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Home Equity Lending: Evidence from Recent Surveys

Glenn B. Canner and Charles A. Luckett of the Board's Division of Research and Statistics and Thomas A. Durkin of the Office of the Secretary prepared this article.

Accumulated equity in homes is one of the largest components of the wealth of U.S. households. Home equity differs from many other assets in that it cannot be readily used to purchase goods or services or to repay debt. It is widely accepted as collateral, however, and in recent years homeowners have raised substantial amounts of spendable funds by borrowing against the equity in their homes.

Homeowners can convert their home equity to a liquid form in several ways: by selling a home and either purchasing a lower-priced home or renting, by refinancing an existing mortgage for an amount greater than the outstanding mortgage balance plus closing costs, or by obtaining home equity credit.

Home equity credit takes either of two forms. One form, referred to here as a "traditional home equity loan," is a closed-end loan extended for a specific period that generally requires repayment of interest and principal in equal monthly installments. Such a loan typically has an interest rate that is fixed for the life of the loan. The other form, a "home equity line of credit," is a revolving account that permits borrowing from time to time, at the homeowner's discretion, up to the amount of the credit line; it typically has a more flexible repayment schedule than a traditional home equity loan. Most home equity credit lines have a variable interest rate that is pegged to an index such as the prime rate. Substantial equity in homes, aggressive competition among financial institutions, and revisions of the tax code all have contributed to the increased use of home equity credit.

Over the past few years, considerable information about home equity lending has become available through surveys of households and lending institutions. The Federal Reserve Board, for instance, periodically surveys households about their home equity borrowing. The regulatory agencies have for several years collected data from commercial banks on amounts outstanding under home equity lines of credit, via quarterly Reports of Condition and Income (frequently referred to as Call Reports). The agencies recently began collecting information about outstanding balances under traditional home equity loans as well.

To learn more about the current status of home equity lending, the Federal Reserve Board participated in a special nationwide survey of households conducted over the period November 1993 through March 1994. Results of this recent survey give a picture of current household borrowing activity and, together with results of earlier surveys, provide a means of measuring changes in consumer behavior.[1] This article presents results from the recent household survey and data obtained from other sources of information on home equity lending.

HOLDINGS OF HOME EQUITY LOANS

Growth of home equity credit, and of home equity lines of credit in particular, gained momentum in the mid-1980s with a boost from the Tax Reform Act of 1986, which mandated the phaseout of fed-

1. The 1993–94 household survey (formally, the 1993–94 Surveys of Consumers), conducted by the Survey Research Center of the University of Michigan, is described in the appendix. Descriptions of the earlier surveys appear in the following publications: 1977 survey—Thomas A. Durkin and Gregory E. Elliehausen, *1977 Consumer Credit Survey* (Board of Governors of the Federal Reserve System, 1978); 1983 survey—Robert B. Avery, Gregory E. Elliehausen, Glenn B. Canner, and Thomas A. Gustafson, "Survey of Consumer Finances, 1983," *Federal Reserve Bulletin*, vol. 70 (September 1984), pp. 679–92; 1988 survey—Glenn B. Canner, Charles A. Luckett, and Thomas A. Durkin, "Home Equity Lending," *Federal Reserve Bulletin*, vol. 75 (May 1989), pp. 333–44.

1. Percentage of home equity credit users citing advantages of home equity credit over other types of credit

Advantage	Home equity line of credit	Traditional home equity loan
Low interest rate	35	51
Easy to get	21	32
Tax advantage	31	28
Convenient[1]	57	5
Can defer repayment of principal	7	*
Other[2]	5	26

NOTE. Data have been weighted to ensure the representativeness of the sample. Percentages sum to more than 100 percent because respondents were allowed to cite up to two advantages for each type of credit.

* Less than 0.5 percent.

1. Includes immediate access to funds and other responses indicating that convenience was an advantage.

2. Includes ability to borrow a large amount, absence of closing costs, ability to consolidate debts, and miscellaneous other responses.

SOURCE. 1993–94 Surveys of Consumers.

2. Percentage of homeowners with home equity credit, selected years, by type of credit

Type of credit	1977	1983	1988	1993–94
Any type	5.4	6.8	11.0	12.9
Home equity line of credit	n.a.	n.a.	5.7	8.3
Traditional home equity loan	n.a.	n.a.	5.4	4.9
MEMO				
Both types	n.a.	n.a.	.1	.3

NOTE. Data have been weighted to ensure the representativeness of the sample. Components do not sum to totals because some homeowners had both types of home equity credit.

n.a. Not available.

SOURCES. 1977 Consumer Credit Survey; 1983 Survey of Consumer Finances; 1988 and 1993–94 Surveys of Consumers.

eral income tax deductions for interest paid on nonmortgage consumer debt. This change in tax law enhanced the attractiveness of using debt secured by homes to fund expenditures that consumers previously had typically financed by consumer credit: Almost one-third of the homeowners in the 1993–94 household survey who reported having home equity credit cited its favorable tax treatment as an advantage over other types of credit (table 1). Attractive interest rates on home equity credit relative to rates on most other types of consumer credit, as well as aggressive marketing and price competition among creditors, have further encouraged consumer interest in home equity credit.

Before the mid-1980s, nearly all home equity debt was of the traditional type. Since that time, growing numbers of homeowners have preferred lines of credit as the means of borrowing on their home equity. Although relatively low interest rates and tax deductibility characterize both types of home equity borrowing, the convenience of being able to draw against a line of credit as needed has proved to be a particularly attractive feature of credit lines and undoubtedly has spurred their relative growth.

In 1977, 5.4 percent of homeowners had home equity debt (table 2). By 1983, the proportion had risen only slightly, to 6.8 percent. By the second half of 1988, however, 11.0 percent of homeowning households, roughly 6.5 million in number, had debt secured by home equity; about equal proportions had home equity lines of credit and traditional home equity loans. The most recent survey indicates that 12.9 percent of all homeowners, or about 8.2 million households, have home equity debt: 8.3 percent have a home equity line of credit and 4.9 percent have a traditional home equity loan (a small proportion of households have both forms).

Although the use of home equity credit, as reported in the two most recent household surveys, was greater in 1993 than in 1988, the extraordinary volume of mortgage refinancing in the past three years or so has no doubt curtailed its growth. Since the 1988 survey, interest rates on home mortgages have fallen substantially (particularly between mid-1990 and October 1993). Millions of consumers have refinanced their first mortgages, and in the process some have rolled the outstanding balances on their home equity obligations into a single new loan. As a consequence, the proportion of homeowners having home equity credit at the time of the 1993–94 survey is likely smaller than it would have been had longer-term interest rates not fallen so sharply.

SOURCES OF HOME EQUITY CREDIT

Many types of lending institutions extend home equity credit. Today, the market is dominated by depository institutions, especially commercial banks, although savings institutions (savings banks and savings and loan associations) continue to play an important role (table 3). Household surveys reveal some specialization among creditors by type of credit. In particular, finance companies continue to be a major source of traditional home equity loans (originating almost 30 percent of these loans),

3. Percent distribution of sources of home equity credit, 1988 and 1993–94, by type of credit

Source	1988		1993–94	
	Home equity lines of credit	Traditional home equity loans	Home equity lines of credit	Traditional home equity loans
Commercial banks	54	33	60	29
Savings institutions[1]	31	27	21	30
Credit unions	11	8	13	11
Other creditors[2]	4	32	7	29
Total	100	100	100	100

NOTE. Percentages are based on numbers of loans or lines of credit. Data have been weighted to ensure the representativeness of the sample. In this and subsequent tables, components may not sum to totals because of rounding.

1. Includes savings banks and savings and loan associations.

2. Includes finance and loan companies, brokerage firms, mortgage companies, and individuals.

SOURCES. 1988 and 1993–94 Surveys of Consumers.

but they provide relatively few home equity lines of credit.

The larger role of finance companies in the traditional home equity loan market can be traced to several factors. First, finance companies (except those affiliated with depository institutions) typically do not offer deposit services; consequently, they are not well suited to offering credit accounts (such as lines of credit) that can be accessed by check, a basic feature of virtually all home equity lines of credit. Second, finance companies historically have tended to serve consumers who have somewhat lower incomes and smaller amounts of home equity.[2] Many lenders prefer to exercise tighter control over the credit use of such customers by granting them loans of specified amounts having predetermined repayment schedules.

Among depository institutions, commercial banks and savings institutions have nearly equal shares of the market for traditional home equity loans, but commercial banks are the predominant source of home equity lines of credit, with a 60 percent market share. Responses to the two most recent household surveys indicate that the commercial bank share of the market for home equity credit lines has increased in recent years.

Although commercial banks are the predominant source of home equity lines of credit, not all banks offer this type of loan. At the end of 1993, 46 percent of all U.S. commercial banks held outstanding balances on home equity lines of credit (table 4). By comparison, 81 percent held traditional home equity loans.

Home equity lines of credit are more complex to administer than are traditional home equity loans; consequently, larger banks are more likely than smaller banks to offer lines of credit. Although the vast majority of commercial banks with assets exceeding $250 million offered home equity lines of credit in 1993, only 24 percent of those with assets of less than $50 million did so. The pattern is quite different for traditional home equity loans, with most banks at all asset levels offering such loans.

USERS AND USES OF HOME EQUITY CREDIT

Homeowners can be grouped into one of four categories on the basis of their mortgage debt status—those without mortgage debt, those with only an

4. Percentage of U.S. commercial banks with outstanding home equity credit, 1993, by type of credit

Assets of banks (millions of dollars)	Home equity lines of credit	Traditional home equity loans
Less than 50	24	69
50–99	49	90
100–249	69	94
250–499	84	92
500–999	89	95
1,000 or more	89	90
All banks	46	81
MEMO		
Lines of credit in use (percent)[1]	53	...

1. Calculated by summing the outstanding balances under home equity lines of credit and dividing by the sum of outstanding balances under home equity lines of credit and the amount of unused lines of credit available to account holders.

SOURCE. Reports of Condition and Income, December 31, 1993.

2. According to the 1993–94 household survey, the average family income of home equity borrowers at finance companies was $46,000, compared with $59,000 at commercial banks and savings institutions. Finance company borrowers also typically had less home equity than depository institution borrowers: $39,000 compared with $97,000. (Data not shown in tables.)

outstanding first mortgage, those with a home equity line of credit, and those with a traditional home equity loan. The "average" characteristics of the homeowners in these four categories differ, in some instances rather substantially (table 5). Homeowners who have no mortgage debt stand out because they are much more likely than those who do, to be headed by an older individual (in many cases retired). Moreover, although they typically have substantial equity in their homes, their current incomes are not especially high compared with the incomes of other homeowners.

Characteristics of Households with Home Equity Credit

Homeowners who have a home equity line of credit typically own more expensive homes, have higher incomes, and have accumulated substantially more equity in their homes than other homeowners, including those who have traditional home equity loans and those with only first mortgage debt. They also tend to be somewhat better educated. For these reasons, a home equity line of credit is often characterized as an "upscale" product. In 1993, the average family income for homeowners with credit line accounts was $61,234, compared with $46,162 for those with traditional home equity loans and $51,756 for those with only first mortgage debt. Differences in levels of home equity are more substantial: The average for credit line holders was more than twice that for traditional home equity loan users and almost twice that for homeowners with only first mortgage debt.

The strong relationship between having a home equity credit line and high levels of income and remaining home equity can be seen when homeowners are grouped by level of income and home equity (table 6). For homeowners in the two highest family income groups, the proportions with credit lines are two to nearly four times as large as the proportions for the three lowest income groups; the linkage with income is much less pronounced for holders of traditional home equity loans. The proportion of homeowners who have a line of credit also increases sharply with the level of home equity, but the relationship is reversed for traditional home equity loans. Similarly, homeowners who own relatively expensive homes are more likely to have a line of credit than are owners of less expensive homes. The relationship between home value and having home equity credit appears to be much weaker for traditional home equity loans: The proportion rises from the lowest-value categories but drops off again in the higher-value categories.

The prevalence of home equity credit varies somewhat by region of the country (table 6). Specifically, a smaller proportion of homeowners in the South have home equity credit of either type than in the other three major regions of the country. As in 1988, the Northeast has the highest incidence of lines of credit, although the North Central and West regions experienced the largest percentage increases from 1988 to 1993–94; in both regions the proportions rose from 4 percent to 9 percent.

Additional evidence of the regional character of home equity lending is the large differences among

5. Characteristics of homeowners, 1993–94, by debt status

Homeowner debt status	Market value of home (dollars)		Home equity[1] (dollars)		1993 family income (dollars)		Age[2] (median years)	Education[2] (median grade completed)	Nonwhite and Hispanic (percent)
	Mean	Median	Mean	Median	Mean	Median			
No mortgage debt	90,987	65,000	90,987	65,000	33,688	24,000	63	12	12
First mortgage only	129,174	90,000	59,000	35,000	51,756	45,000	41	14	15
Home equity line of credit	165,838	139,000	109,564	76,500	61,234	50,000	51	16	8
Traditional home equity loan	113,282	92,500	43,302	35,000	46,162	45,000	43	13	9
MEMO									
All homeowners	117,725	83,000	74,499	49,000	45,603	35,000	48	13	13

NOTE. Data have been weighted to ensure the representativeness of the sample.

1. Market value of home less all debts secured by home, including balances outstanding on home equity credit lines and traditional home equity loans.

2. Characteristic of head of household.

SOURCE. 1993–94 Surveys of Consumers.

6. Percentage of homeowners with home equity credit, 1993–94, by homeowner characteristics

Homeowner characteristic	Home equity line of credit	Traditional home equity loan	Either type
Age, in years[1]			
18–34	4	5	8
35–44	10	8	17
45–54	11	7	17
55–64	15	4	19
65 or older	5	*	5
Annual family income, in dollars			
Less than 15,000	4	3	6
15,000–24,999	4	3	7
25,000–34,999	6	5	11
35,000–44,999	9	5	14
45,000–59,999	11	6	17
60,000 or more	15	6	20
Home equity, in dollars[2]			
Less than 50,000	4	7	11
50,000–99,999	10	4	12
100,000 or more	14	2	15
Market value of home, in dollars[3]			
Less than 50,000	1	3	4
50,000–99,999	7	6	13
100,000–149,999	11	9	18
150,000–199,999	16	3	19
200,000 or more	16	4	20
Region			
West	9	4	13
North Central	9	7	15
Northeast	12	7	19
South	6	3	8
MEMO			
All homeowners	8.3	4.9	12.9

NOTE. Data have been weighted to ensure the representativeness of the sample.

* Less than 0.5 percent.

1. Age of head of household.

2. Market value of home less all debts secured by home, including balances outstanding on home equity credit lines and traditional home equity loans.

3. Estimated by respondent.

SOURCE. 1993–94 Surveys of Consumers.

banks, depending on the location of their headquarters, in the share of their loan portfolio devoted to home equity lending (table 7). Among all domestically chartered commercial banks, outstanding balances on home equity lines of credit accounted for only 3.6 percent of outstanding balances on all loans and leases at the end of 1993, and traditional home equity loans for only 2.6 percent. However, the proportions varied substantially from state to state. Banks headquartered in the New England states had relatively high ratios of total home equity loans to total loans and leases, as did banks in several Mid-Atlantic states (see map). In the West, banks headquartered in California, Utah, Hawaii, and Arizona also had relatively high ratios.

7. Ratio of commercial bank home equity loan balances outstanding to all outstanding loans and leases, December 31, 1993, by state

State	Home equity lines of credit[1]	Traditional home equity loans[1]	Total[2]
Alabama	3.1	2.2	3.8
Alaska	1.6	7.1	7.1
Arizona	4.5	3.8	7.0
Arkansas	.7	2.1	2.3
California	5.5	3.9	8.5
Colorado	2.6	5.1	6.6
Connecticut	8.5	4.5	12.4
Delaware	5.8	4.9	8.3
District of Columbia	4.9	2.5	6.8
Florida	3.1	2.3	4.6
Georgia	2.2	2.8	4.0
Hawaii	10.1	3.9	14.0
Idaho	2.6	1.8	3.3
Illinois	5.6	2.8	5.9
Indiana	2.3	2.1	3.6
Iowa	.9	1.8	2.0
Kansas	1.1	1.5	1.9
Kentucky	2.0	2.0	3.1
Louisiana	1.5	2.6	3.0
Maine	7.3	2.3	8.3
Maryland	6.2	3.4	8.6
Massachusetts	5.8	1.8	6.8
Michigan	3.4	2.4	4.9
Minnesota	3.2	2.7	4.4
Mississippi	2.0	3.0	3.6
Missouri	2.3	1.6	2.8
Montana	1.6	1.7	2.2
Nebraska	.9	1.5	1.7
Nevada	3.1	1.6	4.2
New Hampshire	6.1	2.1	7.0
New Jersey	10.1	7.0	16.3
New Mexico	.8	3.1	3.4
New York	6.2	3.5	7.7
North Carolina	6.3	2.7	8.6
North Dakota	2.2	1.0	1.6
Ohio	3.6	2.0	4.7
Oklahoma	.8	2.0	2.2
Oregon	2.1	2.7	4.2
Pennsylvania	4.2	6.2	9.4
Rhode Island	6.3	11.8	17.1
South Carolina	4.7	2.7	6.5
South Dakota	1.2	1.1	1.5
Tennessee	2.9	2.5	4.0
Texas	.7	1.1	1.1
Utah	7.1	3.7	8.4
Vermont	5.6	1.2	5.5
Virginia	5.1	3.9	7.7
Washington	2.2	5.1	6.2
West Virginia	2.9	2.3	4.2
Wisconsin	2.2	2.4	3.4
Wyoming	.8	1.8	2.2
All states	3.6	2.6	4.5

NOTE. Data are for domestically chartered commercial banks. Banks are assigned to states according to the location of the headquarters.

