117.8
5 Equipment	117.5	125.3	131.4	136.5	139.2	139.2	140.8	142.0	142.8	143.0	143.7	145.2
6 Intermediate	101.8	107.3	109.0	109.6	108.6	110.1	111.3	109.9	111.2	111.9	111.7	111.9
7 Materials	113.8	122.0	127.4	129.1	130.3	131.6	132.6	132.1	133.5	133.5	132.9	133.9
Industry groupings												
8 Manufacturing	112.3	119.7	123.9	125.2	126.5	127.4	128.5	129.0	129.2	129.6	129.4	130.4
9 Capacity utilization, manufacturing (percent)[2]	80.6	83.3	83.0	81.3	81.9	82.1	82.6	82.5	82.4	82.3	81.9	82.2
10 Construction contracts[3]	105.2[r]	114.3[r]	118.4[r]	127.0	130.0	129.0[r]	126.0[r]	128.0[r]	131.0	124.0	115.0	n.a.
11 Nonagricultural employment, total[4]	108.6	112.0	115.0	116.5	116.6	117.0	117.2	117.5	117.8	117.8	118.0	118.1
12 Goods-producing, total	94.6	96.9	98.1	98.1	98.1	98.3	98.4	98.3	98.5	98.3	98.4	98.5
13 Manufacturing, total	95.1	96.4	97.2	96.2	96.2	96.3	96.3	96.2	96.3	96.0	96.1	96.1
14 Manufacturing, production workers	95.3	97.5	98.7	97.4	97.5	97.5	97.5	97.4	97.5	97.2	97.3	97.4
15 Service-producing	113.1	116.8	120.3	122.4	122.6	123.0	123.3	123.6	123.9	124.0	124.2	124.3
16 Personal income, total	141.3	148.4	157.7	163.5	164.3	165.2	166.6	166.7[r]	167.7	168.6	168.7	169.6
17 Wages and salary disbursements	136.0	142.6	150.9	156.7	157.5	158.3	160.3	159.8[r]	161.1	162.2	162.0	163.0
18 Manufacturing	119.3	124.9	130.4	131.8	134.4	135.1	135.8	135.8	136.9	136.7	136.7	137.4
19 Disposable personal income[5]	142.4	149.3	158.2	163.7	162.8	165.1	166.4	166.5	167.4	168.2	168.4	169.2
20 Retail sales[5]	134.7	144.8	152.2	159.3	159.1	160.4	159.4	159.6	159.6	160.7	161.3	160.7
Prices[6]												
21 Consumer (1982–84=100)	144.5	148.2	152.4	155.7	156.3	156.6	156.7	157.0	157.3	157.8	158.3	158.6
22 Producer finished goods (1982=100)	124.7	125.5	127.9	130.1	130.6	131.1	131.7	131.5	131.9	131.6	132.5	132.5

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1995. See "A Revision to Industrial Production and Capacity Utilization, 1991–95," *Federal Reserve Bulletin*, vol. 82 (January 1996), pp. 16–25. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.
2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.
3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F.W. Dodge Division.
4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.
5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.
6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

NOTE. Basic data (not indexes) for series mentioned in notes 4 and 5, and indexes for series mentioned in notes 3 and 6, can also be found in the *Survey of Current Business*.

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590–605

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1993	1994	1995	1996							
				Apr.	May	June	July	Aug.	Sept.[r]	Oct.[r]	Nov.
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	129,200	131,056	132,304	133,361	133,910	133,669	134,181	133,885	134,340	134,574	134,818
Employment											
2 Nonagricultural industries[3]	117,144	119,651	121,460	122,726	122,971	123,228	123,382	123,635	123,833	124,169	124,242
3 Agriculture	3,115	3,409	3,440	3,368	3,491	3,382	3,502	3,421	3,535	3,457	3,355
Unemployment											
4 Number	8,940	7,996	7,404	7,266	7,448	7,060	7,297	6,830	6,971	6,948	7,221
5 Rate (percent of civilian labor force)	6.9	6.1	5.6	5.4	5.6	5.3	5.4	5.1	5.2	5.2	5.4
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**110,730**	**114,172**	**117,203**	**118,922**	**119,332**	**119,537**	**119,772**	**120,052**	**120,050**	**120,274**	**120,392**
7 Manufacturing	18,075	18,321	18,468	18,283	18,303	18,298	18,267	18,291	18,241	18,250	18,259
8 Mining	610	601	580	573	576	575	570	570	567	566	565
9 Contract construction	4,668	4,986	5,158	5,353	5,384	5,401	5,427	5,437	5,449	5,461	5,475
10 Transportation and public utilities	5,829	5,993	6,165	6,294	6,309	6,329	6,333	6,342	6,337	6,337	6,349
11 Trade	25,755	26,670	27,585	27,965	28,052	28,143	28,256	28,275	28,321	28,429	28,449
12 Finance	6,757	6,896	6,830	6,942	6,964	6,967	6,987	6,999	7,009	7,025	7,041
13 Service	30,197	31,579	33,107	34,117	34,285	34,378	34,448	34,532	34,607	34,695	34,765
14 Government	18,841	19,128	19,310	19,395	19,459	19,446	19,484	19,606	19,519	19,511	19,489

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.
2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.
3. Includes self-employed, unpaid family, and domestic service workers.
4. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE. Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1995 Q4	1996 Q1	1996 Q2	1996 Q3[r]	1995 Q4	1996 Q1	1996 Q2	1996 Q3	1995 Q4	1996 Q1	1996 Q2	1996 Q3[r]
	Output (1987=100)				Capacity (percent of 1987 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**122.5**	**123.4**	**125.4**	**126.8**	**147.7**	**149.1**	**150.6**	**152.0**	**82.9**	**82.8**	**83.3**	**83.4**
2 Manufacturing	124.6	125.3	127.5	129.3	151.9	153.5	155.1	156.8	82.0	81.6	82.2	82.4
3 Primary processing[3]	117.1	116.7	118.6	120.1	136.1	136.9	137.8	138.6	86.1	85.2	86.1	86.7
4 Advanced processing[4]	128.1	129.4	131.7	133.6	159.5	161.5	163.5	165.6	80.3	80.1	80.5	80.7
5 Durable goods	134.2	136.0	139.5	142.0	164.2	166.7	169.4	172.1	81.7	81.6	82.4	82.5
6 Lumber and products	105.8	104.6	108.9	108.5	120.9	121.7	122.4	123.1	87.5	85.9	89.0	88.1
7 Primary metals	118.8	118.9	119.6	120.0	129.5	130.3	131.4	132.4	91.8	91.2	91.0	90.6
8 Iron and steel	121.3	122.6	122.7	123.7	133.5	134.4	135.7	137.0	90.9	91.2	90.4	90.3
9 Nonferrous	115.3	113.8	115.3	115.1	124.0	124.8	125.5	126.3	93.0	91.2	91.8	91.1
10 Industrial machinery and equipment	186.8	195.3	201.8	209.1	212.0	218.1	224.5	231.2	88.1	89.5	89.9	90.4
11 Electrical machinery	182.9	186.3	189.0	190.3	213.9	221.8	229.9	238.3	85.5	84.0	82.2	79.8
12 Motor vehicles and parts	140.5	132.6	145.9	150.9	179.2	181.3	182.9	184.6	78.4	73.2	79.8	81.8
13 Aerospace and miscellaneous transportation equipment	79.0	84.0	85.8	88.2	129.3	128.6	128.1	127.6	61.1	65.3	67.0	69.2
14 Nondurable goods	113.9	113.5	114.2	115.2	138.4	139.0	139.6	140.1	82.3	81.7	81.8	82.2
15 Textile mill products	109.4	106.4	109.4	110.5	132.8	133.7	134.2	134.8	82.4	79.6	81.5	82.0
16 Paper and products	118.1	114.6	119.3	120.0	133.9	134.9	135.8	136.8	88.2	85.0	87.8	87.7
17 Chemicals and products	126.4	126.9	127.3	129.7	156.5	157.5	158.5	159.5	80.7	80.6	80.3	81.3
18 Plastics materials	123.1	126.9	132.2	134.4	137.1	138.6	139.9	141.1	89.7	91.6	94.6	95.2
19 Petroleum products	107.7	109.7	110.0	110.9	116.6	116.8	117.1	117.3	92.4	93.9	93.9	94.5
20 Mining	98.2	98.7	101.2	102.1	111.9	111.9	111.8	111.8	87.8	88.2	90.5	91.3
21 Utilities	124.1	126.7	127.1	124.0	135.6	136.0	136.5	137.0	91.5	93.2	93.1	90.5
22 Electric	123.7	126.4	127.0	124.0	133.0	133.4	133.9	134.5	93.1	94.8	94.8	92.3

Series	1973 High	1975 Low	Previous cycle[5] High	Previous cycle[5] Low	Latest cycle[6] High	Latest cycle[6] Low	1995 Nov.	1996 June	1996 July	1996 Aug.[r]	1996 Sept.[r]	1996 Oct.	1996 Nov.[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.8**	**84.9**	**78.0**	**83.0**	**83.7**	**83.4**	**83.5**	**83.3**	**82.9**	**83.3**
2 Manufacturing	88.9	70.8	87.3	70.0	85.2	76.6	82.0	82.6	82.5	82.4	82.3	81.9	82.2
3 Primary processing[3]	92.2	68.9	89.7	66.8	89.0	77.9	86.0	86.8	86.6	86.6	86.8	86.4	86.2
4 Advanced processing[4]	87.5	72.0	86.3	71.4	83.5	76.1	80.3	80.8	80.8	80.6	80.5	80.0	80.6
5 Durable goods	88.8	68.5	86.9	65.0	84.0	73.7	81.8	82.9	82.6	82.6	82.3	81.4	81.9
6 Lumber and products	90.1	62.2	87.6	60.9	93.3	76.1	86.7	90.2	87.4	88.6	88.4	87.2	87.6
7 Primary metals	100.6	66.2	102.4	46.8	92.8	74.2	93.3	91.9	89.8	90.7	91.4	91.7	90.0
8 Iron and steel	105.8	66.6	110.4	38.3	95.7	72.0	94.5	91.2	89.9	90.6	90.3	92.4	89.7
9 Nonferrous	92.9	61.3	90.5	62.2	88.7	75.2	91.8	92.7	89.7	90.8	92.9	90.7	90.3
10 Industrial machinery and equipment	96.4	74.5	92.1	64.9	84.0	71.8	88.0	90.6	89.9	91.1	90.3	90.0	90.0
11 Electrical machinery	87.8	63.8	89.4	71.1	84.9	77.0	85.8	82.1	80.7	79.8	78.9	77.7	77.3
12 Motor vehicles and parts	93.4	51.1	93.0	44.5	85.1	56.6	78.5	81.1	83.9	81.4	79.9	74.4	78.8
13 Aerospace and miscellaneous transportation equipment	77.0	66.6	81.1	66.9	88.4	78.8	60.1	67.1	68.4	69.1	70.0	71.2	72.6
14 Nondurable goods	87.9	71.8	87.0	76.9	86.7	80.3	82.2	82.0	82.3	82.0	82.3	82.5	82.6
15 Textile mill products	92.0	60.4	91.7	73.8	92.1	78.8	82.0	82.7	83.5	81.7	80.8	81.5	81.9
16 Paper and products	96.9	69.0	94.2	82.0	94.8	86.7	86.8	87.7	89.1	86.9	87.1	85.8	86.4
17 Chemicals and products	87.9	69.9	85.1	70.1	85.9	79.0	80.5	80.7	81.4	81.0	81.4	82.0	82.0
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	90.3	95.8	94.7	94.9	96.1	.	.
19 Petroleum products	96.7	81.1	89.5	68.2	88.5	84.6	92.1	94.2	93.4	95.1	95.2	96.0	93.9
20 Mining	94.4	88.4	96.6	80.6	86.5	86.1	87.9	91.9	90.3	91.9	91.9	91.3	91.3
21 Utilities	95.6	82.5	88.3	76.2	92.6	83.1	92.5	92.6	89.6	91.6	90.4	90.6	92.7
22 Electric	99.0	82.7	88.3	78.7	94.8	86.7	93.0	94.5	91.4	93.5	91.9	91.8	94.0

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1995. See "A Revision to Industrial Production and Capacity Utilization, 1991–95," *Federal Reserve Bulletin*, vol 82 (January 1996), pp 16–25. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper; industrial chemicals; synthetic materials; fertilizer materials; petroleum products; rubber and plastics; stone, clay, and glass; primary metals; and fabricated metals.

4. Advanced processing includes foods; tobacco; apparel; furniture and fixtures; printing and publishing; chemical products such as drugs and toiletries; agricultural chemicals; leather and products, machinery; transportation equipment; instruments; and miscellaneous manufactures.

5. Monthly highs, 1978–80; monthly lows, 1982.

6. Monthly highs, 1988–89; monthly lows, 1990–91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1992 proportion	1995 avg.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.	1996 May	1996 June	1996 July	1996 Aug.[r]	1996 Sept.[r]	1996 Oct.	1996 Nov.[p]
			Index (1987 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**121.9**	**122.6**	**122.8**	**122.5**	**124.2**	**123.6**	**124.5**	**125.4**	**126.4**	**126.3**	**126.9**	**127.1**	**126.9**	**128.0**
2 Products	60.6	118.3	118.8	119.2	118.6	120.7	120.0	120.8	121.3	122.3	122.5	122.7	123.0	123.0	124.1
3 Final products	46.3	121.4	121.9	122.1	121.9	124.5	123.4	124.8	125.1	126.0	126.7	126.5	126.7	126.7	128.2
4 Consumer goods, total	28.6	115.1	115.9	115.7	114.6	116.6	115.3	115.9	116.3	116.8	117.3	116.5	116.6	116.3	117.8
5 Durable consumer goods	5.6	124.2	124.9	126.3	120.3	125.1	119.3	125.5	126.2	130.4	131.2	127.5	126.5	122.3	125.3
6 Automotive products	2.5	130.7	130.5	132.8	125.9	133.1	120.3	133.5	134.1	138.4	143.4	137.5	135.9	127.8	135.0
7 Autos and trucks	1.6	131.4	129.8	132.1	124.1	133.5	111.1	135.9	135.4	138.9	149.6	140.9	136.4	125.9	136.5
8 Autos, consumer	.9	103.1	100.2	99.5	92.8	99.7	77.0	104.1	106.2	110.4	116.1	110.7	107.3	91.6	104.0
9 Trucks, consumer	.7	181.7	182.8	190.6	180.4	194.4	173.1	192.7	187.3	189.2	209.3	194.7	188.0	188.1	194.8
10 Auto parts and allied goods	.9	127.8	130.2	132.7	128.1	130.7	137.2	127.2	129.9	136.0	129.3	128.8	133.4	130.0	130.5
11 Other	3.0	118.6	119.9	120.5	115.5	118.1	118.5	118.5	119.3	123.4	120.5	118.7	118.2	117.5	116.8
12 Appliances, televisions, and air conditioners	.7	135.5	145.3	141.9	132.2	137.5	138.3	139.7	138.9	151.4	145.4	137.6	135.9	135.9	134.1
13 Carpeting and furniture	.8	105.8	104.1	107.4	101.1	103.4	105.7	104.4	106.0	109.4	104.6	105.8	106.3	105.5	106.3
14 Miscellaneous home goods	1.5	118.2	117.6	118.3	116.2	117.7	116.9	117.1	118.2	118.7	118.4	117.6	117.0	116.0	114.9
15 Nondurable consumer goods	23.0	112.9	113.8	113.2	113.3	114.5	114.4	113.6	114.0	113.5	114.0	113.8	114.2	114.9	116.0
16 Foods and tobacco	10.3	111.3	110.9	110.6	110.6	112.0	112.3	112.2	112.0	111.7	112.1	111.4	112.3	112.6	113.9
17 Clothing	2.4	94.8	91.5	89.7	88.2	90.3	88.9	88.8	89.2	88.5	88.5	88.7	88.3	89.0	88.5
18 Chemical products	4.5	131.3	135.0	136.5	138.1	138.1	136.7	133.8	135.2	134.5	137.8	136.8	138.4	139.9	140.4
19 Paper products	2.9	106.6	108.4	106.3	104.9	106.0	105.8	106.1	107.2	106.3	108.2	108.5	108.6	109.0	109.6
20 Energy	2.9	116.5	121.1	119.5	121.0	122.6	123.9	121.8	121.8	121.6	117.4	119.7	117.8	119.1	122.4
21 Fuels	.9	108.8	108.2	108.6	108.6	111.8	112.2	111.5	111.7	111.6	111.1	112.2	111.3	113.8	111.6
22 Residential utilities	2.1	119.6	126.6	124.1	126.1	127.2	128.8	126.2	126.0	125.7	120.0	122.9	120.5	121.2	126.9
23 Equipment	17.7	131.4	131.4	132.3	133.7	137.3	136.5	139.2	139.2	140.8	142.0	142.8	143.0	143.7	145.2
24 Business equipment	13.7	155.7	156.9	158.4	160.5	164.8	162.7	166.3	166.0	168.6	170.3	171.1	171.8	173.0	175.2
25 Information processing and related	5.7	198.1	208.1	209.4	213.3	220.5	221.6	224.9	226.2	232.0	233.4	236.5	239.2	242.8	244.4
26 Computer and office equipment	1.4	373.5	417.8	431.7	442.9	463.3	476.0	491.1	505.0	522.0	540.0	553.5	565.0	574.7	585.1
27 Industrial	4.0	127.5	129.1	129.5	129.6	131.3	130.3	129.9	129.4	128.2	128.0	128.9	128.3	128.6	128.8
28 Transit	2.6	136.3	119.6	124.5	128.1	133.2	121.2	136.1	133.4	136.9	144.2	141.1	140.7	137.7	145.4
29 Autos and trucks	1.2	140.1	134.2	135.3	129.1	136.0	113.6	140.0	138.2	141.9	151.8	143.3	138.4	129.2	139.5
30 Other	1.4	123.2	121.4	121.7	122.1	123.5	122.5	122.1	121.1	123.3	123.3	121.9	121.7	124.0	125.4
31 Defense and space equipment	3.3	65.9	62.9	62.0	61.6	63.1	64.2	64.0	64.3	63.7	64.5	65.0	64.7	64.2	64.1
32 Oil and gas well drilling	.6	87.1	83.1	83.8	85.1	89.7	96.3	100.6	104.3	102.3	99.1	99.9	96.2	94.4	93.9
33 Manufactured homes	.2	152.7	161.8	164.4	158.1	157.8	168.2	170.7	170.4	172.4	164.8	173.7	172.3	171.5	...
34 Intermediate products, total	14.3	109.0	109.3	110.1	108.5	109.3	109.6	108.6	110.1	111.3	109.9	111.2	111.9	111.7	111.9
35 Construction supplies	5.3	108.2	108.7	110.5	107.2	109.3	111.5	109.2	111.0	113.9	112.0	114.4	115.6	114.3	114.7
36 Business supplies	9.0	109.6	109.9	110.0	109.6	109.5	108.6	108.4	109.6	109.8	108.7	109.3	109.7	110.2	110.3
37 Materials	39.4	127.4	128.4	128.4	128.5	129.4	129.1	130.3	131.6	132.6	132.1	133.5	133.5	132.9	133.9
38 Durable goods materials	20.8	141.5	145.3	144.8	145.8	147.3	145.5	147.3	148.8	150.5	150.3	152.3	152.2	151.1	152.5
39 Durable consumer parts	4.0	138.5	140.1	139.3	140.6	141.1	132.5	142.1	143.5	148.3	147.6	150.9	149.7	143.9	147.9
40 Equipment parts	7.5	163.0	171.0	170.8	171.7	176.3	176.8	177.2	179.0	180.9	181.1	183.0	183.0	183.2	185.4
41 Other	9.2	126.2	127.9	127.2	128.2	127.8	127.4	126.8	128.1	128.2	127.9	129.5	129.7	129.7	129.5
42 Basic metal materials	3.1	125.7	128.1	126.6	125.7	123.7	124.4	123.7	123.9	125.1	123.5	124.8	126.3	127.4	125.7
43 Nondurable goods materials	8.9	119.8	116.6	117.4	115.7	116.1	116.3	118.8	120.0	120.1	121.1	119.9	120.5	120.9	120.8
44 Textile materials	1.1	109.2	104.8	103.3	100.3	101.8	103.0	104.9	106.2	106.3	108.2	106.8	105.4	107.0	106.8
45 Paper materials	1.8	120.5	114.3	115.2	113.4	113.4	113.7	118.9	118.7	115.2	120.9	119.0	116.8	118.2	118.9
46 Chemical materials	3.9	124.4	122.7	121.9	121.8	121.3	121.6	123.6	125.8	126.8	127.0	127.0	128.0	129.7	128.7
47 Other	2.1	116.5	114.1	118.9	115.2	117.1	116.4	117.8	118.2	119.7	117.5	115.0	118.4	114.8	115.8
48 Energy materials	9.7	106.6	105.7	106.0	105.9	106.1	108.2	107.0	108.1	108.7	106.3	108.4	108.2	107.9	109.0
49 Primary energy	6.3	101.9	100.8	101.0	100.6	101.3	103.9	103.1	102.7	103.7	101.3	103.2	103.0	102.3	103.1
50 Converted fuel materials	3.3	116.0	115.4	116.2	116.6	115.5	116.7	114.9	118.9	118.7	116.2	118.7	118.5	119.0	120.7
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.2	121.5	122.3	122.5	122.4	123.8	123.9	124.1	125.0	126.0	125.6	126.5	126.8	126.9	127.7
52 Total excluding motor vehicles and parts	95.2	120.9	121.7	121.9	121.9	123.3	123.7	123.5	124.4	125.2	124.9	125.7	126.1	126.3	127.1
53 Total excluding computer and office equipment	98.2	118.2	118.4	118.5	118.0	119.5	118.7	119.5	120.2	121.1	120.8	121.2	121.3	121.0	122.0
54 Consumer goods excluding autos and trucks	27.0	114.0	115.0	114.7	114.0	115.5	115.6	114.6	115.1	115.4	115.2	114.9	115.3	115.7	116.6
55 Consumer goods excluding energy	25.7	114.9	115.3	115.3	113.9	115.9	114.3	115.2	115.7	116.3	117.3	116.1	116.5	116.0	117.3
56 Business equipment excluding autos and trucks	12.5	157.0	159.0	160.5	163.5	167.5	167.5	168.7	168.6	171.1	172.0	173.7	175.0	177.3	178.6
57 Business equipment excluding computer and office equipment	12.2	133.0	130.8	131.3	132.6	135.5	132.3	134.8	133.5	134.9	135.2	134.9	134.8	135.3	136.7
58 Materials excluding energy	29.7	134.9	136.6	136.4	136.6	137.8	136.6	138.6	140.0	141.2	141.4	142.4	142.5	141.9	142.9

