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A Revision of the Index of Industrial Production

Joan D. Hosley and James E. Kennedy of the Board's Division of Research and Statistics prepared this article. Laurence P. Greenberg and Kathleen Van Twyver provided research assistance.

The Federal Reserve Board has completed a general revision of its index of industrial production, the first since 1976 and the sixth since the 1920s. This article describes the revision and reviews developments in the industrial sector during the past decade in light of the revised data.

The index of industrial production is of special interest for several reasons. First, it measures a large portion of the output of the national economy on a monthly basis. Second, that portion, together with construction, accounts for the bulk of the variation in output over the course of the business cycle. Third, the index—with its substantial industrial detail—is helpful in illuminating structural developments in the economy.

The index of industrial production is constructed with data from a variety of sources. Current monthly estimates of production in some industries are based on measures of physical output. For industries in which direct measurement is not possible, output is inferred from production-worker hours and the use of electric power. Periodic revisions benchmark the individual industrial production series to more comprehensive data sources. One of the major sources for benchmark revisions is the Census of Manufactures, which is undertaken every five years. In the current general revision, revised indexes of production were obtained from the Census of Manufactures for 1972 and 1977 and from Annual Surveys of Manufactures through 1981. These indexes are used to adjust the annual levels of most of the Federal Reserve's 252 basic series on industrial production. Other annual data more comprehensive than those available monthly—for instance, data in the Bureau of Mines *Yearbook*—also are used in the revisions.

The latest revision moves the base year for the index from 1967 to 1977, a year in which the economy was reasonably well balanced and expanding. New value-added weights were assigned to each series for 1977.

The industrial production index uses different value-added weights for different years in an attempt to represent accurately the evolution of relative prices. In the revised index, 1967 weights have been used for the 1967–72 period, 1972 weights for 1972–77, and 1977 weights from 1977 to the present. The individual series and the weighted aggregates for each of these periods have been linked to form a continuous index expressed as a percentage of output in 1977. Before this revision, value-added weights from 1967 were used in the current monthly industrial production index.

Besides updating weights, the revision offers an opportunity to change the way in which industries are classified, to add series, and to improve series when possible. In the present revision, the number of basic series has been increased from 235 to 252 to improve coverage for several industries and to allow more meaningful groupings. The classification system now matches the 1977 Standard Industrial Classification (SIC). In several cases new industry classifications and new data sources have permitted a separation of production components that previously had to be lumped together even though they serve different functions. For instance, additional data were used to separate automobiles sold to households from those sold to business and government. In the market groups of the previously published index, trucks had already been separated in this way.

The revised industrial production index will be presented in detail in a manual now in preparation. The manual will describe the basic concepts, classifications, monthly series, benchmarking procedure, aggregation and weighting technique, and method of seasonal adjustment, as well as the uses, limitations, and history of the index.

MAJOR DEVELOPMENTS

The revised index of total industrial production shows an average annual growth rate between 1967 and 1984 that is marginally higher than that shown in the previously published index: 3.0 percent compared with 2.9 percent. To put these trends in context, during the preceding two decades (1947–67) industrial production had advanced at an average annual rate of 4.8 percent (table 1).

In the period from 1967 to 1984, among the six major industrial countries listed in table 2, only in Japan did the overall growth rate exceed that of U.S. industry. In all six countries listed, growth slowed after 1977 compared with the previous decade. The deceleration in industrial growth in the five foreign countries was, however, more pronounced than it was in the United States, where the rate dropped from an annual average of 3.1 percent in the years 1967–77 to 2.9 percent in the years 1977–84.

Despite the moderate rate of growth in U.S. industrial production in recent years, the productivity of labor in the manufacturing sector continued to improve. In this setting, job opportunities in the manufacturing sector were diminished; employment in this sector reached a peak of 21 million in 1979, and by 1984 was 7 percent lower.

1. Growth rate in industrial production, by major group, selected periods

Average annual increase in percent, except as noted

Group	1977 proportion (percent)	1947–67	1967–77	1977–84
Total industrial production	100	4.8	3.1	2.9
Major market groups				
Products	58	4.8	3.0	3.5
Consumer goods	26	4.4	3.6	2.4
Business equipment	14	4.9	3.9	4.4
Construction supplies	6	3.9	2.6	1.9
Materials	42	4.7	3.3	2.0
Major industry groups				
Mining	10	2.5	1.1	1.5
Manufacturing	84	4.7	3.2	3.1
Durables	49	5.0	2.6	3.2
Nondurables	35	4.5	3.9	2.9
Utilities	6	8.4	4.4	1.5

2. Growth in industrial production in six countries, selected periods

Average annual increase in percent

Country	1967–84	1967–77	1977–84
United States	3.0	3.1	2.9
Federal Republic of Germany	2.6	3.8	.8
France	2.8	4.2	.8
Italy	2.6	3.8	.9
Japan	5.9	6.6	4.8
United Kingdom	1.3	2.1	.3

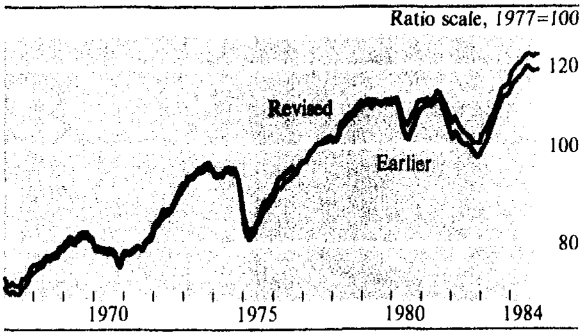
SOURCE. *International Financial Statistics*.

Timing of Peaks and Troughs

As chart 1 shows, the revised index of total industrial production displays much the same cyclical variation as did the previously published index. Only for 1973–74 does the current revision result in a noticeable difference in the timing of a peak or trough in industrial activity. Both indexes reveal a rapid fall in output in the closing months of 1974 and a bottoming out in March 1975. But the revised index reveals a peak in output in the autumn of 1973 and then a fall of almost 2 percent by the third quarter of 1974, while the previously published index fluctuated in a narrow range between November 1973 and September 1974. The revised figures conform more closely to the cyclical timing reported by the National Bureau of Economic Research, which put the peak in November 1973.

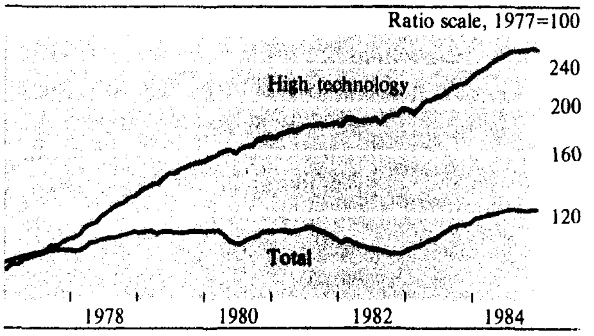
In the most recent cycle, July 1981 remains the high point, after which total output fell more than 11 percent over the following 15 months. According to the revised index, production at the cyclical low was virtually flat during the last three months of 1982, at a level scarcely above the 1977 average, while the previously published index pointed to a distinct trough, in November 1982. Both indexes show the strong rebound in overall industrial output during 1983 and the first half of 1984, as well as the leveling out since the summer of 1984.

1. Revised and earlier industrial production indexes



Monthly data, seasonally adjusted.

2. Total industrial production and high technology industries



Monthly data, seasonally adjusted.
The high-technology category includes office and computing machines, electronic communications, electronic components, medical instruments, and copiers and related equipment. The combined 1977 weight of these high-technology industries in total industrial production is 6.1 percent.

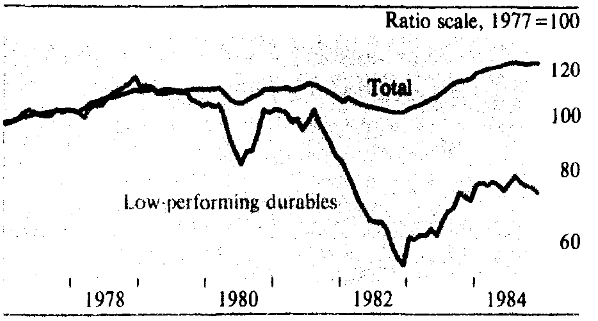
Sectoral Developments

The U.S. economy in recent years has benefited from rapid growth of some new industries, while many of its older industries have matured and slowed in their rate of growth. Some of the fastest-growing industries have been those that embody sophisticated technology in both their production processes and their final products. Chart 2 plots production for a group of such "high technology" industries—office and computing machines, copiers and related equipment, electronic communications, electronic components, and medical instruments—against total industrial production. Because these industries have grown at a much faster rate than total industrial production since 1977, their combined proportion in the overall index has increased from 6.1 percent in 1977 to 12.9 percent by the end of 1984. These and other fast-growing industries have on balance accounted for most of the growth in total industrial production since the late 1970s.

A major revision in the industrial production index generally results in an upward adjustment to the output of "growth industries." One reason is that available current monthly data are likely to fail to capture the full contribution of firms and products that enter the market in the years between major revisions. The real extent of this contribution becomes known only in the light of more comprehensive data. The latest revision confirms this tendency: the average annual rate of growth in high-technology industries as measured by the revised index was 14 percent during the 1977–84 period, compared with 9 percent in the earlier index. In contrast, downward revisions were evident in slower-growing or declining industries such as metal mining, primary metals, fabricated metals, leather and leather products, and gas utilities (table 3).

Among the durable goods industries, the revision underscores the weakness in manufacturing of equipment for agriculture, construction and mining, and railroads; in commercial shipbuilding; and in primary metals. For this set of industries, output peaked in 1979 and has since declined about 40 percent (chart 3). The contribution of these industries to total industrial production has shrunk from 8.0 percent in 1977 to 4.7 percent at the end of 1984.

3. Total industrial production and low-performing durable goods industries



Monthly data, seasonally adjusted.
Low-performing durables include farm equipment, construction and mining equipment, railroad equipment, commercial shipbuilding, and primary metals. The 1977 weight of low-performing durables in total industrial production is 8.0 percent.

The rate of growth in the output of many nondurable manufacturing industries also has slowed in the past decade despite strength in such areas as paper, printing and publishing, and rubber and plastics products. Besides the leather and products industry, which has been in actual decline since the late 1960s, the most pronounced loss has occurred in refining of petroleum products, which dropped after each of the major rounds of price increases for crude oil and has recovered only partially since 1982. At the end of 1984, output of petroleum refineries was about one-fifth below the 1978–79 high. The need for domestic refining of crude oil has diminished because domestic production of crude oil has changed little since the development of the Alaska North Slope field in the late 1970s and because the volume of imported crude oil has fallen. Moreover, imports of refined petroleum products have increased as refining capacity abroad has expanded.

Among other nondurable goods industries, output of textile mill products and apparel has stagnated in recent years as imports have satisfied the increases in domestic demand. Growth in the chemical industry—the largest industry

3. Comparison of rates of growth in industrial production

Series	Average annual rate of growth, revised index (percent)			Growth rate calculated with revised index minus growth rate calculated with earlier index		
	1967–84	1967–77	1977–84	1967–84	1967–77	1977–84
Total	3.0	3.1	2.9	[illegible]	−.2	.5
Major market groups						
Products, total	3.2	3.0	3.5	.4	−.3	.9
Consumer goods	3.1	3.6	2.4	.4	−.3	.8
Business and defense equipment	3.0	1.8	4.9	.3	−.3	.7
Business	4.1	3.9	4.4	.8	−.1	1.3
Defense and space	.4	−3.8	6.7	−1.4	−1.8	−.9
Intermediate products	3.3	3.4	3.2	.3	−.4	.7
Construction supplies	2.3	2.6	1.8	−.3	−.9	.1
Materials	2.7	3.3	2.0	−.1	0	−.2
Durable	3.0	3.0	2.9	.2	−.1	.4
Nondurable	3.4	4.7	1.5	−.3	.2	−.9
Energy	1.4	1.9	.6	−.2	−.2	−.8
Major industry groups						
Mining	1.3	1.1	1.5	−.1	−.6	.6
Metal mining	−1.5	0	−3.7	−1.0	−.8	−1.7
Coal	2.7	2.0	3.5	.1	0	−.1
Oil and gas extraction	1.1	.9	1.3	−.3	−.8	.9
Stone and earth minerals	2.0	1.8	2.2	−.2	−.4	.1
Manufacturing	3.2	3.2	3.1	.3	−.1	.6
Durables	2.9	2.6	3.2	.3	−.1	.7
Lumber and products	1.9	2.3	1.5	−.1	−.4	−.5
Furniture and fixtures	3.7	3.1	4.6	.1	−.7	.6
Clay, glass, stone products	2.5	3.1	1.7	−.3	−.7	.4
Primary metals	−.6	.9	−2.7	−.3	−.2	−.5
Fabricated metal products	1.3	1.9	.4	−.4	−.8	−.3
Nonelectrical machinery	4.3	3.8	5.1	.7	.1	1.7
Electrical machinery	6.0	4.5	8.1	1.3	.7	2.2
Transportation equipment	1.8	1.9	1.8	−.1	−.1	.1
Instruments	5.9	6.9	4.6	2.6	2.3	3.0
Miscellaneous manufactures	1.8	3.2	−.3	−.6	−.9	−.3
Nondurables	3.5	3.9	2.9	0	−.3	.4
Food and products	3.1	2.9	3.5	.2	−.4	1.2
Tobacco	.6	.9	.1	−.2	−.3	−.2
Textile mill products	2.3	3.5	.5	.4	.3	.1
Apparel products	1.4	2.1	.4	−.2	−.9	.8
Paper and products	3.4	3.3	3.5	.1	.1	0
Printing and publishing	3.7	2.4	5.8	.5	−.1	1.6
Chemicals and products	5.0	6.6	2.8	0	.2	−.2
Petroleum products	1.2	3.5	−1.9	−.1	−.1	0
Rubber and plastics products	6.6	7.5	5.3	−.7	−1.3	.1
Leather and products	−3.1	−2.7	−3.7	−.1	.3	−.8
Utilities	3.2	4.4	1.5	−.4	−.2	−.6
Electric	4.4	5.9	2.2	.1	0	0
Gas	.4	1.0	−.4	−1.2	−.2	−2.4

included in nondurable manufacturing—has slowed appreciably, despite continued strength in plastics materials and in drugs and other consumer chemical products. Weakness was concentrated among agricultural chemicals; their output was lower in late 1984 than it had been five years earlier.

Weakness since the 1970s in many of the industries mentioned above was due to a number of factors. In particular, the two rounds of energy price increases in the 1970s were detrimental to the growth of real income in the United States and thus restrained the demand for industrial goods. Later, the recessions of 1980 and 1981–82 curtailed aggregate demand again. Although the influence of these factors has receded, the strength of the dollar in recent years has caused U.S. exports to stagnate and imports of manufactured goods and materials to surge. Foreign supplies of goods such as chemicals, textiles, metals, and some other major industrial materials have become increasingly available at attractive prices. Even imports of materials that are relatively costly to transport, such as gypsum board, have increased in recent years. In addition, imports of capital equipment and finished consumer goods have gained ground while exports of such goods have leveled off.

STATISTICAL CHANGES

As noted earlier, the changes in this revision of industrial production, as in previous revisions, arise from a variety of sources. Individual series have been affected most by the benchmarking procedure, in which most series are brought into conformity with Census production indexes or with other data that are more comprehensive than those from which the monthly indexes are constructed. In some cases, series were revised very little; in others, revisions were substantial. In general, aggregates showed less revision than their component parts because of offsetting

4. Additions to basic series in the industrial production index

New series	SIC	Market classification	Reason for addition[1]
Gold and silver ores	104	Durable materials, n.e.c.	New data source
Ferroalloy ores	106	Durable materials, n.e.c.	New data source
Miscellaneous metal ores	105, 8, 9	Durable materials, n.e.c.	Disaggregation
Chemicals and fertilizer materials	147	Chemical materials	New data source
Poultry	201[2]	Consumer staples	Disaggregation
Corn oil	2046[2]	Consumer staples	New data source
Corn syrup and starch	2046[2]	Nondurable materials, n.e.c.	New data source
Pet foods	2047	Consumer staples	Disaggregation
Roasted coffee	2095	Consumer staples	Disaggregation
Narrow fabrics	224	Textile materials	Disaggregation
Flooring	2426	Construction supplies	New data source
Inorganic pigments	2816	Chemical materials	Disaggregation; SIC change
Replacement tires, business	301[2]	Business supplies	Disaggregation
Original equipment business tires	301[2]	Equipment parts	Disaggregation
Clay sewer pipe	3259	Construction supplies	New data source
Clay tile	3253, 5	Construction supplies	New data source
Miscellaneous nonferrous metals	3332, 3, 9	Durable materials, n.e.c.	New data source
Ordnance	348[2]	Defense and space equipment	Disaggregation; SIC change
Computer parts	357[2]	Equipment parts	Disaggregation
Electronic communications			
Nondefense	3662[2]	Commercial equipment	Disaggregation
Parts	3662[2]	Equipment parts	Disaggregation
Automobiles, consumer	371[2]	Automotive products	Disaggregation
Automobiles, business	371[2]	Transit equipment	Disaggregation
Military aircraft equipment, n.e.c.	3724, 8[2]	Defense and space equipment	SIC change
Aircraft parts	3724, 8[2]	Equipment parts	SIC change
Guided missiles and space vehicles	3761	Defense and space equipment	SIC change
Missile and space vehicle parts	3764, 9	Equipment parts	SIC change
Travel trailers and campers	3792	Automotive products	Disaggregation
Tanks	3795	Defense and space equipment	Disaggregation
Transportation equipment, n.e.c.	3799	Automotive products	Disaggregation
Watches and eyeglasses	385, 7	Home goods	SIC change
Copiers and related equipment	386	Commercial equipment	Disaggregation

1. Modifications of existing series arising from changes in source, scope, or aggregation are not shown.

2. Only a portion of this SIC industry is included in the associated market classification.

changes in the individual series. In addition to level corrections made as a result of the benchmarking procedure, changes have been made to individual series with the incorporation of data from new sources. Further changes result from the alignment of industrial production series with the 1977 Standard Industrial Classification; the 1967 version was used in the last major revision. Finally, some series were added as new sources of data became available (table 4).

Special Problems

Several individual industries pose special measurement problems—for example, office and computing machines (SIC 357). This industry includes computers, accounting and calculating machines, and typewriters. The adjustment to new benchmark data and to more comprehensive interim data has yielded an upward revision in the average annual rate of growth of this industry from 12 percent to 22 percent for the 1977–84 period. Technological advances in computing equipment have spurred tremendous leaps in the ability to store, retrieve, and manipulate data. At the same time, both the size and the price of computer components have fallen. Equipment of essentially the same size and price as a piece several years older often offers a marked improvement in capability; this increase in "quality" (broadly defined) implies a reduction in the price per operation of a magnitude that is difficult to assess. For the 1977–84 period, estimates of price reduction in computers after adjustment for quality change range widely, from 10 percent to more than 80 percent. For the purpose of forming the annual production indexes for the industry, a conservative estimate of a decline in prices of about 20 percent from 1977 to 1984 was used to deflate dollar-value data for the office and computing machines industry. During this same period, the producer price index for manufacturing capital goods increased about 63 percent, thus implying a difference of more than 80 percentage points in the movements of the prices of office and computing machines and those for capital goods generally.

Revisions in the apparel series typify the need for adaptation to the loss of a data source. To make up for the elimination of monthly Census surveys of this industry, production indexes for it are now based on data on production-worker hours from the monthly establishment survey conducted by the Bureau of Labor Statistics.

New industry classifications called for revisions to many individual series in both the durable and nondurable manufacturing industries. For instance, ordnance and accessories (formerly SIC 19) was split between two existing durable manufacturing industries in the 1972 version of the SIC. The portion of this industry covering small arms and ammunition was placed in the fabricated metal products industry (SIC 34), while guided missiles and tanks—included in defense equipment in the market classification of the index—were placed in the transportation equipment industry (SIC 37). Three separate industrial production series were developed for these components: one for small arms and ammunition, one for guided missiles, and one for tanks. All three are estimated on a monthly basis from data on production-worker hours.

Among the nondurable manufacturing industries, changes to series necessitated by modifications in the Standard Industrial Classification were especially extensive in the chemicals and products industry. This industry now covers eighteen series (one more than previously), of which four are new in coverage, source, or composition.

Improvement of Market Classifications

The industrial production index is organized both by industry groups defined by the SIC codes and by market groups developed by the Federal Reserve. During the most recent revision, several series have been developed to augment the market classification. All automobiles, for example, were formerly classified as consumer goods, when in fact a sizable portion was acquired by government or businesses for their own use or to lease or rent. The revision has split the auto production series to create a new series on business autos, based on fleet acquisition data, which was made a part of the series on business equipment. The classification of autos by two sizes was discontinued because the progressive reduction in the size of autos since the 1970s made the distinction between sizes less useful than it had been. More meaningful market groups became possible in tire production; the portion of tires sold for new trucks was placed in equipment parts rather than in intermediate products.

A newly created market group comprises mobile homes and oil and gas well drilling. Mobile homes are difficult to classify because they are usually transported to permanent locations after construction and are therefore not truly mobile. They are made from many different materials and serve a variety of uses, some as residences and some as shelters for workers and construction supervisors. In the market grouping of the index, manufactured homes, along with oil and gas well drilling, fall in a new category called "rigs and prefabs." This category is included as a separate component of total equipment, along with business and defense and space equipment.

Effect of New Weights

Levels and movements of the revised market and industry aggregates are influenced not only by

5. Proportions of value added in industrial production, by major market group and industry[1]

Series	1967 (percent)	1972 (percent)	1977 (percent)	1984 (percent)
Major market groups				
Total	100.00	100.00	100.00	100.00
Products, total	61.30	61.91	57.72	60.23
Consumer goods	27.65	27.90	25.52	24.77
Total equipment[2]	20.23	19.77	19.25	22.21
Business	13.27	14.08	14.34	15.88
Defense and space	6.96	4.80	3.67	4.75
Intermediate products	13.42	14.24	12.94	13.27
Construction supplies	6.51	6.80	5.96	5.57
Materials	38.70	38.09	42.28	39.78
Durable	20.29	19.81	20.50	20.59
Nondurable	10.10	9.80	10.10	9.22
Energy	8.31	8.48	11.69	9.98
Major industry groups				
Total	100.00	100.00	100.00	100.00
Mining	6.36	6.59	9.83	8.95
Metals	.51	.58	.50	.31
Coal	.69	.91	1.60	1.68
Oil and gas extraction	4.40	4.44	7.07	6.33
Stone and earth minerals	.75	.66	.66	.63
Manufacturing	87.95	87.33	84.22	85.67
Durables	51.98	51.08	49.10	50.31
Lumber and products	1.64	2.50	2.30	2.06
Furniture and fixtures	1.37	1.48	1.27	1.42
Clay, glass, stone products	2.74	3.05	2.72	2.50
Primary metals	6.57	5.63	5.33	3.61
Fabricated metal products	5.93	6.51	6.46	5.45
Nonelectrical machinery	9.15	9.09	9.54	11.12
Electrical machinery	8.05	7.40	7.15	10.12
Transportation equipment	9.27	9.63	9.13	8.51
Instruments	2.11	2.56	2.66	2.99
Miscellaneous manufactures	1.51	1.64	1.46	1.18
Nondurables	35.97	36.26	35.11	35.31
Food and products	8.75	8.62	7.96	8.30
Tobacco	.67	.64	.62	.51
Textile mill products	2.68	2.84	2.29	1.95
Apparel products	3.31	3.27	2.79	2.36
Paper and products	3.21	3.16	3.15	3.29
Printing and publishing	4.72	4.89	4.54	5.51
Chemicals and products	7.74	7.85	8.05	8.04
Petroleum products	1.79	1.47	2.40	1.72
Rubber and plastics products	2.24	2.82	2.80	3.29
Leather and products	.86	.71	.53	.33
Utilities	5.69	6.08	5.96	5.42
Electric	3.88	4.13	4.17	4.00
Gas	1.81	1.96	1.78	1.42

1. Components may not add to aggregate totals because of rounding and the omission of some series.

2. The new category, "rigs and prefabs," referred to above is not shown separately because of its small proportion in the total index.

revisions to basic series but also by the application of new weights. The industrial production weights, based on value-added data from the Census, are used in combining individual series or subgroups into various totals. A comparison of proportions for major industries—the relative importance of the groups for that year—can be seen in table 5. Preliminary 1984 contributions to the total index, calculated on the basis of the 1977 value-added weights and 1984 production levels, are also shown. The 1984 proportions may be indicative of the way weights will change in the future. However, the differences between the 1977 weights and the 1984 proportions reflect movements in output between those years but not changes in relative prices. In many instances, output movements reflect estimated changes in the quality of goods, which often have a significant effect on the shares of industries undergoing rapid innovation. When new value-added weights for 1982 and 1987 are introduced, however, the shares of fast-growing industries in the total index are likely to shrink because prices in such industries tend to increase less than the average.

Two examples stand out. While the output of computers has surged since the last major revision, rapid innovation has allowed declines in price and increases in demand. As a consequence, the total value added for the office and computing machines industry (SIC 357) through the mid-1970s has increased only moderately relative to that for total industry, and the value-added weight increased from a 1967 figure of 1.1 percent to a 1977 figure of 1.4 percent. By contrast, with oil prices much higher in 1977 than in 1967, prices of energy-related goods climbed sharply. Thus the 1977 valued-added weight for the oil and gas extraction industry (SIC 13) is 7.1 percent, up from the 1967 figure of 4.4 percent; for coal, a competitive product, the weight is 1.6 percent, up from its 1967 value of 0.7 percent.

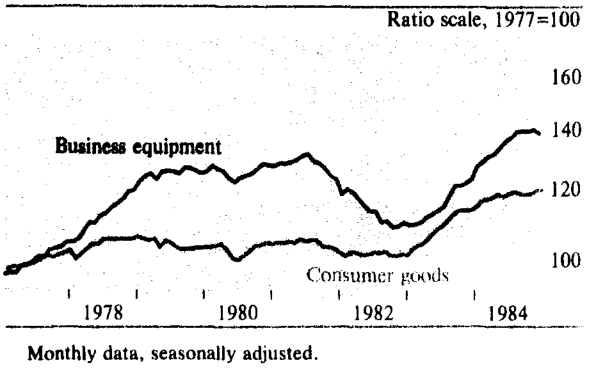
In the monthly index, the current proportion of an individual industry in the total index should increase only when production in that industry picks up more than production in the remainder of the index. For instance, from 1977 to 1984 the office and computing machines industry grew at an average annual rate of 22 percent, compared with average annual growth of 2.9 percent in total industrial production; accordingly, the proportion of this industry in the total index increased from 1.4 percent in 1977 to 4.6 percent in 1984. In contrast, the average annual rate of growth of the oil and gas extraction industry from 1977 to 1984 was 1.3 percent, less than that for the total index, and its proportion fell from 7.1 percent in 1977 to 6.3 percent in 1984.

Results of the Revision

For the 1967–84 period as a whole, the revision caused the measure of growth in total industrial production to move slightly upward. During the first part of this period (1967–77), the revised index displays slightly less growth in most major market categories than did the earlier index (table 3). Revisions in the 1977–84 period, however, were generally upward. Sizable changes in the indexes for business equipment resulted largely from upward revisions to computers, instruments, and electronic equipment. In the consumer goods market group, the upward revision for the 1977–84 period was due partly to upward revisions in the home goods and food products series. Defense and space equipment, on the other hand, was revised sharply downward mainly because of a reclassification of nondefense portions of the electronic communications industry (SIC 366) out of defense equipment and into business equipment and equipment materials. In addition, newly available data occasioned a downward shift in the military aircraft series.

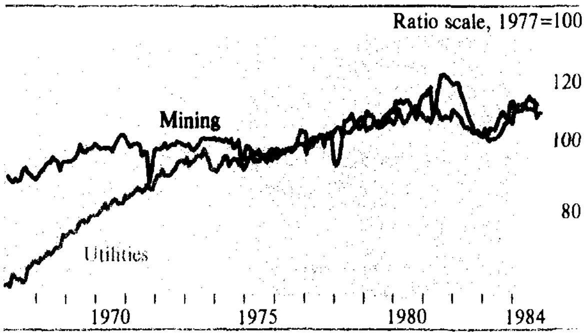
The growth since 1977 of some of the major market aggregates is shown in chart 4. Boosted

4. Market aggregates in the industrial production index



Monthly data, seasonally adjusted.

5. Industrial production indexes of mining and utilities



Monthly data, seasonally adjusted.

by strong demand for computing equipment, growth of business equipment production has exceeded that for consumer goods. In addition, the output of defense and space equipment has been growing vigorously since 1979.

Viewing production by industrial groups, the growth in the manufacturing sector, which accounted for about 84 percent of total industrial production in 1977, was revised downward only slightly for the 1967–77 period. The downward revision in the rubber and plastics products and apparel industries was the most significant among those in the nondurable goods industries. Smaller downward revisions were made in the food, tobacco, printing, and petroleum industries; and upward revisions were significant in textile mill products and in chemicals (table 3). Revisions for the durable manufacturing industries in the 1967–77 period were nearly offsetting, and thus the durables index reflects growth at nearly the same rate as shown previously. This overall stability conceals substantial revisions in some industries. Growth in furniture and fixtures, in clay, glass, and stone, in fabricated metals, and in miscellaneous manufactures was revised appreciably downward; growth in instruments and electrical machinery was substantially greater than previously indicated.

During the 1977–84 period, annual growth in the nondurable manufacturing industries was 0.4 percentage point greater than shown in the earlier index, with the largest upward revisions in the food products and printing and publishing industries. Growth in the durable manufacturing industries was revised upward by 0.7 percentage point during this same period. Nonelectrical machinery (including computers), electrical machinery, and instruments all show substantially more growth in the revised index than previously indicated.

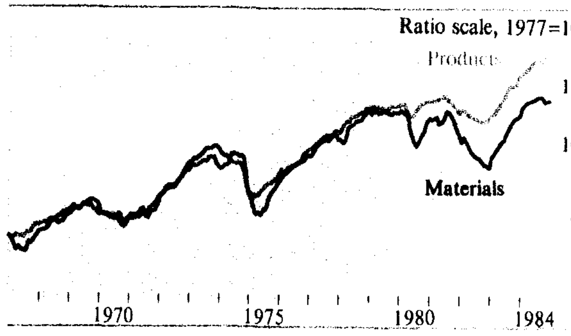
Growth in the industrial production index for mining was revised downward for the 1967–77 period because the rates of growth of metal mining, oil and gas extraction, and stone and earth minerals were all revised downward. In the 1977–84 period, the revised index for mining shows faster growth than did the previously published index because of an upward revision to growth in the oil and gas extraction industry.

The utility component of the index was revised downward in both the periods. Very slight upward revisions in electric utilities were more than offset by sizable downward revisions in the gas utility series. These results reinforce the downward shift in the trend rate of growth in utilities that occurred after the surge in energy prices in the mid-1970s. From an average of about 7 percent per year before 1973, the trend rate of increase in utility output subsequently receded to about 2 percent per year (chart 5).

Shift in the Relationship between Products and Materials

For about three decades after the Second World War, products and materials in the aggregate had similar trend rates of growth, though materials output varied more than products output (chart 6). In recent years, the trends have diverged, and by the end of 1984, the level of materials output

6. Industrial production indexes of products and materials



Monthly data, seasonally adjusted.

was about 12 percent below that of products. Several factors may account for the recent change in this relationship. Domestic producers of raw materials have faced stiff competition from foreign producers. Moreover, domestic industries import many parts for their products, such as semiconductors, auto engines, and specialty steel; these parts are classified as materials. In addition, in some production processes, materials usage has been reduced outright. In the case of motor vehicle production, for example, both materials substitution and reductions in the size of vehicles have contributed to a lowering in demand for steel in each vehicle produced. Further, in the 1980–84 period, users of materials had both the incentive—the high interest cost of carrying stock—and the means—computerized inventory control—to hold stocks of materials to the minimum necessary for a given level of production. Finally, as mentioned earlier, the value-added weights for many energy-related industries increased markedly from 1967 to 1977. These industries, the products of which are mostly included in the materials group, have grown relatively little in recent years, and have therefore contributed to the divergence in growth between products and materials.

Seasonal Adjustment

The separation of seasonal movements from cyclical and irregular fluctuations and from trend is of crucial importance in the compilation of the industrial production index and greatly affects the reliability of the monthly estimates. Adjustments for seasonality are attempts to remove variations in output that are due to regularly recurring events such as the seasons, holidays, and vacations. The ratio-to-moving-average technique, which was introduced before the Second World War, is used to accomplish seasonal adjustment. Studies have indicated, however, that this technique tends to attribute more to seasonal fluctuation than is appropriate in certain instances. In particular, the standard method erroneously includes some of the effects of lengthy strikes and sharp cyclical movements in the calculation of the seasonal factors. To remedy this problem, a supplementary method of

6. Seasonal factors used to adjust data on automobile production, 1967–84

Year	Quarter			
	First	Second	Third	Fourth
1967	105.9	115.2	70.6	107.9
1968	106.9	113.0	66.1	113.8
1969	108.5	112.6	71.8	107.2
1970	109.2	112.9	73.4	103.4
1971	109.6	111.2	78.0	100.8
1972	101.7	112.3	84.3	101.6
1973	101.9	112.1	83.8	101.2
1974	102.3	112.7	83.0	101.0
1975	102.5	113.2	84.9	99.1
1976	102.9	113.6	82.8	100.6
1977	105.2	113.7	81.1	100.1
1978	106.3	112.1	80.1	101.4
1979	105.3	112.1	82.1	100.7
1980	104.0	112.8	82.0	101.6
1981	102.4	112.3	82.8	102.7
1982	102.5	111.2	83.7	102.8
1983	103.0	110.7	84.6	102.0
1984	104.2	106.4	87.5	102.3

adjustment, known as intervention analysis, is used to exclude data for such periods from the calculation of seasonal factors.[1]

The seasonal patterns displayed in the individual industrial production series vary widely. Some industries exhibit seasonal fluctuations of 40 percent or more within the calendar year. The closedown of automobile assembly plants to permit retooling for new models poses a special challenge. The closedowns usually occur annually, although not necessarily at exactly the same time each year. The approach used in constructing the industrial production index is to shift the seasonal factor to coincide with the closedown chosen by the industry (similar to the shift of the Easter seasonal factor for department store sales as the date of Easter shifts). The shifting of seasonal factors between the second and the third quarters can be seen in table 6. For instance, in 1984 the seasonal factor for the second quarter is lower than that for 1983, whereas the third-quarter seasonal factor is higher. The seasonal factors were changed because most closedowns for model changeover occurred in the third quarter in 1983, but in 1984 some were shifted to the second quarter.

1. A formal theoretical statement of this technique appears in G.E.P. Box and G.C. Tiao, "Intervention Analysis with Applications to Economic and Environmental Problems," *Journal of the American Statistical Association*, vol. 70 (March 1975), pp. 70–79.

Conclusion

The revised industrial production index shows essentially the same historical movements as the previously published index. In particular, the deceleration of growth in the industrial sector during the past 10 to 15 years is confirmed in the revised index, and the cyclical patterns in the revised index are much the same as those in the earlier one. In general, growth rates for vibrant new industries have been revised upward, whereas growth in some long-established industries has been revised downward. On balance, however, revisions were on the upside.

Whether growth in the industrial sector will return to more robust rates depends on a number of factors. From a short-term perspective, the strong dollar and the associated extraordinary U.S. trade deficits have inhibited growth in the industrial sector. Sometimes overshadowed by these developments is the longer-term challenge to U.S. manufacturing in both domestic and world markets posed by the rise of competitive industries in Europe and Asia. To meet this challenge, U.S. firms will need to become more efficient and to develop and market products in industries in which the United States holds a comparative advantage over other countries. □

The appendix tables follow.

A.1 Revised indexes of industrial production, seasonally adjusted, 1977 = 100

Year	Month												Quarter				Annual average
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1	2	3	4	
									Total index								
1977	96.5	97.2	98.0	99.0	99.6	100.4	100.7	101.0	101.4	101.8	102.1	102.1	97.3	99.7	101.0	102.0	100.0
1978	101.6	101.6	103.0	105.5	105.8	106.9	107.5	107.7	108.3	109.2	109.9	110.8	102.1	106.1	107.9	110.0	106.5
1979	110.3	110.9	111.2	109.9	110.9	110.9	110.5	110.2	110.4	111.0	111.0	111.0	110.8	110.6	110.4	111.0	110.7
1980	111.3	111.4	111.4	109.1	106.2	105.0	104.8	106.3	107.7	108.5	110.7	111.0	111.4	106.8	106.3	110.1	108.6
1981	111.0	111.2	111.6	110.6	111.2	112.0	113.4	112.8	111.5	110.4	109.0	107.4	111.2	111.3	112.5	108.9	111.0
1982	105.4	107.0	105.8	104.5	103.6	103.0	102.5	102.0	101.3	100.5	100.6	100.5	106.1	103.7	102.0	100.6	103.1
1983	102.5	103.3	104.2	105.6	106.9	107.8	109.8	111.6	113.7	114.4	114.8	115.5	103.3	106.8	111.7	114.9	109.2
1984	118.4	119.3	120.1	120.7	121.3	122.3	123.2	123.5	123.3	122.7	123.4	123.3	119.3	121.5	123.4	123.1	121.8
									Products, total								
1977	97.0	97.4	97.7	98.8	99.3	100.1	100.6	101.3	101.5	101.6	101.8	103.0	97.3	99.4	101.1	102.1	100.0
1978	102.1	102.7	104.5	105.9	106.0	107.5	107.7	108.0	108.7	109.1	109.8	110.6	103.1	106.5	108.1	109.8	106.9
1979	110.7	111.1	111.4	109.8	111.3	111.1	110.6	110.2	110.9	111.5	111.4	111.5	111.1	110.7	110.6	111.5	111.0
1980	111.5	112.4	112.4	110.4	108.5	108.1	108.8	110.4	111.5	112.1	113.1	113.0	112.1	109.0	110.3	112.7	111.0
1981	113.1	113.2	113.6	113.5	114.4	114.4	115.2	114.5	113.3	112.7	111.7	110.9	113.3	114.1	114.3	111.8	113.4
1982	109.0	110.6	109.9	108.7	108.3	107.8	107.6	106.9	106.4	105.7	106.1	106.2	109.8	108.3	106.9	106.0	107.8
1983	107.5	108.0	108.8	110.4	111.6	112.8	114.4	116.5	118.4	118.9	119.1	120.0	108.1	111.6	116.4	119.3	113.9
1984	122.8	123.7	124.5	125.4	126.2	127.5	128.6	129.0	128.8	129.0	129.9	129.8	123.7	126.4	128.8	129.5	127.1
									Final products								
1977	97.3	97.8	97.8	98.9	99.2	99.9	100.6	101.2	101.4	101.4	101.7	102.8	97.7	99.3	101.1	101.9	100.0
1978	101.6	102.5	104.4	106.0	106.1	107.5	107.8	108.3	108.9	109.2	109.9	110.5	102.8	106.5	108.3	109.9	106.9
1979	110.8	111.0	111.5	109.4	111.4	111.1	110.6	110.2	111.1	111.5	111.5	111.4	111.1	110.6	110.6	111.5	111.0
1980	111.8	112.9	112.9	111.9	110.1	109.6	110.7	111.7	112.8	113.5	114.5	114.1	112.5	110.5	111.7	114.0	112.2
1981	114.2	114.7	115.1	115.2	116.0	116.2	116.9	116.3	115.3	115.1	114.0	113.2	114.7	115.8	116.2	114.1	115.2
1982	111.0	112.5	112.0	110.8	110.2	109.6	109.3	108.3	107.7	107.0	107.4	107.9	111.8	110.2	108.4	107.4	109.5
1983	108.6	109.0	109.7	111.3	112.5	113.6	115.1	117.3	119.2	119.3	119.7	120.8	109.1	112.5	117.2	120.0	114.7
1984	123.4	124.2	125.0	126.1	126.8	128.2	129.2	129.7	129.8	129.9	130.7	130.6	124.2	127.1	129.5	130.4	127.8
									Consumer goods								
1977	98.0	98.5	98.4	99.0	99.1	99.7	100.3	101.3	100.6	101.3	101.7	102.4	98.3	99.3	100.7	101.8	100.0
1978	100.1	101.6	102.9	104.2	104.1	105.4	105.4	105.3	105.5	105.4	105.4	106.1	101.6	104.6	105.4	105.7	104.3
1979	105.4	105.0	105.5	103.1	105.0	104.3	103.2	102.6	102.8	102.9	103.1	103.2	105.3	104.1	102.9	103.1	103.9
1980	103.2	103.6	104.1	102.5	100.2	99.9	101.0	102.1	103.5	103.8	104.3	104.1	103.6	100.9	102.2	104.1	102.7
1981	104.4	104.3	104.7	104.4	105.4	104.7	105.1	104.9	103.3	103.3	102.7	101.6	104.5	104.8	104.4	102.5	104.1
1982	100.7	101.9	101.7	101.2	101.3	101.8	101.7	102.0	101.0	100.9	101.3	101.1	101.4	101.4	101.5	101.1	101.4
1983	103.0	103.7	104.5	106.2	107.8	108.8	110.3	112.2	113.4	113.6	113.6	114.4	103.7	107.6	112.0	113.9	109.3
1984	116.2	116.9	117.3	118.3	117.7	118.5	119.1	118.4	118.3	118.5	119.6	119.7	116.8	118.2	118.6	119.3	118.2
									Durable consumer goods								
1977	95.5	95.5	97.2	97.6	98.4	100.5	101.8	102.6	102.5	103.0	102.0	103.8	96.1	98.9	102.3	103.0	100.0
1978	96.7	99.9	102.4	105.3	103.6	105.3	106.2	105.6	104.6	105.1	105.2	105.7	99.6	104.7	105.5	105.3	103.7
1979	104.9	104.7	104.5	96.5	102.3	102.3	100.7	95.7	97.1	96.2	95.6	96.0	104.7	100.4	97.8	95.9	99.9
1980	91.9	93.0	93.2	87.6	82.6	81.3	82.0	84.3	88.0	90.8	93.8	92.3	92.7	83.8	84.8	92.3	88.4
1981	91.3	91.5	91.3	91.4	93.2	92.6	92.4	91.2	88.0	87.8	84.4	79.8	91.4	92.4	90.6	84.0	89.7
1982	78.4	81.4	82.0	83.5	84.0	85.9	86.2	86.2	83.0	81.0	81.2	81.4	80.6	84.5	85.1	81.2	82.9
1983	86.3	89.4	91.6	93.2	95.6	97.5	99.7	102.6	104.3	106.5	106.7	109.7	89.1	95.5	102.2	107.6	98.5
1984	113.0	113.0	112.8	113.0	111.8	111.7	113.8	113.3	111.5	111.4	113.3	113.1	112.9	112.2	112.9	112.6	112.6
									Nondurable consumer goods								
1977	99.0	99.6	98.9	99.4	99.4	99.4	99.7	100.7	99.8	100.6	101.5	101.8	99.2	99.4	100.1	101.3	100.0
1978	101.4	102.2	103.1	103.7	104.3	105.4	105.1	105.1	105.9	105.5	105.5	106.3	102.3	104.5	105.4	105.8	104.5
1979	105.6	105.1	105.8	105.5	106.1	105.0	104.2	105.1	104.9	105.5	106.0	105.9	105.5	105.5	104.7	105.8	105.4
1980	107.5	107.6	108.2	108.1	106.9	107.0	108.1	108.8	109.3	108.7	108.3	108.4	107.8	107.4	108.8	108.5	108.1
1981	109.2	109.0	109.6	109.1	109.7	109.0	109.6	109.8	108.8	108.9	109.4	109.6	109.3	109.3	109.4	109.3	109.3
1982	108.9	109.5	109.0	107.8	107.8	107.8	107.5	107.9	107.7	108.3	108.7	108.4	109.1	107.8	107.7	108.5	108.3
1983	109.2	109.0	109.2	111.0	112.3	112.9	114.3	115.7	116.7	116.2	116.1	116.1	109.1	112.1	115.6	116.1	113.3
1984	117.3	118.3	118.9	120.3	119.9	120.9	120.9	120.2	120.7	121.0	121.8	122.1	118.2	120.4	120.6	121.6	120.2
									Business equipment								
1977	96.2	96.6	96.5	98.3	98.4	99.5	100.8	100.7	102.5	102.7	103.2	104.4	96.4	98.7	101.3	103.5	100.0
1978	104.4	105.1	107.4	109.8	109.8	111.8	112.6	114.3	115.5	116.8	119.0	119.5	105.6	110.5	114.1	118.4	112.2
1979	122.1	123.6	124.5	122.7	125.2	125.4	125.2	124.4	126.4	126.3	125.5	124.6	123.4	124.5	125.3	125.5	124.7
1980	125.2	127.1	126.0	125.3	123.0	121.8	123.2	123.9	124.5	126.0	127.8	127.4	126.1	123.4	123.9	127.1	125.1
1981	127.0	128.0	127.9	128.3	128.9	130.3	131.1	128.7	127.9	126.3	123.8	122.8	127.6	129.1	129.2	124.3	127.6
1982	118.3	119.8	118.8	116.8	115.0	113.3	113.2	110.1	110.3	108.6	108.9	109.9	119.0	115.0	111.2	109.1	113.6
1983	109.2	109.4	110.0	111.5	112.4	113.4	114.6	117.7	120.8	120.7	121.7	123.0	109.5	112.5	117.7	121.8	115.4
1984	127.1	128.5	130.4	131.2	133.3	135.5	137.0	139.1	139.2	139.1	139.8	138.4	128.7	133.3	138.4	139.1	134.9
									Defense and space equipment								
1977	98.8	99.5	98.8	101.6	102.1	102.6	102.6	102.3	103.1	95.9	95.0	98.1	99.0	102.1	102.7	96.3	100.0
1978	98.4	95.4	100.4	100.9	101.0	101.9	102.1	102.5	103.3	102.5	102.5	103.6	98.1	101.2	102.6	102.9	101.2
1979	103.9	104.5	103.6	102.6	103.1	103.0	103.8	105.0	106.3	109.3	110.5	111.2	104.0	102.9	105.0	110.3	105.6
1980	112.1	113.6	113.6	115.3	115.6	116.2	114.4	115.6	116.3	116.7	117.5	117.9	113.1	115.7	115.4	117.3	115.4
1981	117.5	116.9	117.1	116.1	116.6	117.1	118.6	120.5	121.8	123.7	125.0	126.9	117.1	116.6	120.3	125.2	119.8
1982	124.3	128.5	129.5	131.6	133.5	133.9	134.3	134.2	135.2	136.4	137.4	136.9	127.4	133.0	134.6	136.9	133.0
1983	137.8	139.2	140.4	141.6	142.7	143.6	144.9	145.0	146.3	145.4	145.2	145.5	139.1	142.6	145.4	145.4	143.1
1984	148.8	151.3	151.9	155.6	156.0	157.2	158.5	160.7	163.4	163.5	163.3	165.3	150.6	156.3	160.8	164.1	157.9

A.1 Continued

Year	Month												Quarter				Annual average
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1	2	3	4	
	Intermediate products																
1977.......	95.8	96.0	97.2	98.4	99.6	100.7	100.7	101.6	101.4	102.4	102.2	103.6	96.3	99.6	101.2	102.8	100.0
1978.......	103.8	103.7	104.6	105.6	105.9	107.4	107.4	107.0	108.1	108.9	109.2	110.9	104.0	106.3	107.5	109.7	106.9
1979.......	110.2	111.2	111.0	110.7	110.8	110.7	110.5	110.2	110.3	111.2	111.2	111.7	110.8	110.7	110.3	111.3	110.8
1980.......	110.6	110.5	110.7	105.1	102.9	102.8	102.5	106.0	107.3	107.2	108.5	109.0	110.6	103.6	105.3	108.2	106.9
1981.......	109.3	108.3	108.7	107.9	109.0	108.5	109.4	108.5	106.3	104.8	104.1	102.8	108.8	108.5	108.1	103.9	107.3
1982.......	102.0	104.0	102.5	101.4	101.6	101.1	101.2	101.7	101.7	101.1	101.2	100.6	102.8	101.4	101.5	101.0	101.7
1983.......	103.6	104.3	105.6	107.3	108.4	110.0	112.2	113.7	115.9	117.3	117.2	117.6	104.5	108.6	113.9	117.4	111.2
1984.......	120.9	121.9	122.8	123.0	124.2	125.4	127.0	126.9	125.6	126.2	127.2	127.3	121.9	124.2	126.5	126.9	124.9
	Construction supplies																
1977.......	94.4	94.6	96.5	98.1	99.7	100.6	101.1	102.0	102.1	102.7	102.5	104.9	95.2	99.5	101.7	103.4	100.0
1978.......	104.2	103.9	104.1	105.4	105.6	107.1	106.9	107.0	108.2	108.6	109.6	111.8	104.1	106.0	107.4	110.0	106.9
1979.......	110.7	110.1	109.7	107.7	107.9	107.9	108.4	107.5	108.2	108.5	108.5	109.4	110.2	107.9	108.0	108.8	108.7
1980.......	108.1	108.2	106.8	98.1	94.6	93.8	92.8	98.6	100.6	100.7	102.8	103.3	107.7	95.5	97.3	102.3	100.6
1981.......	104.7	103.0	103.2	101.7	101.5	99.7	99.1	99.5	96.3	94.0	91.7	89.3	103.6	101.0	98.3	91.7	98.6
1982.......	88.5	91.2	88.7	87.3	88.1	88.2	88.1	89.4	88.5	87.1	87.9	86.3	89.5	87.9	88.7	87.1	88.3
1983.......	92.7	93.5	94.5	96.1	97.7	99.3	102.2	103.6	105.4	107.1	107.2	106.7	93.6	97.7	103.7	107.0	100.6
1984.......	111.2	112.4	113.9	113.7	113.1	114.3	114.3	115.3	114.7	114.6	115.7	114.7	112.5	113.7	114.8	115.0	114.0
	Materials																
1977.......	95.9	97.0	98.5	99.4	100.1	100.7	100.9	100.5	101.4	102.1	102.4	101.0	97.1	100.1	100.9	101.8	100.0
1978.......	100.9	100.0	101.0	104.9	105.5	106.1	107.2	107.3	107.7	109.2	110.1	111.1	100.6	105.5	107.4	110.2	105.9
1979.......	109.6	110.6	111.0	110.1	110.4	110.8	110.4	110.1	109.7	110.4	110.3	110.3	110.4	110.4	110.1	110.3	110.3
1980.......	111.0	110.2	110.0	107.3	103.1	100.7	99.2	100.6	102.5	103.6	107.3	108.4	110.4	103.7	100.8	106.4	105.3
1981.......	108.0	108.4	108.8	106.6	106.9	108.5	110.8	110.4	109.0	107.3	105.2	102.7	108.4	107.4	110.1	105.1	107.7
1982.......	100.4	102.0	100.3	98.7	97.1	96.4	95.7	95.5	94.4	93.5	93.2	92.6	100.9	97.4	95.2	93.1	96.7
1983.......	95.8	96.8	98.0	99.2	100.5	101.0	103.5	105.0	107.3	108.4	108.9	109.4	96.9	100.2	105.3	108.9	102.8
1984.......	112.4	113.3	114.1	114.4	114.7	115.2	115.8	116.1	115.9	114.2	114.6	114.6	113.3	114.8	116.0	114.5	114.6
	Manufacturing																
1977.......	96.0	97.0	97.7	98.8	99.6	100.2	100.6	101.6	101.5	101.8	102.1	103.0	96.9	99.6	101.2	102.3	100.0
1978.......	102.4	102.3	103.4	105.8	106.1	107.3	108.0	108.6	109.3	109.8	110.6	111.7	102.7	106.4	108.6	110.7	107.1
1979.......	111.1	111.7	112.1	110.3	112.1	112.0	111.8	111.2	111.2	111.7	111.1	111.2	111.6	111.5	111.4	111.3	111.5
1980.......	111.4	111.5	111.1	108.6	105.6	104.0	104.1	105.8	107.5	108.4	110.2	110.4	111.3	106.1	105.8	109.7	108.2
1981.......	110.6	110.7	111.1	111.2	111.7	111.7	112.9	112.3	110.8	109.4	107.6	105.8	110.8	111.6	112.0	107.6	110.5
1982.......	103.4	105.1	104.3	103.0	102.5	102.2	102.2	101.8	101.2	100.1	100.1	100.0	104.3	102.6	101.8	100.1	102.2
1983.......	102.4	103.5	104.9	106.3	107.9	109.0	111.2	113.1	115.2	115.9	116.2	116.8	103.6	107.7	113.2	116.3	110.2
1984.......	119.6	121.0	122.0	122.8	123.2	124.1	125.4	125.9	125.6	125.5	126.0	125.8	120.9	123.4	125.6	125.8	123.9
	Durable manufacturing																
1977.......	95.3	96.1	97.1	98.5	99.4	100.3	101.0	101.8	102.1	102.3	102.2	103.9	96.2	99.4	101.7	102.8	100.0
1978.......	102.4	102.3	103.7	106.4	106.7	107.9	109.2	110.1	110.9	111.9	113.0	114.4	102.8	107.0	110.0	113.1	108.2
1979.......	114.0	114.8	115.2	112.1	114.5	114.8	114.2	113.1	113.5	113.7	113.0	113.3	114.7	113.8	113.6	113.3	113.9
1980.......	112.7	113.3	113.1	109.9	106.2	104.2	103.9	105.9	107.4	109.2	112.0	111.8	113.0	106.8	105.7	111.0	109.1
1981.......	111.4	111.3	112.0	111.8	112.5	112.4	113.7	113.5	111.3	109.9	107.5	105.6	111.6	112.3	112.8	107.7	111.1
1982.......	101.9	103.8	103.0	101.7	100.9	100.5	100.5	99.3	98.1	96.3	96.2	96.5	102.9	101.0	99.3	96.3	99.9
1983.......	98.7	100.1	101.8	103.3	104.7	105.9	108.6	110.9	113.1	114.4	114.9	116.3	100.2	104.6	110.9	115.2	107.7
1984.......	119.6	121.0	122.2	123.3	123.8	124.7	126.4	127.7	127.2	127.0	127.5	127.4	120.9	123.9	127.1	127.3	124.8
	Nondurable manufacturing																
1977.......	97.1	98.1	98.6	99.4	100.0	100.2	100.1	101.2	100.6	101.0	101.9	101.8	97.9	99.9	100.7	101.5	100.0
1978.......	102.4	102.4	102.8	104.9	105.3	106.4	106.3	106.4	106.9	107.0	107.3	107.9	102.5	105.5	106.5	107.4	105.5
1979.......	107.1	107.2	107.9	107.9	108.8	108.2	108.6	108.7	108.0	108.9	108.6	108.4	107.4	108.3	108.4	108.7	108.2
1980.......	109.6	109.2	108.4	107.0	104.9	103.8	104.3	105.6	107.6	107.3	107.7	108.4	109.1	105.2	105.9	107.8	107.0
1981.......	109.4	109.8	109.9	110.3	110.7	110.7	111.8	110.8	110.0	108.6	107.9	106.3	109.7	110.6	110.8	107.6	109.7
1982.......	105.5	107.0	106.3	105.0	104.8	104.7	104.7	105.5	105.7	105.5	105.7	105.0	106.3	104.9	105.3	105.4	105.5
1983.......	107.5	108.2	109.4	110.6	112.4	113.4	114.9	116.2	118.0	117.9	117.9	117.5	108.4	112.1	116.3	117.7	113.7
1984.......	119.5	121.0	121.6	121.9	122.3	123.2	123.9	123.2	123.1	123.3	123.8	123.4	120.7	122.4	123.4	123.5	122.5
	Mining																
1977.......	95.7	99.1	100.6	100.8	100.8	101.6	101.7	98.1	102.1	102.1	102.6	94.1	98.5	101.1	100.6	99.6	100.0
1978.......	92.5	93.6	97.9	106.2	106.2	107.0	108.6	106.0	104.9	106.9	107.3	105.9	94.7	106.5	106.5	106.7	103.6
1979.......	103.1	104.0	104.0	105.8	105.3	106.1	105.1	107.3	108.1	108.6	109.8	109.1	103.7	105.7	106.8	109.2	106.4
1980.......	113.0	112.3	113.4	112.2	113.3	113.0	111.2	110.0	111.3	110.0	113.9	115.2	112.9	112.8	110.9	113.1	112.4
1981.......	115.0	117.2	117.9	107.8	109.3	116.1	122.2	122.7	121.9	121.3	120.1	119.1	116.7	111.1	122.2	120.2	117.5
1982.......	119.7	119.7	116.9	114.5	112.1	108.7	106.5	105.0	102.6	102.5	101.8	101.4	118.8	111.8	104.7	101.9	109.3
1983.......	103.8	100.6	99.7	100.4	100.3	100.7	101.7	103.2	105.3	106.2	107.0	105.4	101.4	100.4	103.4	106.2	102.9
1984.......	110.9	109.4	109.6	109.8	111.7	113.5	114.8	113.0	113.6	107.2	108.8	108.9	109.9	111.7	113.8	108.3	110.9
	Utilities																
1977.......	102.2	98.8	97.3	97.6	98.9	99.5	101.4	100.5	101.0	101.2	100.3	101.2	99.4	98.7	101.0	100.9	100.0
1978.......	102.8	103.9	103.6	101.3	102.0	102.3	102.0	103.0	104.2	104.0	103.3	104.4	103.4	101.9	103.1	103.9	103.1
1979.......	106.3	109.1	107.6	107.9	106.3	104.3	103.7	104.0	104.6	105.1	106.5	105.9	107.7	106.2	104.1	105.8	105.9
1980.......	104.8	106.3	109.8	107.1	105.1	105.6	107.4	109.1	108.9	106.7	108.7	108.4	106.9	105.9	108.5	107.9	107.3
1981.......	107.1	106.2	106.8	105.3	107.6	109.3	109.5	106.7	106.5	107.4	106.9	106.6	106.7	107.4	107.6	107.0	107.1
1982.......	109.7	109.0	107.8	107.1	104.8	103.8	103.7	103.4	102.2	102.0	102.8	101.2	108.8	105.2	103.1	102.0	104.8
1983.......	100.6	101.6	101.4	103.5	103.3	103.0	105.5	107.6	109.0	107.4	106.8	112.2	101.2	103.2	107.4	108.8	105.2
1984.......	112.7	109.4	111.6	111.4	111.6	111.4	109.8	110.0	109.7	109.4	112.1	111.6	111.2	111.4	109.8	111.1	110.9

A.2 Revised indexes of industrial production, not seasonally adjusted, 1977 = 100

Year	Month												Quarter				Annual average
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1	2	3	4	
	Total index																
1977....	93.5	97.2	98.3	98.8	99.8	103.1	98.5	101.5	104.2	103.8	102.0	99.1	96.3	100.6	101.4	101.6	100.0
1978....	98.4	101.7	103.1	105.7	105.7	109.7	105.1	108.4	111.3	111.4	109.8	107.7	101.1	107.0	108.3	109.6	106.5
1979....	106.8	111.0	111.7	109.5	110.8	113.8	108.2	111.0	113.5	113.4	110.8	107.9	109.9	111.4	110.9	110.7	110.7
1980....	107.9	111.5	111.9	108.4	105.7	107.3	102.9	107.6	110.9	110.8	110.4	107.9	110.4	107.1	107.2	109.7	108.6
1981....	107.7	111.3	112.0	109.8	110.7	114.3	111.6	114.3	114.6	112.7	108.6	104.5	110.3	111.6	113.5	108.6	111.0
1982....	102.6	107.1	106.0	103.5	102.8	105.1	101.1	103.8	104.4	102.8	100.4	97.6	105.2	103.8	103.1	100.2	103.1
1983....	100.2	102.9	104.1	104.6	106.1	110.0	108.3	113.6	117.3	117.1	114.3	112.0	102.4	106.9	113.1	114.5	109.2
1984....	115.1	119.1	120.1	119.6	120.4	124.8	121.6	125.8	127.0	125.5	123.0	119.5	118.1	121.6	124.8	122.7	121.8
	Products, total																
1977....	93.3	96.4	96.9	97.7	98.7	103.2	99.7	102.7	105.9	104.4	101.6	99.3	95.6	99.9	102.8	101.8	100.0
1978....	98.2	102.0	103.6	105.4	105.1	110.5	106.4	109.7	113.4	112.2	109.5	106.9	101.3	107.0	109.8	109.5	106.9
1979....	106.6	110.3	110.9	108.4	110.4	114.1	109.4	112.2	115.7	114.8	111.1	108.0	109.3	111.0	112.5	111.3	111.0
1980....	107.3	111.4	111.8	108.7	107.1	110.6	108.1	113.0	116.5	115.2	112.8	109.5	110.2	108.8	112.5	112.5	111.0
1981....	109.0	112.2	112.8	111.6	113.0	117.0	114.7	117.3	118.1	116.0	111.3	107.7	111.3	113.9	116.7	111.7	113.4
1982....	105.4	109.6	108.8	106.7	106.8	110.2	107.3	110.0	111.3	108.9	105.7	102.9	107.9	107.9	109.5	105.8	107.8
1983....	104.1	106.3	107.5	108.2	110.0	115.4	114.2	119.7	124.0	122.6	118.6	116.0	106.0	111.2	119.3	119.1	113.9
1984....	118.7	122.1	123.1	123.1	124.4	130.4	128.5	132.7	134.4	132.9	129.5	125.4	121.3	126.0	131.9	129.3	127.1
	Final products																
1977....	94.2	97.4	97.5	97.7	98.5	103.0	99.2	102.1	105.8	104.1	101.4	99.2	96.3	99.7	102.3	101.6	100.0
1978....	98.3	102.2	104.0	105.4	104.9	110.5	106.1	109.4	113.4	112.2	109.5	106.9	101.5	106.9	109.6	109.5	106.9
1979....	107.3	110.9	111.4	108.0	110.4	114.1	109.0	111.6	115.6	114.7	111.0	108.1	109.8	110.8	112.1	111.3	111.0
1980....	108.1	112.5	112.6	110.0	108.5	112.2	109.7	113.8	117.5	116.5	113.9	110.8	111.1	110.3	113.7	113.8	112.2
1981....	110.7	114.1	114.7	113.0	114.5	118.8	116.3	118.7	119.8	118.2	113.4	110.2	113.2	115.5	118.3	113.9	115.2
1982....	108.0	112.0	111.2	108.6	108.5	112.1	108.8	111.0	112.2	110.0	106.9	104.6	110.4	109.8	110.7	107.2	109.5
1983....	105.9	107.7	108.7	108.9	110.9	116.3	114.6	120.1	124.4	122.9	119.0	116.9	107.5	112.0	119.7	119.6	114.7
1984....	120.0	123.3	124.0	123.6	124.9	131.2	128.7	132.9	134.9	133.7	130.1	126.4	122.4	126.6	132.2	130.0	127.8
	Consumer goods																
1977....	94.1	97.7	97.5	97.5	98.0	103.3	99.0	103.8	106.1	104.9	101.0	97.0	96.4	99.6	103.0	101.0	100.0
1978....	96.2	101.1	101.7	103.5	102.4	108.7	103.6	107.8	111.6	109.3	104.7	100.9	99.7	104.9	107.7	105.0	104.3
1979....	101.3	104.6	104.6	101.3	103.6	107.5	101.7	105.5	108.8	107.1	102.3	98.3	103.5	104.1	105.4	102.6	103.9
1980....	99.0	102.8	102.9	100.2	98.3	102.6	100.4	106.2	109.9	107.7	103.4	99.0	101.5	100.4	105.5	103.4	102.7
1981....	100.3	103.3	103.4	101.9	103.5	107.4	105.0	109.1	109.4	107.4	101.6	96.7	102.3	104.3	107.8	101.9	104.1
1982....	96.9	100.8	100.1	98.7	99.4	104.7	101.4	106.4	107.1	104.9	100.4	96.0	99.3	100.9	105.0	100.4	101.4
1983....	99.1	102.2	102.7	103.6	105.9	111.9	109.9	116.6	120.4	118.6	112.5	108.2	101.3	107.1	115.6	113.1	109.3
1984....	112.2	115.3	115.4	115.6	115.6	121.8	118.8	122.9	125.2	123.8	118.6	113.1	114.3	117.7	122.3	118.5	118.2
	Durable consumer goods																
1977....	91.1	97.2	101.2	101.1	101.1	105.9	93.1	95.7	105.3	110.3	102.6	95.5	96.5	102.7	98.0	102.8	100.0
1978....	92.3	102.2	105.8	109.8	105.8	109.6	95.5	98.2	108.1	113.2	106.0	97.9	100.1	108.4	100.6	105.7	103.7
1979....	100.0	106.9	108.8	99.4	105.2	106.9	91.3	89.4	101.5	103.8	96.6	89.1	105.2	103.8	94.0	96.5	99.9
1980....	87.5	94.1	96.0	89.2	83.8	84.2	75.0	80.9	92.1	97.9	94.9	85.2	92.5	85.7	82.7	92.7	88.4
1981....	86.9	92.2	93.9	93.4	95.3	96.5	84.7	88.3	91.3	94.9	85.1	74.0	91.0	95.1	88.1	84.7	89.7
1982....	75.0	82.0	84.1	85.2	85.9	89.5	78.9	83.7	85.6	87.7	82.2	74.8	80.4	86.9	82.8	81.6	82.9
1983....	82.5	90.2	93.7	95.0	97.9	101.7	90.9	98.7	108.2	115.9	107.3	99.9	88.8	98.2	99.3	107.7	98.5
1984....	109.3	113.8	115.3	115.8	113.8	115.5	103.9	110.3	115.2	121.5	114.1	102.8	112.8	115.0	109.8	112.8	112.6
	Nondurable consumer goods																
1977....	95.3	97.9	96.2	96.2	96.9	102.3	101.1	106.7	106.4	102.9	100.4	97.6	96.5	98.5	104.8	100.3	100.0
1978....	97.6	100.7	100.2	101.1	101.1	108.3	106.6	111.4	112.8	107.8	104.2	102.0	99.5	103.5	110.3	104.7	104.5
1979....	101.7	103.8	103.1	102.0	103.0	107.8	105.6	111.5	111.6	108.3	104.5	101.8	102.9	104.3	109.6	104.9	105.4
1980....	103.3	106.1	105.5	104.3	103.8	109.6	110.0	115.7	116.6	111.5	106.7	104.1	105.0	105.9	114.1	107.4	108.1
1981....	105.2	107.4	106.8	105.0	106.4	111.2	112.3	116.6	116.0	111.9	107.7	105.1	106.5	107.5	115.0	108.2	109.3
1982....	105.0	107.8	106.0	103.7	104.5	110.4	109.9	114.9	115.1	111.4	107.2	103.8	106.3	106.2	113.3	107.5	108.3
1983....	105.3	106.6	106.0	106.9	108.8	115.7	117.0	123.2	124.9	119.6	114.4	111.2	106.0	110.5	121.7	115.1	113.3
1984....	113.3	115.9	115.4	115.5	116.2	124.1	124.3	127.4	128.9	124.5	120.2	116.8	114.8	118.6	126.9	120.5	120.2
	Business equipment																
1977....	93.4	96.7	97.2	97.5	98.2	102.4	99.1	99.0	106.0	104.6	103.3	102.7	95.8	99.4	101.4	103.5	100.0
1978....	101.3	105.4	108.0	109.5	109.4	114.9	110.8	113.1	118.8	119.1	118.9	117.4	104.9	111.2	114.2	118.4	112.2
1979....	118.4	123.7	125.7	121.5	124.8	129.0	123.5	123.6	129.8	128.8	125.1	122.4	122.6	125.1	125.6	125.4	124.7
1980....	121.2	127.2	127.1	123.8	122.2	125.4	121.9	123.6	128.1	128.4	127.2	125.1	125.2	123.8	124.5	126.9	125.1
1981....	122.9	127.7	128.8	126.5	128.1	134.0	130.2	129.3	131.3	128.9	123.0	120.5	126.5	129.5	130.3	124.1	127.6
1982....	114.5	119.5	119.3	114.8	113.8	116.4	113.0	111.1	114.0	110.9	108.2	107.8	117.7	115.0	112.7	109.0	113.6
1983....	106.1	108.0	110.2	109.5	111.2	116.6	114.6	119.1	124.9	123.1	120.9	120.6	108.1	112.4	119.5	121.5	115.4
1984....	122.9	127.9	130.6	128.5	131.7	139.2	137.0	142.0	143.0	141.7	138.7	135.6	127.1	133.1	140.7	138.7	134.9
	Defense and space equipment																
1977....	99.5	99.8	99.6	100.8	102.4	103.5	101.1	101.2	102.3	95.2	95.2	99.3	99.6	102.2	101.5	96.6	100.0
1978....	99.1	96.0	101.4	100.2	100.9	102.4	100.8	101.1	102.2	101.8	102.9	105.3	98.9	101.2	101.4	103.4	101.2
1979....	104.7	105.5	104.8	102.0	102.8	103.0	102.5	103.4	105.1	108.6	111.2	113.6	105.0	102.6	103.7	111.1	105.6
1980....	113.1	114.7	114.8	114.6	115.0	116.0	113.1	113.7	115.0	115.9	118.3	120.6	114.2	115.2	113.9	118.3	115.4
1981....	118.7	118.0	118.2	115.5	115.9	116.7	117.2	118.6	120.6	122.7	125.7	129.8	118.3	116.0	118.8	126.1	119.8
1982....	125.7	129.6	130.5	131.1	132.8	133.6	132.9	132.4	134.2	135.2	138.0	140.0	128.6	132.5	133.2	137.8	133.0
1983....	139.7	139.5	141.1	141.2	142.2	143.4	143.3	143.3	145.5	143.9	145.5	148.5	140.1	142.3	144.0	146.0	143.1
1984....	150.3	152.1	152.6	155.4	155.7	157.1	156.8	158.5	163.0	161.6	163.3	168.4	151.7	156.0	159.4	164.4	157.9

A.2 Continued

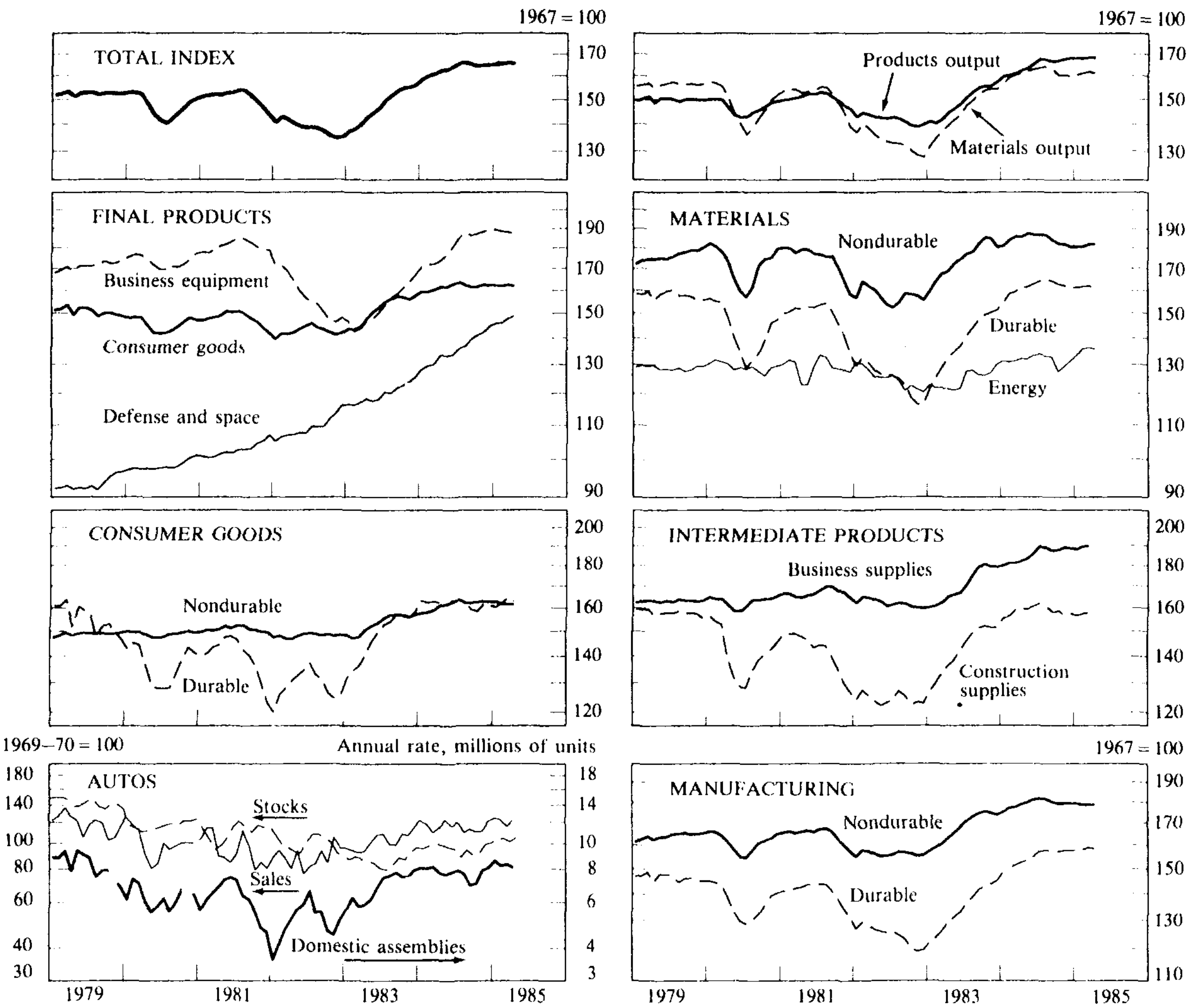
Year	Month												Quarter				Annual average
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1	2	3	4	
	Intermediate products																
1977....	90.3	93.2	95.0	97.8	99.6	104.0	101.2	105.0	106.4	105.4	102.4	99.7	92.8	100.5	104.2	102.5	100.0
1978....	97.9	101.1	102.3	105.2	105.6	110.4	107.8	110.6	113.4	112.2	109.5	106.9	100.4	107.1	110.6	109.5	106.9
1979....	104.1	108.4	108.9	109.8	110.2	113.6	110.7	114.1	115.9	114.7	111.5	107.7	107.1	111.2	113.6	111.3	110.8
1980....	104.5	107.6	108.8	104.1	102.1	105.2	102.6	110.0	113.1	110.7	108.8	105.2	107.0	103.8	108.6	108.2	106.9
1981....	103.3	105.6	106.5	106.8	107.9	111.0	109.7	112.9	112.3	108.4	104.3	99.0	105.1	108.5	111.6	103.9	107.3
1982....	96.5	101.4	100.3	100.1	100.5	103.3	101.7	106.1	107.6	104.6	101.4	96.8	99.4	101.3	105.1	101.0	101.7
1983....	97.8	101.5	103.2	105.9	107.1	112.4	112.9	118.7	122.7	121.6	117.3	113.2	100.8	108.5	118.1	117.4	111.2
1984....	114.3	118.3	120.0	121.6	122.8	128.1	128.0	132.2	132.9	130.3	127.9	122.4	117.5	124.2	131.1	126.8	124.9
	Construction supplies																
1977....	87.7	91.0	95.0	99.0	101.5	105.0	100.8	104.2	105.9	106.0	103.1	100.7	91.3	101.8	103.6	103.3	100.0
1978....	97.0	100.0	102.0	106.8	107.3	111.6	106.6	109.1	112.3	112.2	110.4	107.5	99.7	108.6	109.3	110.0	106.9
1979....	103.3	105.9	108.0	108.5	109.4	112.3	108.0	109.5	112.4	112.3	109.3	105.4	105.7	110.1	110.0	109.0	108.7
1980....	100.9	104.0	105.1	98.7	95.8	97.5	92.5	100.5	104.5	104.4	103.6	99.7	103.3	97.3	99.2	102.5	100.6
1981....	97.6	99.0	101.5	102.3	102.7	103.6	98.9	101.6	100.1	97.5	92.3	86.1	99.4	102.9	100.2	92.0	98.6
1982....	82.4	87.6	87.3	87.9	89.2	91.5	88.1	91.4	92.0	90.4	88.5	83.2	85.8	89.6	90.5	87.4	88.3
1983....	86.1	89.7	93.1	96.8	98.9	103.2	102.2	106.0	109.6	111.1	107.8	102.9	89.6	99.6	105.9	107.3	100.6
1984....	103.2	107.8	112.2	114.5	114.4	118.7	114.3	118.0	119.2	118.9	116.3	110.5	107.7	115.9	117.2	115.2	114.0
	Materials																
1977....	93.9	98.3	100.1	100.3	101.3	103.0	97.0	99.8	101.9	103.1	102.5	98.8	97.4	101.5	99.6	101.5	100.0
1978....	98.7	101.2	102.4	106.1	106.5	108.5	103.2	106.6	108.4	110.4	110.1	108.7	100.8	107.1	106.0	109.7	105.9
1979....	107.2	111.8	112.9	111.0	111.4	113.4	106.5	109.4	110.4	111.5	110.3	107.8	110.6	111.9	108.8	109.9	110.3
1980....	108.8	111.6	111.9	108.0	103.7	102.7	95.8	100.3	103.2	104.6	107.2	105.7	110.8	104.8	99.8	105.9	105.3
1981....	105.9	110.0	110.8	107.3	107.5	110.7	107.2	110.0	109.8	108.3	104.9	100.1	108.9	108.5	109.0	104.4	107.7
1982....	98.8	103.7	102.1	99.1	97.3	98.1	92.6	95.5	95.2	94.5	93.1	90.4	101.6	98.2	94.4	92.6	96.7
1983....	94.9	98.1	99.5	99.6	100.6	102.6	100.2	105.2	108.3	109.6	108.5	106.5	97.5	100.9	104.6	108.2	102.8
1984....	110.3	115.1	116.1	114.9	115.0	117.2	112.2	116.4	116.9	115.4	114.1	111.6	113.8	115.7	115.2	113.7	114.6
	Manufacturing																
1977....	92.3	96.3	98.2	99.0	100.2	103.5	98.2	101.7	104.5	104.4	102.2	99.4	95.6	100.9	101.5	102.0	100.0
1978....	98.4	101.8	103.8	106.3	106.4	110.6	105.2	108.8	112.4	112.7	110.7	108.0	101.3	107.8	108.8	110.5	107.1
1979....	106.9	111.2	112.9	110.4	112.3	115.3	109.1	111.6	114.5	114.7	111.3	107.8	110.3	112.7	111.7	111.3	111.5
1980....	107.2	111.0	111.7	108.4	105.4	106.8	101.8	106.8	110.8	111.3	110.2	106.9	110.0	106.9	106.5	109.5	108.2
1981....	106.4	110.2	111.6	110.8	111.8	114.6	110.7	113.4	114.2	112.3	107.5	102.5	109.4	112.4	112.8	107.4	110.5
1982....	99.5	104.7	104.5	102.4	102.3	104.9	100.4	103.2	104.7	103.1	100.1	96.7	102.9	103.2	102.8	100.0	102.2
1983....	98.9	102.5	105.0	105.6	107.7	111.9	109.3	114.6	119.2	119.3	115.9	112.6	102.1	108.4	114.4	115.9	110.2
1984....	115.1	120.3	122.1	121.9	123.0	127.4	123.5	128.0	129.7	129.1	125.6	121.3	119.2	124.1	127.1	125.3	123.9
	Durable manufacturing																
1977....	92.2	96.2	98.4	99.3	100.6	103.7	98.2	99.7	104.2	104.6	102.2	100.7	95.6	101.2	100.7	102.5	100.0
1978....	99.0	102.5	105.0	107.7	107.6	111.2	105.8	108.0	113.0	114.5	113.0	111.2	102.2	108.8	108.9	112.9	108.2
1979....	110.3	115.1	117.0	112.8	115.4	118.4	111.0	111.2	115.9	116.3	113.1	110.4	114.1	115.5	112.7	113.3	113.9
1980....	109.1	113.5	114.6	110.1	106.5	107.0	101.3	105.0	109.7	111.6	112.0	108.9	112.4	107.9	105.3	110.8	109.1
1981....	107.9	111.5	113.4	112.0	113.2	115.6	111.0	112.6	113.5	112.2	107.3	102.9	110.9	113.6	112.4	107.5	111.1
1982....	98.9	104.1	104.0	101.6	101.2	103.1	98.2	98.8	100.2	98.4	96.2	94.0	102.3	102.0	99.1	96.2	99.9
1983....	96.3	99.8	102.7	103.3	105.1	108.7	106.2	110.3	115.7	117.0	114.6	112.8	99.6	105.7	110.7	114.8	107.7
1984....	116.1	121.2	123.4	123.2	124.1	127.9	123.5	127.9	129.9	129.8	127.0	123.5	120.2	125.1	127.1	126.8	124.8
	Nondurable manufacturing																
1977....	92.6	96.5	97.8	98.6	99.6	103.3	98.2	104.5	105.0	104.0	102.2	97.7	95.6	100.5	102.6	101.3	100.0
1978....	97.5	100.8	101.9	104.4	104.8	109.5	104.3	109.8	111.5	110.2	107.6	103.7	100.1	106.2	108.5	107.2	105.5
1979....	102.1	105.7	107.3	107.1	108.1	111.1	106.6	112.2	112.6	112.4	108.9	104.2	105.1	108.8	110.5	108.5	108.2
1980....	104.5	107.6	107.7	106.0	104.0	106.5	102.6	109.4	112.5	111.0	107.8	104.2	106.6	105.5	108.2	107.7	107.0
1981....	104.3	108.3	109.2	109.0	109.8	113.4	110.4	114.6	115.2	112.5	107.8	101.9	107.3	110.7	113.4	107.4	109.7
1982....	100.5	105.5	105.3	103.6	103.9	107.4	103.5	109.5	111.0	109.6	105.7	100.5	103.8	105.0	108.0	105.3	105.5
1983....	102.6	106.2	108.2	109.0	111.4	116.3	113.6	120.7	123.9	122.4	117.7	112.3	105.7	112.2	119.4	117.5	113.7
1984....	113.7	119.0	120.1	120.1	121.2	126.4	123.2	127.9	129.3	127.9	123.3	117.9	117.6	122.6	126.8	123.0	122.5
	Mining																
1977....	94.0	99.2	101.2	101.3	101.5	102.5	97.7	97.8	102.8	103.8	103.8	94.4	98.1	101.8	99.4	100.7	100.0
1978....	91.3	93.7	98.4	106.7	106.7	107.8	104.2	105.8	105.4	108.7	108.6	106.0	94.5	107.1	105.1	107.8	103.6
1979....	101.6	104.2	104.9	106.1	105.4	106.7	100.9	107.2	108.4	110.4	111.3	109.5	103.6	106.1	105.5	110.4	106.4
1980....	111.5	112.8	114.5	112.3	113.0	113.1	106.8	110.0	111.4	111.7	115.6	116.0	112.9	112.8	109.4	114.5	112.4
1981....	113.9	118.2	118.9	107.4	108.6	115.6	117.2	122.8	121.9	123.4	121.9	120.3	117.0	110.6	120.6	121.8	117.5
1982....	119.1	121.2	118.0	113.9	110.9	107.6	102.3	105.2	102.7	104.4	103.5	102.8	119.4	110.8	103.4	103.6	109.3
1983....	106.0	102.0	99.5	98.8	98.6	98.8	98.1	103.5	105.5	108.4	108.8	106.8	102.5	98.7	102.4	108.0	102.9
1984....	110.3	111.0	110.4	108.7	110.1	112.1	110.5	113.5	113.9	109.2	110.7	110.4	110.6	110.3	112.6	110.1	110.9
	Utilities																
1977....	110.0	107.0	94.7	92.5	91.5	98.3	104.8	105.0	102.2	95.8	96.1	102.2	103.9	94.1	104.0	98.0	100.0
1978....	110.6	113.1	101.9	96.3	94.3	100.9	105.1	107.2	105.6	98.1	98.8	105.4	108.5	97.1	106.0	100.8	103.1
1979....	114.5	119.1	105.9	102.4	97.7	102.8	106.4	108.5	105.9	99.0	102.0	106.4	113.2	101.0	106.9	102.5	105.9
1980....	112.3	114.8	109.0	101.6	96.3	104.2	111.0	114.8	110.5	100.4	104.0	108.7	112.1	100.7	112.1	104.4	107.3
1981....	115.6	115.2	104.8	99.7	98.5	108.0	113.8	112.4	107.4	100.7	102.2	106.8	111.9	102.1	111.2	103.2	107.1
1982....	118.7	118.2	105.8	101.4	95.8	102.7	107.6	109.5	103.4	95.5	97.9	101.2	114.2	100.0	106.8	98.2	104.8
1983....	108.2	109.7	99.3	98.3	94.6	101.2	110.2	115.4	111.1	100.5	101.7	112.2	105.7	98.0	112.2	104.8	105.2
1984....	123.5	116.4	109.3	105.8	102.2	110.6	114.3	115.7	111.3	102.3	107.8	111.4	116.4	106.2	113.8	107.1	110.9

Industrial Production

Released for publication May 15

Industrial production declined an estimated 0.2 percent in April following an increase of 0.3 percent in March and a gain of 0.1 percent in February; the latter was revised upward from the estimate published earlier. The small decline in April continues a pattern of little change in the level of industrial output since mid-1984. At 165.4 percent of the 1967 average, the index was 2.0 percent above a year earlier.

In market groupings, production of consumer goods declined 0.4 percent in April. Durable consumer goods fell 1 percent, as automotive products declined 1.2 percent and output of home goods decreased an estimated 0.8 percent. Automobiles were assembled at an annual rate of 8.1 million units in April following a rate of 8.3



All series are seasonally adjusted and are plotted on a ratio scale. Auto sales and stocks include imports. Latest figures: April.

Grouping	1967 = 100		Percentage change from preceding month					Percentage change, Apr. 1984 to Apr. 1985
	1985		1984	1985				
	Mar.	Apr.	Dec.	Jan.	Feb.	Mar.	Apr.	
	Major market groupings							
Total industrial production	**165.8**	**165.4**	**.0**	**.2**	**.1**	**.3**	**−.2**	**2.0**
Products, total	168.5	168.2	.2	−.1	.0	.3	−.2	3.5
Final products	166.9	166.6	.3	.0	−.2	.3	−.2	4.0
Consumer goods	162.5	161.9	−.2	−.1	−.1	.3	−.4	.3
Durable	164.5	162.9	−.3	−.3	1.2	1.3	−1.0	.4
Nondurable	161.7	161.5	−.2	.1	−.6	−.1	−.1	.2
Business equipment	188.1	187.5	.6	−.2	−.4	−.2	−.3	8.1
Defense and space	147.8	148.8	1.8	.8	.1	1.3	.7	11.7
Intermediate products	174.1	173.9	.1	−.3	.6	.2	−.1	1.7
Construction supplies	157.9	158.0	.4	−.4	.4	.2	.1	−1.0
Materials	161.8	161.1	−.4	.4	.5	.3	−.4	−.2
	Major industry groupings							
Manufacturing	167.1	166.7	.0	.0	−.1	.4	−.2	2.0
Durable	159.0	158.4	.0	.0	.3	.6	−.4	3.8
Nondurable	178.9	178.8	.0	.0	−.4	.0	−.1	−.2
Mining	126.1	124.2	−.3	1.0	−.6	1.0	−1.5	.7
Utilities	187.7	188.2	−.5	−.1	2.5	−.3	.3	3.0

NOTE. Indexes are seasonally adjusted.

million units in March. Nondurable consumer goods edged down 0.1 percent. In April, production of business equipment declined 0.3 percent, the fourth consecutive decrease since January. Output of defense and space equipment continued to be strong, gaining 0.7 percent in April. Production of construction supplies was little changed in April. Production of materials fell 0.4 percent and was at about the same level as a year earlier.

In industry groupings, manufacturing output declined 0.2 percent in April, as durables fell 0.4 percent and nondurables 0.1 percent. In April, the level of durable manufacturing output was about 4 percent above a year earlier while nondurable manufacturing was little changed. Mining production in April fell 1.5 percent while utilities output, on balance, was not changed over the past two months following its sharp increase of 2.5 percent in February.

Statements to Congress

Statement by Marvin Duncan, Vice President, Federal Reserve Bank of Kansas City, Kansas City, Missouri, before the Committee on Agriculture, Nutrition, and Forestry, U.S. Senate, May 1, 1985.

I am pleased for the opportunity to discuss agricultural legislation being considered by the Congress. The views and opinions expressed herein are solely my own and do not necessarily represent those of the Federal Reserve Bank of Kansas City or of the Federal Reserve System.

THE POLICY ENVIRONMENT

U.S. agriculture has reached a crossroads. It faces a more competitive world marketplace, with slower growth in demand for food and fiber than had been expected. To succeed in this environment, U.S. agriculture must price its products competitively and compete aggressively for markets. Thus, in some respects, the needed change in direction for U.S. agricultural policy is quite clear.

In other respects, the appropriate change in policy is far from clear, for the vision of the future has been clouded by farm financial stress. The rapidly deteriorating financial position of heavily leveraged farmers has raised troubling questions about their survival. Should not the Congress reshape agricultural policy in a quite different direction—back toward high price guarantees and rigid production controls in an effort to save those financially troubled farmers? Proponents of that viewpoint seem willing to forgo broader world market opportunities in exchange for that public utility approach to agriculture.

Despite the appeal to some in the farm sector of a highly regulated and subsidized domestic agriculture, at least two difficult problems would arise. First, American agriculture is a dynamic, changing industry. It has enjoyed marked productivity growth of about 1.75 percent a year for the past few decades. The promise of research in biotechnology is that productivity will continue to grow, perhaps more rapidly than in the past. Currently, about two-thirds of U.S. farmers' acres of cropland are needed to produce food and fiber for domestic consumption. The combination of slower growth of population in the United States and strong growth of productivity in U.S. agriculture point toward a time by the end of the century when only half of the current American cropland will be required for domestic use. In short, without growing export markets, U.S. farmers can expect sharp increases in excess capacity that will create escalating financial burdens for them and for the taxpayers that provide income transfers to farmers and pay higher food costs than might be available elsewhere.

Potentially higher food costs point to the second problem. If, as seems likely, continuing pressures for higher and higher farm commodity prices occurred in a regulated agriculture, U.S. prices would outstrip world prices—possibly by growing margins. On balance, a highly regulated agriculture would seriously damage U.S. agriculture's export market. That eventuality is widely recognized even by supporters of such a policy. Even more sobering, however, is the strong likelihood of growing competition from abroad in the U.S. domestic market for food and fiber. The United States would then face an increasing need to protect its domestic markets against imported food and fiber products. Already some foreign producers match—and perhaps surpass—the efficiency of U.S. farm production. And, U.S. imports of food and fiber products are currently on the increase.

Some agricultural spokesmen call for regulation of production and high support prices as a means of saving the most financially troubled U.S. farmers. The probable loss of 90,000 to 100,000 farmers with debt-to-asset ratios of more than 70 percent is decried. However, these farmers are rapidly losing equity in their businesses. Between 40 and 50 percent of them are already technically insolvent. Dramatically lower interest rates and sharply higher commodity prices, in combination with rising land values, would likely be required to save them. Given the magnitude of the financial peril they face, it seems unlikely that agricultural programs generous enough to save them can—or should—be enacted.

Those that would turn back by legislation the downward adjustment in commodity prices and asset values in U.S. agriculture misunderstand the role of the inflation of the 1970s in creating excessive agricultural investment and commodity price escalation. They also ignore the inevitability of price and asset value adjustments to a more competitive world marketplace and a more price-stable economic environment. Policy, however, can and should help moderate that adjustment process and avoid sharp undershooting of both commodity and asset prices below those prices supported by economic fundamentals.