1. Includes only banks that make specified type of home equity loan.

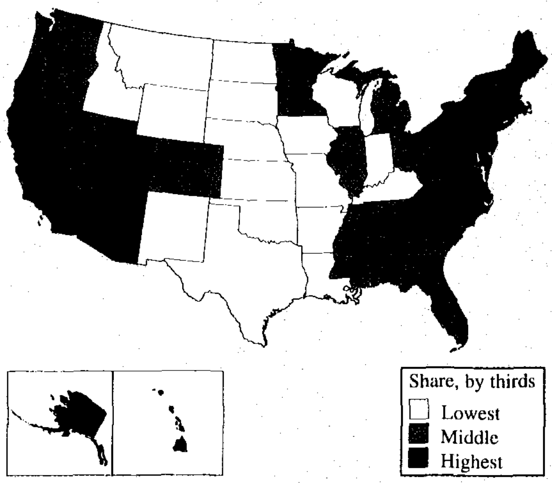
2. Includes only banks that make at least one type of home equity loan.

SOURCE. Reports of Condition and Income, December 31, 1993.

Amounts Borrowed

Amounts borrowed under home equity lines of credit and traditional home equity loans differ

Share of home equity loans in loan portfolios of domestically chartered commercial banks, 1993



Share of loan portfolio is measured as the ratio of home equity loan balances outstanding to all loans and leases for commercial banks headquartered in the state. Ratio excludes commercial banks with no outstanding balances on home equity loans. Specific values portrayed on map are given in column 3 of table 7.

SOURCE. Derived from Reports of Condition and Income, December 31, 1993.

8. Status of home equity debt, 1993–94, by type of credit

Percent distribution except as noted

Item	Home equity lines of credit	Traditional home equity loans
Outstanding balance, in dollars		
None[1]	22	...
1–9,999	26	42
10,000–24,999	30	40
25,000 or more	22	19
Total	100	100
MEMO[2]		
Mean (dollars)	14,401	16,199
Median (dollars)	10,000	11,000
Percentage of credit line in use[3]		
1–19	12	...
20–49	19	...
50–74	36	...
75–100	33	...
MEMO[3]		
Mean (percent)	58	...
Median (percent)	62	...

NOTE. Data have been weighted to ensure the representativeness of the sample.

1. Includes respondents who reported that they had never used their account and respondents who had paid off outstanding debt.

2. Figures for home equity lines of credit include accounts with no outstanding balance.

3. *Includes only those accounts with outstanding balances.*

SOURCE. 1993–94 Surveys of Consumers.

(table 8). On average, credit line users (including those who have no outstanding balance) owe less than users of traditional home equity loans, although both groups have similar proportions owing relatively large amounts (outstanding balances of $25,000 or more). In 1993–94, the mean and median amounts owed by homeowners with traditional home equity loans were $16,199 and $11,000 respectively, compared with $14,401 and $10,000 respectively for users of credit lines. A comparison with the 1988 household survey indicates that the average balance owed on traditional home equity loans has fallen roughly $3,000 (measured in nominal dollars) since 1988, whereas the average amount owed on home equity lines of credit has changed little.

Most consumers who have home equity lines of credit owe an amount well below the maximum allowed under their credit line. In 1993–94, the median credit line available to homeowners with lines of credit was $25,000, two and one-half times the median amount actually owed. A substantial proportion of homeowners who reported having a credit line (about one-fifth) had no balance outstanding. Although significant numbers of homeowners surveyed in 1993–94 had no outstanding balance, the proportion with no balance outstanding was down substantially from 1988 (the proportion in that year was two-fifths).

Three-fifths of homeowners who had no outstanding balance on their line of credit when surveyed in 1993–94 had never used their account; some of these were new account holders, but many were not. The large number of unused accounts suggests that many homeowners who have established lines of credit have done so either to meet anticipated specific needs at some future time or as a standby source of funds. If some homeowners do view home equity lines of credit as a standby source of funds, lending to them might be viewed as relatively risky, as they could choose to borrow only if they were experiencing financial distress. To date, however, lenders report low delinquency rates for home equity lines of credit.

Delinquency Rates

Compared with other types of consumer lending, home equity debt, particularly lines of credit, has had low delinquency rates over time (table 9). Such experience is not surprising. Because home equity debt is typically secured by the homeowner's principal residence, borrowers would be expected to go to great lengths to make their payments. Also, home equity borrowers, with substantial levels of home equity and relatively high incomes, are typically better off financially than other homeowners, and consumers in general. Finally, as is discussed later, a large share of the funds borrowed under home equity loans are used for home improvement, adding to the value of the home, or for other purposes that enhance the borrower's financial circumstances (for example, repayment of other debts that carry higher interest rates).

Rates of delinquency on home equity lines of credit to date have typically been only about half those on traditional home equity loans. Several factors may account for the differences. As noted, credit line borrowers, on average, have higher incomes and more equity in their homes than do traditional loan borrowers. Also, traditional loan borrowers, on average, owe more than credit line users. Finally, many line of credit plans have flexible repayment schedules that allow nominal payments in the first few years but larger payments in subsequent periods to fully amortize the debt. Credit line borrowers who are in financial distress may be better able to meet their near-term obligations than traditional home equity borrowers, who typically face fully amortizing, fixed repayment schedules.

9. Percentage of commercial bank consumer loans delinquent thirty days or more, 1986–93, by type of loan

Year	Home equity lines of credit	Traditional home equity loans	Credit card loans	Automobile loans[1]	Personal loans
1986	n.a.	1.92	3.13	1.78	3.45
1987	.70[2]	1.79	2.36	1.77	3.36
1988	.72	1.80	2.34	1.89	3.30
1989	.80	1.65	2.31	1.87	3.36
1990	.78	1.56	2.48	2.05	3.41
1991	.88	1.81	3.21	2.18	3.29
1992	.78	1.79	2.98	2.27	3.43
1993	.72	1.62	2.73	1.90	2.79

NOTE. Rates are based on numbers of loans and are averages of monthly data.

n.a. Not available.

1. Includes only direct lending.

2. Based on only final three quarters of the year.

SOURCE. American Bankers Association.

10. Percentage of borrowers citing uses for funds borrowed, 1993–94, by type of credit

Use	Home equity lines of credit	Traditional home equity loans
Home improvement	64	38
Repayment of other debts	45	68
Education	21	4
Real estate	12	8
Auto or truck	30	3
Medical expenses	5	1
Business expenses	28	1
Vacation	6	1
Other[1]	1	3

NOTE. Data have been weighted to ensure the representativeness of the sample. Percentages sum to more than 100 percent because respondents were allowed to cite multiple uses for a single loan or drawdown and more than one draw for one line of credit.

1. Includes purchase of furniture or appliance, purchase of boat or other recreational vehicle, payment of taxes, and personal financial investments.

SOURCE. 1993–94 Surveys of Consumers.

Uses of Borrowed Funds

The 1993–94 household survey, like the 1988 survey, found that the principal uses for both types of home equity credit have been to finance home improvements and to repay other debts (table 10). The patterns of usage diverge, however, when other purposes of borrowing are considered: Vehicle purchases, education expenses, and business uses are relatively more important uses of credit line borrowings than of traditional home equity loans. Perhaps the most notable changes from 1988 to 1993–94 were a surge in the reported business use of lines of credit and less frequent use of traditional home equity loans to purchase real estate. The decline in the reported use of traditional home equity loans to purchase real estate may indicate that fewer homeowners are willing to leverage their principal residence to purchase other real property during a period when real estate values have appreciated more slowly, or even declined, in many parts of the country. For some homeowners, declines in home equity may have precluded their ability to make other real estate purchases.

CONSUMER KNOWLEDGE ABOUT AND SATISFACTION WITH HOME EQUITY CREDIT

To learn more about their concerns, motivations, and behavior with respect to their home equity credit, the 1993–94 survey asked consumers a series of questions about their understanding of the

11. Consumers' knowledge of and attitudes toward their home equity credit and installment credit, 1993–94, by type of credit

Percentage of account holders within each group

Consumer knowledge or attitude	Home equity line of credit	Traditional home equity loan	Installment credit
Knew or learned there was lien on home	99	98	...
Knew or learned there was right to cancel	90	89	...
Searched for information[1]	40	44	37
Obtained the information sought[2]	93	97	95
Recalled receiving Truth in Lending statement	89	85	68
Saved Truth in Lending statement[3]	90	93	91
Found Truth in Lending statement helpful[3]	67	63	63
Said Truth in Lending statement affected credit decision[3]	8	6	12
Indicated satisfication with account[4]	95	89	88

NOTE. Data have been weighted to ensure the representativeness of the sample.

1. Searched for information about other creditors or credit terms before obtaining credit.

2. Proportion of those who "searched for information."

3. Proportion of those who "recalled receiving Truth in Lending statement."

4. Includes respondents who said they were "very satisfied" or "somewhat satisfied" with account.

SOURCE. 1993–94 Surveys of Consumers.

product, their shopping for credit, their knowledge of consumer protections, and their attitudes toward their home equity accounts. For comparison, similar questions were asked of consumers who were users of other forms of installment credit but who did not have any home equity debt outstanding.

One line of questioning focused on consumers' understanding about creditors' security interest in their residences. Almost all users of home equity credit (99 percent of credit line holders and 98 percent of traditional home equity loan borrowers) indicated that the lender had explained, or they had already known, that their home was collateral for the loan (table 11). About 90 percent of both groups recalled the lender informing them that they had the right to cancel the credit arrangement within three days, or said that they had already known about that protection.[3]

Consumers with home equity credit cited many courses of action a creditor might take if they missed several payments, including foreclosing on their home, sending late-payment notices, contacting a collection agency, assessing late-payment fees, and working out a revised payment schedule. When asked what they thought was the worst thing a lender could do if several payments were missed, most respondents (78 percent of credit line holders and 87 percent of traditional home equity loan borrowers) said the lender could foreclose on the loan. Thus, although virtually all home equity account holders recognized that a lien had been placed on their property, not all believed that foreclosure and loss of the property was the most severe possible outcome, perhaps indicating that some borrowers have substantial other resources available to meet obligations.

Another group of questions concerned efforts to gather information before opening an account. About two-fifths of home equity credit account holders searched for information about home equity credit before opening the account, slightly more than the proportion of installment credit users. Most of the information searches involved calling or visiting one or more institutions to ask about interest rates. Well over 90 percent of the searchers said they were able to get all the information they were looking for, and a few more said they were able to obtain at least some of the information they sought.[4] Eighty-nine percent of credit line holders recalled having received a Truth in Lending (TIL) disclosure statement, and 90 percent of that group had saved the statement.[5] The proportion that recalled having received a TIL statement was slightly lower for users of traditional home equity loans, although the proportion of this group that had saved the statement, at 93 percent, was slightly higher. About two-thirds of those who recalled having received a TIL statement said the statement had been helpful to them in some way, but only 6 percent to 12 percent said the TIL statement had affected their decisions to use credit.

3. The three-day right to cancel a home equity loan transaction, known as the right of rescission, is part of the Truth in Lending Act.

4. These questions were asked only of those who had obtained home equity credit or installment credit. The survey did not address the experience of any households that might have sought home equity credit but did not obtain it.

5. Truth in Lending disclosure statements must be provided to consumers by creditors in connection with credit transactions. The statements include information about key terms related to the transaction, including the annual percentage rate.

A final set of questions concerned consumer satisfaction with their home equity or installment credit. Ninety-five percent of home equity credit line holders were somewhat or very satisfied with the account, a bit higher than for traditional home equity loan and installment credit users. Of the small percentage of account holders who were dissatisfied, most complaints concerned the interest rate associated with the loan.

AGGREGATE HOME EQUITY DEBT

Data from lending institutions, together with information from the household survey, suggest that outstanding home equity debt totaled about $255 billion at the end of 1993. Borrowing against home equity lines of credit is estimated to have totaled about $110 billion, and traditional home equity loans, about $145 billion. Aggregate estimates suggest that the growth of home equity debt slowed considerably after 1988, and that the amount of such debt outstanding apparently contracted slightly during 1992 and 1993. The following paragraphs summarize aggregate estimates of home equity debt outstanding and discuss various factors underlying the apparent recent weakness (an explanation of the construction of the aggregate figures is given in the box).

Amounts Outstanding

Comprehensive figures on home equity lending are not available for all types of lenders, although more complete data have been reported in the past few years. Commercial banks, the dominant provider of credit under home equity lines of credit, had receivables of $73 billion at the end of 1993, nearly double the amount for all other lenders combined (table 12). They are also the leading provider of traditional home equity loans, although their market share is much smaller for this type of credit.

In an earlier article, based on less-complete institutional data, we estimated that debt outstanding on home equity lines of credit was about $75 billion at the end of 1988.[6] Given this estimate, debt on home equity credit lines grew $35 billion over the five-year period through 1993, or at an average rate of around 9 percent per year. The pattern of growth was far from smooth, however. Much of the increase occurred in 1989 and 1990, with total credit line debt apparently peaking at about $114 billion in 1991 and 1992 and then contracting a small amount in 1993.

The extent to which traditional home equity debt has increased or contracted since 1988 is difficult to determine precisely. With virtually no institutional data as a basis for calculations five years ago, we estimated traditional home equity debt at the end of 1988 to have been within a range of $135 billion to $190 billion. As more detailed data have become available, it has become possible to make more accurate estimates for subsequent years. Although our estimates from 1990 forward should still be viewed as subject to a fairly wide margin of error, it seems reasonable to conclude that this type of home equity debt also contracted a bit in recent years, and perhaps leveled off in 1993.

6. Canner and others, "Home Equity Lending."

12. Estimates of aggregate home equity debt outstanding, 1988–93, by type and source of credit
Billions of dollars

Year	Home equity lines of credit			Traditional home equity loans			Total
	Commercial banks	Other sources	All lenders	Commercial banks	Other sources	All lenders	
1988	40	35	75	n.a.	n.a.	135–190	210–265
1989	51	39	90	n.a.	n.a.	n.a.	n.a.
1990	61	44	105	54	99	153	258
1991	70	44	114	53	95	148	262
1992	73	41	114	50	94	144	258
1993	73	37	110	49	96	145	255

NOTE. n.a. Not available.
SOURCES. Reports of Condition and Income, various years; Credit Union National Association; Federal Reserve; and Surveys of Consumers.

Estimation of Aggregate Debt

The procedure for constructing aggregate estimates of home equity debt outstanding for 1993 is described here. The same approach was used to estimate debt outstanding for the preceding two years; before 1991, however, much of the source data was not available.

Commercial banks have reported receivables under home equity lines of credit on their quarterly Call Reports since 1987, and have provided data on holdings of traditional home equity loans since 1991. Mutual savings banks also report these data on Call Reports. Savings and loan associations and federal savings banks report credit line receivables on Call Reports but do not separate traditional home equity loans from first mortgage debt. Finance companies report monthly to the Federal Reserve on total real estate credit on their books, but they do not differentiate first and second mortgages, nor do they distinguish residential from commercial mortgages. Estimates of both types of home equity debt outstanding at credit unions are available from the Credit Union National Association. Data from these institutional sources, supplemented by information on sources of credit from the household survey, were used to estimate aggregate home equity debt outstanding.[1]

1. Because the data from most institutional sources reflect only home equity credit carried on their own balance sheets, receivables that have been securitized and removed from the balance sheets of loan originators are not fully reflected in these estimates.

Debt Under Home Equity Lines of Credit

According to Call Reports, commercial banks had $73 billion of receivables under home equity lines of credit at the end of 1993, and savings institutions—mutual savings banks, federal savings banks, and savings and loan associations—together had about $18 billion outstanding (table). Credit unions held $11 billion. The relative magnitudes of these figures appear roughly consistent with the distribution of sources of credit lines reported in the household survey.

No direct estimate of credit line receivables is available for finance companies. Total real estate debt held by these firms was nearly $69 billion at the end of 1993. Discussions with industry members suggest that two-thirds to three-quarters of this total, or $46 billion to $50 billion, was home equity debt of households. Relatively little of the home equity lending by finance companies is carried out via credit lines, a fact reflected in the household survey responses: Finance companies supplied only 6 percent of the credit lines surveyed. If the survey estimates of market share by type of lending institution are reasonably accurate, then finance company receivables from credit lines at the end of 1993 were about a tenth the size of commercial bank holdings, or about $7 billion to $8 billion.

Summing the totals for all types of institutions yields an aggregate estimate of $110 billion for debt outstanding on credit lines at the end of 1993.

Continued on next page

Influences on Growth

Several factors may account for the weakness of home equity lending in the recent past. Stagnant real estate values in many localities for considerable stretches of time since 1988 have tempered the growth of equity in homes. With slower growth of home equity, fewer homeowners have become qualified for home equity credit—and those that have qualified may have become more cautious, perhaps because of lowered expectations about future increases in home values. Reacting to similar concerns about prospective trends in home values, lenders may have been more cautious in approving or soliciting applications for home equity credit.

The geographic regions of the nation where gains in home prices since 1988 have been weakest have also generally experienced the smallest increases in the proportion of households having home equity debt. The Northeast, which by most measures experienced a decline in average home prices between 1990 and 1993, was the only region in which the proportion of households with home equity lines of credit did not increase over the 1988–93 period. The proportion in the Northeast, at 12 percent for 1993, was still higher than elsewhere, but other regions, particularly the North Central, narrowed the gap considerably. The North Central region, which apparently was least affected by the weak home prices, was the only region that showed increases in both the proportion of homeowners

Estimation of Aggregate Debt—Continued

Debt Under Traditional Home Equity Loans

Estimating the amount of traditional home equity debt outstanding is somewhat more difficult, because fewer institutions provide specific data on this type of loan, and those that do report these loans as a separate item (commercial banks and credit unions) have much smaller market shares than is the case for credit line debt. According to the household survey, commercial banks and credit unions together account for about 40 percent of traditional home equity debt outstanding. Commercial bank holdings reported on Call Reports totaled $49 billion at the end of 1993, and credit unions had receivables of $9 billion; their combined holdings, as a 40 percent share of the market, imply a total of around $145 billion in traditional home equity loans outstanding.

Savings and loan associations and federal savings banks do not report traditional home equity loans separately from their other residential mortgage debt. The household survey indicates that savings institutions (including mutual savings banks) accounted for about 22 percent of the volume of traditional home equity loans outstanding. If so—and assuming that $145 billion is a reasonable approximation of the total—the savings institution share of home equity loans outstanding at the end of 1993 was about $32 billion.