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Group	SIC[2] code	1992 proportion	1995 avg.	1995 Nov.	1995 Dec.	1996 Jan.	1996 Feb.	1996 Mar.	1996 Apr.	1996 May	1996 June	1996 July	1996 Aug.[r]	1996 Sept.[r]	1996 Oct.	1996 Nov.[p]
				Index (1987 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	...	**100.0**	**121.9**	**122.6**	**122.8**	**122.5**	**124.2**	**123.6**	**124.5**	**125.4**	**126.4**	**126.3**	**126.9**	**127.1**	**126.9**	**128.0**
60 Manufacturing	...	85.4	123.9	124.5	124.8	124.5	126.2	125.2	126.5	127.4	128.5	129.0	129.2	129.6	129.4	130.4
61 Primary processing	...	26.6	117.6	117.1	117.3	116.7	116.3	117.1	117.5	118.5	119.7	119.8	120.0	120.6	120.3	120.1
62 Advanced processing	...	58.9	126.8	128.0	128.4	128.2	131.0	129.0	130.8	131.5	132.7	133.3	133.6	133.9	133.7	135.3
63 Durable goods	...	45.0	132.5	134.3	134.8	134.9	137.5	135.6	138.3	139.1	141.1	141.5	142.2	142.4	141.7	143.3
64 Lumber and products	24	2.0	104.5	104.8	106.9	103.1	103.3	107.5	108.4	107.7	110.6	107.4	109.0	109.0	107.8	108.4
65 Furniture and fixtures	25	1.4	111.6	109.8	109.3	109.3	110.5	107.7	108.9	112.1	111.9	109.8	110.7	111.2	113.0	113.5
66 Stone, clay, and glass products	32	2.1	104.1	104.9	104.3	105.5	104.1	102.9	103.6	105.0	105.8	108.8	107.0	108.4	108.1	108.1
67 Primary metals	33	3.1	119.2	120.8	120.0	121.5	117.1	118.0	119.2	118.6	121.0	118.6	120.1	121.4	122.1	120.1
68 Iron and steel	331,2	1.7	122.4	126.1	122.7	128.1	119.5	120.2	122.9	121.0	124.2	122.8	124.1	124.1	127.4	124.1
69 Raw steel	331PT	.1	114.7	116.4	118.0	113.9	112.5	114.9	112.9	113.2	115.7	112.9	114.5	114.3	111.9	110.9
70 Nonferrous	333–6,9	1.4	114.8	113.8	116.2	113.0	113.6	114.8	114.2	115.1	116.6	113.0	114.6	117.5	115.1	114.8
71 Fabricated metal products	34	5.0	113.9	114.5	115.0	115.6	117.0	116.1	115.5	116.7	117.3	117.2	118.1	118.6	117.6	118.3
72 Industrial machinery and equipment	35	8.0	177.8	186.5	190.1	191.9	196.1	197.8	199.0	201.2	205.2	205.8	210.5	210.9	212.4	214.5
73 Computer and office equipment	357	1.8	373.5	417.8	431.7	442.9	463.3	476.0	491.1	505.0	522.0	540.0	553.5	565.0	574.7	585.1
74 Electrical machinery	36	7.2	174.9	183.6	182.8	182.4	188.7	187.9	187.3	188.8	191.0	190.1	190.2	190.5	189.7	191.0
75 Transportation equipment	37	9.5	113.3	108.6	109.7	108.3	112.1	103.1	114.6	114.6	116.6	120.3	118.7	118.0	113.9	119.0
76 Motor vehicles and parts	371	4.8	141.9	140.7	141.2	135.5	141.1	121.3	144.3	144.7	148.7	154.5	150.3	148.0	138.2	146.9
77 Autos and light trucks	371PT	2.5	131.3	129.6	131.5	123.5	132.8	109.9	135.5	135.3	138.9	149.4	140.9	136.4	125.2	136.3
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.7	85.8	77.7	79.4	82.2	84.2	85.7	86.0	85.7	85.8	87.3	88.2	89.2	90.6	92.2
79 Instruments	38	5.4	110.7	111.5	109.7	111.0	113.4	112.9	112.8	112.4	113.7	112.3	113.6	113.3	114.5	114.7
80 Miscellaneous	39	1.3	122.7	123.3	123.5	122.1	124.0	124.0	122.6	123.0	124.4	124.1	124.0	124.0	123.8	124.0
81 Nondurable goods	...	40.5	114.3	113.7	113.8	113.1	113.8	113.6	113.5	114.4	114.6	115.2	114.8	115.5	115.8	116.1
82 Foods	20	9.4	115.3	114.8	114.8	114.8	116.0	115.6	115.4	115.6	115.1	115.8	114.6	115.6	116.5	117.5
83 Tobacco products	21	1.6	90.2	88.9	88.4	87.1	90.9	92.6	94.6	91.9	93.0	90.8	92.1	92.9	91.2	93.5
84 Textile mill products	22	1.8	112.6	108.9	108.3	104.1	106.2	109.0	108.2	108.8	111.1	112.4	110.1	109.0	110.2	110.8
85 Apparel products	23	2.2	95.7	92.4	91.5	89.2	90.9	89.7	90.4	90.8	90.9	90.1	90.6	90.1	89.7	88.4
86 Paper and products	26	3.6	119.8	116.2	118.2	114.9	113.5	115.5	118.9	119.5	119.4	121.5	118.9	119.5	117.9	119.0
87 Printing and publishing	27	6.8	99.4	99.3	98.8	97.9	98.7	96.7	96.3	97.7	97.2	97.2	97.4	98.3	99.1	99.1
88 Chemicals and products	28	9.9	125.0	126.0	126.5	127.1	127.1	126.5	126.0	127.7	128.1	129.7	129.2	130.1	131.5	131.7
89 Petroleum products	29	1.4	108.3	107.4	108.9	108.9	110.2	109.9	109.7	109.8	110.3	109.5	111.5	111.8	112.8	110.4
90 Rubber and plastic products	30	3.5	139.4	140.3	139.3	139.0	139.7	140.5	137.6	140.7	142.4	142.3	144.3	144.7	142.8	142.5
91 Leather and products	31	.3	81.3	78.2	76.8	75.6	77.1	76.7	76.2	75.6	76.3	75.4	74.8	74.9	74.9	75.3
92 Mining	..	6.9	99.9	98.3	98.1	97.1	98.0	101.1	100.4	100.5	102.8	100.9	102.7	102.7	102.0	102.1
93 Metal	10	.5	169.3	175.9	172.8	159.5	157.1	166.1	158.3	161.6	161.3	168.2	168.3	170.6	170.6	168.8
94 Coal	12	1.0	112.9	109.5	108.5	103.3	108.0	114.8	109.5	111.9	113.2	107.1	120.8	120.5	118.9	116.3
95 Oil and gas extraction	13	4.8	91.9	90.1	90.1	90.8	90.2	92.6	93.3	93.2	95.5	94.1	93.8	93.6	92.9	93.7
96 Stone and earth minerals	14	.6	112.3	110.9	112.4	108.9	117.2	117.4	115.6	112.7	118.0	114.6	116.2	116.9	117.6	116.9
97 Utilities	...	7.7	122.0	125.4	125.1	125.6	126.6	128.0	126.4	128.4	126.6	122.6	125.6	123.9	124.4	127.4
98 Electric	491,493PT	6.1	122.1	123.6	123.9	125.5	126.6	127.1	125.7	128.7	126.7	122.7	125.7	123.7	123.7	126.9
99 Gas	492,493PT	1.6	121.7	132.5	129.9	125.6	126.3	131.5	128.9	127.5	125.8	122.1	124.9	124.7	126.7	129.7
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	..	80.6	122.8	123.6	123.9	123.9	125.4	125.4	125.5	126.3	127.3	127.4	127.9	128.5	128.9	129.4
101 Manufacturing excluding office and computing machines	.	83.7	119.5	119.6	119.7	119.3	120.7	119.5	120.7	121.3	122.3	122.5	122.5	122.8	122.4	123.3
		Gross value (billions of 1992 dollars, annual rates)														
MAJOR MARKETS																
102 **Products, total**	.	**2,002.9**	**2,245.6**	**2,255.8**	**2,265.7**	**2,248.9**	**2,293.1**	**2,269.5**	**2,300.3**	**2,307.8**	**2,327.6**	**2,334.3**	**2,332.3**	**2,333.3**	**2,326.8**	**2,354.0**
103 Final	...	1,552.2	1,748.7	1,756.8	1,761.9	1,753.0	1,794.2	1,766.8	1,801.5	1,804.4	1,817.1	1,831.0	1,823.1	1,820.2	1,816.0	1,842.8
104 Consumer goods	..	1,033.4	1,130.5	1,139.3	1,139.0	1,124.7	1,148.4	1,129.5	1,144.9	1,147.2	1,151.5	1,156.4	1,146.7	1,142.8	1,137.9	1,154.2
105 Equipment	...	518.8	618.3	617.5	622.9	628.4	645.8	637.3	656.6	657.1	665.6	674.7	676.4	677.5	678.0	688.6
106 Intermediate	..	450.7	496.9	499.0	503.8	495.9	498.8	502.7	498.8	503.4	510.5	503.3	509.2	513.1	510.8	511.3

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1995. See "A Revision to Industrial Production and Capacity Utilization, 1991–95," *Federal Reserve Bulletin*, vol. 82 (January 1996), pp. 16–25. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76, (April 1990), pp. 187–204.
2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1993	1994	1995	1996									
				Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.[r]	Sept.[r]	Oct.
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,199	1,372	1,332	1,378	1,417	1,423	1,459	1,452	1,415	1,457	1,423	1,399	1,362
2 One-family	987	1,068	997	1,056	1,087	1,097	1,115	1,098	1,085	1,073	1,078	1,040	1,011
3 Two-family or more	213	303	335	322	330	326	344	354	330	384	345	359	351
4 Started	1,288	1,457	1,354	1,453	1,514	1,439	1,511	1,478	1,490	1,470	1,533	1,461	1,386
5 One-family	1,126	1,198	1,076	1,146	1,183	1,163	1,209	1,144	1,209	1,150	1,239	1,138	1,082
6 Two-family or more	162	259	278	307	331	276	302	334	281	320	294	323	304
7 Under construction at end of period[1]	680	762	776	803	800	816	826	826	829	823	820	829	828
8 One-family	543	558	547	569	565	581	591	590	596	592	593	594	591
9 Two-family or more	137	204	229	234	235	235	235	236	233	231	227	235	237
10 Completed	1,193	1,347	1,313	1,403	1,328	1,391	1,350	1,408	1,418	1,447	1,445	1,369	1,360
11 One-family	1,040	1,160	1,066	1,113	1,052	1,112	1,073	1,120	1,128	1,145	1,151	1,112	1,112
12 Two-family or more	153	187	247	290	276	279	277	288	290	302	294	257	248
13 Mobile homes shipped	254	304	340	352	341	364	378	369	372	372	369	373	369
Merchant builder activity in one-family units													
14 Number sold	666	670	665	743	784	713	740	734	733	780[r]	819	782	714
15 Number for sale at end of period[1]	293	337	372	370	355	368	369	362	356	353[r]	346	333	336
Price of units sold (thousands of dollars)[2]													
16 Median	126.1	130.4	133.4	131.9	139.4	137.0	140.0	136.4	140.0	144.2[r]	136.9	138.1	140.0
17 Average	147.6	153.7	157.6	155.3	163.7	162.1	170.0	163.3	166.5	168.4[r]	157.7	168.4	165.3
EXISTING UNITS (one-family)													
18 Number sold	3,800	3,946	3,801	3,720	3,940	4,200	4,200	4,280	4,160	4,150	4,140	4,030	3,970
Price of units sold (thousands of dollars)[2]													
19 Median	106.5	109.6	112.2	114.8	114.0	115.7	116.5	117.6	122.9	121.5	122.3	117.8	116.4
20 Average	133.1	136.4	138.4	141.2	138.7	140.1	141.9	144.4	150.2	149.6	149.9	144.7	143.2
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 **Total put in place**	**482,737**	**527,063**	**547,079**	**558,952**	**544,577**	**556,983**	**564,623**	**558,481**	**563,122**	**558,613**	**563,959**	**570,994**	**581,157**
22 Private	362,587	400,007	410,197	418,896	411,248	419,726	424,233	418,120	423,106	418,578	426,024	427,069	431,052
23 Residential	210,455	238,873	236,598	242,474	238,558	245,881	248,013	247,486	246,909	244,618	245,712	245,739	243,851
24 Nonresidential	152,132	161,134	173,599	176,422	172,690	173,845	176,220	170,634	176,197	173,960	180,312	181,330	187,201
25 Industrial buildings	26,482	28,947	32,301	32,495	30,792	30,593	30,285	27,310	28,755	28,599	27,082	29,656	33,077
26 Commercial buildings	53,375	59,728	67,528	66,475	66,461	65,503	67,565	65,834	69,280	68,005	71,921	70,546	74,436
27 Other buildings	26,219	26,961	26,923	28,103	27,470	27,884	27,457	27,723	28,533	28,443	29,677	29,727	30,802
28 Public utilities and other	46,056	45,498	46,847	49,349	47,967	49,865	50,913	49,767	49,629	48,913	51,632	51,401	48,886
29 Public	120,151	127,056	136,884	140,056	133,329	137,257	140,390	140,361	140,016	140,035	137,935	143,925	150,105
30 Military	2,454	2,319	3,005	3,554	3,982	3,126	3,168	3,020	3,140	3,041	2,300	2,588	3,082
31 Highway	34,342	37,673	38,161	39,444	40,956	39,527	39,454	37,715	38,308	39,310	36,581	40,657	41,675
32 Conservation and development	5,908	6,370	6,389	5,352	5,455	5,811	5,956	5,756	6,004	5,498	5,641	5,451	5,605
33 Other	77,447	80,694	89,329	91,706	82,936	88,793	91,812	93,870	92,564	92,186	93,413	95,229	99,743

1. Not at annual rates.
2. Not seasonally adjusted.
3. Recent data on value of new construction may not be strictly comparable with data for previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes, see *Construction Reports* (C–30–76–5), issued by the Census Bureau in July 1976.

SOURCE. Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 19,000 jurisdictions beginning in 1994.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, Nov. 1996[1]
	1995 Nov.	1996 Nov.	1995	1996			1996					
			Dec.	Mar.	June	Sept.	July	Aug.	Sept.	Oct.	Nov.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**2.6**	**3.3**	**2.4**	**4.0**	**3.1**	**2.6**	**.3**	**.1**	**.3**	**.3**	**.3**	**158.6**
2 Food	2.8	4.4	1.9	3.2	4.6	5.3	.5	.4	.5	.6	.3	155.9
3 Energy items	−2.7	8.1	1.9	15.8	8.4	−3.9	−.4	−.6	.0	.7	1.2	111.1
4 All items less food and energy	3.0	2.6	2.2	3.5	2.2	2.7	.3	.1	.3	.2	.2	167.2
5 Commodities	1.7	1.1	1.7	2.6	−.3	.9	.0	−.1	.4	.1	.1	142.2
6 Services	3.6	3.2	2.5	3.4	3.9	3.2	.3	.2	.2	.3	.2	181.4
PRODUCER PRICES (1982=100)												
7 Finished goods	2.1	3.0	4.4	2.5	2.2	1.8	−.1	.3	.2	.4	.4	132.5
8 Consumer foods	3.3	3.7	4.4	.6	5.9	5.2	.1[r]	.9[r]	.2	.8	−.1	135.9
9 Consumer energy	−3.2	12.9	10.8	17.8	−.5	1.0	−.6[r]	.6[r]	.2	1.9	2.3	84.9
10 Other consumer goods	2.9	.8	3.4	−.3	2.2	.8	−.1[r]	.1[r]	.2	−.1	.0	144.9
11 Capital equipment	2.6	.3	2.9	.0	.6	1.2	.0[r]	.0[r]	.3	−.4	.3	138.7
Intermediate materials												
12 Excluding foods and feeds	3.3	.4	−.6	−1.0	.0	.3	−.3[r]	.2	.2	.1	.3	125.8
13 Excluding energy	4.0	−1.2	−2.9	−3.5	.0	−.3	−.3	.1	.1	−.1	.1	133.8
Crude materials												
14 Foods	13.7	3.2	20.8	−4.1	60.1	−7.3	2.7[r]	−.7[r]	−3.8	−2.7	−1.9	117.9
15 Energy	−1.4	30.5	33.9	52.8	−14.1	21.7	5.4[r]	−1.0[r]	.6	1.5	7.7	89.1
16 Other	−1.2	−6.5	−18.4	−10.6	−8.8	−2.6	−1.7[r]	.5[r]	.6	.3	−.3	151.6

1. Not seasonally adjusted.
2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE. U.S. Department of Labor, Bureau of Labor Statistics.

2.16 GROSS DOMESTIC PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1993	1994	1995	1995		1996		
				Q3	Q4	Q1	Q2	Q3[r]
GROSS DOMESTIC PRODUCT								
1 **Total**	**6,553.0**	**6,935.7**	**7,253.8**	**7,309.8**	**7,350.6**	**7,426.8**	**7,545.1**	**7,616.3**
By source								
2 Personal consumption expenditures	4,454.1	4,700.9	4,924.9	4,957.9	4,990.5	5,060.5	5,139.4	5,165.4
3 Durable goods	530.7	580.9	606.4	615.8	612.8	625.2	637.6	630.5
4 Nondurable goods	1,368.9	1,429.7	1,485.9	1,491.2	1,494.2	1,522.1	1,544.7	1,546.5
5 Services	2,554.6	2,690.3	2,832.6	2,850.9	2,883.5	2,913.2	2,957.1	2,988.5
6 Gross private domestic investment	871.1	1,014.4	1,065.3	1,074.8	1,064.0	1,068.9	1,096.0	1,156.2
7 Fixed investment	850.5	954.9	1,028.2	1,036.6	1,046.2	1,070.7	1,088.0	1,119.6
8 Nonresidential	598.8	667.2	738.5	746.3	749.7	769.0	773.8	807.0
9 Structures	171.8	180.2	199.7	202.5	204.0	208.4	207.4	213.5
10 Producers' durable equipment	427.0	487.0	538.8	543.8	545.7	560.6	566.3	593.5
11 Residential structures	251.7	287.7	289.8	290.3	296.5	301.7	314.2	312.6
12 Change in business inventories	20.6	59.5	37.0	38.2	17.8	-1.7	8.0	36.6
13 Nonfarm	26.8	48.0	39.6	41.5	19.9	2.7	11.3	35.4
14 Net exports of goods and services	-62.7	-94.4	-94.7	-87.6	-67.2	-86.3	-99.2	-120.2
15 Exports	657.8	719.1	807.4	819.0	837.0	839.5	850.0	844.3
16 Imports	720.5	813.5	902.0	906.6	904.2	925.8	949.2	964.5
17 Government consumption expenditures and gross investment	1,290.4	1,314.7	1,358.3	1,364.6	1,363.4	1,383.7	1,408.8	1,414.8
18 Federal	522.6	516.4	516.6	516.8	507.7	518.6	529.6	525.5
19 State and local	767.8	798.4	841.7	847.7	855.7	865.1	879.2	889.3
By major type of product								
20 Final sales, total	6,532.4	6,876.2	7,216.7	7,271.5	7,332.8	7,428.6	7,537.1	7,579.6
21 Goods	2,401.4	2,534.4	2,662.2	2,688.8	2,698.0	2,749.3	2,782.0	2,785.0
22 Durable	1,014.3	1,086.2	1,147.3	1,167.2	1,166.4	1,192.1	1,219.1	1,225.5
23 Nondurable	1,387.2	1,448.3	1,515.0	1,521.6	1,531.7	1,557.1	1,562.9	1,559.5
24 Services	3,584.0	3,746.5	3,926.9	3,950.2	3,992.4	4,027.9	4,087.0	4,122.0
25 Structures	547.0	595.3	627.6	632.6	642.3	651.4	668.0	672.6
26 Change in business inventories	20.6	59.5	37.0	38.2	17.8	-1.7	8.0	36.6
27 Durable goods	15.7	31.9	34.9	29.2	27.3	12.3	9.9	34.7
28 Nondurable goods	4.9	27.7	2.2	9.1	-9.4	-14.0	-1.9	2.0
MEMO								
29 **Total GDP in chained 1992 dollars**	**6,386.4**	**6,608.7**	**6,742.9**	**6,776.4**	**6,780.7**	**6,814.3**	**6,892.6**	**6,928.4**
NATIONAL INCOME								
30 **Total**	**5,195.3**	**5,501.6**	**5,813.5**	**5,861.4**	**5,927.4**	**6,015.3**	**6,118.7**	**6,203.0**
31 Compensation of employees	3,809.5	4,009.8	4,222.7	4,247.7	4,301.1	4,344.3	4,420.9	4,482.9
32 Wages and salaries	3,095.3	3,257.3	3,433.2	3,454.0	3,501.1	3,540.2	3,606.5	3,659.6
33 Government and government enterprises	584.2	602.5	621.7	624.1	626.9	634.0	638.9	644.6
34 Other	2,511.1	2,654.8	2,811.5	2,829.9	2,874.2	2,906.1	2,967.5	3,015.1
35 Supplement to wages and salaries	714.2	752.4	789.5	793.7	800.1	804.1	814.4	823.3
36 Employer contributions for social insurance	333.3	350.2	365.5	367.8	369.8	375.0	380.4	384.6
37 Other labor income	380.9	402.2	424.0	425.9	430.2	429.1	434.0	438.6
38 Proprietors' income[1]	420.0	450.9	478.3	479.6	486.7	499.5	515.2	526.3
39 Business and professional[1]	388.1	415.9	449.3	451.5	454.9	461.1	469.4	474.6
40 Farm[1]	32.0	35.0	29.0	28.1	31.8	38.4	45.8	51.8
41 Rental income of persons[2]	102.5	116.6	122.2	120.9	125.8	126.9	124.5	127.0
42 Corporate profits[1]	464.4	529.5	586.6	612.5	611.8	645.1	655.8	661.2
43 Profits before tax[3]	464.3	531.2	598.9	607.2	604.2	642.2	644.6	635.6
44 Inventory valuation adjustment	-6.6	-13.3	-28.1	-9.3	-8.8	-17.4	-11.0	2.0
45 Capital consumption adjustment	6.7	11.6	15.9	14.6	16.5	20.4	22.3	23.6
46 Net interest	398.9	394.9	403.6	400.7	401.9	399.5	402.3	405.6

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. U.S. Department of Commerce, *Survey of Current Business*.