The case seems clear from an economic perspective. U.S. agriculture will prosper in direct relationship to its success in capturing its share of growing world markets for food and fiber. Static world markets, coupled with growing productivity in the sector, would mean continued painful downsizing of American agriculture. Agribusinesses, on both the input and output side of farmers, are also dependent on growing export markets. With the agricultural sector, in its broadest definition, accounting for about 20 percent of the nation's gross national product and employing 20 percent of its labor force, an agricultural policy that promotes market growth is also important to national economic performance.

National Policy

Before agricultural policy and program options are discussed, some comments on the role of national policy are important. That is true since it is probably not possible to offset the impact of adverse national policies fully by sector-specific agricultural policy. A number of issues come to mind.

The very large federal budget deficits of recent years add significantly to the inflation-adjusted cost of carrying debt and to the value of the U.S. dollar in international exchange markets. Moreover, high real U.S. interest rates hold interest rates higher worldwide than would otherwise be true and also slow world economic growth. The unusually expansive U.S. fiscal policy in the midst of an economic expansion has added to the burden of the nation's monetary authority in developing and implementing macroeconomic policy. The result of high federal budget deficits has been a large U.S. trade deficit and an uneven economic expansion, with some sectors performing very well while more capital-intensive and export-dependent sectors, such as agriculture, lag behind.

U.S. tax policy has encouraged investment in capacity for agricultural production earlier and to a greater extent than market fundamentals would have justified. Farmers' use of tax incentives, such as cash accounting, investment tax credit, and immediate expensing of certain development costs, has distorted both agricultural product and asset markets. But the tax sheltering of nonfarm income by investment in agriculture has been a much greater problem. Its effect can be seen particularly in production of livestock and certain specialty crops, when in some instances the impact of off-farm investment outweighs farmer investment decisions in determining supply and price. In the past decade, the conversion of fragile range and grasslands—usually subsidized by government farm programs—to irrigated and dryland cropland has been evident also.

At a more macroeconomic level, many economists believe federal tax relief for business has helped make this country a prime investment opportunity for foreigners. If true, that relief has added further to the strength of the U.S. dollar in international exchange markets. Indeed, some economists are now asking whether lower taxes on business investment in other industrial countries might help to ease the value of the dollar.

Finally, as the United States becomes more dependent on international trade to support its economic growth, a particularly complex problem takes on added importance. From time to time, the national security and foreign policy objectives of the United States conflict with its trade objectives. The Russian grain embargo of the late 1970s, the Russian gas pipeline embargo of the early 1980s, the allocation of Public Law 480 food assistance, and continuing discussion over U.S. cargo preference legislation are all cases in point. How those conflicts are resolved when they arise will become more and more important to U.S. trading sectors vying for world markets in an increasingly competitive environment.

AGRICULTURAL POLICY

As the Congress and the nation's agricultural leaders have studied agricultural policy options, some views have converged. First, there has been growing appreciation that national policies outside agriculture are unusually important to the sector's improved well-being. That means farm legislation cannot solve all of agriculture's problems. Second, in a more competitive world marketplace, market-clearing prices for farm commodities are not only critically important signals to foreign producers and buyers but also an indication to U.S. producers of the challenge ahead. Finally, new agricultural legislation must spend public resources more effectively. Agricultural legislation will be expected to make a contribution to a reduction in the federal budget deficit.

The real issue in the agricultural policy debate is not if, but rather when and how, policy will become more market oriented. The current farm financial stress, coupled with the likelihood that economic recovery in the farm sector may be two to four years away, poses the need for an imaginative multiyear adjustment assistance program for farmers. Lacking such assistance, farmers will not accept the concept of market pricing. But, that concept is critical both to a new direction for agricultural policy and to the longer-term well-being of U.S. farmers.

In evaluating alternative legislative proposals before the Congress, I will concentrate my remarks on agricultural credit, loan rates and target prices, acreage reduction, and exports.

Agricultural producers that carry heavy debt—in the current environment, debt-to-asset ratios of more than 40 percent—are having varying degrees of trouble in servicing their obligations. About 90,000 to 100,000 commercial family farmers are so indebted with debt-to-asset ratios of more than 70 percent that it is unlikely they can survive beyond a couple of years. Another 130,000 to 140,000 farmers, with debt-to-asset ratios of between 40 and 70 percent, are having some problems, but most of them can be saved with debt and asset restructuring, provided their asset values do not plunge far below about half the value of the market high in 1980–81. For those farmers that can be saved, the Farmers Home Administration (FmHA) debt adjustment program can provide timely and valuable help.

Extending FmHA assistance to restructuring real estate debt, in addition to non-real-estate debt, is an important part of that adjustment assistance. Programs that facilitate the transfer of land from weaker to stronger hands and that prevent undue amounts of farmland on the market that depress land values far below their economic worth would provide needed stabilization to rural America. Farmers, lenders, and rural communities would all benefit. The FmHA debt adjustment program could, I believe, fulfill a role in that process. If precipitous land-price declines were to continue well into the future, it might be useful to consider facilitating formation of an entity—maybe with partial federal capitalization—to acquire troubled farm real estate and hold it for a few years.

In a longer time frame, it seems reasonable to shift FmHA lending increasingly to loan guarantees rather than direct lending. Such guarantees should be of limited duration, perhaps with the guaranteed proportion to decline over the guarantee period. Tighter focusing of FmHA credit guarantees to beginning farmers for farm ownership and operating expenses and to limited availability for other family farmers on a lender-of-last-resort basis would help avoid mistakes of the past and return the agency's lending activities to the purposes originally intended. When crop insurance is available, FmHA disaster loans are probably not necessary. When disaster loans are made, they should be in the form of loan guarantees and for limited periods. Interest rates on guaranteed loans might start out no lower than the cost of loan funds to the government and rise during the term of the loan guarantee to commercial rates.

Many people think rural development lending by the FmHA should be phased out, and they may be correct. It appears that FmHA's authority became too broad during the 1960s and 1970s for the agency to manage well with its limited resources. Yet the pace of change in rural America is quickening, and the adjustments for many rural residents will be traumatic. At some point, greater public sector support for retraining and rural development activities may be useful. For example, retraining and relocation benefits for displaced farmers could ease their adjustment into a new vocation.

Commodity Credit Corporation (CCC) loans represent another source of credit to farmers. When collateral is turned over to the CCC in full settlement of a nonrecourse loan, CCC loans have the potential for substantial public subsidy. To reduce this subsidy, a cap could be placed on the amount of nonrecourse loans available to a farmer in a given crop year, and interest could be charged a farmer on defaulted loans. If farm subsidies must be reduced, many crop farmers would prefer the proposed annual limit of $200,000 on nonrecourse loans with only recourse loans available above that limit, rather than a very low cap on government payments. Such a nonrecourse loan cap serves to direct loan benefits to family farmers.

Proposals to set CCC loan rates for wheat, feed grains, cotton, rice, and soybeans at a proportion of the moving average of recent years' market prices are fundamental in shifting to a more market-oriented farm policy. That change in CCC loan rates should be made promptly. The language of either the administration or the Helms bill would accomplish that shift. CCC loans at 75 to 85 percent of market prices would send clear market signals to U.S. producers and avoid building large stocks of crops locked from the market by unrealistically high prices. The policy shift would also send a message to offshore producers that the United Sates intends to compete aggressively in world markets.

An immediate adjustment in CCC loan rates should be made, but would likely result in lower receipts for crop producers until world demand growth picks up tempo. Thus, some combination of target price payments and acreage diversion payments—income transfer payments to farmers—to offset much of the lost cash receipts may be required to satisfy farm groups, especially early in the adjustment period. That also implies, I believe, that the current limitation of $50,000 on government payments be maintained for another one to three years to induce participation in programs by commercial farmers who account for most of the U.S. crop production. After that period, payment limitations could be reduced to no more than median family income—both to limit federal budget exposure and for equity considerations. But moving too quickly in sharply reducing target price payments would likely result in a stalemate on the legislative package and jeopardize the critically important concept of market pricing for U.S. commodities in international trade.

It seems wise to retain legislative authority for acreage limitations, set asides, and paid diversion. These options could be exercised at the discretion of the Secretary of Agriculture, but with some limitations on the amount of commodity price improvement to be achieved in a given year. U.S. capacity for agricultural production is currently substantially larger than that which can be marketed domestically or in export markets without sharp reductions in market prices, at least until growth of export demand improves.

A multiyear program of land retirement, aimed first at fragile lands, seems prudent given the prospective supply–demand balance of U.S. crops for the next few years. About 25 million acres could probably be removed on a bid basis. To do so would somewhat reduce production capacity, enhance soil conservation goals, and cushion somewhat the downward adjustment in farm real estate values.

The antisodbuster language in both the administration and in the Helms bills responds to a popular theme among farmers. It also makes sense to conservationists and economists. While it may not be appropriate for government to prevent landowners from converting fragile lands to intensive cultivation when economic fundamentals justify more production capacity, it seems clear that government subsidization of crop production has spurred land conversion, been costly to taxpayers and farmers, and damaged soil resources. Thus, withdrawal of government subsidies for a number of years after conversion seems a good approach. Linking government crop subsidies to the use of appropriate conservation measures is also overdue.

Export development, along with market pricing, are the essential agricultural policy initiatives required to turn around the fortunes of the financially troubled agricultural sector. Proposed legislative changes recognize a legitimate role for government credit and credit guarantees in meeting competition from other producers in the world. Intermediate credit is appropriately singled out for increased emphasis. Efforts to reduce large CCC stocks also seem useful. Policymakers should proceed cautiously, however, in the area of competitive subsidization of exports. Bilateral and multilateral negotiations seem preferable, when possible.

Policies outside agriculture, as previously noted, are major factors in U.S. export competitiveness. Changes in those policies, coupled with market pricing for U.S. agricultural exports, and improved world economic growth will spur export demand. The future growth markets for U.S. agriculture will be found increasingly among low- and middle-income countries that have high population growth and high income elasticity of demand for food and fiber. Conversely, Japan and Western Europe represent relatively mature markets in which growth in demand will likely slow.

It is heartening to read proposed legislation directed at using U.S. surplus commodities and Public Law 480 fundings to enhance economic growth in target countries. That is a good start. In the past, the United States has had impressive success in turning such concessional markets into commerical markets. But the task is large. A major long-range strategic development assistance effort to spur economic growth—and as a result, demand for food and fiber—in low- and middle-income countries is essential to the long-term profitability of U.S. agriculture. Without such a program it is quite unlikely that world market growth during the rest of this century will be rapid enough to provide acceptable growth in agricultural export opportunities and in farm income. In a world of static demand growth—or even if growth were slow—U.S. domestic protectionist pressures would be difficult, if not impossible, to contain. Conversely, such a development effort could add broadly to demand growth for U.S. products while at the same time making a very positive contribution to political stability and living standards around the world.

SUMMARY

In summary, agricultural policy is at a crossroads. Agriculture's interests will be served by moving forward with market-oriented agricultural legislation. But the fragile financial circumstances of many farmers and agribusinesses call for more generous and longer-term government assistance to ease the transition than had earlier been thought necessary. Appropriate national policy choices also must be made if agricultural markets in the long term are to brighten materially. Finally, the best growth markets for U.S. agricultural products will be in what are now the low- and the middle-income countries of the world. A carefully conceived, strategic policy of development assistance for these countries could return substantial dividends in economic growth for U.S. farmers and agribusinesses. □

Statement by Preston Martin, Vice Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Telecommunications, Consumer Protection, and Finance of the Committee on Energy and Commerce, U.S. House of Representatives, May 2, 1985.

I appreciate the opportunity to appear before this committee to discuss the economic and bank regulatory implications of three major developments in financial markets during the 1980s. As requested, I will focus, in turn, on the trend toward greater internationalization of capital markets, the further growth of "securitized" credit, and the continued development of futures and options markets based on financial instruments.

Capital has been flowing across international borders for centuries. The economic development of the United States from the colonial period through the nineteenth century, for example, was financed in good part by capital provided by Great Britain and other European nations. And throughout most of the twentieth century—indeed, generally until the current decade—the United States has been a major source of net capital for many other countries.

However, during the past 20 years financial markets in major countries have become increasingly more international in character and increasingly more integrated. Initially this process occured primarily in the more traditional types of banking activities. Until the mid-1960s U.S. and foreign banks conducted the great bulk of their international banking transactions from offices in their home countries. At that time, under the impetus provided by the U.S. program to control capital outflows, banking transactions in dollars outside the United States expanded rapidly. U.S. banks developed foreign branch networks to accept deposits from and extend credits to foreign customers. Initially, the growth of this business occurred principally in offices in Europe—hence, the name Eurodollar market. But soon such international banking activity developed in a wide range of other financial centers, such as Singapore and Hong Kong, and also in newly established offshore banking centers in the Caribbean and elsewhere. And the number of participants grew to include major banks from all countries.

The volume of deposits placed in offshore offices increased greatly in those days because they were not subject to the interest rate constraints or the reserve requirements that applied to deposits in national markets. In addition, growth in the 1970s was particularly stimulated by the emergence of oil-producing countries as major creditors, who preferred that their assets be intermediated. Over the same time, the rapid development of communications technology helped to enlarge the competitive environment for international financial services to a worldwide basis. In this environment, banks began to shave margins between rates paid on deposits and rates charged on loans, to develop new types of banking instruments, and (later, when banking supervisors began to require banks to improve their capital positions) to seek income from providing services outside the traditional banking role of intermediation.

Banks have expanded their provision of financial services internationally by playing an important role in the establishment and development of the Eurobond market and by helping to link that market with domestic securities markets. The Eurobond market developed in parallel with the Eurobanking market, although, until recently, at a more moderate pace. Before the development of this market, international security issues took the form of bonds issued by nonresidents in national markets and were subject to the regulations that applied in that market. By the mid-1960s, however, the "offshore" Eurobond market had begun a period of concerted growth, as offerings by U.S. and European corporations and sovereign borrowers became more or less continuous, supplementing the funds raised and loaned in the Eurobanking markets.

Although the Eurobond market, whose market makers are located in a number of financial centers, is not subject to national regulations, its investors, issuers, and underwriters are frequently subject to regulation by their national authorities. Examples of such U.S. regulations include the restriction that Eurobond offerings that are not registered with the Securities and Exchange Commission at issuance cannot be sold in the United States until after they have been seasoned for a 90-day period. Furthermore, U.S. tax regulations discourage the sale of Eurobonds to U.S. investors, particularly through U.S. banking organizations.

Other governments also regulate access to the Eurobond market. Nevertheless, the trend in recent years has clearly been to open up national securities markets and thus to allow greater integration of these markets with other national and international markets. Recent examples include the removal by Germany and Japan of important restrictions on the use of their currencies in certain international financial transactions.

The securities issued in the Eurobond market have continued to be those of European governments, the most creditworthy of U.S. and foreign corporations, and international organizations such as the World Bank. One reason why U.S. corporate borrowers have continued to be attracted to this market is that in recent years they have been able to issue dollar-denominated securities at cheaper rates than in the United States. In part, this is possible because securities are offered in bearer form, giving a guarantee of anonymity to the investor. Most investors in this market have been, and continue to be, foreign financial institutions and foreign residents.

Thus, the Eurobond market in its maturity is an effective alternative to national debt markets.

As such, it provides an important means by which capital can flow between countries internationally, helping to promote its efficient allocation on a worldwide basis. During the 1980s, for example, the market has served as an important source of net capital inflow into the United States, a development that is a counterpart of the large trade deficit this country has been running over this period.

In the wake of the surge of U.S. corporate issues, a few U.S. commercial banking firms have become important lead arrangers and underwriters in international (and foreign) securities markets. U.S. banks have been able to participate in the development and operations of international capital markets through foreign subsidiaries by reason of the broad statutory authority contained in the Edge Act (section 25(a) of the Federal Reserve Act). A principal purpose of that act, which was enacted in 1919, was to facilitate the international and foreign banking and financial operations of U.S. banks and to promote, thereby, the foreign trade and commerce of the United States. Through the creation of subsidiary corporations endowed with greater banking and financing powers than those possessed by domestic banks, it was intended by the Congress that U.S. banks should be able to compete more effectively with foreign banking institutions in U.S. trade financing and in international and foreign banking.

It was recognized by the Congress that if Edge corporations were bound by domestic banking rules in their operations abroad, they could be placed at a severe competitive disadvantage with foreign banks, and the foreign trade and commerce of the United States would not be promoted. Accordingly, the Congress gave to each Edge corporation the right ". . . generally to exercise such powers. . . as may be usual, in the determination of the Board, in connection with the transaction of the business of banking or other financial operations in the countries. . . in which it shall transact business. . . ." The Board has determined, through its regulations and orders in individual cases which activities abroad are appropriate for U.S. banking organizations in the light of the purposes of the Edge Act and related statutes.

In the mid-1960s, as U.S. companies sought ways to raise medium- and long-term funds offshore to finance their direct investments and operations overseas, U.S. banks asked for authority to underwrite and deal in securities abroad through merchant banking subsidiaries. In this context, the Board gave that permission to a number of subsidiaries, at first mainly in London but subsequently in other banking centers. Although the primary interest at that time was in underwriting and dealing in debt securities, authorizations were extended to equity securities and other securities containing equity elements. Subsequently, in the 1979 revision of its regulations regarding international banking, the Board placed underwriting, distributing, and dealing in debt and equity securities outside the United States on the list of permissible activities.

There are no specific regulatory limitations on the underwriting of debt securities overseas. However, the underwriting commitment by the Edge corporation or its subsidiary to an issuer of debt securities is considered a liability of that entity and, as such, would be considered an extension of credit to the issuer. Accordingly, these commitments would be aggregated with other extensions of the parent bank to that issuer for the purposes of the bank's lending limit.

The underwriting of equity securities abroad by a banking organization is more limited. No equity underwriting commitment by an Edge corporation subsidiary may exceed $2 million, or represent 20 percent or more of the capital and surplus or voting stock of an issuer, unless the underwriter is covered by binding commitments from subunderwriters or other purchasers.

More generally, the Board's regulation admonishes U.S. banking organizations that their underwriting and other activities abroad are to be carried out at all times with high standards of banking or financial prudence, having due regard for diversification of risks, suitable liquidity, and adequacy of capital. The Board monitors these activities through regular reporting requirements and the examination process.

U.S. commercial banks, as well as U.S. investment banks, have only become important underwriters in the Eurobond market in the 1980s. In significant part this prominence is attributable to the development of various innovative financial arrangements, most importantly currency and interest rate swaps. In its simple form, an interest rate swap, for example, involves two parties, one with a fixed interest payment debt, the other with a floating-rate debt. These parties agree to swap their interest payment obligation. One or both parties enter these agreements to obtain a preferred interest payment stream or to lower borrowing costs. Because of the rapid growth of financial swaps and other innovative financial arrangements and the major involvement of international banks in their employment, the Federal Reserve is cooperating with other central banks in assembling information on these arrangements and in analyzing their market implications and policy significance.

A second broad area of financial market developments in which banks are increasingly involved is the securitizing of loans. This is a process that packages relatively illiquid two-party borrowing agreements and transforms them into negotiable securities. Experience with such securities comes almost entirely from the mortgage markets. The Congress provided the essential impetus to the securitizing of credit when it created the Government National Mortgage Association in 1968 to guarantee privately issued securities backed by pools of mortgages. These instruments were called pass-throughs, because interest and principal payments on the mortgages were passed through to the security holders. The Federal Home Loan Mortgage Corporation was started two years later and extended the acceptable limits of loan pools to include conventional as well as federally insured mortgages. Since then, the Federal National Mortgage Association and a wide range of private firms have also issued pass-throughs. The outstanding volume of residential mortgage pass-through securities has grown exponentially. At present, securities guaranteed by the three agencies total $290 billion; counting mortgage-backed securities with a private guarantee, the total is more than $300 billion. More than one-fifth of all existing home mortgages have now been placed in pass-through pools, representing about 5 percent of all credit market debt.

By and large, the experience with these securities has been quite good. The original intent of federal government participation was to augment the flow of capital to the housing industry to make mortgage credit cheaper and more consistently available over the course of the cycle. The secondary mortgage market, which pass-throughs have been largely responsible for widening and deepening, has helped insulate the housing industry, to some extent, when deposit flows to thrift institutions have been weak. By making it easier to invest in mortgages without having the resources or the expertise needed to originate and service such loans, the pool of lenders and investors has been greatly increased. Mortgage interest rates have been more uniform geographically and have moved more in line with market rates.

The ability to sell loans has clear benefits for banks. It makes the asset side of their balance sheets more liquid; it allows banks to manage their assets. They can spread individual-borrower risks better and control the proportions of different borrower and maturity categories. The securitizing of loans broadens the range of investment opportunities for many investors, offering yet another alternative for increasing the liquidity of a portfolio and diversifying risk. This procedure helps some borrowers compete on more even terms for funds. The extent to which additional funds acquired by households to purchase houses or autos crowd out business borrowing is still a matter for continued research.

There are, however, some increased risks accompanying the packaging and sale of loans. In some private loan packages, the origination is separated from the actual lending for funds, with third parties insuring the loans, still others doing the loan packaging, and even different firms holding the loans in escrow or as trustee. This procedure, as the recent experience of California banks suggests, may tend to encourage sloppy procedures and inadequate loan evaluation as each party relies on others to investigate the loans thoroughly. Furthermore, ultimate purchasers of the securities, who sometimes bear the most risk, may lack the expertise and the information to make proper investigations.

As regulators, we also have some concern about how banks account for loan sale transactions. Although outright sales to nonaffiliated parties without residual guarantees cause no problem, loan pools are often sold with some recourse to the originating bank in case of defaults. For example, the bank may commit to replace all loan losses up to 10 percent of the loans sold. With the exception of certain mortgage pool transactions, the Federal Reserve's position and that of other bank regulators has been that loans sold with recourse to the originator or its affiliate should be classified as collateralized borrowings, not as asset sales. Otherwise, such loan sales could be too easily used to keep risk off balance sheets and thus distort capital ratios. Federal Reserve examiners have detailed instructions to take all off-balance-sheet risks into account when evaluating the capital adequacy of an institution.

Rapid growth and dynamic innovation have been characteristics of financial futures and options markets since their inception in the early 1970s. The first such contracts that began trading on organized exchanges—futures based on foreign currencies and options based on individual stocks—met with immediate success, and they have grown substantially in trading volume. With this initial experience, the futures and options exchanges were encouraged to introduce other such instruments. Over the latter half of the 1970s and the early 1980s, a number of interest rate futures and options contracts, based on U.S. Treasury and federal agency securities and on private debt instruments, were introduced. Trading in many, although not all, of these markets rose sharply from the outset, and it has continued to flourish. Finally, in the early 1980s, the exchanges introduced futures and options contracts based on various stock indexes. Again, these markets attracted wide interest, as reflected by spectacular growth in several of them and broad participation by a wide range of financial service organizations and individuals.

Like their counterparts in traditional commodities futures markets and in the over-the-counter markets for foreign currencies and individual stock options, those participating in the new exchange traded futures and options markets do so to achieve one of two basic purposes. Some seek gains by guessing right on the way that stock prices, interest rates, or exchange rates are likely to move. Besides these speculators who add liquidity to the market and efficiency to the pricing process, a wide range of other participants are in the market to hedge risks that they are exposed to in the course of their ordinary business affairs—that is, to shift their risk exposure to speculators in the market. It is this risk transfer process that provides the fundamental economic justification for these markets.

The Congress, in the Futures Trading Act of 1982, directed the Commodity Futures Trading Commission (CFTC), the Securities and Exchange Commission (SEC), and the Federal Reserve Board, with the assistance of the U.S. Treasury to conduct a study of futures and options markets. Since that study was submitted to the Congress in December of last year, I will confine my remarks to a brief summary of its conclusions. Thereafter, I will address in greater detail the regulatory framework the Federal Reserve and other banking agencies have in place to assure that banks participate in these markets in a safe and sound manner.

The main conclusions of the joint agency study are the following:

1. The new financial futures and options markets serve a useful economic purpose, primarily in providing a means by which risks inherent in economic activity can be shifted from firms and individuals less willing to bear them to those more willing to do so.
2. These new markets appear to have no significant negative implications for the formation of capital.
3. Financial futures and options contracts differ in important characteristics, but have many common elements, and hence, there is a need for close harmonization of federal regulation of these markets.
4. Trading in functionally similar instruments under the jurisdiction of the SEC or the CFTC does not appear to have resulted in significant harm to public customers of these derivative or related cash markets.
5. With respect to the various issues examined in the study, no additional legislation appears to be needed at this time to establish an appropriate regulatory framework.

At year-end 1984, only 268 of the nation's 14,500 insured commercial banks reported any futures or forward positions outstanding; 93 banks reported options positions outstanding. Banks with assets in excess of $5 billion accounted for roughly 90 percent of domestic bank volume in futures and options contracts. Depository institutions have been able to use derivative instruments in hedging and arbitrage activities related to holding securities in bond trading accounts with both activities contributing to the liquidity of the U.S. government securities markets. In addition, banks have utilized these derivative instruments in managing various segments of their asset–liability positions.

The involvement of banks in these derivative markets is subject to guidelines first adopted by all the regulatory agencies in 1979. The basic objective in these actions was to ensure that the institutions choosing to use these instruments only do so in a way that will reduce their exposure to interest rate or foreign exchange risk. Before engaging in such activities, management is directed to obtain specific authorization from the institution's board of directors. Also, management is required to develop appropriate internal controls, including position limits and management reports and to establish procedures for market value accounting with respect to open contract positions. State-chartered institutions also first must verify that applicable state law permits them to take positions in these instruments.

The essential trading strategy directed by the guidelines is that institutions should establish positions that hedge their overall exposure to interest rate risk. This concept, while straightforward in intent, is difficult to follow in practice. Hedging as engaged in traditionally in, for example, commodity futures markets has been a rather clear-cut process. For example, a hedger simply took a "short" position in the futures market to offset a "long" inventory position he had in the cash market. Since future and cash prices tend to be highly correlated, any loss suffered in the long cash position from a decline in market price would be offset by the profit obtained from the short futures position. This simple concept of pairing a short (or long) position in futures against a long (or short) cash position does not necessarily assure that a hedge is established when it comes to financial institutions, however. Due to the complexity of bank balance sheets, the agencies have held that to determine whether a futures or options position increases or reduces risk exposure, it is necessary to consider the interest rate exposure of the entire balance sheet position.

It is important to note that the theory and the means for measuring bank interest rate risk continue to be debated and refined. The Board has adopted an extensive examination manual to aid examiners in assessing and in evaluating bank and bank holding company use of these instruments. It is our intent to balance prudential concerns against the industry's need for flexibility and innovation. However, in the final analysis, the policy guidelines require that bank management be able to describe and document in detail how the bank's derivative contract activities contribute to the bank's attaining its objectives of reduction of interest rate risk.

An additional complication associated with derivative products is the fact that trading strategies linking cash positions and derivative instruments can be quite complex—especially in the fast-moving bond trading environment of dealer banks in which inventory can turn over in a matter of hours or minutes. Rather than analyze the use of derivative products in detail, for example, attempting to distinguish *bona fide* arbitrage from riskier forms of arbitrage, System examiners have been instructed to consider derivative products as part of the overall evaluation of trading activities in the relatively few dealer banks we supervise. This pragmatic approach relies on the fact that *all* cash and derivative positions in a bond trading area are subject to market value accounting, and hence, vital discipline is imposed to prevent excessive risk-taking.

The Board also adopted, in 1980, a general policy regarding the appropriate use of financial futures, forward and options contracts by bank holding companies and their nonbank subsidiaries. This policy, basically the same as that applicable to banks, limits the position that can be taken in these derivative products to those that reduce exposure to risk and requires the establishment, by written policy, of appropriate internal controls and audit programs to ensure adherence to this limitation. The Federal Reserve has also permitted 13 bank holding companies to establish subsidiaries to conduct business as a futures commission merchant (FCM)—that is, as a broker of futures or options on futures contracts. In addition, permission has been given to one state member bank to establish a subsidiary to function as an FCM (the Comptroller of the Currency has also given similar permission to a number of national banks). Consistent with the Federal Reserve's general policy, these units of the holding company are prohibited from taking a position in the market for their own account except for hedging a cash position. □

Statement by Preston Martin, Vice Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic Monetary Policy of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, May 3, 1985.

I am pleased to appear before this subcommittee to discuss recent merger and buyout activity and the impact of this activity on domestic credit flows and the safety and the soundness of financial markets.

The dollar volume of completed merger transactions totaled more than $120 billion last year, more than double the experience of any previous year (attachment 1).[1] A substantial portion of this volume—more than $50 billion—was attributable to very large combinations, each involving more than $1 billion. So far this year we have continued to witness a substantial volume of acquisitions and proposed combinations. Although it is unlikely that all of the proposed mergers will reach fruition, the current volume is certainly large enough to warrant continued monitoring of market impacts.

As I have noted in recent testimony before other congressional committees, I believe that there is a legitimate place in our economy for mergers and takeovers. They can be important mechanisms for redeploying corporate assets to their most profitable—and socially beneficial—uses, and for bringing about better management. Thus, we must be careful about attempting to impose the judgment of government authorities about which private transactions will be economically productive and which will not. Nonetheless, government is obliged to do what it can to ensure that certain kinds of risk-taking not jeopardize the stability of our financial system. From the perspective of the Federal Reserve, our concerns have focused on the effect that merger and takeover activity is likely to have on aggregate credit flows and on the risk exposure of financial institutions and markets.

Many of these merger transactions have been financed, at least initially, with debt. More than $15 billion of the 1984 volume represented leveraged buyout transactions, which typically rely on debt financing for as much as 80 to 90 percent of the purchase price, often using the assets of the company as collateral for the loans. Bank credit that was used to finance large mergers or defensive actions to avoid takeovers totaled an estimated $35 billion last year. About two-thirds of these loans were from U.S. banks, but foreign bank participation also was sizable. In the first quarter of 1985, large merger-related bank loans have totaled about $7 billion, with most of these loans supplied by U.S. banks.

Such credit is small relative to total credit outstanding at banks. Moreover, many merger-related bank loans are paid down fairly quickly with funds raised by sales of assets, or with proceeds from the sale of commercial paper or long-term securities. Thus, for example, approximately two-thirds of the large-merger bank loans extended in 1984 have been repaid. Nonetheless, the heavy reliance on debt, from whatever source, to effect the substantial number of mergers, takeovers, and leveraged buyouts raises questions about the potential impact that the transactions may have on aggregate credit flows and on the exposure, owing to heavy leveraging, of the firms involved.

The Board is aware of the influence of merger activity on aggregate credit flows, and takes it into consideration when evaluating the behavior of the money and debt aggregates. Growth in the domestic nonfinancial debt aggregate, which we monitor in the course of our monetary policy deliberations, is estimated to have been boosted about 1 to 1½ percentage points in 1984 as a result of merger-related credit extensions. But mergers and buyouts appear to have had a much more limited impact on the three monetary aggregates for which we establish target ranges. The narrow money aggregate, M1, may be increased temporarily as a result of a large merger, but proceeds from merger sales generally are reinvested in other assets, and the effect of M1 tends to be small over periods of time relevant for monetary policy considerations. The broader aggregates, M2 and M3, may be boosted somewhat more than M1, as some proceeds from stock sales flow into time deposits, money market mutual funds, and other assets included in these aggregates. But relative to the size of M2

1. The attachments to this statement are available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

and M3, this effect also would be relatively minor. Given our ability to evaluate the size and the timing of large transactions, we can anticipate possible distortions to the aggregates in a particular period and thus avoid inadvertently reacting to these factors rather than to more fundamental determinants of credit demand in our policy deliberations. As a result, I do not believe that mergers present an operational problem for us that could cause appreciable unintended variations in reserve market pressures.

Assessing the implications of merger activity is quite complex, however, and even though we do not believe that debt-financed merger activity has had a significant effect on aggregate credit flows, we are concerned about the potential risk exposure that may result as firms retire existing equity with funds raised through increased use of debt.

Last year, nonfinancial corporations retired more than $85 billion of equity through mergers, takeovers, and share repurchases. Equity retirements were bolstered also by firms that elected to repurchase their own shares rather than to undertake new investment or to acquire other firms. Some share repurchases clearly were prompted as defensive measures taken to lessen the possibility of outsiders buying significant amounts of stocks; other repurchases were made because corporations find them to be a more profitable way to invest funds. When a company believes that the value of its assets is higher than the market's valuation of its stock, such buybacks may appear to be more attractive than alternative investments.

The unprecedented level of stock retirements associated with mergers, takeovers, and share repurchases has given rise to concerns about the potential erosion of the equity base of American business. There have been offsets, however, to this erosion. Aided by the new depreciation rules, after-tax earnings of nonfinancial corporations have rebounded strongly in the current expansion. With dividend growth remaining restrained, retained earnings have been a relatively substantial source of new corporate equity in recent quarters. A less important source of equity is new stock issues. Retained earnings of all nonfinancial firms offset the net retirement of stock, and net additions to equity in the aggregate remained positive last year though quite low by historical standards, especially during a business expansion.

Another source of equity growth has come from the appreciation of existing corporate assets. Reflecting the improvement in corporate profits in this expansion and a more favorable environment for future earnings, the market's evaluation of corporate assets has risen. Moreover, even though a large portion of recent stock retirements has been financed with debt, aggregate debt-to-equity ratios for nonfinancial business as a whole—based on market values of equity—have remained well below the peaks reached in the 1970s. Nonetheless, while these aggregate measures have not changed dramatically, it is clear that some firms are retiring huge amounts of their equity and are taking on appreciable amounts of debt to finance merger-related activity.

The Federal Reserve, in its roles as supervisor of banks and bank holding companies and as lender of last resort, has the responsibility in conjunction with other regulatory agencies for maintaining the safety and the soundness of financial institutions and markets. To date, we have seen no evidence indicating that the credit extended to finance mergers and leveraged buyouts has resulted in significant problems for the surviving firms or the financial institutions that have extended credit to them. Of course, our economy has been undergoing an expansion that has provided a favorable economic and financial environment for growth, and thus the companies created by recent mergers, as yet, have not been tested by adverse economic conditions. Currently, there are indications that economic growth may be slowing. Should the earnings prospects of these firms deteriorate unexpectedly or interest rates rise sharply, some firms may be strained to service heavy debt burdens. In this event, the institutions that provided the credit could in turn be exposed to possible losses.

Leveraged buyouts may be of particular concern because these purchases typically are executed with particularly heavy reliance on debt financing. Because buyout loans often involve floating-rate debt, the purchasing companies will be especially vulnerable if interest rates rise substantially and cash flows are not adequate to service the heavy debt burdens.

The Federal Reserve has actively urged banks to evaluate carefully all loans, but particularly those loans used to finance buyouts and other types of takeover transactions, and to apply prudent standards in making credit decisions. We regularly include specific instruction with respect to the review of bank lending activity and loans associated with leveraged buyouts in our training courses for bank examiners. In June 1984, we offered additional training for dealing with leveraged buyouts for senior bank examiners. At about the same time, we issued specific guidelines for examiners at each of the 12 District Federal Reserve Banks to follow in evaluating loans for financing leveraged buyouts and for assessing the total exposure of a bank to such lending.

A recent review of the results of bank examinations indicated that only a small number of state member banks appeared to actively lend for purposes of effecting leveraged buyouts to the extent that they might be exposed to adverse changes in market conditions. No banks have experienced serious problems to date as a result of such lending. While these survey results suggest that there is little reason for alarm at this time, we will continue to evaluate this activity and to adjust our policies as needed. We encourage all lenders to apply prudent lending standards, particularly purchasers of low-rated or unrated bonds, which appear to have become popular vehicles for financing takeover attempts. Most of the purchasers of these so-called "junk bonds" that are used to finance merger activity reportedly are large, sophisticated investors who should be aware of the risks involved in holding such instruments. The higher rates paid on these bonds suggest that they are perceived to involve greater risks, but the question of whether the risk premiums will prove to be adequate to compensate investors for the exposure that they undertake remains unanswered inasmuch as the market has not been tested by significant negative events.

I do not wish to imply that lower-quality bonds are undesirable financial instruments. These securities provide an important source of financing for many small, unknown companies. A new firm may have good growth potential, but because it is untested as yet, its debt issues likely will be rated below investment grade; some new companies opt not to obtain a rating owing to the cost involved and to the likelihood of being granted a speculative grade. It is important that less well-known companies be able to raise funds in securities markets and also that investors seek a thorough understanding of the investment merits and risks associated with lower-grade securities.

Federally chartered banks may make loans to finance mergers; they are prohibited from acquiring below-investment-grade bonds in their investment portfolios. However, some state-chartered institutions currently may not be subject to such restrictions. Indeed, some state-chartered thrift institutions have purchased these securities. Given the sensitivity of financial markets to the fortunes of individual institutions, we continue to encourage supervisors at both state and federal levels to evaluate carefully developments in this area and to take adequate steps to prevent undue exposure of individual institutions to unexpected events.

The Federal Reserve Board does not believe that arbitrary controls on the use of credit can be desirable or effective. Attempts to regulate flows of credit for particular purposes run the risk of creating unintended distortions in credit flows and impeding the efficient allocation of capital. Since mergers can be important mechanisms for redeploying corporate assets to more profitable uses, promoting better management, economies of scale or scope, or reinforcing market incentives, we must be careful about imposing the judgment of government authorities concerning which private transactions will be desirable from a social and economic standpoint. When government controls on the use of credit are in existence for any length of time, they become increasingly inequitable as market participants find ways to circumvent them. And such controls are usually extremely difficult to enforce; since credit is fungible, most financing can be achieved through alternative channels, such as borrowing through unregulated intermediaries, from foreign lenders, or the like.

In this regard, I also would like to comment on the role of margin regulations as they may affect merger financing. Margin regulations apply to lenders making loans for the purpose of purchasing securities when those loans are collateralized with securities. Thus, investors that wish to purchase stocks on credit may, under current margin requirements, borrow 50 percent of the purchase price, and pledge the acquired stocks as collateral. The recent tendency for stock prices of target companies to rise when a takeover or merger is anticipated suggests that some investors may be purchasing shares of these companies in anticipation of realizing gains as the merger transactions are negotiated. Although we have no data on such individual stock trades, it may be that some involve margin credit extensions. The 50 percent margin requirement, we believe, is more than adequate to ensure the integrity of the marketplace in the event of unexpected price movements in these and other stocks.

Margin credit likely has played a quite limited role in the actual financing of mergers and takeovers. The margin regulations do not apply to unsecured loans or to loans secured by assets other than securities. Well-capitalized companies may borrow to purchase shares in another company by pledging other types of assets as collateral or by using unsecured loans, in which case the lenders would not be subject to margin requirements. Given the current high margin requirements, there is a strong incentive for firms to use other means of financing acquisitions when possible. Unfortunately, there are areas in which the application of margin regulations is cloudy; in particular, questions have arisen concerning credit extended to purchase securities that may be "indirectly" secured by stock. These cases require a regulatory review to determine whether or not the extension of credit would be subject to margin requirements. As you may be aware, Federal Reserve staff currently are reviewing a petition to this effect by Unocal. Up to this time, the Board has not believed that efforts to curb takeover activity by expanding the scope of margin regulations to cover selected types of transactions has been a desirable option. Such a course runs all the risks of distorting capital flows and impeding the efficient allocation of resources like other selective credit controls.

I would like to reiterate that I do not wish to imply that we should be complacent about the implications of lending to effect mergers and buyouts. The Federal Reserve will continue to monitor this activity and its effects on financial markets and to review our examination standards in light of developments in this area. □

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, May 8, 1985.

I am pleased to appear before this committee today to review the banking bill, S. 2851, that was adopted by the Senate last year in September and to assess the continuing need for this legislation. On several occasions in the past I have advised this committee of the need to move with a sense of urgency to reform the existing statutory framework governing "banking" organizations, prompted by my concern that there are real dangers in permitting the financial system to evolve, as it is now, in a haphazard and a potentially dangerous way. Nothing has happened in the seven months since September 1984 that would cause me to change this assessment. Quite the contrary, the basic framework for the conduct of depository institution business that would have been established by S. 2851 is sorely missed and is still urgently needed.

In previous statements before this committee, I have stressed the unique and complex role played by depository institutions in our financial system and our economy. For the convenience of the committee, I have attached to this statement a copy of my statement before this committee on March 27, 1984, which sets out in detail the conceptual framework from which we at the Board approach the present legislative effort to revise the banking structure in the light of changed market conditions. (attachment 1)[1]

The legislation adopted by the Senate last year took some basic steps necessary to adapt the financial system to changed circumstances. It provided for the following: (1) a new definition of banks and thrift institutions; (2) a streamlining of the procedural provisions of the bank and thrift holding company acts; (3) a broadening, within an appropriate regulatory framework, of the

1. The attachments to this statement are available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

powers of depository institution holding companies; (4) a better delineation of the scope of state authority in the area of banking organization powers; and (5) a start on developing rules governing interstate expansion of depository institutions.

The broad consensus on these and other provisions was reflected in the overwhelming support by the Senate for S. 2851.

The need for new legislation to clarify and reinforce certain continuing goals of public policy toward banking has only intensified in the past year. There has been further proliferation of nonbank banks; new state initiatives to greatly expand the powers of state-chartered banks and thrift institutions; and new applications by banks and bank holding companies to engage in insurance, securities, and other activities that must be decided with or without congressional guidance.

Since July 1, 1983, the grandfather date in S. 2851, 22 applications for nonbank banks by commercial companies, including major securities, insurance, and retail firms, have received approval. Since September 1984, 276 applications by bank holding companies for nonbank banks located in 40 different states have also been approved. While a U.S. District Court in Florida has enjoined the Comptroller from issuing any new final charters, and the Federal Reserve has returned pending applications because of this injunction, there is a continuing and an important need for legislative action on the definition of bank.

I need only stress that in the appeal process, the decisions of the lower court could be reversed, with a resultant flood of new nonbank banks immediately being put into place. In any event, the Court's ruling does not apply directly to nonbank banks authorized under state law or to existing national banks that could be converted to nonbank banks. I fully expect that commercial firms prepared to take advantage of loopholes will turn in this direction as a means of evading the separation of banking and commerce that is now required.

The accelerating trend in the states toward authorization of new nonbanking powers for banks and thrift institutions is another point of serious concern. These laws appear to be part of a kind of bidding process to attract and retain depository institutions, to enhance revenues, and to create new employment opportunities rather than a reflection of a coherent philosophy toward banking. These essentially competitive efforts will offset one another in the end, but at the cost of establishing banking practices that could well be inconsistent with the requirements of a safe and sound banking system. For instance, legislation was adopted last year in California and in New York to authorize real estate development activities and in Ohio to authorize investment in corporate equities as well as real estate development, posing real risks for the banks that engage in these activities. Of equal concern is the legislation in some states that has given *carte blanche* to state-chartered thrift institutions, allowing them to virtually make any type of investment almost without restriction.

Faced with these laws, and their likely proliferation, the three federal regulators with responsibilities in these areas—the Board, the Federal Home Loan Bank Board, and the Federal Deposit Insurance Corporation—have adopted, or have under consideration, regulations to establish a framework for the conduct of state-chartered depository institution activities. The three depository institution regulators have in effect reached the conclusion that if they are unrestrained these activities can seriously endanger depository institutions themselves and the financial system in which they are such an important part. Administrative authority to act in this delicate area of state–federal relations needs a clear mandate of congressional support.

The unsatisfactory state of existing law is manifest also in recent applications by bank holding companies to engage directly or through subsidiaries in a considerable range of insurance and securities activities, taking advantage of perceived new interpretations of federal law or new state laws. Holding company applications are now before the Board to engage in nationwide insurance brokerage and underwriting through state banks and to participate in underwriting and distribution of commercial paper, revenue bonds, and mortgage-backed obligations. These applications raise serious questions of policy in areas that have been of important congressional concern. We are required, nevertheless, by law to act on them. It would be far preferable to act in these areas on the basis of a fresh statutory mandate, rather than attempt to apply existing rules to circumstances that were unforeseen 10, 20, and 50 years ago.

All these developments have created a continuing large volume of complex litigation—and more can be expected. Almost every important banking policy is now the subject of judicial review, and the courts, or we the regulators, are faced with the unhappy dilemma of attempting to apply old laws adopted in very different circumstances to new facts and new arrangements that the Congress did not envision when the laws were originally adopted. In these circumstances, inconsistent rulings should be no surprise. The banking system is simply too important to leave to haphazard development.

The legislation adopted by the Senate last year would have made a major contribution toward establishing a new and a more stable framework in which depository institutions and other financial firms can operate, while protecting the basic foundations of a safe and sound financial system. However, I believe changes are needed in at least three important areas to strengthen the Senate bill to assure that these objectives are fully met.

Strengthening the Thrift Test

First, the so-called thrift test should be strengthened substantially. Conceptually, S. 2851 seems to accept the importance of assuring that thrift institutions extensively engaged in commercial activities, like commercial banks, be subject to national policy requiring a separation of banking and commerce. However, the thrift test set out seems to me too weak, and would permit "nonthrift thrifts" the bank-like powers to develop, undercutting the prohibition on nonbank banks.

To achieve the necessary strengthening, the thrift test should, at a minimum, require that at least 65 percent of a thrift institution's own assets be devoted to home lending. It should exclude a pass-through of loans originated and sold to other investors, an activity freely engaged in by a wide variety of institutions that have no special protection under federal law as well as by many commercial banks. If liquid assets are to qualify, they should do so only in amounts required by law. In addition, a thrift institution should not be used to market the products of a nonthrift or bank parent and vice versa.

Clarification of State Banking Powers

Second, the provisions on limiting state powers to authorize new banking activities should be extended and clarified. The bill now prevents states from authorizing new powers for banks that are not permitted under section 4 of the Bank Holding Company Act unless these activities are confined to the authorizing state. On the basis of recent developments it seems clear that this limitation should be extended to include activities authorized by states that are inconsistent with safe and sound banking. The Congress has extensively reviewed the powers that should be permitted to banks and their holding companies and has carefully balanced considerations involving both fair competition and risk. We believe that it is both unwise and dangerous to the stability of the system to permit the expansion of powers that raise serious safety and soundness considerations, particularly when the primary motivation for the adoption of these powers is parochial considerations of jobs and revenues.

Transition to Interstate Banking

Third, legislation adopted this year should also go beyond approving regional arrangements, as provided for in title IX of S. 2851, and address the rules for interstate expansion. The present situation of loophole exploitation and discriminatory regional arrangements is inherently unsatisfactory. Title IX only goes so far as to legitimize regional arrangements for a period of five years. These arrangements are satisfactory *only* as a transition to a less discriminatory system of interstate banking. New arrangements for interstate banking should also include provisions to assure fair competition and should avoid undue concentration of resources, elements that would well be lost to the extent that interstate expansion was confined for an indefinite period to regional arrangements.

DEFINITION OF BANK

Finally, I would like to emphasize one area in which I believe a change should not be made. I understand that proposals have been made by others to undermine the definition of bank contained in S. 2851 by permitting nondepository institutions—industrial firms, retail firms, securities and insurance firms—to enter the banking business without being subject to the Bank Holding Company Act, provided that they have no more than a limited portion of their assets in commercial loans. This concept, now beguilingly called the consumer or family bank, would clearly undercut the basic public policies sought by closing the nonbank bank loophole.

Moreover, I believe that there is an important defect in the bill's definition of "bank." S. 2851 now exempts from the definition of bank institutions that take demand deposits and are not federally insured, so long as they hold no more than 10 percent of their assets in commercial loans. I have urged, and recent experience seems to me to confirm my concerns, that all institutions that take transaction accounts (not just demand deposits narrowly defined) and make commercial loans and that are not covered by the Savings and Loan Holding Company Act should be covered by the Bank Holding Company Act. For just these same reasons, I would urge that the provisions of S. 2851, which allow bank holding companies to own nonfederally insured banks, be deleted from the bill.

I would also urge that the nonbank bank grandfather provisions of S. 2851 be modified to assure that grandfather status is not abused by expansion of commercial lending or by geographic expansion.

Last year the Senate took a significant step forward toward adopting the urgently needed new framework of public policies for the conduct of the banking and thrift businesses. Recent events have demonstrated the continuing need for final congressional action and I believe have created the atmosphere in which this action can be taken. I believe S. 2851 needs to be strengthened in the areas I have indicated and strongly urge your early action. □

Statement by E. Gerald Corrigan, President, Federal Reserve Bank of New York, before the Subcommittee on Securities of the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, May 9, 1985.

I appreciate this opportunity to appear before this subcommittee to offer my views and to respond to your questions concerning recent problems in the U.S. government securities market. While the circumstances and frequency of these problems—some involving specific allegations of fraudulent activities that I consider to be outrageous—are clearly disturbing, the market as a whole continues to function effectively. Yet, the cumulative weight of recent disturbances raises some important questions about the structure and the functioning of the market. My prepared statement consists of four sections: the first outlines the structure of the government securities market; the second reviews the role of the Federal Reserve Bank of New York as it relates to the market; the third seeks to identify some common elements or traits in recent problem situations in the market; and the fourth contains some thoughts regarding the future operation of the market.

THE STRUCTURE OF THE GOVERNMENT SECURITIES MARKET

The fact that the market for U.S. government securities is the largest, most efficient, and most important securities market in the country and the world is well documented and need not be developed for this subcommittee. The market consists of several broad categories of participants, starting, of course, with the U.S. government itself as the issuer of the securities through its fiscal agents—the 12 Federal Reserve Banks. In addition, and as detailed in the following section, the Federal Reserve Bank of New York—acting on behalf of the Federal Open Market Committee—uses the day-to-day purchases and sales of government securities as the primary instrument for the conduct of monetary policy.

Private participants in the government securities market start with the so-called primary dealers in U.S. government securities. Firms are designated as primary dealers by the Federal Reserve Bank of New York based on a number of criteria. These criteria are detailed in the appendix to this statement.[1] Ten years ago there were 25 primary dealers. This number has grown to the present level of 36—15 of which are banks or bank subsidiaries, 11 are broker–dealers subject to regulation by the Securities and Exchange Commission (SEC), and 10 are otherwise "unregulated" at the federal level. The primary dealers are the core group of market makers for government debt in that they maintain two-way markets for government securities and participate directly and actively in auctions of new government debt. They serve as the essential bridge between the Treasury and the vast domestic and international network of institutions and individuals who are the ultimate holders of government debt.

Besides the primary dealers, there are a large number of bank and nonbank "secondary" dealers in government securities. While the exact number of secondary dealers is not known—in part because there is no consensus definition of a dealer and in part because a number of these dealers are not registered with a federal agency—published and other sources would suggest that there may be as many as 400 to 500 firms. We believe that the majority of these secondary dealers are "regulated" in the sense that their government securities dealer operations probably take place within an otherwise regulated banking organization or within a broker–dealer registered with the SEC. However, even with some of these "regulated" firms, the government securities activities may, in fact, take place in an affiliate or subsidiary that is not subject to federal regulation. In addition, perhaps 100 or more government securities dealers are wholly unregulated—at least at the federal level.

These estimates of the number of secondary dealers are based largely on published and other reports of firms that label themselves dealers. They, in turn, may have multiple subsidiaries or affiliates. There also are many other major market participants such as pension funds and large nonfinancial corporations that, by some definitions, could qualify as government securities dealers. Thus, the number of firms active in the government securities market is large and would be still larger if the population were defined to include the firms—and their affiliates—that specialize in dealing in government-backed or agency securities. Indeed, because the "agency" security market includes a wide range of instruments and issuers—some of which are backed by the full faith and credit of the U.S. government and some of which are not—additional questions and issues may arise in this area.

The Role of the Federal Reserve Bank of New York

The Federal Reserve Bank of New York's direct interest in the operation of the government securities market grows out of the fact that day-to-day purchases and sales of government securities are the primary vehicle used by the Federal Reserve in seeking to influence the growth of money and credit. During 1984, for example, the aggregate value of such transactions conducted by the Federal Reserve with the primary dealers was $209 billion. The Federal Reserve also acts on behalf of approximately 150 foreign central banks and other foreign official institutions in the market. Transactions conducted by the Federal Reserve on behalf of these institutions in 1984 amounted to $211 billion. All Federal Reserve transactions in government securities—whether for its own account or for the account of foreign official institutions—are conducted only with the primary dealers.

The origins of the Federal Reserve Bank of New York's role in providing a form of surveillance over the primary dealers were, in part, a straightforward business proposition. Given the enormous volume of public funds associated with the Federal Reserve's transactions in the marketplace, it was quite natural that in conducting these transactions the New York Federal Reserve would be guided by one of the oldest precepts in trading—"know your counterparty."

Of course, our interest in the workings of the market goes beyond our strict business relation-

1. The attachments to this statement are available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

ships with the primary dealers. Indeed, our concern stems from the fact that the government securities market is the market that we use for monetary policy implementation and which the Treasury uses for financing the federal government. Over time, and in recognition of the larger public interest considerations associated with the operation of the government market, the New York Federal Reserve's role in the market evolved into an informal watchdog function that loosely incorporated some elements of traditional regulatory functions.

This evolution of the Federal Reserve's interest in the government securities market took place, however, in a framework in which the Federal Reserve had and continues to have no express statutory authority. At the same time, the sheer growth of the debt, as well as advances in communications and technology, have made it possible for hundreds of new firms to enter the government securities business and operate nationwide from virtually any location in the country.

To summarize, the Federal Reserve's initial interest in the safe functioning of the government securities market was one that grew out of the time-honored tradition of knowing those with whom you do business. Over time, that interest gradually assumed some of the trappings of a more generalized but essentially voluntary system of oversight aimed at the primary dealers. That system of general surveillance over the primary dealers has, in my judgment, served the Treasury, the Federal Reserve, and the public well for a long period of time.

More recently, and reflecting in part changes in market structure, the Federal Reserve stepped up its efforts to learn more about the activities of some of the larger secondary dealers in government securities. This effort, also entirely voluntary in nature, entailed a very limited form of voluntary monthly reporting and efforts aimed at establishing voluntary capital adequacy standards.

The current arrangements, especially as extended to the secondary dealers, may not be adequate for the future. For example, by having an informal monitoring role, we may create an appearance of providing much greater protection from abuse than is justified. Moreover, given our present role, we have to be careful in dealing with suspected problems—indeed there may be circumstances in which efforts to move in on a situation could create difficulty where none had existed, or could make a large problem out of a small one. Some danger of this type probably exists with any regulatory function, but it may be especially acute in the case of the government securities market, given the intricate interdependence of that market with so many other parts of the financial structure. Since there can never be a fail-safe system of surveillance or even of regulation, I believe that recognition of these problems must be central to our thinking as we seek ways to guard against abuses while at the same time seek to preserve the strength and dynamism of the market.

Recent Problem Situations

In considering the appropriate public policy response to the recent problem situations involving government securities dealers, it is useful to seek to identify some common characteristics associated with various episodes—recognizing, of course, that each situation has had its own distinct traits. Indeed, because of the unique traits of each case, it is risky to attempt generalization since each generalization will have its exceptions. Yet, with this qualification firmly in mind, a close inspection of recent problem situations does suggest several areas of commonality. Among these areas are the following.

Misleading Financial Statements. In a number of episodes, the firm in question has issued apparently false or misleading financial statements, some of which were "audited" and some of which were not. More specifically, it would appear that some individual cases entail allegations of outright fraud of a nature that can only be described as outrageous.

Multiple Affiliated Companies. In several instances, problems in one company were masked by relationships, and at times complex transactions, with affiliated companies. Indeed, in some instances it would appear that some investors may not have fully understood which entity was the counterparty to transactions.

The Use of Working Capital Generated by Matched-Book Operations. In the jargon of the trade, a matched book is the holding by a dealer of an equal and offsetting—or "matched"—amount of reverse repurchase agreements and repurchase agreements (RPs). Matched-book operations are central to the workings of the market because they provide a convenient vehicle for dealers to serve as efficient intermediaries between those seeking to invest in government securities and those seeking to use holdings of government securities to gain liquidity. In theory, a matched-book operation—even one of considerable size—should be a very low-risk activity to the dealer and to its customers. In practice, however, theory may not always apply. For example, if the amount of the book is "matched," but not the maturities, the overall position can include somewhat greater risk. Moreover, and more importantly for these purposes, a matched book, by its very nature, can produce working capital for the dealer through the excess margin that can be produced during the term of certain RP transactions. In a number of the problem situations it appears that the dealers in question used working capital generated by matched-book operations to engage in trading for their own account and in the process incurred losses or attempted to use such working capital to make up losses.

Improper Control Arrangements. In a number of instances, customers of problem dealers incurred losses because the customers failed both to know their counterparty and to secure control of the securities underlying the RP transaction with the problem dealer. The failure to know the counterparty—its financial status and its management—or to secure control of the securities—whether caused by carelessness or misrepresentation or both—not only ultimately resulted in the loss to the customer but also had the effect of providing funds to the problem dealer, thereby permitting the dealer to continue operations in a way that may have disguised its true financial condition.

The Drive for Earnings. In looking at the list of harmed customers of problem dealers it is easy to conclude that some, if not many, incurred losses because they were naive about the nature of the transactions. In a proximate sense, the conclusion may be warranted. But, in a more fundamental sense, some of these customers may have been easy targets because they—out of pressures to generate interest income—were all too willing to be seduced by the prospect of a "special deal." Unfortunately, for a struggling thrift institution or a cash-pressed municipality, these temptations can be great, especially when the transaction in question involves a "risk free" Treasury security. The point, of course, is that the security may be risk-free while the *transaction* can be quite risky.

As mentioned earlier, these factors are not common to all problem situations that we have seen in the government securities market nor do they exhaust the possible list of causes or probable causes of the difficulties that have occurred. For example, they do not include the accrued interest problem that was a key factor in one case, nor do they include any possible connections among individuals associated with one or more of the problem dealers, nor the possible role that "money brokers" may have played in one or more cases. What they do suggest, however, is that the problems we have seen are multifaceted and entail factors ranging from investor attitudes and motivations on the one hand to gross misrepresentation and alleged wholesale fraud on the other, none of which is necessarily easy to eliminate by regulation.

Looking to the Future

Recent events have brought into even sharper focus the question of whether part or all of the government securities market should be subject to some form of formal regulation backed up by explicit statutory authority. Indeed, several bills have been introduced in the Senate or the House to that end. Moreover, many market participants and the Public Securities Association are now on record as favoring some form of regulation. All of this is understandable since the cumulative effect of the recent string of failures of government securities dealers has been, to put it mildly, unsettling.

Yet, as we seek a higher level of assurance that the problems of the past will not be repeated, we must proceed with caution. In the case of the government securities market, the costs of poorly conceived or poorly executed regulation could be enormous. For example, if regulation unnecessarily affected the liquidity and the efficiency of the market in an adverse way to the extent of raising the average yield on Treasury securities outstanding only 10 basis points, the cost to the Treasury and ultimately to the taxpayer would mount to a staggering \$1.7 billion per year at current levels of Treasury debt. On the other hand it is, of course, possible that uncertainties and instabilities growing out of further problems could have an even greater impact on the market.

Reflecting these considerations the Federal Reserve, the Treasury, and the SEC are working diligently to arrive at a position on whether legislation is needed and, if so, what form such legislation should take. The interagency position is expected to be communicated to the Congress no later than mid-June. Those interagency deliberations are, in the first instance, aimed at further fact-finding and, in the second, at a review of various alternative approaches to regulation of the government securities market. A key date in that process will be May 20, the deadline for the submission of responses to the SEC's request for public comment on the oversight of the government securities market.

In tandem with the interagency review, we at the Federal Reserve Bank of New York are moving ahead on several fronts including the following: (1) the implementation of the system of voluntary capital guidelines that are aimed largely at the "unregulated" secondary dealer community; (2) an expanded public education program targeted at certain classes of investors in RP-type transactions; (3) stepped-up bank supervisory efforts regarding the involvement in RP-type transactions by depository institutions; and (4) the expansion of the scope and intensity of our on-site inspection program for primary dealers. In this regard, I had also hoped that there might be some operational enhancements to the book-entry system for government securities that might prove useful in improving controls surrounding RP-type transactions. However, based on our preliminary analysis, it is clear that any such major enhancements will not come quickly or cheaply, if at all.

In closing, allow me to stress four points. First, I share the deep concerns expressed in the Congress and elsewhere about the recent problems in the government securities markets. Second, despite these problems, the market as a whole continues to function effectively in fair weather or foul. Third, the issues involved in the question of whether the government securities market should be regulated, and if so the appropriate form of such regulation, are exceedingly complex. Finally, if it appears that regulation is required, we are challenged to do it in a way that introduces minimal inefficiencies and costs into a market that is so vital to our overall financial and economic well-being. We look forward to working closely with the Congress in seeking solutions to these difficult issues. □

Statement by E. Gerald Corrigan, President, Federal Reserve Bank of New York, before the Subcommittee on Commerce, Consumer, and Monetary Affairs of the Committee on Government Operations, U.S. House of Representatives, May 15, 1985.

I appreciate the opportunity to appear before this subcommittee to offer my views and to respond to your questions concerning recent problems in the U.S. government securities market. Within the past few months six government securities firms have failed and in the process have inflicted losses on a number of market participants including banks, thrift institutions, and municipalities. While these events are, to put it mildly, disturbing, they have not had any materially adverse effects on the functioning of the market as a whole, the conduct of monetary policy, or Treasury financing activities. However, we have seen, and are seeing, a fair amount of repositioning in the market as market participants reevaluate their positions and their relationships in the wake of these problems.

The Federal Reserve Bank of New York's direct interest in the operation of the government securities market grows out of the fact that day-to-day purchases and sales of government securities are the primary vehicle used by the Federal Reserve in seeking to influence the growth of money and credit. During 1984, for example, the aggregate value of such transactions conducted by the Federal Reserve with the primary dealers was $209 billion. The Federal Reserve also acts on behalf of approximately 150 foreign central banks and other foreign official institutions in the market. Transactions conducted by the Federal Reserve on behalf of these institutions amounted to $211 billion in 1984. All Federal Reserve transactions in government securities—whether for its own account or for the account of foreign official institutions—are conducted only with the primary dealers.

The origins of the Federal Reserve Bank of New York's role in providing a form of surveillance over the primary dealers were, in part, a straightforward business proposition. Given the enormous volume of public funds associated with the Federal Reserve's transactions in the marketplace, it was quite natural that in conducting these transactions the New York Federal Reserve would be guided by one of the oldest precepts in trading—"know your counterparty."

Of course, our interest in the workings of the market goes beyond our strict business relationships with the primary dealers. Indeed, our concern stems from the fact that the government securities market is the market that we use for monetary policy implementation and which the Treasury uses for financing the federal government. Over time, and in recognition of the larger public interest considerations associated with the operation of the government market, the New York Federal Reserve's role in the market has evolved into an informal watchdog function that loosely incorporated some elements of traditional regulatory functions.

This evolution of the Federal Reserve's interest in the government securities market took place, however, in a framework in which the Federal Reserve had and continues to have, no express statutory authority. At the same time, the sheer growth of the debt as well as advances in communications and technology have made it possible for hundreds of new firms to enter the government securities business and to operate nationwide from virtually any location in the country.

To summarize, the Federal Reserve's initial interest in the safe functioning of the government securities market was one that grew out of the time-honored tradition of knowing those with whom you do business. Over time, that interest gradually took on some of the trappings of a more generalized, but essentially voluntary, system of oversight aimed at the primary dealers. That system of general surveillance over the primary dealers has, in my judgment, served the Treasury, the Federal Reserve, and the public well for a long period of time.

More recently, and reflecting in part changes in market structure, the Federal Reserve has stepped up its efforts to learn more about the activities of some of the larger secondary dealers in government securities. This effort—also entirely voluntary in nature—has entailed a very limited form of voluntary monthly reporting and efforts aimed at establishing voluntary capital adequacy standards.

At the time of its demise, E.S.M. Government Securities, Inc. (ESM) was one of the approximately 30 firms filing monthly reports with the Federal Reserve Bank of New York and would have been one of the "unregulated" firms to which the capital guidelines are targeted. Bevill, Bresler and Schulman, Inc. (BBS), a broker–dealer registered with the Securities and Exchange Commission (SEC), was also a monthly reporting dealer. However, the reports for BBS did not reflect the activities of two or more related firms when the losses that ultimately gave rise to the demise of BBS occurred. While information supplied by ESM was false and information supplied by BBS may have been false or misleading, the information as reported for the entities that it covered suggested that both firms would have met the capital standards.

The current arrangements, especially as extended to the secondary dealers, may not be adequate for the future. For example, by having an informal monitoring role, we may create an appearance of providing much greater protection from abuse than is justified. Moreover, given our present role, we have to be careful in dealing with suspected problems—indeed there may be circumstances in which efforts to move in on a situation could create difficulty where none had existed, or could make a large problem out of a small one. Some danger of this type probably exists with any regulatory function, but it may be especially acute in the case of the government securities market, given the intricate interdependence of that market with so many other parts of the financial structure. Since there can never be a fail-safe system of surveillance or even of regulation, I believe that recognition of these problems must be central to our thinking as we seek ways to guard against abuses while at the same time seek to preserve the strength and dynamism of the market.

RECENT PROBLEM SITUATIONS

In considering the appropriate public policy response to the recent problem situations involving government securities dealers, it is useful to seek to identify some common characteristics associated with various episodes—recognizing, of course, that each situation has had its own distinct traits. Indeed, because of the unique traits of each case, it is risky to attempt generalization since each generalization will have its exceptions. Yet, with this qualification firmly in mind, a close inspection of recent problem situations does suggest several areas of commonality. Among these areas are the following.

Misleading Financial Statements. In a number of episodes, the firm in question has issued apparently false or misleading financial statements, some of which were "audited" and some of which were not. More specifically, it would appear that some individual cases entail allegations of outright fraud of a nature that can only be described as outrageous.

Multiple Affiliated Companies. In several instances, problems in one company were masked by relationships, and at times complex transactions, with affiliated companies. Indeed, in some instances it would appear that some investors may not have fully understood which entity was the counterparty to transactions.

The Use of Working Capital Generated by Matched-Book Operations. In the jargon of the trade, a matched book is the holding by a dealer of an equal and offsetting—or "matched"—amount of reverse repurchase agreements and repurchase agreements (RPs). Matched-book operations are central to the workings of the market because they provide a convenient vehicle for dealers to serve as efficient intermediaries between those seeking to invest in government securities and those seeking to use holdings of government securities to gain liquidity. In theory, a matched-book operation—even one of considerable size—should be a very low-risk activity to the dealer and to its customers. In practice, however, theory may not always apply. For example, if the amount of the book is "matched," but not the maturities, the overall position can include somewhat greater risk. Moreover, and more importantly for these purposes, a matched book, by its very nature, can produce working capital for the dealer through the excess margin that can be produced during the term of certain RP transactions. In a number of the problem situations it appears that the dealers in question used working capital generated by matched-book operations to engage in trading for their own account and in the process incurred losses or attempted to use such working capital to make up losses.

Improper Control Arrangements. In a number of instances, customers of problem dealers incurred losses because the customers failed both to know their counterparty and to secure control of the securities underlying the RP transaction with the problem dealer. The failure to know the counterparty—its financial status and its management—or to secure control of the securities—whether caused by carelessness or misrepresentation or both—not only ultimately resulted in the loss to the customer but also had the effect of providing funds to the problem dealer, thereby permitting the dealer to continue operations in a way that may have disguised its true financial condition.

The Drive for Earnings. In looking at the list of harmed customers of problem dealers it is easy to conclude that some, if not many, incurred losses because they were naive about the nature of the transactions. In a proximate sense, the conclusion may be warranted. But, in a more fundamental sense, some of these customers may have been easy targets because they—out of pressures to generate interest income—were all too willing to be seduced by the prospect of a "special deal." Unfortunately, for a struggling thrift institution or a cash-pressed municipality, these temptations can be great, especially when the transaction in question involves a "risk free" Treasury security. The point, of course, is that the security may be risk-free while the *transaction* can be quite risky.

As mentioned earlier, these factors are not common to all problem situations that we have seen in the government securities market nor do they exhaust the possible list of causes or probable causes of the difficulties that have occurred. For example, they do not include the accrued interest problem that was a key factor in one case, nor do they include any possible connections among individuals associated with one or more of the problem dealers, nor the possible role that "money brokers" may have played in one or more cases. What they do suggest, however, is that the problems we have seen are multifaceted and entail factors ranging from investor attitudes and motivations on the one hand to gross misrepresentation and alleged wholesale fraud on the other, none of which is necessarily easy to eliminate by regulation.

In considering the harm that was inflicted on depository institutions by the failure of the government securities dealers, two sets of circumstances stand out. First, there have been a few instances in which depository institutions provided clearly excessive margins to dealers and in the process became large, unsecured creditors. While the circumstances surrounding these particular cases appear to be extraordinary, a case can be made that margin that is associated with RP-type transactions—indeed all forms of unsecured credit exposure arising from RP-type transactions—should be made subject to lending limits.

The second, and more generalized, phenomenon that stands out has been the failure of depository institutions to secure control of the collateral associated with RP-type transactions. Remedies to this problem do not come easily because market practices vary appreciably, depending on the specific parties to a particular transaction and on the type of transaction itself. Reflecting these considerations, as well as the presumption of prudence on the part of depository institutions, the federal bank regulatory agencies have relied on guidelines rather than on formal regulations insofar as these types of transactions are concerned. In general, that approach still seems apt to me although a case can be made that all federally insured depository institutions should have a written agreement governing all of its RP transactions that would include appropriate provision for securing control of collateral. It may be particularly appropriate for smaller institutions to insist that such an agreement provide that collateral be held by a third party or by the institution itself.

Given appropriate attention to margin and to securing control of collateral, transactions in government securities—no matter what their specific nature—are low-risk and safe and sound. But, like any transaction, they require adequate controls and they presume that the institution in question is knowledgeable about the management and the financial condition of each of its counterparties to such transactions. The case for that essential discipline is no less compelling because the instrument in question happens to be a U.S. government security.

Aside from these specific issues, the recent problems in the government securities markets have forcefully raised the question of whether the market should be subject to some formal regulatory apparatus backed up by explicit statutory authority. As the subcommittee knows, the Federal Reserve, the Treasury, and the SEC are working diligently to arrive at a position on whether legislation is needed and, if so, what form such legislation should take. The interagency position is expected to be communicated to the Congress no later than mid-June. Those interagency deliberations are, in the first instance, aimed at further fact-finding and, in the second, at a review of various alternative approaches to regulation of the government securities market. A key date in that process will be May 20, the deadline for the submission of responses to the SEC's request for public comment on the oversight of the government securities market.

In tandem with the interagency review, we at the Federal Reserve Bank of New York are moving ahead on several fronts including the following: (1) the implementation of the system of voluntary capital guidelines that are aimed largely at the "unregulated" secondary dealer community; (2) an expanded public education program targeted at certain classes of investors in RP-type transactions; (3) stepped-up bank supervisory efforts regarding the involvement in RP-type transactions by depository institutions; and (4) the expansion of the scope and intensity of our on-site inspection program for primary dealers.

In closing, allow me to stress four points. First, I share the deep concerns expressed in the Congress and elsewhere about the recent problems in the government securities markets. Second, despite these problems, the market as a whole continues to function effectively in fair weather or foul. Third, the issues involved in the question of whether the government securities market should be regulated, and if so the appropriate form of such regulation, are exceedingly complex. Finally, if it appears that regulation is required, we are challenged to do it in a way that introduces minimal inefficiencies and costs into a market that is so vital to our overall financial and economic well-being. We look forward to working closely with the Congress in seeking solutions to these difficult issues. □

Statement by William Taylor, Director, Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, before the Subcommittee on Commerce, Consumer, and Monetary Affairs of the Committee on Government Operations, U.S. House of Representatives, May 15, 1985.

I appreciate the opportunity to appear before this committee to discuss the Federal Reserve's supervisory oversight of certain transactions between banks and government securities dealers that involve the transfer of, or a security interest in, U.S. government securities. Commercial banking organizations are active participants in our government securities market—both as investors and as traders and dealers. Therefore, the integrity, the efficiency, and the smooth functioning of the government securities market are important factors bearing on the safety and the stability of our banking and financial system. The fact that the full faith and credit of the U.S. government stands behind each Treasury security means, of course, that direct investments in such securities are free of credit risk. However, recent events underscore the fact that loans and other transactions collateralized by or based upon government securities can entail risks, especially if the parties involved do not follow prudent practices in evaluating the financial condition of the counterparty, in avoiding undue concentration of exposure, in monitoring collateral values, and, most importantly, in requiring tight control over underlying collateral.

My remarks will address prudent banking practices regarding transactions collateralized by securities, as well as the Federal Reserve's guidelines and procedures for examining and supervising bank involvement in such transactions. Excerpts from Federal Reserve documents and manuals containing the System's detailed guidelines for evaluating the activities of interest to the committee have been provided to your committee's staff; and, for your convenience, the most relevant portions of this information have also been attached to my statement.[1] Other information requested in your letter to Chairman Volcker dated April 29, 1985, has also been forwarded to your staff, or is contained in the appendixes to this statement.

At the outset, it may be helpful to clarify the Federal Reserve's supervisory responsibilities and activities with respect to commercial banking organizations. The Federal Reserve has primary responsibility at the federal level for supervising and for examining state-chartered banks that are members of the Federal Reserve System and for examining all bank holding companies. The System is charged by the Congress to ensure that these institutions are operated in a safe and sound manner and to determine their compliance with U.S. banking laws and regulations. The Federal Reserve, together with the other banking agencies, discharges its safety and soundness and compliance responsibilities largely through the conduct of on-site supervisory examinations. While national banks are by law members of the Federal Reserve System, these institutions are examined by the Office of the Comptroller of the Currency. In carrying out its oversight responsibilities for bank holding companies and their subsidiary banks, the Federal Reserve, as directed by the Congress in the Bank Holding Company Act, relies upon examinations of national

1. The attachments to this statement are available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

banks conducted by the Office of the Comptroller of the Currency and examinations of state nonmember banks conducted by the Federal Deposit Insurance Corporation. For these reasons, my remarks will address the bank supervisory activities of the Federal Reserve and the involvement of state member banks in repurchase transactions and in related securities activities.

The on-site examination of a banking organization conducted by the Federal Reserve generally involves the following: (1) an appraisal of the soundness of the institution's loans and investments; (2) an evaluation of internal operations, policies, and management; (3) an analysis of key financial factors such as capital, earnings, and liquidity; (4) a review for compliance with banking laws and regulations; (5) an evaluation of the oversight provided by the bank's board of directors; and (6) an overall determination of the institution's solvency. As this brief summary suggests, examiners endeavor to evaluate both the financial condition of the banking organization at the time of the examination, as well as the organization's internal systems for monitoring and controlling, on an ongoing basis, the type and the level of risk to which it may become exposed in the course of its operations. Consequently, examination procedures are designed to encourage banking organizations to recognize all forms of potential risk and to establish effective credit review and approval procedures. Prudent banking practice also requires the adoption of policies that preclude undue concentrations of exposure to any one or related borrowers, the establishment of procedures to monitor the value and assure the availability of collateral, and the implementation of reliable reporting systems and controls aimed at safeguarding assets and at ensuring adherence to internal policies and procedures. Besides evaluating a bank's loan and investment portfolios and the policies and procedures for managing these portfolios, examiners also review the operations of those banks that are dealing in securities or that are engaged in securities-clearing activities.

Much attention has been drawn in recent weeks to the involvement of depository institutions in repurchase transactions and reverse repurchase transactions. In these transactions, money market instruments or securities, usually U.S. government or federal agency securities, are purchased by a bank under an agreement to resell (an asset) or sold by a bank under an agreement to repurchase (a liability). The purchase of securities under agreement to resell is equivalent, for supervisory purposes, to a short-term loan or an investment secured by the underlying collateral. Banks engage in such money market transactions in the process of managing their own investment portfolios or in connection with their dealer activities. Often, the counterparty to this type of transaction is a security dealer who is seeking funds to finance his securities portfolio. The sale of securities under agreement to repurchase, on the other hand, constitutes, for supervisory purposes, a form of short-term secured borrowing that can be used as an alternate source of funds to finance the bank's securities holdings or other money market investments. Normally, in a repurchase transaction, the party receiving funds sells (that is, provides as collateral) securities with a market value that marginally exceeds the amount of cash received. This transaction provides a measure of protection against price variation for the lender of funds. Control of the securities underlying repurchase transactions is, therefore, critical to protect the party that has supplied cash in the event that the counterparty is not able to repay the cash under the terms of the repurchase agreement.

There are potential risks to banking organizations on "both sides" of a repurchase transaction. The purchase of securities under agreement to resell in many respects entails risks analogous to those risks associated with any loan or extension of credit. Generally, in these transactions, banks advance cash to the counterparty in return for securities, subject to an agreement that the counterparty will repurchase the securities from the bank for cash at a specified date. In such transactions, the bank is subject to a number of potential risks. First, the bank faces credit risk in the event that the counterparty's financial condition deteriorates and the counterparty is unable to repurchase the securities. If this development should occur, the bank must look to the underlying collateral to protect its position. A second risk, therefore, relates to the market value of the underlying security. If the market value declines significantly, the bank could be exposed to loss in an amount approximately equal to the difference between the book value of the repurchase transaction and the value of the collateral. A final risk derives from the possibility that the bank has not obtained control over the underlying securities. If a party has not taken physical possession of the underlying collateral or has not taken steps to ensure that the securities purchased are delivered to a third-party agent for the lender, it may find that its entire investment is exposed to loss if control of the collateral cannot be reestablished because of fraud or mismanagement of the counterparty.

Prudent banking practices and the Federal Reserve's examination procedures address each of the potential risks outlined above. In reviewing the bank's investment portfolio as well as its dealer activities, the Federal Reserve urges banks to develop written policies that require adequate credit review of counterparties in repurchase transactions; that encourage risk diversification by establishing limits on certain types of transactions and exposures to individual or related counterparties; and that encourage the proper monitoring and control of the underlying collateral. Banks are expected to perform full and complete financial analyses of counterparties, and Federal Reserve examination guidelines state that funds generally should not be advanced until specified types of collateral are delivered into the bank's custody or to an independent safekeeping agent. In considering the adequacy of collateral arrangements, some flexibility must be maintained that takes into account the strength and creditworthiness of the counterparty, the type of instrument involved in the transaction, and the terms of the transaction. Generally, as a matter of sound practice, confirmation of the transfer of the securities to an independent safekeeping agent should be received from the agent or the clearing bank, rather than from the counterparty to the transaction. Moreover, counterparties should be required to maintain sufficient collateral over the life of the transaction, and agreements with counterparties should permit the bank to make margin calls and to improve its collateral position if the market value of collateral begins to erode. Federal Reserve examiners attempt to determine that banks have appropriate policies and procedures in place to address these concerns, that internal reporting and control mechanisms have been established to assure compliance with the policies, and that an adequate degree of supervision is provided by senior management and by the board of directors.

While an on-site examination is not an audit and examiners cannot and do not review every bank transaction, Federal Reserve examination procedures do provide audit guidelines for test checking, under appropriate circumstances, a bank's securities safekeeping practices. For example, if internal operating policies and procedures are found to be inadequate, examiners may verify physical possession of securities or, if securities are not held by the bank, compare the bank's records to safekeeping receipts provided by the independent, third-party trustee. In general, however, the main emphasis is on determining the adequacy of a bank's internal policies and procedures for administering its collateral position and its adherence to these policies and procedures.

Besides investing funds through the purchase of securities under agreement to resell, banks may also, as I have noted previously, raise funds by engaging in the sale of securities under agreement to repurchase. Through this type of transaction, banks can obtain the use of relatively low-cost, short-term funds to finance their holdings of securities or other money market instruments. In return for the funds received, banks provide collateral, generally in the form of securities, to the counterparty who in this instance is, in effect, the lender of funds to the bank.

Despite the fact that this transaction is the functional equivalent, for supervisory purposes, of a short-term borrowing, a bank may nevertheless be exposed to some credit risk. The seller of the securities (that is, the borrower of cash) normally provides, for collateral purposes, securities with a market value that exceeds the amount of cash received. This margin provides protection to the party that is advancing cash. Banks or other institutions that sell securities under agreement to repurchase could, therefore, be exposed to the risk of loss to the extent that the value of the underlying securities that they have provided to the seller exceeds the amount of their repurchase obligation and the seller is unable to return the securities as agreed. The excess margin in this instance is equivalent in terms of risk to an unsecured loan by the party putting up the collateral (that is, the borrower of cash) to the party providing the funds (that is, the party taking possession of the collateral). In light of these concerns, the Federal Reserve sent a letter to all state member banks in 1982, that, among other things, underscored the potential risks associated with the sale of securities under agreement to repurchase and urged banks to analyze carefully the financial condition of those institutions and brokers with whom they engage in repurchase transactions.

Besides credit risks, repurchase transactions, because they constitute short-term investments or sources of funds, also entail potential liquidity and funding risks. For this reason, Federal Reserve examiners encourage banks to evaluate the interest rate exposure at various maturity levels resulting from the use of short-term funds, to formulate funding policies that take into account the institutions' entire asset–liability mix, and to control the excessive mismatches or "gaps" between the maturities of assets and liabilities.

Within recent weeks, the Federal Reserve, together with the other federal depository institution regulatory agencies and under the auspices of the Examination Council, adopted a formal supervisory policy pertaining to the lending of securities. While this policy was principally directed to the lending of securities from the financial institution's own account or the lending by financial institutions of their customers' securities held in custody, such lending is to some extent analogous to repurchase transactions, and the policy reiterates prudential concerns and guidelines that are also applicable in some respects to repurchase agreements. These guidelines will be used in the examination of all banks and holding companies that are engaged in securities lending. In general, the guidelines require formal credit analyses and approvals of prospective borrowers; full collateralization and daily mark-to-market collateral valuation procedures; establishment of credit concentration limits; proper recordkeeping procedures; and appropriate collateral management practices. The guidelines state that securities should not be loaned unless collateral has been received simultaneously with the loan and that delivery of collateral to the lender or to an independent third-party trustee would constitute a minimum step toward adequately securing the lender's position.

Besides investment and dealer activities involving government securities, some banks engage in government securities clearance activities. These activities involve some of the same risks outlined above and, therefore, are reviewed by Federal Reserve examiners during on-site examinations. Examiners evaluate the bank's policies and procedures for administering this activity and test check the systems and controls to ensure compliance with the policies and procedures. In general, banks are expected to have written policies that require reconciliation of the bank's securities position with the Federal Reserve Bank and the close scrutiny by senior officials of the failure of any party to deliver securities to the bank as planned. Since clearance activities involve the lending against securities as collateral, clearing banks are also expected to screen new accounts for the purpose of credit evaluation and to assure the receipt and the review on an ongoing basis of current financial statements. Prudent banking practice requires that lending limits be established for each customer and that a daily review of collateral be conducted to assure the maintenance of proper margins and the acquisition of additional margin, if necessary, to protect the bank in the event of a customer default.

Based upon the information that is available to us at present, only four state member banks had open positions with the recently failed government securities dealers referred to in your letter of April 29, 1985. Two of these institutions had sufficient collateral to cover their exposure, and, therefore, did not experience any losses as a result of these transactions. The two other institutions experienced some losses—in one case amounting to less than one-tenth of 1 percent of capital; in the other case amounting to less than 5 percent of capital.

While Federal Reserve enforcement actions often address weaknesses in, or the absence of, adequate loan or investment policies, none of the formal enforcement actions that have been undertaken by the Federal Reserve since 1980 have been based upon an institution's U.S. government securities dealer activities; although one action was directed toward municipal securities dealer activities. Three supervisory actions taken since 1980 addressed directly or indirectly the securities clearance activities of institutions supervised by the Federal Reserve. In general, these actions have addressed systems and controls for recordkeeping and internal accounting, the development of expanded internal audit programs, the preparation of internal operating and procedures manuals, violations of certain banking laws and regulations, and capital adequacy.

While I believe that our examination and supervisory procedures are generally satisfactory, it is, of course, impossible to guarantee that financial institutions will not experience losses as a result of their participation in repurchase transactions or securities lending and trading activities. Examinations are only conducted periodically, and examiners cannot evaluate each individual securities transaction. Consequently, this underscores the importance to financial institutions of having in place effective internal policies and operating controls for monitoring and controlling risk and protecting collateral positions, as well as the importance of effective internal and external audits designed to detect operational deficiencies, weak controls, and departures from sound banking practices.

Ultimately, no system of supervision can prevent fraud or deceptive practices on the part of market participants, nor can the supervisory process, by its very nature, fully prevent unwise management decisions or conscious decisions to assume excessive risks. Nonetheless, the events of the past several months serve to emphasize the importance of sound operational controls and policies designed to monitor and control risktaking by financial institutions. In light of these events, the Federal Reserve intends to review its supervisory policies and procedures with respect to repurchase transactions and dealer and clearing activities. We believe that it is the responsibility of both the supervisors and the managers of financial institutions to ensure that proper systems are in place to control exposure and to minimize the risk of loss. □

Announcements

CHANGE IN THE DISCOUNT RATE

The Federal Reserve Board approved a reduction in the discount rate from 8 percent to 7½ percent, effective May 20, 1985. The discount rate is the interest rate that is charged depository institutions when they borrow from their District Federal Reserve Banks.

The action was taken against the background of relatively unchanged output for some time in the industrial sector of the economy stemming heavily from rising imports and a strong dollar. Price pressures, while clearly a continuing concern in some areas, appear to remain relatively well contained in goods-producing sectors of the economy, and sensitive commodity prices are generally at the lowest levels in about two years. Growth of the monetary aggregates has slowed appreciably, although M1 has remained somewhat above the path implied by the annual target.

In this setting, a reduction in the discount rate consistent with the declining trend in market interest rates over recent weeks appears appropriate.

In making the change, the Board voted on requests submitted by the Federal Reserve Banks of Boston, New York, Richmond, Atlanta, Chicago, Minneapolis, Kansas City, and Dallas.

(Subsequently the Board approved similar actions by the directors of the Federal Reserve Banks of Cleveland, St. Louis, and San Francisco, effective May 21, and of Philadelphia, effective May 24.)

MEETING OF CONSUMER ADVISORY COUNCIL

The Federal Reserve Board announced that its Consumer Advisory Council met on June 20 and 21 in sessions open to the public.

The council's function is to advise the Board on the exercise of the Board's responsibilities under the Consumer Credit Protection Act and on other matters on which the Board seeks its advice.

POLICY ON LARGE-DOLLAR WIRE TRANSFER SYSTEMS

The Federal Reserve Board has issued a statement of its policy to control and reduce the risks to depository institutions participating in large-dollar wire transfer systems. The policy will become effective March 27, 1986.

The policy calls on private networks and depository institutions to reduce their own credit risks. It also depends, in part, on the role of the Federal Reserve and other financial institution regulators in examining, monitoring, and counseling institutions.

Large-dollar networks are an integral part of the payment and clearing mechanism. Current data indicate that total daylight overdrafts average $110 billion to $120 billion per day. A daylight overdraft occurs when an institution has sent funds over Fedwire (the Federal Reserve wire transfer system) in excess of the balance in its reserve or clearing account, or it has sent more funds over a private wire network than it has received.

Because a failure of a participant to settle its net position on a private large-dollar network could cause substantial disruption in financial markets, one of the Board's major objectives in establishing its policy is to reduce the possibility of a settlement failure. This objective would be accomplished primarily through a reduction in the volume of overdrafts and through encouraging institutions to exercise better control over exposures that remain.

In establishing its policy, the Board made it clear that it is not condoning the use of this practice by depository institutions. While some degree of intra-day credit may be necessary to keep the payment mechanism operating smoothly, the Board expects to see, over time, a reduction in both the total volume of daylight overdrafts and the number of institutions with a pattern of substantial reliance on such credit. After reviewing the initial impact of the new policy, the Board may adopt additional guidelines to reduce further the volume and incidence of daylight overdrafts and other use of intra-day credit.

The Board encourages each depository institution that incurs daylight overdrafts on Fedwire or participates in private large-dollar wire networks voluntarily to adopt by December 31, 1985, a cross-system sender net debit cap (a sender net debit cap that applies across all wire transfer systems) following the guidelines that the Board has established.[1]

The Board's policy also states that no large-dollar payment network will be eligible for Federal Reserve net settlement services unless it satisfies the following conditions: (1) requires each participant to establish a maximum net amount it is willing to receive from any sender (bilateral net credit limit); (2) establishes a maximum ceiling on the amount of intra-day credit a sender may incur (sender net debit cap) that is reasonably designed to reduce the risks to participants in that network; (3) develops and implements a system that will reject or hold any payment that would exceed either bilateral net credit limits or the network's sender net debit cap; and (4) agrees to provide transaction data to its Reserve Bank on request.

In addition to its policy action, the Board also requested comment by August 15, 1985, regarding the following: (1) the treatment of Fedwire overdrafts resulting from transfer of book-entry securities; (2) automated clearinghouse issues; and (3) net settlement issues. [The deadline for comments on automated clearinghouse issues and net settlement issues was later extended to September 30.]

The Board also requested comment by June 17, 1985, on a proposed data collection for ex post monitoring of automated clearinghouse transactions.

1. The cross-system cap selected should have two components: a ceiling on the net debit position that an institution could incur on any single day, and a limit that the institution could incur on average over a two-week period. For example, if an institution rated itself as "average" under the Board's guidelines, it would not allow its net debit position to exceed 1.5 times its capital on any single day or 1.0 times its capital on average over a two-week period.

Policy on Securities Lending

The Federal Reserve Board has announced the adoption of a supervisory policy on securities lending. The Federal Financial Institutions Examination Council had recommended that each of the federal financial regulatory agencies adopt the policy statement.

The policy statement is intended to provide prudential standards of safety and soundness for financial institutions that may engage in securities lending activities. The statement covers the securities lending of a bank or trust company for its own account, as well as the lending of customers' securities held in custody or trust accounts. Matters addressed include the need for full collateralization and daily mark-to-market procedures, formal approvals and credit analyses in selecting borrowers, written agreements with borrowers and lending customers, and adoption of written internal safeguards and review procedures. Guidelines for recordkeeping and regulatory reporting are also provided.

Proposed Actions

The Federal Reserve Board has issued for public comment proposed amendments to its Regulation Z (Truth in Lending) to require lenders to provide more information about adjustable-rate mortgages (ARMs). Comment is requested by July 12, 1985.

The Board has also requested public comment on an application by Citicorp to engage through a wholly owned subsidiary in underwriting and dealing in, to a limited extent, municipal revenue bonds (including certain industrial development bonds), mortgage-related securities, and consumer-receivable-related securities. The Board requested comment by July 22, 1985.

System Membership: Admission of State Banks

The following banks were admitted to membership in the Federal Reserve System during the period May 1 through May 31, 1985:

California
Concord . . . . Concord Commercial Bank
Florida
Miami Lakes . . . . Enterprise Bank of Florida
Georgia
Atlanta . . . . Metro Savings Bank
Virginia
Abdington . . . . Highland Union Bank

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON MARCH 26, 1985

1. Domestic Policy Directive

The information reviewed at this meeting suggested that real GNP, which had grown at an annual rate of about 4¼ percent in the fourth quarter, was expanding at a slower pace in the current quarter. Growth in domestic spending appeared to be relatively strong in early 1985, but an increased share of the demand for goods apparently was being met by imports rather than domestic production. Broad measures of prices and wages generally were continuing to rise at rates close to those recorded in 1984.

Total retail sales rose considerably over the first two months of 1985; outlays in February were more than 2 percent above the average in the fourth quarter. Sales of new domestic automobiles were at an annual rate of 8½ million units in January and February, about 1 million units higher than the average in the fourth quarter of 1984. Auto sales during the first 20 days of March remained strong, at a rate a little below the January–February pace.