As stated earlier, finance companies had an estimated $46 billion to $50 billion of home equity debt on their books at the end of 1993, about $8 billion of which was probably taken out under lines of credit. The remaining $40 billion or so would be traditional home equity debt, making finance companies the second largest supplier of this type of loan. Other types of lenders—including mortgage bankers and individuals—also supply a significant amount of funds to users of traditional home equity loans. The household survey suggests that close to 10 percent of traditional loans outstanding comes from these other sources, which would amount to about $15 billion at the end of 1993.

Estimates of aggregate home equity debt outstanding, 1993, by source
Billions of dollars

Type of home equity debt	Commercial banks	Savings institutions[1]	Credit unions	Finance companies	Other[2]	All sources
Home equity line of credit	73	18	11	8	*	110
Traditional home equity loan	49	32	9	40	15	145
Total	122	50	20	48	15	255

NOTE. * Amount is negligible.
1. Includes savings and loan associations, federal saving banks, and mutual saving banks.
2. Includes mortgage bankers, individuals, and any other source mentioned by respondents.

SOURCES. 1993–94 Surveys of Consumers; Reports of Condition and Income, various years; Credit Union National Association; and Federal Reserve.

with home equity credit lines and the proportion with traditional home equity loans.

More generally, the recession that beset the economy in 1990 and 1991 no doubt had a damping effect on home equity borrowing, indirectly by contributing to the sluggishness of home values and directly by affecting household propensities to spend. Concerns of many consumers about job and income security, and in some cases actual income reduction and job loss, deterred some consumers from carrying out home improvement projects, purchasing automobiles, and making other types of major expenditures often financed through home equity credit. Constrained spending meant simply that households had less need for home equity credit than they might otherwise have had.

Movements in interest rates likely affected the use of home equity debt in several ways. For instance, sharp declines in rates paid on deposits and other assets held by consumers may have led some borrowers to liquidate assets to pay down debt, particularly fixed-rate debt such as traditional home equity loans. For precautionary and other reasons, many people hold sizable amounts of interest-bearing assets even though they have debt, but changes in relative interest rates can induce balance sheet adjustments. Rather than roll over a maturing certificate of deposit or Treasury note at a sharply lower rate, many people during the past two years probably decided to sacrifice some liquidity to retire debts on which rates had not adjusted downward.

Large declines in interest rates on originations of consumer loans since 1991 may have prompted some households to choose a consumer loan rather than home equity credit to finance certain expenditures. For example, between late 1991 and early 1994, the average rate on a forty-eight-month new-car loan at banks dropped from 10½ percent to about 7½ percent. The typical rate on a home equity line of credit, indexed at 1½ percentage points over the prime rate and tax deductible, would still have been somewhat below the auto loan rate. However, the narrower margin between rates on consumer loans and home equity lines may have moved some potential home equity borrowers to decide that the lower cost of credit-line debt no longer outweighed the risk of having a lien on the home. Most recently, the upturn since late 1993 in market interest rates—to the extent that the rise fostered expectations of further rate increases in the future—may have made households more wary about borrowing through variable-rate lines of credit.

Having perhaps the greatest impact on home equity borrowing in 1993 was the wave of refinancings of first mortgage debt prompted by the lowest mortgage interest rates in more than twenty years. Receivables on home equity lines at commercial banks actually declined during the second half of 1993, and at year-end they were virtually unchanged from their 1992 ending level. As mortgage rates fell throughout 1993, and especially when they dropped below 7 percent (for a thirty-year fixed-rate loan) in October, refinancing activity soared. Homeowners with equity-backed credit lines typically folded them into the new first mortgage to lock in a low rate. Some refinancing homeowners in this situation might have been able to obtain a new home equity credit line, given sufficient equity, but any outstanding balance probably would have been much smaller than the balance on the previous line that had been refinanced into the new first mortgage.

Outlook

Borrowing against home equity is unlikely to grow again as explosively as it did in the mid-1980s; rather, it is expected to register periods of brisk expansion alternating with periods of more subdued growth, roughly in line with fluctuations in big-ticket expenditures. In the near term, some pickup is likely because mortgage refinancing should pose less of a constraint in coming months, in view of the exceptionally heavy volume of refinancing that has already been completed and the recent rise in mortgage interest rates. Over the longer term, the appeal of comparatively low interest rates, tax deductibility, convenience in borrowing, and flexibility in repayment should continue to attract credit seekers to home equity lines of credit. Movements in home values will play a key role in determining the vitality of home equity borrowing but are difficult to predict. Moderate recovery from the housing market doldrums of the past few years appears to be under way in many localities, but few observers anticipate the sort of all-out boom that characterized substantial parts of the 1970s and 1980s.

Appendix: The Surveys of Consumers

To obtain information on the prevalence of home equity accounts and their use by homeowners, the Federal Reserve Board helped develop questions for inclusion in the Surveys of Consumers for the period November 1993 through March 1994, conducted by the Survey Research Center of the University of Michigan. Survey interviews were conducted by telephone, with telephone numbers chosen from a cluster sample of residential numbers. The sample was chosen to be broadly representative of the four major regions—Northeast, North Central, South, and West—in proportion to their populations (residents of Alaska and Hawaii were not included). For each telephone number drawn, an adult from the household was randomly selected as the respondent.

The survey defined a household as any group of persons living together who are related by marriage, blood, or adoption, or any individual living alone or with persons to whom the individual is not related. The head of the household was defined as an individual living alone, the male of a married couple, or the adult in a household composed of more than one person and only one adult; generally, where there was no married couple and more than one adult, the head was the person most familiar with the household's finances, or the one closest to age 45. Adults were persons age eighteen or older.

The survey sampled 2,537 households, 1,762 of which were homeowners; 153 homeowners reported having a home equity line of credit, 88 reported having a traditional home equity loan, and 5 reported having both types. The survey data have been weighted to be representative of the population, thereby correcting for differences among households in the probability of their being selected as survey respondents. Estimates of population characteristics derived from samples are subject to errors based on the degree to which the sample differs from the general population. Table A.1 indicates the sampling errors for proportions derived from samples of different sizes. □

A.1. Approximate sampling errors of survey results, by size of sample

Percentage points

Survey results (percent)	Size of sample			
	100	300	1,000	2,000
50	10.5	6.2	3.6	2.8
30 or 70	9.6	5.7	3.3	2.5
20 or 80	8.4	4.9	2.9	2.2
10 or 90	6.3	3.7	2.2	1.7
5 or 95	4.6	2.7	1.6	1.2

NOTE. Ninety-five percent confidence level, 1.96 standard errors.

Treasury and Federal Reserve Foreign Exchange Operations

This quarterly report describes Treasury and System foreign exchange operations for the period from February through April 1994. It was presented by Peter R. Fisher, Senior Vice President and Manager for Operations for the Federal Reserve Bank of New York. Ladan Archin was primarily responsible for preparation of the report.[1]

During the February–April period, the dollar declined 4.6 percent against the German mark, 6.5 percent against the Japanese yen, and 3.6 percent on a trade-weighted basis.[2] On the last business day of the period, April 29, the Federal Reserve Bank of New York's Foreign Exchange Desk entered the market to purchase $500 million against the German mark and $200 million against the yen for the U.S. monetary authorities. Contemporaneously, Treasury Secretary Bentsen issued a statement confirming the intervention. In other operations, the Desk liquidated the nonyen and nonmark reserves of the Federal Reserve System and the U.S. Treasury Department's Exchange Stabilization Fund (ESF). After the assassination of the leading Mexican presidential candidate, U.S. monetary authorities provided a $6 billion temporary swap facility to Mexico. This facility was superseded on April 26, when the monetary authorities of the United States, Canada, and Mexico announced the creation of the North American Financial Group and the establishment of a trilateral foreign exchange swap facility.

THE DOLLAR RISES BRIEFLY IN EARLY FEBRUARY

As the period opened, many market participants had positioned themselves for an extended dollar rally. This anticipated appreciation of the dollar rested in part on the expectation that interest rate differentials would start to move more rapidly in the dollar's favor. Dealers believed that as the U.S. economy strengthened, the Federal Reserve would eventually tighten monetary conditions in the United States, perhaps by the end of the first quarter. Dealers also expected that the Bundesbank would bring short-term German interest rates down quickly, allowing rates in other parts of Europe to fall as well. Against this backdrop, market participants entered the period holding substantial long-dollar positions against the mark and the yen and also holding large positions in European government bonds. On February 4, Chairman Greenspan announced the decision of the Federal Open Market Committee (FOMC) to increase pressure on bank reserves, a move that resulted in an increase in the federal funds rate from 3.0 percent to 3.25 percent. The dollar spiked higher in the days immediately after the tightening, reaching period highs of DM1.7675 and ¥109.65 before starting to drift lower.

THE DOLLAR DECLINES FIRST AGAINST THE YEN AND THEN THE MARK

As the February 11 summit meeting between President Clinton and Japanese Prime Minister Hosokawa approached, market participants increasingly expected that the two leaders would announce some form of compromise resolution of trade issues under discussion between the two countries in bilateral "framework" talks. Correspondingly, expectations grew that the dollar would

1. The charts for the report are available from Publications Services, Board of Governors of the Federal Reserve System, Mail Stop 127, Washington, DC 20551.

2. The dollar's movements on a trade-weighted basis are measured using an index developed by the staff at the Board of Governors of the Federal Reserve System.

start to appreciate once the meeting was over, and market participants began to build up significant long-dollar positions. The dollar closed at ¥108.13 on Thursday, February 10. Reflecting this positive sentiment toward the dollar, the premium on the dollar put options over equally out-of-the-money dollar call options diminished a few days before the meeting. Thus, when President Clinton and Prime Minister Hosokawa announced late in the afternoon on Friday, February 11, that they had failed to reach an agreement and were suspending the framework talks, surprised market participants began to unwind their long-dollar positions. The dollar began to decline in late New York trading and continued to move lower through Asian, European, and early New York dealings on Monday, February 14. The dollar's price adjustment against the yen culminated at about midday, when the dollar dropped sharply to an intraday low of ¥101.10. The dollar recovered by the end of the day, however, and traded above ¥103 for the balance of the month.

As the Bundesbank's council meeting on February 17 approached, market participants anticipated that the German central bank would act to lower interest rates for the first time since early December 1993. Although the Bundesbank did reduce its discount rate 50 basis points to 5.25 percent, it disappointed these expectations by leaving its key money market rate, the securities repurchase rate, unchanged. The dollar–mark exchange rate began to trade lower in subsequent days, but sharp selloffs in U.S. and European bond markets generally dominated market attention during late February.

In early March, the dollar traded above the ¥105 level, gaining support from signs that Japan was considering private and public initiatives to address its trade surplus. Market participants also appeared to take comfort in the fact that the Clinton Administration's decision to revive "Super 301" trade sanction powers would not result—at least in the short term—in new trade sanctions. However, in mid-March attention increasingly focused on reports of the substantial foreign flows of funds into Japanese equity and bond markets leading to further strength in the yen.

Against the mark, a slower-than-expected narrowing of short-term interest rate differentials weighed on the dollar during much of March. A surge in German M3 money supply growth, coupled with growing frustration over the Bundesbank's cautious step-by-step reduction of its securities repurchase rate, spurred market participants to reassess their expectation of sharply lower German interest rates. These developments also encouraged the view that further rate reductions by the Bundesbank would be calibrated to the Federal Reserve's rate increases to minimize the impact on the dollar–mark exchange rate. In this environment, the second increase of 25 basis points in the federal funds rate resulting from the FOMC's decision, announced after its March 22 meeting, had little impact on the dollar.

Dollar Moves Up and Then Down in April

In early April, the dollar moved higher against the mark and the yen on a much higher-than-expected increase in March U.S. nonfarm payrolls and on a brief recovery in U.S. securities prices. The dollar soon came under pressure against the yen, however, when the resignation of Prime Minister Hosokawa led to a widespread perception in the foreign exchange market that the bilateral trade talks would encounter further delays. Political uncertainty in Japan lingered, and dealers came to doubt whether Japan would be able to meet its commitment to have a new package of market-opening measures in place before the Group of Seven (G-7) summit in July. The political uncertainty in Japan also created a concern among dealers that the Japanese government would be unable to pass measures to stimulate domestic demand and that the yen would consequently appreciate over the longer term as well.

During April, a change in market perception strengthened the mark against both the dollar and the yen. With the Bundesbank easing cautiously since mid-February, the expected trend in short-term German interest rates, as implied by several series of Euromark futures contracts, backed up sharply over the latter part of the period. The surprise announcement by the Bundesbank on April 14 that it was cutting its discount and Lombard rates 25 basis points, to 5.0 percent and 6.5 percent respectively, appeared to signal to market participants that further significant near-term easing was unlikely. This can be seen in the flattening of near-term Euromark contracts around the 5 percent level. This was followed by the third 25 basis-point increase in the federal funds rate on April 18. With market participants perceiving little prospect for a further narrowing in the interest differential in the short run, the mark strengthened against both the dollar and the yen, as the short end of the German yield curve looked increasingly attractive.

The mark continued to rise against the dollar through the end of April, even though expected interest rate differentials, as implied by futures contracts on Eurodollar and Euromark deposits, were now moving more clearly in the dollar's favor. Sentiment toward the dollar became increasingly negative as dealers expressed growing anxiety that the dollar–yen exchange rate might break swiftly below its historical lows. This risk was reflected in options markets, where dollar put options traded at a substantial premium over equally out-of-the-money dollar call options. With market participants focused on the risk that the dollar might decline against the yen and with the mark having found solid support against the yen at the ¥60 per mark level, the prospect for the dollar appreciating against the mark appeared remote.

After the G-7 meetings the weekend of April 23–24, market participants were somewhat disappointed over the lack of official guidance on exchange rates, and the dollar began to move down against both the mark and the yen. At this time, a perception was growing that dollar weakness had begun to affect the U.S. bond market adversely, and market participants expressed concern that a lower dollar would spark inflationary pressures and thereby diminish the value of dollar-denominated assets. Dealers increasingly focused on the parallel movements in U.S. bond prices and the value of the dollar. On Thursday, April 28, the U.S. bond market recorded sharp losses, and the dollar approached its postwar low of ¥100.40 in thin and nervous trading.

U.S. Monetary Authorities Enter the Market to Buy Dollars against the Mark and the Yen

On Friday, April 29, in early New York trading, the dollar started to drop abruptly against the mark, falling nearly two pfennigs in less than an hour before bottoming out at a six-month low of DM1.6440. At the time, the dollar was trading just below ¥102. Trading became increasingly volatile, with market participants reporting that dealers were not answering phones and that customers were having trouble finding out whether their orders had been filled. Shortly before 10:30 a.m., the Federal Reserve Bank of New York's Foreign Exchange Desk entered the market, purchasing dollars against the mark for the U.S. monetary authorities. Soon thereafter, Treasury Secretary Lloyd Bentsen issued the following statement confirming the intervention: "U.S. monetary authorities intervened today in foreign exchange markets to counter disorderly conditions. This is in line with our previously articulated policy which recognizes that excessive volatility is counterproductive to growth. We stand ready to continue to cooperate in foreign exchange markets."

Shortly before 11:30 a.m., the Desk again entered the market, purchasing dollars against both the mark and the yen. In total, U.S. monetary authorities purchased $500 million against the mark and $200 million against the yen; these amounts were equally divided between the Federal Reserve and the ESF.

After the intervention, the dollar began to gain ground in orderly trading, reaching an intraday high of 1.6635 against the mark, and 102.50 against the yen. The dollar drifted lower in the afternoon, however, and closed the period at DM1.6535 and ¥101.55.

North American Swap Lines

After the March 23 assassination of Luis Donaldo Colosio, the presidential candidate of Mexico's Institutional Revolutionary Party (PRI), U.S. monetary authorities established a $6.0 billion temporary bilateral swap facility for the Bank of Mexico at the request of the Mexican authorities. The facility included reciprocal swap arrangements already in place. The assassination of Colosio had prompted the closing of Mexican markets on March 24 and gave rise to concerns that the reopening of the markets on March 25 would be accompanied by market disorders that could spill over into the U.S.

1. Foreign exchange holdings of U.S. monetary authorities at period end
Millions of dollars

Item	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
German marks	13,615.8	8,413.7
Japanese yen	9,375.3	12,600.3
Total	**22,991.1**	**21,014.0**

financial markets. No drawings were made on this facility.

On April 26, the monetary authorities of the United States, Canada, and Mexico announced the creation of the North American Financial Group to provide a forum for more regular consultation on economic and financial developments and policies in these countries. These arrangements were unrelated to developments in Mexico; they had been planned several months earlier in recognition of the three nations' increasingly interdependent economic relationships. In connection with the North American Financial Group, the monetary authorities of the three countries announced the establishment of the trilateral foreign exchange swap facility to expand the pool of potential resources available to the monetary authorities of each country to maintain orderly exchange markets. The United States and Mexico put in place swap agreements for up to $6.0 billion, with the Treasury and the Federal Reserve each participating up to $3.0 billion. In addition, the Bank of Canada and the Bank of Mexico expanded their existing swap agreement to C$1.0 billion. Finally, the Federal Reserve and the Bank of Canada reaffirmed their existing swap agreement in the amount of $2.0 billion. Each party has reciprocal privileges to draw on the other's currency in amounts equivalent to the amounts indicated.

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

Period and item	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
Valuation profits and losses on outstanding assets and liabilities as of January 31, 1994	2,858.4	2,513.0
Realized profits and losses, January 31–April 29, 1994	81.7[1]	5.6[2]
Valuation profits and losses on outstanding assets and liabilities as of April 29, 1994	4,163.4	3,804.9

NOTE. Data are on a value-date basis.

1. This figure represents net realized profit on market sales of Swiss francs, British sterling, Canadian dollars, French francs, Belgian francs, and Dutch guilders. The figure excludes intervention sales transacted on April 29, which settled during the first week of May, and are thus not reflected here.

2. This figure represents net realized profit on market sales of Swiss francs and British sterling. The figure excludes intervention sales transacted on April 29, which settled during the first week of May and are thus not reflected here.