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1993	1994	1995	1995 Q3	1995 Q4	1996 Q1	1996 Q2	1996 Q3[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**5,480.1**	**5,753.1**	**6,115.1**	**6,146.9**	**6,234.5**	**6,308.5**	**6,412.4**	**6,501.4**
2 Wage and salary disbursements	3,090.7	3,241.8	3,430.6	3,451.2	3,500.2	3,538.2	3,606.5	3,659.6
3 Commodity-producing industries	781.3	824.9	863.5	866.7	873.9	878.7	900.3	911.0
4 Manufacturing	593.1	621.1	648.4	650.1	654.7	654.8	671.8	678.5
5 Distributive industries	698.4	739.2	783.7	789.3	800.7	810.5	822.3	832.4
6 Service industries	1,026.7	1,075.2	1,161.6	1,171.1	1,198.6	1,215.1	1,244.9	1,271.6
7 Government and government enterprises	584.2	602.5	621.7	624.1	626.9	634.0	638.9	644.6
8 Other labor income	380.9	402.2	424.0	425.9	430.2	429.1	434.0	438.6
9 Proprietors' income[1]	420.0	450.9	478.3	479.6	486.7	499.5	515.2	526.3
10 Business and professional[1]	388.1	415.9	449.3	451.5	454.9	461.1	469.4	474.6
11 Farm[1]	32.0	35.0	29.0	28.1	31.8	38.4	45.8	51.8
12 Rental income of persons[2]	102.5	116.6	122.2	120.9	125.8	126.9	124.5	127.0
13 Dividends	186.8	199.6	214.8	215.8	221.7	226.6	229.3	231.5
14 Personal interest income	648.1	663.7	717.1	719.9	727.2	726.1	733.1	742.9
15 Transfer payments	910.7	956.3	1,022.6	1,029.9	1,041.4	1,063.0	1,075.6	1,085.1
16 Old-age survivors, disability, and health insurance benefits	444.4	472.9	507.4	510.7	516.1	529.9	536.3	541.7
17 LESS: Personal contributions for social insurance	259.6	278.1	294.5	296.2	298.8	301.0	305.8	309.7
18 EQUALS: Personal income	5,480.1	5,753.1	6,115.1	6,146.9	6,234.5	6,308.5	6,412.4	6,501.4
19 LESS: Personal tax and nontax payments	689.9	731.4	794.3	798.4	807.2	824.9	870.6	872.5
20 EQUALS: Disposable personal income	4,790.2	5,021.7	5,320.8	5,348.5	5,427.3	5,483.5	5,541.8	5,628.9
21 LESS: Personal outlays	4,575.8	4,832.3	5,071.5	5,106.6	5,144.7	5,218.1	5,300.7	5,329.8
22 EQUALS: Personal saving	214.4	189.4	249.3	241.9	282.6	265.4	241.1	299.1
MEMO								
Per capita (chained 1992 dollars)								
23 Gross domestic product	24,734.3	25,349.8	25,628.7[r]	25,726.7	25,684.5	25,753.3	25,990.0	26,066.2
24 Personal consumption expenditures	16,806.7	17,158.4[r]	17,399.5[r]	17,453.8[r]	17,459.9[r]	17,570.2	17,675.7	17,657.9
25 Disposable personal income	18,078.0	18,330.0	18,799.0	18,829.0	18,986.0	19,041.0	19,063.0	19,242.0
26 Saving rate (percent)	4.5	3.8	4.7	4.5	5.2	4.8	4.3	5.3
GROSS SAVING								
27 **Gross saving**	**935.5**	**1,056.3**	**1,151.8**	**1,168.6**	**1,220.6**	**1,217.9**	**1,244.5**	**1,314.0**
28 Gross private saving	962.4	1,006.7	1,071.8	1,085.9	1,138.9	1,133.8	1,121.6	1,196.1
29 Personal saving	214.4	189.4	249.3	241.9	282.6	265.4	241.1	299.1
30 Undistributed corporate profits[1]	103.3	123.2	140.6	159.6	158.4	171.8	176.3	182.5
31 Corporate inventory valuation adjustment	−6.6	−13.3	−28.1	−9.3	−8.8	−17.4	−11.0	2.0
Capital consumption allowances								
32 Corporate	417.0	441.0	454.0	456.9	463.6	465.6	471.0	477.2
33 Noncorporate	223.1	237.7	225.2	224.7	233.4	229.1	233.2	237.4
34 Gross government saving	−26.9	49.6	80.0	82.7	81.7	84.1	122.9	117.8
35 Federal	−187.4	−119.6	−87.9	−84.6	−80.7	−82.0	−54.1	−48.4
36 Consumption of fixed capital	68.2	70.6	73.8	73.8	73.8	73.2	72.6	72.3
37 Current surplus or deficit (−), national accounts	−255.6	−190.2	−161.7	−158.5	−154.5	−155.2	−126.7	−120.8
38 State and local	160.5	169.2	167.9	167.3	162.4	166.1	177.0	166.3
39 Consumption of fixed capital	65.6	69.4	72.9	73.4	74.3	75.1	76.0	77.1
40 Current surplus or deficit (−), national accounts	94.9	99.7	95.0	93.9	88.1	91.0	101.0	89.2
41 **Gross investment**	**993.5**	**1,090.4**	**1,150.9**	**1,161.5**	**1,173.9**	**1,167.9**	**1,187.0**	**1,215.9**
42 Gross private domestic investment	871.1	1,014.4	1,065.3	1,074.8	1,064.0	1,068.9	1,096.0	1,156.2
43 Gross government investment	210.6	212.3	221.9	224.7	220.1	228.8	235.1	234.2
44 Net foreign investment	−88.2	−136.4	−136.3	−138.1	−110.2	−129.9	−144.2	−174.6
45 **Statistical discrepancy**	**58.0**	**34.1**	**−.9**	**−7.1**	**−46.7**	**−50.0**	**−57.5**	**−98.1**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted except as noted[1]

Item credits or debits	1993	1994	1995	1995		1996		
				Q3	Q4	Q1	Q2	Q3[p]
1 Balance on current account	−99,936[r]	−148,405	−148,154[r]	−37,688	−30,435	−34,869	−40,210	−47,961
2 Merchandise trade balance[2]	−132,609	−166,121	−173,424	−42,548	−38,026	−42,730	−46,996	−51,593
3 Merchandise exports	456,832	502,463	575,940	144,984	149,422	150,028	153,095	149,937
4 *Merchandise imports*	−589,441	−668,584	−749,364	−187,532	−187,448	−192,758	−200,091	−201,530
5 Military transactions, net	2,757[r]	3,270[r]	3,477[r]	1,120	978	490[r]	726	710
6 Other service transactions, net	59,691[r]	59,779	64,776[r]	17,093	17,657	18,014	17,694	17,049
7 Investment income, net	9,742	−4,159[r]	−8,016[r]	−4,361	−1,890	262	−2,264	−4,705
8 U.S. government grants	−16,823	−15,816	−10,959	−2,933	−2,799	−4,259	−2,364	−2,502
9 U.S. government pensions and other transfers	−4,081	−4,544	−3,420	−964	−731	−960	−1,029	−1,034
10 Private remittances and other transfers	−16,736	−19,506	−20,696	−5,095	−5,624	−5,685	−5,976	−5,886
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	−342	−341	−280	252	−199	−152	−353	72
12 Change in U.S. official reserve assets (increase, −)	−1,379	5,346	−9,742	−1,893	191	17	−523	7,489
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−537	−441	−808	362	−147	−199	−133	848
15 Reserve position in International Monetary Fund	−44	494	−2,466	−991	−163	−849	−220	−183
16 Foreign currencies	−797	5,293	−6,468	−1,264	501	1,065	−170	6,824
17 Change in U.S. private assets abroad (increase, −)	−192,889[r]	−155,700[r]	−297,834	−37,954	−98,206	−68,615	−49,850	−62,237
18 Bank-reported claims[3]	29,947	−8,161	−69,146	8,476	−7,272	1,714	−74	−32,482
19 Nonbank-reported claims	1,581	−32,804	−34,219	7,500	−14,278	−12,707	−3,374	...
20 U.S. purchases of foreign securities, net	−146,253	−60,270	−98,960	−35,839	−32,539	−34,420	−20,200	−21,314
21 U.S. direct investments abroad, net	−78,164[r]	−54,465[r]	−95,509	−18,091	−44,117	−23,202	−26,202	−8,441
22 Change in foreign official assets in United States (increase, +)	72,153	40,253	109,757	39,186	11,369	52,021	13,566	23,642
23 U.S. Treasury securities	48,952	30,745	68,813	20,489	12,984	55,600	−3,384	25,335
24 Other U.S. government obligations	4,062	6,077	3,734	518	764	52	1,258	1,217
25 Other U.S. government liabilities[4]	1,713	2,344	1,082	−71	1,249	−156	220	755
26 Other U.S. liabilities reported by U.S. banks[3]	14,841	3,560	32,862	18,478	−3,908	−3,264	14,187	−2,080
27 Other foreign official assets[5]	2,585	−2,473	3,266	−228	280	−211	1,285	−1,585
28 Change in foreign private assets in United States (increase, +)	178,843	245,123	314,705	79,630	87,860	47,450	86,983	100,357
29 U.S. bank-reported liabilities[3]	20,859	111,842	25,283	−21,542	32,765	−35,571	1,925	265
30 U.S. nonbank-reported liabilities	10,489	−7,710	34,578	6,945	11,272	6,506	7,296	...
31 Foreign private purchases of U.S. Treasury securities, net	24,381	34,225	99,340	37,269	1,734	11,832	31,212	41,982
32 Foreign purchases of other U.S. securities, net	80,092	57,006	95,268	31,971	27,321	35,993	29,122	32,961
33 Foreign direct investments in United States, net	43,022	49,760	60,236	24,987	14,768	28,690	17,428	25,149
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	43,550	13,724	31,548	−41,533	29,420	4,148	−9,613	−21,362
36 Due to seasonal adjustment	...	...	...	−7,407	1,153	6,279	−801	−8,699
37 Before seasonal adjustment	43,550	13,724	31,548	−34,126	28,267	−2,131	−8,812	−12,663
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−1,379	5,346	−9,742	−1,893	191	17	−523	7,489
39 Foreign official assets in United States, excluding line 25 (increase, +)	70,440	37,909	108,675	39,257	10,120	52,177	13,346	22,887
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	−3,717	−1,529	3,959	6,147	−1,435	−992	5,555	5,347

1. Seasonal factors are not calculated for lines 12–16, 18–20, 22–34, and 38–40.
2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.
3. Reporting banks include all types of depository institutions as well as some brokers and dealers.
4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1993	1994	1995	1996 Apr.[r]	May[r]	June[r]	July[r]	Aug.[r]	Sept.	Oct.[p]
1 Goods and services, balance	−72,037	−104,381	−105,064	−9,528	−10,677	−8,370	−11,755	−10,493	−11,437	−7,986
2 Merchandise	−132,607	−166,123	−173,424	−15,584	−16,791	−14,620	−17,492	−16,423	−17,524	−14,089
3 Services	60,570	61,742	68,360	6,056	6,114	6,250	5,737	5,930	6,087	6,103
4 Goods and services, exports	642,953	698,301	786,529	69,154	70,120	69,726	67,249	69,679	68,839	71,735
5 Merchandise	456,834	502,462	575,939	50,741	51,384	50,972	48,779	51,095	50,297	52,893
6 Services	186,119	195,839	210,590	18,413	18,736	18,754	18,470	18,584	18,542	18,842
7 Goods and services, imports	−714,990	−802,682	−891,593	−78,682	−80,797	−78,096	−79,004	−80,172	−80,276	−79,721
8 Merchandise	−589,441	−668,585	−749,363	−66,325	−68,175	−65,592	−66,271	−67,518	−67,821	−66,982
9 Services	−125,549	−134,097	−142,230	−12,357	−12,622	−12,504	−12,733	−12,654	−12,455	−12,739

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. *FT900*, U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1993	1994	1995	1996 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.[p]
1 **Total**	**73,442**	**74,335**	**85,832**	**83,710**	**83,468**	**83,455**	**85,099**	**76,781**	**75,509**	**75,558**	**75,444**
2 Gold stock, including Exchange Stabilization Fund[1]	11,053	11,051	11,050	11,052	11,051	11,050	11,050	11,050	11,050	11,049	11,049
3 Special drawing rights[2,3]	9,039	10,039	11,037	10,963	11,037	11,046	11,216	10,307	10,177	10,226	10,386
4 Reserve position in International Monetary Fund[2]	11,818	12,030	14,649	15,117	15,227	15,282	15,665	15,597	15,421	15,517	1,516
5 Foreign currencies[4]	41,532	41,215	49,096	46,578	46,153	46,077	47,168	39,827	38,861	38,765	38,493

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce.
2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.
3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million; 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Asset	1993	1994	1995	1996 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.[p]
1 **Deposits**	**386**	**250**	**386**	**166**	**160**	**182**	**166**	**171**	**265**	**176**	**170**
Held in custody											
2 U.S. Treasury securities[2]	379,394	441,866	522,170	573,924	578,608	572,839	580,277	590,367	609,801	619,987	634,165
3 Earmarked gold[3]	12,327	12,033	11,702	11,445	11,339	11,296	11,273	11,217	11,210	11,204	11,198

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.
3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1994	1995	1996						
			Apr.	May	June	July	Aug.	Sept.	Oct.[p]
1 **Total**[1]	**520,934**	**630,867**	**687,239**	**689,733**	**696,373**	**699,496**	**703,876**	**719,561**	**722,708**
By type									
2 Liabilities reported by banks in the United States[2]	73,386	107,343	111,032	104,941	118,247	113,416	111,035	116,332	109,942
3 U.S. Treasury bills and certificates[3]	139,571	168,534	186,638	188,321	187,171	186,061	189,726	182,122	186,180
U.S. Treasury bonds and notes									
4 Marketable	254,059	293,691	327,988	334,470	327,822	337,451	341,038	358,226	363,063
5 Nonmarketable[4]	6,109	6,491	6,238	5,903	5,941	5,980	6,018	6,057	5,890
6 U.S. securities other than U.S. Treasury securities[5]	47,809	54,808	55,343	56,098	57,192	56,588	56,059	56,824	57,633
By area									
7 Europe[1]	215,374	222,406	241,089	244,222	245,368	245,406	246,761	246,343	246,543
8 Canada	17,235	19,473	20,878	21,670	21,250	20,153	21,662	21,351	21,764
9 Latin America and Caribbean	41,492	66,720	71,381	68,043	70,142	67,990	69,076	69,338	70,477
10 Asia	236,824	310,966	341,148	343,206	346,103	350,747	354,266	369,474	371,218
11 Africa	4,180	6,296	7,388	7,173	6,997	6,910	6,722	6,944	6,587
12 Other countries	5,827	5,004	5,353	5,417	6,511	8,288	5,387	6,109	6,117

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes current value of zero-coupon Treasury bond issues to foreign governments as follows: Mexico, beginning March 1988, 20-year maturity issue and beginning March 1990, 30-year maturity issue; Venezuela, beginning December 1990, 30-year maturity issue; Argentina, beginning April 1993, 30-year maturity issue.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1992	1993	1994	1995	1996		
				Dec.	Mar.	June	Sept.
1 Banks' liabilities	72,796	78,259	89,308	109,647	107,514	111,651	111,112
2 Banks' claims	62,799	62,017	60,711	74,015	69,159	65,864	68,129
3 Deposits	24,240	20,993	19,661	22,696	22,208	20,876	23,865
4 Other claims	38,559	41,024	41,050	51,319	46,951	44,988	44,264
5 Claims of banks' domestic customers[2]	4,432	12,854	10,878	6,145	6,353	7,464	7,130

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

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Item	1993	1994	1995	1996						
				Apr.	May	June	July	Aug.	Sept.	Oct.[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**926,672**	**1,015,076**	**1,099,790**	**1,100,589**	**1,096,031**	**1,097,866**	**1,088,880**	**1,076,137[r]**	**1,091,268**	**1,118,829**
2 Banks' own liabilities	626,919	718,671	753,652	735,749	723,534	731,335	720,280	703,807[r]	724,182	753,053
3 Demand deposits	21,569	23,386	24,448	23,962	23,325	27,364	24,989	23,147[r]	25,505	23,866
4 Time deposits[2]	175,106	186,512	192,702	191,999	181,016	189,699	193,413	196,722[r]	192,466	197,092
5 Other[3]	111,971	113,215	139,965	146,589	144,051	149,070	144,504	128,989[r]	148,503	146,331
6 Own foreign offices[4]	318,273	395.558	396,537	373,199	375,142	365,202	357,374	354,949[r]	357,708	385,764
7 Banks' custodial liabilities[5]	299.753	296,405	346,138	364,840	372,497	366,531	368,600	372,330[r]	367,086	365,776
8 U.S. Treasury bills and certificates[6]	176,739	162,938	197,355	217,106	220,823	218,608	217,548	219,949	212,478	214,609
9 Other negotiable and readily transferable instruments[7]	36,289	42,539	52,250	44,823	49,655	51,463	56,345	55,552	57,702	53,149
10 Other	86,725	90,928	96,533	102,911	102,019	96,460	94,707	96,829[r]	96,906	98.018
11 Nonmonetary international and regional organizations[8]	10,936	8,606	11,039	11,311	11,994	12,158	11,742	12,675	14,443	16,109
12 Banks' own liabilities	5,639	8,176	10,347	10,485	11,207	10,914	10,545	12,084	13,843	15,278
13 Demand deposits	15	29	21	28	34	123	22	49	26	66
14 Time deposits[2]	2,780	3,298	4,656	4,024	3,442	4,052	3,747	4,738	5,441	5,935
15 Other[3]	2,844	4,849	5,670	6,433	7,731	6,739	6,776	7,297	8,376	9,277
16 Banks' custodial liabilities[5]	5,297	430	692	826	787	1,244	1,197	591	600	831
17 U.S. Treasury bills and certificates[6]	4.275	281	350	426	376	874	865	345	399	600
18 Other negotiable and readily transferable instruments[7]	1,022	149	341	400	390	370	330	246	201	231
19 Other	0	0	1	0	21	0	2	0	0	0
20 Official institutions[9]	220,821	212,957	275,877	297,670	293,262	305,418	299,477	300,761	298,454	296,122
21 Banks' own liabilities	64,144	59,935	83,396	91,617	81,909	91,914	83,783	81,463	85,973	83,651
22 Demand deposits	1,600	1,564	2,098	1,679	1,504	2,211	2,211	1,459	2,049	1,316
23 Time deposits[2]	21,653	23,511	30,716	36,652	32,671	38,929	36,841	37,737[r]	34,921	35,569
24 Other[3]	40,891	34,860	50,582	53,286	47,734	50,774	44,731	42,267[r]	49,003	46,766
25 Banks' custodial liabilities[5]	156,677	153,022	192,481	206,053	211,353	213,504	215,694	219,298	212,481	212,471
26 U.S. Treasury bills and certificates[6]	151.100	139,571	168,534	186,638	188,321	187,171	186,061	189,726	182,122	186,180
27 Other negotiable and readily transferable instruments[7]	5,482	13,245	23,603	19,065	22,661	25,835	29,262	29,281	30,051	25,085
28 Other	95	206	344	350	371	498	371	291	308	1,206
29 Banks[10]	592,171	678,612	691,661	665,516	662,376	654,325	646,706	636,859[r]	650,808	678,268
30 Banks' own liabilities	478,755	563,697	568,083	537,453	533,059	530,625	525,543	512,126[r]	526,023	553,852
31 Unaffiliated foreign banks	160,482	168,139	171,546	164,254	157,917	165,423	168,169	157,177[r]	168,315	168,088
32 Demand deposits	9,718	10,633	11,758	11,468	10,663	12,380	11,809	11,116[r]	12,764	11,156
33 Time deposits[2]	105,262	111,171	103,623	96,238	89,120	90,717	95,353	95,004	91,893	96,153
34 Other[3]	45,502	46,335	56,165	56,548	58,134	62,326	61,007	51,057	63,658	60,779
35 Own foreign offices[4]	318,273	395,558	396,537	373,199	375,142	365,202	357,374	354,949[r]	357,708	385,764
36 Banks' custodial liabilities[5]	113,416	114,915	123,578	128,063	129,317	123,700	121,163	124,733[r]	124,785	124,416
37 U.S. Treasury bills and certificates[6]	10,712	11,264	15,872	16,801	17,584	18,241	18,091	18,670	18,556	16,865
38 Other negotiable and readily transferable instruments[7]	17,020	14,506	13,035	10,814	11,775	11,021	10,359	10,864	11,298	12,455
39 Other	85,684	89,145	94,671	100,448	99,958	94,438	92,713	95,199[r]	94,931	95,096
40 Other foreigners	102,744	114,901	121,213	126,092	128,399	125,965	130,955	125,842[r]	127,563	128,330
41 Banks' own liabilities	78,381	86,863	91,826	96,194	97,359	97,882	100,409	98,134[r]	98,343	100,272
42 Demand deposits	10.236	11,160	10,571	10,787	11,124	12,650	10,947	10,523[r]	10,666	11,328
43 Time deposits[2]	45,411	48,532	53,707	55,085	55,783	56,001	57,472	59,243[r]	60,211	59,435
44 Other[3]	22,734	27,171	27.548	30,322	30,452	29,231	31,990	28,368	27,466	29.509
45 Banks' custodial liabilities[5]	24,363	28,038	29,387	29,898	31,040	28,083	30,546	27,708	29,220	28,058
46 U.S. Treasury bills and certificates[6]	10,652	11,822	12,599	13,241	14,542	12,322	12,531	11,208	11,401	10,964
47 Other negotiable and readily transferable instruments[7]	12,765	14,639	15,271	14,544	14,829	14,237	16,394	15,161	16,152	15,378
48 Other	946	1,577	1,517	2,113	1,669	1,524	1,621	1,339	1,667	1,716
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	17,567	17,895	9,103	8,306	9,284	9,580	7,922	8,276	10,466	10,761

1. Reporting banks include all types of depository institutions as well as some brokers and dealers. Excludes bonds and notes of maturities longer than one year.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks for foreign customers.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued

Item	1993	1994	1995	1996 Apr.	May	June	July	Aug.	Sept.	Oct.[p]
AREA										
50 **Total, all foreigners**	**926,672**	**1,015,076**	**1,099,790**	**1,100,589**	**1,096,031**	**1,097,866**	**1,088,880**	**1,076,137[r]**	**1,091,268[r]**	**1,118,829**
51 **Foreign countries**	**915,736**	**1,006,470**	**1,088,751**	**1,089,278**	**1,084,037**	**1,085,708**	**1,077,138**	**1,063,462[r]**	**1,076,825[r]**	**1,102,720**
52 Europe	377,911	390,949	362,958	375,522	367,739	363,744	356,714	356,226[r]	351,205[r]	370,791
53 Austria	1,917	3,588	3,537	3,477	3,624	3,209	3,002	4,683	6,017	6,796
54 Belgium and Luxembourg	28,670	21,877	24,842	27,572	25,955	20,856	22,093	25,155	22,482[r]	23,124
55 Denmark	4,517	2,884	2,921	2,787	2,645	2,796	2,871	2,501	2,652	1,802
56 Finland	1,872	1,436	2,831	2,203	2,188	1,589	1,200	1,113	812	1,509
57 France	40,316	44,365	39,218	41,300	39,636	40,585	36,344	37,365[r]	37,102[r]	41,059
58 Germany	26,685	27,109	24,035	24,854	23,950	25,876	24,375	23,128	23,599	23,510
59 Greece	1,519	1,400	2,014	1,714	1,665	1,690	1,811	1,722	1,854[r]	1,678
60 Italy	11,759	10,885	10,868	10,172	11,039	12,103	12,785	12,552	12,509	12,793
61 Netherlands	16,096	16,033	13,745	12,394	12,575	12,159	11,863	11,460	9,626	11,913
62 Norway	2,966	2,338	1,394	915	828	1,388	1,435	1,556	1,622	1,552
63 Portugal	3,366	2,846	2,761	2,529	1,858	1,401	1,784	1,328	1,473	1,388
64 Russia	2,511	2,726	7,948	8,796	7,259	6,938	6,047	4,988	4,761[r]	5,602
65 Spain	20,496	14,675	10,011	19,547	19,004	20,314	19,366	17,505	20,359	17,665
66 Sweden	2,738	3,094	3,246	3,943	2,410	2,693	2,738	1,592	1,815	1,424
67 Switzerland	41,560	40,724	43,625	36,803	37,097	39,006	39,626	39,073	42,225	32,541
68 Turkey	3,227	3,341	4,124	4,453	4,669	4,926	5,619	7,272	7,992	8,019
69 United Kingdom	133,993	163,813	139,272	146,627	146,335	143,780	138,486	137,086	133,305[r]	157,764
70 Yugoslavia[11]	372	245	177	145	146	217	208	207	214	216
71 Other Europe and other former U.S.S.R.[12]	33,331	27,770	26,389	25,291	24,856	22,218	25,061	25,940	20,786[r]	20,436
72 Canada	20,235	24,768	30,468	31,283	33,176	33,391	28,811	30,727[r]	33,199	35,153
73 Latin America and Caribbean	362,238	423,847	440,212	430,878	433,023	432,709	437,682	424,128[r]	433,524[r]	443,731
74 Argentina	14,477	17,203	12,235	14,116	11,649	13,579	12,501	13,320	11,989	11,490
75 Bahamas	73,820	104,014	94,991	85,749	86,278	85,227	93,324	87,994[r]	86,625[r]	101,007
76 Bermuda	8,117	8,424	4,897	4,262	4,998	4,312	4,205	4,150	4,880	4,910
77 Brazil	5,301	9,145	23,797	20,222	20,105	25,902	23,183	24,518	23,817[r]	24,283
78 *British West Indies*	*193,699*	*229,599*	*239,083*	*239,169*	*243,260*	*234,391*	*233,128*	*227,031[r]*	*233,782[r]*	*229,072*
79 Chile	3,183	3,127	2,826	2,883	2,868	2,921	2,833	2,462	3,205	2,767
80 Colombia	3,171	4,615	3,659	3,726	3,393	3,642	3,329	3,263	2,889	2,968
81 Cuba	33	13	8	13	8	10	10	14	33	17
82 Ecuador	880	875	1,314	1,264	1,283	1,301	1,405	1,433	1,449	1,383
83 Guatemala	1,207	1,121	1,275	1,085	1,073	1,073	1,092	1,176	1,181	1,207
84 Jamaica	410	529	481	516	550	534	562	625	623	580
85 Mexico	28,019	12,227	24,560	23,328	23,212	24,775	26,314	24,401	26,811	27,682
86 Netherlands Antilles	4,686	5,217	4,672	5,272	4,722	5,162	5,531	3,614	5,289[r]	5,077
87 Panama	3,582	4,551	4,265	3,887	3,846	3,878	3,852	3,994	3,950	4,060
88 Peru	929	900	974	1,081	1,064	1,013	1,029	1,077	936	1,016
89 Uruguay	1,611	1,597	1,836	1,748	1,757	1,769	1,836	1,799	1,751	1,846
90 Venezuela	12,786	13,986	11,808	14,242	14,645	14,899	15,261	15,029	15,596	16,375
91 Other	6,327	6,704	7,531	8,315	8,312	8,321	8,287	8,228[r]	8,718[r]	7,991
92 Asia	144,527	154,346	240,698	237,708	235,910	239,289	236,781	238,567[r]	243,697[r]	239,224
China										
93 Mainland	4,011	10,066	33,750	25,861	24,857	25,483	28,587	34,224	32,068	26,999
94 Taiwan	10,627	9,844	11,714	14,953	14,598	16,621	16,100	14,768[r]	15,715[r]	15,441
95 Hong Kong	17,132	17,104	20,303	18,378	18,606	18,227	17,775	19,454[r]	17,938[r]	17,063
96 India	1,114	2,338	3,373	3,752	3,938	4,012	3,954	4,012	3,793	3,709
97 Indonesia	1,986	1,587	2,708	2,627	2,374	2,316	2,561	2,161	2,204	2,436
98 Israel	4,435	5,157	4,041	5,420	5,090	5,168	4,444	4,364	4,134	7,162
99 Japan	61,466	62,981	109,193	111,635	111,500	113,800	112,783	109,312[r]	112,579[r]	112,624
100 Korea (South)	4,913	5,124	5,749	5,900	5,703	6,674	5,620	5,406[r]	5,908[r]	5,545
101 Philippines	2,035	2,714	3,089	2,467	2,897	2,897	3,041	2,539	3,429	3,191
102 Thailand	6,137	6,466	12,279	12,905	13,387	12,253	11,713	10,691	11,759	11,972
103 Middle Eastern oil-exporting countries[13]	15,822	15,494	15,582	14,895	14,234	13,379	12,947	13,891	14,715	12,802
104 Other	14,849	15,471	18,917	18,915	18,726	18,386	17,256	17,745	19,455	20,280
105 Africa	6,633	6,524	7,641	7,832	7,404	7,509	7,558	7,259	7,440[r]	7,058
106 Egypt	2,208	1,879	2,136	2,002	1,873	1,831	2,114	1,920	1,894	1,904
107 Morocco	99	97	104	114	113	115	133	121	78	74
108 South Africa	451	433	739	1,001	745	666	648	632	482	435
109 Zaire	12	9	10	8	16	6	13	6	6	11
110 Oil-exporting countries[14]	1,303	1,343	1,797	1,904	1,887	2,013	1,928	2,075	2,051	1,940
111 Other	2,560	2,763	2,855	2,803	2,770	2,878	2,722	2,505	2,929[r]	2,694
112 Other	4,192	6,036	6,774	6,055	6,785	9,066	9,592	6,555	7,760[r]	6,763
113 Australia	3,308	5,142	5,647	4,895	5,757	7,981	8,387	5,516	5,522	4,786
114 Other	884	894	1,127	1,160	1,028	1,085	1,205	1,039	2,238[r]	1,977
115 Nonmonetary international and regional organizations	10,936	8,606	11,039	11,311	11,994	12,158	11,742	12,675	14,443[r]	16,109
116 International[15]	6,851	7,537	9,300	9,967	10,572	10,824	10,303	10,988	12,761[r]	14,331
117 Latin American regional[16]	3,218	613	893	482	649	527	831	1,024	1,193	1,304
118 Other regional[17]	867	456	846	862	773	807	608	663	489[r]	474

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
14. Comprises Algeria, Gabon, Libya, and Nigeria.
15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.
16. Principally the Inter-American Development Bank.
17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Area or country	1993	1994	1995	1996						
				Apr.	May	June	July	Aug.	Sept.	Oct.[p]
1 **Total, all foreigners**	**488,497**	**483,270**	**532,751**	**527,801**	**519,789**	**536,239**	**545,132**	**547,054[r]**	**545,003**	**563,271**
2 **Foreign countries**	**486,092**	**478,679**	**530,820**	**525,085**	**516,295**	**533,210**	**543,018**	**545,022[r]**	**543,297**	**560,206**
3 Europe	123,741	123,408	132,150	135,493	134,459	146,180	143,640	150,301[r]	155,676	165,604
4 Austria	412	692	565	1,213	1,212	1,088	1,128	849[r]	988	1,197
5 Belgium and Luxembourg	6,532	6,738	7,624	8,688	8,711	6,921	7,021	7,018	6,903	6,828
6 Denmark	382	1,129	403	543	482	432	319	230	408	480
7 Finland	594	512	1,055	1,305	1,282	1,013	1,629	1,296	1,350	1,068
8 France	11,822	12,146	15,033	11,604	11,954	11,768	10,571	11,571[r]	12,079	12,792
9 Germany	7,724	7,608	9,263	8,647	8,099	11,831	9,497	7,559	8,670	8,546
10 Greece	691	604	469	622	554	563	527	433	397	426
11 Italy	8,834	6,043	5,370	5,702	6,172	5,721	6,023	6,625[r]	5,870	5,003
12 Netherlands	3,063	2,959	5,346	6,346	5,618	6,546	6,360	6,565	6,956	7,390
13 Norway	396	504	665	793	933	1,243	1,397	1,342	1,199	1,617
14 Portugal	834	938	888	889	813	704	667	548	484	517
15 Russia	2,310	973	660	741	482	440	514	794	1,135	1,413
16 Spain	3,717	3,530	2,166	5,092	3,158	2,519	3,340	3,073[r]	4,152	3,885
17 Sweden	4,254	4,098	2,080	3,534	2,526	2,799	2,802	2,726[r]	2,976	2,919
18 Switzerland	6,605	5,746	7,474	6,370	8,713	12,145	9,520	9,266[r]	10,930	16,110
19 Turkey	1,301	878	803	973	873	933	912	1,044[r]	1,083	962
20 United Kingdom	62,013	66,874	67,784	68,999	69,557	75,813	78,098	85,601[r]	86,127	89,931
21 Yugoslavia[2]	473	265	147	208	204	164	159	87	87	118
22 Other Europe and other former U.S.S.R.[3]	1,784	1,171	4,355	3,224	3,116	3,537	3,156	3,674[r]	3,882	4,402
23 Canada	18,617	18,490	20,874	22,061	20,885	22,246	23,985	25,136	25,335	23,051
24 Latin America and Caribbean	225,238	223,523	256,992	246,364	238,235	239,874	253,372	249,697[r]	240,454	243,448
25 Argentina	4,474	5,844	6,439	6,187	6,037	6,448	6,598	7,062	7,077	7,042
26 Bahamas	63,353	66,410	58,818	55,497	56,383	60,608	59,627	62,297[r]	61,825	61,748
27 Bermuda	8,901	8,481	5,741	5,031	2,993	3,620	3,590	3,052	3,640	4,398
28 Brazil	11,848	9,583	13,297	14,164	14,186	15,076	15,197	15,155	15,222	15,417
29 British West Indies	99,319	95,741	123,924	118,609	110,780	102,669	100,886	99,363[r]	102,182	106,104
30 Chile	3,643	3,820	5,024	4,587	4,350	4,388	4,321	4,174[r]	4,388	4,278
31 Colombia	3,181	4,004	4,550	4,512	4,511	4,538	4,512	4,725[r]	4,723	4,811
32 Cuba	0	0	0	0	0	0	0	0	0	0
33 Ecuador	681	682	825	951	936	962	897	932	965	957
34 Guatemala	288	366	457	473	461	452	463	476	507	546
35 Jamaica	195	258	323	335	345	359	346	335	339	362
36 Mexico	15,879	17,749	18,028	17,066	16,877	16,820	16,975	17,544[r]	17,701	17,742
37 Netherlands Antilles	2,683	1,396	9,229	8,728	8,674	12,888	29,224	23,713	11,207	9,406
38 Panama	2,894	2,198	3,008	2,488	2,592	2,567	2,216	2,211[r]	2,143	2,271
39 Peru	657	997	1,829	2,018	2,112	2,395	2,568	2,463	2,541	2,563
40 Uruguay	969	503	466	578	602	623	589	562[r]	530	547
41 Venezuela	2,910	1,831	1,661	1,377	1,279	1,390	1,402	1,728	1,513	1,636
42 Other	3,363	3,660	3,373	3,763	5,117	4,071	3,961	3,905	3,951	3,620
43 Asia	111,775	107,079	115,569	115,037	116,490	118,374	115,425	113,950[r]	113,606	120,119
China										
44 Mainland	2,271	836	1,023	3,405	2,857	2,141	1,344	2,033	1,700	1,420
45 Taiwan	2,625	1,448	1,713	1,626	1,514	1,490	1,301	1,023[r]	1,696	1,305
46 Hong Kong	10,828	9,161	12,915	15,339	14,745	15,997	13,822	12,466[r]	13,886	12,975
47 India	589	994	1,846	1,787	1,786	1,794	1,785	2,118	1,975	2,190
48 Indonesia	1,527	1,470	1,696	1,539	1,563	1,562	1,744	1,572[r]	1,653	1,577
49 Israel	826	688	739	642	615	620	658	667	576	1,017
50 Japan	60,032	59,151	61,461	54,627	54,613	54,005	53,454	54,584[r]	52,308	59,343
51 Korea (South)	7,539	10,286	14,089	17,250	18,424	19,261	18,644	17,667	17,516	17,032
52 Philippines	1,410	662	1,350	779	838	1,298	1,274	1,216[r]	1,267	1,347
53 Thailand	2,170	2,902	2,612	2,970	3,015	3,194	2,824	2,864[r]	2,705	2,699
54 Middle Eastern oil-exporting countries[4]	15,115	13,748	9,639	7,252	8,976	8,348	9,480	9,489	10,111	11,372
55 Other	6,843	5,733	6,486	7,821	7,544	8,664	9,095	8,251	8,213	7,842
56 Africa	3,861	3,050	2,768	2,767	2,715	2,741	2,605	2,735	2,757	2,638
57 Egypt	196	225	210	225	217	198	216	221	241	204
58 Morocco	481	429	514	594	628	639	602	577	565	543
59 South Africa	633	671	465	493	468	515	441	512	572	614
60 Zaire	4	2	1	1	1	1	1	11	1	1
61 Oil-exporting countries[5]	1,129	856	552	501	478	474	470	462	429	414
62 Other	1,418	867	1,026	953	923	914	875	952	949	862
63 Other	2,860	3,129	2,467	3,363	3,511	3,795	3,991	3,203[r]	5,469	5,346
64 Australia	2,037	2,186	1,622	2,620	2,333	2,513	3,172	2,593[r]	3,784	3,798
65 Other	823	943	845	743	1,178	1,282	819	610	1,685	1,548
66 Nonmonetary international and regional organizations[6]	2,405	4,591	1,931	2,716	3,494	3,029	2,114	2,032	1,706	3,065

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1993	1994	1995	1996						
				Apr.	May	June	July	Aug.	Sept.	Oct.[p]
1 **Total**	**575,818**	**599,549**	**655,518**	. .	...	**661,316**	.	...	**688,596**	...
2 Banks' claims	488,497	483,270	532,751	527,801	519,789	536,239	545,132	547,054[r]	545,003	563,271
3 Foreign public borrowers	29,228	23,416	22,522	26,254	22,208	22,950	20,238	18,882	22,722	24,919
4 Own foreign offices[2]	285,510	283,183	307,509	299,438	301,887	307,792	298,847	300,210[r]	311,862	330,249
5 Unaffiliated foreign banks	100,865	109,228	101,410	101,183	98,364	105,348	108,753	111,834[r]	109,305	108,717
6 Deposits	49,892	59,250	37,658	37,662	35,588	33,998	36,145	39,338	35,212	36,160
7 Other	50,973	49,978	63,752	63,521	62,776	71,350	72,608	72,496[r]	74,093	72,557
8 All other foreigners	72,894	67,443	101,310	100,926	97,330	100,149	117,294	116,128[r]	101,114	99,386
9 Claims of banks' domestic customers[3]	87,321	116,279	122,767	...	...	125,077	...	. .	143,593	...
10 Deposits	41,734	64,829	58,519	...	. .	71,441	...	.	80,695	...
11 Negotiable and readily transferable instruments[4]	31,186	36,008	44,161	...	. .	37,331	...	...	46,491	...
12 Outstanding collections and other claims	14,401	15,442	20,087	...	...	16,305	...	...	16,407	...
MEMO										
13 Customer liability on acceptances	7,920	8,427	8,410	...	...	9,335	...	...	9,393	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	29,150	32,796	30,717	32,384	34,258	31,136	32,270	33,527	33,262	39,578

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.

Reporting banks include all types of depository institution as well as some brokers and dealers.

2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and from foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.

3. Assets held by reporting banks in the accounts of their domestic customers.

4. Principally negotiable time certificates of deposit, bankers acceptances, and commercial paper.

5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area[2]	1992	1993	1994	1995	1996		
				Dec.	Mar.	June	Sept.[p]
1 **Total**	**195,119**	**202,566**	**200,070**	**225,141**	**233,558**	**228,494**	**231,334**
By borrower							
2 Maturity of one year or less	163,325	172,662	168,359	178,785	193,742	185,976	187,375
3 Foreign public borrowers	17,813	17,828	15,435	15,015	19,567	14,847	15,526
4 All other foreigners	145,512	154,834	152,924	163,770	174,175	171,129	171,849
5 Maturity of more than one year	31,794	29,904	31,711	46,356	39,816	42,518	43,959
6 Foreign public borrowers	13,266	10,874	7,838	7,506	8,104	8,130	6,922
7 All other foreigners	18,528	19,030	23,873	38,850	31,712	34,388	37,037
By area							
Maturity of one year or less							
8 Europe	53,300	57,413	55,770	55,622	57,988	57,157	57,093
9 Canada	6,091	7,727	6,690	6,771	5,473	6,810	8,803
10 Latin America and Caribbean	50,376	60,490	58,877	72,396	84,240	78,490	79,707
11 Asia	45,709	41,418	39,851	40,312	40,317	38,282	37,177
12 Africa	1,784	1,820	1,376	1,295	1,326	1,279	1,320
13 All other[3]	6,065	3,794	5,795	2,389	4,398	3,958	3,275
Maturity of more than one year							
14 Europe	5,367	5,310	4,203	4,995	6,833	8,191	7,137
15 Canada	3,287	2,581	3,505	2,731	2,563	3,689	3,533
16 Latin America and Caribbean	15,312	14,025	15,717	27,845	19,525	19,519	21,218
17 Asia	5,038	5,606	5,318	8,052	8,490	9,088	9,940
18 Africa	2,380	1,935	1,583	1,447	1,474	1,435	1,349
19 All other[3]	410	447	1,385	1,286	931	596	782

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.

2. Maturity is time remaining until maturity.

3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks[1]

Billions of dollars, end of period

Area or country	1992	1993	1994		1995				1996		
			Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.p
1 **Total**	**344.7**	**407.7**	**486.4**	**497.4**	**543.1**	**528.8**	**531.3**	**551.9**	**573.6**	**607.8**	**610.1**
2 G-10 countries and Switzerland	131.3	161.8	182.6	190.6	211.5	204.4	200.0	206.0	202.6	222.3	235.2
3 Belgium and Luxembourg	.0	7.4	9.6	7.0	10.2	9.4	10.7	13.6	11.0	7.9	11.8
4 France	15.3	12.0	20.7	19.1	19.9	19.9	18.0	19.4	17.9	18.0	17.6
5 Germany	9.1	12.6	24.0	24.7	31.2	30.0	27.5	27.3	31.5	31.4	36.0
6 Italy	6.5	7.7	11.6	11.8	10.6	10.7	12.6	11.5	13.2	14.9	16.4
7 Netherlands	.0	4.7	3.4	3.6	3.5	4.3	4.4	3.7	3.0	4.7	6.3
8 Sweden	2.3	2.7	2.6	2.7	3.1	3.1	2.9	2.7	3.3	2.7	3.0
9 Switzerland	4.8	5.9	5.5	5.1	5.7	6.2	6.6	6.7	5.2	6.3	6.3
10 United Kingdom	59.7	84.3	78.4	85.8	90.1	87.1	80.3	82.4	84.8	101.6	101.4
11 Canada	6.3	6.9	10.2	10.0	10.8	11.3	13.0	10.3	9.7	11.1	13.7
12 Japan	18.8	17.6	16.5	20.7	26.2	22.7	24.0	28.5	22.9	23.8	22.8
13 Other industrialized countries	24.0	25.6	42.6	45.2	44.1	43.3	50.2	50.2	61.3	55.5	63.7
14 Austria	1.2	.4	1.0	1.1	.9	.7	1.2	.9	1.3	1.2	1.0
15 Denmark	.9	1.0	1.0	1.3	1.7	1.1	1.8	2.6	3.4	3.3	1.8
16 Finland	.7	.4	.8	.9	1.1	.5	.7	.8	.7	.6	.6
17 Greece	3.0	3.2	4.3	4.5	4.9	5.0	5.1	5.7	5.6	5.6	6.1
18 Norway	1.2	1.7	1.6	2.0	2.4	1.8	2.3	3.2	2.1	2.3	3.0
19 Portugal	.4	.8	1.0	1.2	1.0	1.2	1.9	1.3	1.6	1.6	1.4
20 Spain	8.9	9.9	14.0	13.6	14.1	13.3	13.3	11.6	17.5	13.6	17.3
21 Turkey	1.3	2.1	1.8	1.6	1.4	1.4	2.0	1.9	2.0	2.2	2.8
22 Other Western Europe	1.7	2.6	1.0	2.7	2.5	2.6	3.0	4.7	3.8	3.4	4.8
23 South Africa	1.7	1.1	1.2	1.0	1.5	1.4	1.3	1.2	1.7	2.0	1.9
24 Australia	2.9	2.3	15.0	15.4	12.6	14.3	17.4	16.4	21.7	19.7	22.9
25 OPEC[2]	15.8	17.4	21.7	23.9	19.5	20.3	22.4	22.1	21.2	20.1	19.4
26 Ecuador	.6	.5	.4	.5	.5	.7	.7	.7	.8	.9	1.0
27 Venezuela	5.2	5.1	3.9	3.7	3.5	3.5	3.0	2.7	2.9	2.3	2.3
28 Indonesia	2.7	3.3	3.3	3.8	4.0	4.1	4.4	4.8	4.7	4.9	5.5
29 Middle East countries	6.2	7.4	13.0	15.0	10.7	11.4	13.6	13.3	12.3	11.5	10.1
30 African countries	1.1	1.2	1.1	.9	.7	.6	.6	.6	.6	.5	.4
31 Non-OPEC developing countries	72.6	83.1	93.2	96.0	98.5	103.6	104.0	112.6	118.1	126.1	125.6
Latin America											
32 Argentina	6.6	7.7	10.5	11.2	11.4	12.3	10.9	12.9	12.7	14.1	16.2
33 Brazil	10.8	12.0	9.3	8.4	9.2	10.0	13.6	13.7	18.3	21.7	18.1
34 Chile	4.4	4.7	5.5	6.1	6.4	7.1	6.4	6.8	6.4	6.7	6.7
35 Colombia	1.8	2.1	2.4	2.6	2.6	2.6	2.9	2.9	2.9	2.8	3.1
36 Mexico	16.0	17.8	19.8	18.4	17.9	17.6	16.3	17.3	16.1	15.4	16.4
37 Peru	.5	.4	.6	.5	.6	.8	.7	.8	.9	1.2	1.4
38 Other	2.6	3.1	2.8	2.7	2.4	2.6	2.6	2.8	3.1	3.1	2.9
Asia											
China											
39 Mainland	.7	2.0	1.0	1.1	1.1	1.4	1.7	1.8	3.3	2.9	2.6
40 Taiwan	5.2	7.3	6.9	9.2	8.5	9.0	9.0	9.4	9.7	9.8	10.3
41 India	3.2	3.2	3.9	4.2	3.8	4.0	4.4	4.4	4.7	4.2	ND
42 Israel	.4	.5	.4	.4	.6	.7	.5	.5	.5	.6	.5
43 Korea (South)	6.6	6.7	14.4	16.2	16.9	18.7	18.0	19.1	19.4	21.8	21.8
44 Malaysia	3.1	4.4	3.9	3.1	3.9	4.1	4.3	4.4	4.7	5.0	5.1
45 Philippines	3.6	3.1	2.9	3.3	3.0	3.6	3.3	4.1	3.9	4.7	5.4
46 Thailand	2.2	3.1	3.5	2.1	3.3	3.8	3.9	4.9	5.2	5.4	4.7
47 Other Asia	3.1	3.1	3.4	4.7	4.9	3.5	3.7	4.5	4.3	4.7	4.1
Africa											
48 Egypt	.2	.4	.3	.3	.4	.4	.4	.4	.5	.5	.6
49 Morocco	.6	.7	.7	.6	.6	.9	.9	.7	.7	.8	.7
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	1.0	.8	.9	.8	.7	.6	.8	.9	.8	.8	1.0
52 Eastern Europe	3.1	3.2	3.0	2.7	2.3	1.8	3.4	4.2	6.2	5.0	5.4
53 Russia[4]	1.9	1.6	1.1	.8	.7	.4	.6	1.0	1.4	1.0	1.8
54 Yugoslavia[5]	.6	.6	.5	.5	.4	.3	.4	.3	.3	.3	.3
55 Other	.6	.9	1.5	1.4	1.2	1.0	2.3	2.8	4.5	3.7	3.3
56 Offshore banking centers	58.1	73.0	77.2	72.2	84.8	82.7	86.9	99.2	101.5	106.0	106.1
57 Bahamas	6.9	10.9	13.8	10.2	12.5	8.4	12.6	11.0	13.9	17.3	14.8
58 Bermuda	6.2	8.9	6.0	8.4	8.7	8.4	6.1	6.3	5.3	4.1	4.0
59 Cayman Islands and other British West Indies	21.5	18.0	21.5	20.8	19.8	24.2	24.3	32.2	28.7	26.0	32.1
60 Netherlands Antilles	1.1	2.6	1.7	1.3	.9	2.4	5.5	9.9	10.7	13.0	11.5
61 Panama[6]	1.9	2.4	1.9	1.3	1.1	1.3	1.3	1.4	1.6	1.7	1.7
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	13.9	18.7	20.3	19.9	22.5	23.1	23.7	25.1	25.7	27.8	26.4
64 Singapore	6.5	11.2	11.8	10.1	19.2	14.8	13.3	13.1	15.4	15.9	15.4
65 Other[7]	.0	.1	.0	.1	.0	.0	.1	.1	.1	.1	.1
66 Miscellaneous and unallocated[8]	39.7	43.4	65.8	66.7	82.2	72.3	64.0	57.3	62.2	72.3	54.3