Nonfarm payroll employment rose 120,000 in February after average increases of about 300,000 in the preceding four months. Retail trade and service establishments reported further strong job gains in February, but employment in the manufacturing sector fell 75,000. The average length of the workweek in manufacturing also declined, partly because of adverse weather during the survey week. The civilian unemployment rate was 7.3 percent, little changed from its level at year-end, and within the range of 7.2 to 7.5 percent that has generally prevailed since mid-1984.

Industrial production declined 0.5 percent in February, and data for the three preceding months were revised to show smaller increases than previously had been estimated. The recent sluggishness in production apparently reflected the continuing substitution of imports for domestically produced goods and ongoing corrections of inventory imbalances in some industries.

The U.S. merchandise trade deficit increased sharply in January, as non-oil imports rose by 16 percent from the reduced fourth-quarter rate. The trade balance had deteriorated markedly last year and was the principal contributor to a current account deficit in the balance of payments of $102 billion in 1984, as compared with $42 billion in the previous year.

Total private housing starts declined in February after a sharp rise in January. Nevertheless, the average for the two months, at an annual rate of nearly 1¾ million units, was somewhat higher than the rate in the fourth quarter. Issuance of residential building permits during the January–February period was also above the fourth-quarter pace. Sales of new homes picked up slightly in January, according to preliminary data, but sales of existing homes edged down in February after posting four consecutive monthly gains.

Information on business capital spending suggested less rapid expansion in early 1985. Shipments by domestic producers of nondefense capital goods dropped sharply in January and recovered only a little in February; imports of business equipment, however, were especially strong in January. Spending on nonresidential construction continued at a relatively brisk pace in both months. New orders for nondefense capital goods fluctuated widely in January and February, but on balance were little changed from the average level in the second half of 1984. With respect to broader indicators of future business spending plans, recent surveys of anticipated plant and equipment expenditures pointed to continued, though moderating, gains in 1985.

Overall investment in business inventories has remained moderate thus far in 1985 though recent inventory developments have varied considerably across industries. In the manufacturing sector stocks fell in January for the third month in a row, largely in response to earlier weakness in orders and sales. On the other hand, retail trade inventories rose substantially, primarily reflecting increased stocks at automobile dealers to alleviate short supplies of some popular models.

The producer price index for finished goods, which was unchanged in January, edged down 0.1 percent in February. Petroleum prices fell sharply in both months, and food prices also declined as reductions for meats and most livestock offset weather-related increases for fresh fruits and vegetables. The consumer price index rose 0.3 percent in February, about the same as its monthly average over the past year; substantial declines in prices of energy-related items tempered the increases in prices of food and other commodities. Over the first two months of the year, the average hourly earnings index was rising at a rate close to that recorded in 1984.

Since the Committee's meeting in mid-February, the trade-weighted value of the dollar in foreign exchange markets had fluctuated widely under often volatile market conditions. During the early part of the intermeeting period, the dollar rose by about 5 percent. At that time, especially during the last few days of February and the beginning of March, monetary authorities sold dollars on a large scale. More recently, the dollar dropped sharply on exchange markets, more than offsetting the earlier rise. The reversal was attributed in part to indications of slower growth in U.S. economic activity than many in the market had anticipated and to concerns abroad about the implications of problems with non-federally insured thrift institutions in Ohio.

At its meeting on February 12–13, 1985, the Committee had adopted a directive that called for maintaining the degree of reserve pressures that had characterized the weeks preceding the meeting. The members agreed that modest increases in reserve restraint would be sought if growth in M1 appeared to be exceeding an annual rate of about 8 percent and growth in M2 and M3 was running above 10 to 11 percent during the period from December to March. Lesser restraint on reserve positions would be acceptable in the event of substantially slower growth in the monetary aggregates. Such adjustments in the degree of pressure on reserves would be considered in the context of developments in the U.S. economy and conditions in foreign exchange markets. The intermeeting range for the federal funds rate was set at 6 to 10 percent.

Growth in M1 accelerated to an annual rate of about 14 percent in February from 9 percent in January, but partial data available for March indicated a considerable slowing. Growth in M2 and M3 moderated somewhat in February and averaged about 12 percent and 9 percent respectively over the January–February period. As with M1, growth in the broader aggregates appeared to be slowing considerably in March. Expansion in total domestic nonfinancial debt remained relatively rapid over the first two months of the year, though somewhat below the pace of previous months.

The average level of adjustment plus seasonal borrowing by depository institutions at the discount window rose somewhat over the intermeeting interval, averaging around $600 million in the two complete maintenance periods after the February meeting and $428 million in the first half of the current statement period. The higher level of borrowing for the most part reflected unexpectedly large demands for excess reserves, but for a time was also influenced to an extent by more cautious provision of reserves through open market operations, given the strength of the monetary aggregates, especially M1.

Federal funds traded mainly between 8⅜ and 8¾ percent during the intermeeting interval, averaging a little above 8½ percent, about the same as in the first half of February. Other short-term rates rose about ¼ to ½ percentage point while long-term yields generally increased by ½ percentage point or more. Several measures of interest rates on new commitments for home mortgage loans also showed increases of about ½ percentage point from their levels in mid-February.

The staff projections presented at this meeting continued to suggest that real GNP would grow at a moderate pace in 1985. Business fixed investment, though slowing from the exceptionally rapid rates of increase in the past two years, was likely to expand further in 1985. Consumer spending was expected to remain relatively brisk during the year, supported by gains in real disposable income and in employment. Growth of real output, however, was expected to fall short of the rise in aggregate demand. The unemployment rate was projected to edge down over the period and the rate of increase in prices was expected to remain close to, or slightly below, that experienced in 1984.

During the Committee's review of current economic and financial conditions and the outlook for economic activity, most of the members agreed that continuing expansion at a moderate pace remained a reasonable expectation for 1985. However, considerable concern was expressed about the sensitive conditions in domestic financial and foreign exchange markets, especially against the background of the distortions and uncertainties stemming from massive and persisting deficits in the federal budget and the record and still widening gap in the nation's balance of trade. The members referred to the quite different trends in various sectors of the economy; in general, the service industries were doing well while industries related to agriculture, mining, energy, and a number of manufacturing activities were experiencing a variety of problems and were subject to varying degrees of financial strain. With a number of lending institutions, especially those associated with relatively depressed industries and with housing finance, also experiencing financial pressures, the overall economy was vulnerable to adverse developments. In this difficult set of circumstances several members commented that the risks of any deviation in the economy from their current expectations were in the direction of slower growth; a few members referred to the possibility of little or no expansion later in the year.

A good deal of concern was expressed during the meeting about the adverse effects on domestic economic activity stemming particularly from the rising tide of imports but also from difficulties in export markets. With a large amount of domestic demand continuing to be met through imports rather than domestic production, adjustments were beginning to be made in production and distribution facilities that would not easily be reversed later. It was also noted that the growing trade deficit appeared to be damping incentives to invest domestically in a wide range of manufacturing industries. More generally, the point was made that, to a considerable extent, foreign trade developments were tending to offset the stimulus provided by an expansive fiscal policy and the still considerable upward momentum of private final demands.

The prospective performance of business fixed investment was cited as a key element in the outlook for economic activity. While the members generally anticipated further expansion in investment spending, developments over the course of recent months together with the results of surveys of business intentions suggested a pronounced deceleration from the unusually rapid growth experienced during the first two years of the current expansion. Moreover, the demand for domestically produced business equipment was being inhibited to an unusual extent by the level of the dollar internationally and the competitiveness of foreign substitutes. In addition, the exceptional demand for technically advanced, computer-related, equipment might not be sustained at the earlier rate of increase, according to reports from various contacts around the country. Commercial construction, including office structures, was still showing considerable strength, but some members questioned the sustainability of such investment over time in the face of relatively high vacancy rates and other factors. While lower interest rates since last summer were a supporting factor in housing, reference was also made to the possible vulnerability of multifamily housing construction, given the apparent overbuilding in some parts of the country. Construction of single-family housing appeared to be rising, but this sector was not thought likely to be the source of substantial further economic stimulus in the view of at least some members. One member expressed a relatively pessimistic view about the outlook for housing, partly because many mortgage lenders and private insurers were imposing stricter credit standards after experiencing losses, and incentives for investment in housing clearly had dimmed in many parts of the country.

A number of members observed that consumer expenditures would probably remain a source of strength in the economic expansion, although some commented that consumer sentiment—while still favorable—may have been negatively affected by the news about the problems of some financial institutions. Members also took note of the rapid growth of consumer debt and its potentially adverse implications for future retail sales. It was observed that automobile sales had remained strong, but the prospects for added economic thrust from this sector appeared limited, in part because any further expansion in the demand for automobiles might well be met largely through imports.

With regard to the outlook for inflation, it was noted that prices of services were still tending to rise with some momentum, while prices of most goods were basically flat. Given the members' expectations for economic activity and assuming no major changes in the value of the dollar or developments abroad, the members saw little basis for expecting significant deviations from recent price trends.

At its meeting in February the Committee had agreed on policy objectives that called for monetary growth ranges for the period from the fourth quarter of 1984 to the fourth quarter of 1985 of 4 to 7 percent for M1, 6 to 9 percent for M2, and 6 to 9½ percent for M3. The associated range for total domestic nonfinancial debt was set at 9 to 12 percent for 1985. In keeping with the Committee's usual procedures under the Humphrey–Hawkins Act, these ranges would be reviewed at the July meeting or sooner if warranted by unanticipated economic and financial developments.

In the Committee's discussion of policy implementation for the intermeeting period, the members did not differ greatly in their views regarding the appropriate operational approach, and all indicated that they could support an approach directed, at least initially, toward maintaining about the current degree of restraint on reserve positions. The members recognized that current uncertainties about the economic outlook and the sensitive conditions in domestic credit and foreign exchange markets weighed against a significant increase in the degree of reserve restraint. At the same time, several placed considerable emphasis on the desirability of fostering slower monetary expansion over the period ahead to help assure growth within the Committee's target ranges for the year. While growth in M1 and M2 appeared to be decelerating appreciably in March and a staff analysis suggested that current reserve conditions might be associated with considerably slower growth in the second quarter than over the first three months of the year, a number of members expressed concern that such growth might remain more rapid than was desirable. A rate of growth in coming months higher than seemed reasonably consistent with the growth targets for the year might raise questions about the Committee's commitment to an anti-inflationary policy, with adverse effects on inflationary expectations and possibly also on financial markets. Conversely, if monetary growth over the next few months were held within the Committee's ranges for the year, it was observed that the Committee would have more flexibility later in fostering monetary growth consistent with continuing economic expansion and progress toward containing inflation. In any event, the members generally felt that under prevailing circumstances monetary growth might appropriately remain relatively high within the ranges for the year, a prospect that the Committee also had contemplated at the previous meeting.

The members gave considerable attention to the question of possible intermeeting adjustments in the degree of reserve restraint. In keeping with past practice, the members agreed that such adjustments should not be made automatically in response to the behavior of the monetary aggregates alone, but needed to take account of emerging evidence on the business situation, domestic credit conditions, and the foreign exchange value of the dollar. Nonetheless, there was some difference of views among the members with regard to their willingness to tolerate relatively rapid growth in the monetary aggregates, should it occur, over the period ahead. While no member contemplated the need for a substantial move toward greater reserve restraint, some commented that a small but timely move might well avert the necessity for a more vigorous, and potentially more disruptive, adjustment later. On the other hand, a number of members felt that the current economic uncertainties and related volatility that appeared to pervade domestic credit and foreign exchange markets would argue for more tolerance toward growth in the aggregates, particularly to the extent that such growth might signify an increase in demands for liquidity.

At the conclusion of the Committee's discussion, a majority of the members favored and all could accept a directive that called for no change in reserve conditions, though a few members indicated some preference for a directive that specified a slight increase in the degree of reserve restraint. The members anticipated that the approach to policy implementation adopted by the Committee would be consistent with growth of M1, M2, and M3 at annual rates of around 6, 7, and 8 percent respectively for the period from March to June. The members agreed that somewhat lesser restraint might be acceptable in the context of substantially slower growth in the monetary aggregates, while somewhat greater restraint might be acceptable if monetary growth were substantially faster. In either event, the need for greater or lesser restraint would also be appraised against the background of developments relating to the strength of the business expansion, progress against inflation, and conditions in domestic credit and foreign exchange markets. It was agreed that the intermeeting range for the federal funds rate, which provides a mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, would be left unchanged at 6 to 10 percent.

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

The information reviewed at this meeting suggests that real GNP is currently expanding at a slower pace than in the fourth quarter, with an increased share of domestic spending apparently being met out of imports. Total retail sales rose considerably for January and February combined and housing starts, though declining in February, were above their fourth-quarter pace. However, information on business capital spending suggests less rapid expansion in early 1985. Business inventory investment continues at a moderate rate. Industrial production declined on balance in January and February and, with employment falling in the manufacturing sector, total nonfarm payroll employment increased at a somewhat reduced pace. The civilian unemployment rate, at 7.3 percent in February, was little changed from its level at year-end. Broad measures of prices and the index of average hourly earnings appear to be continuing to rise at rates close to those recorded in 1984.

Since the Committee's meeting in mid-February, the foreign exchange value of the dollar has fluctuated widely in often volatile market conditions. Most recently, the trade-weighted value of the dollar against major foreign currencies has dropped sharply, more than offsetting its rise earlier in the intermeeting interval. Monetary authorities sold dollars on a large scale during the period, especially in late February and early March. The merchandise trade deficit increased sharply in January from relatively low December and fourth-quarter rates. The current account deficit for the full year 1984 was more than double that recorded in 1983.

Growth in M1 accelerated in February, following relatively rapid expansion in other recent months, but information available through mid-March indicates a considerable slowing. Growth in the broader aggregates moderated in February and appears to be slowing further in March. In January and February expansion in total domestic nonfinancial debt remained relatively rapid, though somewhat below the pace of previous months. Most interest rates have risen somewhat since the February meeting of the Committee.

The Federal Open Market Committee seeks to foster monetary and financial conditions that will help to reduce inflation further, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives the Committee agreed at its meeting in February to establish ranges for monetary growth of 4 to 7 percent for M1, 6 to 9 percent for M2, and 6 to 9½ percent for M3 for the period from the fourth quarter of 1984 to the fourth quarter of 1985. The associated range for total domestic nonfinancial debt was set at 9 to 12 percent for the year 1985. The Committee agreed that growth in the monetary aggregates in the upper part of their ranges for 1985 may be appropriate, depending on developments with respect to velocity and provided that inflationary pressures remain subdued.

The Committee understood that policy implementation would require continuing appraisal of the relationships not only among the various measures of money and credit but also between those aggregates and nominal GNP, including evaluation of conditions in domestic credit and foreign exchange markets.

In the implementation of policy for the immediate future, taking account of the progress against inflation, uncertainties in the business outlook, and the exchange value of the dollar, the Committee seeks to maintain the existing degree of pressure on reserve positions. This action is expected to be consistent with growth in M1, M2, and M3 at annual rates of around 6, 7, and 8 percent respectively during the period from March to June. Somewhat lesser reserve restraint might be acceptable in the event of substantially slower growth of the monetary aggregates while somewhat greater restraint might be acceptable in the event of substantially higher growth. In either case such a change would be considered in the context of appraisals of the strength of the business expansion, progress against inflation, and conditions in domestic credit and foreign exchange markets. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that pursuit of the monetary objectives and related reserve paths during the period before the next meeting is likely to be associated with a federal funds rate persistently outside a range of 6 to 10 percent.

Votes for this action: Messrs. Volcker, Corrigan, Balles, Black, Forrestal, Gramley, Keehn, Martin, Partee, Rice, Ms. Seger, and Mr. Wallich. Votes against this action: None.

2. *Review of Continuing Authorizations*

The Committee followed its customary practice of reviewing all of its continuing authorizations and directives at this first regular meeting of the Federal Open Market Committee following the election of new members from the Federal Reserve Banks to serve for the year beginning March 1, 1985. The Committee reaffirmed the authorization for foreign currency operations, the foreign currency directive, and the procedural instructions with respect to foreign currency operations in the forms in which they were currently outstanding.[1]

Votes for these actions: Messrs. Volcker, Corrigan, Balles, Black, Forrestal, Gramley, Keehn, Martin, Partee, Rice, Ms. Seger, and Mr. Wallich. Votes against these actions: None.

3. *Authorization for Domestic Open Market Operations*

On the recommendation of the Manager for Domestic Operations, System Open Market Account, the Committee amended paragraph 1(a) of the authorization for domestic open market operations to raise from $4 billion to $6 billion the limit on intermeeting changes in System account holdings of U.S. government and federal agency securities. The Manager noted that the Committee had found it necessary to authorize temporary increases in the limit with greater frequency, primarily because of the increased size of the net variation, especially from seasonal influences, in market factors such as the Treasury balance that affect reserves. In 1984 such temporary increases had been authorized on six occasions, more than in any other recent year. A permanent increase in the limit to $6 billion would reduce the number of occasions requiring special Committee action, while still calling needs for particularly large changes to the Committee's attention. The Committee concurred in the Manager's view that such an increase would be appropriate.

Accordingly, effective immediately, paragraph 1(a) of the authorization for domestic open market operations was amended to read as follows:

1. The Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York, to the extent necessary to carry out the most recent domestic policy directive adopted at a meeting of the Committee:

(a) To buy or sell U.S. Government securities, including securities of the Federal Financing Bank, and securities that are direct obligations of, or fully guaranteed as to principal and interest by, any agency of the United States in the open market, from or to securities dealers and foreign and international accounts maintained at the Federal Reserve Bank of New York, on a cash, regular, or deferred delivery basis, for the System Open Market Account at market prices, and, for such Account, to exchange maturing U.S. Government and Federal agency securities with the Treasury or the individual agencies or to allow them to mature without replacement; provided that the aggregate amount of U.S. Government and Federal agency securities held in such Account (including forward commitments) at the close of business on the day of a meeting of the Committee at which action is taken with respect to a domestic policy directive shall not be increased or decreased by more than $6.0 billion during the period commencing with the opening of business on the day following such meeting and ending with the close of business on the day of the next such meeting;

Votes for this action: Messrs. Volcker, Corrigan, Balles, Black, Forrestal, Gramley, Keehn, Martin, Partee, Rice, Ms. Seger, and Mr. Wallich. Votes against this action: None.

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1. Prior to this meeting, on March 6, 1985, certain other routine authorizations of the Committee, including various resolutions, rules, and procedures, and the agreement with the U.S. Treasury to warehouse foreign currencies, were distributed to the Committee members and Reserve Bank Presidents for their review. It was agreed that these authorizations would continue to stand as previously adopted and would not be placed on the agenda for consideration at this meeting unless any member so requested, and no such requests were received.

Subsequently, on April 15, 1985, the Manager advised that projections indicated very large needs for reserves during the current intermeeting period, mainly because of sharply increasing Treasury balances in April. Accordingly, effective April 16, 1985, the Committee approved the recommendation of the Manager that the limit in paragraph 1(a) be raised from $6 billion to $9 billion for the intermeeting period ending May 21, 1985.

Votes for this action: Messrs. Volcker, Balles, Black, Forrestal, Gramley, Keehn, Martin, Ms. Seger and Mr. Timlen. Votes against this action: None. (Absent and not voting: Messrs. Corrigan, Partee, Rice, and Wallich. Mr. Timlen voted as alternate for Mr. Corrigan.)

Legal Developments

REVISION OF RULES REGARDING EQUAL OPPORTUNITY

The Board of Governors of the Federal Reserve System has revised and expanded its Equal Opportunity Regulation principally for the following purposes:
1. To designate clear responsibility for equal opportunity functions in light of changes in the Board's organizational structure;
2. to prohibit discrimination against handicapped persons in programs and activities conducted by the Board; and
3. to provide for review by the Equal Employment Opportunity Commission ("EEOC") of Board decisions on individual and class complaints of discrimination in employment.

Effective June 1, 1985, the Board revises 12 C.F.R Part 268, Rules Regarding Equal Opportunity as set forth below:

Part 268—Rules Regarding Equal Opportunity

Index

Authority: Sections 10(4) and 11(1) of the Federal Reserve Act (partially codified in 12 U.S.C. §§ 244 and 248(1)).

Part 268—Equal Opportunity

Subpart A—General Provisions

Section 268.101—Authority, Purpose, and Scope

(a) *Authority.* This regulation (Code of Federal Regulations, Title 12, Part 268) is issued by the Board of Governors of the Federal Reserve System ("Board") under the authority of sections 10(4) and 11(l) of the Federal Reserve Act (partially codified in 12 U.S.C. §§ 244 and 248(l)).
(b) *Purpose and scope.* This regulation sets forth the Board's policy, program, and procedures for providing equal opportunity to Board employees and applicants for employment without regard to race, color, religion, sex, national origin, age, or physical or mental handicap. It also sets forth the Board's policy, program, and procedures for prohibiting discrimination on the basis of physical or mental handicap in programs and activities conducted by the Board.

Section 268.102—Board Program

The Board has established, maintains, and carries out a continuing affirmative program designed to promote equal opportunity in every aspect of the Board's personnel policies and practices in the employment, development, advancement, and treatment of employees and applicants for employment. Under the terms of its program, the Board:
(a) Provides sufficient resources to administer its equal opportunity program in a positive and effective manner and assure that the principal and operating officials responsible for carrying out the equal opportunity program meet established qualifications requirements;
(b) seeks to eradicate every form of prejudice or discrimination based upon race, color, religion, sex, national origin, age, or physical or mental handicap, from the Board's personnel policies and practices and working conditions;

(c) provides the maximum feasible opportunity to employees to enhance their skills through on-the-job training, work study programs, and other training programs so that they may perform at their highest potential and advance in accordance with their abilities;
(d) communicates the Board's equal opportunity policy and program and its employment needs to all sources of job candidates without regard to race, color, religion, sex, national origin, age, or physical or mental handicap, and solicits their recruitment assistance on a continuing basis;
(e) participates at the community level with other employers, schools, universities, and other public and private groups in cooperative action to improve employment opportunities;
(f) reviews, evaluates, and controls managerial and supervisory performance in such a manner as to insure a continuing affirmative application and vigorous enforcement of the policy of equal opportunity, and provides orientation, training, and advice to managers and supervisors to assure their understanding and implementation of the equal opportunity policy and program;
(g) provides recognition to employees, supervisors, managers, and units demonstrating superior accomplishment in equal opportunity;
(h) informs its employees and applicants for employment of the Board's affirmative equal opportunity policy and program and enlists their cooperation;
(i) provides counseling for employees and applicants for employment who believe they have been discriminated against because of race, color, religion, sex, national origin, age, or physical or mental handicap, and for resolving informally the matters raised by them;
(j) provides for the prompt, fair, and impartial consideration and disposition of complaints involving issues of discrimination on grounds of race, color, religion, sex, national origin, age, or physical or mental handicap;
(k) has established a system for periodically evaluating the effectiveness of the Board's overall equal opportunity effort;
(l) makes reasonable accommodations to the religious needs of employees and applicants for employment, including the needs of those who observe the Sabbath on other than Sunday, when those accommodations can be made (by substitution of another qualified employee, by a grant of leave, a change of a tour of duty, or other means) without undue hardship on the business of the Board;
(m) utilizes to the fullest extent the present skills of employees by all means, including the redesigning of jobs where feasible so that tasks not requiring the full utilization of skills of incumbents are concentrated in jobs with lower skill requirements; and
(n) prepares annually equal opportunity plans of action which include, but are not limited to:
(1) Provision for the establishment of training and education programs designed to provide maximum opportunity for employees to advance so as to perform at their highest potential;
(2) describes the qualifications, in terms of training and experience relating to equal opportunity, of the principal and operating officials concerned with administration of the Board's equal opportunity program; and
(3) describes the allocation of personnel and resources proposed by the Board to carry out its equal opportunity program.

Section 268.103—Definitions

(a) "Age" is an inclusive term which means the age of at least forty years.
(b) "Complainant" means any party who files a claim, complaint, or request for counseling under this Regulation.
(c) "Complaint of discrimination" means any claim or complaint filed under this regulation or the Board's grievance procedure alleging discrimination in employment because of race, color, national origin, religion, sex, age, or physical or mental handicap.
(d) "Grievance procedures" means the Board's Adjusting Work-related Problems Policy.

Subpart B—Administration

Section 268.201—Equal Employment Designations

(a) The Board designates an EEO Programs Officer, an EEO Officer, a Federal Women's Program Manager, a Hispanic Program Coordinator, a Handicapped Program Coordinator, and such EEO Counselors and other persons as may be necessary to assist the Board in carrying out the functions described in this Regulation.

Section 268.202—The Administrative Governor

(a) The Administrative Governor is a member of the Board of Governors. He or she is designated by the Chairman of the Board of Governors, charged with overseeing the internal affairs of the Board and empowered to make decisions and determinations on behalf of the Board of Governors when authority to do so is delegated to him or her.

(b) The Administrative Governor is hereby delegated the authority to make determinations adjudicating complaints of discrimination pursuant to sections 268.311, 268.412, and 268.711(k) of this Regulation. The Administrative Governor is further delegated the authority to order such corrective measures, including such remedial actions as may be required by sections 268.315, 268.412(c), 268.414(a), and 268.711(k) of this Regulation, as he or she may consider necessary, including such disciplinary action as is warranted by the circumstances when an employee has been found to have engaged in a discriminatory practice.
(c) The Administrative Governor may delegate to any officer or employee of the Board any of his or her duties or functions under this Regulation.
(d) The Administrative Governor may refer to the Board of Governors for determination or decision any complaint of discrimination that the Administrative Governor would otherwise decide pursuant to sections 268.311, 268.412, and 268.711(k) of this Regulation, and may make any recommendations for any changes in programs and procedures designed to eliminate discriminatory practices or to improve the Board's programs under this Regulation, and may make any recommendations for remedial or disciplinary action with respect to managerial or supervisory employees who have failed in their responsibilities, or employees who have been found to have engaged in discriminatory practices, or with regard to any other matter which the Administrative Governor believes merits the attention of the Board of Governors.

Section 268.203—The Staff Director For Management

(a) When so authorized by the Administrative Governor, the Staff Director For Management shall make any determinations on complaints of discrimination that would otherwise be made by the Administrative Governor under sections 268.311 *and* 268.412. The Staff Director For Management shall issue letters of findings under section 268.711(g). The Staff Director For Management shall order such corrective measures, including such remedial actions as may be required by sections 268.315, 268.412(c), 268.414(a), and 268.711(h) as he or she may consider necessary, and including the recommendation for such disciplinary action as is warranted by the circumstances when an employee is found to have engaged in a discriminatory practice.
(b) The Staff Director For Management shall review the record on any complaint under this Regulation before a determination is made by the Board of Governors or the Administrative Governor on the complaint and make such recommendations as to the determination as he or she considers desirable, including any recommendation for such disciplinary action as is warranted by the circumstances when an employee is found to have engaged in a discriminatory practice.
(c) The Staff Director For Management may make changes in programs and procedures designed to eliminate discriminatory practices and improve the Board's program for equal opportunity.

Section 268.204—The EEO Programs Officer

The EEO Programs Officer shall perform the following functions:
(a) Advise the Board, the Administrative Governor, and the Staff Director For Management with respect to the preparation of plans, goals, objectives, procedures, regulations, reports, and other matters pertaining to the Board's program established under section 268.102, and administer the Board's equal opportunity program;
(b) evaluate from time to time the sufficiency of the Board's program for equal opportunity and report thereon to the Board, the Administrative Governor, and the Staff Director For Management, with recommendations as to any improvement or correction needed, and may make recommendations regarding remedial or disciplinary action with respect to managerial or supervisory employees who have failed in their responsibilities;
(c) recommend changes in programs and procedures designed to eliminate discriminatory practices and improve the Board's program for equal opportunity;
(d) provide for counseling by an EEO Counselor, of any aggrieved employee or applicant for employment who believes that he or she has been discriminated against because of race, color, religion, sex, national origin, age, or physical or mental handicap, and for attempting to resolve on an informal basis the matter raised by the employee or applicant before a complaint of discrimination may be filed under sections 268.302 and 268.403 of this Regulation;
(e) publicize to Board employees and applicants for employment and post permanently on official bulletin boards:
(1) The names and office addresses and the EEO responsibilities of the Staff Director For Management, the EEO Programs Officer, the Federal Women's Program Manager, the EEO Officer, the Hispanic Program Coordinator, and the Handicapped Program Coordinator;
(2) the names and office addresses of EEO Counselors, the segments of the Board for which they are responsible, the availability of EEO Counselors to counsel an employee or applicant for employment

who believes that he or she has been discriminated against because of race, color, religion, sex, national origin, age, or physical or mental handicap; and the requirement that an employee or applicant for employment must consult the EEO Counselor as provided by sections 268.301 and 268.402; and

(3) time limits for contacting EEO Counselors;

(f) provide to each employee annually (and the Division of Personnel shall provide to each applicant for employment) a copy of a notice summarizing the general purposes of this Regulation and specifying where copies of this Regulation can be obtained. The EEO Programs Officer shall ensure that copies of this Regulation are posted in permanent locations in all Board facilities. The EEO Programs Officer shall, on the request of any employee or applicant for employment provide that employee or applicant with a copy of this Regulation;

(g) appoint any investigative officers or complaints examiners as necessary to administer this Regulation. The EEO Programs Officer is authorized to request the loan of any investigative officers or complaints examiners from any other agency as necessary to administer this Regulation. The EEO Programs Officer, with the concurrence of the Staff Director For Management, may authorize appropriate reimbursement to such agencies for the services of such investigative officers and complaints examiners;

(h) provide for the receipt and investigation of individual complaints of discrimination, subject to sections 268.301 through 268.312; and

(i) provide for the acceptance and processing and/or rejection of class action complaints in accordance with Subpart D of this Regulation.

Section 268.205—Federal Women's Program Manager

The Federal Women's Program Manager shall perform the following functions: Advise the Board of Governors, the Administrative Governor, the Staff Director For Management, and the EEO Programs Officer on matters affecting, and administer the Board's program with respect to, the employment and advancement of women.

Section 268.206—Hispanic Program Coordinator

The Hispanic Program Coordinator shall perform the following functions: Advise the Board of Governors, the Administrative Governor, the Staff Director For Management, and the EEO Programs Officer on matters affecting, and administer the Board's program with respect to, the employment and advancement of Hispanics.

Section 268.207—Handicapped Program Coordinator

The Handicapped Program Coordinator shall perform the following functions: Advise the Board of Governors, the Administrative Governor, the Staff Director For Management, and the EEO Programs Officer on matters affecting, and administer the Board's program with respect to, the employment and advancement of handicapped persons.

Subpart C—Complaints of Discrimination on Grounds of Race, Color, Religion, Sex, National Origin, Age, or Physical or Mental Handicap

Section 268.301—Precomplaint Processing

(a) An aggrieved person who believes he or she has been discriminated against on the basis of race, color, religion, sex, national original, age, or physical or mental handicap, shall consult with an EEO Counselor to try and resolve the matter. The EEO Counselor shall make whatever inquiry he or she believes is necessary into the matter and seek a solution to the matter on an informal basis. The EEO Counselor shall advise the aggrieved person of the complaint procedure under this subpart, counsel him or her concerning the issues in the matter, keep a record of the counseling activities so as to brief the EEO Officer on those activities, and when advised that a formal complaint of discrimination has been filed by an aggrieved person, shall submit a written report to the EEO Officer with a copy to the aggrieved person summarizing the EEO Counselor's actions and advice to the aggrieved person concerning the issues in the matter. The EEO Counselor shall, insofar as is practicable, conduct the final interview of the aggrieved person not later than 21 calendar days after the date on which the matter was called to the EEO Counselor's attention by the aggrieved person. If, within 21 calendar days, the matter has not been resolved to the satisfaction of the aggrieved person, that person shall be immediately informed in writing, at the time of the final interview, of his or her right to file a complaint of discrimination and of his or her right to representation, including legal counsel. The notice shall inform the aggrieved person of his or her right to file a discrimination complaint at any time up to 15 calendar days after receipt of the said notice, identify to the aggrieved person the officials with whom such complaint may be filed, and advise the aggrieved person that he or she must inform the

Board immediately if he or she retains counsel or any other representative in connection with the complaint.
(b) The EEO Counselor shall not attempt in any way to restrain the aggrieved person from filing a complaint.
(c) The EEO Counselor shall not reveal the identity of any aggrieved person who consults with the EEO Counselor, except when authorized to do so by the aggrieved person, or until the Board has accepted a complaint of discrimination from the aggrieved person.
(d) The EEO Counselor shall have the full cooperation of all employees in the performance of his or her duties under this section.
(e) The EEO Counselor shall be free from restraint, interference, coercion, discrimination or reprisal, in connection with the performance of his or her duties under this section.

Section 268.302—Filing of Complaint

(a) *Time Limits.*
(1) The Board shall accept a complaint for processing under this subpart only if:
(i) The complainant brought to the attention of an EEO Counselor the matter causing him or her to believe he or she had been discriminated against within 30 calendar days of the date of the matter or, if a personnel action, within 30 calendar days of its effective date; and
(ii) The complainant, or his or her authorized representative, submitted his or her written complaint to an appropriate official within 15 calendar days of the date of his or her final interview with the EEO Counselor.
(2) A complaint shall be deemed to have been filed on the date it was received, if delivered to an appropriate official, or on the date postmarked if addressed to an appropriate official designated to receive complaints under subparagraph (b)(3) of this section.
(b) *Filing Requirements.*
(1) A complaint of discrimination must be submitted in writing by the complainant, or his or her authorized representative, and must be signed by the complainant.
(2) A complaint of discrimination may be submitted in person or by mail. If a complainant, or his or her authorized representative, submits the complaint by mail, use of registered mail is advised.
(3) The complaint shall be submitted to either the Administrative Governor, the Staff Director For Management, the EEO Programs Officer, the EEO Officer, the Federal Women's Program Manager, the Hispanic Program Coordinator, or the Handicapped Program Coordinator. All complaints received by the Administrative Governor, the Staff Director For Management, the EEO Programs Officer, the Federal Women's Program Manager, the Hispanic Program Coordinator, or the Handicapped Program Coordinator shall be transmitted to the EEO Officer for acknowledgment of receipt in accordance with section 268.302(c)(1).
(c) *Acknowledgment of Receipt of Complaint.*
(1) The EEO Officer shall acknowledge receipt of the complaint to the complainant, or his or her authorized representative, in writing.
(2) The EEO Officer shall advise the complainant, or his or her authorized representative, of all administrative rights of the complainant and of complainant's right to file a civil action as set forth in section 268.316, including the time limits imposed on the exercise of those rights.
(d) *Extensions of Time.*
(1) The EEO Programs Officer shall extend the time limits set forth in this section:
(i) On written request of the complainant, or his or her authorized representative, when the complainant shows that he or she was not notified of the time limits and was not otherwise aware of them, or that he or she was prevented by circumstances beyond his or her control from submitting the matter within the time limits; or
(ii) For other reasons considered sufficient by the EEO Programs Officer.
(2) Written requests for extension of time under this section shall be filed with the EEO Programs Officer.

Section 268.303—Right to Representation

At any stage in the presentation of a complaint under this subpart, including the counseling stage under section 268.301, the complainant shall have the right to be accompanied, represented, and advised by a representative, including legal counsel, of his or her choice. Complainant shall be advised of this right in writing by the EEO Counselor or other appropriate person responsible for matters under this regulation at the commencement of processing of any matter subject to this Regulation.

Section 268.304—Presentation of the Complaint

(a) If the complainant is an employee of the Board, he or she shall have a reasonable amount of official time to present his or her complaint, if he or she is otherwise in an active duty status.
(b) If the complainant is an employee of the Board and the complainant designates another employee of the Board as his or her representative, the representative

shall have a reasonable amount of official time, if he or she is otherwise in an active duty status, to present the complaint.

Section 268.305—Rejection or Cancellation of the Complaint

(a) The EEO Programs Officer shall reject a complaint which was not timely filed under section 268.302(a), unless the time for filing has been extended pursuant to section 268.302(d), and shall reject those allegations in a complaint which are not within the purview of this regulation or which set forth identical matters as contained in a previous complaint filed by the same complainant which is pending at the Board or has been decided by the Board. The EEO Programs Officer may cancel a complaint for failure of the complainant to prosecute the complaint. Such action cancelling a complaint may be taken only after the EEO Programs Officer has provided the complainant, or his or her authorized representative, a written request, including notice of proposed cancellation, that the complainant provide certain information or otherwise proceed with the complaint, and the complainant has failed to satisfy this request within 15 calendar days of his or her receipt of the request.
(b) The EEO Programs Officer shall transmit any decision to reject or cancel by letter to the complainant, or his or her authorized representative. The decision letter shall inform the complainant of his or her right to have the decision of the EEO Programs Officer submitted to the Equal Employment Opportunity Commission for review as described in subpart H and of his or her right to file a civil action as described in section 218.316 of this subpart, and of the time limits applicable thereto.

Section 268.306—Investigation

(a) The EEO Officer shall advise the EEO Programs Officer of the receipt of a complaint. The EEO Programs Officer shall provide for the prompt investigation of the complaint. The EEO Programs Officer shall appoint an investigative officer to investigate the complaint. The investigative officer, if an employee of the Board, shall occupy a position which is not, directly or indirectly, under the jurisdiction of the Director of the Division or Office of the Board in which the complaint arose. The investigation shall include a thorough review of the circumstances under which the alleged discrimination occurred, the treatment of members of the complainant's group identified by his or her complaint as compared with the treatment of other employees or applicants for employment in the Board Division or Office in which the alleged discrimination occurred, and any policies and practices related to the work situation which may constitute or appear to constitute discrimination, even though they have not been expressly cited by the complainant. Information needed for an appraisal of the utilization of members of the complainant's group as compared to the utilization of persons outside the complainant's group shall be recorded in statistical form in the investigative file, but specific information as to a person's membership or nonmembership in the complainant's group needed to facilitate an adjustment of the complaint or to make an informed decision on the complaint shall, if available, be recorded by name in the investigative file. (As used in this subpart, the term "investigative file" shall mean the various documents and information acquired during the investigation under this section—including affidavits of the complainant, of the alleged discriminating official, and of witnesses, and copies of or extracts from records, policy statements, or regulations of the Board—organized to show their relevance to the complaint or the general environment out of which the complaint arose.) If necessary, the investigative officer may obtain information regarding the membership or nonmembership of a person in the complainant's group by asking each person concerned to provide the information voluntarily; he or she shall not require or coerce an employee to provide this information.
(b) The investigative officer shall be authorized:
(1) To investigate all aspects of complaints of discrimination;
(2) to request all employees of the Board to cooperate with him or her in the conduct of the investigation; and
(3) to require that statements of witnesses be under oath or affirmation without a pledge of confidence.

Section 268.307—Adjustment of Complaint and Offer of Hearing

(a) The Board shall provide an opportunity for adjustment of the complaint on an informal basis after the complainant has reviewed the investigative file. For this purpose, the EEO Officer shall furnish complainant, or his or her authorized representative, with a copy of the investigative file promptly after receiving it from the investigative officer, and shall provide an opportunity for the complainant, or his or her authorized representative, to discuss the investigative file with appropriate officials.
(b) If an adjustment of the complaint is arrived at and approved, the terms of the adjustment shall be reduced to writing and made a part of the complaint file, with a copy of the terms of the adjustment provided to the complainant. An informal adjustment of a complaint

may include an award of back pay, attorney's fees and/or costs, if appropriate, or other appropriate relief. Where the parties agree on an adjustment of the complaint, but cannot agree on whether attorney's fees and/or costs should be awarded or on the amount of attorney's fees and/or costs to be awarded, the issue of the award of attorney's fees and/or costs or the amount which should be awarded may be severed and shall be the subject of a final decision pursuant to section 268.311. The decision of whether to award attorney's fees and/or costs or of the amount to be awarded may be submitted for review by the Equal Employment Opportunity Commission, pursuant to subpart H of this Regulation.
(c) If the Board does not carry out, or rescinds any action specified by the terms of the adjustment for any reason not attributable to the actions or conduct of the complainant, the EEO Officer shall, upon the complainant's written request, reinstate the complaint for further processing at the point that processing ceased because of the adjustment.
(d) If an adjustment of the complaint is not arrived at, the complainant shall be notified in writing by the EEO Officer:

(1) Of the proposed disposition of the complaint;
(2) of the complainant's right to a hearing and decision by the Board of Governors or the Administrative Governor under section 268.311, or the Staff Director For Management if he or she is delegated the authority under section 268.202(c), if the complainant notifies the EEO Officer in writing within 15 calendar days of receipt of the notice that he or she desires a hearing; and
(3) of the complainant's right to a decision by the Board of Governors or the Administrative Governor under section 368.311, or the Staff Director For Management if he or she is delegated the authority under section 268.202(c), without a hearing.

(e) If the complainant fails to notify the EEO Officer of his or her wishes within 15 calendar days of receipt of the notice set forth in section 268.307(d), the EEO Officer shall transmit the complaint file to the Board of Governors or the Administrative Governor, or to the Staff Director For Management if he or she has been authorized to act for the Administrative Governor pursuant to section 268.202(c), for decision under section 268.311.

Section 268.308—Hearing on the Complaint

A hearing, held pursuant to an election by the complainant as provided in section 268.307(d)(2), shall be conducted in the following manner:
(a) *Complaints Examiner.* The hearing shall be held by a complaints examiner, who must be an employee of another agency, except in a case where the Board might be prevented by reason of law from divulging information concerning the matter complained of to a person who has not received a required security clearance. In that event, the EEO Programs Officer, in consultation with the Equal Employment Opportunity Commission, shall select an impartial employee of the Board to serve as a complaints examiner. In selecting a complaints examiner, the Board shall request the Equal Employment Opportunity Commission to supply the name of a complaints examiner who has been certified by the Commission as qualified to conduct a hearing under this section.
(b) *Arrangements for hearing.* The EEO Officer shall transmit to the complaints examiner the complaint file containing all the documents described in section 268.312 that have been acquired up to that point in the processing of the complaint and including the original copy of the investigative file (which shall be considered by the complaints examiner in making his or her recommended decision on the complaint). The complaints examiner shall review the entire complaint file to determine whether further investigation is needed before scheduling the hearing. When the complaints examiner determines that further investigation is needed, he or she shall remand the complaint to the Board's EEO Officer for further investigation or arrange for the appearance of witnesses necessary to supply the needed additional information at the hearing. The requirements of section 268.306 shall apply to any further investigation of the complaint. The complaints examiner shall schedule the hearing at a convenient time and place.
(c) *Conduct of hearing.*

(1) Attendance at the hearing shall be limited to persons determined by the complaints examiner to have direct connection with the complaint.
(2) The complaints examiner shall conduct the hearing so as to bring out pertinent facts, including the production of pertinent documents. Rules of evidence shall not be applied strictly, but the complaints examiner shall exclude irrelevant or unduly repetitious evidence. Information having a bearing on the complaint or employment policy or practices relevant to the complaint shall be received in evidence. The complaints examiner, the complainant, his or her authorized representative, and representatives of the Board at the hearing shall be given the opportunity to cross-examine witnesses who appear and testify. Testimony shall be under oath or affirmation.

(d) *Powers of Complaints Examiner.* In addition to the other powers vested in the complaints examiner by the Board in this Regulation, the complaints examiner shall be authorized to:

(1) Administer oaths or affirmations;
(2) regulate the course of the hearing;
(3) rule on offers of proof;
(4) limit the number of witnesses whose testimony would be unduly repetitious; and
(5) exclude any person from the hearing for contumacious conduct or misbehavior that obstructs the hearing.

(e) *Witnesses at hearing.* The complaints examiner shall request the Board or any agency that is subject to the authority of an Equal Employment Opportunity Commission complaints examiner to make available as a witness at the hearing any employee(s) requested by the complainant when the complaints examiner determines that the testimony of such employee(s) is necessary. He or she may also request the appearance of any other person whose testimony he or she determines is necessary to furnish information pertinent to the complaint under consideration. The complaints examiner shall give the complainant his or her reasons for the denial of a request for the appearance of employees or other persons as witnesses and shall insert those reasons in the record of the hearing. The Board or any agency that is subject to the authority of an Equal Employment Opportunity Commission complaints examiner may make its employees available as witnesses at a hearing on a complaint when requested to do so by the complaints examiner and it is not administratively impracticable to comply with the request for a witness. When it is administratively impracticable to comply with the request for a witness, the Board or other agency shall provide an explanation to the complaints examiner. If the complaints examiner determines that the explanation is inadequate, he or she shall so advise the Board or other agency and request it to make the employee available as a witness at the hearing. If the complaints examiner determines that the explanation is adequate, he or she shall insert it in the record of the hearing, provide a copy of the explanation to the complainant, and make arrangements to secure testimony from the employee through a written interrogatory. Employees of the Board shall be on duty status during the time they are made available as witnesses.

(f) *Record of hearing.* The hearing shall be recorded and transcribed verbatim. All documents submitted to, and accepted by, the complaints examiner at the hearing shall be made part of the record of the hearing. If the Board submits a document that is accepted, the Board shall promptly furnish a copy to the complainant. If the complainant submits a document that is accepted, he or she shall promptly make the document available to the Board's representative for reproduction.

(g) *Findings, analysis, and recommendations.* The complaints examiner shall transmit to the EEO Programs Officer:
(1) the complaint file (including the record of the hearing);
(2) the findings and analysis of the complaints examiner with regard to the matter that gave rise to the complaint and the general environment out of which the complaint arose;
(3) the recommended decision of the complaints examiner on the merits of the complaint, including recommended remedial action, where appropriate, with regard to the matter that gave rise to the complaint and the general environment out of which the complaint arose.

The complaints examiner shall notify the complainant of the date on which this was done. In addition, the complaints examiner shall transmit, by separate letter to the EEO Programs Officer, any findings and recommendations he or she considers appropriate with respect to conditions at the Board which do not bear directly on the matter which gave rise to the complaint or which bear on the general environment out of which the complaint arose.

Section 268.309—Relationship to Other Agency Appellate Procedure

When an employee or applicant for employment makes a written allegation of discrimination on grounds of race, color, religion, sex, national origin, age, or physical or mental handicap, in connection with an action that would otherwise be processed under a grievance procedure or other system of the Board, the allegation of discrimination shall be processed under this Regulation.

Section 268.310—Avoidance of Delay

(a) The complaint shall be resolved promptly. To this end, both the complainant and the Board shall proceed with the complaint as specified in this Regulation without undue delay so that the complaint is resolved within 180 calendar days after it was filed, including time spent in the processing of the complaint by the complaints examiner under section 268.308. When the complaint has not been resolved within such time, the complainant may petition the Staff Director For Management for a review of the reasons for the delay.

(b) The EEO Programs Officer may cancel a complaint if the complainant fails to prosecute the complaint without undue delay. Such action may be taken only after the EEO Programs Officer has provided the complainant, or his or her authorized representative, with a written request, including notice of the proposed cancellation, that the complainant provide certain information or otherwise proceed with the complaint, and the complainant has failed to satisfy this request within 15 calendar days of receipt by the complainant, or his or her authorized representative, of this request. However, instead of cancelling for failure to prosecute, the complaint may be adjudicated if sufficient information for that purpose is available.

(c) When the complaints examiner has submitted a recommended decision finding discrimination and a final decision has not been issued by the Board of Governors or the Administrative Governor under section 268.311, or by the Staff Director For Management if he or she is delegated the authority to act for the Administrative Governor pursuant to section 268.202(c), within 180 calendar days after the date the complaint was filed, the complaints examiner's recommended decision shall become a final decision binding on the Board 30 calendar days after its submission to the EEO Programs Officer. In such event, the complainant shall be notified of the decision and furnished a copy of the findings, analysis, recommended decision of the complaints examiner under section 268.308(g), and a copy of the hearing record and shall be advised that at the complaint's request the decision may be reviewed by the Equal Employment Opportunity Commission pursuant to subpart H of this Part, of his or her right to file a civil action as described in section 268.316 of this regulation, and of the time limits applicable thereto.

Section 268.311—Decision on the Complaint

(a) The EEO Programs Officer shall notify the Board of Governors when the complaint is ripe for decision under this section. At the request of any member of the Board of Governors made within 7 calendar days of such notice, the Board of Governors shall make the decision on the complaint. If no such request is made, the Administrative Governor, or the Staff Director For Management if he or she is delegated the authority to do so under section 268.202(c), shall make the decision on the complaint. The decision on the complaint shall be made based on information in the complaint file and shall be made in a fair, impartial, and objective manner.

(b)(1) The decision on the complaint shall be in writing, shall reflect the date of issuance, and shall be transmitted to the complainant, or his or her authorized representative, either by certified mail, return receipt requested, or by any other method which establishes the date of receipt by the complainant, or his or her authorized representative.

(2) When there has been a hearing on the complaint, the decision letter shall transmit a copy of the findings, analysis, and recommended decision of the complaints examiner under section 268.308(g) of this subpart and a copy of the hearing record. The decision shall adopt, reject, or modify the recommended decision of the complaints examiner under section 268.308(g). If the decision is to reject or modify the recommended decision, the decision letter shall set forth the specific reasons in detail for rejection or modification.

(3) When there has been no hearing under section 268.308 and no adjustment under section 268.307, the decision letter shall set forth the findings, analysis, and decision of the Board of Governors or the Administrative Governor under paragraph (a) of this section, or of the Staff Director For Management if he or she has been delegated the authority to make the decision under section 268.202(c).

(c) The decision shall require any remedial action authorized by law and determined to be necessary or desirable to resolve the issue of discrimination and to promote the policy of equal opportunity, whether or not there is a finding of discrimination. When discrimination is found, the decision maker shall:

(1) Advise the complainant, or his or her authorized representative, that any request for attorney's fees and/or costs must be documented and submitted within 20 calendar days of receipt;

(2) require remedial action to be taken in accordance with section 268.315;

(3) review the matter giving rise to the complaint to determine whether disciplinary action against any alleged discriminatory officials is appropriate; and

(4) record the basis for his or her decision to take, or not to take, disciplinary action, but this decision shall not be recorded in the complaint file.

(d) When the final decision provides for an award of attorney's fees and/or costs, the amount of those awards shall be determined under section 268.315(c). In the unusual situation in which the Board determines not to award attorney's fees and/or costs to a prevailing complainant, the decision shall set forth the specific reasons for denying the award.

(e) The decision letter shall inform the complainant that at his or her request the decision may be reviewed by the Equal Employment Opportunity Commission under subpart H, of his or her right to file a civil action in accordance with section 268.316 of this subpart, and of the time limits applicable thereto.

Section 268.312—Complaint File

(a) The EEO Officer shall maintain a complaint file containing all documents pertinent to the complaint, except as provided in section 268.311(c)(4).

(1) The complaint file shall include copies of:

(i) The notice of the EEO Counselor to the

complainant, or his or her authorized representative, pursuant to section 268.301(a);
(ii) the written report of the EEO Counselor under section 268.301(a) to the EEO Officer on whatever precomplaint counseling efforts were made with regard to the complainant's case;
(iii) the complaint;
(iv) the investigative file;
(v) if the complaint is withdrawn by the complainant, a written statement of the complainant, or his or her authorized representative, to that effect;
(vi) if adjustment of the complaint is arrived at under section 268.307, the written record of the terms of the adjustment;
(vii) if no adjustment of the complaint is arrived at under section 268.307, a copy of the letter under section 268.307(d) notifying the complainant, or his or her authorized representative, of the proposed disposition of the complaint and of complainant's right to a hearing;
(viii) if the decision is made under section 268.307(e), a copy of the letter to the complainant transmitting that decision;
(ix) if a hearing was held, the record of the hearing, together with the complaints examiner's findings, analysis, and recommended decision on the merits of the complaint;
(x) the recommendations of the Staff Director For Management or the EEO Programs Officer, if any, to the Board of Governors, the Administrative Governor, or the Staff Director For Management; and
(xi) if the decision is made under section 268.311, a copy of the letter transmitting the decision.

(b) The complaint file shall contain no document that has not been made available to the complainant, or his or her authorized representative, including a physician designated in writing by the complainant.

Section 268.313—Joint Processing and Consolidation of Complaints

(a) Two or more complaints of discrimination filed by employees or applicants for employment with the Board consisting of substantially similar allegations of discrimination may, with the written permission of the complainants, be consolidated by the EEO Programs Officer.

(b) Two or more individual complaints of discrimination from the same employee or applicant for employment may, at the discretion of the EEO Programs Officer, be joined for processing after notifying the complainant that the complaints will be processed jointly.

Section 268.314—Freedom from Reprisal or Interference

(a) *Freedom from reprisal.* Complainants, their authorized representatives, and witnesses shall be free from restraint, interference, coercion, discrimination, or reprisal at any stage in the presentation and processing of a complaint, including the counseling stage under section 268.301, or any time thereafter.

(b) *Review of allegations of reprisal.* A complainant, his or her authorized representative, or a witness who alleges restraint, interference, coercion, discrimination, or reprisal for having filed a complaint or for having participated in the processing of a complaint under this subpart, may, if an employee or applicant for employment, have the allegation reviewed as an individual complaint of discrimination subject to the provisions of this subpart.

(c) *Consolidation of complaints.* When a complainant alleges that he or she has been subjected to restraint, interference, coercion, discrimination, or reprisal in connection with the filing of a prior complaint of discrimination and that prior complaint from which the allegation derives is in process at the Board at the time the allegation is made, the complainant may request the EEO Programs Officer to consolidate the allegation with the prior complaint. If the prior complaint is at the hearing stage of the complaint process under section 268.308, the complainant may request the complaints examiner to consolidate the allegation with the complaint at the hearing. The EEO Programs Officer or the complaints examiner may grant the request, provided, that the request is made within 30 calendar days of occurrence of the act which forms the basis of the allegation, or within 30 calendar days of its effective date, if a personnel action. The EEO Programs Officer or the complaints examiner may also deny the request, at his or her discretion, and require that the allegation be processed in accordance with section 268.314(b).

Section 268.315—Remedial Actions

(a) *Remedial Action Involving an Applicant.*
(1) When it is determined that an applicant for employment has been discriminated against, the Board shall offer the applicant employment of the type and grade denied him or her, unless the record contains clear and convincing evidence that the applicant would not have been hired even absent discrimination. The offer shall be made in writing. The applicant shall have 15 calendar days from receipt of the offer within which to accept or decline the offer. Failure to notify the Board of his or her decision within the 15-day period will be considered

a declination of the offer, unless the applicant can show that circumstances beyond his or her control prevented the applicant from responding within the time limit. If the offer is accepted, appointment shall be retroactive to the date the applicant should have been hired, subject to the limitation in paragraph (a)(3) of this section. Back pay, computed in the manner set forth in paragraph (d) of this section, shall be awarded from the beginning of the retroactive period, subject to the same limitation, until the date the individual actually enters on duty. The applicant shall be deemed to have performed services for the Board during this period of retroactivity for all purposes except for meeting service requirements for completion of a probationary or trial period that is required. If the offer is declined, the applicant shall be awarded a sum equal to the back pay he or she would have received, computed in the manner set forth in paragraph (d) of this section, from the date he or she would have been appointed until the date the offer was made subject to paragraph (a)(3) of this section. The applicant shall be informed in the offer of his or her right to this award in the event he declines the offer.

(2) When it is determined that discrimination existed at the time the applicant was considered for employment but that there is clear and convincing evidence that the applicant would not have been hired even absent the discrimination, the Board shall consider the applicant for any existing vacancy of the type and grade for which he or she was considered initially and for which he or she is qualified before consideration is given to other candidates. If the applicant is not selected, the Board shall record the reasons for nonselection. If no vacancy exists, the Board shall give the applicant priority consideration for the next vacancy for which he or she is qualified. This priority shall take precedence over all other Board employment priorities.

(3) A period of retroactivity or a period for which back pay is awarded under this paragraph may not extend from a date earlier than two years prior to the date on which the complaint was initially filed. If a finding of discrimination was not based on a complaint, the period of retroactivity or period for which back pay is awarded under this paragraph may not extend earlier than two years prior to the date the finding of discrimination was recorded.

(b) *Remedial Action Involving an Employee.* When it is determined that a Board employee has been discriminated against, the Board shall take remedial actions which may include, but need not be limited to, one or more of the following:

(1) Retroactive promotion, with back pay computed in the manner set forth in paragraph (d) of this section, unless the record contains clear and convincing evidence that the employee would not have been promoted or employed at a higher grade, even absent discrimination. The back pay liability may not accrue from a date earlier than two years prior to the date the discrimination complaint was filed, but, in any event shall not exceed the date the employee would have been promoted. If a finding of discrimination was not based on a complaint, the back pay liability may not accrue from a date earlier than two years prior to the date the finding of discrimination was recorded, but, in any event, shall not exceed the date he or she would have been promoted;

(2) consideration for promotion to a position for which the employee is qualified before consideration is given to other candidates, if the record contains clear and convincing evidence that, although discrimination existed at the time selection for promotion was made, the employee would not have been promoted even absent discrimination. If the employee is not selected, the Board shall record the reasons for nonselection. This priority consideration shall take precedence over all other Board employment priorities;

(3) cancellation of an unwarranted personnel action and restoration of the employee;

(4) expunction from the Board's records of any reference to or any record of an unwarranted disciplinary action;

(5) full opportunity to participate in the employee benefit denied him or her (e.g., training, preferential work assignments, overtime scheduling).

(c) *Attorney's Fees or Costs.*

(1) *Awards of Attorney's Fees or Costs.* The Board may award the complainant reasonable attorney's fees and/or costs incurred in the processing of complaints of discrimination or retaliation under this subpart. In a decision made under sections 268.307, 268.310, 268.311, 268.314, or under subpart D of this regulation, or in connection with any review by the Equal Employment Opportunity Commission pursuant to subpart H, the Board may award reasonable attorney's fees or costs incurred in the processing of the matter.

(i) A finding of discrimination shall raise a presumption of entitlement to an award of attorney's fees.

(ii) Attorney's fees may be allowed only for the services of members of the Bar and law clerks, paralegals, or law students under supervision of members of the Bar, except that no award is allowable for the services of any employee of the Federal Government.

(iii) Attorney's fees shall be paid only for services performed after the filing of the complaint under section 268.302 and after the complainant has notified the Board that he or she is represented by an attorney, except that fees are allowable for a reasonable period of time prior to the notification of representation for any services performed in reaching a determination to represent the complainant. Written submissions to the Board which are signed by the attorney shall be deemed to constitute notice of representation.

(2) *Amount of Award.* When it is determined to award attorney's fees and/or costs, the complainant's attorney shall submit a verified statement of costs and attorney's fees, as appropriate, to the Board within 20 calendar days of receipt of the decision. A statement of attorney's fees shall be accompanied by an affidavit executed by the attorney of record itemizing the attorney's charges for legal services, and both the verified statement and the accompanying affidavit shall be made a part of the complaint file. The amount of attorney's fees and/or costs to be awarded the complainant shall be determined by agreement between the complainant, the complainant's representative, and a representative of the Board. Such agreement shall immediately be reduced to writing. If the complainant, the complainant's representative, and the Board's representative cannot reach an agreement on the amount of attorney's fees and costs within 20 calendar days of receipt of the verified statement and accompanying affidavit, the amount of attorney's fees and/or costs to be awarded shall be decided under section 268.311 within 30 calendar days of receipt of the statement and affidavit. Such decision shall include the specific reasons for determining the amount of the award.

(i) The amount of the attorney's fees and costs awarded shall be determined in accordance with the following standards: the time and labor required; the novelty and difficulty of the questions presented by the complaint; the skill requisite to perform the legal services properly; the preclusion of other employment by the attorney due to acceptance of the case; the customary fee; whether the fee is fixed or contingent; time limitations imposed by the client or the circumstances; the amount involved and the results obtained; the experience, reputation, and ability of the attorney; the undesirability of the case; the nature and length of the professional relationship between the complainant and the attorney; and awards in similar cases.

(ii) The costs which may be awarded include:

(A) Fees of the reporter for all or any of the stenographic transcript necessarily obtained for use in the case unless provided by the Board;

(B) fees and disbursements for printing and witnesses except to the extent already paid for by the Board;

(C) fees for exemplification and copies of papers necessarily obtained for use in the case except to the extent already paid for by the Board; and

(D) any other costs determined to be reasonable by the Board of Governors or the Administrative Governor under section 268.311, or the Staff Director For Management if he or she is authorized to make the decision under section 268.202(c). Witness fees shall be awarded in accordance with the provisions of 28 U.S.C. § 1821. However, no award may be made for a Board or Federal government employee who is in a duty status when made available as a witness.

(d) *Computation of Back Pay.*

(1) The Board will compute for the period covered by the corrective action the pay, allowances, and differentials the complainant would have received if discrimination had not occurred.

(2) No complainant shall be granted more pay, allowances, or differentials under this paragraph than he or she would have received if discrimination had not occurred.

(3) Except as provided in paragraph (d)(4) of this section, in computing back pay under this paragraph, the Board shall not include:

(i) Any period during which the complainant was not ready, willing, and able to perform his or her duties because of an incapacitating illness or injury; or

(ii) any period during which the complainant was unavailable for the performance of his or her duties for reasons other than those related to, or caused by, the discriminatory actions against the complainant.

(4) In computing the amount of back pay under this paragraph, the Board shall grant, upon written request of a complainant, any sick or annual leave available to the complainant for a period of incapacitation if the complainant can establish that the period of the incapacitation was the result of illness or injury.

(5) In computing the amount of back pay under this paragraph, the Board shall deduct:

(i) Any amounts earned by a complainant from other employment during the period covered by the corrective action. The Board will include as other employment only employment engaged in by the complainant to take the place of employment from which the complainant had been separated from or did not receive because of discrimi-

nation against the complainant; and
(ii) any erroneous payments received from the Board or other Federal government agencies as a result of the discriminatory actions against complainant, which, in the case of erroneous payments received from the Board's or other Federal government retirement systems, shall be returned to the appropriate system.

Section 268.316—Right to File a Civil Action

(a) Except as provided in paragraph (c) of this section, a complainant is authorized to file a civil action against the Board in an appropriate United States District Court:
(1) Within 30 calendar days of receipt of notice of final action on the complaint under sections 268.305(b), 268.307(b), 268.310(b) and (c), and 268.311;
(2) after 180 calendar days from a date of filing a complaint with the Board if there has been no decision;
(3) within 30 calendar days following receipt of notice of the final findings of the Equal Employment Opportunity Commission on a request to review the final action by the Board pursuant to subpart H of this Regulation; or
(4) after 180 calendar days from the date of filing of a request for review of a final decision of the Board by the Equal Employment Opportunity Commission if there has been no findings by the Equal Employment Opportunity Commission pursuant to subpart H of this Regulation.
(b) For the purposes of this part, the decision of the Board shall be final only when the Board makes a determination on all of the issues in the complaint, including whether or not to award attorney's fees and/or costs. If a determination to award attorney's fees and/or costs is made, the decision is not final until the procedures are followed for determining the amount of the award as set forth in section 268.315(c) of this subpart.
(c) A complainant who filed a complaint of discrimination because of age or because of denial of equal pay shall file civil actions within the time limits set forth in section 268.505 of subpart E of this Regulation for complaints of age discrimination and in section 268.904 of subpart I of this Regulation for complaints of denial of equal pay.

Section 268.317—Notice of Right

The Board shall notify a complainant in writing of his or her right to file a civil action, and of the 30-day time limit to file civil suit specified in section 268.316, or of the 6 year time limit to file civil action specified in section 268.505 in the case of discrimination because of age and in section 268.904 in the case of denial of equal pay, in any final action on a complaint under this subpart.

Section 268.318—Effect on Administrative Procedure

The filing of a civil action does not terminate Board processing of a complaint or Equal Employment Opportunity Commission review of any Board action under this subpart.

Subpart D—Class Complaints of Discrimination

Section 268.401—Definitions

(a) A "class" is a group of Board employees or applicants for employment, on whose behalf it is alleged that they have been, are being, or may be adversely affected, by a Board personnel management policy or practice which the Board has authority to rescind or modify, and which discriminates against the group on the basis of their common race, color, religion, sex, national origin, age, or mental or physical handicap.
(b) A "class complaint" is a written complaint of discrimination filed on behalf of a class by the agent of the class alleging that:
(1) The class is so numerous that a consolidated complaint of the members of the class is impractical;
(2) there are questions of fact common to the class;
(3) the claims of the agent of the class are typical of the claims of the class; and
(4) the agent of the class, or his or her authorized representative, if any, will fairly and adequately protect the interests of the class.
(c) An "agent of the class" is a class member who acts for the class during the processing of the class complaint.

Section 268.402—Precomplaint Processing

(a) An employee or applicant for employment who wishes to be an agent and who believes he or she has been discriminated against shall consult with an EEO Counselor within 90 calendar days of the matter giving rise to the allegation of individual discrimination or within 90 calendar days of its effective date if a personnel action.
(b) The EEO Counselor shall:
(1) Advise the aggrieved person of the discrimination complaint procedures, of his or her right to representation, including legal counsel, throughout

the precomplaint and complaint process, and of the right to anonymity only during the precomplaint process;
(2) make whatever inquiry he or she believes is necessary;
(3) make an attempt at informal resolution through discussion with appropriate officials;
(4) counsel the aggrieved person concerning the issues involved;
(5) inform the EEO Officer and other appropriate officials when he or she believes corrective action is necessary;
(6) keep a record of all counseling activities; and
(7) summarize actions and advice in writing both to the EEO Officer and the aggrieved person concerning the issues arising from the personnel management policy or practice in question.

(c) The EEO Counselor shall conduct a final interview and terminate counseling with the aggrieved person not later than 30 calendar days after the date on which the allegation of discrimination was called to the attention of the EEO Counselor. During the final interview, the EEO Counselor shall inform the aggrieved person in writing that counseling is terminated, that he or she has the right to file a class complaint of discrimination with appropriate officials of the Board, of the time limits for filing a class complaint, of his or her right to representation, including legal counsel, and of his or her duty to assure that the Board is immediately informed if legal representation is obtained.

(d) The EEO Counselor shall not attempt in any way to restrain the aggrieved person from filing a complaint or to encourage the person to file a complaint.

(e) The EEO Counselor shall not reveal the identity of an aggrieved person during the period of consultation, except when authorized to do so in writing by the aggrieved person.

(f) All Board employees and officers shall fully cooperate with EEO Counselors in the performance of their duties under this section. EEO Counselors shall have routine access to personnel records of the Board without unwarranted invasion of privacy.

(g) Corrective action taken as a result of counseling shall be consistent with law and the Board's regulations, rules, and instructions.

Section 268.403—Filing and Presentation of a Class Complaint

(a) The complaint must be submitted in writing by the agent, or his or her authorized representative, and be signed by the agent.

(b) The complaint shall set forth specifically and in detail:
(1) A description of the Board personnel management policy or practice giving rise to the complaint; and
(2) a description of the resultant personnel action or matter adversely affecting the agent.

(c) The complaint must be filed not later than 15 calendar days after the agent's receipt of the notice of final interview with an EEO Counselor pursuant to section 268.402(c).

(d) The complaint must be filed with either the Administrative Governor, the Staff Director For Management, the EEO Programs Officer, the EEO Officer, the Federal Women's Program Manager, the Hispanic Program Coordinator, or the Handicapped Program Coordinator.

(e) A complaint shall be deemed filed on the date it is postmarked, or, in the absence of a postmark, on the date it is received by an official with whom complaints may be filed.

(f) At all stages, including counseling, in the preparation and presentation of a complaint or claim, and review by the Equal Employment Opportunity Commission of a Board decision on a complaint or claim under subpart H, the agent or claimant shall have the right to be accompanied, represented, and advised by a representative of his or her own choosing, including legal counsel, provided the choice of a representative does not involve a conflict of interest or conflict of position. The representative shall be designated in writing and the designation made a part of the class complaint file.

(g) If the agent is a Board employee in an active duty status, he or she shall have a reasonable amount of official time to prepare and present the complaint. Board employees, including attorneys, who are representing employees of the Board in discrimination complaint cases must be permitted to use a reasonable amount of official time to carry out that responsibility whenever it is consistent with the faithful performance of their duties.

Section 268.404—Acceptance, Rejection or Cancellation

(a) Within 10 calendar days of the Board's receipt of a complaint, the EEO Officer shall forward the complaint, along with a copy of the EEO Counselor's report and any other information pertaining to timeliness or other relevant circumstances related to the complaint, to the Equal Employment Opportunity Commission with a request for designation of a complaints examiner qualified to conduct the proceeding.

(b) The complaints examiner may recommend that the Board reject the complaint, or a portion thereof, for any of the following reasons:

(1) The complaint was not timely filed;
(2) the complaint consists of an allegation identical to an allegation contained in a previous complaint filed on behalf of the same class which is pending before the Board or which has been resolved or decided by the Board;
(3) the complaint is not within the purview of this subpart;
(4) the agent failed to consult an EEO Counselor in a timely manner;
(5) the complaint lacks specificity and detail;
(6) the complaint was not submitted in writing or was not signed by the agent; or
(7) the complaint does not meet all of the prerequisites set forth in section 268.401(b) of this subpart.

(c) If an allegation is not included in the EEO Counselor's report, the complaints examiner shall afford the agent 15 calendar days to explain whether the matter was discussed with an EEO Counselor and if not, why he or she did not discuss the allegation with an EEO Counselor. If the explanation is not satisfactory, the complaints examiner may recommend that the Board reject the allegation. If the explanation is satisfactory, the complaints examiner may refer the allegation to the Board for further counseling of the agent.

(d) If an allegation lacks specificity and detail, the complaints examiner shall afford the agent 15 calendar days to provide specific and detailed information. The complaints examiner may recommend that the Board reject the complaint if the agent fails to provide such information within the specified time period. If the information provided contains new allegations outside the scope of the complaint, the complaints examiner must advise the agent how to proceed on an individual or class basis concerning these allegations.

(e) The complaints examiner may recommend that the Board extend the time limits for filing a complaint and for consulting with an EEO Counselor when the agent, or his or her authorized representative, shows that he or she was not notified of the prescribed time limits and was not otherwise aware of them or that he or she was prevented by circumstances beyond his or her control from acting within the time limits.

(f) When appropriate, the complaints examiner may recommend to the Board that a class be divided into subclasses and that each subclass be treated as a class, and the provisions of this section then shall be construed and applied accordingly.

(g) The complaints examiner may recommend that the Board cancel a complaint after it has been accepted because of failure of the agent to prosecute the complaint. This action may be taken only after the complaints examiner has provided the agent, or his or her authorized representative, a written request, including notice of proposed cancellation, that the agent provide certain information or otherwise proceed with the complaint, and the agent has failed to satisfy this request within 15 calendar days of his or her receipt of the request.

(h) An agent, or his or her authorized representative, must be informed by the complaints examiner in a request under (c) or (d) of this section that his or her complaint may be rejected if the information is not provided.

(i) The complaints examiner's recommendation to the Board on whether to accept, reject, or cancel a complaint shall be transmitted in writing to the Board and the agent, or his or her authorized representative. The complaints examiner's recommendation to accept, reject, or cancel shall become the Board's decision unless the EEO Programs Officer rejects or modifies the decision within 10 calendar days of its receipt. The EEO Programs Officer shall notify the agent, or his or her authorized representative, and the complaints examiner of his or her decision to accept, reject, or cancel a complaint. The notice of a decision to reject or cancel the class complaint shall inform the agent of his or her right to proceed with an individual complaint of discrimination under subpart C, that he or she may request that the Board's decision on the complaint be reviewed by the Equal Employment Opportunity Commission pursuant to subpart H, and of his or her right to file a civil action pursuant to section 268.415, and of the time limits applicable thereto.

Section 268.405—Notification and Opting Out

(a) After acceptance of a class complaint, the Board, within 15 calendar days, shall use reasonable means, such as delivery, mailing, distribution, or posting, to notify all class members of the existence of the class complaint.

(b) A notice shall contain:
(1) The name of the Board or organizational segment(s) thereof involved, its location, and the date of acceptance of the complaint;
(2) a description of the issues accepted as part of the class complaint;
(3) an explanation that class members may remove themselves from the class by notifying the EEO Programs Officer within 30 calendar days after issuance of the notice; and
(4) an explanation of the binding nature of the final decision on or resolution of the complaint.

Section 268.406—Avoidance of Delay

The complaint shall be processed promptly after it has been accepted. To this end, the parties shall proceed with the complaint without undue delay so that the complaint is processed within 180 calendar days after it was filed.

Section 268.407—Freedom from Restraint, Interference, Correction, and Reprisal

(a) Agents, claimants, their authorized representatives, witnesses, the Staff Director For Management, the EEO Programs Officer, the EEO Officer, EEO Investigators, EEO Counselors, and other Board officials having responsibility for the processing of discrimination complaints shall be free from restraint, interference, coercion, and reprisal at all stages in the presentation and processing of a complaint, including the counseling stage under section 268.402 or any time thereafter.
(b) A person identified in paragraph (a) of this section, if a Board employee or applicant for employment, may file a complaint of restraint, interference, coercion, or reprisal in connection with the presentation and processing of a complaint of discrimination. The complaint shall be filed and processed in accordance with the provisions of subpart C of this Regulation.

Section 268.408—Obtaining Evidence Concerning the Complaint

(a) *General.*
(1) Upon the acceptance of a complaint, the EEO Programs Officer shall designate a Board representative. The Board representative shall not be an alleged discriminating official or any individual designated under subpart B of this Regulation.
(2) In representing the Board, the Board representative shall consult with officials, if any, named or identified as responsible for the alleged discrimination, and other officials or employees of the Board as necessary. In such consultations, the Board representative shall be subject to the provisions of the Board's regulations, rules, and instructions concerning privacy and access to individual personnel records and reports.
(b) *Development of evidence.*
(1) The complaints examiner shall notify the agent, or his or her authorized representative, and the Board representative that a period of not more than 60 calendar days will be allowed for both parties to prepare their cases. This time period may be extended by the complaints examiner upon the request of either party. Both parties are entitled to reasonable development of evidence on matters relevant to the issues raised in the complaint. Evidence may be developed through interrogatories, depositions, and requests for production of documents. It shall be grounds for objection to producing evidence that the information sought by either party is irrelevant, overburdensome, repetitious, or privileged.
(2) In the event that mutual cooperation fails, either party may request the complaints examiner to rule on a request to develop evidence. When the complaints examiner renders his or her report of findings and recommendations on the merits of the complaint, a party's failure to comply with the complaints examiner's ruling on an evidentiary request may be taken into account.
(3) During the time period for development of evidence, the complaints examiner may, at his or her discretion, direct that an investigation of facts relevant to the complaint, or any portion thereof, be conducted by an investigator trained and/or certified by the Equal Employment Opportunity Commission.
(4) Both parties shall furnish the complaints examiner all materials that they wish the complaints examiner to examine and such other material as the complaints examiner may request.

Section 268.409—Opportunities for Resolution of the Complaint

(a) The complaints examiner shall furnish the agent, or his or her authorized representative, and the Board representative with a copy of all materials obtained concerning the complaint and provide an opportunity for the agent, or his or her authorized representative, to discuss these materials with the Board representative and attempt resolution of the complaint.
(b) At any time after acceptance of a complaint, the complaint may be resolved by agreement of the Board and the agent to terms offered by either party.
(c) If resolution of the complaint is arrived at, the terms of the resolution shall be reduced to writing, and signed by the agent and the Staff Director For Management. A resolution may include a finding on the issue of discrimination, and award of attorney's fees and/or costs, and must include any corrective action agreed upon. Corrective action in the resolution must be consistent with law and the Board's regulations, rules, and instructions. A copy of the resolution shall be provided to the agent.
(d) Notice of the resolution shall be given to all class members in the same manner as notification of the acceptance of the class complaint and shall state the terms of corrective action, if any, to be granted by the Board. A resolution shall bind all members of the class.
(e) If the Board does not carry out, or rescinds, any action specified by the terms of the resolution for any reason not attributable to acts or conduct of the agent, his or her authorized representative, or class members, the Board upon the agent's written request shall reinstate the complaint for further processing from the point processing ceased under the terms of the resolution. Failure of the Board to reinstate the complaint may be reviewed by the Equal Employment Opportu-

nity Commission pursuant to subpart H of this Regulation.

Section 268.410—Hearing

On the expiration of the period allowed for preparation of the case, the complaints examiner shall set a date for a hearing. The hearing shall be conducted in accordance with section 268.308 of subpart C of this Regulation.

Section 268.411—Report of Findings and Recommendations

(a) The complaints examiner shall transmit to the EEO Programs Officer:

(1) The record of the hearing;

(2) the complaints examiner's findings and analysis with regard to the complaint; and

(3) the complaints examiner's report of findings and recommended decision on the complaint, including corrective action pertaining to systemic relief for the class and any individual corrective action, where appropriate, with regard to the personnel action or matter which gave rise to the complaint.

(b) The complaints examiner shall notify the agent, or his or her authorized representative, of the date on which the report of findings and recommendations was forwarded to the EEO Programs Officer.

Section 268.412—Board Decision

(a)(1) The EEO Programs Officer shall notify the Board of Governors when the complaint is ripe for decision under this section. At the request of any member of the Board of Governors made within 7 calendar days of such notice, the Board of Governors shall make the decision on the complaint. If no such request is made, the Administrative Governor, or the Staff Director For Management if he or she is delegated the authority to do so under section 268.202(c), shall make the decision on the complaint.

(2) Within 30 calendar days of receipt of the report of findings and recommendations issued under section 268.411 of this subpart, the Board of Governors, the Administrative Governor, or the Staff Director For Management if he or she is authorized to make the decision under section 268.202(c), shall issue a decision to accept, reject, or modify the findings and recommendations of the complaints examiner.

(3) The decision of the Board of Governors, the Administrative Governor, or the Staff Director For Management if he or she is delegated the authority to make the decision under section 268.202(c), shall be in writing and shall be transmitted to the agent, or his or her authorized representative, along with a copy of the record of the hearing and a copy of the findings and recommendations of the complaints examiner.

(4) When the decision of the Board of Governors, the Administrative Governor, or the Staff Director For Management if he or she is delegated the authority to make the decision under section 268.202(c), is to reject or modify the findings and recommendations of the complaints examiner, the decision shall contain the specific reasons in detail for the action.

(b) If the Board of Governors, the Administrative Governor, or the Staff Director For Management if he or she is authorized to make the decision under section 268.202(c), has not issued a decision within 30 calendar days of receipt by the Board of the complaints examiner's report of findings and recommendations, those findings and recommendations shall become the final Board decision. The Board shall transmit the final Board decision and the record of the hearing to the agent, or his or her authorized representative, within 5 calendar days of the expiration of the 30-day period.

(c) The decision of the Board of Governors, the Administrative Governor, or the Staff Director For Management if he or she is authorized to make the decision under section 268.202(c) of subpart C of this Regulation, shall require any remedial action authorized by law and determined to be necessary or desirable to resolve the issue of discrimination and to promote the policy of equal opportunity, whether or not there is a finding of discrimination. When discrimination is found, the Board shall:

(1) Advise the agent, or his or her authorized representative, that any request for attorney's fees and/or costs must be documented and submitted within 20 calendar days of receipt of the decision;

(2) review the matter giving rise to the complaint to determine whether disciplinary action against alleged discriminatory officials is appropriate; and

(3) record the basis for its decision to take or not to take disciplinary action, but this decision shall not be recorded in the complaint file.

(d) When the final decision provides for the award of attorney's fees and/or costs, the amount of these awards shall be determined under section 268.315(c) of subpart C of this Regulation. When it is determined not to award attorney's fees and/or costs, the decision shall set forth the specific reasons for denying the award.

(e) The decision shall inform the agent, or his or her authorized representative, that on request of the agent the decision under this section may be reviewed by the Equal Employment Opportunity Commission pursuant to subpart H of this Regulation, of his or her right to file a civil action in accordance with section 268.415 of this subpart, and of the time limits applicable thereto.
(f) A final decision on a class complaint shall be binding on all members of the class and the Board.

Section 268.413—Notification to Class Members of Decision

Class members shall be notified by the Board, through the same media employed to give notice of the existence of the class complaint, of the Board decision and corrective action, if any. The notice, where appropriate, shall include information concerning the rights of class members to seek individual relief, and of the procedures to be followed. Notice shall be given by the Board within 10 calendar days of the transmittal of its decision to the agent.

Section 268.414—Corrective Action

(a) When discrimination is found, the Board shall eliminate or modify the personnel policy or practice out of which the complaint arose, and provide individual corrective action, including an award of attorney's fees and/or costs to the agent, in accordance with section 268.315 of subpart C of this Regulation. Corrective action in all cases must be consistent with law and Board regulations, rules, and instructions.
(b) When discrimination is found and a class member believes that but for that discrimination, he or she would have received employment or an employment benefit, the class member may file a written claim with the EEO Programs Officer within 30 calendar days of notification by the Board of its decision.
(c) The claim must include a specific, detailed showing that the claimant is a class member who was affected by a personnel action or matter resulting from the discriminatory policy or practice within not more than 135 calendar days preceding the filing of the class complaint.
(d) The EEO Programs Officer shall attempt to resolve the claim for relief within 60 calendar days after the date the claim was postmarked, or in the absence of a postmark, within 60 calendar days after the date it was received by the EEO Programs Officer, with whom claims may be filed. If the EEO Programs Officer and claimant do not agree that the claimant is a member of the class or upon the relief to which the claimant is entitled, the EEO Programs Officer shall refer the claim, with recommendations concerning it, to the complaints examiner.
(e) The complaints examiner shall notify the claimant of his or her right to a hearing on the claim and shall allow the parties to the claim an opportunity to submit evidence and representations concerning the claim. If a hearing is requested, it shall be conducted in accordance with section 268.308 of subpart C of this Regulation. If no hearing is requested, the complaints examiner, in his or her discretion, may hold a hearing to obtain necessary evidence concerning the claim.
(f) The complaints examiner shall issue a report of findings and recommendations on the claim which shall be treated the same as a report of findings and recommendations under sections 268.411 and 268.412.
(g) If the complaints examiner determines that the claimant is not a member of the class or that the claim was not timely filed, the complaints examiner shall recommend rejection of the claim and give notice of his or her action to the Board, the claimant and the claimant's authorized representative. Such notice shall include advice that the claimant may request review of the claim by the Equal Employment Opportunity Commission pursuant to subpart H and of claimant's right to file a civil action in accordance with the provisions of section 268.415.

Section 268.415—Right to File a Civil Action for Judicial Review

(a) Except as provided in paragraph (c) of this section, an agent who has filed a complaint or a claimant who has filed a claim for relief based on race, color, religion, sex, national origin, or physical or mental handicap, is authorized to file a civil action against the Board in an appropriate United States District Court:
(1) Within 30 calendar days of his or her receipt of notice of final action taken by the Board;
(2) after 180 calendar days from the date he or she filed a complaint or claim with the Board if there has been no final decision on the complaint or claim.
(3) within 30 calendar days following receipt of notice of the final findings of the Equal Employment Opportunity Commission on a request to review the final decision of the Board pursuant to subpart H of this Regulation; or
(4) after 180 calendar days from the date of filing of a request for review of a final decision of the Board by the Equal Employment Opportunity Commission if there has been no finding by the Equal Employment Opportunity Commission pursuant to subpart H of this Regulation.

(b) For the purposes of this Part, the decision of the Board shall be final only when the Board makes a determination on all issues in the complaint, including whether or not to award attorney's fees and/or costs. If a determination to award attorney's fees and/or costs is made, the decision will not be final until the procedure is followed for determining the amount of the award as set forth in section 268.315(c) of subpart C.

(c) An agent who filed a class complaint of discrimination because of age shall file a civil suit within the time limits set forth in section 268.505 of subpart E of this regulation. An agent who filed a class complaint of denial of equal pay shall file a civil suit within the time limits set forth in section 268.904 of subpart I of this Regulation.

Section 268.416—Notice of Right

When the agent alleges that the Board discriminated against a class on the basis of race, color, religion, sex, national origin, age, or physical or mental handicap, or a claimant files for relief, the Board shall notify the agent or claimant in writing of his or her right to file a civil action following any final action on a complaint or claim under this subpart.

Section 268.417—Effect on Administrative Processing

The filing of a civil action by an agent or claimant does not terminate Board processing of a complaint or claim or Equal Employment Opportunity Commission review of any Board action under this subpart.

Subpart E—Nondiscrimination on Account of Age

Section 268.501—Policy Statement

(a) The Board shall not:

(1) Fail or refuse to hire or discharge any individual or otherwise discriminate against any individual with respect to his or her compensation, terms, conditions, or privileges or employment, because of such individual's age, except as permitted by section 268.504;

(2) limit, segregate, or classify Board employees or applicants for employment in any way which would deprive or tend to deprive any individual of employment opportunities or otherwise adversely affect his or her status as an employee or applicant because of such individual's age, except as permitted by section 268.504; or

(3) reduce the wage rate of any employee in order to comply with this policy.

(b) The Board shall not discriminate against any employee or applicant for employment because such employee or applicant has opposed any practice forbidden under this subpart or because such employee or applicant has made a charge, testified, assisted, or participated in any manner in any investigation, proceeding, or litigation under this subpart.

(c) The Board shall not print or publish, or cause to be printed or published, any notice or advertisement relating to employment by the Board indicating any preference, limitation, specification, or discrimination, based on age, except as permitted by section 268.504.

Section 268.502—Processing of Complaints

All individual and class complaints of discrimination on the basis of age shall be filed and processed pursuant to subparts C and D, respectively, except that civil actions shall be filed pursuant to section 268.505 of this subpart and except that section 268.315(c) providing for award of attorney's fees and/or costs shall not apply to complaints of discrimination under this subpart. A complaint may also be filed by an organization for a complainant with his or her consent.

Section 268.503—Coverage

A person filing a complaint of discrimination on the basis of age must have been at least 40 years of age at the time the alleged discrimination occurred.

Section 268.504—Exceptions

The Board may adopt such reasonable exemptions to the provisions of this subpart as have been established by the Equal Employment Opportunity Commission pursuant to 29 C.F.R. § 1613.501(c).

Section 268.505—Right to File Civil Action for Judicial Review

A complainant, agent, or claimant, under this subpart is authorized to file a civil action against the Board in an appropriate United States District Court within six years of the matter causing the complainant, agent, or claimant to believe he or she has been discriminated against because of age.

Section 268.506—Effect on Administrative Procedure

The filing of a civil action by an employee does not terminate Board processing of a complaint under this subpart or Equal Employment Opportunity Commission review of any such complaint pursuant to subpart H.

Subpart F—Prohibition Against Discrimination in Employment Because of a Physical or Mental Handicap

Section 268.601—Definitions

(a) "Handicapped person" is defined for the purposes of this subpart as one who has:

(1) A physical or mental impairment which substantially limits one or more of such person's major life activities;

(2) has a record of such an impairment; or

(3) is regarded as having such an impairment.

(b) "Physical or mental impairment" means:

(1) any physiological disorder or condition, cosmetic disfigurement, or anatomical loss affecting one or more of the following body systems: Neurological; musculoskeletal; special sense organs; respiratory, including speech organs; cardiovascular; reproductive; digestive; genito-urinary; hemic and lymphatic; skin; and endocrine; or

(2) any mental or psychological disorder, such as mental retardation, organic brain syndrome, emotional or mental illness, and specific learning disabilities.

(c) "Major life activities" means functions, such as caring for one's self, performing manual tasks, walking, seeing, hearing, speaking, breathing, learning, and working.

(d) "Has a record of such an impairment" means has a history of, or has been classified (or misclassified) as having a mental or physical impairment that substantially limits one or more major life activities.

(e) "Is regarded as having such an impairment" means:

(1) Has a physical or mental impairment that does not substantially limit major life activities but is treated by an employer as constituting such a limitation;

(2) has a physical or mental impairment that substantially limits major life activities only as a result of the attitude of an employer toward such impairment; or

(3) has none of the impairments defined in paragraph (b) of this section but is treated by an employer as having such an impairment.

(f) "Qualified handicapped person" is defined for the purposes of this subpart to mean, with respect to employment, a handicapped person who, with or without reasonable accommodation, can perform the essential functions of the position in question without endangering the health and safety of the handicapped person or others, and who, depending upon the type of appointing authority being used:

(1) Meets the experience and/or education requirements (which may include passing a written test) of the position in question; or

(2) meets the criteria for appointment under one of the special appointing authorities for handicapped persons.

(g) "Facility" is defined for the purposes of this subpart to mean all or any portion of buildings, structures, equipment, roads, walks, parking lots, rolling stock or other conveyances, or other real or personal property.

Section 268.602—General Policy

The Board gives full consideration to hiring, placement, and advancement of qualified physically or mentally handicapped persons. The Board shall be a model employer of handicapped individuals. The Board shall not discriminate against qualified physically or mentally handicapped persons.

Section 268.603—Reasonable Accommodation

(a) The Board shall make reasonable accommodation to the known physical or mental limitations of a qualified handicapped employee or applicant for employment unless it can demonstrate that the accommodation would impose an undue hardship on the operation of its programs.

(b) Reasonable accommodation may include, but shall not be limited to:

(1) Making facilities readily accessible to and usable by handicapped persons;

(2) job restructuring, part-time or modified work schedules, acquisition or modification of equipment or devices, appropriate adjustment or modification of examinations, the provision of readers and interpreters, and other similar actions; and

(3) reassignment to another job position, if practicable.

(c) In determining pursuant to paragraph (a) of this section whether an accommodation would impose an undue hardship on the operations of the Board, factors to be considered include:

(1) The overall size of the Board's program with respect to the number of employees, number and type of facilities, and size of budget;

(2) the type of Board operation including the composition and structure of the Board's work force; and

(3) the nature and the cost of the accommodation.

Section 268.604—Employment Criteria

(a) The Board shall not make use of any employment test or other selection criterion that screens out or tends to screen out qualified handicapped persons or any class of handicapped persons unless:

(1) The test score or other selection criterion, as used by the Board, is job-related for the position in question; and

(2) there are not available alternative job-related tests or criteria that do not screen out or tend to screen out as many handicapped persons.

(b) The Board shall select and administer tests concerning employment so as to insure that, when administered to an employee or applicant for employment who has a handicap that impairs sensory, manual, or speaking skills, the test results accurately reflect the employee's or applicant's ability to perform the position or type of position in question, rather than reflecting the employee's or applicant's impaired sensory, manual, or speaking skills (except where those skills are the factors that the test purports to measure).

Section 268.605—Preemployment Inquiries

(a) Except as provided in paragraphs (b) and (c) of this section, the Board shall not conduct any preemployment medical examination and shall not make preemployment inquiry of an applicant for employment as to whether the applicant is a handicapped person or as to the nature or severity of a handicap. The Board may, however, make preemployment inquiry into an applicant's ability to meet the medical qualification requirements, with or without reasonable accommodation, of the position in question (i.e., the minimum abilities necessary for safe and efficient performance of the duties of the position in question).

(b) Nothing in this section shall prohibit the Board from conditioning an offer of employment on the results of a medical examination conducted coincident to the employee's entrance on duty, provided, that:

(1) All entering employees are subjected to such an examination regardless of handicap or when the preemployment medical questionnaire used for positions which do not routinely require medical examination indicates a condition for which further examination is required because of the job-related nature of the condition; and

(2) the results of such an examination are used only in accordance with the requirements of this subpart.

(c) To enable and evaluate affirmative action to hire, place, or advance handicapped individuals, the Board may invite employees and applicants for employment to indicate whether and to what extent they are handicapped, provided that:

(1) Any written questionnaire used for this purpose, and any employee requesting such information, shall state clearly that the information requested is intended for use solely in conjunction with affirmative action; and

(2) any such written questionnaire or employee requesting such information shall state clearly that the information is being requested on a voluntary basis, that refusal to provide it will not subject the employee or applicant for employment to any adverse treatment, and that it will be used only in accordance with this subpart.