3. Federal Reserve reciprocal currency arrangements
Millions of dollars

Institution	Amount of facility, April 30, 1994	Drawings during period
Austrian National Bank	250	0
National Bank of Belgium	1,000	↑
Bank of Canada	2,000	
National Bank of Denmark	250	
Bank of England	3,000	
Bank of France	2,000	
Deutsche Bundesbank	6,000	
Bank of Italy	3,000	
Bank of Japan	5,000	
Bank of Mexico	3,000	
Netherlands Bank	500	
Bank of Norway	250	
Bank of Sweden	300	
Swiss National Bank	4,000	
Bank for International Settlements		
Dollars against Swiss francs	600	↓
Dollars against other authorized European currencies	1,250	0
Total	**32,400**	**0**

The Mexican peso, which opened the period at 3.1060, traded to a low of 3.3694 per dollar after the assassination but strengthened toward the end of the period to close at 3.2700 pesos per dollar.

OTHER OPERATIONS

During the period, the Federal Reserve Bank of New York sold in the market all nonmark and nonyen foreign exchange reserve holdings of the Federal Reserve and the Exchange Stabilization Fund (ESF) of the U.S. Treasury. The Federal Reserve liquidated the equivalent of $703.8 million, while the ESF liquidated the equivalent of $64.4 million. Swiss francs represented $629.0 million of the amount liquidated by the Federal Reserve and $37.3 million of the amount liquidated by the Treasury. Swiss franc sales took place on the following days: February 15, February 22, March 1, March 8, April 5, April 12, and April 26.

The remaining sales for the account of the Federal Reserve were as follows: $1.0 million of Belgian francs on February 25; $38.0 million of Dutch guilders on March 29; $0.3 million of Canadian dollars on March 29; $26.9 million of British pounds on April 12; and $8.7 million of French francs on April 12. The remaining sales for the account of the Treasury was a liquidation of $27.1 million of British pounds on April 26. It was decided to eliminate these currency holdings in light of the practice of the U.S. monetary authorities in recent years to conduct intervention operations exclusively in German marks and Japanese yen. The sales were conducted in accordance with a preestablished schedule, reflecting the maturity of investments in the individual currencies.

At the end of the period, the current value of the foreign exchange reserve holdings of the Federal Reserve and the U.S. Treasury was $23.0 billion and $21.0 billion respectively. These holdings are invested in a variety of instruments that yield market-related rates of return and have a high degree of liquidity and credit quality. The Federal Reserve and the U.S. Treasury held, either directly or under repurchase agreements, $11.7 billion and $11.3 billion respectively in foreign government securities. □

Staff Studies

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

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

STUDY SUMMARY

A SUMMARY OF MERGER PERFORMANCE STUDIES IN BANKING, 1980–93, AND AN ASSESSMENT OF THE "OPERATING PERFORMANCE" AND "EVENT STUDY" METHODOLOGIES

Stephen A. Rhoades

Prepared as a staff study in winter 1993–94

Mergers reached record levels in the banking industry as well as in the industrial sector in the second half of the 1980s. The general economic conditions of the period and changes in the enforcement of the antitrust laws regarding mergers may have eased the way for some combinations, but there is good reason to believe that the increased merger activity is likely to persist on its own and result in a restructuring of the industry.

The effect of mergers on firm performance is the subject of ongoing debate, and studies of the question have been growing in number. To assess the current state of knowledge, the present work examines the thirty-nine studies found to have been published from 1980 to 1993 on the effects of bank mergers on efficiency, profitability, or stockholder wealth. The first of these studies appeared in 1983; most of them have been published since 1987. This recent burgeoning of research is reminiscent of the period around 1970. At that time, passage of the 1970 amendments to the Bank Holding Company Act and liberalization of bank holding company laws by many states, particularly those with unit banking laws, set off a substantial increase in bank holding company formations, acquisitions, and expansion. That activity in turn stimulated many studies of the performance effects of bank holding company affiliations and acquisitions. By 1980, however, the holding company movement had slowed, and, through the mid-1980s, bank mergers generated little research interest. Then another combination of legislative and marketplace developments led to a resurgence of interest in the performance effects of bank mergers.

This overview is intended to determine whether, in the aggregate, the research since 1980 permits any general conclusions regarding the performance effects of bank mergers. It is not intended to be a study-by-study critique of the research. However, about half of the thirty-nine studies published in the 1980–93 period used a fundamentally different methodology than the other half: nineteen used the "operating performance" (or "observed performance") approach, which observes the financial performance of a firm following a merger; and twenty-one were "event" studies, which measure the reaction of the stock price of acquirers and targets to a merger announcement (one study used both methods). Hence, after presenting what, on balance, appear to be the conclusions represented by the entire body of studies in the period, the present work concludes with a broad assessment of the two methodological approaches. An appendix summarizes, in a table, the methodological details and results of each study.

Findings of the operating performance studies are generally consistent. Almost all of these studies that find no gain in efficiency also find no improvement in profitability if they include both measures. In contrast, the six studies that show at least some indication of a performance improvement do not obtain consistent efficiency and profitability results, or they are unique in some respect, or both. In general, despite substantial diversity among the nineteen operating performance studies, the findings point strongly to a lack of improvement in efficiency or profitability as a result of bank mergers, and these findings are robust both within and across studies and over time.

In contrast, some inconsistency exists in the main findings of the event studies. For example, seven studies find that a merger announcement has a significantly negative influence on the returns to stockholders of the bidding firm. Seven other studies find no effect on bidder returns, three studies find positive returns, and four find mixed effects on bidder returns. The differences in findings are not readily explicable from differences in approach or the years covered by the analysis. In contrast to the frequently negative or neutral returns to bidders from merger announcements, eight of nine studies that analyze the merger announcement effect on the target bank find a positive return to target stockholders, and one study finds no abnormal return.

In general, the basic findings from the event studies of the announcement effects of mergers provide generally consistent evidence that there are gains to stockholders of target firms. However, the evidence regarding returns to bidders, as well as that regarding the net returns to bidders and targets combined, is too inconsistent to permit any clear conclusion. On balance then, evidence from the event studies does not provide much support for the hypothesis that mergers are expected by the financial markets to improve bank performance because of efficiency gains or other factors.

Two factors seriously undermine the usefulness of event studies relative to operating performance studies. First, and least subject to debate, is that the financial market response to a merger announcement, in terms of abnormal returns to stockholders, reflects expectations about all of the elements (not only efficiency) that may influence the general performance results of a merger as well as differences in expectations between investors and bidders.

Second, event studies are based on short-term movements in stock prices, which may reflect speculation by sophisticated investors who seek short-term trading gains by outguessing other sophisticated market players. To the extent that stock price changes surrounding a merger announcement reflect short-run trading as opposed to long-term investments, abnormal returns would appear to be of limited use for assessing the performance effects of mergers.

On balance, the problems inherent in the event study methodology with regard to the effects of bank mergers appear to be substantially more troublesome than those inherent in the operating performance methodology; one is therefore justified in giving greater weight to the findings of the operating performance studies. Those findings indicate consistently that bank mergers do not generally result in gains in efficiency or general operating performance.

Three caveats attend these findings. First, the findings do not imply that *no* bank mergers yield efficiency gains. Second, almost all the mergers analyzed occurred before 1989, and mergers after that time might yield different results. And third, the findings by economists that bank mergers generally do not result in efficiency gains is not necessarily inconsistent with the argument by some bankers that mergers lead to significant cost cutting. The difference in the apparently conflicting positions may arise from the fact that economists focus on the efficiency effects of mergers, which are typically measured by an expense ratio such as total expenses to total assets, whereas bankers typically focus on the dollar volume, or percentage, of costs that will be cut. Nonetheless, from the standpoint of public policy and the real long-term performance of the industry, an efficiency measure is the relevant benchmark. □

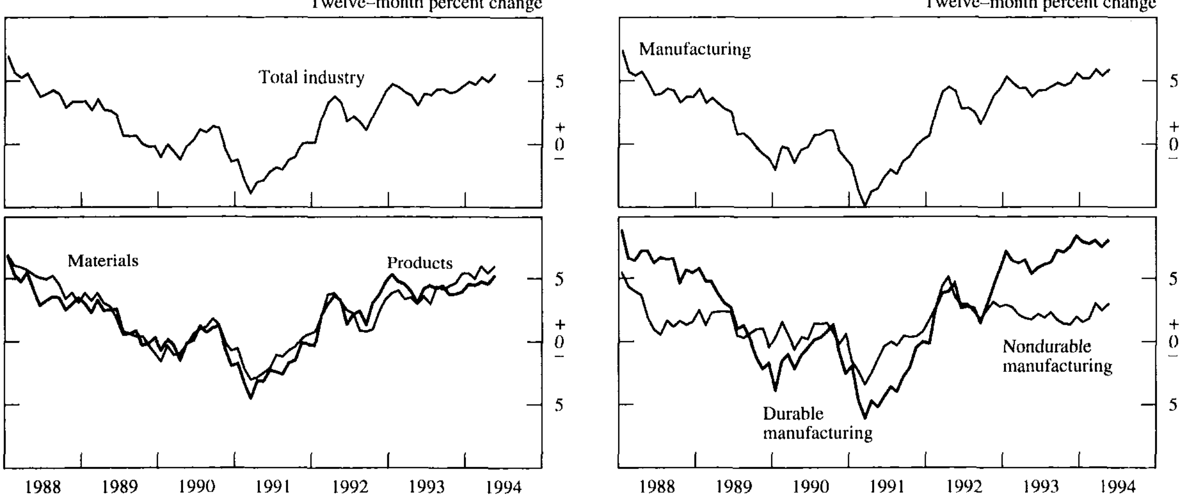
Industrial Production and Capacity Utilization for May 1994

Released for publication June 15

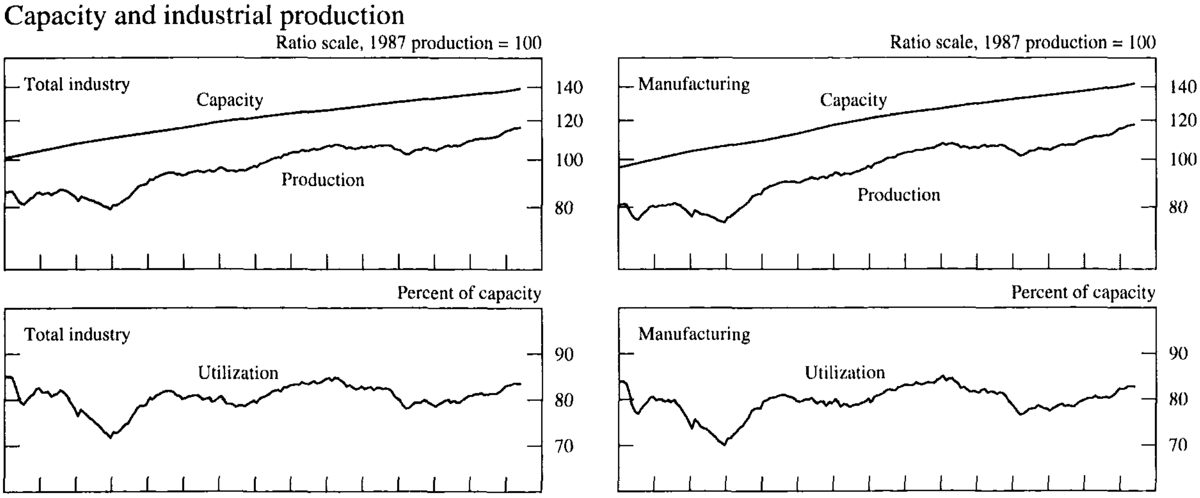
Industrial production rose 0.2 percent in May after a downwardly revised 0.1 percent increase in April. Although the output of motor vehicles fell for the third consecutive month, gains in the production of other types of business equipment and of construction supplies continued to push up overall output.

As measured with revised seasonal factors, motor vehicle assemblies peaked in February at an annual rate of 13.4 million units. Output decreased to an 11.5 million unit pace in May, in part because

Industrial production indexes



Capacity and industrial production



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

Industrial production and capacity utilization, May 1994

Category	Industrial production, index, 1987 = 100								
	1994				Percentage change				
					1994[1]				May 1993 to May 1994
	Feb.[r]	Mar.[r]	Apr.[r]	May[p]	Feb.[r]	Mar.[r]	Apr.[r]	May[p]	
Total	**115.0**	**115.7**	**115.9**	**116.1**	**.4**	**.6**	**.1**	**.2**	**5.5**
Previous estimate	115.1	115.7	116.0	...	.5	.5	.3	...	...
Major market groups									
Products, total[2]	114.2	114.6	114.8	115.0	.5	.3	.2	.1	5.2
Consumer goods	111.6	111.8	111.8	111.2	.6	.2	.0	−.5	3.2
Business equipment	145.0	145.3	146.1	147.4	1.5	.2	.5	.9	10.5
Construction supplies	98.9	100.1	101.8	102.8	−1.6	1.2	1.7	.9	7.1
Materials	116.2	117.5	117.4	117.8	.2	1.1	−.1	.3	6.0
Major industry groups									
Manufacturing	116.1	117.0	117.3	117.6	.5	.8	.2	.2	5.8
Durable	120.9	121.6	122.1	122.3	.4	.5	.4	.2	8.1
Nondurable	110.1	111.5	111.4	111.7	.5	1.2	−.1	.3	3.0
Mining	98.8	99.5	99.1	99.5	1.9	.7	−.4	.4	2.4
Utilities	119.8	118.0	117.4	117.1	−1.7	−1.5	−.5	−.3	4.2

Category	Capacity utilization, percent								Memo Capacity, percentage change, May 1993 to May 1994
	Average, 1967–93	Low, 1982	High, 1988–89	1993	1994				
				May	Feb.[r]	Mar.[r]	Apr.[r]	May[p]	
Total	**81.9**	**71.8**	**84.8**	**81.0**	**83.3**	**83.7**	**83.6**	**83.5**	**2.3**
Manufacturing	81.2	70.0	85.1	80.2	82.4	82.8	82.8	82.8	2.6
Advanced processing	80.6	71.4	83.3	78.8	81.2	81.4	81.3	81.2	3.2
Primary processing	82.2	66.8	89.1	83.5	85.3	86.2	86.4	86.6	1.2
Mining	87.4	80.6	87.0	87.2	89.3	89.9	89.6	90.0	−.7
Utilities	86.7	76.2	92.6	84.1	89.0	87.5	87.0	86.6	1.2

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

capacity constraints hindered manufacturers in achieving their normal seasonal gains. Declines in motor vehicles and parts have reduced growth of the overall index by about 0.2 percentage point per month since March.

At 116.1 percent of its 1987 average, total industrial production was 5.5 percent higher in May than it was a year earlier. The utilization of total industrial capacity edged down 0.1 percentage point, to 83.5 percent.

When analyzed by market group, the data show that the decrease in motor vehicle assemblies contributed to declines in the indexes for both consumer durable goods and transit equipment. A fall in the output of appliances also weakened the production of consumer durables. The output of consumer nondurables was unchanged for the second consecutive month. Although sales of electricity to residences fell a bit, most other categories of consumer nondurables showed small increases. The output of business equipment rose nearly 1 percent as a strong gain in information processing equipment and increases in other categories offset the decline in transit equipment.

The production of construction supplies posted another sizable increase; gains in the past three months have pushed output well above its December level, despite losses in January and February as the severe winter weather slowed the construction industry. The production of materials advanced 0.3 percent in May, with significant increases in the output of computer parts, semiconductors, chemicals, and paper materials.

When analyzed by industry group, the data show that manufacturing production picked up 0.2 percent, with similar gains for both durable and nondurable goods manufacturing. Excluding motor vehicles and parts, manufacturing output rose

0.5 percent. Total factory utilization held steady at 82.8 percent. Utilization for primary-processing industries edged up, to 86.6 percent; the operating rate for advanced-processing industries fell back a notch, to 81.2 percent. During the past twelve months, the operating rate for primary-processing industries has risen about 3 percentage points and that for advanced-processing industries has increased nearly 2½ percentage points. The primary-processing industries with the greatest gains in the past twelve months have been primary metals, lumber, fabricated metals products, and petroleum refining. Within the advanced-processing grouping, the biggest increases in the period have come in industrial machinery and equipment, most notably computers, motor vehicles, electrical machinery, and furniture.

Mining output increased 0.4 percent in May as gains in crude oil extraction, metal mining, and stone and earth mining more than offset a decrease in coal mining. The output from utilities edged down. □

Statements to the Congress

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Telecommunications and Finance of the Committee on Energy and Commerce, U.S. House of Representatives, May 25, 1994

Thank you for this opportunity to present the views of the Federal Reserve Board on the recent report on financial derivatives by the General Accounting Office (GAO). Derivatives activities have important implications for the global financial system and the world economy. The Federal Reserve has devoted considerable resources to understanding these implications and to working with other authorities in the United States and abroad to develop appropriate public policies. This hearing offers an opportunity to review the policy actions that have already been taken and to discuss the need for further action by financial regulators, central banks, or the Congress.

As suggested in your letter of invitation, I shall begin by setting forth the Board's overall views on the impact of derivative instruments on our nation's financial system. Then I shall identify the challenges that derivatives pose to users and to policymakers and discuss the steps that the Federal Reserve has taken or plans to take to meet those challenges. I shall conclude with the Board's assessment of the need for remedial legislation relating to derivative instruments. In the course of this discussion, I shall respond to the principal findings and recommendations contained in the GAO report.

IMPACT OF DERIVATIVES ON THE FINANCIAL SYSTEM

The Board believes that the array of derivative products that has been developed in recent years has enhanced economic efficiency. The economic function of these contracts is to allow risks that formerly had been combined to be unbundled and transferred to those most willing to assume and manage each risk component. The importance of this function has increased, as competitive pressures have intensified in many economic sectors and as interest rates, exchange rates, and other asset prices have tended to be quite volatile. In this environment, many financial and nonfinancial businesses, federally sponsored agencies, and state and local governments have concluded that active management of their interest rate, exchange rate, and other financial market risks is essential. They recognize that such risks, if left unmanaged, can jeopardize their ability to perform their primary economic functions successfully. Financial derivatives, especially customized over-the-counter (OTC) derivatives, allow financial market risks to be adjusted more precisely and at lower cost than is possible with other financial instruments. For this reason, many of these entities have come to rely on derivatives to achieve their risk management objectives.