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

These data are on a gross claims basis and do not necessarily reflect the ultimate country risk or exposure of U.S. banks. More complete data on the country risk exposure of U.S. banks are available in the quarterly Country Exposure Lending Survey published by the Federal Financial Institutions Examination Council.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).
3. Excludes Liberia. Beginning March 1994 includes Namibia.
4. As of December 1992, excludes other republics of the former Soviet Union.
5. As of December 1992, excludes Croatia, Bosnia and Hercegovinia, and Slovenia.
6. Includes Canal Zone.
7. Foreign branch claims only.
8. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of liability, and area or country	1992	1993	1994	1995				1996	
				Mar.	June	Sept.	Dec.	Mar.	June
1 **Total**	**45,511**	**50,597**	**54,309**	**50,187**	**49,973**	**47,673**	**46,448**	**49,907**	**48,990**
2 Payable in dollars	37,456	38,728	38,298	35,903	34,281	33,908	33,903	36,273	35,385
3 Payable in foreign currencies	8,055	11,869	16,011	14,284	15,692	13,765	12,545	13,634	13,605
By type									
4 Financial liabilities	23,841	29,226	32,954	29,775	29,282	26,237	24,241	26,570	24,844
5 Payable in dollars	16,960	18,545	18,818	16,704	15,028	13,872	12,903	13,831	12,212
6 Payable in foreign currencies	6,881	10,681	14,136	13,071	14,254	12,365	11,338	12,739	12,632
7 Commercial liabilities	21,670	21,371	21,355	20,412	20,691	21,436	22,207	23,337	24,146
8 Trade payables	9,566	8,802	10,005	9,844	10,527	10,061	11,013	10,815	11,081
9 Advance receipts and other liabilities	12,104	12,569	11,350	10,568	10,164	11,375	11,194	12,522	13,065
10 Payable in dollars	20,496	20,183	19,480	19,199	19,253	20,036	21,000	22,442	23,173
11 Payable in foreign currencies	1,174	1,188	1,875	1,213	1,438	1,400	1,207	895	973
By area or country									
Financial liabilities									
12 Europe	13,387	18,810	21,703	17,541	18,223	16,401	15,622	16,950	16,434
13 Belgium and Luxembourg	414	175	495	612	778	347	369	483	498
14 France	1,623	2,539	1,727	2,046	1,101	1,365	999	1,679	1,011
15 Germany	889	975	1,961	1,755	1,589	1,670	1,974	2,161	1,850
16 Netherlands	606	534	552	633	530	474	466	479	444
17 Switzerland	569	634	688	883	1,056	948	895	1,260	1,156
18 United Kingdom	8,610	13,332	15,543	10,764	12,138	10,518	10,138	10,246	10,790
19 Canada	544	859	629	1,817	893	797	632	1,166	951
20 Latin America and Caribbean	4,053	3,359	2,034	2,065	1,950	1,904	1,783	1,876	969
21 Bahamas	379	1,148	101	135	81	79	59	78	31
22 Bermuda	114	0	80	149	138	144	147	126	28
23 Brazil	19	18	207	58	58	111	57	57	8
24 British West Indies	2,850	1,533	998	1,068	1,030	930	866	946	826
25 Mexico	12	17	0	10	3	3	12	16	11
26 Venezuela	6	5	5	5	4	3	2	2	1
27 Asia	5,818	5,956	8,403	8,156	8,023	6,947	5,988	6,390	6,351
28 Japan	4,750	4,887	7,314	7,182	7,141	6,308	5,436	5,980	6,051
29 Middle Eastern oil-exporting countries[1]	19	23	35	27	25	25	27	26	26
30 Africa	6	133	135	156	151	149	150	131	72
31 Oil-exporting countries[2]	0	123	123	122	122	122	122	122	61
32 All other[3]	33	109	50	40	42	39	66	57	67
Commercial liabilities									
33 Europe	7,398	6,827	6,773	6,642	6,776	7,263	7,700	8,425	7,916
34 Belgium and Luxembourg	298	239	241	271	311	349	331	370	326
35 France	700	655	728	642	504	528	481	648	678
36 Germany	729	684	604	482	556	660	767	867	839
37 Netherlands	535	688	722	536	448	566	500	659	617
38 Switzerland	350	375	327	327	432	255	413	428	516
39 United Kingdom	2,505	2,039	2,444	2,848	2,902	3,351	3,568	3,525	3,266
40 Canada	1,002	879	1,037	1,235	1,146	1,219	1,040	959	998
41 Latin America and Caribbean	1,533	1,658	1,857	1,368	1,836	1,607	1,740	2,110	2,301
42 Bahamas	3	21	19	8	3	1	1	28	35
43 Bermuda	307	350	345	260	397	219	205	570	509
44 Brazil	209	214	161	96	107	143	98	128	119
45 British West Indies	33	27	23	29	12	5	56	10	10
46 Mexico	457	481	574	356	420	357	416	468	475
47 Venezuela	142	123	276	273	204	175	221	243	283
48 Asia	10,594	10,980	10,741	10,151	9,978	10,275	10,421	10,474	11,389
49 Japan	3,612	4,314	4,555	4,110	3,531	3,475	3,315	3,725	3,943
50 Middle Eastern oil-exporting countries[1]	1,889	1,534	1,576	1,787	1,790	1,647	1,912	1,747	1,784
51 Africa	568	453	428	463	481	589	619	708	924
52 Oil-exporting countries[2]	309	167	256	248	252	241	254	254	435
53 Other[3]	575	574	519	553	474	483	687	661	618

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Comprises Algeria, Gabon, Libya, and Nigeria.

3. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

	Type of claim, and area or country	1992	1993	1994	1995				1996	
					Mar.	June	Sept.	Dec.	Mar.	June
1	**Total**	**45,073**	**49,159**	**57,888**	**52,218**	**58,051**	**53,424**	**52,509**	**55,406[r]**	**58,845**
2	Payable in dollars	42,281	45,161	53,805	48,425	54,138	49,696	48,711	51,007[r]	54,000
3	Payable in foreign currencies	2,792	3,998	4,083	3,793	3,913	3,728	3,798	4,399	4,845
	By type									
4	Financial claims	26,509	27,771	33,897	29,606	34,574	29,891	27,398	30,772[r]	33,994
5	Deposits	17,695	15,717	18,507	17,115	22,046	17,974	15,133	17,595	18,364
6	Payable in dollars	16,872	15,182	18,026	16,458	21,351	17,393	14,654	17,044	17,926
7	Payable in foreign currencies	823	535	481	657	695	581	479	551	438
8	Other financial claims	8,814	12,054	15,390	12,491	12,528	11,917	12,265	13,177[r]	15,630
9	Payable in dollars	7,890	10,862	14,306	11,275	11,370	10,689	10,976	11,290[r]	13,233
10	Payable in foreign currencies	924	1,192	1,084	1,216	1,158	1,228	1,289	1,887	2,397
11	Commercial claims	18,564	21,388	23,991	22,612	23,477	23,533	25,111	24,634	24,851
12	Trade receivables	16,007	18,425	21,158	20,415	21,326	21,409	22,998	22,123	22,276
13	Advance payments and other claims	2,557	2,963	2,833	2,197	2,151	2,124	2,113	2,511	2,575
14	Payable in dollars	17,519	19,117	21,473	20,692	21,417	21,614	23,081	22,673	22,841
15	Payable in foreign currencies	1,045	2,271	2,518	1,920	2,060	1,919	2,030	1,961	2,010
	By area or country									
	Financial claims									
16	Europe	9,331	7,299	7,936	7,630	7,927	7,840	7,609	8,929	9,241
17	Belgium and Luxembourg	8	134	86	146	155	160	193	159	151
18	France	764	826	800	808	730	753	803	1,015	679
19	Germany	326	526	540	527	356	301	436	320	296
20	Netherlands	515	502	429	606	601	522	517	486	488
21	Switzerland	490	530	523	490	514	530	498	470	461
22	United Kingdom	6,252	3,585	4,649	4,040	4,790	4,924	4,303	5,568	6,169
23	Canada	1,833	2,032	3,581	3,848	3,705	3,526	2,851	5,269	4,773
24	Latin America and Caribbean	13,893	16,224	19,536	16,109	21,159	15,345	14,500	13,827[r]	17,644
25	Bahamas	778	1,336	2,424	940	2,355	1,552	1,965	1,538	2,168
26	Bermuda	40	125	27	37	85	35	81	77	84
27	Brazil	686	654	520	528	502	851	830	1,019	1,242
28	British West Indies	11,747	12,699	15,228	13,531	17,013	11,816	10,393	10,100[r]	13,024
29	Mexico	445	872	723	583	635	487	554	461	392
30	Venezuela	29	161	35	27	27	50	32	40	23
31	Asia	864	1,657	1,871	1,504	1,235	2,160	1,579	1,890	1,571
32	Japan	668	892	953	621	471	1,404	871	1,171	852
33	Middle Eastern oil-exporting countries[1]	3	3	141	4	3	4	3	13	9
34	Africa	83	99	373	141	138	188	276	277	197
35	Oil-exporting countries[2]	9	1	0	9	9	6	5	5	5
36	All other[3]	505	460	600	374	410	832	583	580	568
	Commercial claims									
37	Europe	8,451	9,105	9,540	8,947	9,200	8,862	9,824	9,776	9,812
38	Belgium and Luxembourg	189	184	213	199	218	224	231	247	239
39	France	1,537	1,947	1,881	1,790	1,669	1,706	1,830	1,803	1,658
40	Germany	933	1,018	1,027	977	1,023	997	1,070	1,410	1,335
41	Netherlands	552	423	311	324	341	338	452	442	481
42	Switzerland	362	432	557	556	612	438	520	579	602
43	United Kingdom	2,094	2,377	2,556	2,388	2,469	2,479	2,656	2,607	2,651
44	Canada	1,286	1,781	1,988	2,010	2,003	1,971	1,951	2,045	2,074
45	Latin America and Caribbean	3,043	3,274	4,117	4,140	4,370	4,359	4,364	4,151	4,340
46	Bahamas	28	11	9	17	21	26	30	30	28
47	Bermuda	255	182	234	208	210	245	272	273	264
48	Brazil	357	460	612	695	777	745	898	809	837
49	British West Indies	40	71	83	55	83	66	79	106	103
50	Mexico	924	990	1,243	1,106	1,109	1,026	993	870	1,021
51	Venezuela	345	293	348	295	319	325	285	308	313
52	Asia	4,866	6,014	6,982	6,200	6,516	6,826	7,312	7,100	6,883
53	Japan	1,903	2,275	2,655	1,911	2,011	1,998	1,870	2,010	1,877
54	Middle Eastern oil-exporting countries[1]	693	704	708	689	707	775	974	1,024	879
55	Africa	554	493	454	468	478	544	654	667	688
56	Oil-exporting countries[2]	78	72	67	71	60	74	87	107	83
57	Other[3]	364	721	910	847	910	971	1,006	895	1,054

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Comprises Algeria, Gabon, Libya, and Nigeria.
3. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction, and area or country	1994	1995	1996 Jan.–Oct.	1996 Apr.	May	June	July	Aug.	Sept.	Oct.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	350,593	462,950	501,065	53,047	57,552	43,374	49,488	46,136	42,599	57,754
2 Foreign sales	348,716	451,710	490,146	48,774	56,068	42,361	52,142	44,071	42,550	56,699
3 **Net purchases, or sales (−)**	**1,877**	**11,240**	**10,919**	**4,273**	**1,484**	**1,013**	**−2,654**	**2,065**	**49**	**1,055**
4 **Foreign countries**	**1,867**	**11,445**	**10,961**	**4,129**	**1,479**	**1,013**	**−2,653**	**2,051**	**75**	**1,061**
5 Europe	6,714	4,912	6,505	1,429	−446	−308	−386	3,310	200	447
6 France	−201	−1,099	−1,042	−336	−306	−339	−188	−209	−109	−219
7 Germany	2,110	−1,837	1,127	174	−30	218	363	83	−85	116
8 Netherlands	2,251	3,507	1,386	237	−66	129	124	219	−13	−132
9 Switzerland	−30	−2,283	2,494	618	−140	78	615	538	−123	144
10 United Kingdom	840	8,066	1,974	345	229	−416	−1,490	2,551	475	909
11 Canada	−1,160	−1,517	1,526	52	−394	81	31	−250	191	742
12 Latin America and Caribbean	−2,111	5,814	3,653	808	1,298	42	−1,077	1,046	252	−605
13 Middle East[1]	−1,142	−337	−1,538	−6	−261	−114	−15	−179	−153	15
14 Other Asia	−1,234	2,503	871	1,852	1,380	1,359	−1,347	−1,642	−575	511
15 Japan	1,162	−2,725	550	1,446	73	802	−611	−791	104	313
16 Africa	29	2	−68	31	6	−4	33	−33	−6	5
17 Other countries	771	68	12	−37	−104	−43	108	−201	166	−54
18 **Nonmonetary international and regional organizations**	**10**	**−205**	**−42**	**144**	**5**	**0**	**−1**	**14**	**−26**	**−6**
BONDS[2]										
19 Foreign purchases	289,586	293,533	331,196	24,130	34,789	35,008	27,727	32,333[r]	37,407[r]	40,431
20 Foreign sales	229,665	206,951	227,177	18,705	24,094	25,688	17,458	20,901[r]	23,858[r]	29,988
21 **Net purchases, or sales (−)**	**59,921**	**86,582**	**104,019**	**5,425**	**10,695**	**9,320**	**10,269**	**11,432[r]**	**13,549[r]**	**10,443**
22 **Foreign countries**	**59,036**	**87,036**	**103,838**	**5,394**	**10,690**	**9,305**	**10,152**	**11,453[r]**	**13,551[r]**	**10,458**
23 Europe	37,065	70,318	64,154	3,922	7,114	4,876	6,267	6,184[r]	8,350[r]	6,321
24 France	242	1,143	4,828	785	113	326	334	169	565	713
25 Germany	657	5,938	4,915	721	891	1	255	626[r]	381	−260
26 Netherlands	3,322	1,463	1,759	−52	371	53	442	146	244	93
27 Switzerland	1,055	494	1,044	−144	178	233	258	125[r]	403	59
28 United Kingdom	31,642	57,591	45,480	2,239	4,217	3,706	4,566	4,305[r]	6,231[r]	5,358
29 Canada	2,958	2,569	3,404	359	952	314	514	474	122	181
30 Latin America and Caribbean	5,442	6,141	17,770	60	1,166	770	1,811	1,272	1,144	2,964
31 Middle East[1]	771	1,869	712	122	205	218	205	201	65	211
32 Other Asia	12,153	5,659	17,737	1,094	1,279	3,140	1,186	3,243	3,681	787
33 Japan	5,486	2,250	10,054	135	537	1,912	905	2,583	1,963	1,037
34 Africa	−7	234	389	49	107	50	31	17	109	45
35 Other countries	654	246	−328	−212	−133	−63	138	62	80	−51
36 **Nonmonetary international and regional organizations**	**885**	**−454**	**181**	**31**	**5**	**15**	**117**	**−21**	**−2**	**−15**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	−48,071	−50,291	−48,525	−6,706	−3,167	−7,527	−3,639	−1,142	−1,733	−2,128
38 Foreign purchases	386,106	345,540	368,009	37,764	43,515	36,728	37,643	34,016	31,195	40,088
39 Foreign sales	434,177	395,831	416,534	44,470	46,682	44,255	41,282	35,158	32,928	42,216
40 Bonds, net purchases, or sales (−)	−9,224	−48,545	−33,411	−153	−527	−1,887	−3,396	−5,215	−4,430[r]	−5,777
41 Foreign purchases	848,368	889,471	914,352	81,256	82,453	82,907	80,703	84,448	113,087[r]	116,314
42 Foreign sales	857,592	938,016	947,763	81,409	82,980	84,794	84,099	89,663	117,517[r]	122,091
43 **Net purchases, or sales (−), of stocks and bonds**	**−57,295**	**−98,836**	**−81,936**	**−6,859**	**−3,694**	**−9,414**	**−7,035**	**−6,357**	**−6,163[r]**	**−7,905**
44 **Foreign countries**	**−57,815**	**−98,031**	**−81,044**	**−6,802**	**−3,585**	**−9,361**	**−7,098**	**−6,215**	**−5,637[r]**	**−7,927**
45 Europe	−3,516	−48,125	−41,455	−1,949	1,271	−8,356	−4,460	−5,298	−5,505[r]	−6,030
46 Canada	−7,475	−7,952	−3,347	614	−231	−472	829	856	222	−574
47 Latin America and Caribbean	−18,334	−7,634	−9,679	−1,190	−2,044	975	−2,181	−1,415	−1,277	1,069
48 Asia	−24,275	−34,056	−22,791	−4,094	−2,260	−1,401	−1,174	−1,016	971	−819
49 Japan	−17,427	−25,072	−7,514	−950	−921	−1,229	231	486	2,456	656
50 Africa	−467	−327	−1,450	−14	−32	−116	−53	−25	−49	−468
51 Other countries	−3,748	63	−2,322	−169	−289	9	−59	683	1	−1,105
52 **Nonmonetary international and regional organizations**	**520**	**−805**	**−892**	**−57**	**−109**	**−53**	**63**	**−142**	**−526[r]**	**22**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions[1]

Millions of dollars; net purchases, or sales (−) during period

Area or country	1994	1995	1996	1996						
			Jan.– Oct.	Apr.	May	June	July	Aug.	Sept.	Oct.[p]
1 **Total estimated**	**78,801**	**134,074**	**169,702**	**15,751**	**13,896**	**8,648**	**47,825**	**11,868**	**13,781**	**21,439**
2 Foreign countries	78,637	133,552	171,495	17,126	13,658	9,459	48,261	11,832	13,938	20,902
3 Europe	38,542	50,000	88,878	8,712	7,290	5,734	18,137	6,751	11,906	10,512
4 Belgium and Luxembourg	1,098	591	780	399	−153	221	−39	73	489	−320
5 Germany	5,709	6,136	13,124	1,833	1,674	1,196	1,233	467	−264	2,813
6 Netherlands	1,254	1,891	−2,113	−2,137	−757	1,067	694	−237	116	−423
7 Sweden	794	358	2,369	286	342	−29	322	−282	431	169
8 Switzerland	481	−472	1,051	1,329	555	−842	395	−730	718	−599
9 United Kingdom	23,365	34,778	51,940	6,070	2,987	5,190	10,911	7,271	6,779	7,641
10 Other Europe and former U.S.S.R.	5,841	6,718	21,727	932	2,642	−1,069	4,621	189	3,637	1,231
11 Canada	3,491	252	3,552	1,766	−669	−139	1,714	−1,140	−37	−1,708
12 Latin America and Caribbean	−10,383	48,609	−2,600	1,993	−1,167	1,524	23,991	−491	−19,359	1,473
13 Venezuela	−319	−2	−213	4	−39	13	16	146	−45	−29
14 Other Latin America and Caribbean	−20,493	25,152	5,013	3,865	−2,195	−4,434	986	3,088	−1,547	920
15 Netherlands Antilles	10,429	23,459	−7,400	−1,876	1,067	5,945	22,989	−3,725	−17,767	582
16 Asia	47,317	32,319	78,865	4,478	8,216	2,919	4,183	6,359	20,776	9,457
17 Japan	29,793	16,863	32,237	2,382	4,565	879	2,225	2,920	4,938	6,197
18 Africa	240	1,464	1,099	250	−48	22	−31	163	30	−13
19 Other	−570	908	1,701	−73	36	−601	267	190	622	1,181
20 Nonmonetary international and regional organizations	164	522	−1,793	−1,375	238	−811	−436	36	−157	537
21 International	526	92	−1,017	−414	−9	−747	−395	−287	−52	338
22 Latin American regional	−154	261	−1,029	−1,008	9	7	−3	347	−90	−4
MEMO										
23 Foreign countries	78,637	133,552	171,495	17,126	13,658	9,459	48,261	11,832	13,938	20,902
24 Official institutions	41,822	39,632	69,372	8,253	6,482	−6,648	9,629	3,587	17,188	4,837
25 Other foreign	36,815	93,920	102,123	8,873	7,176	16,107	38,632	8,245	−3,250	16,065
Oil-exporting countries										
26 Middle East[2]	−38	3,075	7,616	863	2,172	793	−219	323	4,969	−1,876
27 Africa[3]	0	2	1	0	1	−1	0	−1	1	0

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year, averages of daily figures

Country	Rate on Dec. 31, 1996		Country	Rate on Dec. 31, 1996	
	Percent	Month effective		Percent	Month effective
Austria	2.5	Apr. 1996	Germany	2.5	Apr. 1996
Belgium	2.5	Apr. 1995	Italy	7.5	Oct. 1996
Canada	3.25	Nov. 1996	Japan	.5	Sept. 1995
Denmark	3.25	Apr. 1996	Netherlands	2.5	Apr. 1996
France[2]	3.15	Nov. 1996	Switzerland	1.0	Sept. 1996

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1994	1995	1996	1996						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 Eurodollars	4.63	5.93	5.38	5.46	5.49	5.41	5.49	5.41	5.38	5.43
2 United Kingdom	5.45	6.63	5.99	5.80	5.69	5.72	5.75	5.93	6.27	6.31
3 Canada	5.57	7.14	4.49	4.87	4.76	4.30	4.10	3.54	3.05	3.16
4 Germany	5.25	4.43	3.21	3.29	3.29	3.20	3.02	3.04	3.09	3.13
5 Switzerland	4.03	2.94	1.92	2.53	2.52	2.21	1.82	1.56	1.80	1.99
6 Netherlands	5.09	4.30	2.91	2.81	2.99	2.90	2.70	2.82	2.92	2.99
7 France	5.72	6.43	3.81	3.85	3.73	3.84	3.63	3.39	3.35	3.33
8 Italy	8.45	10.43	8.79	8.73	8.72	8.77	8.42	7.99	7.40	7.22
9 Belgium	5.65	4.73	3.19	3.23	3.29	3.21	3.04	3.02	3.03	3.01
10 Japan	2.24	1.20	.58	.57	.67	.62	.53	.52	.51	.51

1. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills; and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar except as noted

Country/currency unit	1994	1995	1996	1996					
				July	Aug.	Sept.	Oct.	Nov.	Dec.
1 Australia/dollar[2]	73.161	74.073	78.283	78.974	78.305	79.279	79.179	79.684	79.661
2 Austria/schilling	11.409	10.076	10.589	10.576	10.435	10.610	10.748	10.640	10.923
3 Belgium/franc	33.426	29.472	30.968	30.947	30.553	31.056	31.471	31.172	31.944
4 Canada/dollar	1.3664	1.3725	1.3638	1.3697	1.3722	1.3694	1.3508	1.3381	1.3622
5 China, P.R./yuan	8.6404	8.3700	8.3395	8.3409	8.3379	8.3341	8.3299	8.3294	8.3290
6 Denmark/krone	6.3561	5.5999	5.8009	5.8014	5.7327	5.8057	5.8576	5.8053	5.9428
7 Finland/markka	5.2340	4.3763	4.5948	4.5812	4.4793	4.5421	4.5694	4.5512	4.6388
8 France/franc	5.5459	4.9864	5.1158	5.0881	5.0636	5.1307	5.1652	5.1156	5.2427
9 Germany/deutsche mark	1.6216	1.4321	1.5049	1.5025	1.4826	1.5080	1.5277	1.5118	1.5524
10 Greece/drachma	242.50	231.68	240.82	237.65	237.00	239.67	239.76	238.38	245.70
11 Hong Kong/dollar	7.7290	7.7357	7.7345	7.7379	7.7345	7.7328	7.7322	7.7323	7.7355
12 India/rupee	31.394	32.418	35.510	35.667	35.800	35.870	35.804	35.892	35.882
13 Ireland/pound[2]	149.69	160.35	159.95	160.31	161.08	160.96	160.83	166.45	165.93
14 Italy/lira	1,611.49	1,629.45	1,542.76	1,526.82	1,516.62	1,520.48	1,523.82	1,513.66	1,528.44
15 Japan/yen	102.18	93.96	108.78	109.19	107.87	109.93	112.41	112.30	113.98
16 Malaysia/ringgit	2.6237	2.5073	2.5154	2.4915	2.4933	2.5009	2.5074	2.5234	2.5251
17 Netherlands/guilder	1.8190	1.6044	1.6863	1.6862	1.6633	1.6905	1.7141	1.6958	1.7420
18 New Zealand/dollar[2]	59.358	65.625	68.765	69.001	68.860	69.640	70.071	70.975	70.501
19 Norway/krone	7.0553	6.3355	6.4594	6.4465	6.4153	6.4613	6.4810	6.3554	6.4716
20 Portugal/escudo	165.93	149.88	154.28	154.56	152.27	153.99	154.28	152.83	156.54
21 Singapore/dollar	1.5275	1.4171	1.4100	1.4160	1.4124	1.4086	1.4124	1.4025	1.3999
22 South Africa/rand	3.5526	3.6284	4.3042	4.3963	4.5289	4.5489	4.5799	4.6577	4.6873
23 South Korea/won	806.93	772.69	805.00	813.03	817.52	822.40	828.24	830.56	841.92
24 Spain/peseta	133.88	124.64	126.68	126.96	125.72	127.11	128.60	127.28	130.69
25 Sri Lanka/rupee	49.170	51.047	55.289	55.293	55.603	56.050	57.016	56.987	56.730
26 Sweden/krona	7.7161	7.1406	6.7082	6.6394	6.6211	6.6427	6.6006	6.6269	6.8283
27 Switzerland/franc	1.3667	1.1812	1.2361	1.2320	1.2029	1.2343	1.2586	1.2752	1.3290
28 Taiwan/dollar	26.465	26.495	27.468	27.573	27.496	27.500	27.532	27.522	27.516
29 Thailand/baht	25.161	24.921	25.359	25.355	25.289	25.407	25.474	25.459	25.600
30 United Kingdom/pound[2]	153.19	157.85	156.07	155.30	154.99	155.93	158.63	166.23	166.39
MEMO									
31 United States/dollar[3]	91.32	84.25	87.34	87.25	86.54	87.46	87.99	86.98	88.70

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.

2. Value in U.S. cents.

3. Index of weighted-average exchange value of U.S. dollar against the currencies of ten industrial countries. The weight for each of the ten countries is the 1972–76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).

Guide to Statistical Releases and Special Tables

STATISTICAL RELEASES—List Published Semiannually, with Latest Bulletin *Reference*

SPECIAL TABLES—Data Published Irregularly, with Latest Bulletin *Reference*

4.20 DOMESTIC AND FOREIGN OFFICES Insured Commercial Bank Assets and Liabilities
Consolidated Report of Condition, September 30, 1996

Millions of dollars except as noted

Item	Total	Banks with foreign offices[1]			Banks with domestic offices only[2]	
		Total	Foreign	Domestic	Over 100	Under 100
1 **Total assets[3]**	**4,430,564**	**2,710,109**	**692,175**	**2,113,600**	**1,408,495**	**311,960**
2 Cash and balances due from depository institutions	304,648	216,521	74,932	141,589	72,282	15,845
3 Cash items in process of collection, unposted debits, and currency and coin		111,426	2,601	108,825	41,534	
4 Cash items in process of collection and unposted debits		n.a.	n.a.	85,536	28,567	
5 Currency and coin		n.a.	n.a.	23,289	12,967	
6 Balances due from depository institutions in the United States		25,556	11,634	13,921	18,674	n.a.
7 Balances due from banks in foreign countries and foreign central banks	n.a.	66,550	60,524	6,026	4,136	
8 Balances due from Federal Reserve Banks		12,990	173	12,817	7,938	
MEMO						
9 Non-interest-bearing balances due from commercial banks in the United States (included in balances due from depository institutions in the United States)		n.a.	n.a.	10,753	15,294	6,402
10 Total securities, held-to-maturity (amortized cost) and available-for-sale (fair value)	790,459	364,013	44,006	320,007	333,727	92,719
11 U.S. Treasury securities	179,979	75,657	1,207	74,450	79,320	25,002
12 U.S. government agency and corporation obligations (excludes mortgage-backed securities)	125,230	26,927	113	26,814	66,994	31,310
13 Issued by U.S. government agencies	5,776	2,458	n.a.	n.a.	2,211	1,107
14 Issued by U.S. government-sponsored agencies	119,454	24,468	n.a.	n.a.	64,783	30,203
15 Securities issued by states and political subdivisions in the United States	73,299	19,765	162	19,603	38,796	14,738
16 General obligations	54,861	13,960	n.a.	n.a.	30,071	10,830
17 Revenue obligations	17,783	5,504	n.a.	n.a.	8,438	3,841
18 Industrial development and similar obligations	655	301	n.a.	n.a.	287	67
19 Mortgage-backed securities (MBS)	325,027	175,046	3,892	171,154	131,435	18,546
20 Pass-through securities	213,740	118,595	3,868	114,726	83,711	11,435
21 Guaranteed by GNMA	71,596	46,464	n.a.	n.a.	21,688	3,444
22 Issued by FNMA and FHLMC	139,540	70,378	n.a.	n.a.	61,241	7,920
23 Privately issued	2,604	1,752	15	1,737	782	70
24 Other mortgage-backed securities (includes CMOs, REMICs, and stripped MBS)	111,286	56,452	24	56,428	47,723	7,112
25 Issued or guaranteed by FNMA, FHLMC or GNMA	89,053	41,922	0	41,922	40,438	6,694
26 Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA	3,165	1,453	n.a.	n.a.	1,446	265
27 All other mortgage-backed securities	19,069	13,077	n.a.	n.a.	5,840	152
28 Other debt securities	66,562	54,937	37,385	17,552	9,868	1,757
29 Other domestic debt securities	n.a.	14,655	670	13,985	9,297	n.a.
30 Foreign debt securities	n.a.	40,281	36,715	3,567	571	n.a.
31 Equity securities	20,362	11,682	1,247	10,435	7,315	1,365
32 Investments in mutual funds	2,286	908	74	833	1,007	371
33 Other equity securities with readily determinable fair value	4,671	3,428	506	2,922	1,145	98
34 All other equity securities	13,405	7,346	666	6,680	5,163	895
35 Federal funds sold and securities purchased under agreements to resell	157,162	108,999	931	108,068	36,560	11,602
36 Federal funds sold	141,190	96,060	n.a.	n.a.	33,644	11,487
37 Securities purchased under agreements to resell	15,971	12,940	n.a.	n.a.	2,916	115
38 Total loans- and lease-financing receivables, gross	2,727,140	1,628,790	303,794	1,324,996	915,637	182,713
39 LESS: Unearned income on loans	5,028	2,151	1,028	1,123	2,058	819
40 Total loans and leases (net of unearned income)	2,722,112	1,626,639	302,766	1,323,872	913,579	181,894
41 LESS: Allowance for loan and lease losses	53,455	33,899	n.a.	n.a.	16,837	2,719
42 LESS: Allocated transfer risk reserves	32	32	n.a.	n.a.	0	0
43 EQUALS: Total loans and leases, net	2,668,625	1,592,708	n.a.	n.a.	896,743	179,174
Total loans and leases, gross, by category						
44 Loans secured by real estate	1,107,569	545,165	26,827	518,337	459,864	102,541
45 Construction and land development				29,339	36,530	7,811
46 Farmland				2,599	10,827	11,398
47 One- to four-family residential properties				330,112	251,678	53,098
48 Revolving, open-end loans, extended under lines of credit	n.a.	n.a.	n.a.	48,924	30,807	2,642
49 All other loans				281,188	220,871	50,456
50 Multifamily (five or more) residential properties				18,659	16,858	2,254
51 Nonfarm nonresidential properties				137,628	143,969	27,980
52 Loans to depository institutions	103,252	95,161	39,128	56,034	7,879	212
53 Commercial banks in the United States	n.a.	46,866	1,497	45,369	7,267	n.a.
54 Other depository institutions in the United States	n.a.	6,314	157	6,158	420	n.a.
55 Banks in foreign countries	n.a.	41,981	37,474	4,507	191	n.a.
56 Loans to finance agricultural production and other loans to farmers	41,880	6,894	33	6,534	15,609	19,378
57 Commercial and industrial loans	694,872	517,720	135,450	382,270	147,086	30,066
58 U.S. addressees (domicile)	n.a.	406,787	28,752	378,035	146,553	n.a.
59 Non-U.S. addressees (domicile)	n.a.	110,933	106,698	4,235	533	n.a.
60 Acceptances of other banks	1,562	1,294	863	431	183	84
61 U.S. banks	n.a.	224	0	224	n.a.	n.a.
62 Foreign banks	n.a.	1,071	863	207	n.a.	n.a.
63 Loans to individuals for household, family, and other personal expenditures (includes purchased paper)	545,859	261,584	32,449	229,135	256,332	27,943
64 Credit cards and related plans	219,848	95,849	n.a.	n.a.	122,340	1,658
65 Other (includes single payment and installment)	326,011	165,735	n.a.	n.a.	133,992	26,284
66 Obligations (other than securities) of states and political subdivisions in the United States (includes nonrated industrial development obligations)	18,253	9,725	33	9,692	7,596	932
67 All other loans	142,411	131,844	64,773	67,071	9,679	888
68 Loans to foreign governments and official institutions	n.a.	11,132	9,601	1,531	31	n.a.
69 Other loans	n.a.	120,712	55,172	65,540	9,648	n.a.
70 Loans for purchasing and carrying securities	n.a.	n.a.	n.a.	16,094	1,796	n.a.
71 All other loans (excludes consumer loans)	n.a.	n.a.	n.a.	49,446	7,852	n.a.
72 Lease-financing receivables	71,480	59,403	3,912	55,491	11,410	667
73 Assets held in trading accounts	228,642	227,613			957	1
74 Premises and fixed assets (including capitalized leases)	63,076	36,529			20,997	5,550
75 Other real estate owned	5,566	3,142		n.a.	1,910	515
76 Investments in unconsolidated subsidiaries and associated companies	5,386	4,957	n.a.		404	26
77 Customers' liability on acceptances outstanding	19,531	19,243			267	20
78 Net due from own foreign offices, Edge Act and agreement subsidiaries, and IBFs	n.a.	n.a.		31,718	n.a.	n.a.
79 Intangible assets	43,401	30,145		n.a.	12,511	745
80 Other assets	144,068	106,241		n.a.	32,136	5,691

4.20 DOMESTIC AND FOREIGN OFFICES Insured Commercial Bank Assets and Liabilities—Continued
Consolidated Report of Condition, September 30, 1996

Millions of dollars except as noted

Item	Total	Banks with foreign offices[1]			Banks with domestic offices only[2]	
		Total	Foreign	Domestic	Over 100	Under 100
81 **Total liabilities, limited-life preferred stock, and equity capital**	**4,430,564**	**2,710,109**	n.a.	n.a.	**1,408,495**	**311,960**
82 **Total liabilities**	**4,061,869**	**2,503,225**	**692,174**	**1,906,717**	**1,279,246**	**279,398**
83 Total deposits	3,073,672	1,756,485	450,856	1,305,630	1,047,940	269,246
84 Individuals, partnerships, and corporations	2,734,854	1,514,312	291,416	1,222,896	975,359	245,183
85 U.S. government	n.a.	n.a.	n.a.	5,473	1,696	349
86 States and political subdivisions in the United States	n.a.	n.a.	n.a.	39,503	52,046	19,858
87 Commercial banks in the United States	53,922	46,677	28,744	17,933	6,365	880
88 Other depository institutions in the United States	n.a.	n.a.	n.a.	2,958	3,228	1,242
89 Banks in foreign countries	n.a.	91,184	85,319	5,864	232	n.a.
90 Foreign governments and official institutions	n.a.	36,278	35,356	922	31	n.a.
91 Certified and official checks	17,601	9,109	889	8,220	6,777	1,716
92 Residual[4]	267,296	58,926	9,131	n.a.	n.a.	19
93 Total transaction accounts				409,559	278,854	77,771
94 Individuals, partnerships, and corporations				357,567	246,551	68,142
95 U.S. government				2,565	1,400	240
96 States and political subdivisions in the United States				14,567	16,566	7,201
97 Commercial banks in the United States				17,933	6,365	351
98 Other depository institutions in the United States				2,277	961	107
99 Banks in foreign countries				5,864	232	n.a.
100 Foreign governments and official institutions				567	2	n.a.
101 Certified and official checks				8,220	6,777	1,716
102 Residual[4]				n.a.	n.a.	15
103 Demand deposits (included in total transaction accounts)				351,034	183,270	39,869
104 Individuals, partnerships, and corporations				304,373	162,241	35,863
105 U.S. government				2,521	1,347	229
106 States and political subdivisions in the United States				9,285	5,383	1,593
107 Commercial banks in the United States				17,932	6,333	351
108 Other depository institutions in the United States				2,276	954	104
109 Banks in foreign countries	n.a.	n.a.	n.a.	5,862	232	n.a.
110 Foreign governments and official institutions				565	2	n.a.
111 Certified and official checks				8,220	6,777	1,716
112 Residual[4]				n.a.	n.a.	14
113 Total nontransaction accounts				896,070	769,086	191,475
114 Individuals, partnerships, and corporations				865,329	728,808	177,041
115 U.S. government				2,908	296	109
116 States and political subdivisions in the United States				24,937	35,480	12,657
117 Commercial banks in the United States				1,610	2,042	529
118 U.S. branches and agencies of foreign banks				0	0	n.a.
119 Other commercial banks in the United States				0	0	n.a.
120 Other depository institutions in the United States				681	2,267	1,135
121 Banks in foreign countries				251	165	n.a.
122 Foreign branches of other U.S. banks				0	0	n.a.
123 Other banks in foreign countries				0	0	n.a.
124 Foreign governments and official institutions				355	28	n.a.
125 Residual[4]				n.a.	n.a.	5
126 Federal funds purchased and securities sold under agreements to repurchase	310,623	216,207	739	215,468	90,774	3,642
127 Federal funds purchased	227,750	164,648	n.a.	n.a.	61,077	2,025
128 Securities sold under agreements to repurchase	82,873	51,559	n.a.	n.a.	29,697	1,617
129 Demand notes issued to the U.S. Treasury	33,589	28,228	0	28,228	5,108	252
130 Trading liabilities	130,540	130,386	n.a.	n.a.	154	0
131 Other borrowed money	320,379	208,522	75,890	132,632	108,526	3,331
132 Banks' liability on acceptances executed and outstanding	19,570	19,282	5,120	14,162	268	20
133 Notes and debentures subordinated to deposits	48,273	43,837	n.a.	n.a.	4,413	22
134 Net due to own foreign offices, Edge Act and agreement subsidiaries, and IBFs	n.a.	n.a.	n.a.	63,949	n.a.	n.a.
135 All other liabilities	125,223	100,276	n.a.	n.a.	22,064	2,883
136 **Total equity capital**	**368,141**	**206,334**	n.a.	n.a.	**129,245**	**32,562**
MEMO						
137 Holdings of commercial paper included in total loans, gross		169	39	129	609	n.a.
138 Total individual retirement (IRA) and Keogh plan accounts				69,986	66,098	15,139
139 Total brokered deposits				27,739	20,225	1,080
140 Fully insured brokered deposits				21,408	17,923	1,024
141 Issued in denominations of less than $100,000				1,583	3,089	802
142 Issued in denominations of $100,000, or in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less	n.a.	n.a.	n.a.	19,825	14,834	222
143 Money market deposit accounts (MMDAs)				331,507	180,209	27,397
144 Other savings deposits (excluding MMDAs)				149,793	130,878	29,225
145 Total time deposits of less than $100,000				267,844	335,523	103,627
146 Time certificates of deposit of $100,000 or more				131,156	119,728	30,363
147 Open-account time deposits of $100,000 or more				15,770	2,748	863
148 All negotiable order of withdrawal (NOW) accounts				58,113	93,692	36,966
149 Number of banks	9,567	184		n.a.	2,838	6,545

Footnotes appear at the end of table 4.22

4.22 DOMESTIC OFFICES Insured Commercial Bank Assets and Liabilities
Consolidated Report of Condition, September 30, 1996

Millions of dollars except as noted

	Item	Total	Members			Non-members
			Total	National	State	
1	**Total assets**	**3,834,055**	**2,967,931**	**2,182,583**	**785,348**	**866,124**
2	Cash and balances due from depository institutions	229,716	187,247	143,546	43,701	42,470
3	Total securities, held-to-maturity (amortized cost) and available-for-sale (fair value)	426,446	232,680	175,496	57,184	193,766
4	U.S. Treasury securities	104,322	53,580	38,197	15,383	50,742
5	U.S. government agency and corporation obligations (excludes mortgage-backed securities)	98,304	48,005	36,155	11,850	50,298
6	Securities issued by states and political subdivisions in the United States	53,534	27,897	20,146	7,751	25,637
7	Mortgage-backed securities (MBS)	149,981	91,659	71,644	20,014	58,322
8	Pass-through securities	95,146	59,500	46,539	12,961	35,646
9	Issued or guaranteed by FNMA, FHLMC, or GNMA	94,294	58,916	46,167	12,749	35,378
10	Other pass-through securities	852	584	372	212	268
11	Other mortgage-backed securities (includes CMOs, REMICs, and stripped MBS)	54,835	32,158	25,105	7,053	22,677
12	Issued or guaranteed by FNMA, FHLMC, or GNMA	47,131	27,597	21,941	5,656	19,534
13	All other mortgage-backed securities	7,704	4,562	3,164	1,397	3,142
14	Other debt securities	11,625	6,211	5,137	1,075	5,414
15	Equity securities	8,680	5,327	4,217	1,110	3,353
16	Investments in mutual funds	1,379	686	559	127	693
17	Other equity securities with readily determinable fair values	1,243	516	420	96	727
18	All other equity securities	6,058	4,125	3,238	887	1,933
19	Federal funds sold and securities purchased under agreements to resell	156,230	129,953	87,340	42,613	26,277
20	Total loans- and lease-financing receivables, gross	2,423,345	1,873,096	1,449,334	423,763	550,249
21	LESS: Unearned income on loans	4,000	2,286	1,721	565	1,714
22	Total loans and leases (net of unearned income)	2,419,345	1,870,811	1,447,613	423,198	548,535
	Total loans and leases, gross, by category					
23	Loans secured by real estate	1,080,742	791,839	618,447	173,392	288,903
24	Construction and land development	73,680	49,409	38,100	11,309	24,272
25	Farmland	24,825	11,695	9,036	2,659	13,130
26	One- to four-family residential properties	634,889	486,514	379,800	106,714	148,374
27	Revolving, open-end loans, extended under lines of credit	82,373	66,851	53,923	12,928	15,523
28	All other loans	552,516	419,664	325,878	93,786	132,852
29	Multifamily (five or more) residential properties	37,771	26,976	20,651	6,325	10,795
30	Nonfarm nonresidential properties	309,577	217,245	170,860	46,385	92,332
31	Loans to depository institutions	64,125	60,238	53,124	7,115	3,886
32	Loans to finance agricultural production and other loans to farmers	41,521	21,050	16,793	4,258	20,471
33	Commercial and industrial loans	559,423	462,492	339,545	122,947	96,931
34	Acceptances of other banks	699	439	198	241	260
35	Loans to individuals for household, family, and other personal expenditures (includes purchased paper)	513,410	390,207	322,966	67,240	123,203
36	Obligations (other than securities) of states and political subdivisions in the United States	18,220	14,783	11,361	3,422	3,437
37	All other loans	77,638	72,067	43,441	28,626	5,571
38	Lease-financing receivables	67,568	59,982	43,460	16,522	7,586
39	Net due from own foreign offices, Edge Act and agreement subsidiaries, and IBFs	31,718	29,320	9,502	19,818	2,398
40	Remaining assets	570,600	517,921	319,087	198,834	52,678
41	**Total liabilities**	**3,465,361**	**2,684,177**	**1,976,330**	**707,847**	**781,184**
42	Total deposits	2,622,816	1,960,101	1,492,034	468,066	662,716
43	Individuals, partnerships, and corporations	2,443,438	1,831,072	1,397,413	433,659	612,365
44	U.S. government	7,518	6,484	5,635	849	1,034
45	States and political subdivisions in the United States	111,408	73,604	52,238	21,365	37,804
46	Commercial banks in the United States	25,178	22,874	18,265	4,608	2,304
47	Other depository institutions in the United States	7,427	4,559	3,730	828	2,869
48	Certified and official checks	16,712	12,402	9,463	2,939	4,310
49	Banks in foreign countries, foreign governments, and foreign official institutions	7,068	6,528	3,362	3,166	540
50	Total transaction accounts	766,185	587,218	445,290	141,928	178,967
51	Individuals, partnerships, and corporations	672,259	513,924	390,868	123,056	158,335
52	U.S. government	4,205	3,447	2,680	767	757
53	States and political subdivisions in the United States	38,334	25,872	18,986	6,887	12,462
54	Commercial banks in the United States	24,649	22,680	18,130	4,550	1,969
55	Other depository institutions in the United States	3,345	2,720	2,154	566	625
56	Certified and official checks	16,712	12,402	9,463	2,939	4,310
57	Banks in foreign countries, foreign governments, and foreign official institutions	6,681	6,173	3,010	3,163	508
58	Demand deposits (included in total transaction accounts)	574,173	464,947	353,723	111,225	109,225
59	Individuals, partnerships, and corporations	502,477	404,969	309,050	95,919	97,509
60	U.S. government	4,097	3,377	2,616	761	720
61	States and political subdivisions in the United States	16,261	12,664	9,336	3,328	3,597
62	Commercial banks in the United States	24,615	22,652	18,102	4,550	1,963
63	Other depository institutions in the United States	3,335	2,714	2,149	566	620
64	Certified and official checks	16,712	12,402	9,463	2,939	4,310
65	Banks in foreign countries, foreign governments, and foreign official institutions	6,675	6,170	3,008	3,162	506
66	Total nontransaction accounts	1,856,632	1,372,883	1,046,744	326,139	483,749
67	Individuals, partnerships, and corporations	1,771,178	1,317,148	1,006,546	310,603	454,030
68	U.S. government	3,313	3,037	2,955	83	276
69	States and political subdivisions in the United States	73,074	47,731	33,252	14,479	25,342
70	Commercial banks in the United States	4,180	2,419	1,847	572	1,761
71	Other depository institutions in the United States	4,083	1,839	1,577	262	2,244
72	Banks in foreign countries, foreign governments, and foreign official institutions	387	355	352	4	32