(d) Information obtained in accordance with this section as to the medical condition or history of the employee or applicant for employment shall be kept confidential except that:

(1) Managers, selecting officials, and others involved in the selection process or responsible for affirmative action may be informed that the employee or applicant for employment is a handicapped individual eligible for affirmative action;

(2) supervisors and managers may be informed regarding necessary accommodations;

(3) first aid and safety personnel may be informed, where appropriate, if the condition might require emergency treatment;

(4) government officials investigating compliance with laws, regulations, and instructions relevant to equal opportunity and affirmative action for handicapped individuals shall be provided information upon request; and

(5) statistics generated from information obtained may be used to manage, evaluate, and report on equal opportunity and affirmative action programs.

Section 268.606—Physical Access to Buildings

The Board shall not discriminate against qualified handicapped employees or applicants for employment due to the inaccessibility of its facilities.

Section 268.607—Processing Complaints

All individual complaints of discrimination on the basis of handicap shall be processed under subpart C. All class complaints of discrimination on the basis of handicap shall be processed under subpart D.

Subpart G—Prohibition Against Discrimination in Board Programs and Activities because of a Physical or Mental Handicap

Section 268.701—Purpose and Application

(a) *Purpose.* The purpose of this subpart is to prohibit discrimination on the basis of handicap in programs or activities conducted by the Board.

(b) *Application.* This subpart applies to all programs and activities conducted by the Board. Such programs and activities include:

(1) Holding open meetings of the Board or other meetings or public hearings at the Board's office in Washington, D.C.;

(2) responding to inquiries, filing complaints, or applying for employment at the Board's office;

(3) making available the Board's library facilities; and

(4) any other lawful interaction with the Board or its staff in any official matter with people who are not employees of the Board.

This subpart does not apply to Federal Reserve banks or to financial institutions or other companies supervised or regulated by the Board.

Section 268.702—Definitions

(a) "Auxiliary aids" means services or devices that enable persons with impaired sensory, manual, or speaking skills to have an equal opportunity to participate in, and enjoy the benefits of, programs or activities conducted by the Board. For example, auxiliary aids useful for persons with impaired vision include readers, Brailled materials, audio recordings, telecommunication devices and other similar services and devices. Auxiliary aids useful for persons with impaired hearing include telephone handset amplifiers, telephones compatible with hearing aids, telecommunication devices for deaf persons (TDD's), interpreters, note takers, written materials, and other similar services and devices.

(b) "Complete complaint" means a written statement that contains the complainant's name and address and describes the Board's alleged discriminatory actions in sufficient detail to inform the Board of the nature and date of the alleged violation. It shall be signed by the complainant or by someone authorized to do so on his or her behalf. Complaints filed on behalf of classes or third parties shall describe or identify (by name, if possible) the alleged victims of discrimination.

(c) "Facility" means all or any portion of buildings, structures, equipment, roads, walks, parking lots, rolling stock or other conveyances, or other real or personal property.

(d) "Handicapped person" means any person who has:

(1) A physical or mental impairment which substantially limits one or more of such person's major life activities;

(2) has a record of such an impairment; or

(3) is regarded as having such an impairment.

(e) "Physical or mental impairment" means:

(1) Any physiological disorder or condition, cosmetic disfigurement, or anatomical loss affecting one or more of the following body systems: Neurological; musculoskeletal; special sense organs; respiratory, including speech organs; cardiovascular; reproductive; digestive; genito-urinary; hemic and lymphatic; skin; and endocrine; or

(2) any mental or psychological disorder, such as mental retardation, organic brain syndrome, emotional or mental illness, and specific learning disabilities.

The term "physical or mental impairment" includes, but is not limited to, such diseases and conditions as orthopedic, visual, speech, and hearing impairments, cerebral palsy, epilepsy, muscular dystrophy, multiple sclerosis, cancer, heart disease, diabetes, mental retardation, emotional illness, and drug addiction and alcoholism.

(f) "Major life activities" means functions such as caring for one's self, performing manual tasks, walking, seeing, hearing, speaking, breathing, learning, and working.

(g) "Has a record of such an impairment" means has a history of, or has been misclassified as having, a mental or physical impairment that substantially limits one or more major life activities.

(h) "Is regarded as having an impairment" means:

(1) Has a physical or mental impairment that does not substantially limit major life activities but is treated by the Board as constituting such a limitation;

(2) has a physical or mental impairment that substantially limits major life activities only as a result of the attitudes of others toward such impairment; or

(3) has none of the impairments defined in subparagraph (1) of this definition but is treated by the Board as having such an impairment.

(i) "Qualified handicapped person" means:

(1) With respect to a Board program or activity under which a person is required to perform services or to achieve a level of accomplishment, a handicapped person who meets the essential eligibility requirements and who can achieve the purpose of the program or activity without modifications in the program or activity that the Board can determine on the basis of a written record would result in a fundamental alteration in its nature; or

(2) with respect to any other program or activity, a handicapped person who meets the essential eligibility requirements for participation in, or receipt of benefits from, that program or activity.

Section 268.703—Self Evaluation

(a) The Board shall, within one year of the effective date of this section, evaluate its current policies and practices, and the effects thereof, that do not or may not meet the requirements of this subpart, and, to the extent modifications of any such policies and practices is required, the Board shall proceed to make the necessary modifications.

(b) The Board shall provide an opportunity to interested persons, including handicapped persons or organizations representing handicapped persons, to participate in the self-evaluation process by submitting comments (both oral and written).

(c) The Board shall, for three years from the effective date of this section, maintain on file and make available for public inspection:

(1) A description of areas examined and any problems identified; and

(2) a description of any modifications made.

Section 268.704—Notice

The Board shall make available to employees, applicants for employment, participants, beneficiaries, and other interested persons such information regarding the provisions of this subpart and its applicability to the programs and activities conducted by the Board, and make such information available to them in such manner as the Board finds necessary to appraise such persons of the protections against discrimination assured them by this subpart.

Section 268.705—Prohibition Against Discrimination

(a) No qualified handicapped person shall, on the basis of handicap, be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination in any program or activity conducted by the Board.

(b)(1) The Board, in providing any aid, benefit, or service, may not, directly or through contractual, licensing, or other arrangements, on the basis of handicap:

(i) Deny a qualified handicapped person the opportunity to participate in or benefit from the aid, benefit, or service;

(ii) afford a qualified handicapped person an opportunity to participate in or benefit from the aid, benefit, or service that is not equal to that afforded others;

(iii) provide a qualified handicapped person with an aid, benefit, or service that is not as effective in affording equal opportunity to obtain the same result, to gain the same benefit, or to reach the same level of achievement as that provided to others;

(iv) provide different or separate aid, benefits, or services to handicapped persons or to any class of handicapped persons than is provided to others unless such action is necessary to provide qualified handicapped persons with aid, benefits, or services that are as effective as those provided to others;

(v) deny a qualified handicapped person the opportunity to participate as a member of planning or advisory boards; or

(vi) otherwise limit a qualified handicapped person in the enjoyment of any right, privilege, advantage, or opportunity enjoyed by others receiving the aid, benefit, or service.

(2) The Board may not deny a qualified handicapped person the opportunity to participate in programs or activities that are not separate or different, despite the existence of permissibly separate or different programs or activities.

(3) The Board may not, directly or through contractual or other arrangements, utilize criteria or methods of administration, the purpose or effect of which would:

(i) Subject qualified handicapped persons to discrimination on the basis of handicap; or

(ii) defeat or substantially impair accomplishment of the objectives of a program or activity with respect to handicapped persons.

(4) The Board may not, in determining the site or location of a facility, make selections the purpose or effect of which would:

(i) Exclude handicapped persons from, deny them the benefits of, or otherwise subject them to discrimination under any program or activity conducted by the Board; or

(ii) defeat or substantially impair the accomplishment of the objectives or a program or activity with respect to handicapped persons.

(5) The Board, in the selection of procurement contractors, may not use criteria that subject qualified handicapped persons to discrimination on the basis of handicap.

(6) The Board may not administer a licensing or certification program in a manner that subjects qualified handicapped persons to discrimination on the basis of handicap, nor may the Board establish requirements for the programs and activities of licensees or certified entities that subject qualified handicapped persons to discrimination on the basis of handicap. However, the programs and activities of entities that are licensed or certified by the Board are not, themselves, covered by this subpart.

(c) The exclusion of nonhandicapped persons from the benefits of a program limited by Federal statute or Board Order to handicapped persons or the exclusion of a specific class of handicapped persons from a program limited by Federal statute or Board Order to a different class of handicapped persons is not prohibited by this subpart.

(d) The Board shall administer programs activities in the most integrated setting appropriate to the needs of qualified handicapped persons.

Section 268.706—Employment

No qualified handicapped person shall, on the basis of handicap, be subjected to discrimination in employment under any program or activity conducted by the Board. The definitions, requirements and procedures of subpart F of this regulation shall apply to discrimination in employment under this subpart.

Section 268.707—Program Accessibility: Discrimination Prohibited

Except as otherwise provided in section 268.708, no qualified handicapped person shall, because the Board's facilities are inaccessible to or unusable by handicapped persons, be denied the benefits of, be excluded from participation in, or otherwise be subjected to discrimination under any program or activity conducted by the Board.

Section 268.708—Program Accessibility: Existing Facilities

(a) *General.* The Board shall operate each program or activity so that the program or activity, when viewed in its entirety, is readily accessible to and usable by handicapped persons. This paragraph does not:

(1) Necessarily require the Board to make each of its existing facilities accessible to and usable by handicapped persons; or

(2) require the Board to take any action that it can determine, based on a written record, would result in a fundamental alteration in the nature of a program or activity or in undue financial and administrative burdens. In those circumstances where the Board believes that the proposed action would fundamentally alter the program or activity or would result in undue financial and administrative burdens, the Board shall establish a written record showing that compliance with paragraph (a) of this section would result in such alterations or burdens. The decision that compliance would result in such alterations or burdens shall be made by the Board of Governors or their designee after considering all Board resources available for use in the funding and operation of the conducted program or activity, and must be accompanied by a written statement of the reasons for reaching that conclusion. If an action would result in such an alteration or such burdens, the Board shall take any other action that would not result in such an alteration or such burdens but would nevertheless ensure that handicapped persons receive the benefits and services of the program or activity.

(b) *Methods.* The Board may comply with the requirements of this section through such means as redesign of equipment, reassignment of services to accessible buildings, assignment of aides to handicapped persons, home visits, delivery of service at alternate accessible sites, alteration of existing facilities and construction of new facilities, use of accessible rolling stock, or any other methods that result in making its programs or activities readily accessible to and usable by handicapped persons. The Board is not required to make structural changes in existing facilities where other methods are effective in achieving compliance with this section. In choosing among available methods for meeting the requirements of this section, the Board gives priority to those methods that offer programs and activities to qualified handicapped persons in the most integrated setting appropriate.

(c) *Time period for compliance.* The Board shall comply with any obligations established under this section with which it is not presently complying within sixty days of the effective date of this section except that where structural changes in facilities are undertaken, such changes shall be made within three years of the effective date of this section, but in any event, as expeditiously as possible.

(d) *Transition plan.* In the event that structural changes to facilities will be undertaken to achieve program accessibility, the Board shall develop, within six months of the effective date of this section, a transition plan setting forth the steps necessary to complete such changes. The Board shall provide an opportunity to interested persons, including handicapped persons or organizations representing handicapped persons, to participate in the development of the transition by submitting comments (both oral and written). A copy of the transition plan shall be made available for public inspection. The plan shall, at a minimum:

(1) Identify physical obstacles in the Board's facilities that limit the accessibility of its programs or activities to handicapped persons;

(2) describe in detail the modifications that will make the facilities accessible;

(3) specify the schedule for taking the steps necessary to achieve compliance with this section and, if

the time period of the transition plan is longer than one year, identify steps that will be taken during each year of the transition period; and

(4) indicate the official responsible for implementation of the plan.

Section 268.709—Program Accessibility: New Construction and Alterations

Each building or part of a building that is constructed or altered by, on behalf of, or for the use of the Board, shall be designed, constructed, or altered so as to be readily accessible to and usable by handicapped persons.

Section 268.710—Communications

(a) The Board shall take appropriate steps to ensure effective communication with applicants, participants, personnel of other Federal entities, and members of the public.

(1) The Board shall furnish appropriate auxiliary aids where necessary to afford a handicapped person an equal opportunity to participate in, and enjoy the benefits of, a program or activity conducted by the Board.

(i) In determining what type of auxiliary aid is necessary, the Board shall give primary consideration to the requests of the handicapped person.

(ii) The Board need not provide individually prescribed devices, readers for personal use or study, or other devices of a personal nature.

(2) Where the Board communicates with employees and others by telephone, telecommunications devices for deaf persons (TDD's) or equally effective telecommunication systems shall be used.

(b) The Board shall ensure that interested persons, including persons with impaired vision or hearing, can obtain information as to the existence and location of accessible services, activities, and facilities.

(c) The Board shall provide signs at a primary entrance to any inaccessible facility, directing users to a location at which they can obtain information about accessible facilities. The international symbol for accessibility shall be used at each primary entrance of an accessible facility.

(d) This section does not require the Board to take any action that would result in a fundamental alteration in the nature of a program or activity or in undue financial and administrative burdens. In those circumstances where the Board believes that the proposed action would fundamentally alter the program or activity or would result in undue financial and administrative burdens, the Board shall establish a written record showing compliance with this section would result in such alterations or burdens. The determination that compliance would result in such alterations or burdens shall be made by the Board of Governors or their designee after considering all Board resources available for use in the funding and operation of the conducted program or activity, and must be accompanied by a written statement of the reasons for reaching that conclusion. If an action required to comply with this section would result in such an alteration or such burdens, the Board shall take any other action that would not result in such an alteration or such burdens but would nevertheless ensure that, to the maximum extent possible, handicapped persons receive the benefits and services of the program or activity.

Section 268.711—Compliance Procedures

(a) *Applicability.* Not withstanding any other provision of this Regulation, this section, except as provided in paragraph (b) of this section, rather than subparts C and D of this Regulation shall apply to all allegations of discrimination on the basis of handicap in programs or activities conducted by the Board.

(b) *Employment Complaints.* The Board shall process complaints alleging discrimination in employment on the basis of handicap in accordance with section 268.607.

(c) *Responsible Official.* The EEO Programs Officer shall be responsible for coordinating implementation of this section.

(d) *Filing the Complaint*

(1) *Who may file.* Any person who believes that he or she has been subjected to discrimination prohibited by this subpart may, personally or by his or her authorized representative, file a complaint of discrimination with the EEO Programs Officer.

(2) *Confidentiality.* The EEO Programs Officer shall not reveal the identity of any person submitting a complaint, except when authorized to do so in writing by the complainant, and except to the extent necessary to carry out the purposes of this subpart, including the conduct of any investigation, hearing, or proceeding under this subpart.

(3) *When to File.* Complaints shall be filed within 180 days of the alleged act of discrimination. The EEO Programs Officer may extend this time limit for good cause shown. For the purpose of determining when a complaint is timely filed under this subparagraph, a complaint mailed to the Board shall be deemed filed on the date it is postmarked. Any other complaint shall be deemed filed on the date it is received by the Board.

(4) *How to File.* Complaints may be delivered or mailed to the Administrative Governor, the Staff Director For Management, the EEO Programs Officer, or the EEO Officer, the Federal Women's Program Manager, the Hispanic Program Coordinator, or the Handicapped Program Coordinator. Complaints should be sent to the EEO Programs Officer, Board of Governors of the Federal Reserve System, 20th and Constitution Avenue, N.W., Washington, D.C. 20551. If any Board official other than the EEO Programs Officer receives a complaint, he or she shall forward the complaint to the EEO Programs Officer.

(e) *Acceptance of Complaint.*

(1) The EEO Programs Officer shall accept a complete complaint that is filed in accordance with paragraph (d) of this section and over which the Board has jurisdiction. The EEO Programs Officer shall notify the complainant of receipt and acceptance of the complaint.

(2) If the EEO Programs Officer receives a complaint that is not complete, he or she shall notify the complainant, within 30 calendar days of receipt of the incomplete complaint, that additional information is needed. If the complainant fails to complete the complaint within 30 days of receipt of this notice, the EEO Programs Officer shall dismiss the complaint without prejudice.

(3) If the EEO Programs Officer receives a complaint over which the Board does not have jurisdiction, the EEO Programs Officer shall notify the complainant and shall make reasonable efforts to refer the complaint to the appropriate government entity.

(f) *Investigation/Conciliation.*

(1) Within 180 calendar days of the receipt of a complete complaint, the EEO Programs Officer shall complete the investigation of the complaint, attempt informal resolution of the complaint, and if no informal resolution is achieved, the EEO Programs Officer shall forward the investigative report to the Staff Director For Management.

(2) The EEO Programs Officer may request Board employees to cooperate in the investigation and attempted resolution of complaints. Employees who are requested by the EEO Programs Officer to participate in any investigation under this section shall do so as part of their official duties and during the course of regular duty hours.

(3) The EEO Programs Officer shall furnish the complainant with a copy of the investigative report promptly after receiving it from the investigator and provide the complainant with an opportunity for informal resolution of the complaint.

(4) If a complaint is resolved informally, the terms of the agreement shall be reduced to writing and made a part of the complaint file, with a copy of the agreement provided to the complainant. The written agreement may include a finding on the issue of discrimination and shall describe any corrective action to which the complainant has agreed.

(g) *Letter of findings.* If an informal resolution of the complaint is not reached, the EEO Programs Officer shall transmit the complaint file to the Staff Director For Management. The Staff Director For Management shall, within 180 days of the receipt of the complete complaint by the EEO Programs Officer, notify the complainant of the results of the investigation in a letter sent by certified mail, return receipt requested, containing:

(1) Findings of fact and conclusions of law;

(2) a description of a remedy for each violation found;

(3) a notice of right of the complainant to appeal the Letter of Findings to the Board of Governors or the Administrative Governor for a decision under paragraph (k) of this section; and

(4) a notice of right of the complainant to request a hearing.

(h) *Filing an Appeal.*

(1) Notice of appeal, with or without a request for hearing, shall be filed by the complainant with the EEO Programs Officer within 30 days of receipt from the Staff Director For Management of the Letter of Findings required by paragraph (g) of this section.

(2) If the complainant does not request a hearing, the EEO Programs Officer shall transmit the notice of appeal and investigative record to the Board of Governors or the Administrative Governor, whichever is the decision maker under paragraph (k) of this section.

(3) If the complainant does not file a notice of appeal within the time prescribed in paragraph (h)(1) of this section, the EEO Programs Officer shall certify that the Letter of Findings is the final Board decision on the complaint at the expiration of that time.

(i) *Acceptance of Appeal.* The EEO Programs Officer shall accept and process any timely appeal. A complainant may appeal to the Administrative Governor from a decision by the EEO Programs Officer that an appeal is untimely. This appeal shall be filed within 15 days of receipt of the decision from the EEO Programs Officer.

(j) *Hearing.*

(1) Upon a timely request for a hearing, the EEO Programs Officer shall request that the Board of Governors appoint an administrative law judge to conduct the hearing. The administrative law judge shall issue a notice to all parties specifying the date,

time, and place of the scheduled hearing. The hearing shall be commenced no earlier than 15 calendar days after the notice is issued and no later than 60 calendar days after the request for a hearing is filed, unless all parties agree to a different date.

(2) The hearing, decision, and any administrative review thereof shall be conducted in conformity with 5 U.S.C. §§ 554–557 (sections 5–8 of the Administrative Procedures Act). The administrative law judge shall have the duty to conduct a fair hearing, to take all necessary actions to avoid delay, and to maintain order. He or she shall have all powers necessary to these ends, including (but not limited to) the power to:

(i) Arrange and change the dates, times, and places of hearings and prehearing conferences and to issue notices thereof;

(ii) hold conferences to settle, simplify, or determine the issues in a hearing, or to consider other matters that may aid in the expeditious disposition of the hearing;

(iii) require parties to state their positions in writing with respect to the various issues in the hearing and to exchange such statements with all other parties;

(iv) examine witnesses and direct witnesses to testify;

(v) receive, rule on, exclude, or limit evidence;

(vi) rule on procedural items pending before him or her, and

(vii) take any action permitted to the administrative law judge as authorized by this subpart or by the provisions of the Administrative Procedure Act (5 U.S.C. §§ 554–557).

(3) Technical rules of evidence shall not apply to hearings conducted pursuant to this paragraph, but rules or principles designed to assure production of credible evidence and to subject testimony to cross-examination shall be applied by the administrative law judge wherever reasonably necessary. The administrative law judge may exclude irrelevant, immaterial, or unduly repetitious evidence. All documents and other evidence offered or taken for the record shall be open to examination by the parties, and opportunity shall be given to refute facts and arguments advanced on either side of the issues. A transcript shall be made of the oral evidence except to the extent the substance thereof is stipulated for the record. All decisions shall be based upon the hearing record.

(4) The costs and expenses for the conduct of a hearing shall be allocated as follows:

(i) Employees of the Board shall, upon the request of the administrative law judge, be made available to participate in the hearing and shall be on official duty status for this purpose. They shall not receive witness fees.

(ii) Employees of other Federal agencies called to testify at a hearing, at the request of the administrative law judge and with the approval of the employing agency, shall be on official duty status during any absence from normal duties caused by their testimony, and shall not receive witness fees.

(iii) The fees and expenses of other persons called to testify at a hearing shall be paid by the party requesting their appearance.

(iv) The administrative law judge may require the Board to pay travel expenses necessary for the complainant to attend the hearing.

(v) The Board shall pay the required expenses and changes for the administrative law judge and court reporter.

(vi) All other expenses shall be paid by the parties incurring them.

(5) The administrative law judge shall submit in writing recommended findings of fact, conclusions of law, and remedies to all parties and the EEO Programs Officer within 30 calendar days, after the receipt of the hearing transcripts, or within 30 calendar days after the conclusion of the hearing if no transcripts are made. This time limit may be extended with the permission of the EEO Programs Officer.

(6) Within 15 calendar days after receipt of the recommended decision of the administrative law judge, any party may file exceptions to the recommended decision with the EEO Programs Officer. Thereafter, each party will have ten calendar days to file reply exceptions with the EEO Programs Officer.

(k) *Decision.*

(1) The EEO Programs Officer shall notify the Board of Governors when the complaint is ripe for decision under this paragraph. At the request of any member of the Board of Governors made within 7 calendar days of such notice, the Board of Governors shall make the decision on the complaint. If no such request is made, the Administrative Governor shall make the decision on the complaint. The decision shall be made based on information in the investigative record and, if a hearing is held, on the hearing record. The decision shall be made within 60 calendar days of the receipt by the EEO Programs Officer of the notice of appeal and investigative record pursuant to paragraph (h)(2) of this section or 60 calendar days following the end of the period for filing reply exceptions set forth in paragraph (j)(7) of this section, whichever is applicable. If the decision maker under this paragraph determines that additional information is needed from any party, the decision maker shall request the information and

provide the other party or parties an opportunity to respond to that information. The decision maker shall have 60 calendar days from receipt of the additional information to render the decision on the appeal. The decision maker shall transmit the decision by letter to all parties. The decision shall set forth the findings, any remedial actions required, and the reasons for the decision. If the decision is based on a hearing record, the decision maker shall consider the recommended decision of the administrative law judge and render a final decision based on the entire record. The decision maker may also remand the hearing record to the administrative law judge for a fuller development of the record.
(2) The Board shall take any action required under the terms of the decision promptly. The decision maker Governor may require periodic compliance reports specifying:
(i) The manner in which compliance with the provisions of the decision has been achieved;
(ii) the reasons any action required by the final Board decision has not been taken; and
(iii) the steps being taken to ensure full compliance.
(3) The decision maker may retain responsibility for resolving disputes that arise between parties over interpretation of the final Board decision, or for specific adjudicatory decisions arising out of implementation.

Subpart H—Review by the Equal Employment Opportunity Commission

Section 268.801—Entitlement

(a) A complainant, agent, or claimant may request the Equal Employment Opportunity Commission to review any final decision of the Board under sections 268.305(b), 268.307(b), 268.310, 268.311, 268.404, 268.409(e), 268.412, and 268.414.
(b) A complainant, agent, or claimant may not request review by the Equal Opportunity Commission under paragraph (a) of this section when the issue of discrimination giving rise to the complaint is being considered, or has been considered, in connection with any other request for review by the Equal Employment Opportunity Commission filed by the same complainant, agent, or claimant.

Section 268.802—Filing of the Request for Review

The complainant, agent, or claimant shall file his or her request for review in writing, either personally or by mail, simultaneously with the Director, Office or Review and Appeals, Equal Employment Opportunity Commission, 2401 E Street, N.W., Washington, D.C. 20506, and with the Board's EEO Programs Officer.

Section 268.803—Time Limits

(a) Except as provided in paragraph (b) of this section, a complainant, agent, or claimant may file a request for review at any time up to 20 calendar days after receipt of the Board's notice of final decision on the complaint or claim, except that the deadline shall be 15 calendar days in connection with any class complaint or claim. A request for review shall be deemed filed on the date it is postmarked, or in the absence of a postmark, on the date it is received by the Equal Employment Opportunity Commission. Any statement or brief in support of the request for review must be submitted to the Equal Employment Opportunity Commission and to the Board within 30 calendar days of filing the request for review. For the purposes of this part, the decision of the Board shall be final only when the Board makes a determination on all of the issues in the complaint or claim, including whether or not to award attorney's fees and/or costs. If a decision to award attorney's fees and/or costs is made, the decision shall not be final until the procedure is followed for determining the amount of such award as set forth in section 268.315(c) of subpart C.
(b) The time limits within which a request for review must be filed will not be extended unless, based upon a written statement by the complainant, agent, or claimant showing that he or she was not notified of the prescribed time limit and was not otherwise aware of it or that circumstances beyond his or her control prevented the filing of a request for review within the prescribed time limits, the Equal Employment Opportunity Commission determines that the time limit should be extended.

Section 268.804—Procedures

(a) The Office of Review and Appeals of the Equal Employment Opportunity Commission shall review the complaint or claim file and all relevant written representations made to the Commission. The Office may return a complaint to the Board with a request for further investigation or a hearing if it considers such action necessary. There is no right to a hearing before the Office of Review and Appeals. The Office of a Review and Appeals shall issue a written finding setting forth its reasons for its findings and shall transmit such findings for consideration by the Board. The Office of Review and Appeals shall also issue copies of its findings to the complainant, agent or claimant.

Section 268.805—Review & Consideration

(a) The Commissioners may, in their discretion, reopen and reconsider any findings of the Office of Review and Appeals when the Board or the complainant, agent, or claimant requesting reopening or reconsideration submits written argument or evidence which tend to establish that:

(1) New and material evidence is available that was not readily available when the previous finding was issued;

(2) the previous finding involves an erroneous interpretation of law or regulation or misapplication of established policy; or

(3) the previous finding is of a precedential nature involving a new or unreviewed policy consideration that may have effects beyond the actual case at hand, or is otherwise of such an exceptional nature as to merit the personal attention of the Commissioners.

(b) If the Commissioners, in their discretion, reopen and reconsider any previous findings of the Office of Review and Appeals, the Commissioners shall transmit their findings for consideration by the Board. The Commissioners shall also issue copies of their findings to the complainant, agent or claimant.

Subpart I—Equal Pay

Section 268.901—General Prohibition of Discrimination

The Board shall not discriminate among employees on the basis of sex by paying wages to employees at a rate less than the rate at which it pays wages to employees of the opposite sex for equal work on jobs the performance of which requires equal skill, effort, and responsibility, and which are performed under similar working conditions, except where such payment is made pursuant to:

(a) A seniority system;

(b) a merit system;

(c) a system which measures earnings by quantity or quality of production; or

(d) a differential based on any factor other than sex or otherwise not prohibited by this regulation.

Section 268.902—Record Keeping

(a) The Board shall preserve any records which are made in the regular course of business which relate to the payment of wages, wage rates, job evaluations, job descriptions, merits systems, seniority systems, descriptions of practices, or other matters which described or explain the basis for payment of any wage differential to employees of the opposite sex, and which may be pertinent to determination of whether such differential is based on a factor other than sex.

(b) Such records are to be kept for at least *six* years.

Section 268.903—Procedure

(a) Wages withheld in violation of this subpart have the status of unpaid minimum wage or unpaid overtime compensation.

(b) Any employee who believes he or she has received unequal pay due to discrimination based on sex may seek recovery of withheld wages by filing a complaint of discrimination under subpart C of this regulation, if a complaint of individual discrimination, or subpart D of this regulation, if a class action, except that civil actions shall be filed pursuant to section 268.904 of this subpart.

Section 268.904—Right to File Civil Action for Judicial Review

A complainant, agent, or claimant, under this subpart is authorized to file a civil action against the Board in an appropriate United States District Court within six years of matter causing the complainant, agent, or claimant to believe he or she has been denied equal pay.

Orders Issued Under Bank Holding Company Act, Bank Merger Act, Bank Service Corporation Act, and Federal Reserve Act

Orders Issued Under Section 3 of Bank Holding Company Act

Associated Banc-Corp
Green Bay, Wisconsin

Order Approving Acquisition of a Bank

Associated Banc-Corp, Green Bay, Wisconsin, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (12 U.S.C. § 1841 *et seq.*) ("Act"), has applied for the Board's approval pursuant to section 3(a)(3) of the Act (12 U.S.C. § 1842 (a)(3)) to acquire all of the voting shares of State Bank of De Pere, De Pere, Wisconsin ("Bank").

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

Applicant, the fifth largest banking organization in Wisconsin, controls seven subsidiary banks with total deposits of $761.2 million, representing approximately 2.8 percent of the total deposits of commercial banks in the state.[1] Bank is the 74th largest commercial banking organization in the state, with total deposits of $70.6 million, representing approximately 0.26 percent of the total deposits of commercial banks in the state. Upon acquisition of Bank, Applicant would remain Wisconsin's fifth largest banking organization and would control approximately 3.1 percent of the total deposits of commercial banks in the state. Consummation of this proposal would not result in a significant increase in the concentration of banking resources in Wisconsin.

Applicant and Bank both operate in the Green Bay banking market.[2] Applicant's subsidiary is the largest of the market's 12 commercial banks, holding deposits of $291.5 million, which represent 26.2 percent of total deposits of commercial banks in the market. Bank is the fifth largest commercial banking organization in the market, with 6.3 percent of deposits of commercial banks there. Upon consummation of this transaction, Applicant would control 32.5 percent of the deposits of commercial banks in the market.

The Green Bay market is considered to be moderately concentrated, with the four largest commercial banking organizations controlling 70.7 percent of the total deposits of commercial banks in the market. The Herfindahl–Hirschman Index ("HHI") is 1536. Upon consummation of the proposal, the four-firm ratio would increase to 77.0 percent and the HHI would increase 330 points to 1866.[3]

While this acquisition would eliminate some existing competition, the Board believes that the anticompetitive effects of this proposal are mitigated by the presence of thrift institutions in the market.[4] Seven savings and loan associations compete in the market, and control total deposits of $401 million, representing approximately 26.5 percent of the total deposits of commercial banks and thrifts in the market. These thrifts offer NOW accounts and consumer loans. Four of the seven thrifts also make commercial loans. Based on these facts and other evidence of record, the Board has concluded that the competition offered by thrift institutions in the Green Bay market mitigates the anticompetitive effects of this proposal. In addition, a total of ten other commercial banks would remain in the market after consummation. Thus, the Board has determined that consummation of this proposal would not have a significant adverse effect on existing competition in the market.[5]

The financial and managerial resources and future prospects of Applicant and Bank are generally satisfactory and consistent with approval of this application. Although Bank will not significantly alter the services it provides after consummation of the proposal, considerations relating to the convenience and needs of the communities to be served are consistent with approval. Based on these and other facts of record, it is the Board's judgment that consummation of the proposed transaction would be in the public interest and that the application should be approved.

1. All banking data are as of June 30, 1984.
2. The Green Bay market is approximated by Brown County, Wisconsin.

3. Under the Department of Justice's revised Merger Guidelines (49 *Federal Register* 26,823 (1984)), a market with a post-merger HHI above 1800 is considered highly concentrated. Where the resulting increase in the HHI is more than 100 points, the Department is likely to challenge a merger unless other facts indicate that the merger is not likely to substantially lessen competition. The Department has voiced no objection to this proposal.
4. The Board has previously determined that thrift institutions have become, or at least have the potential to become, major competitors of banks. *NCNB Corporation*, 70 FEDERAL RESERVE BULLETIN 225 (1984); *Sun Banks Inc.*, 69 FEDERAL RESERVE BULLETIN 934 (1983); *Merchants Bancorp, Inc.*, 69 FEDERAL RESERVE BULLETIN 865 (1983); *Monmouth Financial Services, Inc.*, 69 FEDERAL RESERVE BULLETIN 867 (1983).
5. If 50 percent of the deposits held by thrift institutions were included in the calculation of market concentration, Applicant's post-merger market share would be 27.6 percent, and the post-acquisition HHI would increase by 240 points, from 1174 to 1414.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order or later than three months after the effective date of this Order unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Chicago pursuant to delegated authority.

By order of the Board of Governors, effective May 21, 1985.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, Partee, Rice, Gramley, and Seger.

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

BanPonce Corporation
Hato Rey, Puerto Rico

Order Approving Formation of a Bank Holding Company, Merger with an Interim Bank, and Membership of Interim Bank in the Federal Reserve System

BanPonce Corporation, Hato Rey, Puerto Rico, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842(a)(1)) to become a bank holding company through the acquisition of all of the outstanding voting shares of Banco de Ponce, Ponce, Puerto Rico ("Bank"). Applicant has also applied for the Board's approval under the Bank Merger Act (12 U.S.C. § 1828(c)) to merge Bank with Ponce Interim Bank, Ponce, Puerto Rico ("Interim Bank"), which was formed for the sole purpose of effecting Applicant's acquisition of Bank. Interim Bank has applied under section 19(h) of the Federal Reserve Act for membership in the Federal Reserve System. The resulting bank will operate under the charter and title of Bank.

Notice of the applications, affording an opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the BHC Act. As required by the Bank Merger Act, reports of the competitive effects of the merger were requested from the United States Attorney General, the Comptroller of the Currency and the Federal Deposit Insurance Corporation. The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the BHC Act (12 U.S.C. § 1842(c)) and the Bank Merger Act (12 U.S.C. § 1828(c)(5)).

Applicant, a nonoperating corporation, was organized for the purpose of becoming a bank holding company by acquiring Bank. Bank was established in 1917 and conducts a full-service commercial banking business through 37 offices in Puerto Rico and 12 offices in New York City.[1] Bank has been a member of the Federal Reserve System since 1982. Upon acquisition of Bank, which has total assets of $1.9 billion and total deposits of $1.65 billion,[2] Applicant would control the second largest commercial bank in Puerto Rico. Interim Bank is being formed as a nonoperating bank merely to facilitate the acquisition by Applicant of Bank's outstanding common shares under Puerto Rican law.[3] Consummation of the proposed transaction would not result in any adverse effects upon competition or increase the concentration of banking resources in any relevant area. Accordingly, competitive considerations are consistent with approval.

The financial and managerial resources of Applicant and Bank are satisfactory and their future prospects appear favorable. Accordingly, the Board concludes that banking factors are consistent with approval of the applications.

Although consummation of this proposal would result in no immediate changes in the banking services offered by Bank, considerations relating to the convenience and needs of the community to be served are consistent with approval of this proposal. Accordingly, the Board has determined that consummation of the proposed transaction would be in the public interest.

Based on the foregoing and other facts of record, the Board has determined that the applications under the BHC Act and the Bank Merger Act should be and hereby are approved. The Board has also determined that the application by Interim Bank for membership in the Federal Reserve System should be and hereby is

1. Because Puerto Rico is not deemed a "state" for purposes of the McFadden Act, Bank is permitted to branch outside of Puerto Rico. Bank is deemed a domestic bank for purposes of the BHC Act, however, and its assets, revenues and income derived from its operations in Puerto Rico are considered domestic assets, revenues and income for purposes of section 221.23(b) of Regulation K. (12 U.S.C. § 221.23(b)).

2. Banking data are as of December 31, 1984.

3. The statute laws of Puerto Rico provide for the merger of banks but do not provide for the formation of a bank holding company through the exchange of holding company shares for a bank's shares or obligations. The Board has jurisdiction to act on mergers of insured banks under section 18(c) of the Federal Deposit Insurance Act when the resulting bank is to be a member bank. While Interim Bank will not accept deposits and will thus not be an "insured bank," the Board has previously exercised jurisdiction over mergers of this type involving interim banks formed solely to effect bank acquisitions by bank holding companies. *One Valley Bancorp*, 70 FEDERAL RESERVE BULLETIN 48 (1984); *Comerica Incorporated*, 69 FEDERAL RESERVE BULLETIN 797 (1983).

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

By order of the Board of Governors, effective May 6, 1985.

Voting for this action: Chairman Volcker and Governors Wallich, Partee, Rice, and Gramley. Absent and not voting: Governors Martin and Seger.

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

City Holding Company
Charleston, West Virginia

Order Approving Acquisition of Shares of a Bank Holding Company

City Holding Company, Charleston, West Virginia, a bank holding company within the meaning of the Bank Holding Company Act, 12 U.S.C. § 1841 *et seq.* ("Act"), has applied for the Board's approval under section 3(a)(3) of the Act, 12 U.S.C. 1841(a)(3), to acquire up to 30 percent of the voting shares of Seneca Bancshares, Inc., Fairlea, West Virginia ("Seneca"), also a bank holding company.

Notice of the application, affording interested persons an opportunity to submit comments, has been given in accordance with section 3(b) of the Act, 12 U.S.C. § 1841(b). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act, 12 U.S.C. § 1841(c).

Applicant and Seneca each control one bank. Applicant controls City National Bank of Charleston, Charleston, West Virginia, the thirty-sixth largest banking organization in West Virginia, with deposits of $82.4 million, representing 0.7 percent of all deposits in commercial banks in the state.[1] Seneca controls Seneca National Bank, Fairlea, West Virginia ("Seneca Bank"), the seventy-second largest banking organization in the state, with deposits of $44.7 million, representing 0.4 percent of all deposits in commercial banks in the state. For purposes of the Act, the proposed acquisition would make Applicant the nineteenth largest banking organization in West Virginia, controlling total deposits of $127.1 million, which would represent 1.1 percent of the total deposits in commercial banks in the state. The acquisition would have no significant effect on the concentration of banking resources in West Virginia.

1. All banking data are as of September 30, 1984.

Seneca Bank operates in the Greenbrier County banking market,[2] where it is the second largest of seven banking organizations in the market. As Applicant does not operate in the Greenbrier County banking market, the proposed acquisition would have no significant adverse effect on existing competition. The Board has considered the effects of this proposal upon probable future competition in the market in light of its proposed market extension guidelines.[3] The Greenbrier County banking market is not highly concentrated, nor would Applicant be considered a probable future entrant into the market apart from the proposed acquisition. Accordingly, the Board has concluded that the acquisition would have no significant adverse effect on potential competition in the market.

Applicant has options to purchase 19.96 percent of Seneca's single class of voting stock, and it intends to purchase an additional 10.04 percent of such stock on the over-the-counter market or through privately negotiated transactions.

Seneca objects to the proposed acquisition on the following grounds:

(1) that Applicant, through its options for Seneca's shares, acquired control of more than 5 percent of those shares without the Board's prior approval in violation of section 3(a)(3) of the Act and section 225.11(c) of the Board's Regulation Y, 12 C.F.R. § 225.11(c);

(2) that Applicant would not be a source of financial and managerial strength to Seneca Bank, and that the acquisition would impair the future prospects of Seneca, Seneca Bank, and Applicant; and

(3) that the acquisition would adversely affect the convenience and needs of the community served by Seneca Bank.

Control of the Shares Under Option

Section 3(a)(3) of the Act and section 225.11(c) of Regulation Y prohibit a bank holding company from acquiring more than 5 percent of the outstanding

2. The Greenbrier County banking market is coextensive with Greenbrier County.

3. 47 *Federal Register* 9017 (1982). Although the proposed policy statement setting forth these guidelines has not been adopted by the Board, the Board is using the guidelines in its analysis of the effects of a proposal on probable future competition.

voting shares of another bank holding company without the Board's prior approval. Under section 225.31(d)(ii) of Regulation Y, "[a] company that enters into an agreement or understanding under which the rights of a holder of voting securities . . . are restricted in any manner" is presumed to control the securities. 12 C.F.R. § 225.31(d)(ii). This presumption does not apply, however, if the agreement or understanding "relates to restrictions on transferability and continues only for the time necessary to obtain approval from the appropriate federal supervisory authority with respect to acquisition by the company of the securities." *Id.* § 225.31(d)(ii)(C).

Seneca asserts that Applicant's options to purchase shares of Seneca violate section 3(a)(3) of the Act and section 225.11(c) of Regulation Y by impermissibly restricting the rights of the holders of those shares (the "optionors"), and thus give rise to a presumption that Applicant controls the optionors' shares. Seneca cites the provisions of the option agreements regarding stock dividends and dissenting shareholders' rights as well as the duration of the original options as evidence that Applicant has impermissibly restricted the rights of the holders of the shares.

The agreements do not give Applicant an unconditional right to stock dividends; they simply provide that the stock received as a dividend "shall immediately be subject to the terms and conditions of this Agreement." Applicant has no right to any stock dividends unless it actually exercises the option. To the extent that the agreements prevent an optionor from encumbering or disposing of stock received as a dividend, they merely restrict the transferability of that stock. Such a restriction is permissible, however, under section 225.31(d)(ii)(C) of Regulation Y, so long as it continues only for the time necessary to obtain regulatory approval.

The limits on the exercise of dissenting shareholders' rights are likewise consistent with section 225.31(d)(ii)(C). Shareholders who exercise such rights in effect transfer their shares to the issuing corporation. *See* W. Va. Code § 31-1-122; H. Henn & J. Alexander, *Laws of Corporations and Other Business Enterprises* § 349, at 998 (1983). Thus, in the Board's view, the limits on those rights are permissible restrictions on transferability, which raise no presumption of control.

Nor does the original option period of one year commencing January 1985, for options covering 6.33 percent of Seneca's outstanding shares, raise a presumption of control. The Board believes that under the circumstances of this case, an option period of one year does not exceed the time reasonably necessary to obtain regulatory approval, particularly in view of Applicant's prompt application to the Board for permission to acquire the shares under option.[4] The Board concludes that the options were permissible under section 225.31(d)(ii)(C) of Regulation Y and raised no presumption of control.[5]

Accordingly, the Board finds that Applicant has not acquired control of more than 5 percent of Seneca's outstanding shares, and thus has not violated section 3(a)(3) of the Act or section 225.11(c) of Regulation Y.

Financial and Managerial Considerations and Future Prospects

Seneca asserts that financial and managerial factors and the future prospects of Applicant and Seneca weigh against approval of this application. Specifically, Seneca argues that Applicant will not acquire effective control and thus could neither forestall a costly tender offer battle that would impair the future prospects of both companies, nor serve as a source of financial and managerial strength.[6]

In support of its position, Seneca cites *NBC Co.*, 60 FEDERAL RESERVE BULLETIN 782 (1974), in which the Board denied an application to acquire shares of a bank because, under the circumstances of that case, the acquisition "would only perpetuate or aggravate dissension in Bank's management," without permitting the applicant to obtain control of the bank. *Id.* at 784. The facts of *NBC* differ from those presented here in several key respects. NBC sought to acquire less than 25 percent of the outstanding shares of a bank, that is, less than a controlling interest under section 2(a)(2)(A) of the Act, 12 U.S.C. § 1841(a)(2)(A). Moreover, the presence of a hostile shareholder controlling over 50 percent of the bank's shares ensured that NBC could not have gained actual control of the bank. Here, by contrast, Applicant has applied to acquire control of Seneca and would become its largest share-

4. After learning of Seneca's objections to the proposed acquisition, Applicant shortened the option period so that it now expires on the earlier of July 12, 1985, or the date of regulatory approval.

5. Even apart from the presumption created by section 225.31(d)(ii), Seneca contends that Applicant actually controls the shares under option. In support of this contention, Seneca cites the vote of holders of a "significant number" of the shares under option against anti-takeover measures proposed by the management of Seneca. In view of the optionors' interest in completing the sale of their shares, the mere vote against anti-takeover measures is not a basis for finding that Applicant controls the optionors' shares.

6. Seneca alleges that its own future prospects will be impaired through (1) disruption of Seneca's plans for growth and expansion, (2) the loss of customers, and (3) preemption of a more favorable offer. Seneca also alleges that Applicant's future prospects will be impaired by Seneca's low dividend policy which will mean a poor return on a substantial investment. The Board has carefully considered these claims and finds that they are not supported by the record.

holder.[7] Seneca's position would preclude the Board from approving any proposal to acquire less than an absolute majority of the shares of a bank if the management of the bank opposes the acquisition. The Act recognizes, however, that control is possible without ownership of an absolute majority of voting shares.

After careful consideration of Seneca's comments, the Board is unable to conclude that consummation of this proposal would impair the future prospects of either Applicant or Seneca. The financial condition and managerial resources of Applicant, Seneca, and their subsidiary banks are consistent with approval of the application. Considerations related to the convenience and needs of the community to be served are also consistent with approval of the application.[8]

Request For Hearing

Seneca has also requested the Board to order a formal hearing focusing on whether Applicant has control of the shares under option. While section 3(b) of the Act requires no formal hearing in this instance, the Board would have discretion to order a formal or informal hearing. The Board has reviewed the record of this application, and has determined that there are no material factual differences in the record that might warrant a hearing. Rather, Seneca's arguments concern the interpretation or significance of documents or undisputed facts of record. As all parties have had ample opportunity to present their arguments in writing and to respond to one another's submissions, the Board has determined that a hearing would serve no useful purpose. Accordingly, Seneca's request for a formal hearing is hereby denied.

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

By order of the Board of Governors, effective May 13, 1985.

Voting for this action: Vice Chairman Martin and Governors Rice, Gramley, and Seger. Absent and not voting: Chairman Volcker and Governors Wallich and Partee.

JAMES MCAFEE

[SEAL] *Associate Secretary of the Board*

Equimark Purchasing Partners Philadelphia, Pennsylvania

Order Approving Formation of a Bank Holding Company

Equimark Purchasing Partners, Philadelphia, Pennsylvania, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act ("Act") (12 U.S.C. § 1842(a)(1)) to become a bank holding company by acquiring at least 64 percent of the voting shares of Equimark Corporation, Pittsburgh, Pennsylvania ("Equimark"), and thereby indirectly to acquire its wholly owned subsidiary bank, Equibank, Latrobe, Pennsylvania ("Bank").

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

Applicant is a nonoperating *de novo* company with no subsidiaries, formed for the purpose of acquiring Equimark. Equimark is the seventh largest commercial banking organization in Pennsylvania, with total deposits of $2.4 billion, representing approximately 2.9 percent of total deposits in commercial banking organizations in the state.[1] Principals of Applicant are also principals of Equimark and of Bank.

Bank operates in the Pittsburgh banking market,[2] where it is the third largest banking organization, controlling 13.2 percent of total deposits in commercial banking organizations in the market.[3] One principal of Applicant holds a 7.5 percent limited partnership interest in the Trustees' Private Bank ("Trustees'

7. For these same reasons Seneca errs in characterizing the acquisition as a mere "stake-out" to preclude another company from acquiring Seneca on more favorable terms.

8. Seneca asserts that the proposed acquisition would adversely affect the convenience and needs of the community served by Seneca Bank because Applicant has no experience in providing banking services in a rural area such as Greenbrier County. The Board does not believe the record supports this allegation.

1. Deposit data are as of September 30, 1984.

2. The Pittsburgh banking market is defined as Allegheny County and portions of Butler, Armstrong, Westmoreland, Washington, and Beaver counties, Pennsylvania.

3. Unless otherwise noted, banking data are as of June 30, 1983.

Bank"), a private bank in the Pittsburgh banking market. As of June 30, 1983, Trustees' Bank's sole office held total deposits of $1.2 million, or 0.01 percent of total market deposits. The principal does not exercise control over the private bank. No other principal of Applicant is affiliated with any other depository organization in the Pittsburgh market. On the basis of these facts, the Board concludes that consummation of this proposal would not result in any adverse effects upon existing or potential competition or any increase in the concentration of banking resources in any relevant area.

The proposed transaction is one of a series of transactions designed to increase Bank's equity capital. Under the proposed transactions, Equimark would redeem $25 million of its Series B Preferred Stock, currently owned by Chase Manhattan Corporation, New York, New York ("CMC"), and convert $25 million of Bank's Series A Preferred Stock, currently owned by CMC, to Adjustable Rate Perpetual Preferred Stock.[4] In addition, Equimark proposes to retire an option granted to CMC to purchase all of the capital stock of Bank.

In view of Applicant's proposal to increase the capital of Equimark and Bank, the financial and managerial resources and future prospects of Applicant, its principals and partners, Equimark, and Bank are consistent with approval of this application. Applicant has proposed no new services for Equimark or Bank upon acquisition. However, there is no evidence that the banking needs of the community to be served are not being met, and Applicant's proposal to increase the financial strength of Equimark and Bank would be of benefit to the community. Accordingly, considerations relating to the convenience and needs of the communities to be served are consistent with approval.

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

4. By letter dated June 21, 1982, the Board permitted CMC to purchase Equibank's Series A and Equimark's Series B Preferred Stock. The Board determined that it would not institute a control proceeding against CMC, or any person to whom CMC might transfer its option, on the basis that the transaction gave CMC or its transferee control of Equimark or Bank within the meaning of the Act. The proposed transaction appears to satisfy the provisions of the Board's determination of June 21, 1982.

By order of the Board of Governors, effective May 16, 1985.

Voting for this action: Vice Chairman Martin and Governors Partee, Gramley, and Seger. Absent and not voting: Chairman Volcker and Governors Wallich and Rice.

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

F.N.B. Corporation
Hermitage, Pennsylvania

Order Approving Acquisition of Bank

F.N.B. Corporation, Hermitage, Pennsylvania, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841, *et seq.*) ("Act"), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)), to acquire all of the voting shares of Reeves Bank, Beaver Falls, Pennsylvania ("Bank").

Notice of the application, affording opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the Act, 12 U.S.C. § 1841(b). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant is the 31st largest commercial banking organization in Pennsylvania, with two bank subsidiaries holding $374.8 million in deposits.[1] Bank operates in the Beaver Falls banking market,[2] where it is the 8th largest of 11 commercial banking institutions, with $26.5 million, representing 5 percent of the total deposits in commercial banks in the market. None of Applicant's banking subsidiaries operates in the Beaver Falls market. One of Applicant's nonbanking subsidiaries, Consumer Discount Company, originates consumer loans in the Beaver County market. However, the overlapping share of the consumer finance market controlled by Applicant and Bank is insignificant in comparison with total market volume.

Based on all the facts on record, the Board concludes that consummation of the proposed transaction would have no significant adverse effect on either existing or potential competition in any relevant market.

1. Banking organization deposits are as of September 30, 1984, and market deposits are as of June 30, 1983.

2. The Beaver Falls banking market consists of the townships of Perry, Wayne, Big Beaver, and Little Beaver, all in southern Lawrence County, and all of Beaver County except the townships of Hanover, Independence, Hopewell, Harmony, and Economy.

In evaluating this application, the Board also has considered the financial and managerial resources of Applicant and the effect on these resources of the proposed acquisition of Bank. The Board has stated and continues to believe that capital adequacy is an especially important factor in the analysis of bank holding company proposals.[3]

In this case, Applicant's existing primary and total capital ratios are above the minimum levels specified in the Board's Capital Adequacy Guidelines.[4] Under these guidelines, the Board has stated that in reviewing acquisition proposals, the Board will take into consideration the primary capital ratio and the primary ratio after deducting intangibles. On the basis of tangible assets alone, the Applicant's primary capital ratio does not meet the minimum levels specified in the guidelines. The guidelines also provide, however, for the Board to take into account the nature and amount of intangible assets on a case-by-case basis.

In assessing Applicant's capital adequacy, the Board has considered that inclusion of a small percentage of intangibles, consisting of core deposit intangibles rather than goodwill, would permit Applicant to meet the minimum primary capital guidelines. Furthermore, the Board has approved applications where, as here, the Board is able to determine through projected earnings that the applicant would achieve an acceptable primary capital ratio exclusive of intangibles within a short period of time.[5] Projections indicate that a satisfactory primary capital ratio exclusive of intangibles will be achieved by Applicant in approximately six months. Moreover, Applicant has committed to a definite plan to improve its capital position in the event its projections are not met within six months of consummation of this proposal.

Based on these facts, and in view of Applicant's and Bank's satisfactory financial and managerial resources and future prospects, the Board believes that banking factors are consistent with approval. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval of this application. Accordingly, the Board finds the proposed acquisition would be in the public interest.

On the basis of the record, the application is approved for the reasons summarized above. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Cleveland, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 28, 1985.

Voting for this action: Vice Chairman Martin and Governors Wallich, Gramley, and Seger. Absent and not voting: Chairman Volcker and Governors Partee and Rice.

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

3. *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743 (1984).

4. Capital Adequacy Guidelines, 50 *Federal Register* 16,057 (1985).

5. *Midlantic Banks, Inc.* 71 FEDERAL RESERVE BULLETIN 458 (1985); *Security Richland Bancorporation*, 70 FEDERAL RESERVE BULLETIN 655 (1984).

Saver's Bancorp, Inc.
Littleton, New Hampshire

Order Denying the Acquisition of a Bank

Saver's Bancorp, Inc., Littleton, New Hampshire, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (12 U.S.C. § 1841 *et seq.*) ("Act"), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire all of the voting shares of North Country Bank, Berlin, New Hampshire ("Bank").

Notice of this application, affording an opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the Act. The time for filing comments has expired, and the Board has considered the application and all comments received, including those of the Boston Regional Office of the FDIC and the New Hampshire Department of Banking in support of the application, and those of the Antitrust Division of the U.S. Department of Justice in opposition to the application, in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant, the seventh largest commercial banking organization in New Hampshire, controls one bank with total deposits of $275.8 million, representing 4.8 percent of the total deposits in commercial banks in the state.[1] Bank, the 37th largest commercial banking organization in the state, controls total deposits of $25.4 million, representing 0.4 percent of the total deposits in commercial banks in the state. Upon consummation of this proposal, Applicant would remain the seventh largest commercial banking organization in New Hampshire and would control 5.2 percent of the total deposits in commercial banks in the state. In the Board's view, consummation of this

1. State banking data are as of December 31, 1984, while market and deposit data are as of June 30, 1984.

proposal would not have a significant effect upon the concentration of banking resources in New Hampshire.

Applicant's subsidiary bank competes directly with Bank in the Berlin, New Hampshire, banking market.[2] Applicant is the smallest of three commercial banking organizations in the Berlin banking market, with $16.7 million in deposits, representing 14.7 percent of the total deposits in commercial banks in the market. Bank is the second largest commercial banking organization in the Berlin banking market and controls 22.3 percent of the total deposits in commercial banks in the market. The Berlin banking market contains three commercial banking organizations controlling 100 percent of the deposits in commercial banks in the market and has a Herfindahl–Hirschman Index ("HHI") of 4680.

Upon consummation of this proposal, Applicant would control 37 percent of the total deposits in commercial banks in the market, only two commercial banking organizations would remain in the market, and the HHI would increase by 658 points to 5338. This increase would make this transaction one that would be subject to challenge under the Department of Justice Merger Guidelines, and the Antitrust Division of the Department has indicated in a letter to the Board its view that the effect of this transaction on existing competition would be significantly adverse.[3]

The Board is seriously concerned about the effect this proposal would have on the concentration of banking resources in the Berlin banking market. The Berlin market is already highly concentrated with a limited number of competitors, and consummation of this proposal would further reduce that number. As discussed below, Bank's financial performance has improved steadily to the point where Bank currently serves as a significant source of competition in the market. The Board believes that under these circumstances the elimination of Bank as one of the few sources of commercial banking services in the market is likely to result in a substantial lessening of competition in the Berlin banking market.

The Board believes in this instance that the anticompetitive effects of the transaction are not significantly mitigated by the presence of thrift institutions in the Berlin banking market.[4] There is one thrift institution in the market that holds 33.9 percent of the total deposits in the market.[5] This thrift institution engages in little, if any, commercial lending. Moreover, even if the thrift institution is included in the market as a full competitor of commercial banks, which is not warranted by its activities in the market, the post-merger HHI would increase by 287 points to 3481. On this basis, the Board would continue to regard the competitive effects of this acquisition as substantially adverse.

Where, as here, consummation of the proposed transaction is likely substantially to lessen competition, section 3(c) of the Act requires the Board to deny the application unless the substantial adverse 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. The record indicates that the Berlin banking market is a small, isolated market whose population has declined in recent years compared to the state of New Hampshire as a whole, which has had an increase in population. Bank suffered loan losses as a result of the departure of a major employer in the market at the end of 1978, and its capital ratios declined in 1982, requiring Bank to reduce its expenses. As a result, Bank decreased its banking hours and curtailed or limited expansion of certain of the banking services it offered to its customers.

While the Board has given serious consideration to these factors, the Board does not believe that these

2. The Berlin, New Hampshire, banking market is approximated by the City of Berlin and the towns of Dummer, Gorham, Milan, Randolph, and Shelburne in Coos County, New Hampshire. Applicant has contended that the relevant geographic market within which to evaluate the competitive effects of this acquisition should be expanded to include the Conway area in Carroll County, New Hampshire, which is south of the Berlin banking market as presently defined. The evidence in the record indicates that the Berlin banking market is geographically isolated from Conway by rugged mountainous terrain; that adverse weather conditions can prevail during the winter; that the markets are connected only by a two-lane road over this rugged terrain; that Berlin and Conway, the major towns in the two markets, are 40 miles apart; that there is little commuting between the two markets; and that the deposit overlap between the two banking markets is insubstantial. Based on these facts and other evidence in the record, the Board concludes that the relevant geographic market within which to evaluate the competitive effects of this proposal consists of the Berlin banking market, as described above.

3. Under the Department of Justice Merger Guidelines, a market in which the post-merger HHI is above 1800 is considered highly concentrated. In such markets, the Department has indicated that where a merger produces an increase of 100 points or more and an HHI substantially exceeding 1800, as in this case, only in extraordinary cases will factors establish that the merger is *not* likely substantially to lessen competition.

4. In a number of earlier cases, the Board has, in its evaluation of the competitive effects of a bank merger or acquisition, concluded that thrift institutions have become, or at least have the potential to become, major competitors of commercial banks in the provision of both commercial and consumer banking services *The Chase Manhattan Corporation*, 70 FEDERAL RESERVE BULLETIN 529 (1984); *NCNB Bancorporation*, 70 FEDERAL RESERVE BULLETIN 225 (1984); *General Bancshares Corporation*, 69 FEDERAL RESERVE BULLETIN 802 (1983); *First Tennessee National Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

5. There are two credit unions in the market, but these institutions do not compete over the full range of services of commercial banks to be considered competitors of commercial banks. Specifically, the credit unions do not make commercial loans and one of the credit unions offers no transaction account services. The other credit union only recently began offering transaction accounts.

factors are sufficient to mitigate, to any significant degree, the substantial anticompetitive effects of this proposal. Although Bank's share of deposits has decreased somewhat in recent years, such a result is to be expected when a financial institution takes steps to improve its capital position by temporarily reducing expenses and curtailing expansion. In this regard, the Board notes that Bank's situation has improved markedly since 1982, demonstrating Bank's ability independently to work itself out of its difficulties. On this basis, the Board believes that Bank's future prospects are favorable and that Bank has shown that it will remain an effective, albeit smaller, competitor in the Berlin banking market without affiliation with Applicant. Accordingly, financial and managerial factors do not outweigh the anticompetitive effects of this proposal.

Although Applicant's proposal includes a number of improvements and expansions in the services and operations of Bank, it is the Board's view that these benefits, while lending some weight toward approval of the application, are not sufficient to meet the statutory standard required to outweigh the substantially adverse competitive effects of this proposal. Accordingly, the Board concludes that the substantial anticompetitive effects of this transaction are not outweighed by the convenience and needs of the community to be served.

Based on the foregoing and other considerations reflected in the record, the Board's judgment is that the proposed acquisition is not in the public interest and the application should be, and hereby is, denied.

By order of the Board of Governors, effective May 29, 1985.

Voting for this action: Vice Chairman Martin and Governors Partee and Gramley. Voting against this action: Governors Wallich and Seger. Absent and not voting: Chairman Volcker and Governor Rice.

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

Suburban Bancorp, Inc.
Palatine, Illinois

Order Approving Acquisition of Shares of a Bank

Suburban Bancorp, Inc., Palatine, Illinois, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. §§ 1841 *et seq.*) ("Act"), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(3)) to acquire more than 50 percent of the voting shares of The Bartlett Bank and Trust Company, Bartlett, Illinois ("Bank").

Notice of the application, affording an opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the Act (12 U.S.C. § 1842(b)). The time for filing comments has expired, and the Board has considered the application and all comments received, including those of Bank and of Acorn Bankshares, Inc., Bloomingdale, Illinois ("Acorn"), in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant is the 47th largest commercial banking organization in Illinois, controlling seven banks with aggregate deposits of $243.4 million, representing 0.22 percent of total deposits in commercial banks in the state.[1] Bank is the 604th largest banking organization in Illinois, with total deposits of $34.6 million, representing 0.03 percent of total deposits in commercial banks in the state. Upon consummation of the proposed acquisition, Applicant would become the 41st largest commercial banking organization in Illinois and would control 0.25 percent of total deposits in commercial banks in the state. The proposed acquisition would have no significant effect on the concentration of banking resources in Illinois.

Both Applicant and Bank compete in the Chicago banking market.[2] Applicant is the 40th largest commercial banking organization in the banking market, controlling 0.30 percent of total deposits in commercial banks. Bank is the 277th largest commercial banking organization in the Chicago market, and controls 0.04 percent of total deposits in commercial banks. Upon acquisition of Bank, Applicant would become the 36th largest commercial banking organization, controlling 0.34 percent of total deposits in commercial banks in the market.

The Chicago banking market is not highly concentrated, and there are numerous competitors in the market substantially larger than the combination of Applicant and Bank. In view of the small relative size of the banking organizations involved in this proposal, the Board finds that consummation of the proposed transaction would not have a significant effect on existing competition in the market. Accordingly, considerations relating to competitive factors under the Act are consistent with approval of this application.

The financial and managerial resources and future prospects of Applicant and Bank are considered generally satisfactory. Accordingly, the Board concludes that banking factors are consistent with approval of the application.

1. Banking data are as of December 31, 1983.
2. The Chicago banking market is approximated by Cook, DuPage, and Lake Counties, all in Illinois.

In reaching this conclusion, the Board has considered comments concerning this application from both Bank and Acorn Bankshares, Inc.[3] Bank and Acorn (collectively, "Protestants") have protested this application on the following grounds:

(1) that managerial factors are substantially adverse because of Applicant's alleged violation of federal securities laws and the "control" provisions of the Board's Regulation Y in its attempt to acquire Bank;

(2) that Applicant would be able to acquire only a minority of Bank's shares, resulting in a hostile minority block that would have a serious negative effect on Bank's operations; and

(3) that Applicant's acquisition of Bank would have significant adverse effects on competition in relevant markets. For reasons discussed below, the Board has determined that Protestants' claims do not warrant denial of the application.

Securities Laws Allegations

Protestants' primary allegations under the federal securities laws are that Applicant made numerous misrepresentations or omitted to state material facts in its tender offer for shares of Bank and thus violated both sections 14(e) and 10(b) of the Securities Exchange Act of 1934 ("1934 Act"), 12 U.S.C. §§ 78n(e) and 78j(b). Protestants argue that the alleged violations reflect so adversely on Applicant's management as to require denial of this application. Among Protestants' specific allegations are that:

(1) In its tender offer, Applicant consistently misrepresented the price offered by it as an amount certain when the price offered was subject to contingent adjustments that were likely to result in a significant reduction.[4]

(2) Applicant phrased its adjustments to the purchase price in a highly technical manner such that reasonable investors are not likely to realize that the contingent adjustments can have a substantial effect on the price investors will receive for their shares if tendered pursuant to Applicant's tender offer;

(3) Applicant stated, both in writing and through oral communications with Bank's shareholders, that its offer was higher than the Acorn offer when Applicant knew that the price adjustments contained in its offer could lead to a price for tendered shares that was lower than Acorn's offer; and

(4) Applicant represented that its tender offer was on a "first come, first served" basis, limited to 80 percent of the shares, and urged Bank's shareholders to hurry to tender their shares when, in fact, Applicant never intended to accept less than all shares tendered and when Applicant knew that the number of shares tendered would not exceed 80 percent.

Protestants also allege that Applicant violated Rule 14e-3(d), promulgated under section 14 of the 1934 Act, because, during the pendency of Applicant's tender offers, it received material non-public information from insiders of Bank who had tendered their shares to Applicant.

Finally, Protestants allege two technical violations of the securities laws in Applicant's original and amended tender offers:

(1) that Applicant violated section 14(e) of the 1934 Act in leaving its amended tender offer open for only 14 days, rather than for the minimum of 20 business days required by section 14(e), thereby forcing Bank's shareholders to make a hasty and less than fully informed decision to accept or reject Applicant's offer; and

(2) that Applicant violated Rule 10b-13, promulgated pursuant to section 10(b) of the 1934 Act, by accepting an option from one of Bank's shareholders on December 20, 1984, after it had made its tender offer on December 19.

The Board does not believe that the standards of section 3(c) of the Act for review of bank holding company expansion proposals require the Board to adjudicate the type of securities law issues raised by Protestants. This is particularly true in this case where the issues raised by Protestants are currently being litigated in a case brought by Acorn and Bank in federal district court.[5] The Board notes that the only remedy requested by Protestants in the litigation is injunctive relief; if the court were to rule against

3. Acorn made a friendly tender offer for the shares of Bank, but received tenders of only a minority of such shares. Applicant received tenders of 53.3 percent of Bank's shares in response to its offer.

4. The two adjustments in Applicant's tender offer that Protestants allege should have been more fully disclosed are:

(1) that if Bank issues a stock dividend or otherwise issues new shares of stock, the per-share purchase price would be adjusted so that Applicant's maximum total payment would remain the same as it would have been without the new shares; and

(2) that the purchase price would be reduced to reflect any payment made by Bank to Acorn to indemnify Acorn for expenses incurred in its acquisition attempt. Protestants state that adjustment (1) was in response to an option granted Acorn by Bank on January 7, 1985, to acquire 11,453 authorized but unissued shares, and adjustment (2) answered a "bust-out" clause in the January 7 option agreement that indemnified Acorn for its expenses if a bidder other than Acorn received tenders for over 50 percent of Bank's shares. Both the option agreement and the indemnification clause have been ruled unlawful by the Illinois Commissioner of Banks (Letter from John E. Treston, First Deputy Commissioner of Banks and Trust Companies of the State of Illinois, to the Board of Directors, Bartlett Bank & Trust Company, February 7, 1985).

5. *Acorn Bankshares, Inc. v. Suburban Bancorp, Inc.*, No. 85 C 0329 (N.D. Ill. filed Jan. 14, 1985). In addition, Applicant has filed suit against Acorn Bank attacking Acorn's tender offer.

Applicant, the court would simply enjoin Applicant from accepting the shares offered to it. The effect of such a ruling would be to force Applicant to issue a revised tender offer that would remedy any prior omissions or misstatements. In the Board's view, the court is fully able to offer Protestants any relief to which they may be entitled.

The Board has, however, considered Protestants' allegations in the context of its evaluation of the financial and managerial factors in this case.[6] The Board's review of the record does not indicate that the alleged securities law violations by Applicant, even if established, reflect any fraudulent intent by Applicant or otherwise reflect so adversely on Applicant's managerial resources so as to warrant denial of the application. (Protestants make no allegations of common law fraud or of criminal conduct.)

Allegations of "Control" Violations

Protestants allege that Applicant's December, 1984, acquisition of options for approximately 40 percent of Bank's shares violates the "control" provisions of Regulation Y (12 C.F.R. § 225.31(d)(1)) because the option agreements do not condition the ability of Applicant to exercise the option upon the Board's approval and appear to allow for immediate exercise of the option by Applicant.

Although a bank holding company may not acquire options for more than 5 percent of a bank's shares that are immediately convertible into voting securities, section 225.31(d)(1)(ii)(C) of Regulation Y exempts from the rebuttable presumption of control in section 225.31(d) those option agreements for the acquisition of shares that continue only for the time necessary to obtain approval from the Board. The Board generally considers option agreements of a duration of one year or less to be consistent with the terms of this exemption. If an option agreement terminates by its terms within one year and meets the other requirements of section 225.31(d), the Board does not insist upon the conditioning of options upon Board approval, as long as the holder of the option promptly files an application to acquire the bank in question. Bank holding companies are advised, however, that the Board believes the conditioning of options upon the Board's approval of an application under the Act to be appropriate in these circumstances.

The option agreements entered into by Applicant in December, 1984, expire by their terms within a year and are otherwise consistent with Regulation Y. Applicant filed its application with reasonable promptness, on February 15, 1985. Therefore, even though the option agreements contain no explicit requirement that Applicant secure the Board's approval prior to exercising the options, the rebuttable presumption of control in section 225.31(d)(1) does not apply to these options.

Protestants further allege that the payment by Applicant of the legal fees incurred by seven shareholders of Bank in a stockholder's derivative action against Bank to invalidate Bank's stock dividend of January 2, 1985, indicates that Applicant in fact controls the shares owned by those individuals (11 percent of Bank's shares). Although Applicant's payment of legal fees does provide some support for Protestants' assertion, Applicant's decision to pay these legal fees could just as easily be explained by noting that Applicant's interests are parallel to those of the shareholders. Moreover, no formal tie exists between these seven shareholders and Applicant except for the shareholders' tender of their shares to Applicant; without further evidence of control of these shares by Applicant, Protestants' allegation does not support a finding that the stock owned by these shareholders should be attributed to Applicant.

Possible Minority Position in Bank

Bank contends that, if this application were approved, Applicant would be able to acquire only a minority of Bank's shares, and that the existence of such a hostile minority block would have a serious negative impact on Bank's operations and future prospects. Bank bases its argument that Applicant would not be able to acquire a majority of shares on the existence of the January 7 option granted Acorn to acquire 11,453 authorized but unissued shares of Bank.

After consideration of the record in this case, the Board has determined that Bank's claim does not require denial of the application. First, Applicant has committed in writing that it will not consummate its proposed acquisition of Bank's shares if it cannot obtain a majority thereof. Second, as noted above, the Illinois Commissioner of Banks has ruled that the January 7 option agreement is invalid and that the shares contained in the option agreement with Acorn shall not be sold or issued by Bank.[7] If the Commis-

6. *See Benson Bancshares, Inc.*, 63 FEDERAL RESERVE BULLETIN 1009 (1977).

7. Bank and Acorn have contested this ruling and, as part of their action against Applicant in federal district court, have sought a declaratory judgment that the option agreement is valid.

sioner's position is sustained, Acorn will be unable to exercise its option or to acquire a majority of Bank's shares.

Competitive Factors

Protestants allege that Applicant's proposal would have adverse effects on competition in relevant markets. First, Bank argues that Applicant has a "historically low percentage of loans to deposits" and that this allegedly low loan-to-deposit ratio implies that Applicant's acquisition may reduce competition in the local area by the "direct reduction of available funds for lending in the community." While Applicant's ratio of loans to deposits is under the average for its peer group, the relevant market for consideration of competitive factors in this case is the Chicago banking market, rather than the bank's local service area. The effect of this proposal on competition in the Chicago banking market, in which hundreds of banks compete in commercial and consumer lending, would be insignificant. Moreover, the Board has considered this application in the context of Applicant's overall lending record and is unable to conclude that consummation of the proposed acquisition would result in any significant lessening of Bank's service to the community.

Second, Acorn alleges that Applicant is already "among the largest" banking organizations in the suburban corridor northwest of Chicago and that approval of this proposal would allow Applicant to strengthen its grip on this market area, thus decreasing competition. Like the previous claim, this allegation is without merit, because the competitive effects of this proposal in the relevant market would be *de minimis*.

On the basis of all the facts of record, the Board does not believe that Protestants' comments present sufficient evidence to support denial of this application on the basis of adverse managerial, financial, or competitive factors. Considerations relating to the convenience and needs of the community to be served also are consistent with approval.

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

By order of the Board of Governors, effective May 16, 1985.

Voting for this action: Vice Chairman Martin and Governors Partee, Gramley, and Seger. Absent and not voting: Chairman Volcker and Governors Wallich and Rice.

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

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

Citizens Financial Corporation Highland Park, Illinois

Order Approving Acquisition of Banks and a Commercial Finance Company

Citizens Financial Corporation ("Citizens"), Highland Park, Illinois, has applied under section 3(a)(1) of the Bank Holding Company Act of 1956 ("Act"), 12 U.S.C. § 1842(a)(1), to become a bank holding company by acquiring control of the following bank holding companies and banks (collectively, "Banks") in Illinois: First Highland Corporation and its subsidiary, The First National Bank of Highland Park, both of Highland Park; Elk Grove Investment Corporation and its subsidiary, Bank of Elk Grove, both of Elk Grove Village; Financial Investments Corporation and its subsidiary, Hyde Park Bank and Trust Company, both of Chicago; Woodfield Investments Corporation and its subsidiary, Woodfield Bank, both of Schaumburg; and North State Investment Corporation and its subsidiary, Marina Bank, both of Chicago; and Citizens Bank and Trust Company, Park Ridge. The acquisition by Citizens of the five bank holding companies will be effected by means of an exchange of shares, and represents a reorganization of existing ownership interests. The acquisition of Citizens Bank and Trust will be effected by means of a cash purchase.

Citizens also has applied under section 4(c)(8) of the Act, 12 U.S.C. § 1843(c)(8), and section 225.23(a)(2) of the Board's Regulation Y, 12 C.F.R. § 225.23(a)(2), to acquire Interfinancial Corporation ("Interfinancial"), Chicago, Illinois. Interfinancial is engaged in the activity of operating as a commercial finance company. The Board has determined that this activity is closely related to banking and permissible for bank holding companies. 12 C.F.R. § 225.25(b)(1)(iv).

Notice of the applications, affording opportunity for interested persons to submit comments, has been given in accordance with sections 3 and 4 of the Act, 50 *Federal Register* 8192 (1985). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the Act, 12 U.S.C. § 1842(c), and the considerations specified in section 4(c)(8) of the Act.

Citizens, a nonoperating Illinois corporation, was organized for the purpose of becoming a bank holding company by acquiring Banks. Upon consummation of the proposal, Applicant would become the sixth largest commercial banking organization in Illinois, controlling total deposits of $1.2 billion, which represents 1.2 percent of the deposits in commercial banks in the state.[1] Consummation of this proposal will not have an adverse effect upon the concentration of banking resources in Illinois.

Banks are all located in the Chicago market,[2] and each controls less than 1 percent of the deposits in commercial banks in the market.[3] Upon consummation of the proposal, Applicant would become the sixth largest commercial banking organization in the Chicago market, and would control 1.8 percent of the deposits in commercial banks in the market. The Herfindahl–Hirschman Index ("HHI") would increase by 2.6 points to 804.6.[4] On the basis of these and the other facts of record, the Board concludes that consummation of the proposal would not have a significant adverse effect upon existing competition in the Chicago market.

In evaluating this application, the Board has considered the financial and managerial resources of Citizens and the effect on these resources of this proposal. The Board has indicated and continues to believe that capital adequacy is an especially important factor in the analysis of bank holding company proposals, particularly in transactions where a significant acquisition is involved, and that it will consider the implications of a significant level of intangible assets arising from a proposed expansion.[5]

In this case, the Board notes that Citizens' primary and total capital ratios are above the minimum levels specified for bank holding companies under the Board's Capital Adequacy Guidelines.[6] Under these guidelines, the Board has stated that, in reviewing acquisition proposals, the Board will take into consideration both the stated primary capital ratio and the primary capital ratio after deducting intangibles. In acting on applications under the guidelines, the Board also will take into account the nature and amount of intangible assets and will, as appropriate, adjust capital ratios to include certain intangible assets on a case-by-case basis.

In its assessment of Citizens' capital adequacy, the Board has considered the fact that the proposed acquisition would increase the amount of goodwill as a percentage of Citizens' primary capital. However, Citizens would meet the minimum capital required under the Board's guidelines without undue reliance on goodwill. Moreover, Citizens' projections indicate that its tangible primary capital ratio will exceed the minimum level specified for bank holding companies in the revised guidelines by the end of 1985. The financial and managerial resources and future prospects of Applicant and Banks are regarded as generally satisfactory, particularly in light of commitments made in connection with this application. Although Citizens will incur debt as a result of this transaction, it appears that Citizens will be capable of serving as a source of strength to its subsidiaries. Based upon these facts, the Board believes that banking factors are consistent with approval. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval.

Applicant also has applied under section 4(c)(8) of the Act to acquire Interfinancial.[7] Interfinancial is a commercial finance company, which initiates and services asset-based loans and arranges participation loans.

This proposal is essentially a reorganization of the ownership of Interfinancial. Consummation of this

1. Unless otherwise indicated, all deposit data are as of June 30, 1984.

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

3. Applicant's principals have controlled the five one-bank holding companies for a number of years. In accordance with its policy, the Board has reviewed the competitive effects of the transactions by which these banks came under common control. *See, e.g., Mahaska Investment Company*, 63 FEDERAL RESERVE BULLETIN 579 (1977); *Mid-Nebraska Bancshares, Inc. v. Board of Governors*, 627 F.2d 266 (D.C. Cir. 1980). Based upon the small market shares of these banks at the times they came under common control, the Board concludes that these transactions did not have a significant adverse effect on competition.

4. Under the revised Justice Department Merger Guidelines (June 14, 1984), a market in which the post-merger HHI is below 1000 is considered to be unconcentrated. In such a market, the Justice Department is unlikely to challenge a merger producing an increase in the HHI of less than 100 points.

5. *Security Banks of Montana*, 71 FEDERAL RESERVE BULLETIN 246 (1985); *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743 (1984); *Eagle Bancorporation*, 70 FEDERAL RESERVE BULLETIN 728 (1984).

6. Capital Adequacy Guidelines (50 *Federal Register* 16,057 (1985)).

7. Interfinancial is owned as a joint venture. First Highland Corporation, Elk Grove Investment Corporation, North State Investment Corporation, and Financial Investments Corporation own 80 percent of Interfinancial. Applicant will own 80 percent of Interfinancial as a result of its acquisition of these bank holding companies.

proposal will have no effect on competition or the concentration of resources in any relevant market. The record does not contain any evidence that consummation of the proposal would result in any other adverse factors, such as conflicts of interest or unsound banking practices. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the application by Citizens to acquire Interfinancial.

Based upon the foregoing and the facts of record, the Board has determined that the applications under sections 3 and 4 of the Act should be, and hereby are, approved. The proposal shall not be consummated before the thirtieth calendar day following the effective date of this Order nor 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 pursuant to delegated authority. The determination as to Applicant's nonbanking activity is subject to the conditions set forth in sections 225.4(d) and 225.23(b)(3) of Regulation Y, 12 C.F.R. §§ 225.4(d) and 225.23(b)(3), and the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective May 20, 1985.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, Partee, Rice, Gramley, and Seger.

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

First Commerce Corporation
New Orleans, Louisiana

Order Approving the Merger of Bank Holding Companies, the Acquisition of Banks and a Company Engaged in Data Processing Activities

First Commerce Corporation, New Orleans, Louisiana, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), has applied for the Board's approval under section 3 of the Act (12 U.S.C. § 1842) to merge with First Lafayette Bancorp, Inc., Lafayette, Louisiana ("First Lafayette"), and thereby indirectly to acquire The First National Bank of Lafayette, Lafayette, Louisiana, and City National Bancshares, Baton Rouge, Louisiana ("City National"), and thereby indirectly acquire City National Bank of Baton Rouge, Baton Rouge, Louisiana; and to acquire directly The First National Bank of Lake Charles, Lake Charles, Louisiana ("Lake Charles Bank"), and Rapides Bank & Trust Company, Alexandria, Louisiana ("Rapides Bank") (together, known as "Companies and Banks").

First Commerce Corporation has also applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. § 225.23), to acquire MSDI Company, Lafayette, Louisiana, a subsidiary of First Lafayette, which currently engages in data processing activities.

Applicant is the third largest commercial banking organization in Louisiana and controls total domestic deposits of $1.4 billion, representing 5.1 percent of the total deposits in commercial banks in the state.[1] First Lafayette, the 16th largest commercial banking organization in the state, controls one bank with total domestic deposits of $363.1 million, representing 1.3 percent of the total deposits in commercial banks in the state. City National, the 14th largest commercial banking organization in the state, controls one bank with total domestic deposits of $399.8 million, representing 1.4 percent of the total deposits in commercial banks in the state. Rapides Bank is the 21st largest commercial banking organization in the state with deposits of $314.7 million, representing 1.1 percent of the total deposits in commercial banks in the state. Lake Charles Bank is the 35th largest commercial bank in the state, with deposits of $141.6 million, representing 0.5 percent of the total deposits in commercial banks therein. Upon consummation of the proposed transactions, Applicant would become the largest commercial banking organization in Louisiana, controlling $2.6 billion in deposits, representing 9.5 percent of the total deposits in commercial banks in the state. The proposed transaction would have no significant effect on the concentration of banking resources in Louisiana.

Because Applicant and the banks to be acquired do not operate in any of the same markets, consummation of this proposal would not have a significant adverse effect upon existing competition in any relevant market.[2] The Board has also examined the effect of the

1. Banking data are as of June 30, 1984.

2. Applicant operates in the New Orleans banking market, which is approximated by the New Orleans MSA. Lake Charles Bank operates in the Lake Charles banking market, which is defined as the Lake Charles SMSA. City National operates in the Baton Rouge market, which is defined as the Baton Rouge SMSA. First Lafayette operates in the Lafayette banking market, which is approximated by the Lafayette SMSA. Rapides Bank operates in the Alexandria banking market, which is approximated by the Alexandria SMSA.

proposed acquisition upon probable future competition in the relevant geographic markets in light of the Board's proposed market extension Guidelines.[3] After consideration of these factors in light of the specific facts of this case, the Board has concluded that consummation of this proposal would not have any significant adverse effects on probable future competition in any relevant market. The New Orleans, Baton Rouge, and Lake Charles markets are not considered highly concentrated under the Board's guidelines, and there are numerous potential entrants into the Alexandria and Lafayette banking markets.

The financial and managerial resources of Applicant, Companies and Banks are regarded as satisfactory and consistent with approval. There is no evidence in the record indicating that the banking needs of the communities to be served are not being met. Applicant is a member of Gulfnet, a regional system of automatic teller machines and Companies and Banks will also become members of this system. Considerations relating to the convenience and needs of the community to be served also are consistent with approval.

Applicant has also applied, pursuant to section 4(c)(8) of the Act, to acquire MSDI Company, Lafayette, Louisiana ("Company"). Company currently is a subsidiary of First Lafayette and engages in data processing activities to the extent permissible for bank holding companies under section 225.25(b)(7) of Regulation Y (12 C.F.R. § 225.25(b)(7)). Applicant currently offers data processing services through its bank subsidiary. In view of the presence of numerous other suppliers of these services in the region, and the small market shares involved, the Board concludes that no significant existing competition would be eliminated by the proposal.

There is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the Act is consistent with approval of the application to acquire Company.

Based on the foregoing and other facts of record, the Board has determined that the applications under sections 3 and 4 of the Act should be and are hereby approved. The merger of bank holding companies and the acquisition of Banks shall not be consummated before the thirtieth calendar day following the effective date of this Order, and neither the banking acquisition nor the nonbanking acquisition shall occur later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority. The determination with respect to Applicant's acquisition of Company is subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b) (12 C.F.R. §§ 225.4(d) and 225.23(b)), and to the Board's authority to require such modification or termination of activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective May 20, 1985.

Voting for this action: Chairman Volcker and Governors Martin, Wallich, Partee, Rice, Gramley, and Seger.

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

Key Banks, Inc.
Albany, New York

Key Bancorp of the Pacific Inc.
Anchorage, Alaska

Order Approving Acquisition of Banks, Formation of a Bank Holding Company, and the Performance of Certain Nonbanking Activities

Key Banks, Inc. ("Key Banks"), Albany, New York, a bank holding company within the meaning of the Bank Holding Company Act of 1956 ("Act"), 12 U.S.C. § 1841 *et seq.*, has applied under section 3(a)(3) of the Act, 12 U.S.C. § 1842(a)(3), to acquire Alaska Pacific Bancorporation ("Alaska Pacific"), Anchorage, Alaska, a bank holding company within the meaning of the Act, and thereby to acquire indirectly its subsidiary banks: Alaska Pacific Bank ("Alaska Bank"), Anchorage, Alaska, and the First National Bank of Fairbanks ("Fairbanks Bank"), Fairbanks, Alaska. Key Banks will effect this acquisition through its wholly owned subsidiary, Key Bancorp of the Pacific, Inc. ("Key Pacific"), Anchorage,

3. "Policy Statement of the Board of Governors of the Federal Reserve System for Assessing Competitive Factors Under the Bank Merger Act and the Bank Holding Company Act," 47 *Federal Register* 9017 (1982). While the proposed policy statement has not been adopted by the Board, the Board is using the policy Guidelines as part of its analysis of the effect of a proposal on probable future competition.

Alaska.[1] In a related application, Key Pacific has applied for the Board's approval under section 3(a)(1) of the Act, 12 U.S.C. § 1842(a)(1), to become a bank holding company by acquiring Alaska Pacific and its subsidiary banks.

Key Banks and Key Pacific also have applied under section 4(c)(8) of the Act, 12 U.S.C. § 1843(c)(8), and section 225.23(a)(2) of Regulation Y, 12 C.F.R. § 225.23(a)(2), to acquire indirectly Alaska Pacific Mortgage Company ("Alaska Mortgage"), Anchorage, Alaska; All Coast Financial, Inc. ("All Coast Financial"), San Diego, California; All Coast Services, Inc. ("All Coast Services"), San Diego, California; and Pentek Leasing, Inc. ("Pentek"), San Jose, California. The Board has previously determined that the activities engaged in by these companies are closely related to banking and permissible for bank holding companies. 12 C.F.R. §§ 225.25(b)(1) and (5).

Notice of the applications, affording opportunity for interested persons to submit comments, has been given in accordance with sections 3 and 4 of the Act, 50 *Federal Register* 10,857 (1985). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the Act, 12 U.S.C. § 1842(c), and the considerations specified in section 4(c)(8) of the Act.[2]

Key Banks is the fourteenth largest banking organization in the state of New York, and controls ten subsidiary banks and six nonbanking subsidiaries that are engaged in investment advisory, leasing, data processing and credit reinsurance activities. It controls total deposits of $3.4 billion, which represents 1.9 percent of the deposits in commercial banks in New York.[3] Alaska Pacific is the fifth largest banking organization in Alaska. It controls total deposits of $326 million, which represents 9.8 percent of the deposits in commercial banks in Alaska. Alaska Bank and Fairbanks Bank do not compete in any banking market with any subsidiary bank of Key Banks. Accordingly, consummation of this proposal will not result in any adverse effects upon existing competition in any relevant market.

The Board also has considered the effect of this proposal upon probable future competition in light of its proposed guidelines for assessing the competitive effects of market extension mergers and acquisitions.[4] Alaska Pacific operates in the Anchorage and Fairbanks markets.[5] In view of the lack of concentration in the Anchorage market and the number of potential entrants in the Fairbanks market, the Board concludes that consummation of this proposal would not have any significant adverse effects upon probable future competition in any relevant market.

Section 3(d) of the Act prohibits a bank holding company from acquiring a bank outside of the bank holding company's home state unless the statute laws of the state where the target bank is located specifically authorize such an acquisition.[6] Section 06.05.235(e) of the Alaska Statutes allows out-of-state bank holding companies to acquire banks located in Alaska unless the bank to be acquired is a recently formed bank.[7] Since Alaska Bank and Fairbanks Bank are not recently formed banks within the meaning of Alaska law,[8] the proposal would not violate the Douglas Amendment to the Act. In this regard, the Director of Alaska's Department of Commerce and Economic Development commented that the proposal would not conflict with any Alaska law or regulation.

The financial and managerial resources and future prospects of Key Banks, Key Pacific, Alaska Pacific and their subsidiaries are satisfactory and consistent with approval of these applications. Considerations related to the convenience and needs of the communities to be served also are consistent with approval. Consummation of this proposal will allow Alaska Pacific to offer a variety of services not currently offered, including automobile leasing, discount brokerage services, electronic banking services, and credit life and accident and health insurance.

1. Key Pacific is a nonoperating company that would become a bank holding company upon consummation of this proposal.

2. Comments were submitted by the Comptroller of the Currency and the Director of the Department of Commerce and Economic Development of the State of Alaska. The Comptroller expressed no opposition to the applications.

3. Unless otherwise indicated, all deposit data are as of June 30, 1984.

4. "Proposed Policy Statement of the Board of Governors of the Federal Reserve System for Assessing Competitive Factors Under the Bank Merger Act and the Bank Holding Company Act," 47 *Federal Register* 9017 (1982). Although the proposed policy statement has not been approved by the Board, the Board is using the policy guidelines as part of its analysis of the effect of a proposal on probable future competition.

5. The Anchorage market is defined to include the Anchorage Metropolitan Area. The Fairbanks market is defined to include the Fairbanks Metropolitan Area.

6. 12 U.S.C. § 1842(d). The home state of the acquiring holding company is defined for Douglas Amendment purposes as the state in which the operations of the bank holding company's banking subsidiaries were principally conducted on the later of July 1, 1966, or the date on which the company became a bank holding company. *Id.*

7. *See* Alaska Stat. § 06.05.235(e) (1984). The Board has found that for purposes of section 3(d) of the Act, the statute laws of Alaska specifically authorize an out-of-state bank holding company to acquire a bank in Alaska. *Rainier Bancorporation*, 69 FEDERAL RESERVE BULLETIN 295 (1983).

8. *See* Alaska Stat. § 06.05.235(g).

Key Banks and Key Pacific also have applied under section 4(c)(8) of the Act to acquire Alaska Mortgage, All Coast Financial, All Coast Services and Pentek.[9] Alaska Mortgage originates, sells and services residential mortgage loans in Alaska. All Coast Financial originates and services commercial mortgage loans in California. All Coast Services is a wholly owned subsidiary of All Coast Financial, and engages only in trustee services required for trust deeds originated by All Coast Financial. Pentek engages in full-payout leasing of personal property in Alaska, Washington, Oregon and California. The Board has previously determined that these activities are closely related to banking and permissible for bank holding companies. 12 C.F.R. §§ 225.25(b)(1) and (5).

Consummation of this proposal will not result in any adverse effects, such as decreased competition. With respect to existing competition, the nonbanking subsidiaries of Key Banks do not operate in the same markets as any of Alaska Pacific's nonbanking subsidiaries. Thus, consummation of this proposal would not eliminate existing competition in any relevant market. With respect to potential competition, Alaska Pacific has a very small presence in each of the relevant nonbanking product markets. Accordingly, consummation of the proposal will not have a significant adverse effect on potential competition in any relevant market. There is no evidence in the record that consummation of the proposal would result in any other adverse effects, such as unsound banking practices, unfair competition, conflicts of interest, or an undue concentration of resources.

With respect to public benefits, consummation of the proposal may result in increased competition since Alaska Pacific's nonbanking subsidiaries will have access to the greater financial resources of Key Banks. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the applications by Key Banks and Key Pacific to acquire the nonbanking subsidiaries of Alaska Pacific.

Based upon the foregoing and the facts of record, the Board has determined that the applications under section 3 and 4 of the Act should be, and hereby are, approved. The proposal shall not be consummated before the thirtieth calendar day following the effective date of this Order or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, pursuant to delegated authority. The determination as to Applicants' nonbanking activities is subject to the conditions set forth in sections 225.4(d) and 225.23(b)(3) of Regulation Y, 12 C.F.R. §§ 225.4(d) and 225.23(b)(3), and the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective May 15, 1985.