Although derivatives have enhanced the overall efficiency of financial markets and the economy, the Board recognizes that some derivatives are complex instruments that, if not properly understood and managed, can pose risks to individual users and possibly also to the overall stability of the financial system. The risks to individual institutions have been underscored by press reports of losses on certain derivatives contracts in the wake of the recent sharp increases in interest rates here and abroad. Case studies of these episodes undoubtedly will offer useful insights to users of derivatives and to policymakers. But it would be wrong to draw sweeping conclusions from these events. Changes in interest rates and other market variables necessarily affect the fortunes of individual economic units. Many entities undoubtedly decreased their vulnerability through use of derivatives, and many others that elected not to use derivatives undoubtedly suffered losses.

The impact of derivatives on the stability of the financial system is a subject of ongoing debate. As I have noted, derivatives have allowed many businesses and governments to manage their risks more effectively. Nonetheless, several plausible scenarios have been identified in which derivatives activities could be a source of systemic disturbance.

First, the failure of a major derivatives dealer could impose credit losses on its counterparties that could threaten their financial health. To be sure, the failures of derivatives dealers that have occurred in recent years have not imperiled any counterparties. Nonetheless, concentrations of credit exposures to derivatives dealers, like any other concentrations of credit exposure, clearly constitute at least a potential source of systemic difficulties.

Second, the dynamic hedging of options positions and certain other risk management techniques lead market participants to buy assets when prices are rising and sell when prices are declining. In principle, such behavior could amplify market price movements. For example, some believe that hedging associated with "portfolio insurance" programs contributed to the stock market crash in October 1987. Aside from these unusual market movements, little statistical evidence supports the contention that derivatives activities heighten volatility in cash markets. Nonetheless, some discount the results of such studies because their concerns relate to very infrequent events. The price amplification effects of dynamic hedging may be significant only after large price shocks.

Even if derivatives activities are not themselves a source of systemic risk, they may help speed the transmission of a shock from some other source to other markets and institutions. Linkages among financial markets, both domestically and internationally, have become considerably tighter in recent years. Derivatives have contributed to this development, although other forces—the increasing importance of institutional investors, improvements in information and telecommunications technology, and the removal of capital controls by many countries—clearly have been at work. Given these tighter linkages, if a major international financial firm came under severe financial stress, authorities could face significant difficulties in containing the effects on other institutions and markets. At a minimum, success would require close coordination with relevant authorities in the home country and abroad.

CHALLENGES POSED BY DERIVATIVES

The Board believes that to fully realize the benefits of derivatives and to prevent systemic disturbances, several important challenges must be met. The first, and perhaps most important, challenge is for both dealers and end users of derivatives to implement sound risk management practices. Sound risk management clearly is the key to protecting individual firms. Perhaps less obviously, it also is the key to addressing systemic risk concerns. Consider the two scenarios that were identified earlier in which derivatives could be the source of systemic problems. In the first scenario, the failure of a derivatives dealer inflicts serious credit losses on its counterparties. This amounts to a concern that these counterparties will not have prudently managed their credit exposures to the dealer. The most effective preventive measure is sound risk management—in this case, the consistent application of counterparty credit limits to the dealer and the use of risk mitigation techniques, such as netting or collateralization. In the second scenario, dynamic hedging strategies used by option writers produce selling pressures that impair market liquidity and amplify price declines, and, in the event, render the dynamic hedges ineffective. Here the underlying concern is that option writers have presumed a greater degree of market liquidity than in fact exists and thus have overlooked the pitfalls of dynamic hedging. The best preventive measure is the systematic conduct of stress tests that would highlight those pitfalls and discourage excessive reliance on such vulnerable hedging techniques.

A second important challenge is to improve the transparency of derivatives activities. Accounting, public disclosure, and regulatory reporting requirements have fallen far behind developments in the marketplace. Improvements in public disclosure would aid derivatives participants in assessing the creditworthiness of their counterparties and would allow shareholders to gauge more accurately the effects of derivatives activities on public companies' risks and returns. Regulatory reporting also must be strengthened. This reporting includes that to financial regulators for purposes of assessing the safety and soundness of regulated institutions. It also includes reporting of data required for macroprudential purposes, including reliable measures of the size of derivatives markets and the degree to which dealing activity in various market segments is concentrated.

A third set of challenges involves ensuring that the legal and institutional infrastructure of financial markets can safely accommodate the growth of derivatives activities. The potential for legal enforceability problems to result in losses was forcefully brought home to derivatives dealers in 1991, when a British court decision to invalidate derivatives contracts with certain local authorities in the United Kingdom resulted in significant losses to some dealers. Legislation has substantially reduced legal uncertainty in the United States and several other important jurisdictions, although significant doubts about the enforceability of netting agreements persist in other countries. With respect to the institutional infrastructure, the tightening of linkages among markets, to which derivatives have contributed, heightens the importance of strengthening settlement systems for primary and derivative instruments so that they contain disturbances rather than transmit them to other systems and their participants.

STEPS TAKEN BY THE FEDERAL RESERVE TO RESPOND TO THE CHALLENGES

The Federal Reserve has taken a series of steps to strengthen the supervision and regulation of bank derivatives activities. As the central bank, with its overall responsibility for the soundness and stability of the financial system, we have worked to enhance the transparency of derivatives activities and to identify and eliminate legal uncertainties relating to derivatives and weaknesses in settlement systems.

In all of these efforts, we have worked closely and cooperatively with other regulatory authorities and central banks. Domestically, much of the work on banking regulation has been coordinated by the Federal Financial Institutions Examination Council (FFIEC) and, more recently, by the Interagency Task Force on Bank-Related Derivatives Issues. Also, since Secretary Bentsen asked the Presidential Working Group on Financial Markets to add derivatives to its agenda, this group has served as an important forum for coordinating government policy toward derivatives.

Internationally, the Federal Reserve has strongly supported, and frequently provided leadership for, cooperative efforts by the central banks and supervisory authorities of the Group of Ten countries. These efforts have included the Basle Supervisors Committee's work on capital requirements, the Eurocurrency Standing Committee's plans to develop meaningful comprehensive measures of the size of the derivatives markets, and the Committee on Payment and Settlement System's work on netting and other payment and settlement issues.

Strengthening Supervision and Regulation of Bank Derivatives Activities

The complexity and diversity of derivative instruments and activities present significant challenges to banks and supervisors alike, as the report by the General Accounting Office (GAO) points out. These challenges are being actively addressed by the Federal Reserve, the other banking regulators, and the banking industry. The Federal Reserve's own efforts in this area date back to the introduction of OTC derivatives in the early 1980s, and these efforts have intensified in the last two years, as bank derivatives activities have expanded, especially at the largest banks.

It is important to recognize that significant advances in the management of market and credit risks, including improvements both in financial methodology and in the design of management information systems, lie behind the recent surge in derivatives activity. These advances have made independent, highly skilled risk management staff members and rigorous measurement and analysis of market and credit risks key elements of a sound risk management approach for trading activities, and more generally, for banking activities. The Group of Thirty report, *Derivatives: Principles and Practices*, published last summer, lays out these elements, and banking companies in the United States and abroad are aggressively pursuing the goal of comprehensive, state-of-the-art risk management systems. These systems will, without question, greatly strengthen the banking system's resilience.

Such major advances in risk management and internal control also have important implications for our supervisory approach to derivatives and other trading activities. The Federal Reserve is swiftly moving to assess these implications and incorporate them into its supervisory process. In adapting this supervisory approach, we face the more fundamental challenge of ensuring safe and sound banking practices, while preserving financial innovation, not only in products but, most important, in the risk management process itself.

The Examination Process

The cornerstone of our supervisory approach is the annual full-scope examination. In the past six months, the Federal Reserve has completed two important initiatives that we believe have substantially enhanced the effectiveness of our examinations of derivatives activities and of trading activities generally. Last December, the Federal Reserve issued a letter (SR-93-69) to each Reserve Bank that set out a comprehensive examination policy for trading activities of state member banks, bank holding companies, and other banking offices under our supervisory jurisdiction. The Reserve Banks were instructed to distribute this letter broadly to banks involved in derivatives activities. The letter highlighted, for both examiners and banks, key considerations in evaluating the adequacy of an organization's risk management process and internal controls. Although the statement focuses on trading activities by dealers, much of its guidance is relevant to the derivatives activities of end users, especially its emphasis on the importance of oversight of the risk management process by senior management and boards of directors.

Earlier this year, the Federal Reserve also issued a new comprehensive trading activities examination manual. This manual provides extensive guidance to examiners on preparing for and conducting the examination of trading activities, including examination objectives and procedures, internal control questionnaires, and in-depth discussions of how to evaluate all aspects of a bank's risk management systems. In this last area especially, we have substantially revised and expanded earlier examiner guidance to reflect recent advances in bank risk management practices.

The manual also discusses at length procedures for evaluating internal controls in trading areas. For more than two decades, internal controls have been an important focus of our examinations of banks with significant trading activities. The procedures we have developed rest on the extensive experience of our examination force and include the lessons learned from internal control breakdowns over this long period in a wide variety of trading operations.

Between examinations, the Federal Reserve actively monitors developments in trading and derivatives activities at the major banks in these markets. Supervisory staff members at each Reserve Bank maintain close contact through meetings and telephone conversations with the management of the institutions they supervise. Supervisory staff members also have ready access to management reports and other data not collected in quarterly reports of condition and income. During the volatile market conditions of the first quarter, for example, this access allowed the Federal Reserve supervisory staff members to monitor the impact of market developments on bank trading activity and bank profitability.

The Board endorses the principles underlying the GAO's recommendations for strengthening the bank examination process. We believe that our current coverage of risk management and internal controls in the annual full-scope examination meets the GAO's principal objectives. With the implementation of section 112 of the Federal Deposit Insurance Corporation Improvement Act, banking companies active in derivatives are further strengthening their internal controls to meet the act's specific requirements for independent, knowledgeable audit committees and internal control reporting. We believe that we have made significant progress in incorporating the internal control assessments by the board of directors, management, and auditors into our supervisory process, as the GAO recommends. The Board also agrees that bank supervisors should continue to enhance the information gathered in the examination process for trading and derivatives activities, and we believe that our broad information-gathering power under our existing examination authority is an essential and adequate supervisory tool.

Capital Adequacy

The Board recognizes the key role that bank capital plays in protecting the deposit insurance fund from the market, credit, legal, and operational risks that banks assume and manage. The growth in bank derivatives activities is requiring changes in the methods that bank supervisors utilize to assess capital adequacy, including changes in the key risk-based capital measure.

As the GAO report notes, measures of the credit risks associated with OTC derivatives were part of the original Basle Accord that was published in 1989. Two significant enhancements to the current measures are under development. First, the risk-reducing effects of legally enforceable netting agreements would be recognized under a proposal issued by the Basle Supervisors Committee last year. Last week the Board and the Office of the Comptroller of the Currency issued for public comment a proposal to recognize such netting in its risk-based capital guidelines, and a coordinated proposal by all the U.S. banking regulators is expected to be issued shortly. Second, the Basle Committee is giving serious consideration to increasing capital charges for credit risk on equity and commodity contracts and on longer-dated derivatives contracts generally.

Market risks are not yet incorporated in the risk-based capital measure, and the Board agrees with the GAO's conclusion that this significant omission must be addressed as soon as possible. It is important to recognize, however, that this issue is as complex and difficult as it is important. Regulators have traditionally utilized relatively simple, generic models to measure capital adequacy. Last year, for example, the Basle Supervisors issued proposals for revisions to the Basle Accord for the market risks of trading activities in debt, equity, and foreign exchange that involved fixed and relatively simple rules. Likewise, efforts by U.S. banking regulators to incorporate interest rate risk into risk-based capital standards initially focused solely on simple models specified by the regulators.

Although the market risks of many banking instruments, including many derivatives contracts, can be accurately assessed using such simple models, a considerably more sophisticated approach is necessary to assess more complex instruments, especially those with options characteristics, and to aggregate different categories of market risk. The recognition of the need for a more sophisticated approach has led banking regulators in the United States and abroad to carefully explore the potential for allowing banks to use their own internal models to assess the need for capital to cover market risk.

Under such an approach, regulators would specify the magnitude of the market shocks that they expect banks to be able to withstand. The banks would then use their internal models to simulate the effects of such shocks on the market value of their trading portfolio. Banks would then be expected to maintain adequate capital to withstand the declines in market value produced by the specified market stresses. Examiners would assess the adequacy of the models and related internal controls and allow this approach only if the models and internal controls met or exceeded specified standards.

The Board believes that this type of simulation or "stress testing" approach to assessing capital for market risk is the best means of addressing concerns about the complexity of derivative activities and about the potential adverse impacts of dynamic hedging strategies on cash and exchange-traded derivatives markets. Some of the market shocks that regulators would specify would be instantaneous and, therefore, would generate large simulated losses on dynamically hedged options positions. The need to maintain capital to support these losses would strongly discourage undue reliance on dynamic hedging.

Explicit in this approach is the need for regulators to make difficult judgments about the magnitude of shocks that bank capital should be expected to absorb. The temptation will be to embrace the notion that bank capital must be capable of withstanding every conceivable set of adverse circumstances. However, it is important that supervisors recognize that bank shareholders must earn a competitive rate of return on the capital they place at risk and that unnecessarily high capital requirements will impede the functioning of the banking system. Although the scenarios need to be sufficiently rigorous to provide prudential coverage in times of stress, we must recognize that even in very adverse market circumstances, banks can take steps to reduce their risk and conserve capital. Finally, we must also recognize that when market forces threaten to build momentum and break loose of economic fundamentals, as they threatened to do in the stock market crash in 1987, sound public policy actions, and not just bank capital, are necessary to preserve financial stability.

Disclosure

Public disclosure is another key element in our supervisory approach. The banking agencies have recently expanded the quarterly call reports in several ways to address trading and derivatives activities, as the GAO report points out. Relevant reporting changes implemented in March include revised reporting procedures to reflect the adoption by the banking agencies of Financial Accounting Standards Board (FASB) Interpretation Number 39 (FIN 39) and the collection of information on past-due payments on interest rate swaps. Under FIN 39, organizations may offset the on-balance-sheet assets and liabilities of multiple derivatives contracts with a single counterparty and report the net amount only when the right of set-off is legally enforceable.

The banking agencies have issued for comment a proposal to expand derivatives reporting significantly in September 1994. The proposed enhancements would, among other things, collect notional values and gross positive and gross negative fair values for exchange-traded and OTC contracts separately. The proposal also requests comment on collecting information on exposures reflecting bilateral netting agreements and on the effect of derivatives activities on interest income, interest expenses, and trading revenues of the institution.

Reporting of market risks will also begin to be included in the regulatory report framework by March 1995, as the banking agencies design reporting in conjunction with the implementation of the domestic capital standard for interest rate risk mandated under FDICIA section 305. Data required to implement the market risk capital standards being developed by the Basle Committee on Banking Supervision would be incorporated into this reporting framework as well.

I would stress that all of these efforts are only initial steps in a broader program of strengthening public disclosure in response to major changes in the management of risks at banks and in the financial system more generally. The key to that program is the identification of a core set of information that all major financial market participants need to disclose so that counterparties, investors, and financial regulators can adequately assess the financial condition and risk profile of those they deal with.

This core set of information should not be confined to derivatives activities but should encompass all the risk activities of the bank. In particular, the Board believes that measures of credit risk concentrations must aggregate exposures on derivatives contracts with exposures from loans and other activities. Likewise, measures of the sources of trading revenues must recognize that derivatives positions and cash positions are typically managed as a single portfolio. Requirements to report gains and losses on derivatives separately from gains and losses on cash instruments would produce a distorted picture of the sources of trading revenues whenever derivatives positions are offsetting other positions within the portfolio. A breakdown of trading revenues by underlying markets or risk factors would be useful to users of bank financial statements, rather than a breakdown based on legal definitions of the instruments used to create the positions in the underlying risk factors.

Accounting

The development of comprehensive and consistent accounting rules is also an important concern of the Federal Reserve. As the GAO report points out, there is currently no single, cohesive framework for accounting for derivatives and, as a result, banks are applying different accounting treatment to similar transactions. Obviously, it is difficult for regulators or the public to properly evaluate the risk of an institution—other than through an on-site examination—without consistent accounting treatment of derivatives transactions. Accordingly, the Board joins the GAO in strongly urging the Financial Accounting Standards Board (FASB) and the industry to move promptly toward a consistent and meaningful set of accounting standards. The Board will continue to work with the Interagency Task Force and the Working Group to find ways to advance this goal.

Sales Practices

In your invitation, you requested that I address the nature and adequacy of existing protections afforded to end users of OTC derivatives from abusive practices in connection with sales of such instruments. In OTC derivatives markets, as in the wholesale banking markets, banks have fundamental responsibilities to their shareholders that require them to conduct a thorough credit assessment of their customers. In making a credit assessment for a derivatives transaction, our supervisory guidance indicates that banks should not only assess the overall financial strength of a counterparty and its ability to perform on its obligation but should consider the counterparty's ability to understand and manage the risks inherent in the product. Our supervisory guidance says that if counterparties are not sophisticated, the bank should provide sufficient information to make them aware of the risks in the transaction. When banks recommend specific transactions for unsophisticated counterparties, the Board's policy guidance instructs the bank to ensure that the bank has adequate information regarding its counterparty on which to base its recommendation.

A bank active in OTC derivatives contracts has a particularly strong self-interest in creating and maintaining counterparty relationships because it has a continuing exposure to the nonperformance of its counterparty for the duration of the contract. Necessarily, the bank must be concerned and must satisfy itself that its counterparties are sufficiently able to handle the risks associated with the derivatives transactions. Because of the importance of these ongoing relationships, many bank derivatives dealers have responded to the recent reports of end-user losses in transactions by reviewing their existing policies and procedures for possible strengthening, and we are closely following those developments.

But the burden of being informed in the marketplace, especially a wholesale marketplace, must not fall only on the dealer. As I noted at the outset of my testimony, derivatives increase economic efficiency by allowing the transfer of risk to those willing to bear it. For the transfer of risk to be effective and the efficiency to be realized, end users must retain ultimate responsibility for transactions they choose to make. In a wholesale market, sophisticated and unsophisticated end users alike must ensure that they fully understand the risks attendant to any transaction they enter.

The federal banking agencies put this principle to work in our supervision of bank end users of derivatives. Before a bank engages in such transactions, we expect that senior management and the board of directors will have a good understanding of the risks in derivatives transactions and will ensure that the bank has sufficient personnel with the required expertise, adequate accounting, risk reporting, and internal control systems to manage those transactions and the requisite financial strength.