4.22 DOMESTIC OFFICES Insured Commercial Bank Assets and Liabilities—Continued
Consolidated Report of Condition, September 30, 1996

Millions of dollars except as noted

Item	Total	Members			Non-members
		Total	National	State	
73 Federal funds purchased and securities sold under agreements to repurchase	309,884	264,819	179,592	85,228	45,065
74 Demand notes issued to the U.S. Treasury	33,589	31,198	16,795	14,403	2,391
75 Other borrowed money	244,490	197,336	148,946	48,390	47,154
76 Banks liability on acceptances executed and outstanding	14,449	14,192	9,753	4,439	257
77 Net due to own foreign offices, Edge Act and agreement subsidiaries, and IBFs	63,949	56,637	39,531	17,105	7,312
78 Remaining liabilities	176,184	159,894	89,679	70,215	16,290
MEMO					
79 Trading assets at large banks[5]	67,563	67,051	28,991	38,059	512
80 U.S. Treasury securities (domestic offices)	16,136	16,065	7,590	8,476	70
81 U.S. government agency corporation obligations	1,462	1,389	1,326	63	73
82 Securities issued by states and political subdivisions in the United States	681	669	490	179	12
83 Mortgage-backed securities	3,204	3,163	524	2,639	41
84 Other debt securities	2,905	2,903	1,268	1,634	2
85 Certificates of deposit	936	936	476	460	0
86 Commercial paper	202	83	83	0	119
87 Bankers acceptances	1,324	1,271	861	410	53
88 Other trading assets	6,579	6,503	1,692	4,811	76
89 Revaluation gains on interest rate, foreign exchange rate, and other commodity and equity contracts	34,134	34,068	14,681	19,387	67
90 Total individual retirement (IRA) and Keogh plan accounts	151,223	112,298	87,544	24,755	38,925
91 Total brokered deposits	49,045	34,554	23,517	11,037	14,490
92 Fully insured brokered deposits	40,354	28,658	19,518	9,140	11,696
93 Issued in denominations of less than $100,000	5,474	3,261	2,732	529	2,213
94 Issued in denominations of $100,000, or in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less	34,880	25,397	16,786	8,612	9,483
95 Money market deposit accounts (MMDAs)	539,113	441,245	342,527	98,718	97,868
96 Other savings deposits	309,896	234,497	173,990	60,507	75,399
97 Total time deposits of less than $100,000	706,994	486,888	381,527	105,361	220,106
98 Time certificates of deposit of $100,000 or more	281,247	193,808	142,542	51,266	87,439
99 Open-account time deposits of $100,000 or more	19,382	16,445	6,158	10,287	2,937
100 All negotiable order of withdrawal (NOW) accounts	188,771	120,440	90,010	30,430	68,331
101 Number of banks	9,567	3,756	2,736	1,020	5,811

NOTE. The notation "n.a." indicates the lesser detail available from banks that don't have foreign offices, the inapplicability of certain items to banks that have only domestic offices or the absence of detail on a fully consolidated basis for banks that have foreign offices.

1. All transactions between domestic and foreign offices of a bank are reported in "net due from" and "net due to" lines. All other lines represent transactions with parties other than the domestic and foreign offices of each bank. Because 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.

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

2. "Over 100" refers to banks whose assets, on June 30 of the preceding calendar year, were $100 million or more. (These banks file the FFIEC 032 or FFIEC 033 Call Report.) "Under 100" refers to banks whose assets, on June 30 of the preceding calendar year, were less than $100 million. (These banks file the FFIEC 034 Call Report.)

3. Because the domestic portion of allowances for loan and lease losses and allocated transfer risk reserves are not reported for banks with foreign offices, the components of total assets (domestic) do not sum to the actual total (domestic).

4. "Residual" equals the sum of the "n.a." categories listed above it.

5. Components of "Trading assets at large banks" are reported only by banks with either total assets of $1 billion or more or with $2 billion or more in the par/notional amount of their off-balance-sheet derivative contracts.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, November 4–8, 1996[1]

Commercial and industrial loans

Type and maturity of loan	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent)		Loans secured by collateral (percent)	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[5]
			Days	Weighted average effective[3]	Standard error[4]				
ALL BANKS									
1 Overnight[6]	13,304,593	8,497	*	6.03	.24	13.1	45.5	1.8	Other
2 One month or less (excluding overnight)	10,262,769	1,383	17	6.59	.16	25.7	82.4	4.1	Other
3 Fixed rate	7,995,944	2,120	15	6.51	.20	24.5	84.0	4.6	Other
4 Floating rate	2,266,825	622	21	6.87	.23	29.9	76.7	2.4	Other
5 More than one month and less than one year	14,157,764	228	156	7.34	.16	41.3	80.6	7.4	Foreign
6 Fixed rate	6,770,883	446	115	6.76	.22	34.8	73.2	6.4	Foreign
7 Floating rate	7,386,881	158	194	7.88	.21	47.3	87.4	8.4	Prime
8 Demand[7]	15,505,243	335	*	7.12	.17	54.0	47.1	4.3	Prime
9 Fixed rate	4,537,462	1,307	*	6.08	.26	17.3	34.5	9.0	Other
10 Floating rate	10,967,780	256	*	7.55	.19	69.1	52.3	2.3	Prime
11 **Total short-term**	**53,230,369**	**454**	**64**	**6.81**	**.15**	**34.9**	**62.4**	**4.5**	**Other**
12 Fixed rate (thousands of dollars)	30,576,040	1,284	35	6.35	.21	22.1	61.2	4.7	Other
13 1–99	311,474	18	145	9.44	.15	82.4	48.5	.5	Other
14 100–499	498,120	227	98	7.99	.25	68.7	70.7	5.6	Other
15 500–999	577,104	684	69	7.11	.14	50.2	90.8	11.7	Foreign
16 1,000–4,999	5,015,362	2,424	43	6.62	.12	36.3	83.5	6.7	Other
17 5,000–9,999	4,562,943	6,584	39	6.48	.05	27.4	75.1	6.5	Other
18 10,000 or more	19,611,038	20,671	28	6.13	.11	14.3	51.4	3.7	Other
19 Floating rate (thousands of dollars)	22,654,329	242	127	7.43	.19	52.2	64.0	4.1	Prime
20 1–99	1,819,191	26	189	9.61	.04	81.4	89.4	1.6	Prime
21 100–499	3,587,920	203	189	9.10	.04	75.2	91.1	4.7	Prime
22 500–999	1,620,539	652	158	8.68	.11	65.7	91.3	7.1	Prime
23 1,000–4,999	4,102,794	2,030	144	7.75	.18	56.7	86.0	6.8	Prime
24 5,000–9,999	1,892,784	6,435	123	7.00	.22	41.4	72.0	5.2	Prime
25 10,000 or more	9,631,101	25,067	82	6.13	.26	36.1	33.6	2.5	Fed funds
			Months						
26 **Total long-term**	**9,632,757**	**365**	**44**	**7.47**	**.17**	**48.5**	**85.7**	**5.7**	**Foreign**
27 Fixed rate (thousands of dollars)	2,417,060	237	44	7.02	.29	48.3	79.2	6.9	Domestic
28 1–99	186,783	22	45	9.78	.11	93.5	34.8	.1	Other
29 100–499	263,407	230	47	8.62	.33	84.2	56.6	4.5	Other
30 500–999	128,072	675	54	7.74	.32	53.8	66.1	4.1	Other
31 1,000 or more	1,838,798	5,073	42	6.46	.42	38.2	87.9	8.1	Domestic
32 Floating rate (thousands of dollars)	7,215,697	446	44	7.62	.17	48.5	87.8	5.3	Foreign
33 1–99	312,251	33	47	9.65	.05	84.1	73.9	3.0	Prime
34 100–499	977,084	218	41	8.94	.08	77.7	87.3	8.7	Prime
35 500–999	683,664	662	40	8.38	.11	68.3	89.3	8.1	Prime
36 1,000 or more	5,242,698	4,664	46	7.16	.19	38.4	88.5	4.4	Foreign
			Days	Loan rate (percent): Effective[3]	Loan rate (percent): Nominal[8]				Prime rate[9]
LOANS MADE BELOW PRIME[10]									
37 Overnight[6]	13,120,081	9,378	*	5.99	5.82	12.0	44.7	1.9	8.25
38 One month or less (excluding overnight)	9,656,535	3,091	16	6.42	6.22	24.0	82.7	4.2	8.26
39 More than one month and less than one year	9,903,311	1,087	140	6.50	6.32	27.7	76.9	7.4	8.28
40 Demand[7]	10,369,576	2,470	*	6.10	5.94	41.8	28.4	4.6	8.27
41 **Total short-term**	**43,049,503**	**2,414**	**48**	**6.23**	**6.05**	**25.5**	**56.7**	**4.3**	**8.26**
42 Fixed rate	29,494,417	3,370	33	6.24	6.06	19.9	60.5	4.8	8.26
43 Floating rate	13,555,086	1,493	97	6.21	6.03	37.7	48.4	3.4	8.27
			Months						
44 **Total long-term**	**6,070,261**	**1,382**	**45**	**6.49**	**6.31**	**37.0**	**86.4**	**4.2**	**8.28**
45 Fixed rate	1,761,341	867	41	6.15	6.03	35.7	84.2	5.8	8.30
46 Floating rate	4,308,919	1,826	47	6.62	6.43	37.5	87.2	3.6	8.28

Footnotes appear at the end of the table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, November 4–8, 1996[1]—Continued

Commercial and industrial loans—Continued

Type and maturity of loan	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent): Weighted average effective[3]	Loan rate (percent): Standard error[4]	Loans secured by collateral (percent)	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[5]
			Days						
LARGE BANKS									
1 Overnight[6]	10,602,656	9,084	*	6.07	.25	12.1	44.0	2.3	Other
2 One month or less (excluding overnight)	7,889,654	2,973	16	6.52	.17	21.9	84.8	3.7	Other
3 Fixed rate	6,221,170	4,640	15	6.49	.13	21.4	88.7	4.5	Other
4 Floating rate	1,668,485	1,271	21	6.62	.25	23.7	70.2	.6	Domestic
5 More than one month and less than one year	9,534,855	697	142	7.01	.14	29.6	77.7	8.0	Foreign
6 Fixed rate	4,999,923	3,542	98	6.68	.13	24.9	69.3	7.3	Foreign
7 Floating rate	4,534,932	370	191	7.37	.21	34.7	87.1	8.8	Prime
8 Demand[7]	13,274,880	556	*	6.83	.15	50.1	39.2	3.8	Other
9 Fixed rate	4,313,017	2,856	*	6.00	.18	14.0	31.6	9.3	Other
10 Floating rate	8,961,863	401	*	7.24	.18	67.4	42.8	1.1	Fed funds
11 **Total short-term**	**41,302,046**	**998**	**54**	**6.62**	**.13**	**30.2**	**58.0**	**4.4**	**Other**
12 Fixed rate (thousands of dollars)	24,140,171	4,550	30	6.32	.13	18.2	60.0	5.3	Other
13 1–99	32,927	35	109	8.25	.21	88.5	86.9	2.1	Other
14 100–499	223,947	243	70	7.43	.19	62.4	90.3	6.2	Other
15 500–999	401,703	676	61	7.13	.15	46.3	91.7	9.0	Foreign
16 1,000–4,999	3,628,599	2,407	36	6.69	.14	31.4	82.2	6.2	Other
17 5,000–9,999	3,743,786	6,668	39	6.46	.10	25.3	72.1	7.9	Other
18 10,000 or more	16,109,210	20,438	25	6.16	.11	12.1	50.9	4.4	Other
19 Floating rate (thousands of dollars)	17,161,874	476	111	7.03	.18	47.1	55.2	3.0	Prime
20 1–99	728,436	31	189	9.44	.11	78.4	90.9	1.0	Prime
21 100–499	1,876,112	205	184	8.96	.08	74.3	91.8	2.6	Prime
22 500–999	980,147	658	162	8.65	.14	64.5	91.0	4.8	Prime
23 1,000–4,999	2,903,653	2,065	145	7.67	.24	55.2	84.1	6.5	Prime
24 5,000–9,999	1,566,562	6,427	117	6.89	.34	38.6	67.4	4.3	Domestic
25 10,000 or more	9,106,965	26,177	79	6.09	.29	36.0	29.7	1.7	Fed funds
			Months						
26 **Total long-term**	**7,212,327**	**968**	**45**	**7.32**	**.15**	**44.3**	**90.8**	**4.9**	**Foreign**
27 Fixed rate (thousands of dollars)	1,487,513	1,269	46	6.89	.27	44.3	85.1	8.0	Domestic
28 1–99	16,127	30	46	9.39	.43	87.4	62.7	.5	Other
29 100–499	62,169	219	47	8.93	.22	80.8	77.0	10.9	Domestic
30 500–999	66,195	723	49	7.63	.34	74.0	81.4	5.2	Domestic
31 1,000 or more	1,343,022	5,192	46	6.73	.45	40.7	85.9	8.1	Domestic
32 Floating rate (thousands of dollars)	5,724,814	911	45	7.43	.14	44.3	92.2	4.1	Foreign
33 1–99	93,873	40	36	9.28	.06	76.0	90.2	3.8	Prime
34 100–499	540,932	234	36	8.73	.08	68.9	96.1	6.8	Prime
35 500–999	493,393	671	39	8.42	.10	61.1	91.8	6.8	Prime
36 1,000 or more	4,596,616	5,042	47	7.13	.24	39.0	91.8	3.5	Foreign
			Days	Loan rate (percent): Effective[3]	Loan rate (percent): Nominal[8]				Prime rate[9]
LOANS MADE BELOW PRIME[10]									
37 Overnight[6]	10,429,145	10,084	*	6.02	5.84	10.7	43.1	2.3	8.25
38 One month or less (excluding overnight)	7,550,779	4,783	16	6.40	6.21	21.1	85.3	3.8	8.25
39 More than one month and less than one year	7,577,371	3,191	129	6.47	6.30	20.0	72.7	7.5	8.25
40 Demand[7]	9,769,211	3,247	*	6.01	5.85	40.0	24.2	3.9	8.25
41 **Total short-term**	**35,326,506**	**4,418**	**44**	**6.19**	**6.02**	**23.0**	**53.2**	**4.2**	**8.25**
42 Fixed rate	23,522,669	5,682	29	6.25	6.07	16.5	59.0	5.3	8.25
43 Floating rate	11,803,837	3,061	90	6.08	5.91	36.0	41.7	1.9	8.25
			Months						
44 **Total long-term**	**4,861,395**	**2,980**	**47**	**6.53**	**6.36**	**37.6**	**89.2**	**2.7**	**8.25**
45 Fixed rate	1,124,587	2,753	46	6.22	6.10	35.8	84.0	5.0	8.25
46 Floating rate	3,736,809	3,056	47	6.63	6.43	38.2	90.7	2.0	8.25

Footnotes appear at the end of the table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, November 4–8, 1996[1]—Continued

Commercial and industrial loans—Continued

Type and maturity of loan	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent)		Loans secured by collateral (percent)	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[5]
			Days	Weighted average effective[3]	Standard error[4]				
OTHER BANKS									
1 Overnight[6]	2,701,937	6,779	*	5.91	.29	17.2	51.1	.0	Fed funds
2 One month or less (excluding overnight)	2,373,115	498	18	6.82	.18	38.5	74.3	5.6	Other
3 Fixed rate	1,774,775	730	17	6.57	.22	35.7	67.4	5.0	Other
4 Floating rate	598,340	256	20	7.56	.25	47.0	94.8	7.4	Foreign
5 More than one month and less than one year	4,622,909	95	185	8.04	.18	65.5	86.5	6.2	Prime
6 Fixed rate	1,770,959	128	163	6.98	.26	62.6	84.4	3.8	Foreign
7 Floating rate	2,851,949	82	199	8.69	.23	67.2	87.9	7.6	Prime
8 Demand[7]	2,230,363	100	*	8.83	.21	77.1	94.6	7.1	Prime
9 Fixed rate	224,446	114	*	7.66	.48	80.4	90.2	1.8	Other
10 Floating rate	2,005,917	98	*	8.97	.15	76.8	95.0	7.7	Prime
11 **Total short-term**	**11,928,323**	**157**	**93**	**7.46**	**.16**	**51.4**	**77.6**	**4.8**	**Prime**
12 Fixed rate (thousands of dollars)	6,435,869	348	52	6.45	.23	37.1	65.8	2.5	Fed funds
13 1–99	278,547	17	147	9.59	.19	81.7	43.9	.3	Other
14 100–499	274,173	216	116	8.45	.35	73.9	54.6	5.2	Other
15 500–999	175,401	702	87	7.06	.14	59.0	88.7	18.0	Foreign
16 1,000–4,999	1,386,763	2,469	59	6.44	.10	49.1	86.8	8.1	Foreign
17 5,000–9,999	819,157	6,227	38	6.58	.32	36.8	89.1	.0	Foreign
18 10,000 or more	3,501,829	21,819	40	5.98	.39	24.9	53.6	.0	Fed funds
19 Floating rate (thousands of dollars)	5,492,454	96	166	8.65	.19	68.1	91.3	7.6	Prime
20 1–99	1,090,755	23	189	9.72	.03	83.4	88.4	2.0	Prime
21 100–499	1,711,808	200	193	9.24	.09	76.2	90.4	6.9	Prime
22 500–999	640,391	643	154	8.73	.12	67.5	91.7	10.5	Prime
23 1,000–4,999	1,199,141	1,948	143	7.95	.19	60.4	90.7	7.5	Prime
24 5,000–9,999	326,222	6,473	147	7.50	.33	54.5	94.1	10.0	Prime
25 10,000 or more	524,137	14,436	123	6.77	.82	36.5	100.0	16.5	Foreign
			Months						
26 **Total long-term**	**2,420,429**	**128**	**41**	**7.92**	**.19**	**60.8**	**70.5**	**8.0**	**Prime**
27 Fixed rate (thousands of dollars)	929,546	103	40	7.21	.32	54.6	69.9	5.0	Other
28 1–99	170,655	21	45	9.82	.13	94.1	32.1	.1	Other
29 100–499	201,238	234	47	8.52	.40	85.2	50.4	2.6	Other
30 500–999	61,877	630	60	7.86	.43	32.1	49.8	2.8	Other
31 1,000 or more	495,776	4,778	33	5.70	.56	31.5	93.3	7.9	Domestic
32 Floating rate (thousands of dollars)	1,490,883	150	42	8.37	.20	64.6	70.9	9.9	Prime
33 1–99	218,377	30	52	9.81	.08	87.6	66.9	2.6	Prime
34 100–499	436,152	201	46	9.20	.16	88.7	76.4	11.2	Prime
35 500–999	190,271	642	43	8.29	.20	86.9	82.9	11.5	Prime
36 1,000 or more	646,083	3,041	37	7.34	.30	34.1	65.1	11.1	Prime
			Days	Loan rate (percent) Effective[3]	Loan rate (percent) Nominal[8]				Prime rate[9]
LOANS MADE BELOW PRIME[10]									
37 Overnight[6]	2,690,936	7,378	*	5.90	5.73	17.3	50.9	.0	8.25
38 One month or less (excluding overnight)	2,105,756	1,362	17	6.48	6.29	34.8	73.3	5.9	8.28
39 More than one month and less than one year	2,325,941	345	176	6.57	6.40	53.0	90.7	7.1	8.37
40 Demand[7]	600,366	505	*	7.63	7.39	70.2	95.7	16.2	8.56
41 **Total short-term**	**7,722,998**	**785**	**63**	**6.39**	**6.21**	**36.9**	**72.5**	**5.0**	**8.32**
42 Fixed rate	5,971,748	1,295	48	6.19	6.02	33.4	66.3	2.6	8.29
43 Floating rate	1,751,249	335	131	7.08	6.86	49.1	93.6	13.1	8.43
			Months						
44 **Total long-term**	**1,208,865**	**438**	**38**	**6.30**	**6.15**	**34.3**	**75.0**	**10.2**	**8.41**
45 Fixed rate	636,754	392	32	6.04	5.89	35.7	84.7	7.3	8.38
46 Floating rate	572,111	503	45	6.59	6.44	32.8	64.3	13.5	8.44

Footnotes appear at the end of the table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, November 4–8, 1996[1]—Continued

NOTES

1. The survey of terms of bank lending to business collects data on gross loan extensions made during the first full business week in the mid-month of each quarter by a sample of 340 commercial banks of all sizes. A sample of 250 banks reports loans to farmers. The sample data are blown up to estimate the lending terms at all insured commercial banks during that week. The estimated terms of bank lending are not intended for use in collecting the terms of loans extended over the entire quarter or residing in the portfolios of those banks. Construction and land development loans include both unsecured loans and loans secured by real estate. Thus, some of the construction and land development loans would be reported on the statement of condition as real estate loans and the remainder as business loans. Mortgage loans, purchased loans, foreign loans, and loans of less that $1,000 are excluded from the survey. As of December 31, 1995, assets of most of the large banks were at least $7.0 billion. Median total assets for all insured banks were roughly $62.0 million.
2. Average maturities are weighted by loan size; excludes demand loans.
3. Effective (compounded) annual interest rate calculated from the stated rate and other terms of the loans and weighted by loan size.
4. The chances are about two out of three that the average rate shown would differ by less than the amount of the standard error from the average rate that would be found by a complete survey of lending at all banks.
5. The rate used to price the largest dollar volume of loans. Base pricing rates include the *prime* rate (sometimes referred to as a bank's "basic" or "reference" rate); the *federal funds* rate; *domestic* money market rates other than the *federal funds* rate; *foreign* money market rates; and *other* base rates not included in the foregoing classifications.
6. Overnight loans mature on the following business day.
7. Demand loans have no stated date of maturity.
8. Nominal (not compounded) annual interest rate calculated from the stated rate and other terms of the loans and weighted by loan size.
9. Calculated by weighting the prime rate reported by each bank by the volume of loans reported by that bank, summing the results, and then averaging over all reporting banks.
10. The proportion of loans made at rates below the prime may vary substantially from the proportion of such loans outstanding in banks' portfolios.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, September 30, 1996[1]