Voting for this action: Vice Chairman Martin and Governors Partee, Gramley, and Seger. Absent and not voting: Chairman Volcker and Governors Wallich and Rice.

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

9. Alaska Pacific has two other nonbanking subsidiaries: Alaska Pacific Trust Company ("Alaska Trust"), Anchorage, Alaska; and Alaska Pacific Investment Company ("Alaska Investment"). Alaska Trust is a subsidiary of Alaska Bank, and is held indirectly by Alaska Pacific under section 225.22(d)(2) of the Board's Regulation Y, 12 C.F.R. § 225.22(d)(2). Alaska Trust engages in trust activities in which Alaska Bank may engage, and at locations at which Alaska Bank may engage in such activities. Alaska Investment is a small business investment corporation that Alaska Pacific holds directly under section 4(c)(5) of the Act, 12 U.S.C. § 1843(c)(5), and section 225.22(c)(4) of the Board's Regulation Y, 12 C.F.R. § 225.22(c)(4).

United Community Corporation Shawnee, Oklahoma

Order Approving the Formation of a Bank Holding Company and the Provision of Management Consulting Services to Nonaffiliated Depository Institutions

United Community Corporation, Shawnee, Oklahoma, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act ("Act") (12 U.S.C. § 1842(a)(1)) to become a bank holding company by acquiring all of the voting shares of seven bank holding companies, thereby indirectly acquiring their subsidiary banks and bank holding companies. Applicant proposes to acquire: Federal National Bancshares, Inc., Shawnee, Oklahoma, and its subsidiaries, The Federal National Bank and Trust Company of Shawnee, Shawnee, Oklahoma, and Security State Bank, Comanche, Oklahoma; First Stillwater Bancshares, Inc., and First Union Corporation, both of Stillwater, Oklahoma, and their subsidiary, The First National Bank and Trust Company of Stillwater, Stillwater, Oklahoma; First Guthrie Bancshares, Inc., Guthrie, Oklahoma, and its subsidiary banks, The First National Bank, Guthrie, Oklahoma, Liberty State Bancshares, Inc., and The Liberty State Bank, both of Tahlequah, Oklahoma; Konawa Bancorporation, Inc., Konawa, Oklahoma, and its subsidiary bank, Oklahoma State Bank, Konawa, Oklahoma; First Seminole Bancorporation, Inc., Seminole, Oklahoma, and its subsidiary bank, First National Bank, Seminole, Oklahoma; Sand Springs Bancshares, Inc., Sand Springs, Oklahoma, and its subsidiary bank First Bank and Trust Company, Sand Springs, Oklahoma; and ABC Bancshares, Inc., McAlester, Oklahoma, and its subsidiaries American Bank of Commerce, McAlester, Oklahoma, Wilburton State Bancshares, Inc., and Wilburton State Bank, both of Wilburton, Oklahoma.

Applicant also has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) to provide management consulting services for nonaffiliated depository institutions. This activity has previously been determined by the Board to be closely related to banking and permissible for bank holding companies (12 C.F.R. § 225.25(b)(11)).

Notice of the applications, affording opportunity for interested persons to submit comments, has been given in accordance with sections 3 and 4 of the Act (50 *Federal Register* 7647 (1985)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)) and the considerations specified in section 4(c)(8) of the Act.

Applicant is a nonoperating corporation, formed for the purpose of becoming a bank holding company by acquiring seven bank holding companies currently affiliated through common ownership and their subsidiary bank holding companies and banks. Thus, this proposal represents a restructuring of existing ownership interests.

Each of the banks to be acquired controls less than 1 percent of total deposits in commercial banks in the state.[1] Upon consummation of this proposal, Applicant would become the 4th largest commercial banking organization in Oklahoma, controlling total deposits of $490.2 million, representing approximately 1.9 percent of the total deposits in commercial banks in the state. Consummation of this proposal would have no significant adverse effects on the concentration of banking resources in Oklahoma.

All of the organizations involved in this proposal compete in separate banking markets. Applicant's principal, however, controls a number of other commercial banking organizations in Oklahoma, and three of the commercial banks involved in this proposal operate in banking markets in which Applicant's principal controls other banks. The markets where these banks operate are the Tulsa, Pottawatomie, and Pontotoc banking markets.[2] In analyzing the competitive effects of a proposal such as this one, involving banking organizations located in the same market and under common control, the Board considers the competitive effects of the transactions whereby common control of the institutions was established.[3]

In the Tulsa banking market, banks owned by Applicant's principal control less than 1 percent of the market's commercial bank deposits. In the Pottawatomie market, one of the two banks controlled by Applicant's principal was started *de novo* by Applicant's principal. In the Pontotoc banking market, Applicant's principal controls Oklahoma State Bank and two other banks that control, in the aggregate, approximately 16.0 percent of the market's commercial bank deposits. The two affiliated banks held small market shares (7.6 percent and 4.6 percent) at the time of affiliation and one of the banks was in danger of failing when it was acquired by Applicant's principal. Upon review of the facts concerning the transactions as a result of which these institutions came under common control, the Board concludes that the affiliations did not substantially lessen competition in any relevant banking market.

Based upon the facts of record, the Board has determined that consummation of this proposal would have no significant adverse effects on competition in any relevant banking market.

Where the principal of an applicant controls other banking organizations, the Board considers the financial and managerial resources and future prospects of all of the institutions comprising the chain. Accordingly, the banks involved in this proposal and the affiliated banking organizations have been reviewed in light of the Board's Capital Adequacy Guidelines[4] which are generally applicable to bank holding companies and chain banking organizations with total assets of over $150 million.[5] Based upon the record, the financial and managerial resources of Applicant and the

1. Deposit data are as of December 30, 1983.

2. The Tulsa banking market is approximated by the Tulsa RMA. The Pottawatomie banking market is approximated by Pottawatomie County, Oklahoma. The Pontotoc banking market is approximated by Pontotoc County plus portions of Seminole and Garvin Counties.

3. *See Mid-Nebraska Bancshares, Inc. v. Board of Governors*, 627 F.2d 26 (D.C. Cir. 1980).

4. 50 *Federal Register* 16,057 (1985); to be codified at 12 C.F.R. Parts 208, 225, 263.

5. The combined banking assets of the chain equal $1.1 billion as of June 30, 1983.

banks are considered to be generally satisfactory.[6] Applicant does not plan to provide any new services as a result of this proposal. There is no evidence in the record, however, that the needs of the communities to be served are not being met. Accordingly, considerations relating to the convenience and needs of the communities to be served are consistent with approval.

Applicant also has applied under section 4(c)(8) of the Act to engage directly in providing management consulting services for nonaffiliated depository institutions pursuant to Regulation Y. 12 C.F.R. § 225.25(b)(11). Applicant will engage in this activity *de novo* and thus will provide additional competition in this area. There is no evidence in the record that approval of this proposal would result in any undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the Act is consistent with approval of this proposal.

6. As part of this proposal MCorp, Dallas, Texas (formerly Mercantile Texas Corporation), will purchase $10.0 million of Applicant's nonvoting preferred stock. Applicant has committed that it will not consummate this proposal until the Board has reviewed the terms of MCorp's proposed investment.

Based on the foregoing and the facts of record, the Board has determined that the applications under sections 3(a)(1) and 4(c)(8) of the Act are consistent with the public interest, and should be and hereby are approved. The banking acquisitions shall not be consummated before the thirtieth calendar day following the effective date of this Order, and neither the banking acquisitions nor the nonbanking activity shall be consummated later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City, pursuant to delegated authority. The determinations as to Applicant's nonbanking activities are subject to the conditions set forth in sections 225.4(d) and 225.23(b)(3) of Regulation Y (12 C.F.R. §§ 225.4(d) and 225.23(b)(3)) and the Board's authority to require such modifications or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective May 13, 1985.

Voting for this action: Vice Chairman Martin and Governors Rice, Gramley, and Seger. Absent and not voting: Chairman Volcker and Governors Wallich and Partee.

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

Legal Developments continued on next page

Orders Approved under Bank Holding Company Act

By the Board of Governors

During April 1985 the Board of Governors approved the applications listed below. Copies are available upon request to Publications Services, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551

Section 3

Applicant	Bank	Board action (effective date)
First Interstate Corporation of Alaska, Anchorage, Alaska	First Interstate Bank of Alaska, Anchorage, Alaska	May 23, 1985

By Federal Reserve Banks

Recent applications have been approved by the Federal Reserve Banks as listed below. Copies of the orders are available upon request to the Reserve Banks.

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date
ABC Holding Company, Moultrie, Georgia	Quitman Bancshares, Inc., Quitman, Georgia	Atlanta	May 8, 1985
Adams Bankcorp, Inc., Northglenn, Colorado	Adams County Bank, Northglenn, Colorado Citywide Bank of Thornton, Thornton, Colorado	Kansas City	May 29, 1985
Allied Bancshares, Inc., Houston, Texas	Allied Bank Arlington, Arlington, Texas	Dallas	May 15, 1985
American Bank Holding Corporation, Corpus Christi, Texas	American National Bank-Uptown, Corpus Christi, Texas	Dallas	May 9, 1985
AmeriWest Bancor, Inc., Phoenix, Arizona	Paradise Valley, Phoenix, Arizona	San Francisco	May 10, 1985
Angola State Bancorp, Angola, Indiana	Angola State Bank, Angola, Indiana	Chicago	May 17, 1985
Atlantic Bancorporation, Voorhees, New Jersey	Glendale National Bank of New Jersey, Voorhees, New Jersey	Philadelphia	May 21, 1985
Bank South Corporation, Atlanta, Georgia	Bank South Macon, Inc., Macon, Georgia First Citizens Bank, Forsyth, Georgia	Atlanta	May 24, 1985

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Benson Investment Company, San Antonio, Texas	Kelly Field Bancshaes Corporation, San Antonio, Texas Kelly Field National Bank, Leon Valley, Texas Exchange National Bank, San Antonio, Texas	Dallas	May 10, 1985
BNH Bancshares, Inc., New Haven, Connecticut	The Bank of New Haven, New Haven, Connecticut	Boston	May 6, 1985
Canandaigua National Corporation, Canandaigua, New York	The Canandaigua National Bank and Trust Company, Canandiagua, New York	New York	April 26, 1985
Capital Peoples Bancshares, Inc., Killeen, Texas	United Peoples Bank, Lampasas, Texas The Peoples National Bank of Lampasas, Lampasas, Texas	Dallas	April 18, 1985
Cattail Bancshares, Inc., Atwater, Minnesota	Atwater State Bank, Atwater, Minnesota State Bank of Kimball, Kimball, Minnesota	Minneapolis	April 18, 1985
CB&T Bancshares, Inc., Columbus, Georgia	Cohutta Bancshares, Inc., Chatsworth, Georgia	Atlanta	May 24, 1985
CB&T Bancshares, Inc., Columbus, Georgia	First United Bancshares, Inc., Montezuma, Georgia First United Bank, Montezuma, Georgia	Atlanta	May 14, 1985
CB&T Capital Corporation, Louisville, Mississippi	Citizens Bank & Trust Company, Louisville, Mississippi	St. Louis	May 13, 1985
Centennial Bancshares, Inc., Yakima, Washington	Pioneer National Bank, Yakima, Washington	San Francisco	May 22, 1985
C.F.C. Bancorp, Inc., Crystal Falls, Michigan	First National Bank of Crystal Falls, Crystal Falls, Michigan	Minneapolis	May 10, 1985
Chapman Bancshares, Inc., Chapman, Kansas	Valley Insurance Company, Inc., Junction City, Kansas	Kansas City	April 24, 1985
Citizens Bancshares, Inc., Weston, West Virginia	The Citizens Bank of Weston, Weston, West Virginia	Richmond	April 26, 1985
Citizens Financial Services, Inc., Greenboro, Georgia	Citizens Union Bank, Greensboro, Georgia	Atlanta	May 17, 1985
Chemical New York Corporation, New York, New York	Chemical National Bank, Jericho, New York	New York	May 3, 1985
CNB Corporation, Conway, South Carolina	The Conway National Bank, Conway, South Carolina	Richmond	May 6, 1985

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Community Bancorp, Inc., Manchester, Missouri	The Citizens Bank of Owensville, Owensville, Missouri	St. Louis	May 16, 1985
Community Bancshares, Inc., Grants, New Mexico	Grants State Bank, Grants, New Mexico	Kansas City	May 17, 1985
Community Bankers, Inc., Granbury, Texas	Granbury Bancshares, Inc., Granbury, Texas Grandview Bancshares, Inc., Grandview, Texas First State Bank of Cleburne, Cleburne, Texas Granbury State Bank, Grandbury, Texas First State Bank, Grandview, Texas	Dallas	May 30, 1985
Community State Banking Corporation, Starke, Florida	Community State Bank of Starke, Starke, Florida	Atlanta	May 14, 1985
C&P Bank Corporation of Pensacola, Pensacola, Florida	Gulfside National Bank, Gulf Breeze, Florida	Atlanta	April 30, 1985
Crosby Bancshares, Inc., Crosby, Texas	Crosby State Bank, Crosby, Texas	Dallas	May 3, 1985
Cross Plains Bankshares, Inc., Cross Plains, Texas	Citizens State Bank, Cross Plains, Texas	Dallas	May 2, 1985
Cynthiana Bancorporation, Cynthiana, Indiana	The Cynthiana State Bank, Cynthiana, Indiana	St. Louis	May 6, 1985
Dentel Bancorporation, Victor, Iowa	Victor State Bank, Victor, Iowa	Chicago	April 25, 1985
DeSoto Bancshares, Inc., DeSoto, Illinois	The Bank of DeSoto, DeSoto, Illinois	St. Louis	May 6, 1985
Farmers Capital Bank Corporation, Frankfort, Kentucky	The Lawrenceburg National Bank, Lawrenceburg, Kentucky	St. Louis	May 1, 1985
FCN Banc Corp., Brookville, Indiana	The Franklin County National Bank of Brookville, Brookville, Indiana	Chicago	May 17, 1985
First American Bank Corporation, Elk Grove Village, Illinois	Old Orchard Bank & Trust Company, Skokie, Illinois	Chicago	May 24, 1985
First Atlanta Corporation, Atlanta, Georgia	Bankshares of Georgia, Inc., Montezuma, Georgia	Atlanta	May 24, 1985
First Bancshares of Natchitoches, Inc., Natchitoches, Louisiana	First Bank of Natchitoches and Trust Company, Natchitoches, Louisiana	Dallas	April 18, 1985
FirstBank Corp., Alma, Michigan	Bank of Alma, Alma, Michigan	Chicago	May 20, 1985
First Bank Shares of the South East, Inc., Alma, Georgia	The First National Bank of Alma, Alma, Georgia	Atlanta	May 8, 1985

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
First Independent Investment Group, Inc., Vancouver, Washington	First Independent Bank, Vancouver, Washington	San Francisco	May 13, 1985
First Lehigh Corporation, Walnutport, Pennsylvania	Albion Bancorp, Inc., Pen Argyl, Pennsylvania	Philadelphia	May 2, 1985
First National Bancorp in Fort Lee, Fort Lee, New Jersey	First National Bank in Fort Lee, Fort Lee, New Jersey	New York	April 16, 1985
First National Bancshares of Paulding County, Ltd., Dallas, Georgia	First National Bank of Paulding County, Dallas, Georgia	Atlanta	May 2, 1985
First National Cincinnati Corporation, Cincinnati, Ohio	The Ohio State Bank, Columbus, Ohio	Cleveland	April 18, 1985
First Norton Corporation, Norton, Kansas	First Security Bank and Trust Company, Norton, Kansas	Kansas City	April 17, 1985
First of America Bank Corporation, Kalamazoo, Michigan	Community National Bank of Pontiac, Pontiac, Michigan	Chicago	May 17, 1985
First New England Bankshares Corp., Taunton, Massachusetts	First Bristol County National Bank, Taunton, Massachusetts	Boston	May 6, 1985
First Richardson BancShares, Inc., Richardson, Texas	First National Bank of Richardson, Richardson, Texas	Dallas	May 24, 1985
First Shawnee Bancshares, Inc., Shawnee, Kansas	First National Bank in Shawnee, Shawnee, Kansas	Kansas City	May 17, 1985
First Valley Corporation, Bethlehem, Pennsylvania	Hanover Bank of Pennsylvania, Wilkes-Bare, Pennsylvania	Philadelphia	May 14, 1985
First Virginia Banks, Inc., Falls Church, Virginia	The Citizens Bank, Inc., South Hill, Virginia	Richmond	May 15, 1985
Fourth Financial Corporation, Wichita, Kansas	Charter Banks, N.A., Wichita, Kansas	Kansas City	May 8, 1985
GCB Bancorp, Inc., Princeton, Indiana	Gibson County Bank, Princeton, Indiana	St. Louis	May 21, 1985
GNB Bancorp, Inc., Mundelein, Illinois	New Century Bank, Mundelein, Illinois	Chicago	May 28, 1985
Great Falls Bancorp, Totowa, New Jersey	Great Falls Bank, Totowa, New Jersey	New York	May 6, 1985
Greene County Bancshares, Inc., Greeneville, Tennessee	Greene County Bank, Greeneville, Tennessee	Atlanta	April 16, 1985
Hartsville Bancshares, Inc., Hartsville, South Carolina	The Bank of Hartsville, Hartsville, South Carolina	Richmond	April 12, 1985
Independent Community Bancshares, Inc., Kiel, Wisconsin	The Citizens State Bank, Kiel, Wisconsin	Chicago	May 14, 1985

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
IntraWest Financial Corporation, Denver, Colorado	IntraWest Bank of Arapahoe, N.A., Arapahoe County, Colorado	Kansas City	May 1, 1985
Keeco, Inc., Chicago, Illinois	Round Lake Bankcorp, Inc., Round Lake, Illinois	Chicago	May 3, 1985
Kentucky Southern Bancorp, Inc., Bowling Green, Kentucky	Citizens Bank and Trust Company, Glasgow, Kentucky	St. Louis	April 12, 1985
Liberty Bancshares, Inc., St. Paul, Minnesota	Janada Bancshares, Inc., St. Paul, Minnesota Liberty State Bank, St. Paul, Minnesota	Minneapolis	May 30, 1985
Luray Bankshares, Luray, Kansas	The Peoples State Bank of Luray, Luray, Kansas	Kansas City	April 26, 1985
Metroplex Bancshares, Inc., Dallas, Texas	Gleneagles National Bank, Plano, Texas	Dallas	May 9, 1985
Mid-Missouri Bancshares, Inc., Nevada, Missouri	Polk County Bank, Bolivar, Missouri	St. Louis	April 10, 1985
North Adams Bancshares, Inc., Ursa, Illinois	North Adams State Bank of Ursa, Ursa, Illinois	St. Louis	May 14, 1985
Parker County Bancshares, Inc., Weatherford, Texas	Weatherford Bancshares, Inc., Weatherford, Texas The First National Bank of Weatherford, Weatherford, Texas	Dallas	April 17, 1985
Penn Central Bancorp, Inc., Huntingdon, Pennsylvania	Hollidaysburg Trust Company, Hollidaysburg, Pennsylvania	Philadelphia	April 16, 1985
Peoples Bancorp of Washington, Washington, Indiana	The Peoples National Bank and Trust Company, Washington, Indiana	St. Louis	April 30, 1985
Peoples Bank Corporation of Berea, Berea, Kentucky	Powell County Bancorp, Inc., Stanton, Kentucky First National Carlisle Corp., Carlisle, Kentucky	Cleveland	May 14, 1985
Peoples Commerce Corporation, North Carrollton, Mississippi	Peoples Bank and Trust Company, North Carrollton, Mississippi	St. Louis	May 15, 1985
Peoples Financial Corp. Inc. Ford City, Pennsylvania	Peoples Bank of Ford City, Pennsylvania, Ford City, Pennsylvania New Bethlehem Bank, New Bethlehem, Pennsylvania	Cleveland	April 26, 1985
Pierson Bancorporation, Inc., Pierson, Iowa	Farmers Savings Bank, Pierson, Iowa	Chicago	May 3, 1985

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Pullman Bancshares, Inc., Chicago, Illinois	Heritage/Pullman Bank and Trust Company, Chicago, Illinois	Chicago	May 14, 1985
Round Lake Bancorp, Inc., Round Lake, Illinois	First State Bank of Round Lake, Round Lake, Illinois	Chicago	May 3, 1985
Second National Corporation, Richmond, Illinois	Citizens Banking Company, Lynn, Indiana	Chicago	May 6, 1985
Shamrock Bancshares, Inc., Coalgate, Oklahoma	Mountain View Bancorporation, Inc., Mountain View, Oklahoma The First National Bank of Mountain View, Mountain View, Oklahoma	Kansas City	May 24, 1985
Sidell Bancorp, Inc., Sidell, Illinois	Sidell State Bank, Sidell, Illinois	Chicago	May 14, 1985
Southeast Minnesota Bancshares, Inc., Altura, Minnesota	Altura State Bank, Altura, Minnesota	Minneapolis	May 16, 1985
State National Bancorp, Inc., Maysville, Kentucky	Farmers Liberty Bank of Augusta, Augusta, Kentucky	Cleveland	April 25, 1985
Summerville/Trion Bancshares, Inc., Trion, Georgia	First National Bank of Chattooga County, Trion, Georgia	Atlanta	April 16, 1985
The Colonial BancGroup, Inc., Montgomery, Alabama	First Tuscumbia Corporation, Tuscumbia, Alabama First National Bank in Tuscumbia, Tuscumbia, Alabama Bank of Lexington, Lexington, Alabama	Atlanta	April 26, 1985
The National Holding Company, Nashville, Georgia	The Citizens Bank, Nashville, Georgia	Atlanta	May 8, 1985
The South First National Corporation, Ocean Springs, Mississippi	First State Financial Corporation, Gulfport, Mississippi	Atlanta	May 24, 1985
Trivoli Bancorp, Inc., Trivoli, Illinois	Trivoli State Bank, Trivoli, Illinois	Chicago	April 29, 1985

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
United Bancorp of Kentucky, Inc., Lexington, Kentucky	Richmond Bank and Trust Company, Richmond, Kentucky	Cleveland	May 23, 1985
United Community Bancorp, Inc., Greenfield, Illinois	First National Bank of Bunker Hill, Bunker Hill, Illinois First Bunker Hill Bancshares, Inc., Chatham Community Bank, Chatham, Illinois	St. Louis	May 21, 1985
Vernon Bank Corporation, Vernon, New York	The National Bank of Vernon, Vernon, New York	New York	May 17, 1985
Winona National Holding Company, Winona, Minnesota	Winona National and Savings Bank, Winona, Minnesota	Minneapolis	May 7, 1985

Section 4

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Alliance Bancorp, Danville, Indiana	Poynter Insurance Agency, Inc., Danville, Indiana	Chicago	April 17, 1985
California Commercial Bancshares, Santa Ana, California	retain commercial lending activities/engage *de novo* in mortgage banking activities	San Francisco	April 25, 1985
Commercial Bancshares, Inc., Jersey City, New Jersey	NA Home Investors Mortgage Corporation, Hackensack, New Jersey	New York	May 24, 1985
Denmark Bancshares, Inc., Denmark, Wisconsin	McDonald Insurance Agency, Denmark, Wisconsin	Chicago	May 10, 1985
First Bank System, Inc., Minneapolis, Minnesota	John C. Boe Company, Inc., Grand Forks, North Dakota	Minneapolis	May 17, 1985
First Bank System, Inc., Minneapolis, Minnesota	Professional Insurance People, Inc., Butte, Montana	Minneapolis	May 17, 1985
First Bank System, Inc., Minneapolis, Minnesota	Transcontinental Brokers, Inc., Minneapolis, Minnesota	Minneapolis	May 16, 1985
FSB Bancorporation, Decatur, Alabama	Peoples Insurance Company, Birmingham, Alabama	Atlanta	May 6, 1985
Key Banks, Inc., Albany, New York	Howe and Rusling, Inc., Rochester, New York	New York	April 16, 1985
Manufacturers Hanover Corporation, New York, New York	C.I.T. Corporation, Rainier Equipment Finance, Inc., Ranier National Bank, Seattle, Washington	New York	May 24, 1985
Norwest Corporation, Minneapolis, Minnesota	O.K., Inc., Kearney, Nebraska	Minneapolis	May 21, 1985

Sections 3 and 4

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Knob Noster, Inc., Knob Noster, Missouri	Knob Noster Bancshares, Inc., Knob Noster, Missouri The Bank of Knob Noster, Knob Noster, Missouri and the sale of general insurance	Kansas City	May 13, 1985
Valley Bancshares, Inc., Mapleton, Iowa	Mapleton Trust & Savings Bank, Mapleton, Iowa DANCO, Inc., Mapleton, Iowa Farmers Savings Bank, Danbury, Iowa	Chicago	May 8, 1985
Western Kansas Investment Corporation, Inc., Winona, Kansas	Selden Investment Inc., Selden, Kansas Selden State Bank, Selden, Kansas	Kansas City	April 25, 1985

Orders under Bank Merger Act

By Federal Reserve Banks

Applicant	Bank(s)	Reserve Bank	Effective date
New Belknap Bank, Belmont, New Hampshire	Belknap Bank & Trust, Belmont, New Hampshire	Boston	April 26, 1985

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.

Florida Bankers Association v. Board of Governors, No. 84-3883 and No. 84-3884 (11th Cir., filed Feb. 15, 1985).
Florida Department of Banking v. Board of Governors, No. 84-3831 (11th Cir., filed Feb. 15, 1985).
Florida Department of Banking v. Board of Governors, No. 84-3832 (11th Cir., filed Feb. 15, 1985).
Dimension Financial Corporation v. Board of Governors, No. 84-1274 (U.S., filed Feb. 6, 1985).
Citicorp v. Board of Governors, No. 85-4009 (2d Cir., filed Jan. 15, 1985).
Citicorp v. Board of Governors, No. 84-4173 (2d Cir., filed Dec. 31, 1984).
Citicorp v. Board of Governors, No. 84-754 (U.S., filed Oct. 12, 1984).
David Bolger Revocable Trust v. Board of Governors, No. 84-4141 (2d Cir., filed Aug. 31, 1984).
Citicorp v. Board of Governors, No. 84-4121 (2d Cir., filed Aug. 27, 1984).
Seattle Bancorporation, et al. v. Board of Governors, No 84-7535 (9th Cir., filed Aug. 15, 1984).
Bank of New York Co., Inc. v. Board of Governors, No. 84-4091 (2d Cir., filed June 14, 1984).
Citicorp v. Board of Governors, No. 84-4081 (2d Cir., filed May 22, 1984).
Lamb v. Pioneer First Federal Savings and Loan Association, No. C84-702 (D. Wash., filed May 8, 1984).
Melcher v. Federal Open Market Committee, No. 84-1335 (D.D.C., filed, Apr. 30, 1984).

Florida Bankers Association, et al. v. Board of Governors, No. 84–3269 and No. 84–3270 (11th Cir., filed Apr. 20, 1984).

Northeast Bancorp, Inc. v. Board of Governors, No. 84–363 (U.S., filed Mar. 27, 1984).

De Young v. Owens, et al., No. SC 9782–20–6 (D., N. Dist., Iowa, filed Mar. 8, 1984).

Huston v. Board of Governors, No. 84–1361 (8th Cir., filed Mar. 20, 1984); and No. 84–1084 (8th Cir. filed Jan. 17, 1984).

State of Ohio, v. Board of Governors, No. 84–1270 (10th Cir., filed Jan. 30, 1984).

Ohio Deposit Guarantee Fund v. Board of Governors, No. 84–1257 (10th Cir., filed Jan. 28, 1984).

Colorado Industrial Bankers Association v. Board of Governors, No. 84–1122 (10th Cir., filed Jan. 27, 1984).

Financial Institutions Assurance Corp. v. Board of Governors, No. 84–1101 (4th Cir., filed Jan. 27, 1984).

First Bancorporation v. Board of Governors, No. 84–1011 (10th Cir., filed Jan. 5, 1984).

Oklahoma Bankers Association v. Federal Reserve Board, No. 83–2591 (10th Cir., filed Dec. 13, 1983).

The Committee for Monetary Reform, et al. v. Board of Governors, No. 84–5067 (D.C. Cir., filed June 16, 1983).

Securities Industry Association v. Board of Governors, No. 80–2614 (D.C. Cir., filed Oct. 24. 1980); and No. 80–2730 (D.C. Cir., filed Oct. 24, 1980).

A. G. Becker, Inc. v. Board of Governors, No. 80–2614 (D.C. Cir., filed Oct. 14, 1980); and No. 80–2730 (D.C. Cir., filed Oct. 14, 1980).

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SECURITIES HOLDINGS AND TRANSACTIONS

INTEREST AND EXCHANGE RATES

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

Item	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
	1984			1985	1984	1985			
	Q2	Q3	Q4	Q1r	Dec.	Jan.	Feb.r	Mar.r	Apr.
Reserves of depository institutions[2]									
1 Total	8.6	6.8	−.7	21.2	18.8	31.1	19.8	5.9	10.4
2 Required	10.3	6.6	−1.5	20.7	14.0	35.2	15.2	10.3	11.4
3 Nonborrowed	−10.8	−44.6	30.7	62.0	72.6	94.4	23.8	−3.2	19.2
4 Monetary base[3]	7.0	7.2	3.9	8.7	8.0	8.0	12.2	5.4	4.0
Concepts of money, liquid assets, and debt[4]									
5 M1	6.5	4.5	3.2	10.6	10.2	9.0	14.3	5.7	6.1
6 M2	7.1	6.8	9.1r	12.0	13.0r	13.7	11.0	3.8	−.8
7 M3	10.5	9.5	11.0	10.7	14.2r	10.2	8.3	5.6	.7
8 L	12.2	12.2	9.4	9.0	12.0	8.1	8.0	6.5	n.a.
9 Debt	13.2	12.5	12.5	13.3	14.3	13.0	12.2	11.7	n.a.
Nontransaction components									
10 In M2[5]	7.2	7.6	10.9r	12.5	13.9r	15.2r	10.0	3.2	−2.8
11 In M3 only[6]	24.9	20.2r	18.7r	5.7	18.6	−3.3r	−1.9	12.6	6.1
Time and savings deposits									
Commercial banks									
12 Savings[7]	−6.7	−5.6	−10.4	−8.7	−11.6	−9.8	−2.0	−10.9	−7.0
13 Small-denomination time[8]	13.1	13.4	6.9	−1.8	7.8	−7.1	−8.4	2.5	15.0
14 Large-denomination time[9,10]	21.8	19.3	12.2	2.6	3.6	−9.5	9.6	23.1	14.7
Thrift institutions									
15 Savings[7]	−.7	−6.5	−6.6	2.2	−6.5	6.5r	7.9	2.9	−.7
16 Small-denomination time	13.4	17.1r	15.2r	1.7	11.2	−3.4r	−3.9	.5	5.3
17 Large-denomination time[9]	48.1	37.8r	29.8r	21.0	38.3r	22.1r	2.3	−5.4	.8
Debt components[4]									
18 Federal	13.1	14.7	15.6	16.1	17.7	16.2	14.4	10.5	n.a.
19 Nonfederal	13.2	11.8	11.5	12.4	13.3	12.1r	11.6	12.1	n.a.
20 Total loans and securities at commercial banks[11]	11.0	9.1	9.2r	9.9	9.7r	6.4	12.7	11.4	4.7

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding in preceding month or quarter.

2. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. To adjust for discontinuities due to changes in reserve requirements on reservable nondeposit liabilities, the sum of such required reserves is subtracted from the actual series. Similarly, in adjusting for discontinuities in the monetary base, required clearing balances and adjustments to compensate for float also are subtracted from the actual series.

3. The monetary base not adjusted for discontinuities consists of total reserves plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks plus the currency component of the money stock less the amount of vault cash holdings of thrift institutions that is included in the currency component of the money stock plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. After the introduction of contemporaneous reserve requirements (CRR), currency and vault cash figures are measured over the weekly computation period ending Monday.

Before CRR, all components of the monetary base other than excess reserves are seasonally adjusted as a whole, rather than by component, and excess reserves are added on a not seasonally adjusted basis. After CRR, the seasonally adjusted series consists of seasonally adjusted total reserves, which include excess reserves on a not seasonally adjusted basis, plus the seasonally adjusted currency component of the money stock plus the remaining items seasonally adjusted as a whole.

4. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) other checkable deposits (OCD) consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. The currency and demand deposit components exclude the estimated amount of vault cash and demand deposits respectively held by thrift institutions to service their OCD liabilities.

M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all commercial banks and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, MMDAs, savings and small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and balances in both taxable and tax-exempt general purpose and broker/dealer money market mutual funds. Excludes individual retirement accounts (IRA) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker/dealer), foreign governments and commercial banks, and the U.S. government. Also subtracted is a consolidation adjustment that represents the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposits.

M3: M2 plus large-denomination time deposits and term RP liabilities (in amounts of $100,000 or more) issued by commercial banks and thrift institutions, term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and balances in both taxable and tax-exempt, institution-only money market mutual funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also subtracted is a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper and bankers acceptances, net of money market mutual fund holdings of these assets.

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. The source of data on domestic nonfinancial debt is the Federal Reserve Board's flow of funds accounts. Debt data are on an end-of-month basis. Growth rates for debt reflect adjustments for discontinuities over time in the levels of debt presented in other tables.

5. Sum of overnight RPs and Eurodollars, money market fund balances (general purpose and broker/dealer), MMDAs, and savings and small time deposits less the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposit liabilities.

6. Sum of large time deposits, term RPs, and Eurodollars of U.S. residents, money market fund balances (institution-only), less a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

7. Excludes MMDAs.

8. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRA and Keogh accounts at commercial banks and thrifts are subtracted from small time deposits.

9. Large-denomination time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

10. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

11. Changes calculated from figures shown in table 1.23.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1985			1985						
	Feb.	Mar.	Apr.	Mar. 13	Mar. 20	Mar. 27	Apr. 3	Apr. 10	Apr. 17	Apr. 24
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**180,077**	**182,130**	**187,124**	**181,497**	**182,192**	**181,141**	**183,594**	**184,621**	**186,787**	**186,177**
2 U.S. government securities[1]	157,221	159,896	164,467	159,115	159,983	159,736	160,520	161,541	164,225	163,900
3 Bought outright	155,848	159,737	163,690	159,115	159,614	159,736	160,186	161,541	164,225	163,900
4 Held under repurchase agreements	1,373	159	777	0	369	0	334	0	0	0
5 Federal agency obligations	8,565	8,386	8,454	8,372	8,415	8,372	8,393	8,372	8,372	8,372
6 Bought outright	8,378	8,372	8,372	8,372	8,372	8,372	8,372	8,372	8,372	8,372
7 Held under repurchase agreements	187	14	82	0	43	0	21	0	0	0
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	1,278	1,646	1,316	2,038	1,681	897	1,687	1,863	1,198	1,118
10 Float	1,248	540	503	506	318	240	541	813	542	608
11 Other Federal Reserve assets	11,765	11,662	12,384	11,466	11,794	11,896	12,453	12,032	12,450	12,179
12 Gold stock	11,094	11,093	11,093	11,093	11,093	11,093	11,093	11,093	11,093	11,092
13 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
14 Treasury currency outstanding	16,501	16,565	16,635	16,550	16,568	16,586	16,604	16,618	16,632	16,646
ABSORBING RESERVE FUNDS										
15 Currency in circulation	178,273	179,085	180,972	179,430	179,306	178,860	179,570	181,334	181,698	180,816
16 Treasury cash holdings	550	549	575	549	552	554	558	569	570	580
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	4,344	3,804	6,711	4,061	3,818	4,280	2,981	4,189	3,720	6,016
18 Foreign	223	229	218	207	254	205	251	191	231	204
19 Service-related balances and adjustments	1,717r	1,647r	1,556	1,993	1,577	1,538	1,649	1,568	1,587	1,543
20 Other	533	628	427	440	1,205	473	398	364	653	371
21 Other Federal Reserve liabilities and capital	6,061	6,099	6,424	5,907	6,101	6,262	6,572	6,514	6,186	6,407
22 Reserve balances with Federal Reserve Banks[2]	20,589r	22,367r	22,587	21,171	21,658	21,266	23,930	22,221	24,484	22,596

Factors	End-of-month figures			Wednesday figures						
	1985			1985						
	Feb.	Mar.	Apr.	Mar. 13	Mar. 20	Mar. 27	Apr. 3	Apr. 10	Apr. 17	Apr. 24
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**181,786**	**184,711**	**197,652**	**186,424**	**180,792**	**180,313**	**180,969**	**186,866**	**187,676**	**189,571**
24 U.S. government securities[1]	159,632	160,983	173,913	160,156	158,869	159,169	158,841	162,407	164,439	166,717
25 Bought outright	157,124	160,983	166,460	160,156	158,869	159,169	158,841	162,407	164,439	166,717
26 Held under repurchase agreements	2,508	0	7,453	0	0	0	0	0	0	0
27 Federal agency obligations	8,752	8,372	8,903	8,372	8,372	8,372	8,372	8,372	8,372	8,372
28 Bought outright	8,372	8,372	8,372	8,372	8,372	8,372	8,372	8,372	8,372	8,372
29 Held under repurchase agreements	380	0	531	0	0	0	0	0	0	0
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	2,329	2,582	1,525	5,840	1,465	385	824	3,467	1,270	1,480
32 Float	−56	298	254	359	219	274	789	277	98	416
33 Other Federal Reserve assets	11,129	12,476	13,057	11,697	11,867	12,113	12,143	12,343	13,497	12,586
34 Gold stock	11,093	11,093	11,091	11,093	11,093	11,093	11,093	11,093	11,093	11,091
35 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
36 Treasury currency outstanding	16,531r	16,602	16,658	16,565	16,583	16,602	16,616	16,630	16,644	16,658
ABSORBING RESERVE FUNDS										
37 Currency in circulation	178,416	179,210	180,842	179,566	179,189	179,015	180,498	181,841	181,488	180,545
38 Treasury cash holdings	557	554	586	552	554	554	569	569	579	586
Deposits, other than reserve balances with Federal Reserve Banks										
39 Treasury	3,308	3,063	19,305	3,698	3,623	4,204	2,683	2,177	4,284	8,868
40 Foreign	332	253	348	232	211	216	192	227	205	180
41 Service-related balances and adjustments	1,226	1,359	1,302	1,226	1,224	1,224	1,359	1,359	1,326	1,326
42 Other	461	347	324	411	721	439	402	321	824	315
43 Other Federal Reserve liabilities and capital	5,863	6,600	6,652	5,934	5,894	6,101	6,352	6,081	6,071	6,229
44 Reserve balances with Federal Reserve Banks[2]	23,866	25,638	20,660	27,082	21,671	20,873	21,241	26,632	25,254	23,889

1. *Includes* securities loaned—fully guaranteed by U.S government securities pledged with Federal Reserve Banks—and *excludes* (if any) securities sold and scheduled to be bought back under matched sale-purchase transactions.

2. Excludes required clearing balances and adjustments to compensate for float.

NOTE. For amounts of currency and coin held as reserves, see table 1.12.

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

Reserve classification	Monthly averages[8]									
	1982	1983	1984	1984			1985			
	Dec.	Dec.	Dec.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.
1 Reserve balances with Reserve Banks[1]	24,939	21,138	21,738	20,099	20,843	21,738	21,577	20,416[r]	22,065	23,218
2 Total vault cash[2]	20,392	20,755	22,316	21,875	21,827	22,316	23,044	23,927	21,863	21,567
3 Vault cash used to satisfy reserve requirements[3]	17,049	17,908	18,958	18,413	18,392	18,958	19,547	19,857	18,429	18,436
4 Surplus vault cash[4]	3,343	2,847	3,358	3,462	3,434	3,358	3,497	4,070	3,434	3,131
5 Total reserves[5]	41,853	38,894	40,696	38,512	39,235	40,696	41,125	40,273	40,494	41,654
6 Required reserves	41,353	38,333	39,843	37,892	38,542	39,843	40,380	39,370	39,728	40,915
7 Excess reserve balances at Reserve Banks[6]	500	561	853	620	693	853	745	903	766	739
8 Total borrowings at Reserve Banks	697	774	3,186	6,017	4,617	3,186	1,395	1,289	1,593	1,323
9 Seasonal borrowings at Reserve Banks	33	96	113	299	212	113	62	71	88	135
10 Extended credit at Reserve Banks[7]	187	2	2,604	5,057	3,837	2,604	1,050	803	1,059	868
	Biweekly averages of daily figures for weeks ending									
	1985									
	Jan. 2	Jan. 16	Jan. 30	Feb. 13	Feb. 27	Mar. 13	Mar. 27	Apr. 10[r]	Apr. 24	May 8[p]
11 Reserve balances with Reserve Banks[1]	22,171	22,819	20,375	19,924	20,734	22,407	21,458	23,073	23,519	22,761
12 Total vault cash[2]	22,129	22,819	20,379	24,893	23,203	21,518	22,353	21,274	21,880	21,327
13 Vault cash used to satisfy reserve requirements[3]	19,701	22,089	23,828	20,624	19,270	18,093	18,828	18,126	18,765	18,185
14 Surplus vault cash[4]	19,703	19,002	19,995	4,269	3,933	3,425	3,525	3,148	3,115	3,142
15 Total reserves[5]	41,832	41,820	40,374	40,548	40,003	40,500	40,286	41,199	42,284	40,945
16 *Required reserves*	40,625	41,187	39,590	39,537	39,198	39,719	39,477	40,642	41,399	40,243
17 Excess reserve balances at Reserve Banks[6]	1,207	634	785	1,012	806	782	810	557	885	703
18 Total borrowings at Reserve Banks	2,691	1,631	976	1,369	1,174	1,865	1,289	1,775	1,158	953
19 Seasonal borrowings at Reserve Banks	81	58	63	60	81	69	98	121	131	169
20 Extended credit at Reserve Banks[7]	2,038	1,371	593	988	603	1,224	839	1,295	766	396

1. Excludes required clearing balances and adjustments to compensate for float.
2. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements. Under contemporaneous reserve requirements, maintenance periods end 30 days after the lagged computation periods in which the balances are held.
3. Equal to all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.
4. Total vault cash at institutions having no required reserve balances less the amount of vault cash equal to their required reserves during the maintenance period.
5. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash used to satisfy reserve requirements. Such vault cash consists of all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.
6. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements less required reserves.
7. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.
8. Before February 1984, data are prorated monthly averages of weekly averages; beginning February 1984, data are prorated monthly averages of biweekly averages.

NOTE. These data also appear in the Board's H.3 (502) release. For address, see inside front cover.

1.13 FEDERAL FUNDS AND REPURCHASE AGREEMENTS Large Member Banks[1]

Averages of daily figures, in millions of dollars

By maturity and source	1985 week ending Monday								
	Mar. 18	Mar. 25	Apr. 1	Apr. 8	Apr. 15[r]	Apr. 22	Apr. 29	May 6	May 13
One day and continuing contract									
1 Commercial banks in United States	59,617	55,739	56,025	65,950	63,357	62,838	54,786	61,576	59,551
2 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	26,391	25,724	24,661	24,529	25,116	24,127	23,921	25,587	27,101
3 Nonbank securities dealers	9,082	8,195	8,652	6,940	7,835	7,372	7,310	6,944	6,769
4 All other	29,390	29,512	28,436	22,905	25,254	26,606	26,982	25,363	26,485
All other maturities									
5 Commercial banks in United States	9,354	9,495	9,299	10,036	9,694	9,744	10,079	10,544	10,074
6 Other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies	8,401	8,597	8,357	8,777[r]	8,215	7,805	8,307	8,739	8,201
7 Nonbank securities dealers	8,366	8,010	8,641	8,389[r]	8,063	8,376	9,475	9,946	9,766
8 All other	8,946	9,167	8,887	13,879	11,250	8,543	8,885	7,765	8,098
MEMO: Federal funds and resale agreement loans in *maturities of one day or continuing contract*									
9 Commercial banks in United States	26,775[r]	26,885	27,747	31,380	29,887	30,838	27,132	29,253	26,710
10 Nonbank securities dealers	6,505	6,521	6,902	6,281	6,137	6,799	6,581	6,894	6,480

1. Banks with assets of $1 billion or more as of Dec. 31, 1977.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per annum

Current and previous levels

Federal Reserve Bank	Short-term adjustment credit and seasonal credit[1]			Extended credit[2]						
				First 60 days of borrowing		Next 90 days of borrowing		After 150 days		Effective date for current rates
	Rate on 5/28/85	Effective date	Previous rate	Rate on 5/28/85	Previous rate	Rate on 5/28/85	Previous rate	Rate on 5/28/85	Previous rate	
Boston	7½	5/20/85	8	7½	8	8½	9	9½	10	5/20/85
New York		5/20/85								5/20/85
Philadelphia		5/24/85								5/24/85
Cleveland		5/21/85								5/21/85
Richmond		5/20/85								5/20/85
Atlanta		5/20/85								5/20/85
Chicago		5/20/85								5/20/85
St. Louis		5/21/85								5/21/85
Minneapolis		5/20/85								5/20/85
Kansas City		5/20/85								5/20/85
Dallas		5/20/85								5/20/85
San Francisco	7½	5/21/85	8	7½	8	8½	9	9½	10	5/21/85

Range of rates in recent years[3]

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1973	7½	7½
1974— Apr. 25	7½–8	8
30	8	8
Dec. 9	7¾–8	7¾
16	7¾	7¾
1975— Jan. 6	7¼–7¾	7¾
10	7¼–7¾	7¼
24	7¼	7¼
Feb. 5	6¾–7¼	6¾
7	6¾	6¾
Mar. 10	6¼–6¾	6¼
14	6¼	6¼
May 16	6–6¼	6
23	6	6
1976— Jan. 19	5½–6	5½
23	5½	5½
Nov. 22	5¼–5½	5¼
26	5¼	5¼
1977— Aug. 30	5¼–5¾	5¼
31	5¼–5¾	5¾
Sept. 2	5¾	5¾
Oct. 26	6	6
1978— Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1978— July 3	7–7¼	7¼
10	7¼	7¼
Aug. 21	7¾	7¾
Sept. 22	8	8
Oct. 16	8–8½	8½
20	8½	8½
Nov. 1	8½–9½	9½
3	9½	9½
1979— July 20	10	10
Aug. 17	10–10½	10½
20	10½	10½
Sept. 19	10½–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980— Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1981— May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982— July 20	11½–12	11½
23	11½	11½
Aug. 2	11–11½	11
3	11	11
16	10½	10½
27	10–10½	10
30	10	10
Oct. 12	9½–10	9½
13	9½	9½
Nov. 22	9–9½	9
26	9	9
Dec. 14	8½–9	9
15	8½–9	8½
17	8½	8½
1984— Apr. 9	8½–9	9
13	9	9
Nov. 21	8½–9	8½
26	8½	8½
Dec. 24	8	8
May 20	7½–8	7½
28	7½	7½
In effect May 28, 1985	7½	7½

1. A temporary simplified seasonal program was established on Mar. 8, 1985, and the interest rate was set at 8½ percent at that time. On May 20 this rate was lowered to 8 percent.

2. Applicable to advances when exceptional circumstances or practices involve only a particular depository institution and to advances when an institution is under sustained liquidity pressures. As an alternative, for loans outstanding for more than 150 days, a Federal Reserve Bank may charge a flexible rate that takes into account rates on market sources of funds, but in no case will the rate charged be less than the basic rate plus one percentage point. Where credit provided to a particular depository institution is anticipated to be outstanding for an unusually prolonged period and in relatively large amounts, the time period in which each rate under this structure is applied may be shortened. See section 201.3(b)(2) of Regulation A.

3. Rates for short-term adjustment credit. For description and earlier data see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, and *1941–1970; Annual Statistical Digest, 1970–1979, 1980, 1981*, and *1982*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than 4 weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. There was no surcharge until Nov. 17, 1980, when a 2 percent surcharge was adopted; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12. As of Oct. 1, the formula for applying the surcharge was changed from a calendar quarter to a moving 13-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

Type of deposit, and deposit interval	Member bank requirements before implementation of the Monetary Control Act	
	Percent	Effective date
Net demand[2]		
$0 million–$2 million	7	12/30/76
$2 million–$10 million	9½	12/30/76
$10 million–$100 million	11¾	12/30/76
$100 million–$400 million	12¾	12/30/76
Over $400 million	16¼	12/30/76
Time and savings[2,3]		
Savings	3	3/16/67
Time[4]		
$0 million–$5 million, by maturity		
30–179 days	3	3/16/67
180 days to 4 years	2½	1/8/76
4 years or more	1	10/30/75
Over $5 million, by maturity		
30–179 days	6	12/12/74
180 days to 4 years	2½	1/8/76
4 years or more	1	10/30/75

Type of deposit, and deposit interval[5]	Depository institution requirements after implementation of the Monetary Control Act[6]	
	Percent	Effective date
Net transaction accounts[7,8]		
$0–$29.8 million	3	1/1/85
Over $29.8 million	12	1/1/85
Nonpersonal time deposits[9]		
By original maturity		
Less than 1½ years	3	10/6/83
1½ years or more	0	10/6/83
Eurocurrency liabilities		
All types	3	11/13/80

1. For changes in reserve requirements beginning 1963, see Board's *Annual Statistical Digest, 1971–1975*, and for prior changes, see Board's *Annual Report* for 1976, table 13. Under provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. Requirement schedules are graduated, and each deposit interval applies to that part of the deposits of each bank. Demand deposits subject to reserve requirements were gross demand deposits minus cash items in process of collection and demand balances due from domestic banks.

The Federal Reserve Act as amended through 1978 specified different ranges of requirements for reserve city banks and for other banks. Reserve cities were designated under a criterion adopted effective Nov. 9, 1972, by which a bank having net demand deposits of more than $400 million was considered to have the character of business of a reserve city bank. The presence of the head office of such a bank constituted designation of that place as a reserve city. Cities in which there were Federal Reserve Banks or branches were also reserve cities. Any banks having net demand deposits of $400 million or less were considered to have the character of business of banks outside of reserve cities and were permitted to maintain reserves at ratios set for banks not in reserve cities.

Effective Aug. 24, 1978, the Regulation M reserve requirements on net balances due from domestic banks to their foreign branches and on deposits that foreign branches lend to U.S. residents were reduced to zero from 4 percent and 1 percent respectively. The Regulation D reserve requirement of borrowings from unrelated banks abroad was also reduced to zero from 4 percent.

Effective with the reserve computation period beginning Nov. 16, 1978, domestic deposits of Edge corporations were subject to the same reserve requirements as deposits of member banks.

3. Negotiable order of withdrawal (NOW) accounts and time deposits such as Christmas and vacation club accounts were subject to the same requirements as savings deposits.

The average reserve requirement on savings and other time deposits before implementation of the Monetary Control Act had to be at least 3 percent, the minimum specified by law.

4. Effective Nov. 2, 1978, a supplementary reserve requirement of 2 percent was imposed on large time deposits of $100,000 or more, obligations of affiliates, and ineligible acceptances. This supplementary requirement was eliminated with the maintenance period beginning July 24, 1980.

Effective with the reserve maintenance period beginning Oct. 25, 1979, a marginal reserve requirement of 8 percent was added to managed liabilities in excess of a base amount. This marginal requirement was increased to 10 percent beginning Apr. 3, 1980, was decreased to 5 percent beginning June 12, 1980, and was eliminated beginning July 24, 1980. Managed liabilities are defined as large time deposits, Eurodollar borrowings, repurchase agreements against U.S. government and federal agency securities, federal funds borrowings from nonmember institutions, and certain other obligations. In general, the base for the marginal reserve requirement was originally the greater of (a) $100 million or (b) the average amount of the managed liabilities held by a member bank, Edge corporation, or family of U.S. branches and agencies of a foreign bank for the two reserve computation periods ending Sept. 26, 1979. For the computation period beginning Mar. 20, 1980, the base was lowered by (a) 7 percent or (b) the decrease in an institution's U.S. office gross loans to foreigners and gross balances due from foreign offices of other institutions between the base period (Sept. 13–26, 1979) and the week ending Mar. 12, 1980, whichever was greater. For the computation period beginning May 29, 1980, the base was increased by 7½ percent above the base used to calculate the marginal reserve in the statement week of May 14–21, 1980. In addition, beginning Mar. 19, 1980, the base was reduced to the extent that foreign loans and balances declined.

5. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97–320) provides that $2 million of reservable liabilities (transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities) of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the next succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. Effective Dec. 9, 1982, the amount of the exemption was established at $2.1 million. Effective with the reserve maintenance period beginning Jan. 1, 1985, the amount of the exemption is $2.4 million. In determining the reserve requirements of a depository institution, the exemption shall apply in the following order: (1) nonpersonal money market deposit accounts (MMDAs) authorized under 12 CFR section 1204.122; (2) net NOW accounts (NOW accounts less allowable deductions); (3) net other transaction accounts; and (4) nonpersonal time deposits or Eurocurrency liabilities starting with those with the highest reserve ratio. With respect to NOW accounts and other transaction accounts, the exemption applies only to such accounts that would be subject to a 3 percent reserve requirement.

6. For nonmember banks and thrift institutions that were not members of the Federal Reserve System on or after July 1, 1979, a phase-in period ends Sept. 3, 1987. For banks that were members on or after July 1, 1979, but withdrew on or before Mar. 31, 1980, the phase-in period established by Public Law 97–320 ends on Oct. 24, 1985. For existing member banks the phase-in period of about three years was completed on Feb. 2, 1984. All new institutions will have a two-year phase-in beginning with the date that they open for business, except for those institutions that have total reservable liabilities of $50 million or more.

7. Transaction accounts include all deposits on which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers (in excess of three per month) for the purpose of making payments to third persons or others. However, MMDAs and similar accounts offered by institutions not subject to the rules of the Depository Institutions Deregulation Committee (DIDC) that permit no more than six preauthorized, automatic, or other transfers per month of which no more than three can be checks—are not transaction accounts (such accounts are savings deposits subject to time deposit reserve requirements.)

8. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage increase in transaction accounts held by all depository institutions determined as of June 30 each year. Effective Dec. 31, 1981, the amount was increased accordingly from $25 million to $26 million; effective Dec. 30, 1982, to $26.3 million; effective Dec. 29, 1983, to $28.9 million; and effective Jan. 1, 1985, to $29.8 million.

9. In general, nonpersonal time deposits are time deposits, including savings deposits, that are not transaction accounts and in which a beneficial interest is held by a depositor that is not a natural person. Also included are certain transferable time deposits held by natural persons, and certain obligations issued to depository institution offices located outside the United States. For details, see section 204.2 of Regulation D.

NOTE. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmembers may maintain reserve balances with a Federal Reserve Bank indirectly on a pass-through basis with certain approved institutions.

1.16 MAXIMUM INTEREST RATES PAYABLE on Time and Savings Deposits at Federally Insured Institutions[1]

Percent per annum

Type of deposit	Commercial banks		Savings and loan associations and mutual savings banks (thrift institutions)[1]	
	In effect May 31, 1985		In effect May 31, 1985	
	Percent	Effective date	Percent	Effective date
1 Savings	5½	1/1/84	5½	7/1/79
2 Negotiable order of withdrawal accounts	5¼	12/31/80	5¼	12/31/80
3 Negotiable order of withdrawal accounts of $1,000 or more[2]	....	1/5/83	....	1/5/83
4 Money market deposit account[2]	(3)	12/14/82	(3)	12/14/82
Time accounts				
5 7–31 days of less than $1,000[4]	5½	1/1/84	5½	9/1/82
6 7–31 days of $1,000 or more[2]	....	1/5/83	....	1/5/83
7 More than 31 days	....	10/1/83	....	10/1/83

1. Effective Oct. 1, 1983, restrictions on the maximum rates of interest payable by commercial banks and thrift institutions on various categories of deposits were removed. For information regarding previous interest rate ceilings on all categories of accounts see earlier issues of the FEDERAL RESERVE BULLETIN, the *Federal Home Loan Bank Board Journal*, and the *Annual Report of the Federal Deposit Insurance Corporation*.
2. Effective Dec. 1, 1983, IRA/Keogh (HR10) Plan accounts are not subject to minimum deposit requirements. Effective Jan. 1, 1985, the minimum denomination requirement was lowered from $2,500 to $1,000.
3. Effective Dec. 14, 1982, depository institutions are authorized to offer a new account with a required initial balance of $2,500 and an average maintenance balance of $2,500 not subject to interest rate restrictions. Effective Jan. 1, 1985, the minimum denomination and average maintenance balance requirements was lowered to $1,000. No minimum maturity period is required for this account, but depository institutions must reserve the right to require seven days, notice before withdrawals. When the average balance is less than $1,000, the account is subject to the maximum ceiling rate of interest for NOW accounts; compliance with the average balance requirement may be determined over a period of one month. Depository institutions may not guarantee a rate of interest for this account for a period longer than one month or condition the payment of a rate on a requirement that the funds remain on deposit for longer than one month.
4. Effective Jan. 1, 1985, the minimum denomination requirement was lowered from $2,500 to $1,000. Deposits of less than $1,000 issued to governmental units continue to be subject to an interest rate ceiling of 8 percent.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS

Millions of dollars

Type of transaction	1982	1983	1984	1984				1985		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
U.S. GOVERNMENT SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	17,067	18,888	20,036	3,249	507	4,463	3,410	0	2,976	916
2 Gross sales	8,369	3,420	8,557	71	1,300	0	0	2,668	214	554
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	3,000	2,400	7,700	0	2,200	0	0	1,600	400	500
Others within 1 year										
5 Gross purchases	312	484	1,126	600	0	146	182	0	0	961
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shift	17,295	18,887	16,354	872	896	1,348	771	596	1,987	1,299
8 Exchange	−14,164	−16,553	−20,840	0	−1,497	−3,363	−966	−625	−2,739	0
9 Redemptions	0	87	0	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	1,797	1,896	1,638	0	0	830	0	0	0	465
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shift	−14,524	−15,533	−13,709	−872	−896	594	−771	−596	−1,902	1,299
13 Exchange	11,804	11,641	16,039	0	1,497	1,763	966	625	1,645	0
5 to 10 years										
14 Gross purchases	388	890	536	0	0	335	0	0	0	0
15 Gross sales	0	0	300	0	0	0	0	100	0	0
16 Maturity shift	−2,172	−2,450	−2,371	0	0	−1,893	0	0	−54	0
17 Exchange	2,128	2,950	2,750	0	0	850	0	0	600	0
Over 10 years										
18 Gross purchases	307	383	441	0	0	164	0	0	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	−601	−904	−275	0	0	−49	0	0	−30	0
21 Exchange	234	1,962	2,052	0	0	750	0	0	493	0
All maturities										
22 Gross purchases	19,870	22,540	23,476	3,849	507	5,938	3,591	0	2,976	2,343
23 Gross sales	8,369	3,420	7,553	71	1,300	0	0	2,768	214	554
24 Redemptions	3,000	2,487	7,700	0	2,200	0	0	1,600	400	500
Matched transactions										
25 Gross sales	543,804	578,591	808,986	52,893	89,689	51,904	63,674	66,668	57,076	54,718
26 Gross purchases	543,173	576,908	810,432	55,776	85,884	55,516	61,537	66,367	57,283	57,288
Repurchase agreements										
27 Gross purchases	130,774	105,971	139,441	26,040	0	12,063	3,888	20,225	19,584	4,922
28 Gross sales	130,286	108,291	139,019	30,867	0	12,063	2,261	21,852	17,077	7,429
29 Net change in U.S. government securities	8,358	12,631	8,908	1,835	−6,798	9,549	3,080	−6,295	5,077	1,351
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	189	292	256	1	14	90	0	0	17	*
Repurchase agreements										
33 Gross purchases	18,957	8,833	1,205	3,743	0	698	506	1,463	2,428	445
34 Gross sales	18,638	9,213	817	4,112	0	698	119	1,851	2,048	825
35 Net change in federal agency obligations	130	−672	132	−370	−14	−90	388	388	363	−380
BANKERS ACCEPTANCES										
36 Repurchase agreements, net	1,285	−1,062	−418	0	0	0	0	0	0	0
37 Total net change in System Open Market Account	**9,773**	**10,897**	**6,116**	**1,465**	**−6,811**	**9,459**	**3,468**	**−6,683**	**5,440**	**971**

NOTE: Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings. Details may not add to totals because of rounding.

1.18 FEDERAL RESERVE BANKS *Condition and Federal Reserve Note Statements*

Millions of dollars

Account	Wednesday					End of month		
	1985					1985		
	Mar. 27	Apr. 3	Apr. 10	Apr. 17	Apr. 24	Feb.	Mar.	Apr.
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,093	11,093	11,093	11,093	11,091	11,093	11,093	11,091
2 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
3 Coin	548	558	551	547	542	551	566	597
Loans								
4 To depository institutions	385	824	3,467	1,270	1,480	2,329	2,582	1,525
5 Other	0	0	0	0	0	0	0	0
Acceptances—Bought outright								
6 Held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	8,372	8,372	8,372	8,372	8,372	8,372	8,372	8,372
8 Held under repurchase agreements	0	0	0	0	0	380	0	531
U.S. government securities								
Bought outright								
9 Bills	69,655	69,327	72,893	73,630	75,908	69,036	71,469	75,651
10 Notes	66,070	66,070	66,070	67,269	67,269	64,644	66,070	67,269
11 Bonds	23,444	23,444	23,444	23,540	23,540	23,444	23,444	23,540
12 Total bought outright[1]	159,169	158,841	162,407	164,439	166,717	157,124	160,983	166,460
13 Held under repurchase agreements	0	0	0	0	0	2,508	0	7,453
14 Total U.S. government securities	159,169	158,841	162,407	164,439	166,717	159,632	160,983	173,913
15 **Total loans and securities**	**167,926**	**168,037**	**174,246**	**174,081**	**176,569**	**170,713**	**171,937**	**184,341**
16 Cash items in process of collection	6,429	7,741	6,644	8,083	7,679	6,241	6,127	9,730
17 Bank premises	576	574	575	576	576	571	572	577
Other assets								
18 Denominated in foreign currencies[2]	3,643	3,973	3,976	3,979	3,982	3,498	3,971	4,007
19 All other[3]	7,894	7,596	7,792	8,942	8,028	7,060	7,933	8,473
20 **Total assets**	**202,727**	**204,190**	**209,495**	**211,919**	**213,085**	**204,345**	**206,817**	**223,434**
LIABILITIES								
21 Federal Reserve notes	163,515	165,009	166,331	165,970	165,015	162,992	163,728	165,367
Deposits								
22 To depository institutions	22,097	22,600	27,991	26,580	25,215	25,092	26,997	21,962
23 U.S. Treasury—General account	4,204	2,683	2,177	4,284	8,868	3,308	3,063	19,305
24 Foreign—Official accounts	216	192	227	205	180	332	253	348
25 Other	439	402	321	824	315	461	347	324
26 **Total deposits**	**26,956**	**25,877**	**30,716**	**31,893**	**34,578**	**29,193**	**30,660**	**41,939**
27 Deferred availability cash items	6,155	6,952	6,367	7,985	7,263	6,297	5,829	9,476
28 Other liabilities and accrued dividends[4]	2,412	2,378	2,384	2,378	2,520	2,463	2,445	2,614
29 **Total liabilities**	**199,038**	**200,216**	**205,798**	**208,226**	**209,376**	**200,945**	**202,662**	**219,396**
CAPITAL ACCOUNTS								
30 Capital paid in	1,685	1,687	1,685	1,687	1,687	1,669	1,687	1,702
31 Surplus	1,624	1,624	1,626	1,626	1,626	1,626	1,624	1,626
32 Other capital accounts	380	663	386	380	396	105	844	710
33 **Total liabilities and capital accounts**	**202,727**	**204,190**	**209,495**	**211,919**	**213,085**	**204,345**	**206,817**	**223,434**
34 MEMO: Marketable U.S. government securities held in custody for foreign and international account	115,079	118,798	115,271	116,287	116,686	116,519	114,890	116,712
	Federal Reserve note statement							
35 Federal Reserve notes outstanding	196,165	196,118	195,990	196,059	196,630	194,635	196,021	196,490
36 LESS: Held by bank	32,650	31,109	29,659	30,089	31,615	31,643	32,293	31,123
37 Federal Reserve notes, net	163,515	165,009	166,331	165,970	165,015	162,992	163,728	165,367
Collateral held against notes net:								
38 Gold certificate account	11,093	11,093	11,093	11,093	11,091	11,093	11,093	11,091
39 Special drawing rights certificate account	4,618	4,618	4,618	4,618	4,618	4,618	4,618	4,618
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. government and agency securities	147,804	149,298	150,620	150,259	149,306	147,281	148,017	149,658
42 **Total collateral**	**163,515**	**165,009**	**166,331**	**165,970**	**165,015**	**162,992**	**163,728**	**165,367**

1. *Includes* securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and *excludes* (if any) securities sold and scheduled to be bought back under matched sale-purchase transactions.
2. Assets shown in this line are revalued monthly at market exchange rates.
3. Includes special investment account at Chicago of Treasury bills maturing within 90 days.
4. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments.

NOTE: Some of these data also appear in the Board's H.4.1 (503) release. For address, see inside front cover.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1985					1985		
	Mar. 27	Apr. 3	Apr. 10	Apr. 17	Apr. 24	Feb. 28	Mar. 29	Apr. 30
1 Loans—Total	385	822	3,467	1,270	1,480	2,329	2,582	1,525
2 Within 15 days	365	755	3,414	1,247	1,458	2,320	2,558	1,438
3 16 days to 90 days	20	67	53	23	22	9	24	87
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	0	0	0	0	0	0	0	0
6 Within 15 days	0	0	0	0	0	0	0	0
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. government securities—Total	159,169	158,841	162,407	164,439	166,717	159,632	160,983	173,913
10 Within 15 days[1]	5,393	5,107	6,199	4,622	4,438	5,276	4,565	12,305
11 16 days to 90 days	34,744	34,748	36,216	39,205	39,293	33,214	37,280	38,406
12 91 days to 1 year	46,481	46,619	47,625	47,196	49,570	49,056	46,587	50,568
13 Over 1 year to 5 years	37,309	37,125	37,125	37,986	37,986	36,844	37,309	37,204
14 Over 5 years to 10 years	14,546	14,546	14,546	14,638	14,638	14,546	14,546	14,638
15 Over 10 years	20,696	20,696	20,696	20,792	20,792	20,696	20,696	20,792
16 Federal agency obligations—Total	8,372	8,372	8,372	8,372	8,372	8,752	8,372	8,903
17 Within 15 days[1]	142	20	149	223	148	615	142	613
18 16 days to 90 days	461	581	432	398	465	514	461	533
19 91 days to 1 year	1,942	1,965	2,003	1,963	1,941	1,738	1,942	1,991
20 Over 1 year to 5 years	4,164	4,143	4,105	4,105	4,135	4,222	4,164	4,083
21 Over 5 years to 10 years	1,264	1,264	1,284	1,284	1,284	1,264	1,264	1,284
22 Over 10 years	399	399	399	399	399	399	399	399

1. Holdings under repurchase agreements are classified as maturing within 15 days in accordance with maximum maturity of the agreements.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE

Billions of dollars, averages of daily figures

Item	1981 Dec.	1982 Dec.	1983 Dec.	1984 Dec.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[1]	Seasonally adjusted											
1 **Total reserves**[2]	**32.10**	**34.28**	**36.14**	**38.71**	**38.14**	**37.76**	**38.11**	**38.71**	**39.71**	**40.37**	**40.57r**	**40.92**
2 Nonborrowed reserves	31.46	33.65	35.36	35.52	30.90	31.74	33.50	35.52	38.32	39.08	38.97	39.60
3 Nonborrowed reserves plus extended credit[3]	31.61	33.83	35.37	38.13	37.36	36.80	37.33	38.13	39.37	39.88	40.03	40.46
4 Required reserves	31.78	33.78	35.58	37.86	37.52	37.14	37.42	37.86	38.97	39.46	39.80	40.18
5 Monetary base[4]	158.10	170.14	185.49	198.74	196.25	196.18	197.43	198.74	200.07	202.10	203.01r	203.69
	Not seasonally adjusted											
6 **Total reserves**[2]	**32.82**	**35.01**	**36.86**	**40.13**	**37.88**	**37.95**	**38.69**	**40.13**	**40.70**	**39.88**	**40.07r**	**41.26**
7 Nonborrowed reserves	32.18	34.37	36.09	36.94	30.64	31.94	34.07	36.94	39.31	38.59	38.47	39.93
8 Nonborrowed reserves plus extended credit[3]	32.33	34.56	36.09	39.55	37.10	36.99	37.91	39.55	40.36	39.39	39.53	40.80
9 Required reserves	32.50	34.51	36.30	39.28	37.25	37.33	37.99	39.28	39.96	38.97	39.30	40.52
10 Monetary base[4]	160.94	173.17	188.76	202.02	196.07	196.13	198.22	202.02	200.93	199.54	200.86r	203.42
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[5]												
11 **Total reserves**[2]	**41.92**	**41.85**	**38.89**	**40.70**	**38.04**	**38.51**	**39.23**	**40.70**	**41.12**	**40.27**	**40.49**	**41.65**
12 Nonborrowed reserves	41.29	41.22	38.12	37.51	30.80	32.50	34.62	37.51	39.73	38.98	38.90r	40.33
13 Nonborrowed reserves plus extended credit[3]	41.44	41.41	38.12	40.09	37.29	37.37	38.54	40.09	40.88	39.83	40.03	40.77
14 Required reserves	41.61	41.35	38.33	39.84	37.41	37.89	38.54	39.84	40.38	39.37	39.73	40.91
15 Monetary base[4]	170.47	180.52	192.36	202.59	196.23	196.69	198.77	202.59	201.35	199.94	201.29r	203.82

1. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. To adjust for discontinuities due to changes in reserve requirements on reservable nondeposit liabilities, the sum of such required reserves is subtracted from the actual series. Similarly, in adjusting for discontinuities in the monetary base, required clearing balances and adjustments to compensate for float also are subtracted from the actual series.

2. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash used to satisfy reserve requirements. Such vault cash consists of all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

3. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.

4. The monetary base not adjusted for discontinuities consists of total reserves plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks and the currency component of the money stock less the amount of vault cash holdings of thrift institutions that is included in the currency component of the money stock plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. After the introduction of contemporaneous reserve requirements (CRR), currency and vault cash figures are measured over the weekly computation period ending Monday.

Before CRR, all components of the monetary base other than excess reserves are seasonally adjusted as a whole, rather than by component, and excess reserves are added on a not seasonally adjusted basis. After CRR, the seasonally adjusted series consists of seasonally adjusted total reserves, which include excess reserves on a not seasonally adjusted basis, plus the seasonally adjusted currency component of the money stock and the remaining items seasonally adjusted as a whole.

5. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with implementation of the Monetary Control Act or other regulatory changes to reserve requirements.

NOTE. Latest monthly and biweekly figures are available from the Board's H.3(502) statistical release. Historical data and estimates of the impact on required reserves of changes in reserve requirements are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Billions of dollars, averages of daily figures

Item[1]	1981 Dec.	1982 Dec.	1983 Dec.	1984 Dec.	1985 Jan.[r]	1985 Feb.[r]	1985 Mar.[r]	1985 Apr.
	Seasonally adjusted							
1 M1	441.9	480.5	525.4	558.5	562.7	569.4	572.1	575.0
2 M2	1,796.6	1,965.3	2,196.3	2,371.8[r]	2,398.9	2,420.9	2,428.6	2,427.0
3 M3	2,236.7	2,460.3	2,710.4	2,995.1	3,020.6	3,041.6	3,055.7	3,057.5
4 L	2,598.4	2,868.7	3,178.7	3,544.1[r]	3,568.1	3,591.9	3,611.4	n.a.
5 Debt[2]	4,323.8	4,710.1	5,224.6	5,936.6	6,001.0	6,062.1	6,121.5	n.a.
M1 components								
6 Currency[2]	124.0	134.1	148.0	158.7	159.4	160.5	161.3	161.7
7 Travelers checks[3]	4.3	4.3	4.9	5.2	5.3	5.3	5.4	5.5
8 Demand deposits[4]	236.2	239.7	243.7	248.6	249.1	251.7	251.9	252.5
9 Other checkable deposits[5]	77.4	102.4	128.9	146.0	149.0	151.8	153.6	155.3
Nontransactions components								
10 In M2[6]	1,354.6	1,484.8	1,670.9	1,813.3[r]	1,836.2	1,851.5	1,856.4	1,852.0
11 In M3 only[7]	440.2	495.0	514.1	623.4[r]	621.7	620.7	627.2	630.5
Savings deposits[9]								
12 Commercial Banks	159.7	164.9	134.6	122.6	121.6	121.4	120.3	119.5
13 Thrift institutions	186.1	197.2	178.2	166.0	166.9	168.0	168.4	168.3
Small denomination time deposits[9]								
14 Commerical Banks	349.6	382.2	353.1	387.0	384.7	382.0	382.8	387.6
15 Thrift institutions	477.7	474.7	440.0	498.6[r]	497.2	495.6	495.8	498.0
Money market mutual funds								
16 General purpose and broker/dealer	150.6	185.2	138.2	167.7[r]	171.9	175.0	177.4	176.1
17 Institution-only	36.2	48.4	43.2	62.7	65.0	62.2	59.5	59.6
Large denomination time deposits[10]								
18 Commercial Banks[11]	247.3	261.8	225.1	264.4	262.3	264.4	269.5	272.9
19 Thrift institutions	54.3	66.1	100.4	151.8[r]	154.6	154.9	154.2	154.4
Debt components								
20 Federal debt	830.1	991.4	1,173.1	1,367.1	1,385.5	1,402.2	1,414.4	n.a.
21 Non-federal debt	3,493.7	3,718.7	4,051.6	4,569.6	4,615.5	4,660.0	4,707.1	n.a.
	Not seasonally adjusted							
22 M1	452.3	491.9	537.9	570.4	568.3	558.6	564.9	581.7
23 M2	1,798.7	1,967.4	2,198.1	2,376.7[r]	2,404.2	2,414.4	2,428.8	2,438.9
24 M3	2,242.7	2,466.6	2,716.5	3,002.3	3,024.4	3,034.9	3,057.4	3,069.4
25 L	2,605.6	2,876.5	3,189.4	3,545.4[r]	3,573.6	3,590.5	3,618.4	n.a.
26 Debt[2]	4,323.8	4,710.1	5,218.5	5,930.2	5,992.5	6,038.2	6,090.8	n.a.
M1 components								
27 Currency[2]	126.1	136.4	150.5	160.9	158.3	158.6	159.8	161.2
28 Travelers checks[3]	4.1	4.1	4.6	4.9	4.9	5.0	5.1	5.2
29 Demand deposits[4]	243.6	247.3	251.6	257.4	254.9	244.9	246.3	255.1
30 Other checkable deposits[5]	78.5	104.1	131.3	147.2	150.1	150.1	153.6	160.1
Nontransactions components								
31 M2[6]	1,346.3	1,475.5	1,660.2	1,806.3[r]	1,835.9	1,855.8	1,863.9	1,857.2
32 M3 only[7]	444.1	499.2	518.4	625.5[r]	620.2	620.5	628.6	630.5
Money market deposit accounts								
33 Commercial banks	n.a.	26.3	230.0	267.1	280.4	289.3	294.0	295.9
34 Thrift institutions	n.a.	16.6	145.9	147.9	153.2	159.0	163.9	164.4
Savings deposits[8]								
35 Commercial Banks	157.5	162.1	132.0	121.4	121.1	120.4	120.6	120.9
36 Thrift institutions	184.7	195.5	176.5	164.9	165.8	166.5	168.2	169.3
Small denomination time deposits[9]								
37 Commercial Banks	347.7	380.1	351.0	387.6	386.3	384.1	383.7	383.9
38 Thrift institutions	475.6	472.4	437.6	499.4[r]	502.0	499.5	496.2	495.8
Money market mutual funds								
39 General purpose and broker/dealer	150.6	185.2	138.2	167.5[r]	171.9	175.0	177.4	176.1
40 Institution-only	36.2	48.4	43.2	62.7	65.0	62.2	59.5	59.6
Large denomination time deposits[10]								
41 Commercial Banks[11]	252.1	266.2	228.5	265.9	263.1	263.9	269.8	270.3
42 Thrift institutions	54.3	66.2	100.7	151.1[r]	154.1	154.9	153.3	153.4
Debt components								
43 Federal debt	830.1	991.4	1,170.2	1,364.7	1,383.1	1,397.4	1,412.0	n.a.
44 Non-federal debt	3,943.7	3,718.7	4,048.3	4,565.5	4,609.4	4,640.8	4,678.8	n.a.

For notes see following page.

NOTES TO TABLE 1.21

1. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) other checkable deposits (OCD) consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. The currency and demand deposit components exclude the estimated amount of vault cash and demand deposits respectively held by thrift institutions to service their OCD liabilities.

M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all commercial banks and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, MMDAs, savings and small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and balances in both taxable and tax-exempt general purpose and broker/dealer money market mutual funds. Excludes individual retirement accounts (IRA) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker/dealer), foreign governments and commercial banks, and the U.S. government. Also subtracted is a consolidation adjustment that represents the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposits.

M3: M2 plus large-denomination time deposits and term RP liabilities (in amounts of $100,000 or more) issued by commercial banks and thrift institutions, term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and balances in both taxable and tax-exempt, institution-only money market mutual funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also subtracted is a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper and bankers acceptances, net of money market mutual fund holdings of these assets.

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. The source of data on domestic nonfinancial debt is the Federal Reserve Board's flow of funds accounts. Debt data are on an end-of-month basis.

2. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of commercial banks. Excludes the estimated amount of vault cash held by thrift institutions to service their OCD liabilities.

3. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

4. Demand deposits at commercial banks and foreign-related institutions other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float. Excludes the estimated amount of demand deposits held at commercial banks by thrift institutions to service their OCD liabilities.

5. Consists of NOW and ATS balances at all depository institutions, credit union share draft balances, and demand deposits at thrift institutions. Other checkable deposits seasonally adjusted equals the difference between the seasonally adjusted sum of demand deposits plus OCD and seasonally adjusted demand deposits. Included are all ceiling free "Super NOWs," authorized by the Depository Institutions Deregulation committee to be offered beginning Jan. 5, 1983.

6. Sum of overnight RPs and overnight Eurodollars, money market fund balances (general purpose and broker/dealer), MMDAs, and savings and small time deposits, less the consolidation adjustment that represents the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposits liabilities.

7. Sum of large time deposits, term RPs and term Eurodollars of U.S. residents, money market fund balances (institution-only), less a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds.

8. Savings deposits exclude MMDAs.

9. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than $100,000. All individual retirement accounts (IRA) and Keogh accounts at commercial banks and thrifts are subtracted from small time deposits.

10. Large-denomination time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

11. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

NOTE: Latest monthly and weekly figures are available from the Board's H.6 (508) release. Historical data are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.22 BANK DEBITS AND DEPOSIT TURNOVER

Debits are shown in billions of dollars, turnover as ratio of debits to deposits. Monthly data are at annual rates.

Bank group, or type of customer	1981[1]	1982[1]	1983[1]	1984			1985		
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
DEBITS TO	Seasonally adjusted								
Demand deposits[2]									
1 All insured banks	80,858.7	90,914.4	109,642.3	142,907.3	134,016.3	137,512.0	140,678.6	143,281.5	139,608.3
2 Major New York City banks	34,108.1	37,932.9	47,769.4	67,488.7	60,992.8	62,341.0	64,474.7	63,157.0	62,523.7
3 Other banks	46,966.5	52,981.5	61,873.1	75,418.5	73,023.5	75,171.0	76,203.9	80,124.5	77,084.6
4 ATS–NOW accounts[3]	761.0	1,036.2	1,405.5	1,698.6	1,678.5	1,677.5	1,552.0	1,618.6	1,567.0
5 Savings deposits[4]	679.6	720.3	741.4	597.2	579.1	486.0	501.3	499.8	539.2
DEPOSIT TURNOVER									
Demand deposits[2]									
6 All insured banks	285.8	324.2	379.7	486.8	448.2	453.4	468.6	471.4	456.3
7 Major New York City banks	1,116.7	1,287.6	1,528.0	2,199.6	1,917.5	1,903.0	2,008.6	1,902.2	1,967.0
8 Other banks	185.9	211.1	240.9	286.9	273.3	277.8	284.2	295.9	281.1
9 ATS–NOW accounts[3]	14.4	14.5	15.6	16.9	16.5	16.3	14.6	15.0	14.4
10 Savings deposits[4]	4.1	4.5	5.4	4.9	4.7	4.0	4.2	4.2	4.6
DEBITS TO	Not seasonally adjusted								
Demand deposits[2]									
11 All insured banks	81,197.9	91,031.8	109,517.6	141,249.5	131,791.6	140,166.0	148,880.1	129,297.2	143,154.3
12 Major New York City banks	34,032.0	38,001.0	47,707.4	64,790.2	61,148.7	64,498.9	68,203.1	57,337.4	64,188.9
13 Other banks	47,165.9	53,030.9	64,310.2	76,459.2	70,643.0	75,667.1	80,677.0	71,959.8	78,965.4
14 ATS–NOW accounts[3]	737.6	1,027.1	1,397.0	1,665.7	1,524.8	1,625.4	1,838.9	1,524.4	1,624.7
15 MMDA[5]	....	....	567.4	901.1	819.7	899.7	1,103.9	980.9	1,032.5
16 Savings deposits[4]	672.9	720.0	742.0	616.2	538.7	470.6	544.7	455.5	552.9
DEPOSIT TURNOVER									
Demand deposits[2]									
17 All insured banks	286.4	325.0	379.9	479.9	438.8	447.1	486.0	437.2	480.9
18 Major New York City banks	1,114.2	1,295.7	1,510.0	2,120.7	1,944.6	1,910.8	2,025.9	1,780.6	1,990.7
19 Other banks	186.2	211.5	240.5	289.9	262.7	270.5	295.9	273.0	297.5
20 ATS–NOW accounts[3]	14.0	14.4	15.5	16.6	14.9	15.4	17.1	14.3	14.9
21 MMDA[5]	....	....	2.8	3.7	3.2	3.4	4.0	3.4	3.5
22 Savings deposits[4]	4.1	4.5	5.4	5.1	4.4	3.9	4.6	3.9	4.7

1. Annual averages of monthly figures.
2. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.
3. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data availability starts with December 1978.
4. Excludes ATS and NOW accounts, MMDA and special club accounts, such as Christmas and vacation clubs.
5. Money market deposit accounts.

NOTE. Historical data for demand deposits are available back to 1970 estimated in part from the debits series for 233 SMSAs that were available through June 1977. Historical data for ATS–NOW and savings deposits are available back to July 1977. Back data are available on request from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

These data also appear on the Board's G.6 (406) release. For address, see inside front cover.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1984 May	1984 June	1984 July	1984 Aug.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.
	Seasonally adjusted											
1 **Total loans and securities**[2]	**1,629.8**	**1,636.6**	**1,652.6**	**1,662.1**	**1,674.8r**	**1,682.8**	**1,701.1**	**1,714.8**	**1,724.0**	**1,742.3r**	**1,758.9r**	**1,765.7**
2 U.S. government securities	257.3	253.7	256.4	257.1	258.0	257.0	259.4	260.2	260.1	265.8r	266.9r	261.1
3 Other securities	140.5	139.7	139.5	140.8	141.9	141.5	141.1	139.9	142.4r	140.8r	138.7r	140.1
4 Total loans and leases[2]	1,232.0	1,243.2	1,256.7	1,264.2	1,274.9r	1,284.3	1,300.6	1,314.7	1,321.5r	1,335.6r	1,353.3r	1,364.5
5 Commercial and industrial	448.0	452.2	455.0	458.1	460.0	463.0	467.1	468.1	468.4r	473.4r	480.4	480.9
6 Bankers acceptances held[3]	5.8	5.8	6.5	6.1	5.7	5.9	6.2	5.4	5.1	6.3	6.5	5.5
7 Other commercial and industrial	442.2	446.3	448.5	451.9	454.3	457.1	460.8	462.7	463.3r	467.1r	473.9	475.4
8 U.S. addressees[4]	430.2	434.7	436.8	440.3	443.2	446.5	450.5	453.1	453.6r	457.0r	463.6	465.1
9 Non-U.S. addressees[4]	12.0	11.7	11.6	11.6	11.1	10.6	10.3	9.6	9.7	10.2	10.3	10.3
10 Real estate	350.7	354.7	358.3	361.2	364.7r	367.7	371.8	375.6	377.9	382.1r	385.8r	389.9
11 Individual	229.0	233.0	236.3	238.5	241.3	243.5	246.7	251.0	254.6	257.7	261.9r	265.5
12 Security	30.1	28.6	28.0	26.1	28.8	30.3	30.2	31.5	31.9	31.6	32.8	35.1
13 Nonbank financial institutions	31.4	31.4	31.4	30.9	31.3	31.2	31.2	31.4	31.3	30.9	30.7	31.2
14 Agricultural	40.3	40.4	40.6	40.5	40.7	40.6	40.5	40.3	40.2	40.2	40.3	40.1
15 State and political subdivisions	37.6	38.9	40.3	41.1	41.6	41.2	42.1	44.0	46.9r	46.6	46.8	47.1
16 Foreign banks	12.3	12.3	12.2	12.0	11.5	11.4	11.7	11.4	11.3	11.4	11.1	10.7
17 Foreign official institutions	8.9	8.8	9.3	9.4	8.9	8.5	8.4	8.3	7.8	7.9	7.7	7.8
18 Lease financing receivables	14.1	14.3	14.5	14.8	15.0	15.1	15.3	15.5	15.6	15.8	16.1	16.4
19 All other loans	29.6	28.8	30.9	31.7	31.1r	31.9	35.7	37.5	35.4r	38.0r	39.6r	39.9
	Not seasonally adjusted											
20 **Total loans and securities**[2]	**1,626.6**	**1,637.6**	**1,646.7**	**1,656.1**	**1,673.2r**	**1,684.0**	**1,701.9**	**1,725.8**	**1,732.0**	**1,740.4r**	**1,755.0r**	**1,765.9**
21 U.S. government securities	259.4	257.2	256.2	255.5	255.7r	254.1	255.3	256.9	260.1r	266.8r	269.0r	266.6
22 Other securities	141.1	139.4	138.2	140.4	141.3	140.9	141.2	141.5	143.3r	141.0r	138.9r	139.7
23 Total loans and leases[2]	1,226.1	1,241.0	1,252.4	1,260.2	1,276.2r	1,289.0	1,305.5	1,327.4	1,328.7r	1,332.6r	1,347.1r	1,359.7
24 Commercial and industrial	446.8	450.9	454.3	456.1	459.9	463.8	467.3	471.2	470.3r	472.9r	480.0	481.2
25 Bankers acceptances held[3]	5.7	6.0	6.4	5.9	5.6	5.8	6.1	5.8	5.2	6.1	6.4	5.6
26 Other commercial and industrial	441.0	444.8	447.9	450.1	454.3	458.0	461.2	465.3	465.0r	466.8r	473.5r	475.5
27 U.S. addressees[4]	429.5	433.5	436.2	438.5	443.0	447.0	450.2	454.8	455.3r	457.1r	463.8	466.0
28 Non-U.S. addressees[4]	11.6	11.3	11.7	11.6	11.3	11.1	11.0	10.6	9.8	9.7	9.8	9.5
29 Real estate	349.8	354.1	357.7	361.4	365.8r	368.9	372.8	376.2	378.6r	381.7r	384.7r	388.6
30 Individual	227.2	231.3	234.7	238.3	242.3r	245.3	248.4	254.0	257.0r	257.4	259.7r	263.2
31 Security	28.9	28.5	26.6	25.4	27.7	30.2	31.7	35.2	33.0	30.8	32.2	35.0
32 Nonbank financial institutions	31.2	31.4	31.4	31.0	31.4	31.1	31.1	31.5	31.3r	30.7	30.7	31.3
33 Agricultural	40.2	40.9	41.3	41.4	41.5	41.2	40.6	40.0	39.6	39.4	39.3	39.4
34 State and political subdivisions	37.6	38.9	40.3	41.1	41.6	41.2	42.1	44.0	46.9r	46.6	46.8	47.1
35 Foreign banks	12.0	11.8	12.0	11.7	11.7	11.8	12.0	12.0	11.6	11.4	10.9	10.3
36 Foreign official institutions	8.9	8.8	9.3	9.4	8.9	8.5	8.4	8.3	7.8	7.9	7.7	7.8
37 Lease financing receivables	14.1	14.3	14.4	14.7	14.9	15.0	15.1	15.5	15.8	16.0	16.3r	16.4
38 All other loans	29.6	30.1	30.3	29.8	30.5	32.1	35.8	39.5	36.7r	37.8r	38.8r	39.3

1. Data are prorated averages of Wednesday estimates for domestically chartered insured banks, based on weekly sample reports and quarterly universe reports. For foreign-related institutions, data are averages of month-end estimates based on weekly reports from large U.S. agencies and branches and quarterly reports from all U.S. agencies and branches, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

2. Excludes loans to commercial banks in the United States.
3. Includes nonfinancial commercial paper held.
4. United States includes the 50 states and the District of Columbia.

NOTE. These data also appear in the Board's G.7 (407) release. For address, see inside front cover.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1984								1985			
	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Total nondeposit funds												
1 Seasonally adjusted[2]	109.1	99.4	100.3	103.5	106.5	107.9	112.0	108.6	102.2	113.7	116.6	105.0
2 Not seasonally adjusted	113.8	101.8	99.9	105.7	107.0	109.6	117.5	111.1	104.6	117.1	119.0	108.1
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	137.4	133.2	134.5	139.3	141.6	141.4	145.0	140.5	138.7	146.7	147.2	138.7
4 Not seasonally adjusted	142.1	135.7	134.0	141.5	142.1	143.1	150.5	143.1	141.1	150.2	149.6	141.9
5 Net balances due to foreign-related institutions, not seasonally adjusted	-28.2	-33.9	-34.2	-35.8	-35.1	-33.5	-33.1	-32.0	-36.5	-33.1	-30.6	-33.8
MEMO												
6 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[4]	-29.8	-32.9	-33.1	-35.0	-35.2	-34.2	-32.7	-31.4	-34.9	-31.8	-29.8	-32.6
7 Gross due from balances	73.5	73.8	71.2	72.8	71.5	69.8	68.3	69.0	71.4	70.6	71.5	75.0
8 Gross due to balances	43.6	40.9	38.1	37.7	36.3	35.6	35.6	37.6	36.5	38.8	41.7	42.4
9 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted[5]	1.6	-0.9	-1.0	-0.7	0.1	0.7	-0.4	-0.6	-1.6	-1.3	-0.8	-1.2
10 Gross due from balances	49.7	50.7	51.9	51.6	51.7	50.8	50.7	52.0	52.9	54.0	53.3	51.7
11 Gross due to balances	51.2	49.7	50.8	50.8	51.8	51.5	50.4	51.4	51.3	52.7	52.5	50.5
Security RP borrowings												
12 Seasonally adjusted[6]	79.6	76.1	77.5	79.9	81.4	82.0	84.0	81.1	82.3	90.1	92.0	85.4
13 Not seasonally adjusted	81.9	76.0	74.6	79.6	79.4	81.2	87.0	81.1	82.2	91.1	92.0	86.0
U.S. Treasury demand balances[7]												
14 Seasonally adjusted	13.4	14.1	12.8	13.1	16.0	8.0	17.3	16.1	14.7	13.0	11.8r	14.6
15 Not seasonally adjusted	12.8	12.4	11.9	10.3	17.5	11.0	10.4	12.5	18.5	15.8	12.8	15.3
Time deposits, $100,000 or more[8]												
16 Seasonally adjusted	302.2	309.9	314.8	314.2	315.4	321.4	323.0	325.8	324.8	325.4r	329.9r	332.6
17 Not seasonally adjusted	300.2	309.0	313.7	315.6	316.8	322.2	322.9	327.3	325.6	324.9	330.3r	330.1

1. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.
2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars. Includes averages of Wednesday data for domestically chartered banks and averages of current and previous month-end data for foreign-related institutions.
3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans.
4. Averages of daily figures for member and nonmember banks.
5. Averages of daily data.
6. Based on daily average data reported by 122 large banks.
7. Includes U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.
8. Averages of Wednesday figures.