Thus, the Board does not see the need for legislative or regulatory protection for end users. Nonetheless, additional steps can and should be taken to heighten the effectiveness of existing protections in the marketplace. Much more can be done to educate end users and to heighten their awareness of the risks in derivatives and of sound risk management practices. News reports of the recent losses incurred by sophisticated end users of derivatives have no doubt intensified discussion of these instruments between boards of directors and financial management at many end users and should spur consideration of enhancements to policies, controls, and reporting. Many information resources already are available to end users, and the financial industry plans additional educational efforts. The Group of Thirty report, in particular, was directed at the end user as well as the dealer community, and it probably deserves much wider reading among end users than it appears to have received to date.

Improving Transparency

Besides its efforts to strengthen banking supervision, the Board has supported a variety of initiatives that seek to meet challenges faced by all dealers and end users of derivatives, banks and nonbanks. In particular, the Board believes that the most effective means of promoting sound risk management by the full range of dealers and end users is by achieving improved public disclosure of derivatives activities. Enhanced financial disclosure by end users of the nature and size of the risks being managed through derivatives transactions would contribute importantly to heightening board and senior management involvement in these activities. More important, it enhances the effectiveness of market discipline by derivatives counterparties, other creditors, and shareholders or constituents.

Along with the Securities and Exchange Commission and other U.S. banking and financial regulators, the Federal Reserve has been encouraging the Financial Accounting Standards Board to accelerate its efforts to improve public disclosures by U.S. companies. In mid-April, the FASB released a proposal that would require disclosure of additional information on the scale of derivatives activities, the purpose of those activities (trading or risk management), and, in the case of trading activities, the resulting net gains or losses. In addition, the proposal encourages (but does not require) disclosure of quantitative information on interest rate risks and market risks that is consistent with the way the entity manages its risks. We plan to thoroughly respond to the FASB's request for comments on this proposal at a later date. Many of the requirements are similar to those proposed by the banking regulators for inclusion in the quarterly call reports. As I noted earlier, however, the Board does not believe that isolating derivatives trading revenues from other trading revenues is a useful step toward understanding the sources of revenues or the risks entailed.

The Board has also been actively involved in efforts by the G-10 central banks to address concerns about the transparency of derivatives activities. In October 1992, the Bank for International Settlements published a Study of Recent Developments in International Interbank Relations (the Promisel Report) that stressed the need for greater transparency. As a follow-up to this study, the Eurocurrency Standing Committee of the G-10 central banks created a working group to assess what data on derivatives would be useful to central banks in their responsibilities for conducting monetary policy and overseeing the stability of the financial system. The study group concluded that it would be very useful to have statistics on market size, measured both in terms of amounts outstanding and in terms of turnover. Because of the global nature of derivatives markets, comprehensive measures of market size require a coordinated international effort. In response to a recommendation by the study group, the G-10 governors recently approved the addition of questions on derivatives to the triennial survey on foreign exchange turnover that is planned for April 1995. The foreign exchange survey is a proven vehicle for collecting data from banks and other financial institutions. It is conducted by central banks and monetary authorities in more than twenty-five countries, including all significant financial centers.

More recently, the Eurocurrency Standing Committee has formed a working group to consider means of improving market transparency through enhanced public disclosure by market participants. Work is being done to explore the core information needs of market participants, including shareholders, creditors, and counterparties, with the goal of contributing ideas to the larger public discussion of improvements in financial disclosure. Similar efforts are being undertaken in the private sector, and the Board hopes that significant progress can soon be made toward international agreement on a framework for fuller and more meaningful financial disclosures.

Strengthening the Legal and Institutional Infrastructure of Financial Markets

The Federal Reserve has also worked with authorities in the United States and abroad to clearly understand the legal risks associated with derivatives and to reduce legal uncertainty. The Board has been especially concerned about the legal enforceability of the netting agreements for derivatives that dealers and other users increasingly rely on to mitigate counterparty credit exposures. The Board believes that certainty with respect to enforceability is critical for financial stability. If counterparties measure their exposures as net when the true exposures are gross, they could face losses far larger than expected and possibly larger than they could readily absorb.

In the United States, legislation and regulatory action by the Federal Reserve have ensured legal enforceability for most derivatives contracts and counterparties. The most recent legislative action was a far-reaching provision of the Federal Deposit Insurance Corporation Improvement Act. This provision validated under U.S. law all netting contracts between and among depository institutions, broker–dealers, and futures commission merchants. Furthermore, it authorized the Board to broaden the coverage to other financial institutions if the Board determined that such action would promote market efficiency or reduce systemic risk. In March this year, the Board adopted a new regulation (Regulation EE) that expanded the act's coverage to include all major derivatives dealers, including affiliates of broker–dealers and insurance companies. Under the umbrella of the Working Group on Financial Markets, the Board is working with the other financial regulators to identify remaining enforceability problems under U.S. law and to develop solutions that the Working Group could recommend to the Congress.

The stock market crash in 1987 demonstrated quite clearly that the capacity of the financial system to absorb shocks depends critically on the robustness of payment and settlement systems. Since then, financial transactions have grown rapidly and linkages between financial markets have tightened, in part because of the expansion of derivatives activities, making payment and settlement systems even more important for financial stability.

A 1989 study by the Group of Thirty set out recommendations for strengthening arrangements for securities settlements that are relevant to financial instruments generally. The study recommended that trades be settled promptly (no later than three business days after the trade date or T+3), in same-day funds, and according to the principle of delivery versus payment. The report also noted the potential benefits of bilateral and multilateral netting arrangements.

In the United States, the Federal Reserve has supported the Security and Exchange Commission's (SEC's) adoption of a rule requiring T+3 settlement of broker–dealer transactions in corporate securities. Together with the SEC, we are overseeing efforts by the Depository Trust Company and the National Securities Clearing Corporation to develop liquidity safeguards and other risk controls that would permit settlement of corporate securities trades in same-day funds. Other significant improvements to settlement arrangements in recent years have been the creation of a book-entry, delivery-versus-payment system for Government National Mortgage Association securities (the Participants Trust Company) and a multilateral trade netting system for U.S. government securities (the Government Securities Clearing Corporation). In both cases, the Federal Reserve, the SEC, and the Treasury cooperated to ensure that the system operators employed adequate risk controls.

Internationally, the Federal Reserve has worked with the other G-10 central banks to address concerns about the policy implications of the development of cross-border and multicurrency netting arrangements for payments and for foreign exchange contracts. In November 1990, the Bank for International Settlements published the Report on Netting (Lamfalussy Report). This report, which was endorsed by the G-10 governors, concluded that such netting agreements have the potential to reduce systemic risks, provided that certain conditions are met. Regarding those conditions, the report set out minimum standards for the design and operation of such systems. To enforce the standards, it established a framework for cooperative central bank oversight of cross-border and multicurrency netting systems.

Follow-up work to the Lamfalussy Report has been carried forward by the G-10 Committee on Payment and Settlement Systems (CPSS), currently chaired by President McDonough of the Federal Reserve Bank of New York. The CPSS has afforded central banks the opportunity to discuss emerging payment system issues and to provide systematic public policy analysis of these issues to the international financial community. The committee has also discussed proposals by groups of banks in Europe and North America to create clearing houses (multilateral netting systems) for foreign exchange contracts.

The CPSS recently issued a report on Central Bank Payment and Settlement Services with Respect to Cross-Border and Multicurrency Transactions, which examined a range of possible central bank service options to reduce settlement risks, especially in foreign exchange transactions. Some of the same issues were examined by Federal Reserve staff members in a study of the potential benefits of expanded hours of operation for the Fedwire funds transfer service. This study concluded that longer Fedwire funds transfer hours could facilitate private sector efforts to reduce risk in foreign exchange settlements, such as the proposed foreign exchange clearing houses. This conclusion helped support the Board's decision in February 1994 to open the funds transfer service eight hours earlier, at 12:30 a.m. eastern time, effective in 1997.

Need for Remedial Legislation

The GAO report recommends that the Congress enact legislation requiring federal regulation of the safety and soundness of all major U.S. OTC derivatives dealers, including securities and insurance firm affiliates that currently are not subject to such regulation. The report also urges that the Congress begin systematically addressing the need to revamp and modernize the entire U.S. regulatory system. As part of such an effort, the report suggests that the Congress should debate and decide whether large-scale proprietary trading of derivatives or other financial instruments should be conducted only through separately capitalized subsidiaries of bank holding companies.

In light of the progress that the private sector and financial regulators have made in addressing the challenges posed by derivatives and the further progress that it anticipates, the Board believes that remedial legislation relating to derivatives is neither necessary nor desirable at this time. In particular, the Board does not support the specific legislative recommendations that are contained in the GAO report. As the Board has stated repeatedly, there is a pressing need to modernize the U.S. financial system and regulatory structure. However, the Board believes that legislation directed at derivatives is no substitute for broader reform and, absent broader reform, could actually increase risks in the U.S. financial system by creating a regulatory regime that is itself ineffective and that diminishes the effectiveness of market discipline.

Regulation of Nonbank Derivatives Dealers

The Board is not persuaded that public policy considerations require regulation of nonbank derivatives dealers. The rationale for such regulation apparently is that the activities of such dealers pose risks to their counterparties or otherwise heighten systemic risk and that federal intervention, possibly including a taxpayer bailout, could be necessary to protect the financial system. However, in our judgment market forces have been effective in restraining risk-taking by such dealers. Moreover, even if one of these dealers were to fail, its failure is unlikely to threaten the safety net. Finally, absent broader changes in the federal regulatory framework for nonbank financial institutions, we foresee significant difficulties in fashioning an effective regulatory regime for the derivatives activities of such entities.

Market forces, reinforced by broad acceptance of the risk management principles I have discussed, appear to be effectively constraining risk-taking by nonbank dealers and encouraging implementation of sound risk management practices. Counterparties to derivatives contracts are generally quite sensitive to credit exposures and often transact only with dealers they judge to be of the highest credit standing. Such concerns about creditworthiness have prompted many of the unregulated derivatives dealers to establish derivatives products companies (DPCs) that conform to capital and operating guidelines set out by the credit rating agencies. The Group of Thirty's report appears to have captured the attention of senior managers of unregulated dealers, many of whom participated in preparing or financing the report. Many of these firms are now using the G-30 standards as a benchmark to evaluate their practices and, when necessary, to implement improvements.

As I have discussed, the Board believes that the effectiveness of market forces will be strengthened by enhancements to public disclosure requirements that would apply to nearly all of the currently unregulated U.S. dealers. The Board also takes note of initiatives by the Securities Industry Association and others in the derivatives industry to work with the SEC and other regulators to develop voluntary minimum standards for business conduct by derivatives dealers. The details of such standards have yet to be worked out, and such an initiative may not yet have the support of all unregulated dealers. Still, it seems a promising means of reinforcing the market forces that thus far appear to be working well. The enactment of legislation could well bring this promising initiative up short.

Of course, market forces and industry initiatives cannot eliminate the possibility that an unregulated derivatives dealer could fail. Even if such a failure were to occur, however, it is unlikely to place taxpayers at risk. The Bank Insurance Fund could be placed at risk if insured commercial banks failed to prudently manage their counterparty credit exposures to the failed derivatives dealer. But our examiners are trained to identify and criticize concentrations of credit exposure to a derivatives dealer or to any other counterparty. Nor is the fund maintained for protection of securities customers by the Securities Investor Protection Corporation (SIPC) likely to be jeopardized. Even if the failure of a derivatives dealer affiliate created financial difficulties for a broker–dealer, SEC requirements to segregate customer funds and securities protect the SIPC fund.

To be sure, resolving the failure of an unregulated derivatives dealer would pose challenges to financial regulators. The Federal Reserve and other authorities would carefully monitor the effects of a failure and would work with market participants to achieve an orderly wind-down of its activities, as they did in 1990 when the Drexel Burnham Lambert Group failed. However, it is important to recognize that this type of federal "intervention" does not place taxpayer funds at risk.

The GAO does not discuss clearly how the currently unregulated dealers should be regulated, but it appears to assume that the banking regulators' approach to safety and soundness could readily be applied to unregulated derivatives dealers. To the contrary, the Board foresees significant difficulties in implementing such an approach without more thorough regulatory reform. Derivatives contracts and related hedge positions often are booked at different legal entities. For example, the market risk associated with derivatives contracts booked at derivatives products companies is transferred to, and managed by, other affiliates. Consequently, regulation of the full range of risks associated with derivatives dealing would require broad authority over affiliated companies or probably authority to regulate the entire firm on a consolidated basis. But such an approach would be difficult to implement at those dealers that combine financial and nonfinancial activities. In particular, design of appropriate capital standards would be especially difficult for such firms.

The Congress should recognize that the enactment of legislation could create the mistaken expectation that federal regulation will somehow remove the risk from derivatives activities. We must not lose sight of the fact that risks in financial markets are regulated by private parties. The relevant question that we must address is whether private market regulation is enhanced or weakened by the addition of government regulation. For the reasons I have discussed, the Board fears that, in this instance, a weakening of private market regulation is the more likely outcome.

Proprietary Trading by Banks

The GAO report suggests that the Congress should review whether banks' proprietary trading activities in derivatives and other financial instruments should be forced into separately capitalized subsidiaries of bank holding companies. The basis for this recommendation apparently is a concern that such activities at some banks have become so large and so complex that they pose unacceptable risks to the deposit insurance fund. However, the Board does not perceive the risks associated with proprietary trading to be inherently greater than those associated with other banking activities. Indeed, the same types of risks are involved—credit risks, market risks, legal risks, and operational risks. Some derivative contracts, notably options products, are quite complex, but a complex, difficult-to-manage option is embedded in every fixed-rate home mortgage. As is the case for home mortgage lending or any other banking activity, whether proprietary trading places the deposit insurance fund at risk depends on the bank's capital, the degree of concentration in its risk exposures, the strength of its risk management systems and internal controls, and the expertise of its personnel, including senior management and risk managers as well as traders.

Moreover, we believe that implementing a segregation of proprietary trading activities would be extremely difficult. Proprietary trading activities are difficult to define in principle and certainly difficult in practice to distinguish from market-making and other customer accommodation activities of banks. Forcing all trading activities into a subsidiary would be a radical change, affecting what are by any definition traditional banking functions (foreign exchange dealing, for example). Such a drastic change could significantly impair U.S. banks' competitive positions vis-à-vis those of foreign banks.

I have discussed the steps that the Federal Reserve and other banking regulators have already taken to ensure that proprietary trading activities are conducted prudently. In particular, the Federal Reserve has made considerable progress in providing its examiners with the tools necessary to assess the effectiveness of risk management systems and internal controls for trading activities and to identify and demand elimination of any material weaknesses. The Board has placed the highest priority on efforts to revise risk-based capital requirements to cover market risks. Although this effort is not yet complete, an assessment of the adequacy of capital to cover potential trading losses already is a critical element in our annual on-site, full-scope examinations. If a bank were to take trading positions that posed a threat to its solvency, we would insist that those positions be closed out promptly and that the board of directors take strong measures to prevent such a situation from recurring.

Recent examinations of the state member banks that are most actively involved in proprietary trading activities have not revealed significant problems arising from these activities. Although our examination reports have cited certain deficiencies in specific internal controls, management is well along toward correcting them. The risk management systems of major dealer banks were severely tested by the recent volatility in financial markets. Although the banks suffered losses trading in some markets, their risk controls worked. As losses developed, senior management of the banks were aware of the size of risk positions and of the losses. A combination of loss limits and senior management decisions brought risk positions down. Moreover, because their trading positions tended to be well diversified across fixed income, foreign exchange, commodity, and equity markets in the United States and in many other countries, their overall trading activities most often remained profitable. Even viewed in isolation, the losses incurred in individual markets were a very small fraction of the capital that supports these banks' trading activities and ensures that shareholders, not taxpayers, bear the costs.

Of course, we must be cautious about drawing inferences from this single episode of market volatility. The banks involved are closely studying their recent experience and identifying ways in which risk management systems can be strengthened further. For its part, the Federal Reserve is reviewing these banks' experiences to identify ways to make further improvements to its supervisory and regulatory program. □

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, May 27, 1994

I appreciate the opportunity to appear before you to discuss recent monetary policy.

The Federal Reserve's moves to increase short-term interest rates this year are most appropriately understood in a historical context.

In the spring of 1989, we began to ease monetary conditions as we observed the consequence of balance sheet strains resulting from increased debt, along with significant weakness in the collateral underlying that debt. Households and businesses became much more reluctant to borrow and spend, and lenders to extend credit—a phenomenon often referred to as the "credit crunch." In an endeavor to defuse these financial strains, we moved short-term rates lower in a long series of steps through the summer of 1992, and we held them at unusually low levels through the end of 1993—both absolutely and, importantly, relative to inflation. These actions, together with those to reduce budget deficits, facilitated a significant decline in long-term rates as well.

Lower interest rates fostered a dramatic improvement in the financial condition of borrowers and lenders. Households rolled outstanding mortgage and consumer loans into much-lower-rate debt. Business firms were able to pay down high-cost debt by issuing bonds and stocks on very favorable terms. And banks, which had cut back on credit availability partly because of their own balance sheet problems, were able to strengthen their capital positions by issuing a substantial volume of equity shares and other capital instruments and by retaining much of their improved flow of earnings. Moreover, the lower interest rates, together with expanding economic activity, recently have bolstered the commercial real estate market, stemming losses on the collateral underlying some of the largest problem credits of banks and other intermediaries and, in some cases, permitting them to find purchasers for these assets.

The sharp, sustained decline in debt-service charges and the restructuring of balance sheets alleviated the financial distress, enabling the economy to begin to move again in a normal expansionary pattern. When I last testified before you on monetary policy, in July 1993, the likelihood that the economy would soon respond more vigorously to these financial developments already was evident both to the Federal Reserve and to outside analysts. Indeed, I mentioned that, with short-term real rates not far from zero, ". . . market participants anticipate that short-term real interest rates will have to rise as the headwinds diminish if substantial inflationary imbalances are to be avoided." But lingering questions into the second half of 1993 about whether the economy had fully recuperated made the appropriate timing of such action unclear.