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total including IBFs[3]	IBFs only[3]	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
1 **Total assets**[4]	**781,232**	**288,698**	**603,513**	**240,630**	**67,127**	**25,124**	**63,820**	**13,906**
2 Claims on nonrelated parties	687,091	139,615	525,413	117,562	63,083	9,291	58,326	7,568
3 Cash and balances due from depository institutions	114,293	85,073	102,485	75,479	3,086	2,337	6,746	5,987
4 Cash items in process of collection and unposted debits	2,517	0	2,402	0	8	0	57	0
5 Currency and coin (U.S. and foreign)	23	n.a.	16	n.a.	2	n.a.	1	n.a.
6 Balances with depository institutions in United States	66,553	44,579	60,420	40,252	2,231	1,539	3,104	2,436
7 U.S. branches and agencies of other foreign banks (including IBFs)	61,180	42,562	55,798	38,256	1,824	1,539	2,974	2,416
8 Other depository institutions in United States (including IBFs)	5,373	2,016	4,623	1,996	407	0	130	20
9 Balances with banks in foreign countries and with foreign central banks	44,730	40,494	39,263	35,227	814	798	3,570	3,551
10 Foreign branches of U.S. banks	978	862	813	720	0	0	132	132
11 Other banks in foreign countries and foreign central banks	43,752	39,633	38,450	34,508	814	798	3,439	3,419
12 Balances with Federal Reserve Banks	470	n.a.	384	n.a.	31	n.a.	15	n.a.
13 **Total securities and loans**	**447,946**	**46,038**	**312,758**	**34,514**	**55,453**	**6,386**	**42,888**	**1,440**
14 Total securities, book value	105,791	8,971	97,702	7,812	3,549	702	3,798	436
15 U.S. Treasury	32,264	n.a.	31,019	n.a.	590	n.a.	501	n.a.
16 Obligations of U.S. government agencies and corporations	30,196	n.a.	29,643	n.a.	365	n.a.	48	n.a.
17 Other bonds, notes, debentures, and corporate stock (including state and local securities)	43,331	8,971	37,040	7,812	2,595	702	3,248	436
18 Securities of foreign governmental units	13,448	3,862	12,170	3,368	670	256	512	218
19 All Other	29,883	5,108	24,870	4,444	1,925	446	2,737	218
20 Federal funds sold and securities purchased under agreements to resell	38,182	5,864	34,194	5,412	839	283	2,474	0
21 U.S. branches and agencies of other foreign banks	10,784	4,274	9,866	4,131	388	138	283	0
22 Commercial banks in United States	5,845	101	5,217	101	179	0	205	0
23 Other	21,553	1,490	19,111	1,180	272	145	1,986	0
24 Total loans, gross	342,331	37,082	215,169	26,712	51,950	5,686	39,096	1,004
25 LESS: Unearned income on loans	176	15	112	10	47	2	6	0
26 EQUALS: Loans, net	342,155	37,067	215,057	26,702	51,903	5,684	39,090	1,004
Total loans, gross, by category								
27 Real estate loans	31,487	207	19,580	57	8,515	148	1,609	0
28 Loans to depository institutions	34,282	21,529	22,299	13,987	6,061	4,147	979	597
29 Commercial banks in United States (including IBFs)	12,512	6,627	7,885	4,225	3,840	2,184	442	172
30 U.S. branches and agencies of other foreign banks	11,154	6,433	6,807	4,046	3,734	2,179	326	162
31 Other commercial banks in United States	1,358	194	1,078	179	106	5	116	10
32 Other depository institutions in United States (including IBFs)	16	0	16	0	0	0	0	0
33 Banks in foreign countries	21,754	14,902	14,399	9,763	2,222	1,963	537	425
34 Foreign branches of U.S. banks	536	351	449	335	10	10	0	0
35 Other banks in foreign countries	21,218	14,551	13,950	9,428	2,212	1,953	537	425
36 Loans to other financial institutions	41,850	682	34,475	455	2,464	78	4,129	57
37 Commercial and industrial loans	214,372	12,346	122,045	9,983	34,119	1,275	30,276	343
38 U.S. addressees (domicile)	185,746	444	101,652	408	31,458	35	28,745	0
39 Non-U.S. addressees (domicile)	28,626	11,902	20,392	9,575	2,661	1,240	1,531	343
40 Acceptances of other banks	591	90	240	89	112	0	190	0
41 U.S. banks	41	0	9	0	5	0	14	0
42 Foreign banks	550	90	231	89	106	0	176	0
43 Loans to foreign governments and official institutions (including foreign central banks)	3,592	1,975	3,138	1,903	164	39	63	7
44 Loans for purchasing or carrying securities (secured and unsecured)	8,226	50	8,058	50	65	0	41	0
45 All other loans	6,245	179	3,684	162	417	0	1,805	0
46 Lease financing receivables (net of unearned income)	1,687	25	1,650	25	32	0	4	0
47 U.S. addressees (domicile)	1,263	0	1,226	0	32	0	4	0
48 Non-U.S. addressees (domicile)	424	25	424	25	0	0	0	0
49 Trading assets	51,830	124	47,219	118	204	3	4,405	3
50 All other assets	34,840	2,515	28,757	2,038	3,501	282	1,813	137
51 Customers' liabilities on acceptances outstanding	8,134	n.a.	5,227	n.a.	2,225	n.a.	417	n.a.
52 U.S. addressees (domicile)	6,098	n.a.	3,612	n.a.	2,042	n.a.	319	n.a.
53 Non-U.S. addressees (domicile)	2,036	n.a.	1,615	n.a.	183	n.a.	97	n.a.
54 Other assets including other claims on nonrelated parties	26,706	2,515	23,530	2,038	1,276	282	1,396	137
55 Net due from related depository institutions[5]	94,141	149,083	78,100	123,068	4,044	15,833	5,494	6,339
56 Net due from head office and other related depository institutions[5]	94,141	n.a.	78,100	n.a.	4,044	n.a.	5,494	n.a.
57 Net due from establishing entity, head offices, and other related depository institutions[5]	n.a.	149,083	n.a.	123,068	n.a.	15,833	n.a.	6,339
58 **Total liabilities**[4]	**781,232**	**288,698**	**603,513**	**240,630**	**67,127**	**25,124**	**63,820**	**13,906**
59 Liabilities to nonrelated parties	642,929	268,903	546,470	225,533	41,347	24,270	35,611	10,785

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, September 30, 1996[1]—Continued

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs[3]	IBFs only[3]	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only
60 Total deposits and credit balances	189,762	205,631	161,544	189,274	6,723	4,553	12,979	5,841
61 Individuals, partnerships, and corporations	138,893	15,110	114,322	10,326	5,407	668	11,195	155
62 U.S. addressees (domicile)	123,481	399	105,114	398	3,773	0	10,518	0
63 Non-U.S. addressees (domicile)	15,411	14,711	9,208	9,928	1,633	668	676	155
64 Commercial banks in United States (including IBFs)	26,135	44,381	23,973	42,522	756	1,003	1,241	663
65 U.S. branches and agencies of other foreign banks	15,835	41,018	14,717	39,426	326	880	713	572
66 Other commercial banks in United States	10,300	3,364	9,255	3,096	430	123	529	91
67 Banks in foreign countries	9,667	110,968	8,978	104,287	333	2,019	175	3,529
68 Foreign branches of U.S. banks	3,441	4,189	3,165	3,729	175	131	100	319
69 Other banks in foreign countries	6,226	106,779	5,813	100,558	158	1,888	75	3,210
70 Foreign governments and official institutions (including foreign central banks)	4,795	35,150	4,419	32,118	206	862	2	1,493
71 All other deposits and credit balances	10,028	22	9,649	21	5	0	359	1
72 Certified and official checks	245		203		17		7	
73 Transaction accounts and credit balances (excluding IBFs)	8,121		6,500		357		352	
74 Individuals, partnerships, and corporations	6,165		4,822		306		335	
75 U.S. addressees (domicile)	4,352		3,723		204		332	
76 Non-U.S. addressees (domicile)	1,813		1,099		102		3	
77 Commercial banks in United States (including IBFs)	105		100		2		0	
78 U.S. branches and agencies of other foreign banks	31		30		0		0	
79 Other commercial banks in United States	74		70		2		0	
80 Banks in foreign countries	1,059		879		23		7	
81 Foreign branches of U.S. banks	55		54		0		0	
82 Other banks in foreign countries	1,004		824		23		7	
83 Foreign governments and official institutions (including foreign central banks)	420		386		5		2	
84 All other deposits and credit balances	127		111		5		2	
85 Certified and official checks	245		203		17		7	
86 Demand deposits (included in transaction accounts and credit balances)	7,683		6,316		288		341	
87 Individuals, partnerships, and corporations	5,810		4,704		241		324	
88 U.S. addressees (domicile)	4,225		3,673		158		321	
89 Non-U.S. addressees (domicile)	1,585		1,031		83		3	
90 Commercial banks in United States (including IBFs)	96		93		0		0	
91 U.S. branches and agencies of other foreign banks	31	n.a.	30	n.a.	0	n.a.	0	n.a.
92 Other commercial banks in United States	65		63		0		0	
93 Banks in foreign countries	1,032		853		22		7	
94 Foreign branches of U.S. banks	55		54		0		0	
95 Other banks in foreign countries	977		798		22		7	
96 Foreign governments and official institutions (including foreign central banks)	403		380		4		2	
97 All other deposits and credit balances	97		83		4		2	
98 Certified and official checks	245		203		17		7	
99 Nontransaction accounts (including MMDAs, excluding IBFs)	181,641		155,044		6,366		12,627	
100 Individuals, partnerships, and corporations	132,728		109,500		5,101		10,860	
101 U.S. addressees (domicile)	119,129		101,392		3,570		10,186	
102 Non-U.S. addressees (domicile)	13,598		8,109		1,531		673	
103 Commercial banks in United States (including IBFs)	26,031		23,873		754		1,241	
104 U.S. branches and agencies of other foreign banks	15,804		14,687		326		713	
105 Other commercial banks in United States	10,227		9,186		428		529	
106 Banks in foreign countries	8,608		8,099		310		169	
107 Foreign branches of U.S. banks	3,385		3,110		175		100	
108 Other banks in foreign countries	5,222		4,989		135		69	
109 Foreign governments and official institutions (including foreign central banks)	4,374		4,033		201		0	
110 All other deposits and credit balances	9,901		9,538		0		357	
111 IBF deposit liabilities		205,631		189,274		4,553		5,841
112 Individuals, partnerships, and corporations		15,110		10,326		668		155
113 U.S. addressees (domicile)		399		398		0		0
114 Non-U.S. addressees (domicile)		14,711		9,928		668		155
115 Commercial banks in United States (including IBFs)		44,381		42,522		1,003		663
116 U.S. branches and agencies of other foreign banks		41,018		39,426		880		572
117 Other commercial banks in United States	n.a.	3,364	n.a.	3,096	n.a.	123	n.a.	91
118 Banks in foreign countries		110,968		104,287		2,019		3,529
119 Foreign branches of U.S. banks		4,189		3,729		131		319
120 Other banks in foreign countries		106,779		100,558		1,888		3,210
121 Foreign governments and official institutions (including foreign central banks)		35,150		32,118		862		1,493
122 All other deposits and credit balances		22		21		0		1

Footnotes appear at end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, September 30, 1996[1]—Continued

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total including IBFs[3]	IBFs only[3]	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
123 Federal funds purchased and securities sold under agreements to repurchase	81,047	16,855	70,455	12,935	4,520	1,819	5,366	1,672
124 U.S. branches and agencies of other foreign banks	11,369	3,810	8,035	1,953	2,210	1,553	931	176
125 Other commercial banks in United States	11,137	1,406	7,409	223	1,813	113	1,752	1,070
126 Other	58,540	11,640	55,010	10,759	496	154	2,683	426
127 Other borrowed money	92,672	43,428	58,918	20,734	22,196	17,641	7,850	3,189
128 Owed to nonrelated commercial banks in United States (including IBFs)	24,718	11,643	12,419	4,578	9,048	5,697	1,842	799
129 Owed to U.S. offices of nonrelated U.S. banks	7,211	1,006	4,365	330	1,896	600	532	10
130 Owed to U.S. branches and agencies of nonrelated foreign banks	17,507	10,638	8,054	4,248	7,152	5,096	1,309	789
131 Owed to nonrelated banks in foreign countries	33,399	29,010	18,001	13,865	11,886	11,746	2,340	2,335
132 Owed to foreign branches of nonrelated U.S. banks	1,589	1,334	681	465	732	704	148	148
133 Owed to foreign offices of nonrelated foreign banks	31,810	27,676	17,320	13,400	11,153	11,042	2,192	2,187
134 Owed to others	34,555	2,775	28,497	2,291	1,262	199	3,668	55
135 All other liabilities	73,817	2,988	66,280	2,591	3,356	258	3,575	84
136 Branch or agency liability on acceptances executed and outstanding	8,491	n.a.	5,471	n.a.	2,302	n.a.	419	n.a.
137 Trading liabilities	41,146	76	38,823	71	180	3	2,140	3
138 Other liabilities to nonrelated parties	24,179	2,912	21,986	2,520	875	255	1,016	81
139 Net due to related depository institutions[5]	138,303	19,795	57,043	15,097	25,780	854	28,209	3,121
140 Net owed to head office and other related depository institutions[5]	138,303	n.a.	57,043	n.a.	25,780	n.a.	28,209	n.a.
141 Net owed to establishing entity, head office, and other related depository institutions[5]	n.a.	19,795	n.a.	15,097	n.a.	854	n.a.	3,121
MEMO								
142 Non-interest-bearing balances with commercial banks in United States	1,179	0	828	0	173	0	80	0
143 Holding of commercial paper included in total loans	897		695		17		174	
144 Holding of own acceptances included in commercial and industrial loans	4,471		3,460		885		52	
145 Commercial and industrial loans with remaining maturity of one year or less	122,777		69,733		19,348		19,043	
146 Predetermined interest rates	73,264	n.a.	42,806	n.a.	10,561	n.a.	12,924	n.a.
147 Floating interest rates	49,513		26,928		8,786		6,119	
148 Commercial and industrial loans with remaining maturity of more than one year	90,684		52,037		14,621		10,936	
149 Predetermined interest rates	20,367		12,274		2,768		3,468	
150 Floating interest rates	70,317		39,763		11,854		7,468	

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, September 30, 1996[1]—Continued

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs[3]	IBFs only[3]	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only
151 Components of total nontransaction accounts, included in total deposits and credit balances of nontransaction accounts, including IBFs	184,323	↑	158,764	↑	6,468	↑	12,494	↑
152 Time CDs in denominations of $100,000 or more	144,265		123,224		4,754		10,206	
153 Other time deposits in denominations of $100,000 or more	33,317	n.a.	29,476	n.a.	1,281	n.a.	2,119	n.a.
154 Time CDs in denominations of $100,000 or more with remaining maturity of more than 12 months	6,741	↓	6,063	↓	432	↓	169	↓
	All states[2]		New York		California		Illinois	
	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
155 Immediately available funds with a maturity greater than one day included in other borrowed money	49,341	n.a.	27,691	n.a.	16,877	n.a.	3,039	n.a.
156 Number of reports filed[6]	491	0	243	0	109	0	40	0

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." The 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 monthly 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). Since December 31, 1985, data for IBFs have been 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 have been 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 owed to related banking institutions in the United States and in foreign countries (see note 5). On the former monthly branch and agency report, available through the G.11 monthly 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 depository institutions includes the foreign head office and other U.S. and foreign branches and agencies of a bank, a 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.

Index to Statistical Tables

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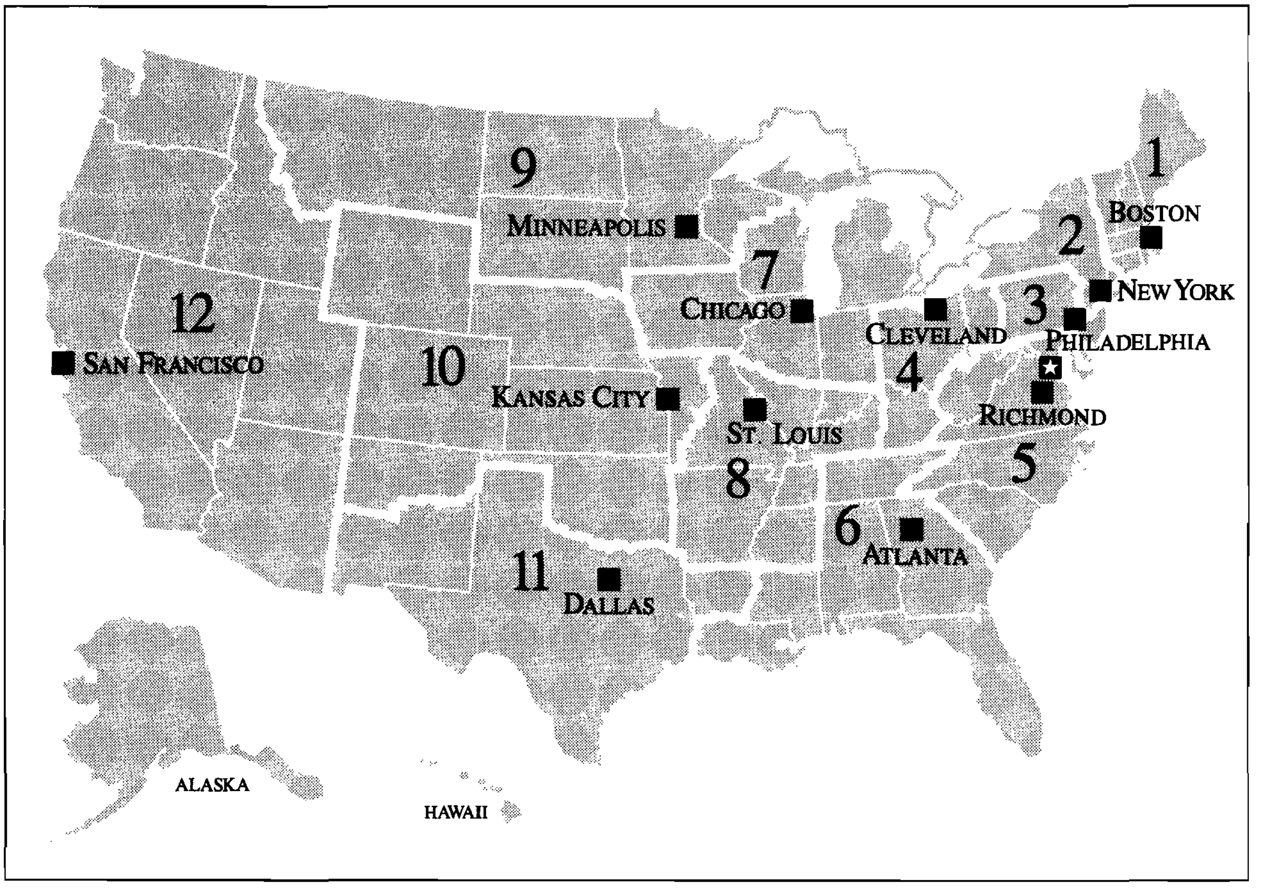

LEGEND

Both pages

■ Federal Reserve Bank city

◘ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

• Federal Reserve Branch city

— Branch boundary

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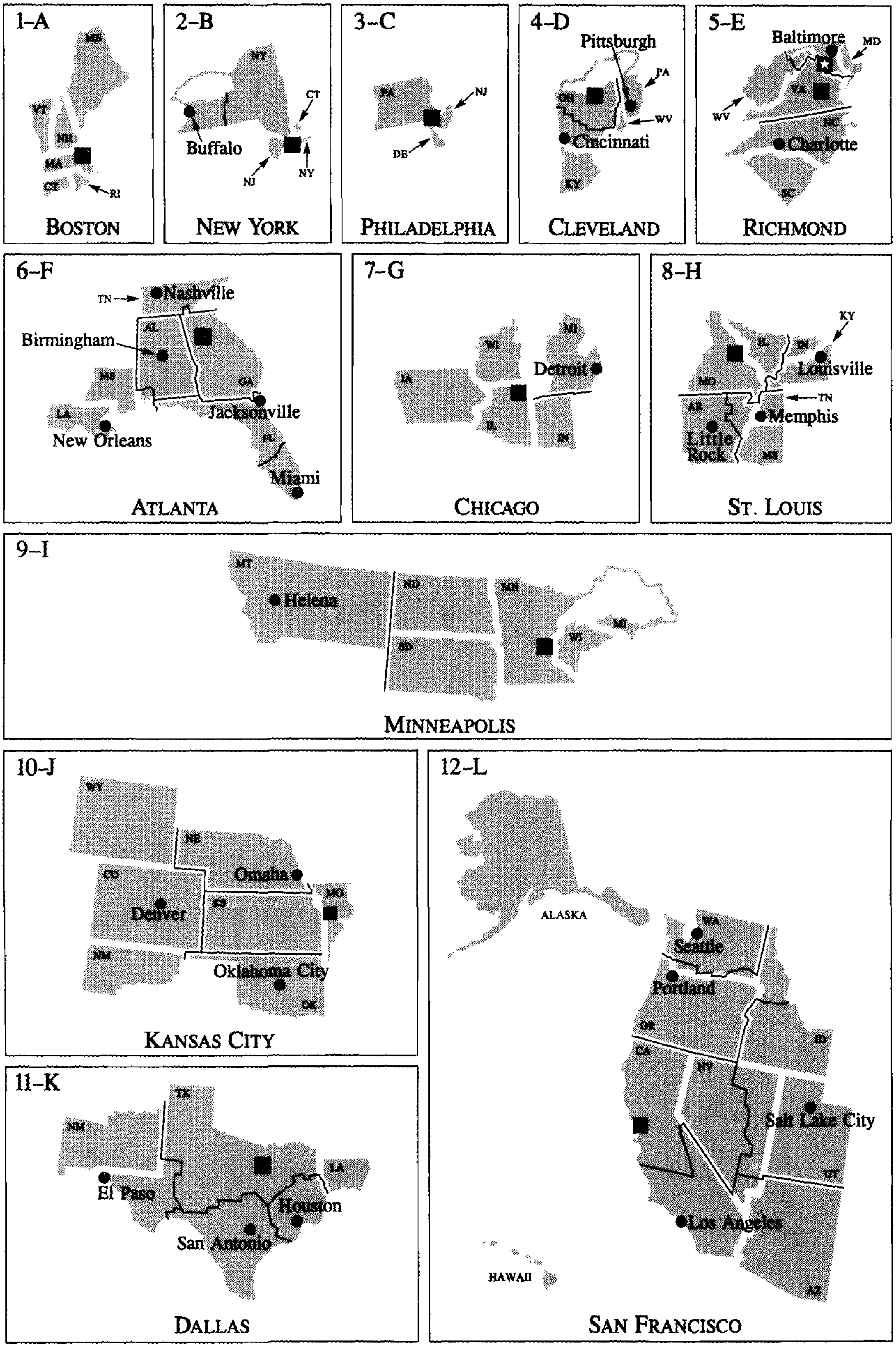
The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System most recently in February 1996.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