NOTE. These data also appear in the Board's G.10 (411) release. For address see inside front cover.

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKING INSTITUTIONS Last-Wednesday-of-Month Series

Billions of dollars

Account	1983	1984						1985			
	Dec.	July	Aug.	Sept.[r]	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.
ALL COMMERCIAL BANKING INSTITUTIONS[1]											
1 Loans and securities	1,680.6[2]	1,765.3	1,784.5	1,798.3	1,822.7	1,822.7	1,864.0	1,854.6	1,874.4	1,879.1	1,895.9
2 Investment securities	n.a.	378.2	376.2	377.2	375.2	374.4	377.5	380.9	382.0	383.5	383.4
3 U.S. government securities	n.a.	246.5	243.5	243.4	241.2	240.4	242.5	245.0	248.0	250.9	250.0
4 Other	n.a.	131.7	132.7	133.8	134.0	133.9	134.9	136.0	134.0	132.6	133.4
5 Trading account assets	n.a.	15.7	20.0	20.9	22.5	21.9	22.9	24.2	27.6	23.7	23.5
6 Total loans	1,249.3[2]	1,371.4	1,388.4	1,400.2	1,424.9	1,426.4	1,463.7	1,449.5	1,464.8	1,471.9	1,489.0
7 Interbank loans	111.4[2]	118.6	127.1	123.3	126.1	122.6	126.9	125.2	128.6	124.3	130.7
8 Loans excluding interbank	1,137.9[2]	1,252.8	1,261.2	1,276.9	1,298.8	1,303.8	1,336.8	1,324.3	1,336.2	1,347.6	1,358.3
9 *Commercial and industrial*	419.4	454.4	455.2	459.8	467.7	468.7	476.8	470.0	476.8	482.7	481.5
10 Real estate	332.4	356.8	361.8	366.6	369.8	374.4	377.7	380.7	382.6	386.1	389.8
11 Individual	217.6	235.2	240.0	243.3	247.1	249.6	255.5	257.4	258.1	260.4	264.2
12 All other	168.5[2]	206.5	204.2	207.3	214.2	211.1	226.8	216.1	218.7	218.3	222.8
13 Total cash assets	219.6	179.1	177.3	181.0	188.0	188.4	201.9	187.8	189.2	183.7	187.3
14 Reserves with Federal Reserve Banks	23.5	19.4	17.4	18.0	18.1	20.4	20.5	20.9	19.6	20.0	22.9
15 Cash in vault	23.4	21.6	22.2	21.6	21.4	23.9	23.3	21.9	21.8	21.3	21.3
16 *Cash items in process of collection*	73.2	60.2	60.7	63.2	70.2	66.5	75.9	66.9	68.8	63.9	64.1
17 Demand balances at U.S. depository institutions	99.5	29.3	29.5	30.8	32.0	30.9	34.5	30.8	32.2	31.6	30.1
18 Other cash assets		48.6	47.5	47.4	46.3	46.7	47.7	47.3	46.7	46.9	48.9
19 Other assets	193.6	191.3	190.6	196.8	201.6	190.1	196.8	191.9	195.2	192.5	188.7
20 Total assets/total liabilities and capital	**2,093.8**	**2,135.6**	**2,152.4**	**2,176.1**	**2,212.2**	**2,201.2**	**2,262.6**	**2,234.2**	**2,258.8**	**2,255.3**	**2,272.0**
21 Deposits	1,508.9	1,535.5	1,539.0	1,549.9	1,578.9	1,578.2	1,631.2	1,604.5	1,617.9	1,625.1	1,636.4
22 Transaction deposits	374.6[2]	441.4	440.0	442.3	462.7	453.1	491.1	456.9	459.3	457.6	465.3
23 Savings deposits	457.2[2]	368.5	365.1	364.9	371.1	378.1	386.3	400.0	406.8	409.8	409.4
24 Time deposits	677.1	725.6	734.0	742.7	745.0	747.0	753.8	747.5	751.8	757.7	761.7
25 Borrowings	273.2[2]	292.0	301.5	307.1	314.3	298.8	304.1	306.7	309.0	300.2	309.8
26 Other liabilities	164.4[2]	167.9	169.7	172.9	175.1	179.4	181.1	174.2	182.6	180.7	175.3
27 Residual (assets less liabilities)	147.3[2]	140.2	142.1	146.2	144.0	144.8	146.2	148.9	149.3	149.4	150.5
MEMO											
28 U.S. government securities (including *trading account*)	254.1[2]	255.6	255.1	255.5	256.3	255.2	256.9	262.0	269.5	268.4	266.4
29 Other securities (including trading account)	177.2[2]	138.3	141.0	142.7	141.5	141.1	143.4	143.1	140.1	138.8	140.6
DOMESTICALLY CHARTERED COMMERCIAL BANKS[3]											
30 Loans and securities	1,591.3[2]	1,676.7	1,688.4	1,707.4	1,728.5	1,726.7	1,765.4	1,759.6	1,774.6	1,781.9	1,796.4
31 Investment securities	n.a.	371.2	369.1	369.8	367.9	367.5	370.5	373.7	374.7	376.6	376.7
32 U.S. government securities	n.a.	241.4	238.5	238.4	236.1	235.8	237.9	240.2	243.2	246.6	246.0
33 Other	n.a.	129.8	130.7	131.5	131.8	131.6	132.6	133.5	131.5	130.0	130.6
34 Trading account assets	n.a.	15.7	20.0	20.9	22.5	21.9	22.9	24.2	27.6	23.7	23.5
35 Total loans	1,167.4[2]	1,289.8	1,299.4	1,316.6	1,338.0	1,337.3	1,372.1	1,361.7	1,372.3	1,381.6	1,396.2
36 Interbank loans	87.0[2]	95.2	97.6	99.9	103.3	96.1	102.8	100.6	100.9	99.9	103.1
37 *Loans excluding interbank*	1,080.4[2]	1,194.6	1,201.8	1,216.7	1,234.7	1,241.2	1,269.3	1,261.2	1,271.4	1,281.6	1,293.1
38 Commercial and industrial	381.3[2]	414.0	414.5	418.7	423.0	424.7	430.2	425.7	431.5	435.5	436.0
39 Real estate	327.2	353.1	358.0	362.3	365.5	369.1	372.1	375.1	377.3	380.9	384.5
40 Individual	217.4	235.1	239.8	243.1	246.9	249.4	255.3	257.2	257.9	260.2	263.9
41 All other	154.6[2]	192.4	189.6	192.5	199.3	198.0	211.7	203.1	204.8	205.0	208.7
42 Total cash assets	207.0	166.7	165.9	169.0	176.6	176.8	190.3	175.7	177.8	172.5	175.7
43 Reserves with Federal Reserve Banks	19.9	18.0	16.7	17.4	17.1	19.7	19.2	20.2	18.7	19.2	22.3
44 Cash in vault	23.4	21.6	22.2	21.6	21.4	23.9	23.3	21.9	21.8	21.3	21.3
45 Cash items in process of collection	73.0	60.1	60.5	63.0	69.9	66.3	75.7	66.7	68.5	63.7	63.9
46 Demand balances at U.S. depository institutions	90.8	27.9	28.2	29.4	30.7	29.4	32.9	29.5	30.9	30.3	28.7
47 Other cash assets		39.2	38.3	37.7	37.5	37.5	39.3	37.5	37.9	38.0	39.5
48 Other assets	150.4	138.9	140.6	141.2	147.9	139.7	142.1	137.6	139.0	137.2	137.6
49 Total assets/total liabilities and capital	**1,948.7**	**1,982.3**	**1,995.0**	**2,017.6**	**2,053.1**	**2,043.2**	**2,097.8**	**2,072.9**	**2,091.4**	**2,091.7**	**2,109.7**
50 Deposits	1,468.1	1,495.4	1,500.3	1,510.9	1,539.1	1,538.0	1,587.8	1,561.8	1,573.7	1,580.5	1,591.7
51 Transaction deposits	368.5[2]	434.8	433.7	435.9	456.2	446.8	484.5	450.6	452.9	451.4	458.9
52 Savings deposits	456.6[2]	367.5	364.2	363.9	370.1	377.1	385.2	398.9	405.6	408.6	408.3
53 Time deposits	643.0	693.1	702.4	711.1	712.8	714.1	718.1	712.3	715.2	720.5	724.5
54 Borrowings	214.1[2]	228.0	236.0	243.5	251.3	240.9	243.1	246.5	247.0	239.9	247.9
55 Other liabilities	122.3[2]	121.5	119.3	119.7	120.5	122.3	123.5	118.4	124.2	124.7	122.3
56 Residual (assets less liabilities)	144.1[2]	137.4	139.3	143.4	142.1	142.0	143.4	146.1	146.5	146.6	147.8

1. Commercial banking institutions include insured domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations.
2. Data are not comparable with those of later dates. See the Announcements section of the March 1985 BULLETIN for a description of the differences.
3. Insured domestically chartered commercial banks include all member banks and insured nonmember banks.

NOTE. Figures are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Loan and securities data for domestically chartered commercial banks are estimates for the last Wednesday of the month based on a sample of weekly reporting banks and quarter-end condition report data. Data for other banking institutions are estimates made for the last Wednesday of the month based on a weekly reporting *sample of foreign-related institutions and quarter-end condition reports.*

1.26 ALL LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of $1.4 Billion or More on December 31, 1982, Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1985								
	Mar. 13	Mar. 20	Mar. 27	Apr. 3	Apr. 10	Apr. 17	Apr. 24	May 1	May 8
1 Cash and balances due from depository institutions	94,050	91,000r	87,182r	92,427r	92,705r	97,789	89,499	105,047	90,317
2 **Total loans, leases and securities, net**	**829,742**	**827,169r**	**829,288r**	**836,335r**	**832,760r**	**837,989**	**834,758**	**846,151**	**838,794**
3 U.S. Treasury and government agency	90,327	86,954	86,950	87,428	86,111	86,882	85,471	84,150	85,607
4 Trading account	20,417	17,652	17,512	17,316	16,040	17,360	16,344	14,750	15,533
5 Investment account, by maturity	69,910	69,302	69,438	70,112	70,071	69,522	69,127	69,401	70,073
6 One year or less	21,687	21,043	21,211	21,576	21,579	21,132	20,753	20,860	20,902
7 Over one through five years	35,002	35,224	35,213	35,254	34,884	34,772	34,074	34,520	35,246
8 Over five years	13,220	13,035	13,013	13,282	13,608	13,618	14,300	14,020	13,925
9 Other securities	46,710	46,742	47,143	45,845	45,814	48,792	48,785	48,909	48,431
10 Trading account	3,248	3,610	3,802	2,614	2,534	5,131	4,862	5,112	4,263
11 Investment account	43,463	43,132	43,341	43,231	43,280	43,661	43,922	43,798	44,167
12 States and political subdivisions, by maturity	38,886	38,577	38,737	38,471	38,518	38,865	38,959	38,903	39,111
13 One year or less	4,922	4,559	4,542	4,543	4,527	4,728	4,723	4,851	4,896
14 Over one year	33,964	34,018	34,195	33,928	33,991	34,137	34,236	34,052	34,214
15 Other bonds, corporate stocks, and securities	4,577	4,556	4,604	4,761	4,762	4,796	4,963	4,894	5,057
16 Other trading account assets	3,047	2,490	2,427	3,018	2,980	2,905	2,309	3,101	3,061
17 Federal funds sold[1]	51,504	48,994	51,804	54,904	56,572	52,697	53,292	57,708	51,816
18 To commercial banks	35,205	33,478	36,335	38,245	40,639	35,762	36,430	40,271	35,225
19 To nonbank brokers and dealers in securities	11,514	10,368	10,281	11,080	11,091	12,055	10,775	12,056	10,754
20 To others	4,785	5,148	5,187	5,579	4,842	4,879	6,086	5,381	5,837
21 Other loans and leases, gross[2]	654,985	658,794r	657,582r	661,818r	658,018r	663,493	661,703	669,171	666,842
22 Other loans, gross[2]	641,780	645,589r	644,386r	648,570r	644,752r	650,230	648,260	655,683	653,322
23 Commercial and industrial[2]	254,941r	255,877r	255,670	256,344r	254,377r	254,784	253,810	254,891	255,807
24 Bankers acceptances and commercial paper	4,138	3,758	3,795	3,724r	3,503r	3,042	2,645	2,724	2,389
25 All other	250,803r	252,120r	251,875	252,620	250,875r	251,742	251,166	252,167	253,418
26 U.S. addressees	245,086r	246,352r	246,263	247,078	245,240r	246,232	245,684	246,770	248,018
27 Non-U.S. addressees	5,717	5,768	5,612	5,542	5,634	5,510	5,481	5,397	5,400
28 Real estate loans[2]	164,360	164,306	164,536	164,469	164,872	165,203	165,662	166,255	166,332
29 To individuals for personal expenditures	115,693	115,946r	116,272r	116,542r	116,769r	117,653	118,302	118,878	119,023
30 To depository and financial institutions	39,254	39,492	38,550	39,646r	39,189r	39,407	39,672	41,446	40,663
31 *Commercial banks in the United States*	9,774	9,883	9,855	10,079r	9,739r	10,182	10,840	11,841	11,394
32 Banks in foreign countries	5,846	5,888	5,381	5,528r	5,488r	5,256	5,109	5,265	5,508
33 Nonbank depository and other financial institutions	23,634	23,722	23,314	24,040r	23,962	23,968	23,723	24,340	23,760
34 For purchasing and carrying securities	13,857	15,684	14,952	16,496	15,352	18,438	16,663	18,737	17,502
35 To finance agricultural production	6,985r	7,056r	7,076	7,018	7,036	7,086	7,119	7,111	7,130
36 To states and political subdivisions	29,563	29,725	29,766	29,631	29,779	29,750	29,880	29,949	29,988
37 To foreign governments and official institutions	3,640	3,646	3,839	3,876	3,890	3,875	3,859	3,760	3,646
38 All other	13,487	13,856	13,725	14,549	13,485r	14,034	13,293	14,655	13,230
39 Lease financing receivables	13,205	13,204	13,196	13,249	13,267	13,262	13,442	13,488	13,521
40 LESS: Unearned income	5,274	5,264	5,293	5,223	5,238	5,241	5,257	5,218	5,208
41 Loan and lease reserve[2]	11,556	11,540r	11,325	11,457	11,497	11,537	11,544	11,671	11,755
42 Other loans and leases, net[2]	638,154	641,989r	640,964r	645,139r	641,284r	646,714	644,902	652,282	649,880
43 All other assets	128,705	129,475r	128,863r	133,980r	131,698r	131,248	129,025	130,326	127,541
44 **Total assets**	**1,052,497**	**1,047,644r**	**1,045,333r**	**1,062,742r**	**1,057,164r**	**1,067,026**	**1,053,282**	**1,081,524**	**1,056,652**
45 Demand deposits	181,664	185,050r	182,371r	194,813r	187,907r	193,048	182,742	204,544	182,638
46 Individuals, partnerships, and corporations	141,993	140,179r	139,194r	145,352r	144,190r	147,564	139,035	154,030	138,811
47 States and political subdivisions	4,408	5,169	4,719	4,693	5,074	5,659	5,256	6,184	4,714
48 U.S. government	1,156	4,040	2,581	4,512	2,471	1,874	3,555	1,491	2,595
49 Depository institutions in United States	20,259	21,428r	21,511	23,456	20,695r	23,570	20,877	25,346	21,549
50 Banks in foreign countries	4,989	5,429	5,302	6,050	5,496r	5,122	4,921	5,719	5,901
51 Foreign governments and official institutions	690	776	810	850	981	902	937	1,175	889
52 Certified and officers' checks	8,169	8,029	8,254	9,900	9,000	8,357	8,159	10,598	8,179
53 Transaction balances other than demand deposits	36,597	36,409	36,111	38,852	39,100	40,518	37,681	36,878	37,070
54 Nontransaction balances	462,460	463,404	464,684	465,610	465,372	464,520	464,676	463,948	465,132
55 Individuals, partnerships and corporations	426,942	427,898	428,769r	430,603r	429,999r	428,788	428,262	427,916	428,655
56 States and political subdivisions	23,170	23,452	23,680r	22,952r	23,279r	23,501	24,235	23,977	24,432
57 U.S. government	355	349	347	342	350	316	333	342	386
58 Depository institutions in the United States	9,242	8,991	9,169r	9,073	9,226	9,327	9,321	9,205	9,212
59 Foreign governments, official institutions and banks	2,750	2,714	2,720	2,640	2,517	2,588	2,525	2,508	2,448
60 Liabilities for borrowed money	199,639	193,034	191,960	193,630r	194,180r	200,800	198,541	203,437	204,307
61 Borrowings from Federal Reserve Banks	5,521	1,043	....	500	3,175	925	977	700	70
62 Treasury tax-and-loan notes	2,164	8,675	7,106	4,597	92	13,583	15,439	15,935	15,948
63 All other liabilities for borrowed money[3]	191,954	183,316	184,854	188,532r	190,913r	186,291	182,125	186,801	188,289
64 Other liabilities and subordinated note and debentures	98,458	96,391	96,870r	96,005r	96,513r	94,270	95,781	98,550	93,200
65 **Total liabilities**	**978,817**	**974,288r**	**971,996r**	**988,910r**	**983,072r**	**993,156**	**979,422**	**1,007,357**	**982,348**
66 Residual (total assets minus total liabilities)[4]	73,679	73,357	73,337	73,832	74,092	73,870	73,860	74,167	74,304
MEMO									
67 Total loans and leases (gross) and investments adjusted[5]	801,594	800,613r	799,716r	804,690r	799,117r	808,823	804,289	810,928	809,138
68 Total loans and leases (gross) adjusted[2,5]	661,510	664,427r	663,196r	668,399r	664,212r	670,245	667,724	674,767	672,040
69 Time deposits in amounts of $100,000 or more	156,691r	156,978	157,742	156,796	156,047	155,639	156,658	155,419	155,930
70 Loans sold outright to affiliates—total[6]	2,855r	2,905r	2,836r	2,863r	2,862r	2,834	2,800	2,805	2,768
71 Commercial and industrial	1,926r	1,982r	1,935r	1,970r	1,967r	1,933	1,902	1,922	1,875
72 Other	929	923	900	893	894	901	898	882	894
73 Nontransaction savings deposits (including MMDAs)	176,492	176,916	177,132	178,585	178,696	177,396	176,467	176,773	177,473

1. Includes securities purchased under agreements to resell.
2. Levels of major loan items were affected by the Sept. 26, 1984 transaction between Continental Illinois National Bank and the Federal Deposit Insurance Corporation. For details see the H.4.2 statistical release dated Oct. 5, 1984.
3. Includes federal funds purchased and securities sold under agreements to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec. 31, 1977, see table 1.13.
4. This is not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.
5. Exclusive of loans and federal funds transactions with domestic commercial banks.
6. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.

NOTE. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.

1.28 LARGE WEEKLY REPORTING COMMERCIAL BANKS IN NEW YORK CITY Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1985								
	Mar. 13	Mar. 20	Mar. 27	Apr. 3	Apr. 10	Apr. 17	Apr. 24	May 1	May 8
1 Cash and balances due from depository institutions	24,355	22,556	20,303	21,876	22,600	22,779	20,337	27,343	23,523
2 **Total loans, leases and securities, net**[1]	**176,578**	**175,223**	**174,424**	**176,765**	**175,284**	**175,425**	**174,972**	**183,291**	**178,733**
Securities									
3 U.S. Treasury and government agency[2]	......	......	......	......	......	......	......	......	......
4 Trading account[2]	......	......	......	......	......	......	......	......	......
5 Investment account, by maturity	13,335	13,411	13,365	13,404	13,335	12,557	12,210	12,020	12,295
6 One year or less	2,257	2,276	2,255	2,293	2,321	1,847	1,803	1,683	1,664
7 Over one through five years	9,447	9,527	9,494	9,365	9,280	8,895	8,652	8,546	8,840
8 Over five years	1,631	1,609	1,615	1,747	1,734	1,815	1,754	1,790	1,791
9 Other securities[2]	......	......	......	......	......	......	......	......	......
10 Trading account[2]	......	......	......	......	......	......	......	......	......
11 Investment account	9,254	9,137	9,194	9,171	9,231	9,489	9,530	9,560	9,674
12 States and political subdivisions, by maturity	8,360	8,269	8,349	8,291	8,354	8,598	8,612	8,603	8,643
13 One year or less	995	909	933	908	910	1,082	1,092	1,227	1,227
14 Over one year	7,365	7,360	7,416	7,383	7,444	7,516	7,520	7,376	7,416
15 Other bonds, corporate stocks and securities	894	868	845	880	877	890	918	957	1,031
16 Other trading account assets[2]	......	......	......	......	......	......	......	......	......
Loans and leases									
17 Federal funds sold[3]	22,388	19,894	20,082	20,452	21,640	19,090	20,593	24,788	21,200
18 To commercial banks	13,590	11,735	11,936	11,175	13,469	9,548	11,092	14,804	11,461
19 To nonbank brokers and dealers in securities	5,812	4,822	4,760	5,558	5,330	6,533	5,316	6,759	5,744
20 To others	2,986	3,338	3,386	3,719	2,841	3,008	4,185	3,225	3,996
21 Other loans and leases, gross	136,541	137,709	136,667	138,536	135,944	139,156	137,506	141,783	140,471
22 Other loans, gross	134,274	135,435	134,404	136,279	133,671	136,878	135,044	139,320	138,005
23 Commercial and industrial	61,824	62,146	61,840	61,988	61,210	61,926	61,240	62,063	62,552
24 Bankers acceptances and commercial paper	902	773	825	800	798	700	614	665	656
25 All other	60,922	61,373	61,016	61,188	60,412	61,226	60,626	61,398	61,897
26 U.S. addressees	60,265	60,712	60,359	60,533	59,729	60,556	59,978	60,752	61,227
27 Non-U.S. addressees	656	660	657	654	683	670	648	646	670
28 Real estate loans	25,328	25,359	25,486	25,268	25,359	25,392	25,623	25,697	25,800
29 To individuals for personal expenditures	16,125	16,185	16,251	16,320	16,357	16,481	16,577	16,682	16,789
30 To depository and financial institutions	11,390	11,467	10,932	11,711	11,129	11,215	11,101	12,329	11,920
31 Commercial banks in the United States	1,973	1,976	1,975	2,425	1,920	2,153	2,255	2,774	2,432
32 Banks in foreign countries	1,989	2,026	1,782	1,990	2,035	1,884	1,633	1,919	2,212
33 Nonbank depository and other financial institutions	7,427	7,464	7,174	7,296	7,174	7,179	7,213	7,636	7,276
34 For purchasing and carrying securities	7,054	7,682	7,219	8,307	7,064	9,276	7,956	9,766	8,680
35 To finance agricultural production	438	472	486	466	487	478	444	435	435
36 To states and political subdivisions	7,910	7,886	7,915	7,842	7,874	7,868	7,894	7,938	7,943
37 To foreign governments and official institutions	793	799	788	840	900	918	925	839	788
38 All other	3,413	3,439	3,487	3,536	3,289	3,324	3,284	3,569	3,097
39 Lease financing receivables	2,267	2,274	2,264	2,257	2,273	2,278	2,462	2,463	2,466
40 LESS: Unearned income	1,490	1,488	1,505	1,457	1,470	1,466	1,470	1,441	1,446
41 Loan and lease reserve	3,450	3,440	3,379	3,341	3,396	3,400	3,396	3,418	3,462
42 Other loans and leases, net	131,601	132,781	131,783	133,738	131,078	134,289	132,640	136,924	135,564
43 All other assets[4]	67,786	67,642	68,061	68,778	66,996	70,312	67,797	66,731	64,716
44 **Total assets**	**268,720**	**265,421**	**262,788**	**267,420**	**264,880**	**268,516**	**263,106**	**277,366**	**266,972**
Deposits									
45 Demand deposits	44,348	47,193	44,275	47,910	46,144	46,230	45,098	54,385	44,757
46 Individuals, partnerships, and corporations	31,420	32,189	30,741	31,732	31,702	32,036	30,916	37,065	29,828
47 States and political subdivisions	687	799	615	665	657	704	876	926	778
48 U.S. government	166	841	548	853	428	270	611	177	537
49 Depository institutions in the United States	4,028	4,896	4,683	5,058	4,127	5,209	4,520	5,871	4,508
50 Banks in foreign countries	3,675	4,146	3,984	4,665	4,226	3,802	3,662	4,323	4,557
51 Foreign governments and official institutions	510	526	610	674	811	721	756	1,003	717
52 Certified and officers' checks	3,862	3,795	3,093	4,262	4,192	3,487	3,756	5,020	3,832
53 Transaction balances other than demand deposits ATS, NOW, Super NOW, telephone transfers)	3,830	3,823	3,794	4,133	4,233	4,486	4,124	3,958	3,919
54 Nontransaction balances	84,581	84,715	84,555	84,935	84,642	84,820	84,963	85,608	85,688
55 Individuals, partnerships and corporations	76,478	76,760	76,552	77,235	77,038	76,963	76,977	77,568	77,508
56 States and political subdivisions	4,037	4,044	4,011	3,887	3,860	4,149	4,197	4,208	4,440
57 U.S. government	69	65	65	62	61	60	67	66	66
58 Depository institutions in the United States	2,537	2,386	2,466	2,354	2,360	2,324	2,418	2,469	2,454
59 Foreign governments, official institutions and banks	1,460	1,460	1,461	1,397	1,324	1,324	1,304	1,298	1,220
60 Liabilities for borrowed money	68,962	64,374	65,248	65,241	64,412	67,946	63,121	66,421	68,760
61 Borrowings from Federal Reserve Banks	2,776	......	......	......	950	......	......	......	......
62 Treasury tax-and-loan notes	524	2,446	1,765	1,072	9	3,876	4,129	4,306	4,144
63 All other liabilities for borrowed money[5]	65,662	61,928	63,483	64,169	63,453	64,069	58,992	62,115	64,615
64 Other liabilities and subordinated note and debentures	43,442	41,946	41,621	41,669	41,864	41,535	42,331	43,468	40,308
65 **Total liabilities**	**245,164**	**242,052**	**239,494**	**243,888**	**241,296**	**245,017**	**239,637**	**253,840**	**243,432**
66 Residual (total assets minus total liabilities)[6]	23,556	23,369	23,294	23,532	23,584	23,499	23,469	23,526	23,539
MEMO									
67 Total loans and leases (gross) and investments adjusted[1,7]	165,955	166,440	165,396	167,963	164,761	168,590	166,491	170,573	169,747
68 Total loans and leases (gross) adjusted[7]	143,366	143,892	142,838	145,388	142,195	146,544	144,752	148,993	147,778
69 Time deposits in amounts of $100,000 or more	33,436	33,395	33,173	33,083	32,582	32,981	33,441	33,546	33,842

1. Excludes trading account securities.
2. Not available due to confidentiality.
3. Includes securities purchased under agreements to resell.
4. Includes trading account securities.
5. Includes federal funds purchased and securities sold under agreements to repurchase.
6. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.
7. Exclusive of loans and federal funds transactions with domestic commercial banks.

NOTE. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.

1.30 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS WITH ASSETS OF $750 MILLION OR MORE ON JUNE 30, 1980 Assets and Liabilities ▲

Millions of dollars, Wednesday figures

Account	1985								
	Mar. 13	Mar. 20	Mar. 27	Apr. 3	Apr. 10	Apr. 17	Apr. 24	May 1	May 8
1 Cash and due from depository institutions	6,484	6,346	6,152	6,296	6,751	6,466	6,621	6,717	6,921
2 Total loans and securities	44,208	45,032	46,013	44,734r	44,820r	43,667	46,339	45,826	44,862
3 U.S. Treasury and govt. agency securities	3,445	3,581	3,630	3,466	3,461	3,620	3,431	3,379	3,439
4 Other securities	1,471	1,460	1,442	1,542	1,575	1,626	1,629	1,674	1,642
5 Federal funds sold[1]	4,564	4,035	4,582	3,172	4,002	3,431	5,262	4,911	4,246
6 To commercial banks in the United States	4,118	3,661	4,186	2,673	3,611	3,113	4,916	4,473	3,837
7 To others	446	374	396	500	390	318	346	438	409
8 Other loans, gross	34,727	35,956	36,359	36,554r	35,782r	34,990	36,016	35,862	35,535
9 Commercial and industrial	20,004	21,272	21,405	21,415r	21,328r	20,566	20,620	20,899	20,639
10 Bankers acceptances and commercial paper	1,843	1,871	1,798	1,967r	1,927r	2,031	1,962	1,896	1,776
11 All other	18,161	19,401	19,607	19,448r	19,400	18,535	18,657	19,003	18,863
12 U.S. addressees	16,925	18,163	18,383	18,195r	18,195	17,406	17,539	17,902	17,743
13 Non-U.S. addressees	1,236	1,238	1,224	1,253	1,205	1,129	1,119	1,102	1,119
14 To financial institutions	11,013	11,081	11,344	11,416	10,604	10,587	11,334	10,916	10,832
15 Commercial banks in the United States	8,855	8,893	8,929	9,055	8,374	8,441	8,906	8,545	8,497
16 Banks in foreign countries	1,262	1,256	1,258	1,332	1,166	1,132	1,191	1,098	1,080
17 Nonbank financial institutions	896	932	1,156	1,029	1,063	1,014	1,237	1,273	1,255
18 To foreign govts. and official institutions	653	654	651	660	685	694	686	678	680
19 For purchasing and carrying securities	896	870	939	1,047	1,084	1,039	1,243	1,323	1,275
20 All other	2,161	2,077	2,020	2,016r	2,082	2,104	2,134	2,045	2,108
21 Other assets (claims on nonrelated parties)	19,061	18,864	18,282	17,940	17,969r	18,009	18,418	18,572	18,778
22 Net due from related institutions	9,871	10,904	9,786	11,689	10,664	10,490	9,952	10,292	10,360
23 Total assets	79,623	81,146	80,233	80,659r	80,205r	78,632	81,329	81,408	80,920
24 Deposits or credit balances due to other than directly related institutions	25,019	24,934	25,479	25,326	24,978r	25,076	25,180	25,100	24,122
25 Credit balances	130	128	152	253	135	177	188	139	135
26 Demand deposits	1,640	1,601	1,630	1,692	1,528r	1,632	1,629	1,812	1,574
27 Individuals, partnerships, and corporations	822	809	844	871	836	888	872	982	825
28 Other	817	792	786	821	692r	743	757	830	749
29 Time and savings deposits	23,249	23,205	23,697	23,380	23,315r	23,267	23,363	23,149	22,412
30 Individuals, partnerships, and corporations	18,949	18,965	19,396	18,981	18,783r	18,648	18,764	18,370	17,775
31 Other	4,300	4,240	4,301	4,399	4,532	4,619	4,599	4,778	4,636
32 Borrowings from other than directly related institutions	27,122	28,257	28,450	30,304	29,532	28,641	29,207	29,706	29,874
33 Federal funds purchased[2]	9,851	11,421	11,212	13,262	12,547	11,481	11,704	12,474	12,484
34 From commercial banks in the United States	7,516	8,913	8,397	10,948	10,237	9,218	9,659	9,966	10,166
35 From others	2,335	2,508	2,815	2,314	2,310	2,263	2,045	2,507	2,318
36 *Other liabilities for borrowed money*	17,270	16,836	17,238	17,042	16,985	17,159	17,502	17,232	17,390
37 To commercial banks in the United States	15,920	15,604	15,953	15,889	15,823	15,934	16,256	16,006	16,080
38 To others	1,351	1,232	1,285	1,153	1,162	1,225	1,246	1,226	1,309
39 Other liabilities to nonrelated parties	20,813	20,508	20,606	19,833	19,689	19,786	20,277	20,514	20,749
40 Net due to related institutions	6,669	7,447	5,698	5,197r	6,006r	5,130	6,665	6,088	6,175
41 Total liabilities	79,623	81,146	80,233	80,659r	80,205r	78,632	81,329	81,408	80,920
MEMO									
42 Total loans (gross) and securities adjusted[3]	31,234	32,478	32,897	33,006r	32,835r	32,112	32,517	32,807	32,527
43 Total loans (gross) adjusted[3]	26,318	27,437	27,826	27,998r	27,798r	26,867	27,456	27,755	27,446

▲ Levels of many asset and liability items were revised beginning Oct. 31, 1984. For details, see the H.4.2 (504) statistical release dated Nov. 23, 1984.

1. Includes securities purchased under agreements to resell.
2. Includes securities sold under agreements to repurchase.
3. Exclusive of loans to and federal funds sold to commercial banks in the United States.

NOTE. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.

1.31 GROSS DEMAND DEPOSITS Individuals, Partnerships, and Corporations[1]

Billions of dollars, estimated daily-average balances

Type of holder	1979[2] Dec.	1980 Dec.	1981 Dec.	1982 Dec.	1983 Sept.	1983 Dec.	1984 Mar.	1984 June	1984 Sept.	1984 Dec.
	Commercial banks									
1 **All holders—Individuals, partnerships, and corporations**	**302.3**	**315.5**	**288.9**	**291.8**	**280.3**	**293.5**	**279.3**	**285.8**	**284.7**	**304.5**
2 Financial business	27.1	29.8	28.0	35.4	32.1	32.8	31.7	31.7	31.3	33.0
3 Nonfinancial business	157.7	162.8	154.8	150.5	150.2	161.1	150.3	154.9	154.8	166.3
4 Consumer	99.2	102.4	86.6	85.9	77.9	78.5	78.1	78.3	78.4	81.7
5 Foreign	3.1	3.3	2.9	3.0	2.9	3.3	3.3	3.4	3.3	3.6
6 Other	15.1	17.2	16.7	17.0	17.1	17.8	15.9	17.4	16.8	19.9
	Weekly reporting banks									
	1979[3] Dec.	1980 Dec.	1981 Dec.	1982 Dec.	1983 Sept.	1983 Dec.[4]	1984 Mar.	1984 June	1984 Sept.	1984 Dec.
7 **All holders—Individuals, partnerships, and corporations**	**139.3**	**147.4**	**137.5**	**144.2**	**136.3**	**146.2**	**139.2**	**145.3**	**145.3**	**157.1**
8 Financial business	20.1	21.8	21.0	26.7	23.6	24.2	23.5	23.6	23.7	25.3
9 Nonfinancial business	74.1	78.3	75.2	74.3	72.9	79.8	76.4	79.7	79.2	87.1
10 Consumer	34.3	35.6	30.4	31.9	28.1	29.7	28.4	29.9	29.8	30.5
11 Foreign	3.0	3.1	2.8	2.9	2.8	3.1	3.2	3.2	3.2	3.4
12 Other	7.8	8.6	8.0	8.4	8.9	9.3	7.7	8.9	9.3	10.9

1. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466.
2. Beginning with the March 1979 survey, the demand deposit ownership survey sample was reduced to 232 banks from 349 banks, and the estimation procedure was modified slightly. To aid in comparing estimates based on the old and new reporting sample, the following estimates in billions of dollars for December 1978 have been constructed using the new smaller sample; financial business, 27.0; nonfinancial business, 146.9; consumer, 98.3; foreign, 2.8; and other, 15.1.
3. After the end of 1978 the large weekly reporting bank panel was changed to 170 large commercial banks, each of which had total assets in domestic offices exceeding $750 million as of Dec. 31, 1977. Beginning in March 1979, demand deposit ownership estimates for these large banks are constructed quarterly on the basis of 97 sample banks and are not comparable with earlier data. The following estimates in billions of dollars for December 1978 have been constructed for the new large-bank panel; financial business, 18.2; nonfinancial business, 67.2; consumer, 32.8; foreign, 2.5; other, 6.8.
4. In January 1984 the weekly reporting panel was revised; it now includes 168 banks. Beginning with March 1984, estimates are constructed on the basis of 92 sample banks and are not comparable with earlier data. Estimates in billions of dollars for December 1983 based on the newly weekly reporting panel are: financial business, 24.4; nonfinancial business, 80.9; consumer, 30.1; foreign, 3.1; other, 9.5.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1979[1] Dec.	1980 Dec.	1981 Dec.	1982 Dec.[2]	1983 Dec.	1984[3] Oct.	1984[3] Nov.	1984[3] Dec.	1985 Jan.	1985 Feb.	1985 Mar.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**112,803**	**124,374**	**165,829**	**166,436**	**188,312**	**228,194**	**235,363**	**239,117**	**245,322**	**247,095**	**250,575**
Financial companies[4]											
Dealer-placed paper[5]											
2 Total	17,359	19,599	30,333	34,605	44,622	54,527	55,176	56,917	59,713	60,186	60,895
3 Bank-related (not seasonally adjusted)	2,784	3,561	6,045	2,516	2,441	2,060	1,996	2,035	2,137	2,265	2,304
Directly placed paper[6]											
4 Total	64,757	67,854	81,660	84,393	96,918	105,379	109,419	110,474	113,101	114,824	118,029
5 Bank-related (not seasonally adjusted)	17,598	22,382	26,914	32,034	35,566	38,112	40,185	42,105	43,046	42,759	43,334
6 Nonfinancial companies[7]	30,687	36,921	53,836	47,437	46,772	68,288	70,768	71,726	72,508	72,085	71,651
	Bankers dollar acceptances (not seasonally adjusted)[8]										
7 **Total**	**45,321**	**54,744**	**69,226**	**79,543**	**78,309**	**77,928**	**75,741**	**75,179**	**75,470**	**72,273**	**76,109**
Holder											
8 Accepting banks	9,865	10,564	10,857	10,910	9,355	10,534	10,397	10,255	10,060	10,623r	10,473
9 Own bills	8,327	8,963	9,743	9,471	8,125	8,960	9,113	9,065	8,839	9,726r	9,166
10 Bills bought	1,538	1,601	1,115	1,439	1,230	1,574	1,284	1,191	1,220	897	1,340
Federal Reserve Banks											
11 Own account	704	776	195	1,480	418	0	0	0	0	0	0
12 Foreign correspondents	1,382	1,791	1,442	949	729	658	615	671	679	761	737
13 Others	33,370	41,614	56,731	66,204	68,225	64,549	64,167	64,543	61,603	64,779	65,865
Basis											
14 Imports into United States	10,270	11,776	14,765	17,683	15,649	16,256	16,433	16,975	16,733	17,115	16,124
15 Exports from United States	9,640	12,712	15,400	16,328	16,880	16,312	15,849	15,859	15,445	15,881	15,179
16 All other	25,411	30,257	39,060	45,531	45,781	43,172	42,897	42,635	40,095	43,113	42,428

1. A change in reporting instructions results in offsetting shifts in the dealer-placed and directly placed financial company paper in October 1979.
2. Effective Dec. 1, 1982, there was a break in the commercial paper series. The key changes in the content of the data involved additions to the reporting panel, the exclusion of broker or dealer placed borrowings under any master note agreements from the reported data, and the reclassification of a large portion of bank-related paper from dealer-placed to directly placed.
3. Correction of a previous misclassification of paper by a reporter has created a break in the series beginning December 1983. The correction adds some paper to nonfinancial and to dealer-placed financial paper.
4. Institutions engaged primarily in activities such as, but not limited to, commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
5. Includes all financial company paper sold by dealers in the open market.
6. As reported by financial companies that place their paper directly with investors.
7. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
8. Beginning October 1984, the number of respondents in the bankers acceptance survey will be reduced from 340 to 160 institutions—those with $50 million or more in total acceptances. The new reporting group accounts for over 95 percent of total acceptances activity.

1.33 PRIME RATE CHARGED BY BANKS on Short-Term Business Loans

Percent per annum

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1983—Jan. 11	11.00	1984—Sept. 27	12.75	1983—Jan.	11.16	1984—Apr.	11.93
Feb. 28	10.50	Oct. 17	12.50	Feb.	10.98	May	12.39
Aug. 8	11.00	29	12.00	Mar.	10.50	June	12.60
		Nov. 9	11.75	Apr.	10.50	July	13.00
1984—Mar. 19	11.50	28	11.25	May	10.50	Aug.	13.00
Apr. 5	12.00	Dec. 20	10.75	June	10.50	Sept.	12.97
May 8	12.50			July	10.50	Oct.	12.58
June 25	13.00	1985—Jan. 15	10.50	Aug.	10.89	Nov.	11.77
				Sept.	11.00	Dec.	11.06
				Oct.	11.00		
				Nov.	11.00	1985—Jan.	10.61
				Dec.	11.00	Feb.	10.50
						Mar.	10.50
				1984—Jan.	11.00	Apr.	10.50
				Feb.	11.00	May	10.31
				Mar.	11.21		

NOTE. These data also appear in the Board's *H.15 (519)* release. For address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Averages, percent per annum; weekly and monthly figures are averages of business day data unless otherwise noted.

Instrument	1982	1983	1984	1985				1985, week ending				
				Jan.	Feb.	Mar.	Apr.	Mar. 29	Apr. 5	Apr. 12	Apr. 19	Apr. 26
MONEY MARKET RATES												
1 Federal funds[1,2]	12.26	9.09	10.23	8.35	8.50	8.58	8.27	8.38	8.68	8.45	8.46	7.69
2 Discount window borrowing[1,2,3]	11.02	8.50	8.80	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Commercial paper[4,5]												
3 1-month	11.83	8.87	10.05	7.99	8.46	8.74	8.31	8.67	8.64	8.53	8.23	7.99
4 3-month	11.89	8.88	10.10	8.03	8.54	8.90	8.37	8.75	8.69	8.58	8.26	8.08
5 6-month	11.89	8.89	10.16	8.15	8.69	9.23	8.47	9.02	8.82	8.67	8.31	8.20
Finance paper, directly placed[4,5]												
6 1-month	11.64	8.80	9.97	7.95	8.42	8.70	8.29	8.61	8.54	8.52	8.18	8.00
7 3-month	11.23	8.70	9.73	7.81	8.25	8.67	8.26	8.60	8.52	8.51	8.14	7.95
8 6-month	11.20	8.69	9.65	7.82	8.20	8.65	8.27	8.67	8.61	8.55	8.16	7.90
Bankers acceptances[5,6]												
9 3-month	11.89	8.90	10.14	8.01	8.55	8.88	8.33	8.68	8.66	8.52	8.22	8.07
10 6-month	11.83	8.91	10.19	8.11	8.69	9.20	8.42	8.91	8.76	8.58	8.25	8.18
Certificates of deposit, secondary market[7]												
11 1-month	12.04	8.96	10.17	8.05	8.50	8.73	8.35	8.64	8.65	8.56	8.31	8.02
12 3-month	12.27	9.07	10.37	8.14	8.69	9.02	8.49	8.82	8.80	8.69	8.39	8.20
13 6-month	12.57	9.27	10.68	8.45	9.04	9.60	8.75	9.31	9.15	9.00	8.54	8.46
14 Eurodollar deposits, 3-month[8]	13.12	9.56	10.73	8.37	9.05	9.32	8.74	9.14	9.01	8.89	8.61	8.55
U.S. Treasury bills[5]												
Secondary market[9]												
15 3-month	10.61	8.61	9.52	7.76	8.27	8.52	7.95	8.29	8.17	8.08	7.86	7.77
16 6-month	11.07	8.73	9.76	8.00	8.39	8.90	8.23	8.71	8.58	8.41	8.06	8.00
17 1-year	11.07	8.80	9.92	8.33	8.56	9.06	8.44	8.90	8.79	8.60	8.27	8.22
Auction average[10]												
18 3-month	10.686	8.63	9.58	7.76	8.22	8.57	8.00	8.41	8.18	8.14	8.04	7.62
19 6-month	11.084	8.75	9.80	8.03	8.34	8.92	8.31	8.86	8.55	8.56	8.27	7.87
20 1-year	11.099	8.86	9.91	8.39	8.46	9.24	8.44	....	....	....	8.44	....
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[11]												
Constant maturities[12]												
21 1-year	12.27	9.57	10.89	9.02	9.29	9.86	9.14	9.68	9.54	9.32	8.95	8.89
22 2-year	12.80	10.21	11.65	9.93	10.17	10.71	10.09	10.59	10.49	10.29	9.88	9.84
23 2-½-year[13]	....	....	....	....	....	....	....	10.95	....	....	....	10.65
24 3-year	12.92	10.45	11.89	10.43	10.55	11.05	10.49	10.93	10.84	10.66	10.28	10.29
25 5-year	13.01	10.80	12.24	10.93	11.13	11.52	11.01	11.43	11.33	11.19	10.81	10.79
26 7-year	13.06	11.02	12.40	11.27	11.44	11.82	11.34	11.73	11.64	11.49	11.15	11.16
27 10-year	13.00	11.10	12.44	11.38	11.51	11.86	11.44	11.77	11.71	11.57	11.24	11.27
28 20-year	12.92	11.34	12.48	11.58	11.70	12.06	11.69	11.97	11.92	11.79	11.51	11.58
29 30-year	12.76	11.18	12.39	11.45	11.47	11.81	11.47	11.73	11.70	11.55	11.29	11.36
Composite[14]												
30 Over 10 years (long-term)	12.23	10.84	11.99	11.15	11.35	11.78	11.42	11.70	11.65	11.51	11.25	11.31
State and local notes and bonds												
Moody's series[15]												
31 Aaa	10.88	8.80	9.61	9.08	8.98	9.18	8.95	9.15	9.15	9.00	8.85	8.80
32 Baa	12.48	10.17	10.38	10.16	10.05	10.18	9.95	10.10	10.10	10.00	9.90	9.80
33 *Bond Buyer* series[16]	11.66	9.51	10.10	9.51	9.65	9.77	9.42	9.75	9.63	9.39	9.25	9.39
Corporate bonds												
Seasoned issues[17]												
34 All industries	14.94	12.78	13.49	12.64	12.66	13.13	12.89	13.13	13.08	12.98	12.79	12.77
35 Aaa	13.79	12.04	12.71	12.08	12.13	12.56	12.23	12.50	12.44	12.34	12.09	12.09
36 Aa	14.41	12.42	13.31	12.43	12.49	12.91	12.69	12.93	12.90	12.75	12.61	12.58
37 A	15.43	13.10	13.74	12.80	12.80	13.36	13.14	13.41	13.37	13.22	13.03	13.02
38 Baa	16.11	13.55	14.19	13.26	13.23	13.69	13.51	13.68	13.61	13.61	13.44	13.41
39 A-rated, recently-offered utility bonds[18]	15.49	12.73	13.81	12.78	12.76	13.17	12.75	13.06	12.98	12.71	12.53	12.65
MEMO: Dividend/price ratio[19]												
40 Preferred stocks	12.53	11.02	11.59	11.13	10.88	10.97	10.75	10.95	10.84	10.79	10.75	10.63
41 Common stocks	5.81	4.40	4.64	4.51	4.30	4.37	4.37	4.38	4.41	4.40	4.35	4.33

1. Weekly and monthly figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.
2. Weekly figures are averages for statement week ending Wednesday.
3. Rate for the Federal Reserve Bank of New York.
4. Unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Before November 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper.
5. Yields are quoted on a bank-discount basis, rather than an investment yield basis (which would give a higher figure).
6. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
7. Unweighted average of offered rates quoted by at least five dealers early in the day.
8. Calendar week average. For indication purposes only.
9. Unweighted average of closing bid rates quoted by at least five dealers.
10. Rates are recorded in the week in which bills are issued. Beginning with the Treasury bill auction held on Apr. 18, 1983, bidders were required to state the percentage yield (on a bank discount basis) that they would accept to two decimal places. Thus, average issuing rates in bill auctions will be reported using two rather than three decimal places.
11. Yields are based on closing bid prices quoted by at least five dealers.
12. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.
13. Each biweekly figure is the average of five business days ending on the Monday following the date indicated. Until Mar. 31, 1983, the biweekly rate determined the maximum interest rate payable in the following two-week period on 2-½-year small saver certificates. (See table 1.16.)
14. Averages (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including several very low yielding "flower" bonds.
15. General obligations based on Thursday figures; Moody's Investors Service.
16. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
17. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
18. Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a 30-year maturity and 5 years of call protection. Weekly data are based on Friday quotations.
19. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

NOTE. These data also appear in the Board's H.15 (519) and G.13 (415) releases. For address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1982	1983	1984	1984 Aug.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	68.93	92.63	92.46	94.49	95.68	95.09	95.85	94.85	99.11	104.73	103.92	104.66
2 Industrial	78.18	107.45	108.01	111.20	112.18	110.44	110.91	109.05	113.99	120.71	119.64	119.93
3 Transportation	60.41	89.36	85.63	86.86	86.88	86.82	87.37	88.00	94.88	101.76	98.30	96.47
4 Utility	39.75	47.00	46.44	46.69	47.47	49.02	49.93	50.58	51.95	53.44	53.91	55.51
5 Finance	71.99	95.34	89.28	87.92	91.59	92.94	95.28	95.29	101.34	109.58	107.59	109.39
6 Standard & Poor's Corporation (1941–43 = 10)[1]	119.71	160.41	160.50	164.42	166.11	164.82	166.27	164.48	171.61	180.88	179.42	180.62
7 American Stock Exchange[2] (Aug. 31, 1973 = 100)	141.31	216.48	207.96	207.90	214.50	210.39	209.47	202.28	211.82	228.40	225.62	229.46
Volume of trading (thousands of shares)												
8 New York Stock Exchange	64,617	85,418	91,084	109,892	93,108	91,676	83,692	89,032	121,545	115,489	102,591	94,387
9 American Stock Exchange	5,283	8,215	6,107	7,477	5,967	5,587	6,008	7,254	9,130	10,010	8,677	7,801
	Customer financing (end-of-period balances, in millions of dollars)											
10 Margin credit at broker–dealers[3]	**13,325**	**23,000**	**22,470**	**22,810**	**22,800**	**22,330**	**22,350**	**22,470**	**22,090**	**22,970**	**23,230**	**23,900**
11 Margin stock	12,980	22,720	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑
12 Convertible bonds	344	279	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Subscription issues	1	1	↓	↓	↓	↓	↓	↓	↓	↓	↓	↓
Free credit balances at brokers[4]												
14 Margin-account	5,735	6,620	7,015	6,855	6,690	6,580	6,699	7,015	6,770	6,680	6,780	6,910
15 Cash-account	8,390	8,430	10,215	8,185	8,315	8,650	8,420	10,215	9,725	9,840	10,155r	9,230
	Margin-account debt at brokers (percentage distribution, end of period)											
16 Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
By equity class (in percent)[5]												
17 Under 40	21.0	41.0	46.0	40.0	42.0	44.0	47.0	46.0	35.0	36.0	38.0	39.0
18 40–49	24.0	22.0	18.0	22.0	22.0	21.0	19.0	18.0	19.0	20.0	20.0	19.0
19 50–59	24.0	16.0	16.0	16.0	15.0	14.0	13.0	16.0	20.0	18.0	18.0	18.0
20 60–69	14.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	11.0	11.0	10.0	10.0
21 70–79	9.0	6.0	5.0	6.0	6.0	6.0	6.0	5.0	7.0	8.0	7.0	7.0
22 80 or more	8.0	6.0	6.0	7.0	6.0	6.0	6.0	6.0	8.0	8.0	7.0	7.0
	Special miscellaneous-account balances at brokers (end of period)											
23 Total balances (millions of dollars)[6]	**35,598**	**58,329**	**75,840**	**71,840**	**72,350**	**71,914**	**73,904**	**75,840**	**79,600**	**81,830**	**83,729**	**82,990**
Distribution by equity status (percent)												
24 Net credit status	62.0	63.0	59.0	58.0	58.0	59.0	59.0	59.0	59.0	59.0	60.0	60.0
Debt status, equity of												
25 60 percent or more	29.0	28.0	29.0	31.0	31.0	30.0	29.0	29.0	30.0	31.0	30.0	30.0
26 Less than 60 percent	9.0	9.0	11.0	11.0	11.0	11.0	12.0	11.0	10.0	10.0	10.0	10.0

Margin requirements (percent of market value and effective date)[7]

	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
27 Margin stocks	70	80	65	55	65	50
28 Convertible bonds	50	60	50	50	50	50
29 Short sales	70	80	65	55	65	50

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. Beginning July 5, 1983, the American Stock Exchange rebased its index effectively cutting previous readings in half.
3. Beginning July 1983, under the revised Regulation T, margin credit at broker-dealers includes credit extended against stocks, convertible bonds, stocks acquired through exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984, and margin credit at broker-dealers became the total that is distributed by equity class and shown on lines 17–22.
4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.
5. Each customer's equity in his collateral (market value of collateral less net debit balance) is expressed as a percentage of current collateral values.
6. Balances that may be used by customers as the margin deposit required for additional purchases. Balances may arise as transfers based on loan values of other collateral in the customer's margin account or deposits of cash (usually sales proceeds) occur.
7. Regulations G, T, and U of the Federal Reserve Board of Governors, prescribed in accordance with the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry margin stocks that may be extended on securities as collateral by prescribing a maximum loan value, which is a specified percentage of the market value of the collateral at the time the credit is extended. Margin requirements are the difference between the market value (100 percent) and the maximum loan value. The term "margin stocks" is defined in the corresponding regulation.

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1982	1983	1984 May	1984 June	1984 July	1984 Aug.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.
						Savings and loan associations							
1 **Assets**	**707,646**	**773,417**	**825,557**	**840,682**	**850,780**	**860,088**	**877,642**	**881,627**	**887,696**	**902,449**	**898,537**	**898,086**	**904,827**
2 Mortgages	483,614	494,789	519,628	528,172	535,814	540,644	550,129	552,516	556,229	555,277	558,276	556,184	559,263
3 Cash and investment securities[1]	85,438	104,274	110,033	109,752	108,456	108,820	112,350	112,023	114,879	125,358	119,673	119,724	119,713
4 Other	138,594	174,354	195,896	202,758	206,510	210,624	215,163	217,088	216,588	221,814	220,588	222,178	225,851
5 **Liabilities and net worth**	**707,646**	**773,417**	**825,557**	**840,682**	**850,780**	**860,088**	**877,642**	**881,627**	**887,696**	**902,449**	**898,537**	**898,086**	**904,827**
6 Savings capital	567,961	634,455	670,666	681,947	687,817	691,704	704,558	708,846	714,780	724,301	730,709	726,308	732,406
7 Borrowed money	97,850	92,127	103,119	108,417	110,238	114,747	121,329	119,305	117,775	126,169	114,806	116,879	119,461
8 FHLBB	63,861	52,626	53,485	56,558	57,115	60,178	63,627	63,412	63,383	64,207	63,152	63,452	63,187
9 Other	33,989	39,501	49,634	51,859	53,123	54,569	57,702	55,893	54,392	61,962	51,654	53,427	56,274
10 Loans in process[2]	9,934	21,117	24,761	25,726	26,122	26,773	27,141	26,754	26,683	26,959	26,546	26,636	27,004
11 Other	15,602	15,968	19,832	17,586	19,970	20,599	18,050	19,894	21,302	17,215	18,358	19,857	17,471
12 Net worth[3]	26,233	30,867	31,940	32,732	32,755	33,038	33,705	33,582	33,839	34,764	34,664	35,042	35,489
13 MEMO: Mortgage loan commitments outstanding[4]	18,054	32,996	45,274	44,878	43,878	41,182	40,089	38,530	37,856	34,841	33,305	34,217	35,889
						Mutual savings banks[5]							
14 **Assets**	**174,197**	**193,535**	**200,087**	**198,864**	**199,128**	**200,722**	**201,445**	**203,274**	**204,499**	**203,898**	**204,859r**	**206,175**	
Loans													
15 Mortgage	94,091	97,356	99,881	99,433	100,091	101,211	101,621	102,704	102,953	102,895	103,393r	103,654	
16 Other	16,957	19,129	22,907	23,198	23,213	24,068	24,535	24,486	24,884	24,954	25,747	26,456	
Securities													
17 U.S. government[6]	9,743	15,360	16,404	15,448	15,457	15,019	14,965	15,295	15,034	14,643	14,628r	14,917	
18 State and local government	2,470	2,177	2,024	2,037	2,037	2,055	2,052	2,080	2,077	2,077	2,067r	2,069	
19 Corporate and other[7]	36,161	43,580	43,200	42,479	42,682	42,632	42,605	43,003	43,361	42,962	43,351r	43,063	
20 Cash	6,919	6,263	5,031	5,452	4,896	4,981	4,795	4,605	4,795	4,954	4,140r	4,423	
21 Other assets	7,855	9,670	10,640	10,817	10,752	10,756	10,872	11,101	11,395	11,413	11,533r	11,593	
22 **Liabilities**	**174,197**	**193,535**	**200,087**	**198,864**	**199,128**	**200,722**	**201,445**	**203,274**	**204,499**	**203,898**	**204,859r**	**206,175**	n.a.
23 Deposits	155,196	172,665	176,253	174,972	174,823	176,085	177,345	178,624	180,073	180,616	181,062r	181,849	
24 Regular[8]	152,777	170,135	173,310	171,858	171,740	172,990	174,296	175,727	177,130	177,418	177,954r	178,791	
25 Ordinary savings	46,862	38,554	37,147	36,322	35,511	34,787	34,564	34,221	34,009	33,739	33,413r	33,413	
26 Time	96,369	95,129	97,236	97,168	98,410	101,270	102,934	104,151	104,849	104,732	104,098r	103,536	
27 Other	2,419	2,530	2,943	3,114	3,083	3,095	3,049	2,897	2,943	3,198	3,108r	3,058	
28 Other liabilities	8,336	10,154	12,861	12,999	13,269	13,604	12,979	13,853	13,453	12,504	12,931r	13,387	
29 General reserve accounts	9,235	10,368	10,554	10,404	10,495	10,498	10,488	10,459	10,535	10,510	10,619r	10,670	
30 MEMO: Mortgage loan commitments outstanding[9]	1,285	2,387	n.a.	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
						Life insurance companies							
31 **Assets**	**588,163**	**654,948**	**673,518**	**679,449**	**684,573**	**694,082**	**699,996**	**705,827**	**712,271**	**720,807**	**730,120**	**734,920**	
Securities													
32 Government	36,499	50,752	53,422	53,970	54,688	56,263	57,552	59,825	62,678	64,683	65,367	67,111	
33 United States[10]	16,529	28,636	31,706	32,066	32,654	33,886	35,586	37,594	40,288	41,970	42,183	43,929	
34 State and local	8,664	9,986	9,239	9,213	9,236	9,357	9,221	9,344	9,385	9,757	9,895	9,956	
35 Foreign[11]	11,306	12,130	12,477	12,691	12,798	13,020	12,745	12,887	13,005	12,956	13,289	13,226	
36 Business	287,126	322,854	334,151	338,508	341,802	348,614	350,512	352,059	354,815	354,902	364,617	367,411	n.a.
37 Bonds	231,406	257,986	273,212	276,902	281,113	283,673	285,543	287,607	291,021	290,731	297,666	298,381	
38 Stocks	55,720	64,868	60,939	61,606	60,689	64,941	64,969	64,452	63,794	64,171	66,951	69,030	
39 Mortgages	141,989	150,999	152,968	153,845	154,299	155,438	155,802	156,064	156,691	157,283	157,583	158,052	
40 Real estate	20,264	22,234	23,517	23,792	24,019	24,117	24,685	24,947	25,467	25,985	26,343	26,567	
41 Policy loans	52,961	54,063	54,399	54,430	54,441	54,517	54,551	54,574	54,571	54,610	54,442	54,523	
42 Other assets	48,571	54,046	55,061	54,904	55,324	55,133	56,894	58,358	58,049	63,344	61,768	61,256	
						Credit unions[12]							
43 **Total assets/liabilities and capital**	**69,585**	**81,961**	**88,350**	**90,276**	**90,145**	**90,503**	**91,651**	**91,619**	**92,521**	**93,036**	**94,646**	**96,183**	**98,646**
44 Federal	45,493	54,482	59,636	61,316	61,163	61,500	62,107	61,935	62,690	63,205	64,505	65,989	67,799
45 State	24,092	27,479	28,714	28,960	28,982	29,003	29,544	29,684	29,831	29,831	30,141	30,194	30,847
46 Loans outstanding	43,232	50,083	54,437	55,915	57,286	58,802	59,874	60,483	62,170	62,561	62,662	62,393	62,936
47 Federal	27,948	32,930	36,274	37,547	38,490	39,578	40,310	40,727	41,762	42,337	42,220	42,283	42,804
48 State	15,284	17,153	18,163	18,368	18,796	19,224	19,564	19,756	20,408	20,224	20,442	20,110	20,132
49 Savings	62,990	74,739	80,702	82,578	82,402	82,135	83,172	83,129	84,000	84,348	86,047	86,048	88,560
50 Federal (shares)	41,352	49,889	54,632	56,261	56,278	56,205	56,734	56,655	57,302	57,539	58,820	59,914	61,758
51 State (shares and deposits)	21,638	24,850	26,070	26,317	26,124	25,930	26,438	26,474	26,698	26,809	27,227	26,134	26,802

1.37 Continued

Account	1982	1983	1984								1985		
			May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
	FSLIC-insured federal savings banks												
52 **Assets**	**6,859**	**64,969**	**78,952**	**81,310**	**83,989**	**87,209**	**82,174**	**87,743**	**94,536**	**98,559**	**98,747**	**106,657**	**109,720**
53 Mortgages	3,353	38,698	46,791	48,084	49,996	52,039	48,841	51,554	55,861	57,429	57,667	60,938	62,608
54 Cash and investment securities[1]	......	10,436	12,814	13,071	13,184	13,331	12,867	13,615	14,826	16,001	15,378	17,511	18,237
55 Other	......	15,835	19,347	20,155	20,809	21,839	20,466	22,574	23,849	25,129	25,702	28,208	28,875
56 **Liabilities and net worth**	**6,859**	**64,969**	**78,952**	**81,310**	**83,989**	**87,209**	**82,174**	**87,743**	**94,536**	**98,559**	**98,747**	**106,657**	**109,720**
57 Savings and capital	5,877	53,227	63,026	64,364	66,227	68,443	65,079	70,080	76,167	79,572	80,091	85,632	88,001
58 Borrowed money	 3	7,477	10,475	11,489	12,060	12,863	11,828	11,935	11,937	12,798	12,372	14,079	14,860
59 FHLBB	......	4,640	5,900	6,538	6,897	7,654	6,600	6,867	7,041	7,515	7,361	8,023	8,491
60 Other	......	2,837	4,575	4,951	5,163	5,209	5,228	5,068	4,896	5,283	5,011	6,056	6,369
61 Other	......	1,157	1,747	1,646	1,807	1,912	1,610	1,896	2,259	1,903	1,982	2,356	2,174
62 Net worth[3]	......	3,108	3,704	3,811	3,895	3,991	3,657	3,832	4,173	4,286	4,302	4,590	4,685
MEMO													
63 Loans in process[2]	98	1,264	1,787	1,839	1,901	1,895	1,505	1,457	1,689	1,738	1,685	1,747	1,919
64 Mortgage loan commitments outstanding[4]	......	2,151	3,763	3,583	3,988	3,860	2,970	2,925	3,298	3,234	3,510	3,646	3,752

1. Holdings of stock of the Federal Home Loan Banks are in "other assets."
2. Beginning in 1982, loans in process are classified as contra-assets and are not included in total liabilities and net worth. Total assets are net of loans in process.
3. Includes net undistributed income accrued by most associations.
4. Excludes figures for loans in process.
5. The National Council reports data on member mutual savings banks and on savings banks that have converted to stock institutions, and to federal savings banks.
6. Beginning April 1979, includes obligations of U.S. government agencies. Before that date, this item was included in "Corporate and other."
7. Includes securities of foreign governments and international organizations and, before April 1979, nonguaranteed issues of U.S. government agencies.
8. Excludes checking, club, and school accounts.
9. Commitments outstanding (including loans in process) of banks in New York State as reported to the Savings Banks Association of the State of New York.
10. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
11. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.
12. As of June 1982, data include only federal or federally insured state credit unions serving natural perons.

NOTE. *Savings and loan associations:* Estimates by the FHLBB for all associations in the United States. Data are based on monthly reports of federally insured associations and annual reports of other associations. Even when revised, data for current and preceding year are subject to further revision.

Mutual savings banks: Estimates of National Council of Savings Institutions for all savings banks in the United States.

Life insurance companies: Estimates of the American Council of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."

Credit unions: Estimates by the National Credit Union Administration for a group of federal and federally insured state credit unions serving natural persons. Figures are preliminary and revised annually to incorporate recent data.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1982	Fiscal year 1983	Fiscal year 1984	Calendar year					
				1983		1984	1985		
				H1	H2	H1	Feb.	Mar.	Apr.
U.S. budget									
1 Receipts[1]	617,766	600,562	666,457	306,331	306,584	341,808	54,021	49,606	94,593
2 Outlays[1]	728,375	795,917	841,800	396,477	406,849	420,700	74,851	78,067	82,228
3 Surplus, or deficit (−)	−110,609	−195,355	−175,343	−90,146	−100,265	−78,892	−20,830	−28,461	12,365
4 Trust funds	5,456	23,056	30,565	22,680	7,745	18,080	2,313	−1,682	5,182
5 Federal funds[2,3]	−116,065	−218,410	−205,908	−112,822	−108,005	−96,971	−23,140	−26,780	7,183
Off-budget entities (surplus, or deficit (−))									
6 Federal Financing Bank outlays	−14,142	−10,404	−7,277	−5,418	−3,199	−2,813	−427r	−1,134r	−1,108
7 Other[3,4]	−3,190	−1,953	−2,719	−528	−1,206	−838	−202r	91r	128
U.S. budget plus off-budget, including Federal Financing Bank									
8 Surplus, or deficit (−)	−127,940	−207,711	−185,339	−96,094	−104,670	−84,884	−21,056r	−29,504r	11,386
Source of financing									
9 Borrowing from the public	134,993	212,425	170,817	102,538	84,020	80,592	15,994	13,159	17,036
10 Cash and monetary assets (decrease, or increase (−))[4]	−11,911	−9,889	5,636	−9,664	−16,294	−3,127	9,094	3,212r	−27,927
11 Other[5]	4,858	5,176	8,885	3,222	4,358	7,418	−4,033r	13,133r	−495
MEMO									
12 Treasury operating balance (level, end of period)	29,164	37,057	22,345	27,997	11,817	13,567	17,160	13,868	40,022
13 Federal Reserve Banks	10,975	16,557	3,791	19,442	3,661	4,397	3,308	3,063	19,305
14 Tax and loan accounts	18,189	20,500	18,553	8,764	8,157	9,170	13,852	10,805	20,717

1. Effective Feb. 8, 1982, supplemental medical insurance premiums and voluntary hospital insurance premiums, previously included in other insurance receipts, have been reclassified as offsetting receipts in the health function.
2. Half-year figures are calculated as a residual (total surplus/deficit less trust fund surplus/deficit).
3. Other off-budget includes Postal Service Fund; Rural Electrification and Telephone Revolving Fund; Rural Telephone Bank; and petroleum acquisition and transportation and strategic petroleum reserve effective November 1981.
4. Includes U.S. Treasury operating cash accounts; SDRs; gold tranche drawing rights; loans to International Monetary Fund; and other cash and monetary assets.
5. Includes accrued interest payable to the public; allocations of special drawing rights; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government" *Treasury Bulletin*, and the *Budget of the U.S. Government, Fiscal Year 1985*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1983	Fiscal year 1984	Calendar year						
			1982	1983		1984	1985		
			H2	H1	H2	H1	Feb.	Mar.	Apr.
RECEIPTS									
1 **All sources**	**600,563**	**666,457**	**286,337**	**306,331**	**305,122**	**341,808**	**54,021**	**49,606**	**94,593**
2 Individual income taxes, net	288,938	295,955	145,676	144,551	147,663	144,691	23,769	15,254	51,602
3 Withheld	266,010	279,345	131,567	135,531	133,768	140,657	23,127	23,952	26,343
4 Presidential Election Campaign Fund	36	35	5	30	6	29	1	8	9
5 Nonwithheld	83,586	81,346	20,041	63,014	20,703	61,463	1,683	3,136	43,235
6 Refunds	60,692	64,771	5,938	54,024	6,815	57,458	1,041	11,842	17,986
Corporation income taxes									
7 Gross receipts	61,780	74,179	25,660	33,522	31,064	40,328	2,673	10,304	11,265
8 Refunds	24,758	17,286	11,467	13,809	8,921	10,045	919	1,888	2,409
9 Social insurance taxes and contributions, net	209,001	241,902	94,277	110,520	100,832	131,372	23,080	20,551	28,032
10 Payroll employment taxes and contributions[1]	179,010	203,476	85,064	90,912	88,388	106,436	19,433	19,045	18,822
11 Self-employment taxes and contributions[2]	6,756	8,709	177	6,427	398	7,667	664	610	5,757
12 Unemployment insurance	18,799	25,138	6,856	10,984	8,714	14,942	2,615	515	3,062
13 Other net receipts[3]	4,436	4,580	2,180	2,197	2,290	2,329	362	380	391
14 Excise taxes	35,300	37,361	16,555	16,904	19,586	18,304	2,585	2,739	2,700
15 Customs deposits	8,655	11,370	4,299	4,010	5,079	5,576	842	998	939
16 Estate and gift taxes	6,053	6,010	3,444	2,883	3,050	3,102	504	430	671
17 Miscellaneous receipts[4]	15,594	16,965	7,890	7,751	7,811	8,481	1,488	1,218	1,793
OUTLAYS									
18 **All types**	**795,917**	**841,800**	**390,847**	**396,477**	**406,849**	**420,700**	**74,851**	**78,067**	**82,228**
19 National defense	210,461	227,405	100,419	105,072	108,967	114,639	19,785	21,782	20,239
20 International affairs	8,927	13,313	4,406	4,705	6,117	5,426	884	1,416	946
21 General science, space, and technology	7,777	8,271	3,903	3,486	4,216	3,981	715	740	743
22 Energy	4,035	2,464	2,058	2,073	1,533	1,080	215	207	355
23 Natural resources and environment	12,676	12,677	6,941	5,892	6,933	5,463	786	929	1,006
24 Agriculture	22,173	12,215	13,259	10,154	5,278	7,129	2,054	1,732	2,822
25 Commerce and housing credit	4,721	5,198	2,244	2,164	2,648	2,572	−805	75	1,128
26 Transportation	21,231	24,705	10,686	9,918	13,323	10,616	1,505	1,583	2,045
27 Community and regional development	7,302	7,803	4,187	3,124	4,327	3,154	438	538	683
28 Education, training, employment, social services	25,726	26,616	12,186	12,801	13,246	13,445	2,628	2,233	2,344
29 Health	28,655	30,435	39,072	41,206	42,150	15,748	2,778	2,685	2,909
30 Social security and medicare	223,311	235,764	133,779	143,001			20,583	21,031	21,355
31 Income security	106,211	96,714			135,579	65,212	10,220	11,530	13,347
32 Veterans benefits and services	24,845	25,640	13,240	11,334	13,621	12,849	2,218	2,296	2,293
33 Administration of justice	5,014	5,616	2,373	2,522	2,628	2,807	453	471	572
34 General government	4,991	4,836	2,323	2,434	2,479	2,462	699	343	80
35 General-purpose fiscal assistance	6,287	6,577	3,153	3,124	3,290	2,943	116	75	1,258
36 Net interest[6]	89,774	111,007	44,948	42,358	47,674	53,729	11,820	10,517	10,858
37 Undistributed offsetting receipts[7]	−21,424	−15,454	−8,332	−8,887	−7,262	−7,333	−2,238	−2,118	−2,754

1. Old-age, disability, and hospital insurance, and railroad retirement accounts.
2. Old-age, disability, and hospital insurance.
3. Federal employee retirement contributions and civil service retirement and disability fund.
4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
5. In accordance with the Social Security Amendments Act of 1983, the Treasury now provides social security and medicare outlays as a separate function. Before February 1984, these outlays were included in the income security and health functions.
6. Net interest function includes interest received by trust funds.
7. Consists of rents and royalties on the outer continental shelf and U.S. government contributions for employee retirement.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government" and the *Budget of the U.S. Government, Fiscal Year 1985*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION
Billions of dollars

Item	1982	1983				1984			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
1 **Federal debt outstanding**	**1,201.9**	**1,249.3**	**1,324.3**	**1,381.9**	**1,415.3**	**1,468.3**	**1,517.2**	**1,576.7**	**1,667.4**
2 Public debt securities	1,197.1	1,244.5	1,319.6	1,377.2	1,410.7	1,463.7	1,512.7	1,572.3	1,663.0
3 Held by public	987.7	1,043.3	1,090.3	1,138.2	1,174.4	1,223.9	1,255.1	1,309.2	1,373.4
4 Held by agencies	209.4	201.2	229.3	239.0	236.3	239.8	257.6	264.1	289.6
5 Agency securities	4.8	4.8	4.7	4.7	4.6	4.6	4.5	4.5	4.5
6 Held by public	3.7	3.7	3.6	3.6	3.5	3.5	3.4	3.4	3.4
7 Held by agencies	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
8 **Debt subject to statutory limit**	**1,197.9**	**1,245.3**	**1,320.4**	**1,378.0**	**1,411.4**	**1,464.5**	**1,513.4**	**1,573.0**	**1,663.7**
9 Public debt securities	1,196.5	1,243.9	1,319.0	1,376.6	1,410.1	1,463.1	1,512.1	1,571.7	1,662.4
10 Other debt[1]	1.4	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.3
11 MEMO: Statutory debt limit	1,290.2	1,290.2	1,389.0	1,389.0	1,490.0	1,490.0	1,520.0	1,573.0	1,823.8

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

NOTE. Data from *Treasury Bulletin* (U.S. Treasury Department).

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership
Billions of dollars, end of period

Type and holder	1980	1981	1982	1983	1984			1985
					Q2	Q3	Q4	Q1
1 **Total gross public debt**	**930.2**	**1,028.7**	**1,197.1**	**1,410.7**	**1,512.7**	**1,572.3**	**1,663.0**	**1,710.7**
By type								
2 Interest-bearing debt	928.9	1,027.3	1,195.5	1,400.9	1,501.1	1,559.6	1,660.6	1,695.2
3 Marketable	623.2	720.3	881.5	1,050.9	1,126.6	1,176.6	1,247.4	1,271.7
4 Bills	216.1	245.0	311.8	343.8	343.3	356.8	374.4	379.5
5 Notes	321.6	375.3	465.0	573.4	632.1	661.7	705.1	713.8
6 Bonds	85.4	99.9	104.6	133.7	151.2	158.1	167.9	178.4
7 Nonmarketable[1]	305.7	307.0	314.0	350.0	374.5	383.0	413.2	423.6
8 State and local government series	23.8	23.0	25.7	36.7	39.9	41.4	44.4	47.7
9 Foreign issues[2]	24.0	19.0	14.7	10.4	8.8	8.8	9.1	9.1
10 Government	17.6	14.9	13.0	10.4	8.8	8.8	9.1	9.1
11 Public	6.4	4.1	1.7	.0	.0	.0	.0	n.a.
12 Savings bonds and notes	72.5	68.1	68.0	70.7	72.3	73.1	73.3	74.4
13 Government account series[3]	185.1	196.7	205.4	231.9	253.2	259.5	286.2	292.2
14 Non-interest-bearing debt	1.3	1.4	1.6	9.8	11.6	12.7	2.3	15.5
By holder[4]								
15 U.S. government agencies and trust funds	192.5	203.3	209.4	236.3	257.6	263.1	289.6	
16 Federal Reserve Banks	121.3	131.0	139.3	151.9	152.9	155.0	160.9	
17 Private investors	616.4	694.5	848.4	1,022.6	1,102.2	1,154.1	1,212.5	
18 Commercial banks	112.1	111.4	131.4	188.8	182.3	183.0	185.5	
19 Money market funds	3.5	21.5	42.6	22.8	14.9	13.6	26.0	
20 Insurance companies	24.0	29.0	39.1	56.7	61.6	58.6	73.9	
21 Other companies	19.3	17.9	24.5	39.7	45.3	47.7	50.2	
22 State and local governments	87.9	104.3	127.8	155.1	165.0	n.a.	n.a.	n.a.
Individuals								
23 Savings bonds	72.5	68.1	68.3	71.5	72.9	73.7	74.5	
24 Other securities	44.6	42.7	48.2	61.9	69.3	73.8	70.8	
25 Foreign and international[5]	129.7	136.6	149.5	166.3	171.5	175.5	193.1	
26 Other miscellaneous investors[6]	122.8	163.0	217.0	259.8	319.4	n.a.	n.a.	

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration; depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.
3. Held almost entirely by U.S. government agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Consists of investments of foreign and international accounts. Excludes non-interest-bearing notes issued to the International Monetary Fund.
6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. government deposit accounts, and U.S. government-sponsored agencies.

SOURCES. Data by type of security, U.S. Treasury Department, *Monthly Statement of the Public Debt of the United States;* data by holder, *Treasury Bulletin.*

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions

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

	Item	1982^r	1983	1984	1985			1985 week ending Wednesday					
					Feb.^r	Mar.^r	Apr.	Mar. 20	Mar. 27	Apr. 3	Apr. 10	Apr. 17	Apr. 24
	Immediate delivery[1]												
1	U.S. government securities	32,260	42,135	52,786	71,763	73,353	72,165	66,193^r	77,754^r	80,195	73,956	83,940	75,757
	By maturity												
2	Bills	18,392	22,393	26,040	33,453	38,110	35,723	38,931^r	37,638^r	38,560	40,151	40,331	37,709
3	Other within 1 year	810	708	1,305	1,650	1,727	1,960	1,671	1,766	1,757	1,795	2,083	1,736
4	1–5 years	6,271	8,758	11,734	17,542	16,150	16,963	12,063^r	22,241^r	17,765	13,832	20,686	18,359
5	5–10 years	3,555	5,279	7,607	10,476	10,485	10,842	7,625	10,049^r	12,729	11,182	13,296	10,965
6	Over 10 years	3,232	4,997	6,100	8,643	6,882	6,678	5,903	6,060	9,384	6,996	7,543	6,988
	By type of customer												
7	U.S. government securities dealers	1,770	2,257	2,920	4,326	3,979	3,868	3,202	4,104	5,128	4,381	4,929	2,592
8	U.S. government securities brokers	15,794	21,045	25,584	33,853	36,408	34,583	33,564	36,480	38,449	35,811	38,966	37,141
9	All others[2]	14,697	18,832	24,282	33,584	32,966	33,714	29,427^r	37,171^r	36,618	33,763	40,046	36,023
10	Federal agency securities	4,976	5,576	7,846^r	9,477	8,754	10,125	10,138^r	8,185	8,570	10,218	14,383	10,003
11	Certificates of deposit	5,000	4,333	4,947	4,607	3,727	4,327	3,458	3,649	3,973	3,989	4,914	5,200
12	Bankers acceptances	2,502	2,642	3,244	3,240	2,925	3,473	2,411^r	2,790	2,835	3,628	3,912	3,994
13	Commercial paper	2,595	8,036	10,018	9,958	10,205	11,944	10,525	10,429	11,469	11,251	12,333	12,248
	Futures transactions[3]												
14	Treasury bills	5,055	6,655	6,947	7,113	8,066	6,642	10,710	6,018	6,888	6,261	6,725	7,733
15	Treasury coupons	1,487	2,501	4,503	6,150	5,104	5,480	4,776	3,751^r	5,158	5,362	5,879	6,277
16	Federal agency securities	261	265	262	128	112	120	109	119	170	150	41	154
	Forward transactions[4]												
17	U.S. government securities	835	1,493^r	1,364^r	1,554	1,329	1,020	1,502	2,048^r	757	1,360	790	1,673
18	Federal agency securities	978	1,646^r	2,843^r	3,298	2,145	2,602	2,609	1,768	2,440	2,424	3,794	2,330

1. Before 1981, data for immediate transactions include forward transactions.
2. Includes, among others, all other dealers and brokers in commodities and securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.
3. Futures contracts are standardized agreements arranged on an organized exchange in which parties commit to purchase or sell securities for delivery at a future date.
4. Forward transactions are agreements arranged in the over-the-counter market in which securities are purchased (sold) for delivery after 5 business days from the date of the transaction for government securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

NOTE. Averages for transactions are based on number of trading days in the period.

Transactions are market purchases and sales of U.S. government securities dealers reporting to the Federal Reserve Bank of New York. The figures exclude allotments of, and exchanges for, new U.S. government securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing

Averages of daily figures, in millions of dollars

	Item	1982	1983	1984	1985			1985 week ending Wednesday				
					Feb.	Mar.	Apr.	Mar. 27	Apr. 3	Apr. 10	Apr. 17	Apr. 24
							Positions					
	Net immediate[1]											
1	U.S. government securities	13,663	10,701	5,538	13,624r	11,201r	8,553	10,809r	10,915	7,030	9,848	8,330
2	Bills	7,297	8,020	5,500	12,456r	13,979	11,559	14,342	11,723	10,255	13,109	12,198
3	Other within 1 year	972	394	63	851	1,316	1,203	625	858	705	1,019	1,649
4	1–5 years	3,256	1,778	2,159	3,078	449	2,237	2,011	2,453	721	1,955	2,301
5	5–10 years	−318	−78	−1,119	−2,900r	−2,546r	−4,468	−3,223r	−2,077	−2,990	−4,418	−5,710
6	Over 10 years	2,026	528	−1,174	50r	−2,240	−2,303	−3,256	−2,364	−1,984	−2,139	−2,431
7	Federal agency securities	4,145	7,232	15,294	19,612r	19,337r	18,048	18,456	16,693	17,372	18,862	18,671
8	Certificates of deposit	5,532	5,839	7,369	9,491r	8,005	8,652	7,883	8,487	8,334	8,364	8,907
9	Bankers acceptances	2,832	3,332	3,874	4,728	3,563r	3,949	3,249	3,996	3,821	3,825	3,948
10	Commercial paper	3,317	3,159	3,788	5,226	4,646	4,965	4,586	4,334	4,195	4,348	5,825
	Futures positions											
11	Treasury bills	−2,507	−4,125	−4,525	−2,556r	1,213r	−2,877	−2,676r	−3,572	−3,701	−3,023	−3,215
12	Treasury coupons	−2,303	−1,032	1,794	3,135r	5,573r	6,333	6,729	6,038	6,258	6,936	6,627
13	Federal agency securities	−224	171	233	−9	−101	38	−168	−108	−33	48	78
	Forward positions											
14	U.S. government securities	−788	−1,936	−1,643	−1,745	−1,320	−814	−1,428	−2,160	−810	−660	−717
15	Federal agency securities	−1,432	−3,561	−9,205	−8,155r	−8,250	−7,881	−7,686	−7,897	−8,506	−7,958	−7,489
							Financing[2]					
	Reverse repurchase agreements[3]											
16	Overnight and continuing	26,754	29,099	44,078	59,989	60,818	n.a.	59,096	61,351	61,341	62,917	59,814
17	Term agreements	48,247	52,493	68,357	71,570	75,298	n.a.	78,752	77,184	76,353	76,958	78,588
	Repurchase agreements[4]											
18	Overnight and continuing	49,695	57,946	75,717	96,535	96,019	n.a.	91,832	96,123	93,090	92,528	93,057
19	Term agreements	43,410	44,410	57,047	62,327	62,890	n.a.	65,514	62,991	63,129	63,501	69,561

1. Immediate positions are net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase (RPs). The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Prior to 1984, securities owned, and hence dealer positions, do not include all securities acquired under reverse RPs. After January 1984, immediate positions include reverses to maturity, which are securities that were sold after having been obtained under reverse repurchase agreements that mature on the same day as the securities. Before 1981, data for immediate positions include forward positions.

2. Figures cover financing involving U.S. government and federal agency securities, negotiable CDs, bankers acceptances, and commercial paper.

3. Includes all reverse repurchase agreements, including those that have been arranged to make delivery on short sales and those for which the securities obtained have been used as collateral on borrowings, that is, matched agreements.

4. Includes both repurchase agreements undertaken to finance positions and "matched book" repurchase agreements.

NOTE. Data for positions are averages of daily figures, in terms of par value, based on the number of trading days in the period. Positions are shown net and are on a commitment basis. Data for financing are based on Wednesday figures, in terms of actual money borrowed or lent.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1981	1982	1983	1984				1985	
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 **Federal and federally sponsored agencies**	**221,946**	**237,085**	**239,716**	**267,399**	**268,964**	**270,314**	**271,564**	**270,965**	**271,479**
2 Federal agencies	31,806	33,055	33,940	34,754	35,012	35,078	35,145	35,235	35,360
3 Defense Department[1]	484	354	243	153	149	146	142	133	122
4 Export-Import Bank[2,3]	13,339	14,218	14,853	15,733	15,721	15,721	15,882	15,882	15,881
5 Federal Housing Administration[4]	413	288	194	140	139	138	133	132	129
6 Government National Mortgage Association participation certificates[5]	2,715	2,165	2,165	2,165	2,165	2,165	2,165	2,165	2,165
7 Postal Service[6]	1,538	1,471	1,404	1,337	1,337	1,337	1,337	1,337	1,337
8 Tennessee Valley Authority	13,115	14,365	14,970	15,160	15,450	15,520	15,435	15,535	15,675
9 United States Railway Association[6]	202	194	111	51	51	51	51	51	51
10 Federally sponsored agencies[7]	190,140	204,030	205,776	232,645	233,952r	235,236	236,419	235,730	236,119p
11 Federal Home Loan Banks	54,131	55,967	48,930	65,616	66,126	66,230	65,085	64,705	64,706
12 Federal Home Loan Mortgage Corporation	5,480	4,524	6,793	8,950	9,634	10,299	10,270	10,195	11,237
13 Federal National Mortgage Association[8]	58,749	70,052	74,594	80,123	80,357	81,119	83,720	84,612	84,701
14 Farm Credit Banks	71,359	71,896	72,409	73,131	72,859	72,267	71,255	70,642	70,012
15 Student Loan Marketing Association	421	1,591	3,050	4,824	5,143	5,321	5,369	5,576	5,463
MEMO									
16 **Federal Financing Bank debt[9]**	**110,698**	**126,424**	**135,791**	**144,836**	**144,978**	**145,174**	**145,217**	**146,034**	**146,611**
Lending to federal and federally sponsored agencies									
17 Export-Import Bank[3]	12,741	14,177	14,789	15,690	15,690	15,690	15,852	15,852	15,852
18 Postal Service[6]	1,288	1,221	1,154	1,087	1,087	1,087	1,087	1,087	1,087
19 Student Loan Marketing Association	5,400	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
20 Tennessee Valley Authority	11,390	12,640	13,245	13,435	13,725	13,795	13,710	13,810	13,950
21 United States Railway Association[6]	202	194	111	51	51	51	51	51	51
Other Lending[10]									
22 Farmers Home Administration	48,821	53,261	55,266	59,511	59,021	58,801	58,971	59,066	59,041
23 Rural Electrification Administration	13,516	17,157	19,766	20,587	20,694	20,889	20,693	20,653	20,804
24 Other	12,740	22,774	26,460	29,475	29,710	29,861	29,853	30,515	30,826

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: Notes, bonds, and debentures.
8. Before late 1981, the Association obtained financing through the Federal Financing Bank.
9. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.
10. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1982	1983	1984r	1984						1985	
				July	Aug.	Sept.	Oct.r	Nov.r	Dec.r	Jan.r	Feb.
1 **All issues, new and refunding**[1]	**79,138**	**86,421**	**106,641**	**7,537**	**11,726**	**7,967**	**12,558**	**13,548**	**17,713**	**6,275**	**7,856**
Type of issue											
2 General obligation	21,094	21,566	266,485	1,919	1,781	1,433	3,770	2,611	2,185	1,804	3,424
3 U.S. government loans[2]	225	96	16	1	1	4	1	3	2	7	0
4 Revenue	58,044	64,855	80,156	5,618	9,945	6,534	8,788	10,937	15,528	4,471	4,432
5 U.S. government loans[2]	461	253	17	1	1	1	3	1	0	3	0
Type of issuer											
6 State	8,438	7,140	9,129	465	2,157	596	1,110	405	725	367	1,542
7 Special district and statutory authority	45,060	51,297	63,550	5,121	7,321	5,202	7,087	7,265	11,894	3,847	4,172
8 Municipalities, counties, townships, school districts	25,640	27,984	33,962	1,951	2,248	2,169	4,361	5,878	5,093	2,061	2,142
9 **Issues for new capital, total**	**74,804**	**72,441**	**94,050**	**6,592**	**10,749**	**7,454**	**11,105**	**12,352**	**16,354**	**4,904**	**5,342**
Use of proceeds											
10 Education	6,482	8,099	7,553	466	627	333	755	999	671	661	896
11 Transportation	6,256	4,387	7,552	118	423	590	1,018	2,151	1,339	341	472
12 Utilities and conservation	14,259	13,588	17,844	385	1,015	2,013	2,784	534	4,133	1,315	902
13 Social welfare	26,635	26,910	29,928	3,728	4,823	3,018	3,500	3,701	3,598	1,567	1,685
14 Industrial aid	8,349	7,821	15,415	884	1,055	679	1,522	3,866	5,572	376	167
15 Other purposes	12,822	11,637	15,758	1,011	2,806	821	1,526	1,101	1,041	644	1,220

1. Par amounts of long-term issues based on date of sale.
2. Consists of tax-exempt issues guaranteed by the Farmers Home Administration.

SOURCE. Public Securities Association.

1.46 NEW SECURITY ISSUES Corporations

Millions of dollars

Type of issue or issuer, or use	1982	1983	1984	1984					1985		
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1 **All issues**[1,2]	**84,638**	**98,948**	**95,986**	**10,917**	**7,758**	**12,350**	**11,931**	**6,940**	**7,294**	**6,743r**	**14,005**
2 **Bonds**	**54,076**	**47,369**	**73,357**	**8,863**	**6,225**	**10,403**	**9,524**	**5,918**	**5,739**	**4,027r**	**11,641**
Type of offering											
3 Public	44,278	47,369	73,357	8,863	6,225	10,403	9,524	5,918	5,739	4,027r	11,641
4 Private placement	9,798	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
5 Manufacturing	12,822	7,842	14,438	2,484	1,614	2,989	1,447	1,741	1,326	1,476	5,660
6 Commercial and miscellaneous	5,442	5,186	8,745	776	576	988	1,198	555	144	469	974
7 Transportation	1,491	1,039	1,272	183	200	161	19	110	297	30	130
8 Public utility	12,327	7,241	6,754	765	758	1,150	555	575	309	80	500
9 Communication	2,390	3,159	2,407	0	0	240	1,557	169	375	353	300
10 Real estate and financial	19,604	22,900	39,741	4,654	3,076	4,875	4,749	2,768	3,288	1,619r	4,077
11 **Stocks**[3]	**30,562**	**51,579**	**22,628**	**2,054**	**1,533**	**1,947**	**2,407**	**1,022**	**1,555**	**2,716**	**2,364**
Type											
12 Preferred	5,113	7,213	4,118	334	155	555	655	91	170	218	311
13 Common	25,449	44,366	18,510	1,720	1,378	1,392	1,752	931	1,385	2,498	2,053
Industry group											
14 Manufacturing	5,649	14,135	4,054	258	212	712	227	137	172	229	224
15 Commercial and miscellaneous	7,770	13,112	6,277	558	378	489	1,025	112	234	760	472
16 Transportation	709	2,729	589	0	87	16	66	71	0	153	32
17 Public utility	7,517	5,001	1,624	44	92	146	150	66	225	283	197
18 Communication	2,227	1,822	419	123	9	69	3	26	271	101	15
19 Real estate and financial	6,690	14,780	9,665	1,071	755	515	936	610	653	1,190	1,424

1. Figures, which represent gross proceeds of issues maturing in more than one year, sold for cash in the United States, are principal amount or number of units multiplied by offering price. Excludes offerings of less than $100,000, secondary offerings, undefined or exempted issues as defined in the Securities Act of 1933, employee stock plans, investment companies other than closed-end, intracorporate transactions, and sales to foreigners.
2. Data for 1983 include only public offerings.
3. Beginning in August 1981, gross stock offerings include new equity volume from swaps of debt for equity.