Since the latter part of 1993, however, the expansionary effects of the monetary policy of the past few years have become increasingly apparent. Although quarter-to-quarter developments are subject to considerable statistical noise, in an underlying sense real gross domestic product clearly has accelerated. Strength has been particularly evident in interest-sensitive sectors. Business investment has been quite robust, and order books for producers of durable equipment have expanded appreciably. Housing starts rose in the last three months of 1993 to their highest level in more than four years; although they have dropped back some more recently, they remain 18 percent above a year ago. Demand for motor vehicles has been strong, lifting production of many types of automobiles and light trucks to capacity. Moreover, as economic conditions have improved in other industrial countries, the growth of our merchandise exports has picked up markedly. Overall industrial capacity utilization has increased to 83½ percent, its highest level since the late 1980s. In excess of 2 million jobs have been created over the past twelve months, and the unemployment rate has fallen substantially.

In this more robust financial and economic climate, expansion of money and credit has picked up. Business loans—which had contracted over the 1990–93 period—grew at a 9½ percent annual rate in the first four months of 1994. Bank lending to consumers also has been quite brisk. The pickup in loan growth seems to reflect both stepped-up short-term credit demands and a greater willingness on the part of banks to extend credit. Our surveys as well as anecdotal reports indicate that banks have been easing standards and terms on business loans for more than a year, and they have become more aggressive in seeking to extend consumer and residential mortgage loans. The total debt of private borrowers and state and local governments, which had risen at only a 2½ percent annual rate over the first half of 1993, accelerated to more than a 4½ percent rate over the second half and has maintained the stronger pace during recent months. Although ongoing portfolio adjustments have kept growth of M2 relatively sluggish, it has been increasing a little more quickly this year than last.

Given the stronger economic and financial conditions, it became evident by early 1994 that the mission of monetary policy of the past few years had been accomplished. The "headwinds" were substantially reduced, and the expansion appeared solid and self-sustaining.

Having met our objective, we confronted the question of whether there was any reasonable purpose in maintaining the stimulative level of interest rates held throughout 1993. The answer to that question was "no." Maintenance of that degree of accommodation, history shows, would have posed a risk of mounting inflationary pressures that we perceived as wholly unacceptable. Given the resumption of more normal patterns of economic activity and credit flows, a shift in policy stance was clearly indicated.

The question that remained was how to implement this shift. The economy looked quite robust, but we were concerned about the effects on financial markets of a rapid move away from accommodation. Short-term rates had remained unusually low for a long time, and long-term rates persisted well above short-term rates. The resulting attractiveness of holding stocks and bonds was further enhanced by a nearly unbroken stream of capital gains as long-term rates fell, which imparted the false impression that returns on long-term investments were not only quite high but consistently so. The recovery of the stock market after the October 1987 crash, along with the successful fending off of any significant adverse consequences from that event, may also have contributed to investor complacency. Moreover, in these extraordinary circumstances of persistent, low short-term interest rates, moderate growth in the economy, and gradually diminishing market concerns about future inflation, fluctuations in bond and stock prices around broader trends remained quite narrow by historical standards.

Thus, lured by consistently high returns in capital markets, people exhibited increasing willingness to take on market risk by extending the maturity of their investments. In retrospect, it is evident that all sorts of investors made this change in strategy—from the very sophisticated to the much less experienced. One especially notable feature of the shift was the large and accelerating pace of flows into stock and bond mutual funds in recent years. In 1993 alone, $281 billion moved into these funds, representing the lion's share of net investment in the U.S. bond and stock markets. A significant portion of the investments in longer-term mutual funds undoubtedly was diverted from deposits, money market funds, and other short-term, lower-yielding but less speculative instruments. And some of those buying the funds perhaps did not fully appreciate the exposure of their new investments to the usual fluctuations in bond and stock prices. To the degree that maturity extension was built on a false sense of security and certainty, it posed a risk to financial markets once that sense began to dissipate.

Federal Reserve moves initiated in February along with a number of other developments in the United States and other major industrial economies in the same period were instrumental in radically altering perceptions of where interest rates were going and of the risk of holding longer-term assets. In early February, we had thought long-term rates would move a little higher temporarily as we tightened, but that anticipation was in the context of expectations of a more moderate pace of economic activity both here and abroad than emerged shortly thereafter. The sharp jump in rates that occurred appeared primarily to reflect the dramatic rise in market expectations of economic growth and associated concerns about possible future inflation pressures. The behavior of interest rate spreads between Treasury and private debt—or credit risk premiums—in securities markets offers confirming evidence; the fact that such spreads failed to widen even as long-term interest rates rose dramatically suggests that the rise in long-term rates was seen by market participants as a consequence of a strong economy—not a precursor of a weak one. Given the change in economic conditions, and the market's perception of them, longer-term rates eventually would have increased significantly even had the Federal Reserve done nothing this year.

The rise in long-term rates has reflected increased uncertainty as well as expectations of a stronger economy. Although generally expected, the move from accommodation, interacting with the news on the domestic and global economy, triggered a reexamination by investors of their overly sanguine assumptions about price risk in longer-term financial assets. As volatility and uncertainty increased, people began to reverse their previous maturity extensions. They fled toward more price-certain investments at the short end of the yield curve. For example, some flows into bond mutual funds were reversed; investors, fearing further rate increases and awakening to the nature of the risk they had taken on, shifted funds back into shorter-term money market mutual funds and deposits. The sales of securities by bond mutual funds likely contributed to pressures on yields, especially in markets in which they had been important buyers.

Such reduced confidence about predictions of future interest rate movements evidently is a key element in explaining one of the more unusual characteristics of financial market developments in this recent period—the apparent degree of coupling of bond rates in many industrial countries facing different cyclical situations. To be sure, part of the rise in long-term rates in other countries is accounted for by brighter economic prospects, especially in continental Europe and to some extent in Japan, so that market participants now expect less monetary policy ease in those regions.

But, added to this were the effects of additional uncertainty. In globalized financial markets, with investors having increasingly diversified portfolios across currencies, uncertainty, wherever it originates, can have similar effects on markets for securities denominated in a variety of currencies. When investors were confronted with a market environment they did not anticipate, they quickly disengaged not only from dollar assets but from all investments that rested on a confident view of the future. The loss of confidence in one's ability to perceive the future does not discriminate between investments in dollar- or mark-denominated securities, for example. The process of disengaging largely resulted in sales of stocks and bonds, with the proceeds placed in short-term debt instruments whose prices tend to be more stable. As a consequence, long-term rates rose appreciably in most industrial countries. That the effects of decreased confidence partially overrode the differences in economic conditions between the United States and our major trading partners is evidence of the degree of uncertainty in financial markets.

Because we at the Federal Reserve were concerned about sharp reactions in markets that had grown accustomed to an unsustainable combination of high returns and low volatility, we chose a cautious approach to our policy actions, moving by small amounts at first. Members of the Federal Open Market Committee agreed that excess monetary accommodation had to be eliminated expeditiously, and a rapid shift would not in itself have been expected to destabilize the economy. We recognized, however, that our shift could impart uncertainty to markets, and many of us were concerned that a large immediate move in rates would create too big a dose of uncertainty, which could destabilize the financial system, indirectly affecting the real economy. In light of the substantial variations in prices of financial assets over the past few months as we adjusted our posture, our worries seem to have been justified. Delaying our actions would not have been constructive; unrealistic expectations would only have become more firmly embedded, and the inevitable adjustment in the financial markets could have been far more difficult to contain. Through this period, many of those who had purchased long-term securities with unduly optimistic expectations about the level and fluctuations in yields have made the needed adjustments. Thus, we judged at our May 17 meeting that we could initiate a larger adjustment, without an undue adverse market reaction. Indeed, markets reacted quite positively, on balance, perhaps because they saw timely action as reducing the degree and frequency of tightening that might be needed in the future.

We initiated the removal of excess monetary accommodation without widespread indications that inflation has picked up. To be sure, manufacturers have reported paying higher prices to suppliers, and prices of basic industrial commodities have risen a good deal in recent months. Moreover, the behavior of the dollar on foreign exchange markets over the past several months has been a source of some concern. But wage growth has remained moderate and unit labor costs have been well contained by marked improvements in productivity. To date, underlying cost increases have been absorbed with little evidence that they have yet passed through into prices for final products.

If we are successful in our current endeavors, there will *not* be an increase in overall inflation, and trends toward price stability will be extended. And to be successful, we must implement the necessary monetary policy adjustments in advance of the potential emergence of inflationary pressures, so as to forestall their actual occurrence. Shifts in the stance of monetary policy influence the economy and inflation with a considerable lag, as long as a year or more. The challenge of monetary policy is to interpret current data on the economy and financial markets with an eye to anticipating future inflationary or contractionary forces and to countering them by taking action in advance.

The alternative—maintaining an accommodative monetary policy until inflation actually begins to pick up—would be detrimental to the best interests of our nation's economy. History unequivocally demonstrates that monetary accommodation when the economy is strong risks a significant acceleration of inflation. Because of the lags in the effects of monetary policy, inflation once initiated would likely continue to rise for a time even after monetary policy began to tighten. Inflationary expectations would begin to increase, influencing patterns of wage bargaining and interest rates. As a result, monetary policy would need eventually to tighten more sharply than if a more timely and measured approach were taken, possibly even placing the continuation of the economic expansion at risk. Such go–stop policies—implying appreciable fluctuations in inflation rates and amplified business cycle swings—surely impede long-range economic planning, saving, and investment and diminish our economy's prospects for long-run growth and our ability to employ our growing labor force.

We have attempted to avoid such an outcome by taking actions this year that have substantially removed the degree of accommodation that had been in place last year. Our judgment was that with the financial condition of both borrowers and lenders greatly improved, such action would not impede satisfactory economic growth but rather would help such growth to be sustained. Clearly, uncertainties regarding the economic outlook remain, and the Federal Reserve will need to monitor economic and financial developments to judge the appropriate stance of monetary policy. Our intention is to promote financial conditions under which our economy can grow at its greatest potential, consistent with steady, noninflationary expansion of employment and incomes. □

Announcements

CHANGE IN THE DISCOUNT RATE

The Federal Reserve announced on May 17, 1994, two actions designed to maintain favorable trends in inflation and thereby sustain the economic expansion.

The Board approved an increase in the discount rate from 3 percent to 3½ percent, effective immediately, and the Federal Open Market Committee (FOMC) agreed that this increase should be allowed to show through completely into interest rates in reserve markets.

These actions, combined with the three adjustments initiated earlier this year by the FOMC, substantially remove the degree of monetary accommodation that prevailed throughout 1993. As always, the Federal Reserve will continue to monitor economic and financial developments to judge the appropriate stance of monetary policy.

In taking the discount action, the Board approved requests submitted by the boards of directors of eleven Federal Reserve Banks—Boston, New York, Philadelphia, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco. On May 18, the Board approved an action by the board of directors of the Federal Reserve Bank of Cleveland, increasing the discount rate of that bank from 3 percent to 3½ percent. The discount rate is the interest rate that is charged depository institutions when they borrow from their District Federal Reserve Bank.

MEETING OF THE CONSUMER ADVISORY COUNCIL

The Federal Reserve Board announced that the Consumer Advisory Council held a meeting on Thursday, June 23. 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.

PROPOSED ACTIONS

The Federal Reserve requested on May 18, 1994, public comment on a proposal that would amend the Federal Reserve's risk-based capital guidelines for state member banks and bank holding companies to recognize the risk-reducing benefits of netting arrangements. This proposal was issued jointly with the Office of the Comptroller of the Currency, which is seeking comment on a similar amendment to its capital guidelines for national banks. Comments were requested by June 20, 1994.

The Federal Reserve Board on May 25, 1994, requested public comment on a joint interagency proposal of advanced rulemaking concerning the regulatory treatment of recourse arrangements and direct credit substitutes. Comments should be received by July 25, 1994.

The Federal Reserve Board on May 4, 1994, issued for public comment proposed amendments to Regulation DD (Truth in Savings), which clarify that once interest is credited to an account, it becomes part of the principal. Comments are requested by July 5.

EXTENSION OF COMMENT PERIOD

The Federal Reserve Board on May 17, 1994, extended for sixty days its comment period on a proposal to simplify and update Regulation E (Electronic Fund Transfers). In the proposal, the Board also requested comment on changes to the staff commentary. The public now has until August 1 to submit comments on this proposal. Comments should refer to Docket Numbers R-0830 and R-0831.

CHANGES IN BOARD STAFF

The Board of Governors announced on June 9, 1994, the appointments of Robert deV. Frierson and Katherine H. Wheatley to the position of Assistant General Counsel in the Legal Division.

Mr. Frierson joined the Board's staff in 1987. He holds an undergraduate degree and a J.D. from the University of Virginia.

Ms. Wheatley joined the Board's staff in 1989. She holds an undergraduate degree from Radcliffe College and a J.D. from Harvard Law School.

The Board also announced on June 9, 1994, the following official staff promotions in the Division of Research and Statistics:

David J. Stockton, from Associate Director to Deputy Director; Martha Bethea, from Deputy Associate Director to Associate Director; Myron L. Kwast, from Assistant Director to Associate Director; Patrick M. Parkinson, from Assistant Director to Associate Director; and Martha S. Scanlon, from Assistant Director to Deputy Associate Director.

The changes also included the following promotions to the official staff:

Flint Brayton to Assistant Director, David S. Jones to Assistant Director, John Rea to Assistant Director, Stephen A. Rhoades to Assistant Director, Charles S. Struckmeyer to Assistant Director, Alice Patricia White to Assistant Director, and Glenn B. Canner to Adviser.

Mr. Brayton has been at the Board since 1976. He received his Ph.D. from Johns Hopkins University.

Mr. Jones has been at the Board since 1981. He completed his Ph.D. at Harvard University.

Mr. Rea joined the Board's staff in 1987. He received his Ph.D. from the University of Wisconsin.

Mr. Rhoades began his career with the Board in 1971. He received his Ph.D. from the University of Maryland.

Mr. Struckmeyer joined the Board's staff in 1983. He completed his Ph.D. at Yale University.

Ms. White has been at the Board since 1971. She received her Ph.D. from Yale University.

Mr. Canner joined the Board's staff in 1979. He received his Ph.D. from Brown University. □

Minutes of the Federal Open Market Committee Meeting Held on March 22, 1994

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D.C., on Tuesday, March 22, 1994, at 9:00 a.m.

Present:

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Broaddus
Mr. Forrestal
Mr. Jordan
Mr. Kelley
Mr. LaWare
Mr. Lindsey
Mr. Parry
Ms. Phillips

Messrs. Hoenig, Keehn, Melzer, and Oltman, Alternate Members of the Federal Open Market Committee

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

Ms. Minehan, First Vice President, Federal Reserve Bank of Boston

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

Messrs. Beebe, J. Davis, Goodfriend, Promisel, Siegman, Simpson, Stockton, and Ms. Tschinkel, Associate Economists

Ms. Lovett, Manager for Domestic Operations, System Open Market Account
Mr. Fisher, Manager for Foreign Operations, System Open Market Account
Mr. Ettin, Deputy Director, Division of Research and Statistics, Board of Governors
Mr. Slifman, Associate Director, Division of Research and Statistics, Board of Governors
Mr. Madigan, Associate Director, Division of Monetary Affairs, Board of Governors
Ms. Low, Open Market Secretariat Assistant, Division of Monetary Affairs, Board of Governors

Mr. Bennett, Ms. Browne, Messrs. T. Davis, Dewald, Lang, Rolnick, and Scheld, Senior Vice Presidents, Federal Reserve Banks of New York, Boston, Kansas City, St. Louis, Philadelphia, Minneapolis, and Chicago respectively

Mr. Cox, Vice President, Federal Reserve Bank of Dallas
Mr. Hilton, Manager, Open Market Operations, Federal Reserve Bank of New York

By unanimous vote, the minutes of actions taken at the meeting of the Federal Open Market Committee held on February 3–4, 1994, were approved.

The Manager for Foreign Operations reported on developments in foreign exchange markets and on System transactions in foreign currencies during the period February 4, 1994, through March 21, 1994. By unanimous vote, the Committee ratified these transactions.

The Manager for Domestic Operations reported on developments in domestic financial markets and on System open market transactions in government securities and federal agency obligations during the period February 4, 1994, through March 21, 1994. By unanimous vote, the Committee ratified these transactions.

By unanimous vote, paragraph 1(a) of the Authorization for Domestic Open Market Operations was amended to raise from $8 billion to $11 billion the dollar limit on intermeeting changes in System

Account holdings of U.S. government and federal agency securities for the intermeeting period ending with the close of business on May 17, 1994.

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

The information reviewed at this meeting indicated that economic activity had expanded appreciably further in the early months of 1994, despite unusually severe winter weather. Consumer spending and construction activity had been held down to some extent by the adverse weather conditions, but motor vehicle production had continued at a very strong pace and business fixed investment appeared to be headed for a significant gain in the first quarter. Factory utilization rates had moved still higher, and labor demand seemed to have grown moderately further. Outside of a surge in energy prices, increases in broad indexes of consumer and producer prices remained moderate.

Nonfarm payroll employment was unchanged in January but posted a February advance comparable to the sizable monthly increases recorded in the final quarter of 1993. Employment in the service industries declined slightly in January, then rebounded substantially in February. Manufacturing payrolls rose in January and February, but the number of jobs in construction declined in both months, reflecting that industry's vulnerability to weather disruptions. The civilian unemployment rate, calculated on the new basis, fell to 6.5 percent in February; however, the Bureau of Labor Statistics cautioned that a variety of technical factors might have exaggerated the decline in joblessness in early 1994.

After a sharp rise in the fourth quarter, industrial production increased considerably further in January and February. Manufacturing output continued to rise, despite the apparent damping effect of adverse weather on a number of industries. Assemblies of motor vehicles remained quite buoyant, accounting for more than half of the increase in manufacturing production in the first two months of the year and reaching in February their highest level since the late 1970s. Production of manufactured goods other than motor vehicles also was up in the two months, but the advances were smaller than those of late 1993. Output of utilities surged in January, reflecting the heating demand resulting from abnormally cold temperatures, but a portion of that gain was retraced in February. Total utilization of industrial capacity increased in both January and February and was at relatively elevated levels, judged by historical norms; operating rates in primary processing industries were especially high.