SOURCE. Securities and Exchange Commission and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1983	1984r	1984 Aug.	Sept.	Oct.	Nov.	Dec.	1985 Jan.	Feb.r	Mar.
INVESTMENT COMPANIES[1]										
1 Sales of own shares[2]	84,345	107,485	8,956	8,156	9,517	9,458	10,006	19,152	14,786	14,512
2 Redemptions of own shares[3]	57,100	77,033	6,497	6,185	6,766	6,343	8,948	9,183	8,005	9,412
3 Net sales	27,245	30,452	2,459	1,971	2,751	3,115	1,058	9,969	6,781	5,100
4 Assets[4]	113,599	137,126	128,209	129,657	131,539	132,709	137,126	151,534	154,707	156,988
5 Cash position[5]	8,343	11,978	12,698	13,221	11,417	11,518	11,978	13,114	14,567	13,098
6 Other	105,256	125,148	115,511	116,436	120,122	121,191	125,148	138,420	140,140	143,890

1. Excluding money market funds.
2. Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities.
5. Also includes all U.S. government securities and other short-term debt securities.

NOTE. Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1982	1983	1984	1983 Q2	Q3	Q4	1984 Q1	Q2	Q3	Q4	1985 Q1
1 Corporate profits with inventory valuation and capital consumption adjustment	159.1	225.2	285.7	216.7	245.0	260.0	277.4	291.1	282.8	291.6	294.0
2 Profits before tax	165.5	203.2	235.7	198.2	227.4	225.5	243.3	246.0	224.8	228.7	224.2
3 Profits tax liability	60.7	75.8	89.8	74.8	84.7	84.5	92.7	95.8	83.1	87.7	84.2
4 Profits after tax	104.8	127.4	145.9	123.4	142.6	141.1	150.6	150.2	141.7	141.0	140.0
5 Dividends	69.2	72.9	80.5	71.7	73.3	75.4	77.7	79.9	81.3	83.1	84.5
6 Undistributed profits	35.6	54.5	65.3	51.7	69.3	65.6	72.9	70.2	60.3	58.0	55.5
7 Inventory valuation	-9.5	-11.2	-5.6	-12.1	-19.3	-9.2	-13.5	-7.3	-.2	-1.6	.5
8 Capital consumption adjustment	3.1	33.2	55.7	30.6	36.9	43.6	47.6	52.3	58.3	64.5	69.3

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

1.49 NONFINANCIAL CORPORATIONS Assets and Liabilities

Billions of dollars, except for ratio

Account	1978	1979	1980	1981	1982	1983	1984			
						Q4	Q1	Q2	Q3	Q4
1 **Current assets**	**1,043.7**	**1,214.8**	**1,327.0**	**1,418.4**	**1,432.7**	**1,557.3**	**1,600.6**	**1,630.6**	**1,667.2**	**1,680.9**
2 Cash	105.5	118.0	126.9	135.5	147.0	165.8	159.3	155.0	150.6	161.6
3 U.S. government securities	17.2	16.7	18.7	17.6	22.8	30.6	35.1	36.7	32.3	36.4
4 Notes and accounts receivable	388.0	459.0	506.8	532.0	519.2	577.8	596.9	612.4	628.1	617.7
5 Inventories	431.8	505.1	542.8	583.7	578.6	599.3	623.1	633.3	662.2	659.0
6 Other	101.1	116.0	131.8	149.5	165.2	183.7	186.3	193.2	194.0	206.3
7 **Current liabilities**	**669.5**	**807.3**	**889.3**	**970.0**	**976.8**	**1,043.0**	**1,079.0**	**1,111.9**	**1,143.3**	**1,149.6**
8 Notes and accounts payable	383.0	460.8	513.6	546.3	543.0	577.9	584.1	604.6	624.8	627.7
9 Other	286.5	346.5	375.7	423.7	433.8	465.2	495.0	507.3	518.5	521.9
10 **Net working capital**	**374.3**	**407.5**	**437.8**	**448.4**	**455.9**	**514.3**	**521.6**	**518.6**	**523.9**	**531.4**
11 MEMO: Current ratio[1]	1.559	1.505	1.492	1.462	1.467	1.493	1.483	1.466	1.458	1.462

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

NOTE. For a description of this series, see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533–37.

All data in this table reflect the most current benchmarks. Complete data are available upon request from the Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SOURCE. Federal Trade Commission and Bureau of the Census.

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry[1]	1983	1984	1985[1]	1983		1984				1985	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1[1]	Q2[1]
1 **Total nonfarm business**	**304.78**	**353.74**	**384.40**	**309.25**	**325.45**	**337.48**	**348.34**	**361.12**	**367.21**	**380.05**	**388.86**
Manufacturing											
2 Durable goods industries	53.08	65.95	75.01	54.15	57.56	61.26	63.12	68.31	71.13	74.01	76.84
3 Nondurable goods industries	63.12	72.43	78.62	62.59	66.19	68.71	72.21	73.72	75.07	77.00	80.16
Nonmanufacturing											
4 Mining	15.19	16.88	16.49	15.66	16.27	17.61	16.01	16.96	16.93	16.93	16.21
Transportation											
5 Railroad	4.88	6.77	7.35	5.31	6.04	5.76	7.46	7.47	6.40	6.21	7.20
6 Air	4.36	3.55	3.86	4.20	3.75	3.23	3.52	3.73	3.73	3.64	3.90
7 Other	4.72	6.17	6.33	4.69	5.48	5.96	6.06	6.50	6.16	6.11	6.21
Public utilities											
8 Electric	37.27	37.09	36.13	37.64	37.79	38.36	37.82	36.82	35.37	36.73	36.14
9 Gas and other	7.70	10.30	12.27	7.13	8.07	8.77	10.07	11.07	11.31	11.97	12.45
10 Commercial and other[2]	114.45	134.39	148.35	117.88	124.30	127.83	132.07	136.55	141.10	148.17	149.10

▲Trade and services are no longer being reported separately. They are included in Commercial and other, line 10.

1. Anticipated by business.

2. "Other" consists of construction; wholesale and retail trade; finance and insurance; personal and business services; and communication.

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

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1978	1979	1980	1981	1982	1983		1984		
						Q3	Q4	Q1	Q2	Q3
ASSETS										
Accounts receivable, gross										
1 Consumer	52.6	65.7	73.6	85.5	89.5	92.3	92.8	96.9	99.6	103.4
2 Business	63.3	70.3	72.3	80.6	81.0	86.8	95.2	101.1	104.2	103.2
3 Total	116.0	136.0	145.9	166.1	170.4	179.0	188.0	198.0	203.8	206.6
4 LESS: Reserves for unearned income and losses	15.6	20.0	23.3	28.9	30.5	30.1	30.6	31.9	33.4	34.7
5 Accounts receivable, net	100.4	116.0	122.6	137.2	139.8	148.9	157.4	166.1	170.4	171.9
6 Cash and bank deposits	3.5									
7 Securities	1.3	24.9[1]	27.5	34.2	39.7	45.0	45.3	47.1	48.1	49.1
8 All other	17.3									
9 **Total assets**	**122.4**	**140.9**	**150.1**	**171.4**	**179.5**	**193.9**	**202.7**	**213.2**	**218.5**	**220.9**
LIABILITIES										
10 Bank loans	6.5	8.5	13.2	15.4	18.6	17.0	19.1	14.7	15.3	16.0
11 Commercial paper	34.5	43.3	43.4	51.2	45.8	49.7	53.6	58.4	62.0	60.1
Debt										
12 Short-term, n.e.c.	8.1	8.2	7.5	9.6	8.7	8.7	11.3	12.2	15.0	15.1
13 Long-term, n.e.c.	43.6	46.7	52.4	54.8	63.5	66.2	65.4	68.7	67.6	71.2
14 Other	12.6	14.2	14.3	17.8	18.7	24.4	27.1	29.8	29.0	29.2
15 Capital, surplus, and undivided profits	17.2	19.9	19.4	22.8	24.2	27.9	26.2	29.4	29.6	29.2
16 **Total liabilities and capital**	**122.4**	**140.9**	**150.1**	**171.4**	**179.5**	**193.9**	**202.7**	**213.2**	**218.5**	**220.9**

1. Beginning Q1 1979, asset items on lines 6, 7, and 8 are combined.

NOTE. Components may not add to totals due to rounding.

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

1.52 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding Mar. 31, 1985[1]	Changes in accounts receivable			Extensions			Repayments		
		1985			1985			1985		
		Jan.	Feb.	Mar.	Jan.	Feb.	Mar.	Jan.	Feb.	Mar.
1 **Total**	**141,439**	**4,368**	**869**	**873**	**28,010**	**26,444**	**26,283**	**23,642**	**25,575**	**25,410**
Retail financing of installment sales										
2 Automotive (commercial vehicles)	11,502	-25	43	298	720	797	1,060	745	754	762
3 Business, industrial, and farm equipment	20,293	-218	-25	84	1,254	1,272	1,427	1,472	1,297	1,343
Wholesale financing										
4 Automotive	20,580	1,096	709	476	10,165	9,394	10,201	9,069	8,685	9,725
5 Equipment	4,972	157	-15	105	711	485	540	554	500	435
6 All other	6,750	147	106	86	1,824	1,690	1,652	1,677	1,584	1,566
Leasing										
7 Automotive	13,792	623	305	271	1,121	966	872	498	661	601
8 Equipment	36,396	928	39	-252	1,767	916	1,222	839	877	1,474
9 Loans on commercial accounts receivable and factored commercial accounts receivable	15,873	1,659	-687	-419	9,475	9,650	8,262	7,816	10,337	8,681
10 All other business credit	11,281	1	394	224	973	1,274	1,047	972	880	823

1. Not seasonally adjusted.

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

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1982	1983	1984	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	94.6	92.8	96.8	98.4	99.5	102.6	94.8	101.8	91.3r	98.6
2 Amount of loan (thousands of dollars)	69.8	69.5	73.7	74.0	75.2	76.9	71.4	76.5	69.9r	75.1
3 Loan/price ratio (percent)	76.6	77.1	78.7	78.2	77.9	77.9	77.9	77.6	79.8r	79.1
4 Maturity (years)	27.6	26.7	27.8	27.6	27.5	28.0	27.7	28.1	27.2r	27.4
5 Fees and charges (percent of loan amount)[2]	2.95	2.40	2.64	2.58	2.54	2.65	2.65	2.58	2.65r	2.63
6 Contract rate (percent per annum)	14.47	12.20	11.87	12.27	12.27	12.05	11.77	11.74	11.42r	11.56
Yield (percent per annum)										
7 FHLBB series[3]	15.12	12.66	12.37	12.77	12.75	12.55	12.27	12.21	11.92r	12.05
8 HUD series[4]	15.79	13.43	13.80	13.59	13.20	13.05	12.88	13.06	13.26	13.01
SECONDARY MARKETS										
Yield (percent per annum)										
9 FHA mortgages (HUD series)[5]	15.30	13.11	13.81	13.43	12.90	12.99	13.01	13.27	13.43	12.97
10 GNMA securities[6]	14.68	12.25	13.13	13.09	12.71	12.54	12.26	12.23	12.68	12.31
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	66,031	74,847	83,339	85,539	86,416	87,940	89,353	90,369	91,975	92,765
12 FHA/VA-insured	39,718	37,393	35,148	34,791	34,752	34,711	34,602	34,553	34,585	34,516
13 Conventional	26,312	37,454	48,191	50,749	51,664	53,229	54,751	55,816	57,391	58,250
Mortgage transactions (during period)										
14 Purchases	15,116	17,554	16,721	1,087	1,297	1,962	1,943	1,559	2,256	1,515
15 Sales	2	3,528	978	0	0	0	0	0	100	0
Mortgage commitments[7]										
16 Contracted (during period)	22,105	18,607	21,007	1,638	2,150	2,758	1,230	1,895	1,636	1,921
17 Outstanding (end of period)	7,606	5,461	6,384	6,656	5,916	6,384	5,678	5,665	5,019	5,361
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
18 Total	5,131	5,996	9,283	9,726	9,900	10,399	10,362	11,118	11,549	n.a.
19 FHA/VA	1,027	974	910	891	886	881	876	859	854	n.a.
20 Conventional	4,102	5,022	8,373	8,835	9,014	9,518	9,485	10,259	10,694	n.a.
Mortgage transactions (during period)										
21 Purchases	23,673	23,089	21,886	2,864	2,241	4,137	2,197	3,247	3,232	n.a.
22 Sales	24,170	19,686	18,506	2,573	1,961	3,635	2,162	2,428	2,751	n.a.
Mortgage commitments[9]										
23 Contracted (during period)	28,179	32,852	32,603	2,663	4,158	4,174	4,264	3,622	3,453	n.a.
24 Outstanding (end of period)	7,549	16,964	26,990	25,676	27,550	26,990	29,654	30,135	30,436	n.a.

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Any gaps in data are due to periods of adjustment to changes in maximum permissible contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are averages of Friday figures from the *Wall Street Journal*.
7. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
8. Includes participation as well as whole loans.
9. Includes conventional and government-underwritten loans. FHLMC's mortgage commitments and mortgage transactions include activity under mortgage/securities swap programs, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING

Millions of dollars, end of period

Type of holder, and type of property	1982	1983	1984	1984 Q1	1984 Q2	1984 Q3	1984 Q4	1985 Q1
1 **All holders**	**1,658,450**	**1,829,761r**	**2,033,701r**	**1,873,345r**	**1,932,749r**	**1,984,750r**	**2,033,701r**	**2,076,898**
2 1- to 4-family	1,110,315	1,220,359r	1,350,203r	1,250,361r	1,287,016r	1,318,664r	1,350,203r	1,381,134
3 Multifamily	140,063	150,271r	164,439r	153,486r	158,180r	160,523r	164,439r	168,131
4 Commercial	301,362	349,757r	408,194r	359,880r	377,060r	394,494r	408,194r	416,370
5 Farm	106,710	109,374r	110,865r	109,618r	110,493r	111,069r	110,865r	111,263
6 Major financial institutions	1,024,680	1,112,363r	1,247,573r	1,137,787r	1,181,792r	1,219,436r	1,247,573r	1,267,245
7 Commercial banks[1]	301,272	330,521r	374,689r	339,653r	352,258r	363,043r	374,689r	383,187
8 1- to 4-family	173,804	182,514r	196,112r	185,213r	190,185r	193,138r	196,112r	200,024
9 Multifamily	16,480	18,410r	21,395r	19,836r	20,501r	20,040r	21,395r	22,033
10 Commercial	102,553	120,210r	146,653r	124,890r	131,533r	139,663r	146,653r	150,401
11 Farm	8,435	9,387r	10,529r	9,714r	10,039r	10,202r	10,529r	10,729
12 Mutual savings banks	97,805	136,054	160,324r	143,180	147,517	150,462	160,324r	166,612
13 1- to 4-family	66,777	96,569	114,076r	101,868	105,063	106,944	114,076r	118,723
14 Multifamily	15,305	17,785	20,123r	18,441	18,752	19,138	20,123r	20,767
15 Commercial	15,694	21,671	26,094r	22,841	23,672	24,349	26,094r	27,091
16 Farm	29	29	31	30	30	31	31	31
17 Savings and loan associations	483,614	494,789	555,277	503,509	528,172	550,129	555,277	559,263
18 1- to 4-family	393,323	390,883	431,450	397,017	414,087	429,101	431,450	433,429
19 Multifamily	38,979	42,552	48,309	43,553	45,951	47,861	48,309	48,936
20 Commercial	51,312	61,354	75,518	62,939	68,134	73,167	75,518	76,898
21 Life insurance companies	141,989	150,999	157,283	151,445	153,845	155,802	157,283	158,183
22 1- to 4-family	16,751	15,319	14,180	14,917	14,437	14,204	14,180	14,153
23 Multifamily	18,856	19,107	19,017	19,083	19,028	18,828	19,017	19,114
24 Commercial	93,547	103,831	111,642	104,890	107,796	110,149	111,642	112,641
25 Farm	12,835	12,742	12,444	12,555	12,584	12,621	12,444	12,275
26 Federal and related agencies	138,138	147,370	157,377r	150,784	152,669	153,355	157,377r	162,416
27 Government National Mortgage Association	4,227	3,395	2,301	2,900	2,715	2,389	2,301	1,964
28 1- to 4-family	676	630	585	618	605	594	585	576
29 Multifamily	3,551	2,765	1,716	2,282	2,110	1,795	1,716	1,388
30 Farmers Home Administration	1,786	2,141	1,276r	2,094	1,344	738	1,276r	1,062
31 1- to 4-family	783	1,159	213r	1,005	281	206	213r	156
32 Multifamily	218	173	119r	303	463	126	119r	82
33 Commercial	377	409	497r	319	81	113	497r	421
34 Farm	408	400	447r	467	519	293	447r	403
35 Federal Housing and Veterans Administration	5,228	4,894	4,782	4,832	4,753	4,749	4,782	4,938
36 1- to 4-family	1,980	1,893	2,007	1,956	1,894	1,982	2,007	2,113
37 Multifamily	3,248	3,001	2,775	2,876	2,859	2,767	2,775	2,825
38 Federal National Mortgage Association	71,814	78,256	87,940	80,975	83,243	84,850	87,940	91,975
39 1- to 4-family	66,500	73,045	82,175	75,770	77,633	79,175	82,175	86,129
40 Multifamily	5,314	5,211	5,765	5,205	5,610	5,675	5,765	5,846
41 Federal Land Banks	50,350	51,052	50,679	51,004	51,136	51,182	50,679	50,929
42 1- to 4-family	3,068	3,000	2,948	2,982	2,958	2,954	2,948	2,998
43 Farm	47,282	48,052	47,731	48,022	48,178	48,228	47,731	47,931
44 Federal Home Loan Mortgage Corporation	4,733	7,632	10,399	8,979	9,478	9,447	10,399	11,548
45 1- to 4-family	4,686	7,559	9,654	8,847	8,931	8,841	9,654	10,642
46 Multifamily	47	73	745	132	547	606	745	906
47 Mortgage pools or trusts[2]	216,654	285,073	332,057	296,481	305,051	317,548	332,057r	347,793
48 Government National Mortgage Association	118,940	159,850	179,981	166,261	170,893	175,770	179,981	185,954
49 1- to 4-family	115,831	155,801	175,084	161,943	166,415	171,095	175,084	180,878
50 Multifamily	3,109	4,049	4,897	4,318	4,478	4,675	4,897	5,076
51 Federal Home Loan Mortgage Corporation	42,964	57,895	70,822	59,376	61,267	63,964	70,822	76,759
52 1- to 4-family	42,560	57,273	70,253	58,776	60,636	63,352	70,253	75,781
53 Multifamily	404	622	569	600	631	612	569	978
54 Federal National Mortgage Association[3]	14,450	25,121	36,215	28,354	29,256	32,888	36,215	39,370
55 1- to 4-family	14,450	25,121	35,965	28,354	29,256	32,730	35,965	38,772
56 Multifamily	n.a.	n.a.	250	n.a.	n.a.	158	250	598
57 Farmers Home Administration	40,300	42,207	45,000r	42,490	43,635	44,926	45,039r	45,710
58 1- to 4-family	20,005	20,404	21,813r	20,573	21,331	21,595	21,813r	21,928
59 Multifamily	4,344	5,090	5,841r	5,081	5,081	5,618	5,841r	6,041
60 Commercial	7,011	7,351	7,559r	7,456	7,764	7,844	7,559r	7,681
61 Farm	8,940	9,362	9,826r	9,380	9,459	9,869	9,826r	10,060
62 Individual and others[4]	278,978	284,955	296,694r	288,293	293,237	294,411r	296,694r	299,444
63 1- to 4-family[5]	189,121	189,189	193,688r	190,522	193,304	192,753r	193,688r	194,832
64 Multifamily	30,208	31,433	32,918r	31,776	32,169	32,624r	32,918r	33,541
65 Commercial	30,868	34,931	40,231r	36,545	38,080	39,209r	40,231r	41,237
66 Farm	28,781	29,402	29,857r	29,450	29,684	29,825r	29,857r	29,834

1. Includes loans held by nondeposit trust companies but not bank trust departments.
2. Outstanding principal balances of mortgages backing securities insured or guaranteed by the agency indicated.
3. Outstanding balances on FNMA's issues of securities backed by pools of conventional mortgages held in trust. Implemented by FNMA in October 1981.
4. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and U.S. agencies for which amounts are small or for which separate data are not readily available.
5. Includes estimate of residential mortgage credit provided by individuals.

NOTE. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve in conjunction with the Federal Home Loan Bank Board and the Department of Commerce. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations when required, are estimated mainly by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

1.55 CONSUMER INSTALLMENT CREDIT[1] Total Outstanding, and Net Change▲

Millions of dollars

Holder, and type of credit	1983	1984	1984						1985		
			July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
	Amounts outstanding (end of period)										
1 **Total**	**383,701**	**460,500**	**422,008**	**430,795**	**437,469**	**441,358**	**447,783**	**460,500**	**461,530**	**463,628r**	**471,567**
By major holder											
2 Commercial banks	171,978	212,391	195,265	199,654	202,452	204,582	206,635	212,391	213,951	215,778	219,970
3 Finance companies	87,429	96,747	92,534	94,070	95,594	95,113	95,753	96,747	96,732	97,360	99,133
4 Credit unions	53,471	67,858	61,151	62,679	63,808	64,716	66,528	67,858	68,538	68,939r	70,432
5 Retailers[2]	37,470	40,913	35,058	35,359	35,595	35,908	37,124	40,913	38,978	37,483	37,082
6 Savings and loans	23,108	29,945	26,057	26,922	27,880	28,781	29,358	29,945	30,520	31,405	32,349
7 Gasoline companies	4,131	4,315	4,472	4,452	4,328	4,290	4,217	4,315	4,329	4,012	3,820
8 Mutual savings banks	6,114	8,331	7,471	7,659	7,812	7,968	8,168	8,331	8,482	8,651	8,781
By major type of credit											
9 Automobile	143,114	172,589	161,834	165,177	167,231	168,923	170,731	172,589	173,769	175,491r	179,661
10 Commercial banks	67,557	85,501	80,103	81,786	82,706	83,620	84,326	85,501	86,223	87,333	89,257
11 Credit unions	25,574	32,456	29,248	29,979	30,519	30,953	31,820	32,456	32,781	32,973r	33,687
12 Finance companies	49,983	54,632	52,483	53,412	54,006	54,350	54,585	54,632	54,765	55,185	56,717
13 Revolving	81,977	101,555	86,003	88,202	90,231	91,505	93,944	101,555	100,565	99,316	100,434
14 Commercial banks	44,184	60,549	50,358	52,313	54,258	55,276	56,641	60,549	61,445	61,978	63,684
15 Retailers	33,662	36,691	31,173	31,437	31,645	31,939	33,086	36,691	34,791	33,326	32,930
16 Gasoline companies	4,131	4,315	4,472	4,452	4,328	4,290	4,217	4,315	4,329	4,012	3,820
17 Mobile home	23,862	24,556	24,639	24,947	25,198	24,573	24,439	24,556	24,281	24,379r	24,456
18 Commercial banks	9,842	9,610	9,681	9,711	9,761	9,627	9,613	9,610	9,498	9,456	9,425
19 Finance companies	9,547	9,243	9,883	9,992	10,065	9,470	9,235	9,243	9,053	9,044	8,981
20 Savings and loans	3,906	4,985	4,428	4,581	4,697	4,791	4,887	4,985	5,005	5,150	5,305
21 Credit unions	567	718	647	663	675	685	704	718	725	729r	745
22 Other	134,748	161,800	149,532	152,469	154,809	156,357	158,669	161,800	162,915	164,442r	167,016
23 Commercial banks	50,395	56,731	55,123	55,844	55,727	56,059	56,055	56,731	56,785	57,011	57,604
24 Finance companies	27,899	32,872	30,168	30,666	31,523	31,293	31,933	32,872	32,914	33,131	33,435
25 Credit unions	27,330	34,684	31,256	32,037	32,614	33,078	34,004	34,684	35,032	35,237r	36,000
26 Retailers	3,808	4,222	3,885	3,922	3,950	3,969	4,038	4,222	4,187	4,157	4,152
27 Savings and loans	19,202	24,960	21,629	22,341	23,183	23,990	24,471	24,960	25,515	26,255	27,044
28 Mutual savings banks	6,114	8,331	7,471	7,659	7,812	7,968	8,168	8,331	8,482	8,651	8,781
	Net change (during period)										
29 **Total**	**48,742**	**76,799**	**6,481**	**6,022**	**4,982**	**5,631**	**6,080**	**6,819**	**7,223**	**9,041r**	**8,342**
By major holder											
30 Commercial banks	19,488	40,413	3,192	2,631	1,384	2,756	2,483	3,028	3,799	5,071	4,847
31 Finance companies	18,572	18,636	1,138	1,381	1,571	398	778	1,196	901	1,203	2,048
32 Credit unions	6,218	14,387	1,360	927	871	1,224	1,731	1,336	1,290	1,423r	797
33 Retailers[2]	5,075	3,443	36	197	225	128	278	389	251	269	91
34 Savings and loans	7,285	6,837	586	804	770	864	546	576	922	997	715
35 Gasoline companies	68	184	−23	−63	−38	98	86	117	−91	−102	−142
36 Mutual savings banks	1,322	2,217	192	145	199	163	178	177	151	180	−14
By major type of credit											
37 Automobile	16,856	29,475	3,087	2,482	1,513	2,504	2,549	2,687	2,887	3,198r	3,391
38 Commercial banks	8,002	17,944	1,852	1,150	434	1,057	1,019	1,275	1,616	1,790	1,767
39 Credit unions	2,978	6,882	650	444	416	587	828	640	598	696r	381
40 Finance companies	11,752	9,298	585	888	663	860	702	772	673	712	1,243
41 Revolving	12,353	19,578	772	1,263	1,484	1,488	1,614	1,445	1,957	2,527	2,631
42 Commercial banks	7,518	16,365	764	1,159	1,323	1,279	1,289	1,001	1,809	2,429	2,698
43 Retailers	4,767	3,029	31	167	199	111	239	327	239	200	75
44 Gasoline companies	68	184	−23	−63	−38	98	86	117	−91	−102	−142
45 Mobile home	1,452	694	334	217	127	−392	−91	117	−159	282r	−11
46 Commercial banks	237	−232	31	4	4	−91	−1	29	−89	41	−50
47 Finance companies	776	−608	137	63	19	−381	−192	−13	−144	33	−63
48 Savings and loans	763	1,079	152	140	95	67	84	88	60	192	92
49 Credit unions	64	151	14	10	9	13	18	13	14	16r	10
50 Other	18,081	27,052	2,288	2,060	1,858	2,031	2,008	2,570	2,538	3,034r	2,331
51 Commercial banks	3,731	6,336	545	318	−377	511	176	723	463	811	432
52 Finance companies	6,044	9,946	416	430	889	−81	268	437	372	458	868
53 Credit unions	3,176	7,354	696	473	446	624	885	683	678	711r	406
54 Retailers	308	414	5	30	26	17	39	62	12	69	16
55 Savings and loans	6,522	5,758	434	664	675	797	462	488	862	805	623
56 Mutual savings banks	1,322	2,217	192	145	199	163	178	177	151	180	−14

▲ These data have not been revised this month due to revisions that were not available at time of publication.

1. The Board's series cover most short- and intermediate-term credit extended to individuals through regular business channels, usually to finance the purchase of consumer goods and services or to refinance debts incurred for such purposes, and scheduled to be repaid (or with the option of repayment) in two or more installments.

2. Includes auto dealers and excludes 30-day charge credit held by travel and entertainment companies.

3. For 1982 and earlier, net change equals extensions, seasonally adjusted less liquidations, seasonally adjusted. Beginning 1983, net change equals outstandings, seasonally adjusted less outstandings of the previous period, seasonally adjusted.

NOTE. Total consumer noninstallment credit outstanding—credit scheduled to be repaid in a lump sum, including single-payment loans, charge accounts, and service credit—amounted to, not seasonally adjusted, $80.7 billion at the end of 1981, $85.9 billion at the end of 1982, and $96.9 billion at the end of 1983.

These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT

Percent unless noted otherwise

Item	1982	1983	1984	1984				1985		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
INTEREST RATES										
Commercial banks[1]										
1 48-month new car[2]	16.82	13.92	13.71	n.a.	n.a.	13.91	n.a.	n.a.	13.37	n.a.
2 24-month personal	18.64	16.50	16.47	n.a.	n.a.	16.63	n.a.	n.a.	16.21	n.a.
3 120-month mobile home[2]	18.05	16.08	15.58	n.a.	n.a.	15.60	n.a.	n.a.	15.42	n.a.
4 Credit card	18.51	18.78	18.77	n.a.	n.a.	18.82	n.a.	n.a.	18.85	n.a.
Auto finance companies										
5 New car	16.15	12.58	14.62	15.16	15.18	15.24	15.24	15.11	13.78	12.65
6 Used car	20.75	18.74	17.85	18.10	18.19	18.30	18.34	17.88	17.91	17.78
OTHER TERMS[3]										
Maturity (months)										
7 New car	45.9	45.9	48.3	49.5	49.7	50.0	50.2	50.7	51.4	52.2
8 Used car	37.0	37.9	39.7	39.9	39.9	39.9	39.8	41.3	41.1	41.3
Loan-to-value ratio										
9 New car	85	86	88	89	88	89	89	90	90	91
10 Used car	90	92	92	93	93	93	93	93	93	93
Amount financed (dollars)										
11 New car	8,178	8,787	9,333	9,402	9,449	9,577	9,707	9,654	9,196	9,232
12 Used car	4,746	5,033	5,691	5,792	5,826	5,900	5,975	5,951	5,968	5,976

1. Data for midmonth of quarter only.
2. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.
3. At auto finance companies.

NOTE. These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; half-yearly data are at seasonally adjusted annual rates.

	Transaction category, sector	1979	1980	1981	1982	1983	1984	1982		1983		1984	
								H1	H2	H1	H2	H1	H2
		Nonfinancial sectors											
1	**Total net borrowing by domestic nonfinancial sectors**	**386.0**	**344.6**	**380.4**	**404.1**	**526.4**	**715.3**	**358.1**	**450.1**	**448.9**	**563.8**	**697.9**	**732.6**
	By sector and instrument												
2	U.S. government	37.4	79.2	87.4	161.3	186.6	198.8	104.1	218.4	222.0	151.1	177.4	220.2
3	Treasury securities	38.8	79.8	87.8	162.1	186.7	199.0	105.5	218.8	222.1	151.2	177.6	220.3
4	Agency issues and mortgages	−1.4	−.6	−.5	−.9	−.1	−.2	−1.4	−.4	−.1	−.1	−.2	−.1
5	Private domestic nonfinancial sectors	348.6	265.4	293.1	242.8	339.8	516.5	254.0	231.7	266.9	412.7	520.5	512.4
6	Debt capital instruments	211.2	192.0	159.1	158.9	239.3	288.4	140.7	177.2	214.4	264.2	280.4	296.4
7	Tax-exempt obligations	30.3	30.3	22.7	53.8	56.3	54.6	43.9	63.7	62.8	49.7	37.9	71.3
8	Corporate bonds	17.3	26.7	21.8	18.7	15.7	32.2	12.0	25.3	23.0	8.4	24.1	40.3
9	Mortgages	163.6	135.1	114.6	86.5	167.3	201.5	84.8	88.2	128.6	206.0	218.3	184.8
10	Home mortgages	120.0	96.7	76.0	52.5	108.7	128.9	53.6	51.3	83.8	133.6	140.9	116.9
11	Multifamily residential	7.8	8.8	4.3	5.5	8.4	13.8	5.1	5.8	2.8	13.9	17.1	10.4
12	Commercial	23.9	20.2	24.6	23.6	47.3	57.3	19.7	27.5	40.3	54.3	58.5	56.1
13	Farm	11.8	9.3	9.7	5.0	2.9	1.6	6.5	3.5	1.6	4.1	1.8	1.3
14	Other debt instruments	137.5	73.4	134.0	83.9	100.5	228.1	113.2	54.6	52.5	148.5	240.2	216.1
15	Consumer credit	45.4	6.3	26.7	21.0	51.3	100.6	20.6	21.4	35.9	66.6	103.0	98.2
16	Bank loans n.e.c.	51.2	36.7	54.7	55.5	27.3	71.5	69.0	42.0	13.3	41.2	83.2	59.7
17	Open market paper	11.1	5.7	19.2	−4.1	−1.2	23.8	10.0	−18.2	−10.6	8.3	31.5	16.0
18	Other	29.7	24.8	33.4	11.5	23.1	32.3	13.6	9.4	13.9	32.3	22.4	42.1
19	By borrowing sector	348.6	265.4	293.1	242.8	339.8	516.5	254.0	231.7	266.9	412.7	520.5	512.4
20	State and local governments	17.6	17.2	6.2	31.3	36.7	33.0	24.1	38.5	41.9	31.6	18.9	47.0
21	Households	179.3	122.1	127.5	94.5	175.4	241.6	94.7	94.3	134.8	216.0	236.6	246.6
22	Farm	21.4	14.4	16.3	7.6	4.3	2.2	9.6	5.6	.8	7.9	.6	3.8
23	Nonfarm noncorporate	34.4	33.7	40.2	39.5	63.9	76.3	36.6	42.3	50.1	77.6	86.1	66.5
24	Corporate	96.0	78.1	102.9	70.0	59.5	163.5	89.0	51.0	39.3	79.6	178.3	148.6
25	Foreign net borrowing in United States	20.2	27.2	27.2	15.7	18.9	1.7	10.2	21.2	15.3	22.5	19.2	−15.7
26	Bonds	3.9	.8	5.4	6.7	3.8	2.7	2.4	11.0	4.6	2.9	1.1	4.4
27	Bank loans n.e.c.	2.3	11.5	3.7	−6.2	4.9	−6.2	−7.6	−4.7	11.3	−1.5	−6.0	−6.3
28	Open market paper	11.2	10.1	13.9	10.7	6.0	.4	12.5	9.0	−4.6	16.5	18.9	−18.1
29	U.S. government loans	2.9	4.7	4.2	4.5	4.3	4.8	3.0	6.0	3.9	4.6	5.3	4.4
30	**Total domestic plus foreign**	**406.2**	**371.8**	**407.6**	**419.8**	**545.3**	**717.0**	**368.3**	**471.4**	**504.2**	**586.3**	**717.1**	**717.0**
		Financial sectors											
31	**Total net borrowing by financial sectors**	**82.4**	**62.9**	**84.1**	**69.0**	**90.7**	**126.5**	**84.2**	**53.8**	**74.0**	**107.3**	**121.0**	**131.9**
	By instrument												
32	U.S. government related	47.9	44.8	47.4	64.9	67.8	74.2	60.0	69.7	66.2	69.4	69.1	79.2
33	Sponsored credit agency securities	24.3	24.4	30.5	14.9	1.4	30.0	22.4	7.5	−4.1	6.9	30.8	29.2
34	Mortgage pool securities	23.1	19.2	15.0	49.5	66.4	44.2	36.8	62.2	70.3	62.5	38.3	50.0
35	Loans from U.S. government	.6	1.2	1.9	.4	......	......	.8	......	......	......	......	......
36	Private financial sectors	34.5	18.1	36.7	4.1	22.9	52.3	24.2	−16.0	7.8	38.0	51.9	52.7
37	Corporate bonds	7.8	7.1	−.8	2.5	17.1	14.5	−2.5	7.6	15.2	18.9	14.9	14.1
38	Mortgages	*	−.1	−.5	.1	*	*	.1	.1	*	*	*	*
39	Bank loans n.e.c.	−.5	−.9	.9	1.9	−.2	.9	3.2	.6	−2.5	2.2	.1	1.7
40	Open market paper	18.0	4.8	20.9	−1.2	13.0	21.2	12.3	−14.7	7.2	18.8	21.2	21.1
41	Loans from Federal Home Loan Banks	9.2	7.1	16.2	.8	−7.0	15.7	11.1	−9.5	−12.1	−2.0	15.7	15.7
	By sector												
42	Sponsored credit agencies	24.8	25.6	32.4	15.3	1.4	30.0	23.2	7.5	−4.1	6.9	30.8	29.2
43	Mortgage pools	23.1	19.2	15.0	49.5	66.4	44.2	36.8	62.2	70.3	62.5	38.3	50.0
44	Private financial sectors	34.5	18.1	36.7	4.1	22.9	52.3	24.2	−16.0	7.8	38.0	51.9	52.7
45	Commercial banks	1.6	.5	.4	1.2	.5	2.7	.7	1.7	.8	.2	4.8	.6
46	Bank affiliates	6.5	6.9	8.3	1.9	8.6	10.8	9.7	−5.8	6.1	11.1	20.0	1.5
47	Savings and loan associations	12.6	7.4	15.5	2.5	−2.7	20.1	14.3	−9.3	−10.0	4.5	18.2	21.9
48	Finance companies	16.5	5.8	12.8	−.9	17.0	19.5	*	−1.9	11.4	22.7	9.6	29.4
49	REITs	−1.3	−2.2	.2	.1	.2	.1	.1	.1	.2	.2	.1	.1
		All sectors											
50	**Total net borrowing**	**488.7**	**434.7**	**491.8**	**488.8**	**635.9**	**843.5**	**452.5**	**525.1**	**578.2**	**693.6**	**838.1**	**848.9**
51	U.S. government securities	84.8	122.9	133.0	225.9	254.4	273.1	163.5	288.3	288.4	220.5	246.7	299.5
52	State and local obligations	30.3	30.3	22.7	53.8	56.3	54.6	43.9	63.7	62.8	49.7	37.9	71.3
53	Corporate and foreign bonds	29.0	34.6	26.4	27.8	36.5	49.4	11.8	43.8	42.8	30.3	40.1	58.8
54	Mortgages	163.5	134.9	113.9	86.5	167.2	201.5	84.8	88.2	128.5	206.0	218.2	184.7
55	Consumer credit	45.4	6.3	26.7	21.0	51.3	100.6	20.6	21.4	35.9	66.6	103.0	98.2
56	Bank loans n.e.c.	52.9	47.3	59.3	51.2	32.0	66.2	64.6	37.9	22.1	41.9	77.3	55.1
57	Open market paper	40.3	20.6	54.0	5.4	17.8	45.3	34.8	−23.9	−8.0	43.6	71.5	19.0
58	Other loans	42.4	37.8	55.8	17.2	20.3	52.8	28.5	5.9	5.7	35.0	43.4	62.2
		External corporate equity funds raised in United States											
59	**Total new share issues**	**−3.8**	**22.2**	**−4.1**	**35.3**	**67.8**	**−29.8**	**23.3**	**47.2**	**83.5**	**52.0**	**−43.3**	**−16.4**
60	Mutual funds	.1	5.2	6.3	18.4	32.8	38.1	12.5	24.3	36.8	28.9	39.0	37.2
61	All other	−3.9	17.1	−10.4	16.9	34.9	−67.9	10.9	22.9	46.8	23.1	−82.3	−53.6
62	Nonfinancial corporations	−7.8	12.9	−11.5	11.4	28.3	−72.1	7.0	15.8	38.2	18.4	−84.5	−59.6
63	Financial corporations	3.2	2.1	.8	4.0	2.7	3.0	3.9	4.1	2.8	2.5	2.9	3.2
64	Foreign shares purchased in United States	.8	2.1	.3	1.5	4.0	1.1	−.1	3.0	5.7	2.2	−.7	2.9

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; half-yearly data are at seasonally adjusted annual rates.

Transaction category, or sector	1979	1980	1981	1982	1983	1984	1982		1983		1984	
							H1	H2	H1	H2	H1	H2
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**386.0**	**344.6**	**380.4**	**404.1**	**526.4**	**715.3**	**358.1**	**450.1**	**488.9**	**563.8**	**697.9**	**732.6**
By public agencies and foreign												
2 Total net advances	75.2	97.0	97.7	109.1	117.1	142.6	100.8	117.3	119.7	114.6	123.7	161.5
3 U.S. government securities	−6.3	15.7	17.2	18.0	27.6	35.8	9.7	26.2	40.5	14.6	33.4	38.2
4 Residential mortgages	35.8	31.7	23.5	61.0	76.1	56.5	47.6	74.4	80.1	72.0	52.0	61.1
5 FHLB advances to savings and loans	9.2	7.1	16.2	.8	−7.0	15.7	11.1	−9.5	−12.1	−2.0	15.7	15.7
6 Other loans and securities	36.5	42.4	40.9	29.3	20.5	34.6	32.4	26.2	11.1	29.9	22.6	46.6
Total advanced, by sector												
7 U.S. government	19.0	23.7	24.1	16.0	9.7	16.7	14.8	17.1	9.1	10.3	6.1	27.2
8 Sponsored credit agencies	53.0	45.6	48.2	65.3	69.5	71.8	61.8	68.7	68.2	70.7	73.0	70.6
9 Monetary authorities	7.7	4.5	9.2	9.8	10.9	8.4	3.8	15.7	15.6	6.2	17.1	−.3
10 Foreign	−4.6	23.2	16.3	18.1	27.1	45.7	20.4	15.8	26.8	27.4	27.5	64.0
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	47.9	44.8	47.4	64.9	67.8	74.2	60.0	69.7	66.2	69.4	69.1	79.2
12 Foreign	20.2	27.2	27.2	15.7	18.9	1.7	10.2	21.2	15.3	22.5	19.2	−15.7
Private domestic funds advanced												
13 Total net advances	379.0	319.6	357.3	375.6	495.9	648.6	327.5	423.8	450.8	541.1	662.5	634.7
14 U.S. government securities	91.1	107.2	115.8	207.9	226.9	237.3	153.7	262.0	247.8	205.9	213.2	261.3
15 State and local obligations	30.3	30.3	22.7	53.8	56.3	54.6	43.9	63.7	62.8	49.7	37.9	71.3
16 Corporate and foreign bonds	18.5	19.3	18.8	14.8	14.6	17.4	−.1	29.6	22.9	6.3	18.0	16.9
17 Residential mortgages	91.9	73.7	56.7	−3.2	40.9	86.1	11.0	−17.4	6.4	75.5	105.9	66.2
18 Other mortgages and loans	156.3	96.2	159.5	103.2	150.2	268.9	130.2	76.3	98.7	201.7	303.2	234.7
19 LESS: Federal Home Loan Bank advances	9.2	7.1	16.2	.8	−7.0	15.7	11.1	−9.5	−12.1	−2.0	15.7	15.7
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	313.9	281.5	323.4	285.6	376.7	541.9	274.4	296.7	323.2	430.1	522.2	561.6
21 Commercial banking	123.1	100.6	102.3	107.2	136.1	176.1	99.9	114.5	121.6	150.6	192.8	159.4
22 Savings institutions	56.5	54.5	27.8	31.3	136.8	147.7	25.2	37.4	128.9	144.6	157.0	138.4
23 Insurance and pension funds	85.9	94.3	97.4	108.8	98.8	113.2	111.4	106.3	89.5	108.1	95.6	130.8
24 Other finance	48.5	32.1	96.0	38.3	5.0	104.9	37.9	38.6	−16.8	26.8	76.7	133.1
25 Sources of funds	313.9	281.5	323.4	285.6	376.7	541.9	274.4	296.7	323.2	430.1	522.2	561.6
26 Private domestic deposits and RPs	137.4	169.6	211.9	174.7	203.5	283.9	147.6	201.9	192.7	214.2	277.0	290.7
27 Credit market borrowing	34.5	18.1	36.7	4.1	22.9	52.3	24.2	−16.0	7.8	38.0	51.9	52.7
28 Other sources	142.0	93.9	74.8	106.7	150.4	205.8	102.6	110.8	122.8	177.9	193.2	218.3
29 Foreign funds	27.6	−21.7	−8.7	−26.7	22.1	20.8	−28.3	−25.1	−14.2	58.5	15.7	25.9
30 Treasury balances	.4	−2.6	−1.1	6.1	−5.3	3.8	−2.0	14.1	10.1	−20.8	.9	6.8
31 Insurance and pension reserves	72.8	83.9	90.4	104.6	99.2	108.2	111.4	97.8	90.0	108.4	107.6	108.9
32 Other, net	41.2	34.2	−5.9	22.8	34.4	72.9	21.5	24.1	36.8	31.9	69.0	76.8
Private domestic nonfinancial investors												
33 Direct lending in credit markets	99.6	56.1	70.6	94.2	142.1	159.0	77.3	111.0	135.3	148.9	192.3	125.7
34 U.S. government securities	52.5	24.6	29.3	37.4	88.7	114.0	35.3	39.5	95.9	81.4	139.4	88.6
35 State and local obligations	9.9	7.0	10.5	34.4	42.5	31.8	30.1	38.7	52.7	32.3	21.5	42.1
36 Corporate and foreign bonds	−1.4	−5.7	−8.1	−5.2	2.0	−6.2	−17.7	7.3	−1.7	5.7	7.8	−20.1
37 Open market paper	8.6	−3.1	2.7	−.1	3.9	1.0	3.5	−3.7	−8.1	15.9	3.0	−1.0
38 Other	30.0	33.3	36.3	27.8	5.0	18.4	26.2	29.3	−3.4	13.5	20.7	16.2
39 Deposits and currency	146.8	181.1	221.9	181.9	222.6	294.6	152.1	211.7	214.5	230.7	290.2	299.0
40 Currency	8.0	10.3	9.5	9.7	14.3	14.2	6.7	12.7	14.8	13.8	17.7	10.7
41 Checkable deposits	18.3	5.2	18.0	15.7	21.7	16.4	1.9	29.5	48.0	−4.7	36.6	−3.9
42 Small time and savings accounts	59.3	82.9	47.0	138.2	219.1	148.0	83.2	193.1	278.6	159.7	124.9	171.2
43 Money market fund shares	34.4	29.2	107.5	24.7	−44.1	47.2	39.4	10.0	−84.0	−4.2	30.2	64.2
44 Large time deposits	18.8	45.8	36.9	−7.7	−7.5	69.8	21.9	−37.3	−61.0	45.9	80.0	59.7
45 Security RPs	6.6	6.5	2.5	3.8	14.3	2.4	1.1	6.6	11.0	17.5	5.3	−.5
46 Deposits in foreign countries	1.5	1.1	.5	−2.5	4.8	−3.4	−2.2	−2.9	7.0	2.7	−4.5	−2.3
47 **Total of credit market instruments, deposits and currency**	**246.5**	**237.2**	**292.5**	**276.1**	**364.7**	**453.6**	**229.4**	**322.7**	**349.8**	**379.6**	**482.5**	**424.8**
48 Public holdings as percent of total	18.5	26.1	24.0	26.0	21.5	19.9	27.4	24.9	23.7	19.5	17.2	22.5
49 Private financial intermediation (in percent)	82.8	88.1	90.5	76.0	76.0	83.5	83.8	70.0	71.7	79.5	78.8	88.5
50 Total foreign funds	23.0	1.5	7.6	−8.6	49.2	66.5	−7.9	−9.3	12.6	85.9	43.1	89.9
MEMO: Corporate equities not included above												
51 **Total net issues**	**−3.8**	**22.2**	**−4.1**	**35.3**	**67.8**	**−29.8**	23.3	**47.2**	**83.5**	**52.0**	**−43.3**	**−16.4**
52 Mutual fund shares	.1	5.2	6.3	18.4	32.8	38.1	12.5	24.3	36.8	28.9	39.0	37.2
53 Other equities	−3.9	17.1	−10.4	16.9	34.9	−67.9	10.9	22.9	46.8	23.1	−82.3	−53.6
54 Acquisitions by financial institutions	12.9	24.9	20.1	39.2	57.5	19.4	11.0	67.3	75.9	39.2	7.6	31.3
55 Other net purchases	−16.7	−2.7	−24.2	−3.9	10.2	−49.2	12.3	−20.1	7.6	12.8	−50.8	−47.6

NOTES BY LINE NUMBER.
1. Line 1 of table 1.58.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. *Credit market funds raised by federally sponsored credit agencies, and net* issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
26. Line 39 less lines 40 and 46.
27. Excludes equity issues and investment company shares. Includes line 19.
29. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates.
30. Demand deposits at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. Mainly retained earnings and net miscellaneous liabilities.
33. Line 12 less line 20 plus line 27.
34–38. Lines 14–18 less amounts acquired by private finance. Line 38 includes mortgages.
40. Mainly an offset to line 9.
47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.
48. Line 2/line 1.
49. Line 20/line 13.
50. Sum of lines 10 and 29.
51, 53. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

1967 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1982	1983	1984	1984					1985			
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.r	Feb.r	Mar.r	Apr.
1 **Industrial production**	**138.6**	**147.6**	**166.3**	**166.0**	**165.0**	**164.4**	**164.8**	**164.8**	**165.1**	**165.3**	**165.8**	**165.4**
Market groupings												
2 Products, total	141.8	149.2	164.7	167.2	166.4	166.9	167.7	168.1	168.0	168.0	168.5	168.2
3 Final, total	141.5	147.1	162.7	165.1	164.6	165.2	166.2	166.7	166.7	166.4	166.9	166.6
4 Consumer goods	142.6	151.7	161.7	162.5	161.6	161.6	162.6	162.2	162.1	162.0	162.5	161.9
5 Equipment	139.8	140.8	164.1	168.7	168.9	170.1	171.2	172.8	173.0	172.5	173.1	173.1
6 Intermediate	143.3	156.6	172.3	175.1	173.0	173.4	173.1	173.2	172.7	173.7	174.1	173.9
7 Materials	133.7	145.2	161.2	164.0	162.8	160.4	160.4	159.8	160.5	161.3	161.8	161.1
Industry groupings												
8 Manufacturing	137.6	148.2	164.8	167.6	166.6	166.2	166.6	166.6	166.6	166.5	167.1	166.7
Capacity utilization (percent)[1]												
9 Manufacturing	71.1	75.2	81.6	82.8	82.2	81.7	81.6	81.4	81.2	80.9	81.0	80.5
10 Industrial materials industries	70.1	75.2	82.0	83.3	82.4	81.0	80.9	80.4	80.5	80.8	80.8	80.2
11 Construction contracts (1977 = 100)[2]	111.0	137.0	149.0	148.0	146.0	145.0	151.0	150.0	153.0	145.0	162.0	161.0
12 Nonagricultural employment, total[3]	136.1	137.0	143.1	143.6	144.1	144.6	145.1	145.4	146.0	146.1	146.7	147.0
13 Goods-producing, total	102.2	100.4	106.8	107.7	107.3	107.6	107.8	108.4	108.7	108.3	108.7	108.8
14 Manufacturing, total	96.6	95.1	100.7	101.4	100.9	101.2	101.4	101.8	101.9	101.5	101.4	101.2
15 Manufacturing, production-worker	89.1	87.9	94.0	94.8	94.0	94.3	94.4	94.8	94.8	94.3	94.1	94.0
16 Service-producing	154.7	157.1	163.0	163.4	164.2	164.9	165.6	165.7	166.4	166.9	167.5	167.9
17 Personal income, total	410.3	435.6	478.1	483.5	487.0	488.8	491.7	493.9	496.4	498.3	501.0	503.8
18 Wages and salary disbursements	367.4	388.6	422.5	425.5	428.4	428.8	432.6	436.7	438.5	440.5	443.9	446.6
19 Manufacturing	285.5	294.7	323.6	326.2	325.7	326.7	330.0	333.2	334.4	332.9	334.6	334.1
20 Disposable personal income[4]	398.0	427.1	470.3	475.5	479.1	480.6	482.9	484.5	487.2	483.6	481.9	495.9
21 Retail sales[5]	326.0	373.0	412.0	410.4	414.1	416.4	421.3	422.3	424.0	428.3	425.1	428.8
Prices[6]												
22 Consumer	289.1	298.4	311.1	313.0	314.5	315.3	315.3	315.5	316.1	317.4	318.8	320.1
23 Producer finished goods	280.7	285.2	291.2	291.3	289.5	291.5	292.3	292.0r	292.7	292.5	292.4	293.1

1. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, Department of Commerce, and other sources.
2. Index of dollar value of total construction contracts, including residential, nonresidential and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.
3. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.
4. Based on data in *Survey of Current Business* (U.S. Department of Commerce).
5. Based on Bureau of Census data published in *Survey of Current Business*.
6. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.

Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1982	1983	1984	1984				1985			
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[r]	Mar.[r]	Apr.
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**174,450**	**176,414**	**178,602**	**179,005**	**179,181**	**179,353**	**179,524**	**179,600**	**179,742**	**179,891**	**180,024**
2 Labor force (including Armed Forces)[1]	112,383	113,749	115,763	116,006	116,241	116,292	116,682	117,091	117,310	117,738	117,596
3 Civilian labor force	110,204	111,550	113,544	113,764	114,016	114,074	114,464	114,875	115,084	115,514	115,371
Employment											
4 Nonagricultural industries[2]	96,125	97,450	101,685	102,075	102,480	102,598	102,888	103,071	103,345	103,757	103,517
5 Agriculture	3,401	3,383	3,321	3,319	3,169	3,334	3,385	3,320	3,340	3,362	3,428
Unemployment											
6 Number	10,678	10,717	8,539	8,370	8,367	8,142	8,191	8,484	8,399	8,396	8,426
7 Rate (percent of civilian labor force)	9.7	9.6	7.5	7.4	7.3	7.1	7.2	7.4	7.3	7.3	7.3
8 Not in labor force	62,067	62,665	62,839	62,999	62,940	63,061	62,842	62,509	62,432	62,153	62,428
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**89,566**	**90,138**	**94,166**	**94,807**	**95,157**	**95,497**	**95,681**	**96,045**	**96,161**	**96,514**	**96,731**
10 Manufacturing	18,781	18,497	19,589	19,616	19,686	19,718	19,801	19,808	19,742	19,720	19,676
11 Mining	1,128	957	999	1,020	1,012	1,009	1,000	1,000	1,001	1,000	1,009
12 Contract construction	3,905	3,940	4,315	4,374	4,382	4,396	4,457	4,530	4,492	4,606	4,676
13 Transportation and public utilities	5,082	4,958	5,169	5,213	5,225	5,226	5,249	5,266	5,281	5,255	5,272
14 Trade	20,457	20,804	21,790	21,930	22,080	22,267	22,267	22,372	22,426	22,527	22,574
15 Finance	5,341	5,467	5,665	5,684	5,705	5,725	5,749	5,764	5,796	5,825	5,858
16 Service	19,036	19,665	20,666	20,861	20,964	21,030	21,095	21,231	21,335	21,478	21,570
17 Government	15,837	15,851	15,973	16,109	16,103	16,126	16,063	16,074	16,088	16,103	16,096

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2. Includes self-employed, unpaid family, and domestic service workers.

3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1983 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1984 Q2	1984 Q3	1984 Q4	1985 Q1[r]	1984 Q2	1984 Q3	1984 Q4	1985 Q1	1984 Q2	1984 Q3	1984 Q4	1985 Q1[r]
	Output (1967 = 100)				Capacity (percent of 1967 output)				Utilization rate (percent)			
1 **Total industry**	**163.1**	**165.6**	**164.7**	**165.4**	**199.7**	**201.1**	**202.4**	**204.0**	**81.7**	**82.4**	**81.3**	**81.1**
2 Mining	125.1	129.0	124.3	125.5	165.9	166.1	166.3	166.5	75.4	77.7	74.7	75.4
3 Utilities	183.1	181.1	183.0	186.5	215.3	216.8	218.3	219.8	85.0	83.5	83.8	84.8
4 **Manufacturing**	**164.4**	**167.2**	**166.5**	**166.7**	**201.0**	**202.5**	**204.0**	**205.7**	**81.8**	**82.5**	**81.6**	**81.0**
5 Primary processing	162.5	162.2	159.8	160.8	197.2	198.0	198.7	199.7	82.4	81.9	80.4	80.5
6 Advanced processing	165.2	169.7	169.6	170.3	203.0	204.9	206.8	208.9	81.4	82.8	82.0	81.5
7 **Materials**	**162.1**	**163.4**	**160.2**	**161.2**	**195.9**	**197.2**	**198.4**	**199.7**	**82.7**	**82.9**	**80.7**	**80.7**
8 Durable goods	162.0	164.6	162.1	161.8	198.3	199.5	200.8	202.4	81.7	82.5	80.7	79.9
9 Metal materials	100.3	97.2	91.0	92.0	138.5	137.9	137.3	136.8	72.4	70.5	66.3	67.2
10 Nondurable goods	186.6	185.7	181.5	181.1	223.4	225.2	226.9	228.4	83.5	82.5	80.0	79.3
11 Textile, paper, and chemical	195.9	194.9	189.6	189.2	236.2	238.2	240.3	242.0	82.9	81.8	79.0	78.2
12 Paper	168.5	171.0	168.3	167.1	169.5	170.5	171.5	172.5	99.4	100.3	98.1	96.8
13 Chemical	240.4	238.4	233.5	234.0	305.2	308.0	310.9	313.5	78.8	77.4	75.1	74.7
14 Energy materials	132.4	133.1	129.4	135.1	156.4	157.0	157.6	158.4	84.6	84.8	82.1	85.3

Series	Previous cycle[1] High	Previous cycle[1] Low	Latest cycle[2] High	Latest cycle[2] Low	1984 Apr.	1984 Aug.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.[r]	1985 Feb.[r]	1985 Mar.[r]	1985 Apr.
	Capacity utilization rate (percent)													
15 **Total industry**	**88.4**	**71.1**	**87.3**	**69.6**	**81.3**	**82.5**	**81.9**	**81.4**	**81.4**	**81.2**	**81.1**	**81.0**	**81.1**	**80.6**
16 Mining	91.8	86.0	88.5	69.6	74.3	77.3	77.4	74.3	75.1	74.8	75.4	74.9	75.7	74.5
17 Utilities	94.9	82.0	86.7	79.0	85.0	83.3	83.2	82.9	84.6	83.9	83.7	85.6	85.2	85.2
18 **Manufacturing**	**87.9**	**69.0**	**87.5**	**68.8**	**81.5**	**82.8**	**82.0**	**81.7**	**81.6**	**81.4**	**81.2**	**80.9**	**81.0**	**80.5**
19 Primary processing	93.7	68.2	91.4	66.2	82.2	82.1	81.5	81.2	80.6	79.5	80.1	80.7	80.7	80.4
20 Advanced processing	85.5	69.4	85.9	70.0	81.0	83.1	82.4	81.8	82.0	82.2	82.0	81.3	81.2	80.7
21 **Materials**	**92.6**	**69.3**	**88.9**	**66.6**	**82.5**	**83.2**	**82.4**	**81.0**	**80.9**	**80.4**	**80.5**	**80.8**	**80.8**	**80.2**
22 Durable goods	91.4	63.5	88.4	59.8	81.5	82.9	82.2	81.3	80.8	80.0	80.0	79.9	79.8	79.0
23 Metal materials	97.8	68.0	95.4	46.2	73.0	70.8	69.8	67.6	66.7	64.5	65.2	67.7	68.8	68.4
24 Nondurable goods	94.4	67.4	91.7	70.7	83.2	82.9	81.5	80.5	80.2	79.4	79.2	79.2	79.5	79.3
25 Textile, paper, and chemical	95.1	65.4	92.3	68.6	82.7	82.4	80.5	79.7	79.1	78.0	78.0	78.2	78.4	78.2
26 Paper	99.4	72.4	97.9	86.3	98.5	99.7	99.7	98.7	97.2	98.5	98.2	96.4	95.9	n.a.
27 Chemical	95.5	64.2	91.3	64.0	78.9	78.1	76.1	75.7	75.7	73.9	74.3	74.7	75.0	n.a.
28 Energy materials	94.5	84.4	88.9	78.5	84.5	84.7	84.3	81.0	82.1	83.2	84.2	85.7	86.0	85.3

1. Monthly high 1973; monthly low 1975.
2. Monthly highs 1978 through 1980; monthly lows 1982.

NOTE. These data also appear in the Board's G.3 (402) release. For address, see inside front cover.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value

Monthly data are seasonally adjusted

Grouping	1967 proportion	1984 avg.	1984 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1985 Jan.r	Feb.	Mar.p	Apr.e
			Index (1967 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**163.3**	**162.1**	**162.8**	**164.4**	**165.9**	**166.0**	**165.0**	**164.4**	**164.8**	**164.8**	**165.1**	**165.3**	**165.8**	**165.4**
2 Products	60.71	164.7	162.5	163.3	165.3	167.4	167.2	166.4	166.9	167.7	168.1	168.0	168.0	168.5	168.2
3 Final products	47.82	162.7	160.2	161.1	163.1	165.2	165.1	164.6	165.2	166.2	166.7	166.7	166.4	166.9	166.6
4 Consumer goods	27.68	161.6	161.4	161.7	163.0	163.8	162.5	161.6	161.6	162.6	162.2	162.1	162.0	162.5	161.9
5 Equipment	20.14	164.1	158.5	160.3	163.3	167.0	168.7	168.9	170.1	171.2	172.8	173.0	172.5	173.1	173.1
6 Intermediate products	12.89	172.3	171.0	171.6	173.5	175.8	175.1	173.0	173.4	173.1	173.2	172.7	173.7	174.1	173.9
7 Materials	39.29	161.2	161.5	162.0	162.9	163.5	164.0	162.8	160.4	160.4	159.8	160.5	161.3	161.8	161.1
Consumer goods															
8 Durable consumer goods	7.89	162.0	162.2	161.4	163.6	163.7	162.6	159.6	158.7	161.5	161.0	160.5	162.4	164.5	162.9
9 Automotive products	2.83	181.3	180.9	179.8	184.3	185.0	181.8	173.0	171.9	184.1	186.0	192.0	189.8	191.1	188.9
10 Autos and utility vehicles	2.03	158.1	158.4	155.9	158.7	161.1	159.2	145.6	145.0	161.5	164.7	174.3	169.8	170.8	167.6
11 *Autos*	*1.90*	*135.3*	*134.5*	*132.9*	*136.2*	*138.7*	*134.3*	*121.1*	*123.6*	*138.9*	*142.5*	*151.5*	*144.9*	*146.9*	*142.9*
12 Auto parts and allied goods	.80	240.3	238.0	240.6	249.3	245.8	239.1	242.7	240.2	241.2	239.9	236.8	240.6	242.8	243.0
13 Home goods	5.06	151.1	151.7	151.1	152.0	151.8	151.9	152.0	151.4	148.9	147.0	142.9	147.0	149.6	148.4
14 Appliances, A/C, and TV	1.40	134.3	136.1	134.0	134.9	133.4	132.3	136.4	133.5	130.5	133.0	121.9	126.2	131.9	129.8
15 Appliances and TV	1.33	137.5	138.8	136.7	138.0	136.9	135.9	140.2	136.8	133.2	136.0	124.2	128.2	134.0	.....
16 Carpeting and furniture	1.07	179.2	181.0	179.6	179.4	179.5	180.8	179.3	178.1	177.5	173.2	168.9	175.5	178.0	.....
17 Miscellaneous home goods	2.59	148.6	148.0	148.6	150.0	150.3	150.6	149.2	150.0	147.0	143.8	143.6	146.5	147.4	146.9
18 Nondurable consumer goods	19.79	161.5	161.1	161.8	162.7	163.9	162.4	162.4	162.7	163.0	162.7	162.8	161.8	161.7	161.5
19 Clothing	4.29	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
20 Consumer staples	15.50	171.5	170.2	171.6	173.2	174.5	172.7	173.1	173.8	173.9	173.2	173.2	172.5	172.7	173.0
21 Consumer foods and tobacco	8.33	160.6	160.4	161.0	161.9	162.9	161.8	162.1	162.4	161.2	162.1	162.2	160.8	.....	.....
22 Nonfood staples	7.17	184.2	181.6	183.9	186.3	188.0	185.4	185.9	187.0	188.6	186.1	186.0	186.2	186.7	187.7
23 Consumer chemical products	2.63	240.7	233.4	235.9	241.5	247.1	244.3	247.3	247.5	245.7	246.4	247.6	245.7	245.1	.....
24 Consumer paper products	1.92	145.7	144.0	145.6	147.9	151.5	148.7	146.7	146.9	148.5	146.7	147.7	145.2	146.5	.....
25 Consumer energy products	2.62	155.6	157.1	159.8	159.0	155.3	153.3	153.0	155.6	160.7	154.4	152.1	156.4	157.4	.....
26 Residential utilities	1.45	177.9	177.4	181.1	182.4	178.6	175.0	174.1	177.4	186.5	178.6	177.9	186.9	.....	.....
Equipment															
27 Business	12.63	181.0	173.5	176.5	181.1	185.5	187.6	186.4	187.3	188.4	189.6	189.2	188.4	188.1	187.5
28 Industrial	6.77	140.6	135.9	138.5	140.4	143.1	143.3	143.5	145.3	145.6	147.0	144.6	142.8	139.3	138.3
29 Building and mining	1.44	187.6	173.6	182.9	185.8	190.0	191.6	190.7	194.6	197.2	199.8	195.0	186.9	174.6	171.3
30 Manufacturing	3.85	127.4	126.2	127.4	128.6	130.1	129.7	129.8	131.0	129.9	130.9	129.3	128.8	126.9	126.5
31 Power	1.47	128.8	124.1	124.1	126.7	131.0	131.2	133.0	134.5	135.8	137.3	135.2	136.2	137.2	137.0
32 Commercial transit, farm	5.86	227.6	217.0	220.5	228.1	234.5	238.9	235.9	235.8	237.9	238.8	240.7	241.1	244.4	244.3
33 Commercial	3.26	325.1	309.6	315.5	326.3	333.4	339.2	336.5	338.5	342.1	343.5	348.4	349.8	355.9	354.8
34 *Transit*	*1.93*	*115.4*	*108.9*	*109.7*	*115.1*	*120.4*	*124.5*	*121.4*	*117.8*	*118.2*	*119.6*	*118.5*	*118.5*	*117.9*	*119.1*
35 Farm	.67	76.4	78.0	77.1	76.1	81.8	80.3	76.4	76.1	76.2	72.2	69.2	65.0	66.5	.....
36 Defense and space	7.51	135.6	133.2	133.1	133.5	135.9	136.8	139.5	141.1	142.2	144.7	145.8	145.9	147.8	148.8
Intermediate products															
37 Construction supplies	6.42	158.9	159.6	159.5	160.9	161.9	160.9	158.2	158.6	156.9	157.5	156.9	157.6	157.9	158.0
38 Business supplies	6.47	185.7	182.3	183.5	186.1	189.5	189.1	187.6	188.0	189.2	188.8	188.4	189.6	190.0	.....
39 Commercial energy products	1.14	193.5	190.0	190.8	195.3	194.9	193.3	194.5	194.8	199.8	196.1	195.7	197.5	197.8	.....
Materials															
40 Durable goods materials	20.35	161.6	161.3	161.6	163.0	164.2	165.3	164.3	162.9	162.3	161.0	161.6	161.8	162.1	161.0
41 Durable consumer parts	4.58	134.4	133.2	132.6	134.7	135.1	136.6	136.2	136.3	134.8	136.9	138.4	139.8	139.9	138.5
42 *Equipment parts*	*5.44*	*212.5*	*210.9*	*210.6*	*214.0*	*218.8*	*220.1*	*219.6*	*216.1*	*216.4*	*215.0*	*212.2*	*208.0*	*208.2*	*206.2*
43 Durable materials n.e.c.	10.34	146.9	147.7	148.6	148.7	148.3	149.2	147.7	146.7	146.0	143.3	145.2	147.2	147.7	147.1
44 Basic metal materials	5.57	100.9	105.7	104.5	104.1	103.4	102.0	99.8	97.8	95.7	91.7	93.5	97.1	97.4	.....
45 Nondurable goods materials	10.47	184.3	185.7	187.4	186.7	186.5	186.7	184.0	182.1	181.9	180.4	180.6	180.8	181.9	181.9
46 Textile, paper, and chemical materials	7.62	193.3	195.0	196.8	195.8	195.9	196.3	192.4	190.7	190.2	187.8	188.3	189.2	190.0	190.2
47 Textile materials	1.85	117.1	118.9	121.9	119.6	118.8	120.1	115.6	112.0	109.3	108.8	107.2	108.5	109.0	.....
48 Paper materials	1.62	168.2	166.7	169.2	169.5	172.8	170.0	170.3	168.9	166.7	169.2	169.1	166.3	165.8	.....
49 Chemical materials	4.15	237.2	240.0	241.1	240.2	239.3	240.6	235.3	234.5	235.5	230.5	232.1	234.2	235.7	.....
50 Containers, nondurable	1.70	175.5	175.7	176.6	176.7	176.6	175.3	175.8	174.3	176.5	177.2	175.5	170.1	171.8	.....
51 Nondurable materials n.e.c.	1.14	137.3	138.6	140.5	140.5	138.8	139.6	140.8	136.0	134.7	135.7	136.2	140.9	142.9	.....
52 Energy materials	8.48	131.5	132.1	131.9	133.2	133.7	133.0	132.7	127.6	129.4	131.3	133.3	135.8	136.3	135.6
53 Primary energy	4.65	119.5	119.5	119o8	120.1	122.7	121.8	121.6	113.1	115.3	117.9	120.5	123.3	125.3	.....
54 Converted fuel materials	3.82	146.3	147.3	146.5	149.0	147.1	146.8	146.1	145.2	146.7	147.6	148.8	151.0	149.8	.....
Supplementary groups															
55 Home goods and clothing	9.35	139.4	141.0	139.8	139.6	139.7	139.6	138.9	138.3	137.2	136.7	134.8	136.0	136.9	135.4
56 Energy, total	12.23	142.5	142.8	143.3	144.5	144.0	143.0	142.8	139.8	142.7	142.3	143.1	146.0	146.6	146.6
57 Products	3.76	167.1	167.1	169.2	170.0	167.3	165.4	165.5	167.5	172.6	167.0	165.4	168.9	169.7	.....
58 Materials	8.48	131.5	132.1	131.9	133.2	133.7	133.0	132.7	127.6	129.4	131.3	133.3	135.8	136.3	135.6

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value—Continued

Grouping	SIC code	1967 proportion	1984 avg.	1984 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1985 Jan.r	Feb.	Mar.p	Apr.e
				Index (1967 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	......	12.05	152.0	151.3	152.1	154.1	154.4	153.0	153.3	150.5	153.1	152.4	153.0	154.7	155.2	154.4
2 Mining	......	6.36	125.7	123.3	125.0	127.0	129.9	128.3	128.7	123.6	124.8	124.4	125.6	124.8	126.1	124.2
3 Utilities	......	5.69	181.5	182.7	182.3	184.3	181.8	180.6	180.9	180.6	184.7	183.7	183.6	188.2	187.7	188.2
4 Electric	......	3.88	205.4	207.7	206.8	209.6	205.9	204.0	204.4	203.8	209.1	205.3	206.7	213.6	212.4	213.1
5 Manufacturing	......	87.95	164.8	163.4	164.2	165.7	167.3	167.6	166.6	166.2	166.6	166.5	166.6	166.5	167.1	166.7
6 Nondurable	......	35.97	179.4	179.1	179.9	181.3	181.8	181.7	180.3	179.4	179.6	179.5	179.6	178.9	178.9	178.8
7 Durable	......	51.98	154.6	152.6	153.3	154.9	157.2	157.8	157.1	157.1	157.6	157.6	157.6	158.0	159.0	158.4
Mining																
8 Metal	10	.51	91.7	98.5	98.0	96.8	96.4	83.4	84.5	91.2	87.5	76.3	82.7	87.3	84.7	.....
9 Coal	11.12	.69	155.8	151.4	153.9	161.5	176.5	171.7	173.7	127.8	134.4	142.1	144.5	154.8	168.0	160.8
10 Oil and gas extraction	13	4.40	121.7	118.8	120.4	121.6	122.8	122.5	122.4	122.6	123.8	123.6	124.0	120.5	120.6	118.5
11 Stone and earth minerals	14	.75	145.0	140.4	144.0	147.9	151.9	153.5	154.6	147.8	147.5	146.0	146.7	147.8	148.0	.....
Nondurable manufactures																
12 Foods	20	8.75	163.2	163.1	164.2	165.1	164.9	164.7	164.3	164.0	162.9	164.1	164.9	163.2	.....	.....
13 Tobacco products	21	.67	115.2	113.3	112.8	118.3	115.1	113.8	113.1	119.5	117.4	120.5	115.7	115.0	.....	.....
14 Textile mill products	22	2.68	138.6	140.0	140.5	140.7	139.8	140.3	135.4	133.3	132.0	132.0	131.5	131.5	131.2	.....
15 Apparel products	23	3.31	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
16 Paper and products	26	3.21	174.4	172.4	174.1	174.6	176.7	176.7	177.5	173.5	173.0	173.7	174.3	176.4	175.5	174.5
17 Printing and publishing	27	4.72	169.7	166.3	167.5	169.0	172.6	173.1	170.5	172.3	174.0	174.1	174.5	173.7	174.4	175.1
18 Chemicals and products	28	7.74	228.1	228.3	227.9	231.0	232.0	231.6	230.8	228.0	230.2	228.1	227.8	227.5	226.9	.....
19 Petroleum products	29	1.79	124.4	126.8	127.9	127.5	124.7	124.3	122.6	122.9	124.0	120.3	116.1	117.7	121.0	124.2
20 Rubber and plastic products	30	2.24	331.7	328.0	334.1	341.0	341.4	341.5	338.4	338.6	332.2	331.3	334.5	334.1	335.7	.....
21 Leather and products	31	.86	59.9	63.5	61.4	60.0	60.6	59.1	57.9	55.0	55.9	56.6	54.1	54.1	55.0	.....
Durable manufactures																
22 Ordnance, private and government	19.91	3.64	103.5	101.4	100.8	101.7	102.7	105.5	107.1	107.7	108.6	108.3	107.5	107.9	108.0	108.5
23 Lumber and products	24	1.64	148.7	151.2	146.3	148.5	146.0	148.8	149.2	152.6	152.2	150.4	150.4	148.5	149.5	.....
24 Furniture and fixtures	25	1.37	190.2	186.6	190.5	191.9	192.6	195.3	194.3	194.7	192.1	190.6	187.0	190.8	189.3	.....
25 Clay, glass, stone products	32	2.74	159.7	160.0	160.6	159.7	160.9	160.0	158.0	160.1	159.0	158.9	159.4	160.4	161.0	.....
26 Primary metals	33	6.57	95.1	99.3	98.2	97.9	94.5	94.4	94.1	92.7	91.5	87.8	89.7	91.8	94.5	93.2
27 Iron and steel	331.2	4.21	79.8	84.0	83.5	83.5	76.5	77.7	77.5	74.6	73.9	72.1	72.2	74.3	79.3	.....
28 Fabricated metal products	34	5.93	137.5	135.5	136.5	138.7	140.6	140.0	139.5	140.7	139.0	140.2	139.4	141.7	142.7	143.0
29 Nonelectrical machinery	35	9.15	181.5	174.9	178.8	182.0	186.9	189.1	187.9	187.7	188.9	188.3	189.2	188.4	188.6	188.4
30 Electrical machinery	36	8.05	217.4	214.6	214.5	216.0	221.5	221.5	222.8	222.3	222.5	224.5	220.3	219.8	221.3	218.8
31 Transportation equipment	37	9.27	137.6	134.5	135.0	137.2	140.6	141.0	137.6	137.2	141.3	143.3	145.8	144.7	145.6	145.4
32 Motor vehicles and parts	371	4.50	165.7	161.9	163.0	165.3	169.0	169.6	162.4	161.7	170.8	171.8	176.3	172.3	172.5	171.7
33 Aerospace and miscellaneous transportation equipment	372–9	4.77	111.2	108.8	108.6	110.8	113.8	113.9	114.2	114.1	113.6	116.4	117.2	118.6	120.2	120.6
34 Instruments	38	2.11	174.2	171.0	171.8	174.5	176.7	177.4	178.5	176.5	177.5	180.3	179.3	179.0	180.8	181.1
35 Miscellaneous manufactures	39	1.51	148.9	152.1	151.5	150.8	152.4	149.2	147.0	148.3	143.5	137.7	141.0	144.1	144.7	143.2
				Gross value (billions of 1972 dollars, annual rates)												
MAJOR MARKET																
36 **Products, total**	......	**507.4**	**670.1**	**661.1**	**665.9**	**671.5**	**682.4**	**678.2**	**673.6**	**674.7**	**679.1**	**680.5**	**681.0**	**682.3**	**684.8**	**683.4**
37 Final	......	390.9	516.9	509.0	514.0	518.1	525.9	522.3	519.7	521.3	525.8	527.0	527.8	527.4	529.3	529.2
38 Consumer goods	......	277.5	348.2	347.8	349.5	350.9	353.2	347.4	345.4	346.7	350.1	349.4	350.7	350.6	352.1	351.4
39 Equipment	......	113.4	168.7	161.2	164.4	167.2	172.8	174.9	174.4	174.5	175.7	177.6	177.1	176.8	177.2	177.8
40 Intermediate	......	116.6	153.2	152.2	151.9	153.4	156.5	155.9	153.8	153.5	153.3	153.5	153.3	154.9	155.5	154.2

NOTE. These data also appear in the Board's G.12.3 (414) release. For address, see inside front cover.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1982	1983	1984	1984							1985		
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,000	1,605	1,682	1,805[r]	1,591[r]	1,542[r]	1,517[r]	1,477[r]	1,616[r]	1,599[r]	1,635	1,624	1,741
2 1-family	546	902	922	939[r]	864[r]	853[r]	866[r]	827[r]	846[r]	843[r]	903	927	993
3 2-or-more-family	454	703	759	866[r]	727[r]	689[r]	651[r]	650[r]	770[r]	756[r]	732	697	748
4 Started	1,062	1,703	1,749	1,837	1,730	1,590	1,669	1,564	1,600	1,630	1,849	1,647	1,883
5 1-family	663	1,067	1,084	1,077	996	962	1,009	979	1,043	1,112	1,060	1,135	1,171
6 2-or-more-family	400	635	665	760	734	628	660	585	557	518	789	512	712
7 Under construction, end of period[1]	720	1,003	1,051	1,098	1,100	1,091	1,088	1,081	1,077	1,073	1,072	1,031	1,068
8 1-family	400	524	556	587	582	574	568	571	574	579	572	559	581
9 2-or-more-family	320	479	494	511	518	517	520	510	503	495	500	471	487
10 Completed	1,005	1,390	1,652	1,718	1,699	1,681	1,657	1,614	1,587	1,635	1,717	1,754	1,679
11 1-family	631	924	1,025	1,045	1,062	1,035	1,040	972	1,001	985	1,120	1,041	1,009
12 2-or-more-family	374	466	627	673	637	646	617	642	586	650	597	713	670
13 Mobile homes shipped	240	296	295	298	301	302	282	302	291	282	273	276	283
Merchant builder activity in 1-family units													
14 Number sold	413	622	639	636	615	557	670	652	596	604	622	641	698
15 Number for sale, end of period[1]	255	304	358	338	340	343	343	346	349	356	356	362	358
Price (thousands of dollars)[2]													
Median													
16 Units sold	69.3	75.5	80.0	80.5	80.7	82.0	81.3	80.1	82.5	78.3	82.9	83.4	83.0
Average													
17 Units sold	83.8	89.9	97.5	98.8	97.1	96.9	101.3	95.7	101.4	96.3	98.8	98.5	100.2
EXISTING UNITS (1-family)													
18 Number sold	1,991	2,719	2,868	2,920	2,790	2,770	2,730	2,740	2,830	2,870	3,000	2,880	3,030
Price of units sold (thousands of dollars)[2]													
19 Median	67.7	69.8	72.3	73.4	74.2	73.5	71.9	71.9	71.9	72.1	73.8	73.5	74.2
20 Average	80.4	82.5	85.9	87.2	87.9	87.6	85.4	86.2	85.1	85.9	87.7	87.2	88.6
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**230,068**	**262,167**	**309,740**	**315,279**	**314,223**	**318,031**	**318,685**	**312,849**	**308,111**	**307,579**	**316,356**	**323,775**	**324,162**
22 Private	179,090	211,369	253,924	257,789	258,245	261,165	260,871	256,121	251,607	251,283	258,579	265,707	265,556
23 Residential	74,808	111,727	133,519	136,418	137,818	138,926	137,106	131,143	125,906	122,727	128,449	133,133	134,807
24 Nonresidential, total	104,282	99,642	120,405	121,371	120,427	122,239	123,765	124,978	125,701	128,556	130,130	132,574	130,749
Buildings													
25 Industrial	17,346	12,863	14,426	14,065	13,784	14,613	14,917	14,867	15,287	15,353	15,075	15,687	15,430
26 Commercial	37,281	35,787	49,273	48,947	48,436	49,496	50,861	53,509	54,579	56,661	58,456	59,123	59,580
27 Other	10,507	11,660	12,725	13,327	12,744	12,059	12,079	12,111	11,975	12,396	11,847	12,012	11,428
28 Public utilities and other	39,148	39,332	43,981	45,032	45,463	46,071	45,908	44,491	43,860	44,146	44,752	45,752	44,311
29 Public	50,977	50,798	55,818	57,490	55,979	56,866	57,814	56,729	56,504	56,296	57,777	58,067	58,606
30 Military	2,205	2,544	2,837	2,703	2,345	2,851	3,508	2,890	3,082	2,974	3,254	3,309	3,184
31 Highway	13,428	14,225	16,881	16,824	17,136	17,322	17,209	16,794	17,458	17,588	18,133	18,323	19,378
32 Conservation and development	5,029	4,822	4,586	4,492	4,520	4,520	4,890	4,591	5,073	4,555	4,592	4,645	4,705
33 Other	30,315	29,207	31,514	33,471	31,978	32,173	32,207	32,454	30,891	31,179	31,798	31,790	31,339

1. Not at annual rates.
2. Not seasonally adjusted.
3. Value of new construction data in recent periods may not be strictly comparable with data in prior periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.

NOTE. Census Bureau estimates for all series except (a) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (b) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from originating agency. Permit authorizations are those reported to the Census Bureau from 16,000 jurisdictions beginning with 1978.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (at annual rate)				Change from 1 month earlier					Index level Apr. 1985 (1967 = 100)[1]
	1984 Apr.	1985 Apr.	1984 June	1984 Sept.	1984 Dec.r	1985 Mar.r	1984 Dec.r	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.	
CONSUMER PRICES[2]												
1 **All items**	**4.5**	**3.7**	**3.2**	**4.5**	**3.0**	**4.1**	**.3**	**.2**	**.3**	**.5**	**.4**	**320.1**
2 Food	3.6	2.4	−.5	3.9	3.7	2.6	.4	.2	.5	.0	−.2	309.6
3 Energy items	2.8	.7	.3	.1	−.7	−.8	−.2	−.8	−1.4	1.9	1.8	424.4
4 All items less food and energy	5.0	4.5	4.8	5.3	3.5	5.5	.3	.4	.6	.4	.3	311.8
5 Commodities	4.8	3.3	3.9	3.8	.9	6.6	.2	.5	.8	.3	.0	260.0
6 Services	5.2	5.3	5.2	6.2	5.0	5.0	.4	.4	.4	.4	.4	370.7
PRODUCER PRICES												
7 Finished goods	2.9	.7	−.4	.0	1.1	1.0	.0	.1r	−.1	.2	.3	293.1
8 Consumer foods	4.3	−.7	−7.5	4.5	3.3	−2.4	.4	−.3r	−.1	−.2	−1.0	272.4
9 Consumer energy	.3	−5.0	5.0	−19.7	5.6	−21.0	−.6	−2.4	−2.5	−.9	5.8	713.9
10 Other consumer goods	2.7	2.4	.8	2.5	−.2	6.6	.1	.8r	.2	.6	−.2	251.0
11 Capital equipment	2.9	1.9	2.2	2.3	−1.1	6.5	−.3	.7r	.5	.4	.0	300.0
12 Intermediate materials[3]	3.6	.2	2.7	−1.1	1.2	−2.5	.0	.0	−.5	−.1	.3	325.6
13 Excluding energy	3.7	.6	2.0	.9	1.5	−1.0	.1	.0	−.2	−.1	.0	305.7
Crude materials												
14 Foods	5.0	−10.8	−19.2	−1.7	10.6	−24.1	.2	−2.1r	−2.0	−2.8	−3.0	240.5
15 Energy	−1.3	−4.4	4.0	.4	−7.6	−12.7	−.7	−1.9r	−.4	−1.0	.1	748.3
16 Other	13.0	−6.9	14.3	−15.3	−10.7	−13.4	−.6	−1.4	−4.3	2.3	2.1	257.4

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers and reflect a rental equivalence measure of homeownership after 1982.
3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data are at seasonally adjusted annual rates.

Account	1982	1983	1984	1984				1985
				Q1	Q2	Q3	Q4	Q1r
GROSS NATIONAL PRODUCT								
1 **Total**	**3,069.3**	**3,304.8**	**3,662.8**	**3,553.3**	**3,644.7**	**3,694.6**	**3,758.7**	**3,817.1**
By source								
2 Personal consumption expenditures	1,984.9	2,155.9	2,341.8	2,276.5	2,332.7	2,361.4	2,396.5	2,446.1
3 Durable goods	245.1	279.8	318.8	310.9	320.7	317.2	326.3	334.5
4 Nondurable goods	757.5	801.7	856.9	841.3	858.3	861.4	866.5	877.0
5 Services	982.2	1,074.4	1,166.1	1,124.4	1,153.7	1,182.8	1,203.8	1,234.6
6 Gross private domestic investment	414.9	471.6	637.8	623.8	627.0	662.8	637.8	651.2
7 Fixed investment	441.0	485.1	579.6	550.0	576.4	591.0	601.1	610.6
8 Nonresidential	349.6	352.9	425.7	398.8	420.8	435.7	447.7	455.3
9 Structures	142.1	129.7	150.4	142.2	150.0	151.4	157.9	165.3
10 Producers' durable equipment	207.5	223.2	275.3	256.7	270.7	284.2	289.7	290.1
11 Residential structures	91.4	132.2	153.9	151.2	155.6	155.3	153.5	155.3
12 Nonfarm	86.6	127.6	148.8	146.4	150.5	150.1	148.3	150.1
13 Change in business inventories	−26.1	−13.5	58.2	73.8	50.6	71.8	36.6	40.6
14 Nonfarm	−24.0	−3.1	49.6	60.6	47.0	63.7	27.2	33.5
15 Net exports of goods and services	19.0	−8.3	−64.2	−51.5	−58.7	−90.6	−56.0	−69.1
16 Exports	348.4	336.2	364.3	358.9	362.4	368.6	367.2	363.5
17 Imports	329.4	344.4	428.5	410.4	421.1	459.3	423.2	432.6
18 Government purchases of goods and services	650.5	685.5	747.4	704.4	743.7	761.0	780.5	789.0
19 Federal	258.9	269.7	295.4	267.6	296.4	302.0	315.7	316.8
20 State and local	391.5	415.8	452.0	436.8	447.4	458.9	464.8	472.2
By major type of product								
21 Final sales, total	3,095.4	3,318.3	3,604.6	3,479.5	3,594.1	3,622.8	3,722.1	3,776.6
22 Goods	1,276.7	1,355.7	1,542.9	1,498.0	1,544.8	1,549.1	1,579.8	1,585.3
23 Durable	499.9	555.3	655.6	632.3	647.9	654.7	687.7	676.8
24 Nondurable	776.9	800.4	887.3	865.7	896.9	894.4	892.1	908.5
25 Services	1,510.8	1,639.3	1,763.3	1,713.7	1,742.6	1,783.3	1,813.7	1,859.6
26 Structures	281.7	309.8	356.5	341.6	357.2	362.1	365.2	372.3
27 Change in business inventories	−26.1	−13.5	58.2	73.8	50.6	71.8	36.6	40.6
28 Durable goods	−18.0	−2.1	30.4	34.9	18.2	41.7	26.7	27.6
29 Nondurable goods	−8.1	−11.3	27.8	38.9	32.4	30.1	9.9	12.9
30 **MEMO: Total GNP in 1972 dollars**	**1,480.0**	**1,534.7**	**1,639.3**	**1,610.9**	**1,638.8**	**1,645.2**	**1,662.4**	**1,665.4**
NATIONAL INCOME								
31 **Total**	**2,446.8**	**2,646.7**	**2,959.9**	**2,873.5**	**2,944.8**	**2,984.9**	**3,036.3**	**3,075.4**
32 Compensation of employees	1,864.2	1,984.9	2,173.2	2,113.4	2,159.2	2,191.9	2,228.1	2,272.9
33 Wages and salaries	1,568.7	1,658.8	1,804.1	1,755.9	1,793.3	1,819.1	1,848.2	1,883.1
34 Government and government enterprises	306.6	328.2	349.8	342.9	347.5	352.0	357.2	365.5
35 Other	1,262.2	1,331.1	1,454.2	1,413.0	1,445.8	1,467.1	1,490.9	1,517.6
36 Supplement to wages and salaries	295.5	326.2	369.0	357.4	365.9	372.8	380.0	389.9
37 Employer contributions for social insurance	140.0	153.1	173.5	169.4	172.4	174.7	177.5	183.6
38 Other labor income	155.5	173.1	195.5	188.1	193.5	198.1	202.5	206.3
39 Proprietors' income[1]	111.1	121.7	154.4	154.9	149.8	153.7	159.1	154.1
40 Business and professional[1]	89.2	107.9	126.2	122.5	126.3	126.4	129.7	134.3
41 Farm[1]	21.8	13.8	28.2	32.5	23.4	27.3	29.4	19.8
42 Rental income of persons[2]	51.5	58.3	62.5	61.0	62.0	63.0	64.1	64.8
43 Corporate profits[1]	159.1	225.2	285.7	277.4	291.1	282.8	291.6	294.0
44 Profits before tax[3]	165.5	203.2	235.7	243.3	246.0	224.8	228.7	224.2
45 Inventory valuation adjustment	−9.5	−11.2	−5.7	−13.5	−7.3	−.2	−1.6	.5
46 Capital consumption adjustment	3.1	33.2	55.7	47.6	52.3	58.3	64.5	69.3
47 Net interest	260.9	256.6	284.1	266.8	282.8	293.5	293.4	289.5

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

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

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1982	1983	1984	1984 Q1	1984 Q2	1984 Q3	1984 Q4	1985 Q1[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**2,584.6**	**2,744.2**	**3,012.1**	**2,920.5**	**2,984.6**	**3,047.3**	**3,096.2**	**3,141.1**
2 Wage and salary disbursements	1,568.7	1,659.2	1,804.0	1,755.7	1,793.1	1,819.5	1,847.6	1,882.9
3 Commodity-producing industries	509.3	519.3	569.3	555.9	567.0	573.3	580.9	591.1
4 Manufacturing	382.9	395.2	433.9	424.6	432.2	436.4	442.4	447.8
5 Distributive industries	378.6	398.6	432.0	419.2	429.5	436.4	443.1	449.1
6 Service industries	374.3	413.1	452.9	437.9	449.3	457.3	466.9	477.4
7 Government and government enterprises	306.6	328.2	349.8	342.8	347.3	352.4	356.7	365.4
8 Other labor income	155.5	173.1	195.5	188.1	193.5	198.1	202.5	206.3
9 Proprietors' income[1]	111.1	121.7	154.4	154.9	149.8	153.7	159.1	154.1
10 Business and professional[1]	89.2	107.9	126.2	122.5	126.3	126.4	129.7	134.3
11 Farm[1]	21.8	13.8	28.2	32.5	23.4	27.3	29.4	19.8
12 Rental income of persons[2]	51.5	58.3	62.5	61.0	62.0	63.0	64.1	64.8
13 Dividends	66.5	70.3	77.7	75.0	77.2	78.5	80.2	81.4
14 Personal interest income	366.6	376.3	433.7	403.9	425.6	449.3	456.1	458.7
15 Transfer payments	376.1	405.0	416.7	411.3	415.2	418.6	421.8	439.3
16 Old-age survivors, disability, and health insurance benefits	204.5	221.6	237.3	232.1	235.2	238.2	243.5	249.6
17 LESS: Personal contributions for social insurance	111.4	119.6	132.5	129.6	131.8	133.4	135.2	146.4
18 EQUALS: Personal income	2,584.6	2,744.2	3,012.1	2,920.5	2,984.6	3,047.3	3,096.2	3,141.1
19 LESS: Personal tax and nontax payments	404.1	404.2	435.3	418.3	430.3	440.9	451.7	487.7
20 EQUALS: Disposable personal income	2,180.5	2,340.1	2,576.8	2,502.2	2,554.3	2,606.4	2,644.5	2,653.4
21 LESS: Personal outlays	2,044.5	2,222.0	2,420.7	2,349.6	2,409.5	2,442.3	2,481.5	2,535.0
22 EQUALS: Personal saving	136.0	118.1	156.1	152.5	144.8	164.1	163.0	118.3
MEMO								
Per capita (1972 dollars)								
23 Gross national product	6,369.7	6,543.4	6,926.1	6,829.4	6,933.2	6,943.2	6,998.3	6,995.5
24 Personal consumption expenditures	4,145.9	4,302.8	4,488.7	4,426.5	4,502.3	4,498.4	4,527.1	4,575.1
25 Disposable personal income	4,555.0	4,670.0	4,939.0	4,865.0	4,930.0	4,965.0	4,996.0	4,963.0
26 Saving rate (percent)	6.2	5.0	6.1	6.1	5.7	6.3	6.2	4.5
GROSS SAVING								
27 **Gross saving**	**408.8**	**437.2**	**551.8**	**543.9**	**551.0**	**556.4**	**556.0**	**558.8**
28 Gross private saving	524.0	571.7	674.8	651.3	660.2	689.4	698.2	666.2
29 Personal saving	136.0	118.1	156.1	152.5	144.8	164.1	163.0	118.3
30 Undistributed corporate profits[1]	29.2	76.5	115.4	107.0	115.3	118.4	120.8	125.3
31 Corporate inventory valuation adjustment	-9.5	-11.2	-5.7	-13.5	-7.3	-.2	-1.6	.5
Capital consumption allowances								
32 Corporate	221.8	231.2	246.2	239.9	244.1	248.1	252.8	257.7
33 Noncorporate	137.1	145.9	157.0	151.8	156.0	158.8	161.5	164.8
34 Wage accruals less disbursements	.0	.0	.0	.0	.0	.0	.0	.0
35 Government surplus, or deficit (−), national income and product accounts	-115.3	-134.5	-122.9	-107.4	-109.2	-133.0	-142.2	-107.4
36 Federal	-148.2	-178.6	-175.8	-161.3	-163.7	-180.6	-197.8	-161.1
37 State and local	32.9	44.1	52.9	53.9	54.5	47.6	55.6	53.7
38 Capital grants received by the United States, net	.0	.0	.0	.0	.0	.0	.0	.0
39 **Gross investment**	**408.3**	**437.7**	**544.4**	**546.1**	**542.0**	**543.4**	**546.1**	**551.6**
40 Gross private domestic	414.9	471.6	637.8	623.8	627.0	662.8	637.8	651.2
41 Net foreign	-6.6	-33.9	-93.4	-77.7	-85.0	-119.4	-91.6	-99.5
42 **Statistical discrepancy**	**-.5**	**.5**	**-7.4**	**2.2**	**-9.0**	**-13.0**	**-9.9**	**-7.1**

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

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

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data are seasonally adjusted except as noted.[1]

Item credits or debits	1982	1983	1984p	1983	1984			
				Q4	Q1	Q2	Q3	Q4p
1 Balance on current account	−9,199	−41,563	−101,647	−17,213	−19,669	−24,704	−33,599	−23,679
2 Not seasonally adjusted	....	....	....	−15,964	−18,616	−24,380	−36,190	−22,461
3 Merchandise trade balance[2]	−36,469	−61,055	−107,435	−19,407	−25,813	−25,802	−32,941	−22,879
4 Merchandise exports	211,198	200,257	220,343	51,829	53,920	54,548	55,616	56,259
5 Merchandise imports	−247,667	−261,312	−327,778	−71,236	−79,733	−80,350	−88,557	−79,138
6 Military transactions, net	195	515	−1,635	−273	−370	−404	−320	−542
7 Investment income, net[3]	27,802	23,508	18,115	5,119	7,744	3,455	2,876	4,039
8 Other service transactions, net	7,331	4,121	506	434	917	204	−352	−263
9 Remittances, pensions, and other transfers	−2,635	−2,590	−2,946	−688r	−717	−726	−693	−811
10 U.S. government grants (excluding military)	−5,423	−6,060	−8,253	−2,398	−1,430	−1,431	−2,169	−3,223
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	−6,143	−5,013	−5,460	−1,429	−2,037	−1,235	−1,440	−748
12 Change in U.S. official reserve assets (increase, −)	−4,965	−1,196	−3,130	−953	−657	−565	−799	−1,109
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−1,371	−66	−979	545	−226	−288	−271	−194
15 Reserve position in International Monetary Fund	−2,552	−4,434	−995	−1,996	−200	−321	−331	−143
16 Foreign currencies	−1,041	3,304	−1,156	498	−231	44	−197	−772
17 Change in U.S. private assets abroad (increase, −)[3]	−107,790	−43,281	−12,574	−12,461	742	−17,200	19,245	−15,362
18 Bank-reported claims	−111,070	−25,391	−7,337	−8,239	1,955	−20,612	16,871	−5,551
19 Nonbank-reported claims	6,626	−5,333	5,566	−1,671	1,659	2,120	1,787	n.a.
20 U.S. purchase of foreign securities, net	−8,102	−7,676	−4,761	−983	637	−820	−1,322	−3,257
21 U.S. direct investments abroad, net[3]	4,756	−4,881	−6,043	−1,568	−3,509	2,112	1,909	−6,554
22 Change in foreign official assets in the United States (increase, +)	3,318	5,339	2,998	6,555	−2,784	−345	−830	6,956
23 U.S. Treasury securities	5,728	6,989	4,644	2,603	−288	−310	−577	5,819
24 Other U.S. government obligations	−694	−487	12	417	−8	147	85	−212
25 Other U.S. government liabilities[4]	382	199	333	161	242	448	−153	−205
26 Other U.S. liabilities reported by U.S. banks	−1,747	433	676	3,498	−2,131	349	302	2,156
27 Other foreign official assets[5]	−351	−1,795	−2,667	−124	−599	−979	−487	−602
28 Change in foreign private assets in the United States (increase, +)[3]	91,863	76,383	89,800	27,249	18,444	40,750	3,662	26,945
29 U.S. bank-reported liabilities	65,922	49,059	27,571	22,325	8,775	20,789	−5,410	3,417
30 U.S. nonbank-reported liabilities	−2,383	−1,318	5,529	−228	4,404	4,055	−2,930	n.a.
31 Foreign private purchases of U.S. Treasury securities, net	7,062	8,731	22,487	1,673	1,358	6,477	5,121	9,531
32 Foreign purchases of other U.S. securities, net	6,396	8,612	13,036	1,134	1,516	587	1,609	9,325
33 Foreign direct investments in the United States, net[3]	14,865	11,299	21,177	2,345	2,391	8,842	5,272	4,672
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	32,916	9,331	30,015	−1,748	5,961	3,299	13,761	6,997
36 Owing to seasonal adjustments	....	....	....	2,657	−195	−140	−2,410	2,748
37 Statistical discrepancy in recorded data before seasonal adjustment	32,916	9,331	30,015	−4,405	6,156	3,439	16,171	4,249
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−4,965	−1,196	−3,131	−953	−657	−566	−799	−1,110
39 Foreign official assets in the United States (increase, +)	2,936	5,140	2,665	6,394	−3,026	−793	−677	7,161
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	7,291	−8,639	−4,198	−1,640	−2,447	−2,170	−494	913
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	593	205	187	84	41	44	45	58

1. Seasonal factors are no longer calculated for lines 6, 10, 12–16, 18–20, 22–34, and 38–41.
2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing; military exports are excluded from merchandise data and are included in line 6.
3. Includes reinvested earnings.
4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce).

3.11 U.S. FOREIGN TRADE

Millions of dollars; monthly data are seasonally adjusted.

Item	1981	1982	1983	1984				1985		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	233,677	212,193	200,486	18,210	18,411	18,395	19,142	19,401	17,853	18,446
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	261,305	243,952	258,048	28,409	26,783	27,331	25,933	28,297	27,985	28,129
3 **Trade balance**	**−27,628**	**−31,759**	**−57,562**	**−10,199**	**−8,372**	**−8,936**	**−6,791**	**−8,896**	**−10,131**	**−9,683**

NOTE. The data through 1981 in this table are reported by the Bureau of Census data of a free-alongside-ship (f.a.s.) value basis—that is, value at the port of export. Beginning in 1981, foreign trade of the U.S. Virgin Islands is included in the Census basis trade data; this adjustment has been made for all data shown in the table. Beginning with 1982 data, the value of imports are on a customs valuation basis.

The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, for reasons of coverage and timing. On the *export side*, the largest adjustments are: (1) the addition of exports to Canada not covered in Census statistics, and (2) the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6). On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada, and other transactions; military payments are excluded and shown separately as indicated above.

SOURCE. FT900 "Summary of U.S. Export and Import Merchandise Trade" (Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1981	1982	1983	1984			1985			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
1 **Total**	**30,075**	**33,958**	**33,747**	**34,570**	**34,727**	**34,934**	**34,380**	**34,272**	**35,493**	**35,493**
2 Gold stock, including Exchange Stabilization Fund[1]	11,151	11,148	11,121	11,096	11,096	11,096	11,095	11,093	11,093	11,091
3 Special drawing rights[2,3]	4,095	5,250	5,025	5,539	5,693	5,641	5,693	5,781	5,973	5,971
4 Reserve position in International Monetary Fund[2]	5,055	7,348	11,312	11,618	11,675	11,541	11,322	11,097[r]	11,386	11,382
5 Foreign currencies[4]	9,774	10,212	6,289	6,317	6,263	6,656	6,270	6,301	7,041	7,049

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13. Gold stock is valued at $42.22 per fine troy ounce.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.
3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1981	1982	1983	1984			1985			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
1 Deposits	505	328	190	270	392	253	244	331	253	348
Assets held in custody										
2 U.S. Treasury securities[1]	104,680	112,544	117,670	115,542	117,433	118,267	117,330	115,179	113,532	115,184
3 Earmarked gold[2]	14,804	14,716	14,414	14,260	14,265	14,265	14,261	14,260	14,264	14,264

1. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.
2. Earmarked gold is valued at $42.22 per fine troy ounce.

NOTE. Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]

Millions of dollars, end of period

Asset account	1981	1982	1983	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.[r]	1985 Feb.	1985 Mar.[p]
				All foreign countries						
1 **Total, all currencies**	**462,847**	**469,712**	**477,090**	**453,711**	**448,499**	**452,914**	**452,205**	**445,041**	**452,873**	**462,098**
2 Claims on United States	63,743	91,805	115,542	113,789	109,292	112,815	113,435	115,501	119,003	117,960
3 Parent bank	43,267	61,666	82,026	79,664	75,736	77,958	78,151	79,318	84,053	84,891
4 Other banks in United States[2]	20,476	30,139	33,516	13,125	12,591	13,554	13,915	13,918	13,971	13,046
5 Nonbanks[2]				21,000	20,965	21,303	21,369	22,265	20,979	20,023
6 Claims on foreigners	378,954	358,493	342,689	319,375	319,075	319,431	318,710	309,193	314,271	323,726
7 Other branches of parent bank	87,821	91,168	96,004	92,646	90,821	91,313	94,738	87,416	89,303	95,002
8 Banks	150,763	133,752	117,668	101,567	102,258	103,050	100,307	99,806	104,278	105,210
9 Public borrowers	28,197	24,131	24,517	22,568	23,053	22,907	22,872	22,430	22,208	22,448
10 Nonbank foreigners	112,173	109,442	107,785	102,594	102,943	102,161	100,793	99,541	98,482	101,066
11 Other assets	20,150	19,414	18,859	20,547	20,132	20,668	20,060	20,347	19,599	20,412
12 **Total payable in U.S. dollars**	**350,735**	**361,982**	**371,508**	**346,543**	**340,675**	**345,511[r]**	**349,342[r]**	**343,461**	**351,786**	**354,579**
13 Claims on United States	62,142	90,085	113,436	111,291	106,651	110,442	111,468	113,250	116,699	115,595
14 Parent bank	42,721	61,010	80,909	78,476	74,366	76,763	77,271	78,392	83,043	83,809
15 Other banks in United States[2]	19,421	29,075	32,527	12,769	12,338	13,356	13,745	13,719	13,692	12,744
16 Nonbanks[2]				20,046	19,947	20,323	20,452	21,139	19,964	19,042
17 Claims on foreigners	276,937	259,871	247,406	224,603	223,376	224,251	227,303	219,768	224,738	228,942
18 Other branches of parent bank	69,398	73,537	78,431	75,509	73,472	74,600	78,300	72,391	74,367	79,241
19 Banks	122,110	106,447	93,332	76,566	76,915	77,096	76,851	75,691	79,122	78,707
20 Public borrowers	22,877	18,413	17,890	16,946	17,337	17,374	17,160	16,983	16,743	16,966
21 Nonbank foreigners	62,552	61,474	60,977	55,582	55,652	55,181	54,992	54,703	54,506	54,028
22 Other assets	11,656	12,026	10,666	10,649	10,648	10,818[r]	10,571[r]	10,443	10,349	10,042
				United Kingdom						
23 **Total, all currencies**	**157,229**	**161,067**	**158,732**	**147,696**	**147,562**	**149,377**	**144,385**	**146,130**	**149,534**	**150,705**
24 Claims on United States	11,823	27,354	34,433	29,333	28,952	29,502	27,731	28,783	31,910	29,675
25 Parent bank	7,885	23,017	29,111	23,772	23,283	23,773	21,918	22,296	25,313	23,250
26 Other banks in United States[2]	3,938	4,337	5,322	1,327	1,214	1,484	1,429	1,540	1,561	1,511
27 Nonbanks[2]				4,234	4,455	4,245	4,384	4,947	5,036	4,914
28 Claims on foreigners	138,888	127,734	119,280	113,299	113,524	114,264	111,772	112,284	112,937	115,889
29 Other branches of parent bank	41,367	37,000	36,565	37,499	37,638	37,395	37,897	36,367	35,381	35,857
30 Banks	56,315	50,767	43,352	39,133	38,696	39,262	37,443	39,063	40,961	40,812
31 Public borrowers	7,490	6,240	5,898	5,330	5,441	5,424	5,334	5,345	5,306	5,186
32 Nonbank foreigners	33,716	33,727	33,465	31,337	31,749	32,183	31,098	31,509	31,289	34,034
33 Other assets	6,518	5,979	5,019	5,064	5,086	5,611	4,882	5,063	4,687	5,141
34 **Total payable in U.S. dollars**	**115,188**	**123,740**	**126,012**	**114,358**	**113,437**	**114,895**	**112,809**	**112,953**	**116,232**	**114,122**
35 Claims on United States	11,246	26,761	33,756	28,282	27,917	28,610	26,924	27,807	30,945	28,839
36 Parent bank	7,721	22,756	28,756	23,323	22,825	23,378	21,551	21,960	24,911	22,910
37 Other banks in United States[2]	3,525	4,005	5,000	1,195	1,113	1,437	1,363	1,496	1,498	1,466
38 Nonbanks[2]				3,764	3,979	3,795	4,010	4,351	4,536	4,463
39 Claims on foreigners	99,850	92,228	88,917	83,082	82,456	82,971	82,889	82,161	82,268	82,437
40 Other branches of parent bank	35,439	31,648	31,838	32,704	32,461	32,669	33,551	31,899	31,099	31,331
41 Banks	40,703	36,717	32,188	27,986	27,093	27,290	26,805	27,465	28,523	27,982
42 Public borrowers	5,595	4,329	4,194	3,879	4,063	4,094	4,030	4,021	3,964	3,804
43 Nonbank foreigners	18,113	19,534	20,697	18,513	18,839	18,918	18,503	18,776	18,682	19,320
44 Other assets	4,092	4,751	3,339	2,994	3,064	3,314	2,996	2,985	3,019	2,846
				Bahamas and Caymans						
45 **Total, all currencies**	**149,108**	**145,156**	**152,083**	**144,207**	**138,981**	**141,610**	**146,811**	**141,834**	**144,665**	**147,041**
46 Claims on United States	46,546	59,403	75,309	76,642	71,911	75,655	77,296	76,856	76,457	78,836
47 Parent bank	31,643	34,653	48,720	49,707	45,641	48,202	49,449	48,892	50,044	53,936
48 Other banks in United States[2]	14,903	24,750	26,589	11,072	10,716	11,284	11,795	11,558	11,539	10,715
49 Nonbanks[2]				15,863	15,554	16,169	16,052	16,406	14,864	14,185
50 Claims on foreigners	98,057	81,450	72,868	63,545	63,031	62,024	65,598	61,204	64,408	64,389
51 Other branches of parent bank	12,951	18,720	20,626	15,639	15,117	13,837	17,682	14,447	16,330	15,780
52 Banks	55,151	42,699	36,842	30,075	30,263	30,529	30,225	29,165	30,832	31,433
53 Public borrowers	10,010	6,413	6,093	6,119	6,057	6,075	6,089	6,151	6,070	6,305
54 Nonbank foreigners	19,945	13,618	12,592	11,712	11,594	11,583	11,602	11,441	11,176	10,871
55 Other assets	4,505	4,303	3,906	4,020	4,039	3,931	3,917	3,774	3,810	3,816
56 **Total payable in U.S. dollars**	**143,743**	**139,605**	**145,641**	**138,307**	**133,002**	**136,211**	**141,562**	**137,090**	**139,543**	**141,543**

1. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

2. Data for assets vis-a-vis other banks in the United States and vis-a-vis nonbanks are combined for dates before June 1984.

3.14 Continued

Liability account	1981	1982	1983	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.[r]	1985 Feb.	1985 Mar.[p]
	All foreign countries									
57 **Total, all currencies**	**462,847**	**469,712**	**477,090**	**453,711**	**448,499**	**452,914**	**452,205**	**445,041**	**452,873**	**462,098**
58 Negotiable CDs[3]	n.a.	n.a.	n.a.	39,866	38,520	37,915	37,725	38,804	41,798	40,889
59 To United States	137,767	179,015	188,070	146,632	139,567	138,498	146,955	143,680	140,903	145,396
60 Parent bank	56,344	75,621	81,261	74,655	74,757	70,346	78,111	75,230	72,326	75,403
61 Other banks in United States	19,197	33,405	29,453	20,120	18,937	18,601	18,394	18,112	17,820	18,068
62 Nonbanks	62,226	69,989	77,356	51,857	45,873	49,551	50,450	50,338	50,757	51,925
63 To foreigners	305,630	270,853	269,685	245,746	248,164	253,925	246,894	241,359	249,151	253,888
64 Other branches of parent bank	86,396	90,191	90,615	90,426	89,492	90,681	93,206	87,722	89,872	94,564
65 Banks	124,906	96,860	92,889	77,471	82,235	86,822	78,203	79,291	84,013	82,601
66 Official institutions	25,997	19,614	18,896	21,566	19,501	20,883	20,281	19,484	19,356	20,831
67 Nonbank foreigners	68,331	64,188	68,845	56,283	56,936	55,539	55,204	54,862	55,910	55,892
68 Other liabilities	19,450	19,844	19,335	21,467	22,248	22,576	20,631	21,198	21,021	21,925
69 **Total payable in U.S. dollars**	**364,447**	**379,270**	**388,291**	**363,876**	**356,601**	**361,875**	**365,859**	**357,853**	**366,043**	**369,049**
70 Negotiable CDs[3]	n.a.	n.a.	n.a.	37,629	36,102	35,608	35,227	36,295	39,544	38,197
71 To United States	134,700	175,528	184,305	142,111	135,296	134,303	142,943	139,811	137,142	141,031
72 Parent bank	54,492	73,295	79,035	71,883	72,246	67,821	75,626	72,892	70,072	72,962
73 Other banks in United States	18,883	33,040	28,936	19,457	18,283	18,052	17,920	17,574	17,290	17,509
74 Nonbanks	61,325	69,193	76,334	50,771	44,767	48,430	49,397	49,345	49,780	50,560
75 To foreigners	217,602	192,510	194,139	173,610	174,107	180,841	177,638	171,479	178,745	179,590
76 Other branches of parent bank	69,299	72,921	73,522	73,412	72,204	74,552	77,222	72,648	74,926	79,027
77 Banks	79,594	57,463	57,022	42,772	46,227	50,509	45,131	44,948	48,734	44,812
78 Official institutions	20,288	15,055	13,855	16,850	14,850	16,068	15,773	14,861	14,653	16,049
79 Nonbank foreigners	48,421	47,071	51,260	40,576	40,826	39,712	39,512	39,022	40,432	39,702
80 Other liabilities	12,145	11,232	9,847	10,526	11,096	11,123	10,051	10,268	10,612	10,231
	United Kingdom									
81 **Total, all currencies**	**157,229**	**161,067**	**158,732**	**147,696**	**147,562**	**149,377**	**144,385**	**146,130**	**149,534**	**150,705**
82 Negotiable CDs[3]	n.a.	n.a.	n.a.	36,600	34,948	34,269	34,413	35,455	38,281	37,350
83 To United States	38,022	53,954	55,799	27,280	26,558	25,338	25,250	27,757	23,439	23,992
84 Parent bank	5,444	13,091	14,021	16,130	16,598	15,116	14,651	16,714	13,763	14,509
85 Other banks in United States	7,502	12,205	11,328	3,451	3,388	3,002	3,110	3,556	2,936	2,913
86 Nonbanks	25,076	28,658	30,450	7,699	6,572	7,220	7,489	7,487	6,740	6,570
87 To foreigners	112,255	99,567	95,847	75,901	77,985	81,217	77,424	75,039	80,188	80,712
88 Other branches of parent bank	16,545	18,361	19,038	21,536	21,023	20,846	21,631	20,199	22,146	23,699
89 Banks	51,336	44,020	41,624	28,996	32,436	34,739	30,436	31,216	33,789	31,993
90 Official institutions	16,517	11,504	10,151	10,625	9,650	10,505	10,154	9,084	9,374	10,305
91 Nonbank foreigners	27,857	25,682	25,034	14,744	14,876	15,127	15,203	14,540	14,879	14,715
92 Other liabilities	6,952	7,546	7,086	7,915	8,071	8,553	7,298	7,879	7,626	8,651
93 **Total payable in U.S. dollars**	**120,277**	**130,261**	**131,167**	**119,337**	**118,103**	**119,287**	**117,497**	**117,198**	**120,623**	**117,984**
94 Negotiable CDs[3]	n.a.	n.a.	n.a.	35,398	33,703	33,168	33,070	34,084	37,033	35,719
95 To United States	37,332	53,029	54,691	25,763	25,178	24,024	24,105	26,587	22,386	22,481
96 Parent bank	5,350	12,814	13,839	15,679	16,209	14,748[r]	14,339	16,349	13,506	14,129
97 Other banks in United States	7,249	12,026	11,044	3,131	3,144	2,786[r]	2,965	3,407	2,792	2,733
98 Nonbanks	24,733	28,189	29,808	6,953	5,825	6,490	6,801	6,831	6,088	5,619
99 To foreigners	79,034	73,477	73,279	54,590	55,482	58,163	56,923	52,954	57,654	56,327
100 Other branches of parent bank	12,048	14,300	15,403	18,175	17,600	17,562	18,294	16,940	18,772	20,127
101 Banks	32,298	28,810	29,320	16,015	18,309	20,262	18,356	17,889	20,022	17,191
102 Official institutions	13,612	9,668	8,279	9,375	8,306	9,072	8,871	7,748	7,854	8,734
103 Nonbank foreigners	21,076	20,699	20,277	11,025	11,267	11,267	11,402	10,377	11,006	10,275
104 Other liabilities	3,911	3,755	3,197	3,586	3,740	3,932	3,399	3,563	3,550	3,457
	Bahamas and Caymans									
105 **Total, all currencies**	**149,108**	**145,156**	**152,083**	**144,207**	**138,981**	**141,610**	**146,811**	**141,834**	**144,665**	**147,041**
106 Negotiable CDs[3]	n.a.	n.a.	n.a.	788	878	898	615	734	953	779
107 To United States	85,759	104,425	111,299	100,311	95,249	95,975	102,955	98,466	99,199	103,099
108 Parent bank	39,451	47,081	50,980	41,693	42,851	40,517	47,161	43,783	43,356	45,444
109 Other banks in United States	10,474	18,466	16,057	15,459	14,167	14,187	13,938	13,320	13,591	13,959
110 Nonbanks	35,834	38,878	44,262	43,159	38,231	41,271	41,855	41,363	42,252	43,696
111 To foreigners	60,012	38,274	38,445	40,213	39,872	41,764	40,320[r]	39,785	41,529	40,305
112 Other branches of parent bank	20,641	15,796	14,936	15,283	14,823	16,455	16,782	16,014	17,111	16,744
113 Banks	23,202	10,166	11,876	11,978	13,068	13,993	12,405	12,274	12,976	12,503
114 Official institutions	3,498	1,967	1,919	3,028	2,211	2,376	2,054	2,020	1,992	1,884
115 Nonbank foreigners	12,671	10,345	11,274	9,924	9,770	8,940	9,079	9,477	9,450	9,174
116 Other liabilities	3,337	2,457	2,339	2,895	2,982	2,973	2,921	2,849	2,984	2,858
117 **Total payable in U.S. dollars**	**145,284**	**141,908**	**148,278**	**140,531**	**135,326**	**137,874**	**143,590**	**138,200**	**140,972**	**143,223**

3. Before June 1984, liabilities on negotiable CDs were included in liabilities to the United States or liabilities to foreigners, according to the address of the initial purchaser.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1982	1983	1984				1985		
			Sept.r	Oct.r	Nov.r	Dec.r	Jan.	Feb.	Mar.p
1 **Total**[1]	**172,718**	**177,950**	**173,583**	**176,258**	**178,468**	**180,640**	**176,828**	**173,334**	**169,703**
By type									
2 Liabilities reported by banks in the United States[2]	24,989	25,534	24,146	26,934	25,986	26,197	23,310	23,420	22,910
3 U.S. Treasury bills and certificates[3]	46,658	54,341	54,627	55,780	59,570	59,976	56,662	52,474	54,685
U.S. Treasury bonds and notes									
4 Marketable	67,733	68,514	68,530	67,678	67,076	68,995	71,522	72,846	67,560
5 Nonmarketable[4]	8,750	7,250	5,800	5,800	5,800	5,800	5,800	5,300	5,300
6 U.S. securities other than U.S. Treasury securities[5]	24,588	22,311	20,480	20,066	20,036	19,672	19,534	19,294	19,248
By area									
7 Western Europe[1]	61,298	67,645	67,706	68,296	70,510	69,756	68,260	67,354	63,650
8 Canada	2,070	2,438	1,069	1,321	1,466	1,528	1,491	1,136	1,715
9 Latin America and Caribbean	6,057	6,248	7,067	8,141	8,904	8,645	7,450	7,278	7,501
10 Asia	96,034	92,572	90,852	91,916	90,115	93,951	93,044	91,030	90,711
11 Africa	1,350	958	896	981	1,423	1,290	1,120	1,397	1,200
12 Other countries[6]	5,909	8,089	5,993	5,603	6,050	5,470	5,463	5,139	4,926

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies

Millions of dollars, end of period

Item	1981	1982	1983	1984			
				Mar.	Juner	Sept.r	Dec.
1 Banks' own liabilities	3,523	4,844	5,219	5,817	6,459	6,227	7,501
2 Banks' own claims	4,980	7,707	7,231	9,034	9,687	9,334	10,801
3 Deposits	3,398	4,251	2,731	4,024	4,284	3,685	3,964
4 Other claims	1,582	3,456	4,501	5,010	5,404	5,649	6,837
5 Claims of banks' domestic customers[1]	971	676	1,059	361	227	281	569

1. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of their domestic customers.

NOTE. Data on claims exclude foreign currencies held by U.S. monetary authorities.

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

Millions of dollars, end of period

Holder and type of liability	1981▲	1982	1983	1984				1985		
				Sept.	Oct.	Nov.r	Dec.	Jan.r	Feb.	Mar.p
1 **All foreigners**	**243,889**	**307,056**	**369,607**	**398,894r**	**388,894r**	**399,681**	**406,381**	**398,987**	**405,432**	**413,064**
2 Banks' own liabilities	163,817	227,089	279,087	300,028r	290,184r	297,857	306,758	301,398	311,838	316,936
3 Demand deposits	19,631	15,889	17,470	17,209r	16,490	18,351	19,542	17,975	19,369	18,174
4 Time deposits[1]	29,039	68,797	90,632	111,922r	109,608r	112,218	110,235	114,145	116,956	119,434
5 Other[2]	17,647	23,184	25,874	22,170r	24,441r	23,684	26,332	23,542	25,511	24,770
6 Own foreign offices[3]	97,500	119,219	145,111	148,727r	139,645r	143,604	150,650	145,736	150,001	154,558
7 Banks' custody liabilities[4]	80,072	79,967	90,520	98,866	98,710r	101,824	100,074	97,588	93,595	96,128
8 U.S. Treasury bills and certificates[5]	55,315	55,628	68,669	73,160	73,295	76,531	75,838	73,635	69,189	71,552
9 Other negotiable and readily transferable instruments[6]	18,788	20,636	17,467	20,833	20,281	19,703	18,775	18,141	18,029	18,099
10 Other	5,970	3,702	4,385	4,873	5,135r	5,590	5,460	5,812	6,377	6,477
11 **Nonmonetary international and regional organizations[7]**	**2,721**	**4,922**	**5,957**	**6,279**	**4,801**	**5,852**	**4,083**	**6,929**	**5,812**	**5,900**
12 Banks' own liabilities	638	1,909	4,632	3,305	2,053	2,779	1,644	3,571	2,092	2,328
13 Demand deposits	262	106	297	209	144	354	263	417	341	191
14 Time deposits[1]	58	1,664	3,584	2,526	1,513	2,114	1,093	2,682	936	1,483
15 Other[2]	318	139	750	570	396	311	288	472	815	654
16 Banks' custody liabilities[4]	2,083	3,013	1,325	2,975	2,748	3,073	2,440	3,358	3,719	3,572
17 U.S. Treasury bills and certificates	541	1,621	463	1,834	1,455	1,448	916	1,921	2,258	2,082
18 Other negotiable and readily transferable instruments[6]	1,542	1,392	862	1,140	1,292	1,604	1,524	1,429	1,461	1,490
19 Other	0	0	0	0	0	21	0	8	1	0
20 **Official institutions[8]**	**79,126**	**71,647**	**79,876**	**78,773r**	**82,714r**	**85,556**	**86,173**	**79,972**	**75,894**	**77,594**
21 Banks' own liabilities	17,109	16,640	19,427	16,382r	19,247	18,790	19,065	16,970	17,249	16,696
22 Demand deposits	2,564	1,899	1,837	1,969	1,725	2,133	1,823	1,780	1,881	1,923
23 Time deposits[1]	4,230	5,528	7,318	7,866r	8,677r	9,457	9,391	8,371	8,687	8,471
24 Other[2]	10,315	9,212	10,272	6,547r	8,846r	7,201	7,852	6,818	6,681	6,301
25 Banks' custody liabilities[4]	62,018	55,008	60,448	62,391	63,467r	66,766	67,108	63,002	58,645	60,898
26 U.S. Treasury bills and certificates[5]	52,389	46,658	54,341	54,627	55,780	59,570	59,976	56,662	52,474	54,685
27 Other negotiable and readily transferable instruments[6]	9,581	8,321	6,082	7,746	7,626	7,010	7,038	6,277	6,086	6,109
28 Other	47	28	25	18	61r	186	94	63	85	105
29 **Banks[9]**	**136,008**	**185,881**	**226,887**	**246,251r**	**233,555r**	**239,806**	**248,360**	**241,515**	**250,399**	**257,439**
30 Banks' own liabilities	124,312	169,449	205,347	221,359r	209,431r	214,240	225,512	218,980	228,040	235,006
31 Unaffiliated foreign banks	26,812	50,230	60,236	72,632r	69,786r	72,635	74,862	73,244	78,038	80,448
32 Demand deposits	11,614	8,675	8,759	8,464r	8,389	9,430	10,526	9,030	9,656	9,152
33 Time deposits[1]	8,720	28,386	37,439	49,780r	46,770r	47,717	47,059	48,612	50,986	54,280
34 Other[2]	6,477	13,169	14,038	14,388r	14,627	15,488	17,278	15,602	17,396	17,016
35 Own foreign offices[3]	97,500	119,219	145,111	148,727r	139,645r	143,604	150,650	145,736	150,001	154,558
36 Banks' custody liabilities[4]	11,696	16,432	21,540	24,892	24,124	23,566	22,848	22,535	22,360	22,433
37 U.S. Treasury bills and certificates	1,685	5,809	10,178	12,234	11,828	11,409	10,927	10,933	10,493	10,602
38 Other negotiable and readily transferable instruments[6]	4,400	7,857	7,485	8,421	7,802	7,360	7,156	6,487	6,215	6,206
39 Other	5,611	2,766	3,877	4,236	4,494	4,797	4,766	5,114	5,651	5,625
40 **Other foreigners**	**26,035**	**44,606**	**56,887**	**67,591r**	**67,824**	**68,467**	**68,215**	**70,571**	**73,328**	**72,131**
41 Banks' own liabilities	21,759	39,092	49,680	58,983r	59,453	60,048	60,537	61,877	64,457	62,907
42 Demand deposits	5,191	5,209	6,577	6,567	6,232	6,433	6,930	6,747	7,491	6,909
43 Time deposits	16,030	33,219	42,290	51,750r	52,648	52,930	52,693	54,481	56,347	55,199
44 Other[2]	537	664	813	665	573	685	914	650	619	799
45 Banks' custody liabilities[4]	4,276	5,514	7,207	8,609	8,372	8,419	7,678	8,693	8,871	9,224
46 U.S. Treasury bills and certificates	699	1,540	3,686	4,465	4,232	4,103	4,020	4,118	3,964	4,182
47 Other negotiable and readily transferable instruments[6]	3,265	3,065	3,038	3,525	3,560	3,730	3,058	3,948	4,267	4,294
48 Other	312	908	483	619	580	586	601	628	640	748
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	10,747	14,307	10,346	11,048	10,714	10,437	10,476	9,287	9,168	9,412

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
8. Foreign central banks and foreign central governments, and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

3.17 Continued

Area and country	1981▲	1982	1983	1984				1985		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.p
1 **Total**	**243,889**	**307,056**	**369,607**	**398,894r**	**388,894r**	**399,681r**	**406,831**	**398,987r**	**405,432**	**413,064**
2 **Foreign countries**	**241,168**	**302,134**	**363,649**	**392,615r**	**384,094r**	**393,829r**	**402,748**	**392,057r**	**399,621**	**407,164**
3 Europe	91,275	117,756	138,072	147,282r	146,308r	150,659r	152,395	149,264r	152,319	151,967
4 Austria	596	519	585	693	744	627	615	734	625	670
5 Belgium-Luxembourg	4,117	2,517	2,709	4,278	4,093	3,613	4,114	4,000r	4,638	4,890
6 Denmark	333	509	466	341	337	434	438	452	545	452
7 Finland	296	748	531	638	407	487	418	425	789	804
8 France	8,486	8,171	9,441	11,554r	11,641	11,935	12,701	11,908	12,430	12,768
9 Germany	7,645	5,351	3,599	3,036	3,331	3,425r	3,353	3,586r	3,258	2,920
10 Greece	463	537	520	567	609	602	699	615	583	730
11 Italy	7,267	5,626	8,462	8,266	8,976	11,056	10,757	9,477r	9,148	8,297
12 Netherlands	2,823	3,362	4,290	5,239	4,421	5,077	4,799	4,663	4,622	4,929
13 Norway	1,457	1,567	1,673	1,912	1,895	1,693	1,548	1,712r	1,647	1,889
14 Portugal	354	388	373	434	540	552	597	570	614	715
15 Spain	916	1,405	1,603	1,984	1,905	1,873	2,082	2,016	1,887	2,072
16 Sweden	1,545	1,390	1,799	2,008	1,945	1,839	1,676	2,133	1,551	1,667
17 Switzerland	18,716	29,066	32,246	33,015r	32,461	31,494	31,054	31,397	31,542	30,441
18 Turkey	518	296	467	320	557	457	584	495	501	518
19 United Kingdom	28,286	48,172	60,683	65,456r	65,280r	67,964r	68,553	68,039r	70,219	70,720
20 Yugoslavia	375	499	562	514	579	565	602	545	602	671
21 Other Western Europe[1]	6,541	7,006	7,403	6,247	6,062	6,429r	7,184	5,855	6,628	6,203
22 U.S.S.R.	49	50	65	41	50	54	79	66	60	94
23 Other Eastern Europe[2]	493	576	596	738	476	481	542	575r	431	518
24 Canada	10,250	12,232	16,026	17,536	16,767	16,549	16,048	16,233	18,163	17,297
25 Latin America and Caribbean	85,223	114,163	140,088	152,267r	145,799r	149,794r	153,985	151,229r	154,716	157,523
26 Argentina	2,445	3,578	4,038	4,375r	4,484	4,558r	4,424	4,523	4,361	4,528
27 Bahamas	34,856	44,744	55,818	58,441r	52,838r	55,470r	56,955	55,398r	56,783	59,471
28 Bermuda	765	1,572	2,266	3,158r	3,043	3,222	2,370	2,706r	3,453	2,907
29 Brazil	1,568	2,014	3,168	4,462r	4,729r	4,997r	5,332	4,920r	6,143	4,595
30 British West Indies	17,794	26,381	34,545	35,996r	34,485r	34,385r	36,949	35,269r	35,157	36,536
31 Chile	664	1,626	1,842	1,874	2,052	2,063r	2,001	1,948r	1,916	1,891
32 Colombia	2,993	2,594	1,689	1,957	2,022	2,057	2,514	2,356	2,453	2,529
33 Cuba	9	9	8	8	8	8	10	26	8	7
34 Ecuador	434	455	1,047	931	924	1,029	1,092	912	981	1,024
35 Guatemala	479	670	788	810	855	884	896	920	915	950
36 Jamaica	87	126	109	180	122	110	183	157	182	163
37 Mexico	7,235	8,377	10,392	12,869	12,488r	13,422	12,695	13,298r	13,015	13,246
38 Netherlands Antilles	3,182	3,597	3,879	4,179	4,187	4,180	4,153	4,346	4,662	4,579
39 Panama	4,857	4,805	5,924	6,811	6,585r	6,847	6,928	6,873r	7,156	7,482
40 Peru	694	1,147	1,166	1,343	1,297r	1,209r	1,247	1,151r	1,063	1,132
41 Uruguay	367	759	1,244	1,418	1,361	1,309	1,394	1,485	1,413	1,443
42 Venezuela	4,245	8,417	8,632	9,615	10,367	10,013	10,545	10,667	10,742	10,641
43 Other Latin America and Caribbean	2,548	3,291	3,535	3,839	3,952	4,030r	4,297	4,275	4,311	4,401
44 Asia	49,822	48,716	58,570	66,457r	66,033r	66,952r	71,139	66,536r	65,260	71,740
China										
45 Mainland	158	203	249	803r	804r	844	1,153	1,075r	1,068	980
46 Taiwan	2,082	2,761	4,051	5,042r	5,098r	5,142r	4,975	5,098	5,231	5,312
47 Hong Kong	3,950	4,465	6,657	7,037r	6,236	6,535	7,240	6,558r	6,648	6,927
48 India	385	433	464	644	616	606	507	554	725	740
49 Indonesia	640	857	997	939	1,344r	893r	1,033	1,136	914	1,052
50 Israel	592	606	1,722	750	2,017	1,023	1,268	1,003	995	941
51 Japan	20,750	16,078	18,079	21,310	19,644	20,750	20,929	21,662	22,724	24,177
52 Korea	2,013	1,692	1,648	1,572	1,552	1,609	1,691	1,560r	1,623	1,525
53 Philippines	874	770	1,234	1,020	1,097	1,252	1,396	1,327r	1,124	1,102
54 Thailand	534	629	747	741	980	1,458	1,257	1,161	1,062	1,383
55 Middle-East oil-exporting countries[3]	12,992	13,433	12,976	13,754	13,890	13,399r	16,804	15,965r	15,202	16,398
56 Other Asia	4,853	6,789	9,748	12,844	12,755r	13,442r	12,886	9,437r	7,945	11,203
57 Africa	3,180	3,124	2,827	3,018	3,343r	3,599r	3,506	3,170r	3,573	3,476
58 Egypt	360	432	671	629	763	739	757	541r	649	715
59 Morocco	32	81	84	136	115	117	118	115	121	167
60 South Africa	420	292	449	318	459	460	328	376	371	244
61 Zaire	26	23	87	148	141	163	153	76	79	100
62 Oil-exporting countries[4]	1,395	1,280	620	821	1,012r	1,141r	1,189	1,186r	1,450	1,346
63 Other Africa	946	1,016	917	966	852	978	961	876r	904	903
64 Other countries	1,419	6,143	8,067	6,055	5,844	6,277	5,674	5,624r	5,589	5,161
65 Australia	1,223	5,904	7,857	5,687	5,464	5,598	5,290	5,248r	5,024	4,747
66 All other	196	239	210	368	379	679	384	377r	565	414
67 Nonmonetary international and regional organizations	2,721	4,922	5,957	6,279	4,801	5,852r	4,083	6,929	5,812	5,900
68 International	1,661	4,049	5,273	5,411	4,086	5,055	3,376	6,165	4,935	5,127
69 Latin American regional	710	517	419	488	518	593	587	600	580	632
70 Other regional[5]	350	357	265	381	196	204r	120	165	296	141

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.

2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.

3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4. Comprises Algeria, Gabon, Libya, and Nigeria.

5. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1981▲	1982	1983	1984				1985		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.p
1 **Total**	251,589	355,705	391,312	393,924r	383,489r	384,634r	398,722	386,911r	392,589	394,581
2 **Foreign countries**	251,533	355,636	391,148	393,853r	382,807r	384,072r	398,048	385,986r	392,289	394,361
3 Europe	49,262	85,584	91,927	98,168r	95,415r	97,930r	97,962	96,044r	97,994	101,096
4 Austria	121	229	401	572	521	532	433	339	367	469
5 Belgium-Luxembourg	2,849	5,138	5,639	6,286	5,363	4,988	4,794	4,683	5,097	5,225
6 Denmark	187	554	1,275	1,057	544	520	648	589	589	633
7 Finland	546	990	1,044	882	887	1,098	898	817	907	829
8 France	4,127	7,251	8,766	9,084r	8,812r	9,299	9,085	8,617	9,601	9,820
9 Germany	940	1,876	1,284	1,220	1,097	1,261	1,305	1,001r	944	1,064
10 Greece	333	452	476	1,086	929	819	817	896	840	847
11 Italy	5,240	7,560	9,018	7,803	7,820	8,854	9,079	8,040	8,481	8,423
12 Netherlands	682	1,425	1,267	1,470	1,190	1,229	1,351	1,480	1,490	1,342
13 Norway	384	572	690	649	676	602	675	651	808	625
14 Portugal	529	950	1,114	1,387	1,346	1,262	1,243	1,212r	1,286	1,156
15 Spain	2,095	3,744	3,573	3,355	3,189	3,017	2,884	2,858r	3,134	2,970
16 Sweden	1,205	3,038	3,358	2,596	2,362	2,313	2,220	2,497	2,586	2,335
17 Switzerland	2,213	1,639	1,863	1,741	2,067	2,275	2,201	2,308	2,106	1,917
18 Turkey	424	560	812	1,132	1,121r	1,097	1,130	1,232	1,155	1,220
19 United Kingdom	23,849	45,781	47,364	53,681r	53,348r	54,637r	55,184	54,843r	54,618	58,006
20 Yugoslavia	1,225	1,430	1,718	1,888	1,868	1,866	1,886	1,862	1,783	1,793
21 Other Western Europe[1]	211	368	477	660	660	625	596	671r	683	646
22 U.S.S.R	377	263	192	176	159	169	142	118	208	400
23 Other Eastern Europe[2]	1,725	1,762	1,598	1,442	1,454	1,467	1,391	1,329r	1,310	1,375
24 Canada	9,193	13,678	16,341	16,549r	16,634	15,778	16,057	16,343	19,080	16,854
25 Latin America and Caribbean	138,347	187,969	205,491	203,026r	198,372	199,058	207,577	199,378r	200,139	203,403
26 Argentina	7,527	10,974	11,749	11,108	11,014	10,983	11,043	11,453	11,200	11,347
27 Bahamas	43,542	56,649	59,633	55,216	52,006	54,084	58,027	54,369r	54,931	57,355
28 Bermuda	346	603	566	508	551	635	592	596r	428	456
29 Brazil	16,926	23,271	24,667	26,140	26,146	26,275	26,307	25,886	26,146	26,076
30 British West Indies	21,981	29,101	35,527	36,007r	34,871r	33,727r	38,105	35,358r	36,806	37,119
31 Chile	3,690	5,513	6,072	6,836	6,795	6,703	6,839	6,746	6,713	6,790
32 Colombia	2,018	3,211	3,745	3,438	3,343	3,406	3,499	3,369	3,406	3,315
33 Cuba	3	3	0	0	0	0	0	0	1	0
34 Ecuador	1,531	2,062	2,307	2,365	2,452	2,431	2,420	2,477	2,489	2,455
35 Guatemala[3]	124	124	129	120	141	148	158	154	157	154
36 Jamaica[3]	62	181	215	225	234	222	252	242r	253	233
37 Mexico	22,439	29,552	34,802	35,602	35,364	35,288	34,697	34,021r	33,654	33,366
38 Netherlands Antilles	1,076	839	1,154	1,296	1,337	1,337	1,350	1,273	1,393	1,284
39 Panama	6,794	10,210	7,848	7,639	7,540	7,360	7,707	6,864	6,200	7,082
40 Peru	1,218	2,357	2,536	2,397	2,416	2,358	2,384	2,414	2,337	2,321
41 Uruguay	157	686	977	934	962	990	1,088	1,053	1,021	1,016
42 Venezuela	7,069	10,643	11,287	10,982	11,029	10,994	11,017	10,968	10,929	10,903
43 Other Latin America and Caribbean	1,844	1,991	2,277	2,211r	2,170r	2,118r	2,091	2,135	2,074	2,131
44 Asia	49,851	60,952	67,837	66,006	62,356	61,398	66,380	64,387r	65,354	63,376
China										
45 Mainland	107	214	292	563	409	543	710	507	741	660
46 Taiwan	2,461	2,288	1,908	1,651	1,588	1,679	1,849	1,745	1,827	1,940
47 Hong Kong	4,132	6,787	8,489	7,139	7,155	6,945	7,368	6,801	7,351	6,639
48 India	123	222	330	354	302	381	425	299	354	284
49 Indonesia	352	348	805	886	821	797	734	710	780	790
50 Israel	1,567	2,029	1,832	1,802	1,890	1,938	2,088	1,993	2,041	1,622
51 Japan	26,797	28,379	30,354	30,601	26,862	26,421	29,059	28,495	29,110	28,092
52 Korea	7,340	9,387	9,943	9,586	9,253	8,896	9,285	8,799r	8,796	9,296
53 Philippines	1,819	2,625	2,107	2,578	2,510	2,487	2,550	2,499	2,560	2,435
54 Thailand	565	643	1,219	1,113	1,072	1,112	1,125	1,123	1,076	1,004
55 Middle East oil-exporting countries[4]	1,581	3,087	4,954	4,506	4,650	4,687	5,054	5,004	4,856	4,722
56 Other Asia	3,009	4,943	5,603	5,227	5,844	5,512	6,133	6,411r	5,860	5,893
57 Africa	3,503	5,346	6,654	6,830	6,862	6,719	6,615	6,536	6,375	6,198
58 Egypt	238	322	747	650	674	693	728	668	584	674
59 Morocco	284	353	440	545	582	536	583	552	582	582
60 South Africa	1,011	2,012	2,634	3,152	3,140	2,960	2,795	2,791	2,666	2,400
61 Zaire	112	57	33	18	18	19	18	41	29	24
62 Oil-exporting countries[5]	657	801	1,073	944	938	911	842	812	791	874
63 Other	1,201	1,802	1,727	1,522	1,510	1,600	1,649	1,672	1,724	1,645
64 Other countries	1,376	2,107	2,898	3,274	3,169	3,189	3,456	3,297	3,348	3,435
65 Australia	1,203	1,713	2,256	2,673	2,508	2,487	2,778	2,593	2,635	2,757
66 All other	172	394	642	601	661	702	678	704	713	678
67 Nonmonetary international and regional organizations[6]	56	68	164	71	681	562	674	925	300	220

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.

2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.

3. Included in "Other Latin America and Caribbean" through March 1978.

4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

5. Comprises Algeria, Gabon, Libya, and Nigeria.

6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

NOTE. Data for period before April 1978 include claims of banks' domestic customers on foreigners.

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars
Millions of dollars, end of period

Type of claim	1981▲	1982	1983	1984				1985		
				Sept.r	Oct.r	Nov.r	Dec.	Jan.	Feb.	Mar.p
1 **Total**	**287,557**	**396,015**	**426,215**	**428,461**	....	....	**431,639**	....	....	....
2 Banks' own claims on foreigners	251,589	355,705	391,312	393,924	383,489	384,634	398,722	386,911	392,589	394,581
3 Foreign public borrowers	31,260	45,422	57,569	59,617	61,367	61,443	61,371	61,364	61,712	61,374
4 Own foreign offices[1]	96,653	127,293	146,393	152,055	143,631	144,809	156,497	153,586	154,004	156,476
5 Unaffiliated foreign banks	74,704	121,377	123,837	122,477	120,879	120,890	123,775	116,903	121,486	121,371
6 Deposits	23,381	44,223	47,126	47,367	46,787	45,788	48,112	45,070	47,688	49,841
7 Other	51,322	77,153	76,711	75,110	74,092	75,102	75,663	71,832	73,798	71,529
8 All other foreigners	48,972	61,614	63,514	59,775	57,612	57,492	57,080	55,058	55,387	55,360
9 Claims of banks' domestic customers[2]	35,968	40,310	34,903	34,537	....	....	32,916	....	....	....
10 Deposits	1,378	2,491	2,969	4,575	....	....	3,380	....	....	....
11 Negotiable and readily transferable instruments[3]	26,352	30,763	26,064	23,907	....	....	23,805	....	....	....
12 Outstanding collections and other claims	8,238	7,056	5,870	6,055	....	....	5,732	....	....	....
13 MEMO: Customer liability on acceptances	29,952	38,153	37,715	38,536	....	....	36,575	....	....	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[4]	40,369	42,499	45,856	44,201	43,007	44,152	40,129r	41,921r	39,955	n.a.

1. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
3. Principally negotiable time certificates of deposit and bankers acceptances.
4. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

NOTE. Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars
Millions of dollars, end of period

Maturity; by borrower and area	1981▲	1982	1983	1984			
				Mar.r	June r	Sept.	Dec.
1 **Total**	**154,590**	**228,150**	**243,715**	**238,829**	**249,904**	**240,595r**	**243,049**
By borrower							
2 Maturity of 1 year or less[1]	116,394	173,917	176,158	163,582	172,474	162,863r	165,200
3 Foreign public borrowers	15,142	21,256	24,039	20,436	21,066	21,059	22,076
4 All other foreigners	101,252	152,661	152,120	143,146	151,407	141,804r	143,124
5 Maturity of over 1 year[1]	38,197	54,233	67,557	75,247	77,430	77,731r	77,849
6 Foreign public borrowers	15,589	23,137	32,521	36,320	37,747	38,410	39,620
7 All other foreigners	22,608	31,095	35,036	38,927	39,683	39,321r	38,229
By area							
Maturity of 1 year or less[1]							
8 Europe	28,130	50,500	56,117	54,393	59,924	56,773r	58,170
9 Canada	4,662	7,642	6,211	6,509	6,959	5,841r	5,978
10 Latin America and Caribbean	48,717	73,291	73,660	65,673	65,136	61,479	60,692
11 Asia	31,485	37,578	34,403	31,206	34,012	32,252	33,450
12 Africa	2,457	3,680	4,199	4,472	4,790	4,798	4,442
13 All other[2]	943	1,226	1,569	1,330	1,652	1,720	2,468
Maturity of over 1 year[1]							
14 Europe	8,100	11,636	13,576	13,324	12,778	11,249r	9,590
15 Canada	1,808	1,931	1,857	2,038	2,203	1,801	1,890
16 Latin America and Caribbean	25,209	35,247	43,888	51,238	54,249	56,568r	57,834
17 Asia	1,907	3,185	4,850	5,150	5,098	5,106	5,386
18 Africa	900	1,494	2,286	2,291	1,865	1,857	2,033
19 All other[2]	272	740	1,101	1,206	1,237	1,150	1,116

▲ Liabilities and claims of banks in the United States were increased, beginning in December 1981, by the shift from foreign branches to international banking facilities in the United States of liabilities to, and claims on, foreign residents.

1. Remaining time to maturity.
2. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1]

Billions of dollars, end of period

Area or country	1980	1981	1982	1983				1984			
			Dec.	Mar.	June	Sept.	Dec.	Mar.	June[7]	Sept.	Dec.[p]
1 **Total**	**352.0**	**415.2**	**438.7**	**443.7**	**439.9**	**431.0**	**437.3**	**434.2**	**429.2**	**409.7**	**407.6**
2 G-10 countries and Switzerland	162.1	175.5	179.7	182.5	177.1	168.8	168.0	166.1	157.8	148.1	147.5
3 Belgium-Luxembourg	13.0	13.3	13.1	13.8	13.3	12.6	12.4	11.0	10.8	9.8	8.8
4 France	14.1	15.3	17.1	17.1	17.1	16.2	16.3	15.9	14.3	14.3	14.0
5 Germany	12.1	12.9	12.7	13.4	12.6	11.6	11.3	11.7	11.0	10.0	9.0
6 Italy	8.2	9.6	10.3	10.2	10.5	9.9	11.4	11.2	11.5	9.7	10.1
7 Netherlands	4.4	4.0	3.6	4.3	4.0	3.6	3.5	3.4	3.0	3.4	3.9
8 Sweden	2.9	3.7	5.0	4.3	4.7	4.9	5.1	5.2	4.3	3.5	3.2
9 Switzerland	5.0	5.5	5.0	4.5	4.8	4.2	4.3	4.3	4.2	3.9	4.0
10 United Kingdom	67.4	70.1	72.1	73.4	70.8	67.8	65.4	65.1	60.2	57.4	59.7
11 Canada	8.4	10.9	10.4	12.5	10.8	8.9	8.3	8.6	8.9	8.1	7.8
12 Japan	26.5	30.2	30.2	29.0	28.5	29.0	29.9	29.8	29.5	27.9	27.1
13 Other developed countries	21.6	28.4	33.7	34.0	34.5	34.3	36.1	35.7	37.1	36.3	33.8
14 Austria	1.9	1.9	1.9	2.1	2.1	1.9	1.9	2.0	2.0	1.8	1.7
15 Denmark	2.3	2.3	2.4	3.3	3.4	3.3	3.4	3.4	3.1	2.9	2.2
16 Finland	1.4	1.7	2.2	2.1	2.1	1.8	2.4	2.1	2.3	1.9	1.9
17 Greece	2.8	2.8	3.0	2.9	2.9	2.9	2.8	3.0	3.3	3.2	2.9
18 Norway	2.6	3.1	3.3	3.3	3.4	3.2	3.3	3.2	3.2	3.2	3.0
19 Portugal	.6	1.1	1.5	1.4	1.4	1.4	1.5	1.4	1.7	1.6	1.4
20 Spain	4.4	6.6	7.5	7.0	7.2	7.1	7.1	7.1	7.3	6.9	6.5
21 Turkey	1.5	1.4	1.4	1.5	1.4	1.5	1.7	1.9	2.0	2.0	1.9
22 Other Western Europe	1.7	2.1	2.3	2.3	2.0	2.1	1.8	1.8	1.9	1.7	1.7
23 South Africa	1.1	2.8	3.7	3.6	3.9	4.7	4.7	4.8	4.7	5.0	4.5
24 Australia	1.3	2.5	4.4	4.6	4.5	4.4	5.5	5.2	5.7	6.2	6.1
25 OPEC countries[2]	22.7	24.8	27.4	28.5	28.3	27.2	28.9	28.6	26.7	25.0	25.6
26 Ecuador	2.1	2.2	2.2	2.2	2.2	2.1	2.2	2.1	2.1	2.1	2.2
27 Venezuela	9.1	9.9	10.5	10.4	10.4	9.8	9.9	9.7	9.5	9.2	9.3
28 Indonesia	1.8	2.6	3.2	3.5	3.2	3.4	3.8	4.0	4.0	3.8	3.7
29 Middle East countries	6.9	7.5	8.7	9.3	9.5	9.1	10.0	9.8	8.4	7.4	8.2
30 African countries	2.8	2.5	2.8	3.0	3.0	2.8	3.0	3.0	2.7	2.5	2.3
31 Non-OPEC developing countries	77.4	96.3	107.1	108.1	108.8	109.8	111.6	112.1	112.7	111.9	112.3
Latin America											
32 Argentina	7.9	9.4	8.9	9.0	9.4	9.5	9.5	9.5	9.2	9.1	8.7
33 Brazil	16.2	19.1	22.9	23.2	22.7	23.1	23.1	25.1	25.4	26.3	26.3
34 Chile	3.7	5.8	6.3	6.0	5.8	6.3	6.4	6.5	6.7	7.1	7.0
35 Colombia	2.6	2.6	3.1	2.9	3.2	3.2	3.2	3.1	3.0	2.9	2.9
36 Mexico	15.9	21.6	24.5	25.1	25.3	25.9	26.1	25.6	26.0	26.1	25.8
37 Peru	1.8	2.0	2.6	2.4	2.6	2.4	2.4	2.3	2.3	2.2	2.2
38 Other Latin America	3.9	4.1	4.0	4.2	4.3	4.2	4.2	4.4	4.0	3.9	3.9
Asia											
China											
39 Mainland	.2	.2	.2	.2	.2	.2	.3	.3	.6	.5	.7
40 Taiwan	4.2	5.1	5.3	5.1	5.1	5.2	5.3	4.9	5.3	5.2	5.1
41 India	.3	.3	.6	.7	.7	.8	1.0	1.0	1.0	1.1	1.0
42 Israel	1.5	2.1	2.3	2.0	2.3	1.7	1.9	1.6	1.9	1.7	1.8
43 Korea (South)	7.1	9.4	10.9	10.9	10.9	10.9	11.3	11.1	11.2	10.3	10.7
44 Malaysia	1.1	1.7	2.1	2.5	2.6	2.8	2.9	2.8	2.7	3.0	2.8
45 Philippines	5.1	6.0	6.3	6.6	6.4	6.2	6.2	6.7	6.3	5.9	6.0
46 Thailand	1.6	1.5	1.6	1.6	1.8	1.8	2.2	2.1	1.9	1.8	1.8
47 Other Asia	.6	1.0	1.1	1.4	1.2	1.0	1.0	.9	1.1	1.0	1.1
Africa											
48 Egypt	.8	1.1	1.2	1.1	1.3	1.4	1.5	1.4	1.4	1.2	1.2
49 Morocco	.7	.7	.7	.8	.8	.8	.8	.8	.8	.8	.8
50 Zaire	.2	.2	.1	.1	.1	.1	.1	.1	.1	.1	.1
51 Other Africa[3]	2.1	2.3	2.4	2.3	2.2	2.4	2.3	2.2	1.9	1.9	2.1
52 Eastern Europe	7.4	7.8	6.2	5.7	5.8	5.3	5.3	4.9	4.9	4.5	4.5
53 U.S.S.R.	.4	.6	.3	.3	.4	.2	.2	.2	.2	.2	.1
54 Yugoslavia	2.3	2.5	2.2	2.2	2.3	2.3	2.4	2.3	2.3	2.3	2.3
55 Other	4.6	4.7	3.7	3.2	3.0	2.8	2.8	2.5	2.4	2.1	2.1
56 Offshore banking centers	47.0	63.7	66.8	68.0	69.3	68.7	70.5	70.5	73.0	66.5	66.8
57 Bahamas	13.7	19.0	19.0	18.6	20.7	21.6	21.8	24.6	27.3	23.7	21.6
58 Bermuda	.6	.7	.9	1.0	.8	.8	.9	.7	.7	1.0	.9
59 Cayman Islands and other British West Indies	10.6	12.4	12.9	12.6	12.7	10.5	12.2	11.2	11.3	10.7	11.7
60 Netherlands Antilles	2.1	3.2	3.3	3.1	2.6	4.1	4.2	3.3	3.3	3.1	3.4
61 Panama[4]	5.4	7.7	7.6	7.1	6.6	5.7	6.0	6.3	6.6	5.7	6.8
62 Lebanon	.2	.2	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	8.1	11.8	13.9	15.1	14.5	15.2	15.0	14.4	13.5	12.7	12.5
64 Singapore	5.9	8.7	9.2	10.4	11.2	10.5	10.3	10.0	10.2	9.5	9.8
65 Others[5]	.3	.1	.0	.0	.0	.1	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[6]	14.0	18.8	17.9	16.9	16.2	16.9	17.0	16.3	17.3	17.3	17.2

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

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

3. Excludes Liberia.

4. Includes Canal Zone beginning December 1979.

5. Foreign branch claims only.

6. Includes New Zealand, Liberia, and international and regional organizations.

7. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type, and area or country	1980	1981	1982	1983	1984			
					Dec.	Mar.	June	Sept.	Dec.p
1	**Total**	**29,434**	**28,618**	**27,512**	**25,197**	**29,481**	**34,013**	**30,738r**	**28,788**
2	Payable in dollars	25,689	24,909	24,280	22,176	26,243	30,815	27,934r	25,915
3	Payable in foreign currencies	3,745	3,709	3,232	3,020	3,237	3,198	2,804r	2,873
	By type								
4	Financial liabilities	11,330	12,157	11,066	10,423	14,177	18,339	15,879	13,932
5	Payable in dollars	8,528	9,499	8,858	8,644	12,159	16,297	14,082	12,064
6	Payable in foreign currencies	2,802	2,658	2,208	1,779	2,018	2,043	1,797	1,868
7	Commercial liabilities	18,104	16,461	16,446	14,774	15,304	15,674	14,859r	14,857
8	Trade payables	12,201	10,818	9,438	7,765	7,893	7,897	6,900r	6,990
9	Advance receipts and other liabilities	5,903	5,643	7,008	7,009	7,411	7,776	7,959r	7,867
10	Payable in dollars	17,161	15,409	15,423	13,533	14,085	14,518	13,852r	13,851
11	Payable in foreign currencies	943	1,052	1,023	1,241	1,219	1,155	1,007r	1,006
	By area or country								
	Financial liabilities								
12	Europe	6,481	6,825	6,501	5,691	7,087	7,230	6,679	6,798
13	Belgium-Luxembourg	479	471	505	302	428	359	428	471
14	France	327	709	783	843	956	900	910	995
15	Germany	582	491	467	492	514	561	521	489
16	Netherlands	681	748	711	581	527	583	595	578
17	Switzerland	354	715	792	486	641	563	514	569
18	United Kingdom	3,923	3,565	3,102	2,839	3,790	4,013	3,463	3,389
19	Canada	964	963	746	764	795	735	825	863
20	Latin America and Caribbean	3,136	3,356	2,751	2,607	4,912	8,888	6,780	4,556
21	Bahamas	964	1,279	904	751	1,419	3,603	2,606	1,423
22	Bermuda	1	7	14	13	51	13	11	13
23	Brazil	23	22	28	32	37	25	33	35
24	British West Indies	1,452	1,241	1,027	1,018	2,635	4,457	3,250	2,059
25	Mexico	99	102	121	213	243	237	260	369
26	Venezuela	81	98	114	124	121	124	130	137
27	Asia	723	976	1,039	1,332	1,355	1,462	1,566	1,682
28	Japan	644	792	715	898	947	1,013	1,085	1,121
29	Middle East oil-exporting countries[2]	38	75	169	170	170	180	144	147
30	Africa	11	14	17	19	19	16	16	14
31	Oil-exporting countries[3]	1	0	0	0	0	0	1	0
32	All other[4]	15	24	12	10	9	9	14	19
	Commercial liabilities								
33	Europe	4,402	3,770	3,831	3,245	3,567	3,409	3,961r	3,987
34	Belgium-Luxembourg	90	71	52	62	40	45	34	48
35	France	582	573	598	437	488	525	430	438
36	Germany	679	545	468	427	417	501	558r	619
37	Netherlands	219	220	346	268	259	265	239r	245
38	Switzerland	499	424	367	241	477	246	405r	257
39	United Kingdom	1,209	880	1,027	732	847	794	1,133	1,082
40	Canada	888	897	1,495	1,841	1,776	1,840	1,906r	1,975
41	Latin America and Caribbean	1,300	1,044	1,570	1,473	1,807	1,705	1,758	1,871
42	Bahamas	8	2	16	1	14	17	1	7
43	Bermuda	75	67	117	67	158	124	110	114
44	Brazil	111	67	60	44	68	31	68	124
45	British West Indies	35	2	32	6	33	5	8	32
46	Mexico	367	340	436	585	682	568	641	586
47	Venezuela	319	276	642	432	560	630	628	636
48	Asia	10,242	9,384	8,144	6,741	6,620	6,989	5,569r	5,307
49	Japan	802	1,094	1,226	1,247	1,291	1,235	1,429r	1,256
50	Middle East oil-exporting countries[2,5]	8,098	7,008	5,503	4,178	3,735	4,190	2,364r	2,372
51	Africa	817	703	753	553	539	684	597r	588
52	Oil-exporting countries[3]	517	344	277	167	243	217	251	233
53	All other[4]	456	664	651	921	995	1,046	1,068r	1,128

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1980	1981	1982	1983	1984			
				Dec.	Mar.	June	Sept.	Dec.[p]
1 **Total**	**34,482**	**36,185**	**28,725**	**34,932**	**33,645**	**31,740**	**30,183[r]**	**28,673**
2 Payable in dollars	31,528	32,582	26,085	31,842	30,755	28,770	27,391[r]	26,068
3 Payable in foreign currencies	2,955	3,603	2,640	3,090	2,890	2,970	2,792	2,605
By type								
4 Financial claims	19,763	21,142	17,684	23,801	22,781	21,292	19,794	18,108
5 Deposits	14,166	15,081	13,058	18,356	17,486	16,124	15,014	13,475
6 Payable in dollars	13,381	14,456	12,628	17,859	17,057	15,614	14,574	13,056
7 Payable in foreign currencies	785	625	430	497	429	510	439	420
8 Other financial claims	5,597	6,061	4,626	5,445	5,296	5,168	4,781	4,632
9 Payable in dollars	3,914	3,599	2,979	3,489	3,506	3,407	3,088	3,182
10 Payable in foreign currencies	1,683	2,462	1,647	1,956	1,790	1,761	1,693	1,450
11 Commercial claims	14,720	15,043	11,041	11,131	10,864	10,448	10,389[r]	10,565
12 Trade receivables	13,960	14,007	9,994	9,721	9,540	9,105	8,885[r]	9,084
13 Advance payments and other claims	759	1,036	1,047	1,410	1,323	1,343	1,503[r]	1,481
14 Payable in dollars	14,233	14,527	10,478	10,494	10,193	9,749	9,729[r]	9,830
15 Payable in foreign currencies	487	516	563	637	671	699	659	735
By area or country								
Financial claims								
16 Europe	6,069	4,596	4,873	6,434	6,252	6,364	5,569	5,365
17 Belgium-Luxembourg	145	43	15	37	30	37	15	15
18 France	298	285	134	150	171	151	146	114
19 Germany	230	224	178	159	148	161	187	220
20 Netherlands	51	50	97	71	57	158	62	66
21 Switzerland	54	117	107	38	90	61	64	66
22 United Kingdom	4,987	3,546	4,064	5,767	5,548	5,543	4,863	4,486
23 Canada	5,036	6,755	4,377	6,166	5,665	5,180	4,419	3,964
24 Latin America and Caribbean	7,811	8,812	7,546	10,144	9,823	8,469	8,633	7,512
25 Bahamas	3,477	3,650	3,279	4,745	3,927	3,213	3,255	2,951
26 Bermuda	135	18	32	96	3	5	5	6
27 Brazil	96	30	62	53	87	83	84	100
28 British West Indies	2,755	3,971	3,255	4,163	4,903	4,348	4,423	3,703
29 Mexico	208	313	274	291	279	230	232	215
30 Venezuela	137	148	139	134	130	124	128	125
31 Asia	607	758	698	764	753	963	900	944
32 Japan	189	366	153	297	309	307	371	353
33 Middle East oil-exporting countries[2]	20	37	15	4	7	8	7	37
34 Africa	208	173	158	147	144	158	160	210
35 Oil-exporting countries[3]	26	46	48	55	42	35	37	85
36 All other[4]	32	48	31	145	145	158	113	114
Commercial claims								
37 Europe	5,544	5,405	3,826	3,670	3,610	3,555	3,570[r]	3,805
38 Belgium-Luxembourg	233	234	151	135	173	142	128	138
39 France	1,129	776	474	459	413	408	411[r]	439
40 Germany	599	561	357	348	363	443	370[r]	374
41 Netherlands	318	299	350	334	310	306	303	340
42 Switzerland	354	431	360	317	336	250	289	271
43 United Kingdom	929	985	811	809	787	812	891[r]	1,061
44 Canada	914	967	633	829	1,061	933	1,026[r]	1,020
45 Latin America and Caribbean	3,766	3,479	2,526	2,695	2,419	2,042	1,976[r]	1,972
46 Bahamas	21	12	21	8	8	4	14	8
47 Bermuda	108	223	261	190	216	89	88	115
48 Brazil	861	668	258	493	357	310	219	214
49 British West Indies	34	12	12	7	7	8	10	7
50 Mexico	1,102	1,022	775	884	745	577	595[r]	583
51 Venezuela	410	424	351	272	268	241	245[r]	206
52 Asia	3,522	3,959	3,050	3,063	2,997	3,085	2,884[r]	3,070
53 Japan	1,052	1,245	1,047	1,114	1,186	1,178	1,080[r]	1,180
54 Middle East oil-exporting countries[2]	825	905	751	737	701	710	703[r]	687
55 Africa	653	772	588	588	497	536	595[r]	470
56 Oil-exporting countries[3]	153	152	140	139	132	128	135	134
57 All other[4]	321	461	417	286	280	297	338	228

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1983	1984	1985 Jan.–Mar.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.p
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	69,770	60,462	18,412	4,052	4,657	4,838	4,487	5,005	7,102	6,305
2 Foreign sales	64,360	63,388r	19,549	4,892	5,398	4,746r	5,049	5,701	7,127	6,721
3 Net purchases, or sales (−)	**5,410**	**−2,926r**	**−1,137**	**−840**	**−741**	**92r**	**−562**	**−696**	**−26**	**−416**
4 Foreign countries	**5,312**	**−3,041r**	**−1,107**	**−909**	**−752**	**81r**	**−461**	**−713**	**−21**	**−374**
5 Europe	3,979	−2,986r	−1,344	−690	−529	−90r	−359	−558	−212	−574
6 France	−97	−405	−73	−67	−37	−46	−54	−19	−41	−13
7 Germany	1,045	−50	−357	−63	−10	11	−105	−134	−109	−113
8 Netherlands	−109	−315	−279	−66	−47	−15	−29	−44	−107	−128
9 Switzerland	1,325	−1,490	−414	−335	−130	−34	−249	−159	−133	−122
10 United Kingdom	1,799	−658r	−235	−131	−251	17r	91	−178	131	−188
11 Canada	1,151	1,673	213	149	150	47	134	46	169	−2
12 Latin America and Caribbean	529	493	389	9	−89	30	67	103	185	101
13 Middle East[1]	−808	−1,998	−37	−207	−270	−12	−196	−52	−101	116
14 Other Asia	395	−372	−404	−160	−92	74	−91	−264	−99	−41
15 Africa	42	−23	−23	−6	−8	−8	−6	−7	−2	−13
16 Other countries	24	171	98	−3	87	39	−11	19	40	39
17 Nonmonetary international and regional organizations	**98**	**115**	**−30**	**69**	**11**	**11**	**−101**	**17**	**−5**	**−43**
BONDS[2]										
18 Foreign purchases	24,000	39,341r	19,618	3,356	6,994	4,902r	6,403	5,937	8,218	5,462
19 Foreign sales	23,097	26,071r	9,353	2,035	3,060	2,556	2,900	3,106	3,649	2,598
20 Net purchases, or sales (−)	**903**	**13,269r**	**10,265**	**1,321**	**3,934**	**2,346r**	**3,503**	**2,831**	**4,570**	**2,864**
21 Foreign countries	**888**	**12,972r**	**10,239**	**1,278**	**3,954**	**2,133r**	**3,527**	**2,835**	**4,489**	**2,914**
22 Europe	909	11,792r	9,708	1,004	3,956	1,954r	3,338	2,635	4,142	2,930
23 France	−89	207	29	8	143	−11	24	55	−17	−10
24 Germany	344	1,731	−199	19	606	139	184	67	−153	−112
25 Netherlands	51	93	61	2	22	−1	15	9	44	8
26 Switzerland	583	644	810	9	253	159	276	12	315	483
27 United Kingdom	434	8,520r	8,988	922	2,860	1,603r	2,776	2,441	4,018	2,528
28 Canada	123	−71	44	3	−3	13	14	59	−11	−5
29 Latin America and Caribbean	100	390	208	64	42	44	78	90	50	69
30 Middle East[1]	−1,161	−1,011	−335	−19	−232	−45	−179	−123	−84	−127
31 Other Asia	865	1,862	566	223	192	169	276	140	337	89
32 Africa	0	1	0	1	0	−2	1	0	0	0
33 Other countries	52	10r	48	3	0	2	0	35	54	−41
34 Nonmonetary international and regional organizations	**15**	**297**	**26**	**43**	**−20**	**213**	**−24**	**−4**	**81**	**−50**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	−3,765	−1,077r	−1,870	−340	−318	−177	−221	−781r	−652	−437
36 Foreign purchases	13,281	14,591r	4,042	921	1,333	1,147	1,169	1,149r	1,562	1,330
37 Foreign sales	17,046	15,668r	5,911	1,261	1,651	1,324	1,390	1,930r	2,215	1,767
38 Bonds, net purchases, or sales (−)	−3,239	−3,931r	−577	−482r	−1,195r	−578r	−1,159	168	198	−943
39 Foreign purchases	36,333	57,338r	16,342	4,122	4,527	6,601	5,134	5,396r	5,294	5,652
40 Foreign sales	39,572	61,270r	16,919	4,604	5,722r	7,179r	6,293	5,228r	5,096	6,594
41 Net purchases, or sales (−), of stocks and bonds	**−7,004**	**−5,008r**	**−2,446**	**−822r**	**−1,513r**	**−755r**	**−1,379**	**−613r**	**−454**	**−1,379**
42 Foreign countries	**−6,559**	**−4,619r**	**−2,685**	**−886r**	**−1,477r**	**−908r**	**−671**	**−742r**	**−754**	**−1,189**
43 Europe	−5,492	−8,532	−2,024	−963r	−1,582r	−707	−1,086	−732r	−91	−1,200
44 Canada	−1,328	413	−414	−198	−68	−23	254	75	−422	−68
45 Latin America and Caribbean	1,120	2,472r	162	28	217	207	104	194r	−47	15
46 Asia	−855	1,345	−549	169	−30	88	−115	−394r	−255	100
47 Africa	141	−107	−33	−14	−19	−16	3	−4	−3	−26
48 Other countries	−144	−210r	172	92	6	−457r	169	120	64	−11
49 Nonmonetary international and regional organizations	**−445**	**−389**	**239**	**64**	**−36**	**153**	**−709**	**129**	**300**	**−190**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Includes state and local government securities, and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1983	1984r	1985 Jan.–Mar.	1984 Sept.	1984 Oct.	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.p
	Transactions, net purchases or sales (−) during period[1]									
1 **Estimated total[2]**	**3,693**	**21,412**	**238**	**−3,799**	**2,931**	**2,197**	**7,508**	**2,312**	**2,319**	**−4,393**
2 Foreign countries[2]	3,162	16,432	1,212	−1,736	1,092	2,293	5,066	3,797	2,163	−4,748
3 Europe[2]	6,226	11,070	−984	−718	795	776	1,300	532	−81	−1,435
4 Belgium-Luxembourg	−431	289	122	20	27	41	46	104	18	0
5 Germany[2]	2,450	2,958	−1,787	−747	−39	36	336	−120	−129	−1,538
6 Netherlands	375	454	−261	−6	458	−7	16	−71	11	−201
7 Sweden	170	46	141	77	−1	1	−88	150	−10	1
8 Switzerland[2]	−421	635	636	99	−172	−288	26	−35	358	313
9 United Kingdom	1,966	5,223	370	−313	742	244	716	419	−342	293
10 Other Western Europe	2,118	1,465	−205	153	−219	748	248	86	12	−303
11 Eastern Europe	0	0	0	0	0	0	0	0	0	0
12 Canada	699	1,526	−277	288	237	193	249	−92	−231	47
13 Latin America and Caribbean	−212	1,413	802	165	320	965	380	149	735	−82
14 Venezuela	−124	14	−4	3	1	7	−10	5	−11	2
15 Other Latin America and Caribbean	60	528	134	92	61	57	213	−2	71	65
16 Netherlands Antilles	−149	871	672	69	258	902	177	146	674	−149
17 Asia	−3,535	2,377	1,530	−1,475	−302	369	3,218	3,093	1,726	−3,289
18 Japan	2,315	6,062	1,315	−18	851	1,287	1,585	578	559	177
19 Africa	3	−67	3	27	−1	−5	2	2	1	1
20 All other	−17	114	138	−23	43	−5	−83	113	14	11
21 Nonmonetary international and regional organizations	535	4,982	−976	−2,063	1,839	−96	2,442	−1,485	154	355
22 International	218	4,612	−833	−2,149	1,651	−188	2,361	−1,675	504	338
23 Latin American regional	0	0	1	0	0	0	0	0	1	0
MEMO										
24 Foreign countries[2]	3,162	16,432	1,212	−1,736	1,092	2,293	5,066	3,797	2,163	−4,748
25 Official institutions	779	481	−1,436	−1,968	−852	−602	1,919	2,527	1,324	−5,286
26 Other foreign[2]	2,382	15,951	2,648	232	1,944	2,895	3,147	1,270	840	538
Oil-exporting countries										
27 Middle East[3]	−5,419	−6,277	209	−144	−983	−1,284	−200	27	−372	554
28 Africa[4]	−1	−101	0	0	0	0	0	0	0	0

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.
2. Includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on Apr. 30, 1985		Country	Rate on Apr. 30, 1985		Country	Rate on Apr. 30, 1985	
	Per-cent	Month effective		Per-cent	Month effective		Per-cent	Month effective
Austria	4.5	June 1984	France[1]	10.25	Apr. 1985	Norway	8.0	June 1979
Belgium	11.0	Feb. 1984	Germany, Fed. Rep. of	4.5	June 1984	Switzerland	4.0	Mar. 1983
Brazil	49.0	Mar. 1981	Italy	15.5	Jan. 1985	United Kingdom[2]	....	....
Canada	10.02	Apr. 1985	Japan	5.0	Oct. 1983	Venezuela	11.0	May 1983
Denmark	7.0	Oct. 1983	Netherlands	5.5	Feb. 1985			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.
2. Minimum lending rate suspended as of Aug. 20, 1981.
NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

Country, or type	1982	1983	1984	1984			1985			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
1 Eurodollars	12.24	9.57	10.75	10.77	9.50	8.90	8.37	9.05	9.32	8.74
2 United Kingdom	12.21	10.06	9.91	10.60	9.87	9.74	11.63	13.69	13.52	12.70
3 Canada	14.38	9.48	11.29	11.99	11.09	10.41	9.70	10.63	11.42	10.15
4 Germany	8.81	5.73	5.96	6.06	5.92	5.81	5.84	6.13	6.36	5.99
5 Switzerland	5.04	4.11	4.35	5.23	5.03	4.96	5.13	5.66	5.77	5.35
6 Netherlands	8.26	5.58	6.08	6.16	5.87	5.77	5.87	6.90	7.14	6.82
7 France	14.61	12.44	11.66	10.75	10.54	10.66	10.43	10.60	10.71	10.49
8 Italy	19.99	18.95	17.08	17.13	17.13	16.86	15.82	15.79	15.82	15.15
9 Belgium	14.10	10.51	11.41	11.00	10.81	10.75	10.75	10.75	10.75	10.09
10 Japan	6.84	6.49	6.32	6.31	6.32	6.33	6.27	6.29	6.30	6.26

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES

Currency units per dollar

Country/currency	1982	1983	1984	1984 Nov.	1984 Dec.	1985 Jan.	1985 Feb.	1985 Mar.	1985 Apr.
1 Australia/dollar[1]	101.65	90.14	87.937	85.88	84.00	81.51	73.74	69.70	65.84
2 Austria/schilling	17.060	17.968	20.005	21.075	21.802	22.267	23.190	23.247	21.717
3 Belgium/franc	45.780	51.121	57.749	60.475	62.380	63.455	66.310	66.308	62.283
4 Brazil/cruzeiro	179.22	573.27	1841.50	2734.16	3008.55	3346.67	3768.17	4158.19	4511.58
5 Canada/dollar	1.2344	1.2325	1.2953	1.3168	1.3201	1.3240	1.3547	1.3840	1.3658
6 China, P.R./yuan	1.8978	1.9809	2.3308	2.6785	2.7953	2.8160	2.8347	2.8533	2.8480
7 Denmark/krone	8.3443	9.1483	10.354	10.824	11.126	11.330	11.807	11.797	11.114
8 Finland/markka	4.8086	5.5636	6.0007	6.2653	6.4563	6.6368	6.8616	6.8464	6.4652
9 France/franc	6.5793	7.6203	8.7355	9.1981	9.5083	9.7036	10.093	10.078	9.4427
10 Germany/deutsche mark	2.428	2.5539	2.8454	2.9985	3.1044	3.1706	3.3025	3.2982	3.0946
11 Greece/drachma	66.872	87.895	112.73	123.63	127.26	129.38	134.73	140.62	134.86
12 Hong Kong/dollar	6.0697	7.2569	7.8188	7.8235	7.8287	7.8110	7.8017	7.8009	7.7902
13 India/rupee	9.4846	10.1040	11.348	12.078	12.293	12.612	12.922	12.861	12.400
14 Ireland/pound[1]	142.05	124.81	108.64	103.41	100.37	98.23	94.23	94.58	101.17
15 Israel/shekel	24.407	55.865	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
16 Italy/lira	1354.00	1519.30	1756.10	1863.05	1912.52	1948.76	2042.00	2078.50	1975.89
17 Japan/yen	249.06	237.55	237.45	243.63	247.96	254.18	260.48	257.92	251.84
18 Malaysia/ringgit	2.3395	2.3204	2.3448	2.4300	2.4164	2.4804	2.5513	2.5734	2.4922
19 Mexico/peso	72.990	155.01	192.31	210.79	219.56	227.56	236.06	246.15	246.57
20 Netherlands/guilder	2.6719	2.8543	3.2083	3.3817	3.5035	3.5819	3.7387	3.7290	3.4981
21 New Zealand/dollar[1]	75.101	66.790	57.837	49.278	48.260	47.040	45.223	45.276	45.520
22 Norway/krone	6.4567	7.3012	8.1596	8.7175	8.9805	9.1765	9.4695	9.4608	8.9314
23 Philippines/peso	8.5324	11.0940	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24 Portugal/escudo	80.101	111.610	147.70	163.10	167.31	172.56	183.24	183.98	174.56
25 Singapore/dollar	2.1406	2.1136	2.1325	2.1554	2.1732	2.2011	2.2557	2.2582	2.2199
26 South Africa/rand[1]	92.297	89.85	69.534	55.47	52.66	46.34	50.57	50.33	51.50
27 South Korea/won	731.93	776.04	807.91	818.89	825.73	832.16	839.16	850.71	861.21
28 Spain/peseta	110.09	143.500	160.78	168.10	171.98	175.13	182.35	183.13	172.85
29 Sri Lanka/rupee	20.756	23.510	25.428	26.075	26.213	26.392	26.605	26.836	27.113
30 Sweden/krona	6.2838	7.6717	8.2706	8.5957	8.8614	9.0716	9.3364	9.4135	8.9946
31 Switzerland/franc	2.0327	2.1006	2.3500	2.4700	2.5602	2.6590	2.8045	2.8033	2.5948
32 Taiwan/dollar	n.a.	n.a.	39.633	39.419	39.509	39.209	39.228	39.542	39.728
33 Thailand/baht	23.014	22.991	23.582	26.736	27.091	27.330	27.961	28.097	27.466
34 United Kingdom/pound[1]	174.80	151.59	133.66	123.92	118.61	112.71	109.31	112.53	123.77
35 Venezuela/bolivar	4.2981	10.6840	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MEMO									
36 United States/dollar[2]	116.57	125.34	138.19	144.92	149.24	152.83	158.43	158.14	149.56

1. Value in U.S. cents.
2. Index of weighted-average exchange value of U.S. dollar against currencies of other G-10 countries plus Switzerland. March 1973 = 100. Weights are 1972–76 global trade of each of the 10 countries. Series revised as of August 1978. For description and back data, see "Index of the Weighted-Average Exchange Value of the U.S. Dollar: Revision" on p. 700 of the August 1978 BULLETIN.

NOTE. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) release. For address, see inside front cover.

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected	0	Calculated to be zero
e	Estimated	n.a.	Not available
p	Preliminary	n.e.c.	Not elsewhere classified
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IPCs	Individuals, partnerships, and corporations
		REITs	Real estate investment trusts
*	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)	RPs	Repurchase agreements
		SMSAs	Standard metropolitan statistical areas
		. . . . .	Cell not applicable

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

STATISTICAL RELEASES

List Published Semiannually, with Latest Bulletin Reference

SPECIAL TABLES

Published Irregularly, with Latest Bulletin Reference

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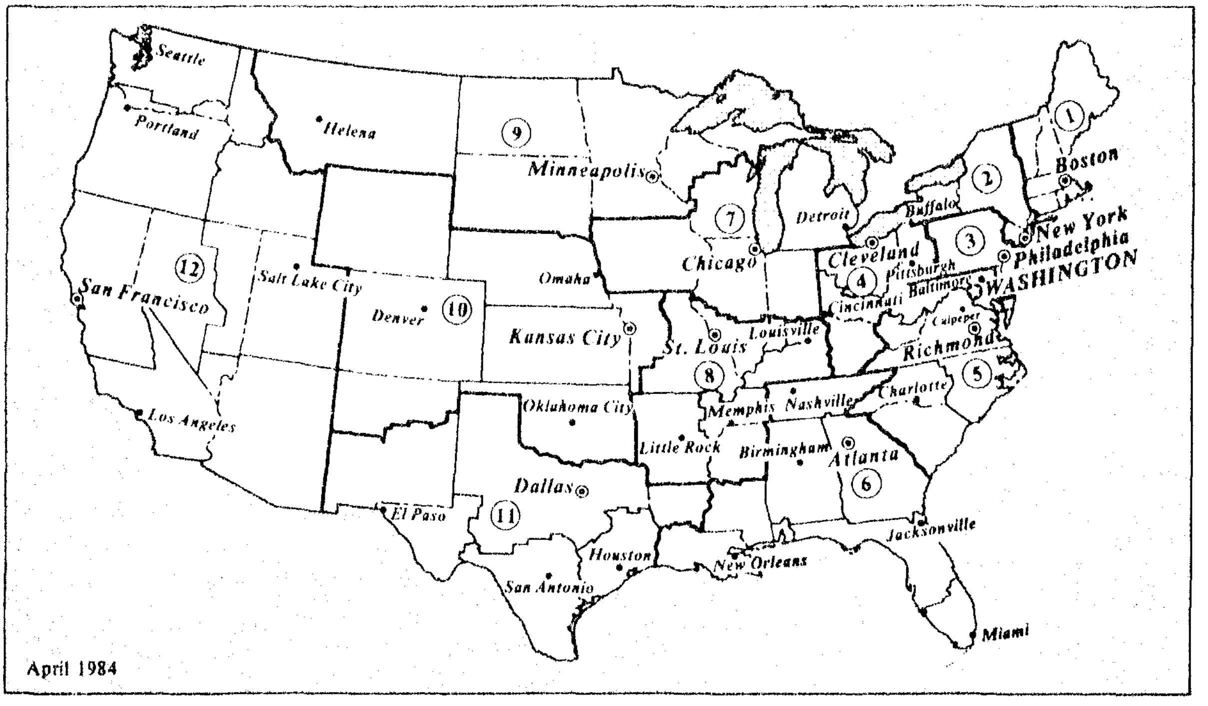

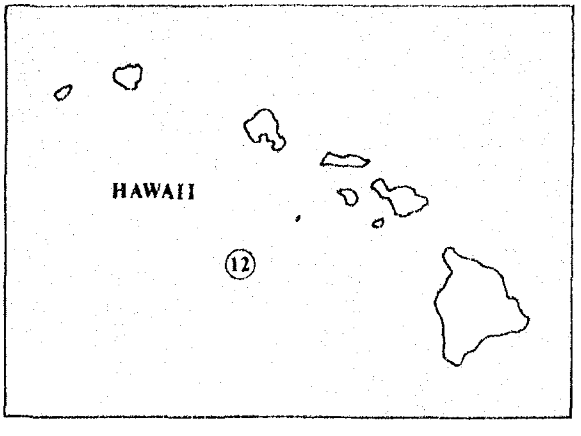

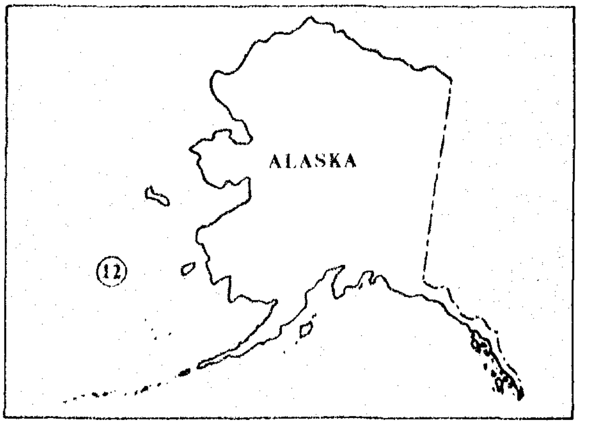

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- Boundaries of Federal Reserve Branch Territories
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- Federal Reserve Bank Cities
- Federal Reserve Branch Cities
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