Retail sales were little changed on balance over the first two months of the year, with sales recovering in February from a large January decline. By contrast, sales of motor vehicles remained quite brisk on average over the two months, despite the California earthquake and the severe weather. Soaring outlays for home heating contributed to rapid growth of consumer spending on services in January. The unusual weather also affected housing activity; starts were down considerably in January and February from the very high levels of late 1993, and new home sales plunged in January. Sales of existing homes in January were only slightly below their high December level.

The limited available evidence pointed to a noticeably smaller gain in business fixed investment in the first quarter of 1994 after a very large increase in the previous quarter. Shipments of nondefense capital goods slowed in January, retracing part of the sharp rise of the fourth quarter, but the buoyancy of orders in recent months pointed to a further increase in shipments in coming months. Sales of heavy trucks were strong in January, and the backlog of orders for such vehicles remained large. Nonresidential construction activity, perhaps owing in part to bad weather, was down in January after trending up over most of 1993. The largest decline was in office building, which had posted large increases in the preceding two months.

Business inventories fell slightly in January, and stocks were lean, especially at manufacturing firms. Inventories in manufacturing rose, retracing in January part of a large December decline; much of the January increase was at producers of machinery, where stocks had fallen to very low levels relative to shipments. At both the wholesale and retail levels, inventories posted sizable decreases. In the wholesale sector, the inventory-to-sales ratio edged down and had changed little since May of last year.

The inventory-to-sales ratio for the retail sector was up slightly, reflecting weak sales in January.

The nominal deficit on U.S. trade in goods and services, measured on the new balance-of-payments basis, was slightly smaller in January than the average for the fourth quarter. However, the January deficit was substantially larger than that of December, with exports down by more than imports. Much of the reduction in exports was in agricultural goods, aircraft, and gold; the drop in imports mainly reflected both lower quantities and lower prices of imported oil. The limited available data suggested that economic activity in the major foreign industrial countries picked up in early 1994 after a mixed performance in the fourth quarter of 1993.

Producer prices of finished goods were boosted in February by a surge in energy prices, especially for gasoline and heating oil, that more than offset a further decline in food prices. Excluding the food and energy components, producer prices edged higher in February; for the twelve months ended in February, producer prices increased by a significantly smaller amount than in the twelve-month period ended in February 1993. At the consumer level, higher energy prices in February were offset by lower food prices. For items other than food and energy, consumer prices also rose less over the twelve months ended in February than in the previous twelve months. Average hourly earnings of production or nonsupervisory workers increased more slowly in February, but for the twelve months ended in February, the advance was about the same as that recorded for the previous twelve months.

At its meeting on February 3–4, 1994, the Committee adopted a directive that called for a slight increase in the degree of pressure on reserve positions and that did not include a presumption about the likely direction of any adjustment to policy during the intermeeting period. The directive stated that in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly greater or slightly lesser reserve restraint might be acceptable during the intermeeting period. The reserve conditions associated with this directive were expected to be consistent with moderate growth of M2 and M3 over the first half of 1994.

Immediately following the February meeting, Chairman Greenspan announced the Committee's decision, and open market operations were directed toward implementing the slightly less accommodative degree of reserve pressures sought by the Committee. The federal funds rate increased by ¼ percentage point and then remained close to 3¼ percent over the intermeeting period, while adjustment plus seasonal borrowing averaged a little less than anticipated.

Most other market interest rates rose considerably more than the federal funds rate in frequently volatile markets. Market participants generally had anticipated a tightening of monetary policy, but the Committee's action apparently came a little sooner than had been expected. Strong fourth-quarter economic data and evidence of solid growth in early 1994 were seen as suggesting greater credit demands and the need for higher interest rates in the future to contain inflation. Heightened trade tensions and unsettled market conditions abroad also contributed to market concerns. In these circumstances, intermediate- and longer-term interest rates increased by appreciably more than short-term money market rates. Major indexes of stock prices had fallen on balance since early February in sometimes volatile trading.

The trade-weighted value of the dollar in terms of the other G-10 currencies initially rose following the tightening of monetary policy on February 4. The dollar depreciated over the balance of the intermeeting period, however, despite higher U.S. interest rates and the release of data indicating generally strong U.S. economic activity. The dollar declined against both the Japanese yen and the German mark; trade frictions between the United States and Japan and disappointment over the pace of monetary easing in Germany appeared to be contributing factors in the depreciation of the dollar. Bond yields in all the major foreign industrial countries rose on average by almost as much as yields on comparable U.S. bonds.

M2 declined somewhat and M3 was down sharply in February. A substantial drop in mortgage refinancings since late 1993 that depressed demand deposits, and to a lesser extent savings deposits, contributed to the weakness of M2 in February. M3 also was affected by a precipitous decline in institution-only money funds as investors reacted quickly following the monetary tightening to widening spreads between returns on these funds and higher-yielding short-term instruments. Data for early March pointed to some rebound in both monetary aggregates, perhaps owing to portfolio readjustments that involved sizable net redemptions of bond funds and apparently weaker inflows to stock funds. Total domestic nonfinancial debt expanded at a moderate rate in recent months.

The staff forecast prepared for this meeting suggested that economic expansion would slow from the very strong pace of the fourth quarter but that the economy would advance in 1994 at a rate slightly in excess of the growth of potential. Consumer spending, which had tended for some time to outpace income growth, was projected to increase at a rate more in line with disposable incomes; spending on durable goods, in particular, was projected to slow markedly as stock-adjustment motives diminished and higher interest rates exerted some restraint. Business fixed investment was expected to increase less rapidly in 1994, reflecting the diminishing effect of the earlier pickup in output growth and the slower growth of corporate cash flow. Homebuilding activity was anticipated to continue at a relatively brisk pace, spurred by the greater cash-flow affordability of housing and the good prospects for continued growth in employment and incomes. The restraint on output growth from federal spending cutbacks and weak export demand was projected to diminish somewhat. In light of the limited margins of slack in labor and product markets that were expected to prevail over the forecast horizon, little further reduction in the core rate of inflation was expected.

In the Committee's discussion of current and prospective economic developments, members referred to widespread indications of appreciable momentum in the economic expansion and decreasing margins of unemployed labor and other producer resources. While the members continued to anticipate a marked slowing in economic growth from the very rapid pace of the fourth quarter, some commented that despite unusually severe winter weather in large parts of the country the deceleration in the current quarter appeared to be less than they had expected. The indications of continuing strength in aggregate demand along with a still-accommodative monetary policy suggested a much reduced risk that the economic expansion would stall. Indeed, members continued to expect moderate economic growth, though perhaps for a time at a rate somewhat above the economy's potential. The amount of resources that could be mobilized readily to meet this demand was subject to substantial uncertainty, but the degree of slack in the economy clearly had diminished considerably in recent quarters to relatively low levels and likely would shrink further. The immediate outlook for inflation remained favorable: Costs and prices were being contained by moderate wage increases, continuing pressures for productivity-enhancing investment, and competitive prices from abroad where slack was still quite ample; and broad measures of money and credit, though strengthening over the last half of 1993, remained moderate by historical standards. Nevertheless, looking ahead, members were concerned that, unless monetary policy were adjusted further from its still-accommodative stance, pressures on resources would intensify and inflation would pick up.

Members assessed the outlook for economic activity and prices against the backdrop of sharp changes in bond and, to a lesser extent, equity prices over the intermeeting period. Clearly, the tightening of reserve conditions announced on February 4 had played a role in market movements, but other factors had been at work as well. Members variously stressed the possibility that the backup in interest rates had reflected much stronger aggregate demand, added uncertainty about the course of interest rates, influences from foreign exchange and foreign capital markets, changes in trading strategies by wary participants, and rising inflation expectations. On balance, financial conditions were still seen as supportive of solid economic expansion, and a number of members referred in particular to the more accommodative lending policies of many depository institutions; however, some commented on the risk, which they viewed as having a low probability, that weakness and volatility in financial markets could at some point have a significantly inhibiting effect on business and consumer confidence and spending. To date, business sentiment was described as quite positive in most parts of the country, and although there were some exceptions—notably in California—members commented on numerous indications of improving regional economies.

A number of members observed that they expected consumer spending to be relatively well maintained, buttressed by considerable strength in expenditures for motor vehicles and other consumer durables. Reports on retail sales from various parts of the country tended to support such assessments, and many contacts among retailers were expressing optimism about the outlook for their sales. At the same time, some members observed that a number of factors were likely to limit the potential strength of consumer spending. They referred in particular to the already low saving rate, relatively high consumer indebtedness, and recent declines in the value of securities held by households. More importantly, however, consumer confidence and spending would continue to depend heavily on the outlook for further growth in employment and incomes.

Business investment expenditures remained on a solid uptrend as firms continued to focus on the need to control costs and improve operating efficiencies in the face of vigorous competitive pressures. Members also cited some examples of investment spending induced by rising demands pressing against limitations in production capacity. While business investment had tended to be concentrated in new, more productive equipment, nonresidential construction also had strengthened and anecdotal reports from numerous areas tended to confirm more positive nationwide statistics. The rising levels of nonresidential construction activity tended to be concentrated in commercial and industrial facilities and public works projects; the construction of office buildings continued to lag but this sector appeared to have stabilized or perhaps improved marginally after a long period of decline. More generally, currently positive business attitudes augured well for further growth in overall business investment, but on the negative side it was noted that further turbulence in financial markets could erode confidence with adverse implications for investment spending. Residential construction was described as quite strong in numerous areas, although overall housing construction had been held down thus far this year by severe winter weather in numerous parts of the country. Shortages of skilled construction workers and building materials were reported in many areas.

Despite generally rising final demands, business firms were continuing to maintain lean inventory positions in their ongoing efforts to hold down costs. Nonetheless, with production levels in many industries approaching or reaching full capacity utilization, prices of some materials and other business purchases coming under increasing pressure, and delivery lead times tending to lengthen at least in some industries, efforts to build inventories could be expected to materialize and in one view the potential for such a development represented a key upside risk from current forecasts. In this connection, some members referred to scattered indications of efforts to increase inventories, notably of steel products. Manufacturers of motor vehicles also were in the process of rebuilding depleted inventories, though the currently stimulative impact of such rebuilding on overall production was likely to be reversed when motor vehicle stocks reached desired levels in the months ahead.

The foreign trade sector was expected to remain a negative factor in the economic outlook. However, the members anticipated some improvement in the economies of major foreign industrial nations which, together with some moderation in the growth of domestic final demands, was likely to slow the decline in real net exports. A few members cited growing indications that last year's NAFTA legislation would have quite positive effects on U.S. foreign trade, though those effects were still largely in the future.

In the discussion of the outlook for prices and wages, many of the members expressed concern about the potential for a pickup in inflation if, as they anticipated, margins of unemployed resources narrowed further or disappeared. The members acknowledged that broad measures of prices relating to final purchases and of wages currently did not suggest any increase in inflation. Indeed, in the view of at least some members, those measures still suggested on balance that the inflation trend had retained a downward tilt thus far. In this connection, some commented that the overall performance of the broad measures had been somewhat better in recent months than they had anticipated, especially given the very rapid expansion of the economy over the closing months of 1993 and the less than expected moderation thus far this year. Developments that had been exerting a favorable effect on prices included above-trend growth in productivity, relatively low prices in world oil markets, and strong competition in many markets from both domestic and foreign firms. Moreover, the strong rise in credit usage that often had accompanied intensified inflation pressures in the past had yet to materialize. To date, the pickup in price increases had been uneven and had tended to be concentrated in some regions or industries and in the early stages of the production process, and a number of members reported that they saw little change in inflation trends in their areas. Nonetheless, warning signs had emerged of the prospect of greater inflation, though perhaps not over the nearer term. These included increases in a wide range of commodity prices and anecdotal reports from various parts of the country suggesting a further rise in the number of business firms that were facing somewhat higher prices of materials and other purchases and in turn were able, often for the first time in recent years, to raise their selling prices. Price and wage pressures appeared to be especially pronounced in the construction industry, where capacity constraints had been encountered in many localities. Members also referred to the potential for higher prices in the food and energy sectors; low crop carryovers for some grains made food prices vulnerable to unfavorable growing conditions, should they materialize; oil prices currently were at relative lows but were likely to come under some upward pressures as world economic growth accelerated and if political developments led to disruptions in world supplies. More fundamentally, the relatively robust economic expansion over the second half of 1993 and the further advance in early 1994 appeared in the view of many members to have appreciably diminished the gap between actual and potential GDP and to have reduced the rate of unemployment to a level that could well be not far from the natural rate. If this assessment proved to be correct, further economic expansion at a pace above the economy's potential would bring more industries and the economy more generally to capacity production levels before very long and could well generate growing inflation thereafter.

In the Committee's discussion of policy for the intermeeting period ahead, all the members supported a further move toward a less accommodative policy stance. An initial move in that direction had been made in early February, but the members still viewed monetary policy as too stimulative. In this regard, members cited the very low inflation-adjusted interest rates in short-term debt markets as an indicator of excessive policy accommodation, and one member also referred to the rapid growth in reserves and narrow measures of money over an extended period. While a quite accommodative policy stance had been entirely appropriate earlier in the economic recovery, when constraints such as the widespread rebuilding of balance sheets and business restructuring activities were strongly inhibiting the expansionary forces in the economy, those constraints had greatly diminished and the expansion clearly had gained considerable momentum. In the circumstances, maintaining an accommodative monetary policy could be expected before too long to foster growing pressures on labor and capital resources with a resulting pickup in inflation. While actual inflation remained subdued and credit growth was still damped, it was only a matter of time before the current monetary policy induced a surge in credit extensions that could fuel an outbreak of inflation.

In these circumstances, the members concluded that monetary policy needed to move fairly quickly toward what might be characterized as a more neutral position. Such a policy posture could not be defined with precision and it undoubtedly varied to some extent with changing circumstances. Nonetheless, it provided a useful conceptual approach to policy in current circumstances and could be identified as a policy stance that sought to foster sustained noninflationary expansion consistent with the economy's potential. The members generally concluded that such a policy stance was still some distance away, and the key issue facing the Committee was not whether but how promptly the necessary policy adjustment should be completed. Whether further tightening beyond that point would be needed later could not be determined at this time but would depend on the potential emergence of conditions pointing to an acceleration of inflation.

As had been the case at the February meeting, views differed on how much further current monetary policy should be adjusted at this meeting. Many members noted that money market interest rates would have to rise by a relatively sizable amount from current levels, given underlying economic conditions, but a majority indicated a preference for another small move at this time. Many were concerned about a possible overreaction in financial markets that had become quite sensitive and volatile since early February. A few also placed some emphasis on their expectations of a considerable slowdown in the rate of economic growth and the possibility that the moderation of the expansion might prove to be somewhat more pronounced than was currently projected. In this view, a degree of caution was advisable to permit an assessment of ongoing developments.

Members who preferred a more sizable policy adjustment, or perhaps a small move through open market operations that was associated with a rise in the discount rate, believed that the increasing risks of greater inflation pointed to the need to move more promptly and decisively away from a policy stance that had become overly accommodative. A stronger policy action at this point would serve to underscore the Committee's commitment to its price stability objective and would help to counteract what some members interpreted as a significant increase in inflationary expectations since earlier in the year. A reduction in such expectations would over time have beneficial implications for bond markets and the economy. In the view of some members, continued market expectations of further actions to tighten reserve conditions were themselves contributing to market instability. Some members also commented that any policy choice incurred the risk of proving to be wrong, but they viewed the greatest risk at this juncture to be a policy that allowed inflationary pressures to gather momentum. A policy decision that in hindsight led to the implementation of too much restraint could be corrected more readily and with less damage to the economy in this view.

In the Committee's discussion of possible intermeeting adjustments to the degree of reserve pressure, a majority of the members indicated a preference for retaining a symmetric directive. While the probability of an easing action during this period was deemed to be very low, the members also did not see as very likely any firming over the intermeeting period beyond that to be implemented after today's meeting. The Committee had embarked on a course of moving away from an accommodative stance toward one that was more neutral. The timing of the actions to implement this policy was not independent of the behavior of the economy, of course, but it was not as dependent on the nuances of incoming data as policy might be at other times when the course of policy was less clear. Symmetry did not rule out an intermeeting adjustment of policy by the Chairman on behalf of the Committee, as had been done with some frequency in the past when that seemed warranted by intermeeting developments. Members who favored an asymmetric directive observed that such a directive seemed more consistent with the current thrust of monetary policy toward less accommodation and the related need to respond promptly to indications of accelerating inflation. These members indicated, however, that they could support a symmetric directive that was associated with the prospect of intermeeting consultations.

At the conclusion of the Committee's policy discussion, all but two of the members indicated that they could accept a directive that called for a slight increase in the degree of pressure on reserve positions and that did not include a presumption about the likely direction of any adjustment to policy during the intermeeting period. Accordingly, in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, the Committee decided that slightly greater or slightly lesser reserve restraint might be acceptable during the intermeeting period. According to a staff analysis, the reserve conditions contemplated at this meeting would be consistent with moderate growth in M2 and M3 over the first half of 1994.

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

The information reviewed at this meeting suggests that economic activity has expanded appreciably further in the early months of 1994. Severe weather and changes in statistical methodology distorted movements in official labor market data in January and February, but it appears that employment increased somewhat on balance over the two months and that unemployment fell. Industrial production also increased substantially over this period after a sharp rise in the fourth quarter. Consumer spending and housing activity apparently have been held down to some extent by adverse weather in January and February; retail sales were little changed on balance over the two months and housing starts fell considerably. Trends in contracts and orders point to a sizable increase in business fixed investment but at a rate well below that for the fourth quarter of 1993. The nominal deficit on U.S. trade in goods and services in January was slightly smaller than the average in the fourth quarter. Increases in broad indexes of consumer and producer prices have remained moderate in recent months despite a surge in energy prices.

Most market interest rates have risen considerably since the Committee meeting on February 3–4, 1994. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies depreciated over the intermeeting period.

M2 declined somewhat and M3 was down sharply in February, but data for early March point to some rebound in both aggregates. Total domestic nonfinancial debt has expanded at a moderate rate in recent months.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at its meeting in February established ranges for growth of M2 and M3 of 1 to 5 percent and 0 to 4 percent respectively, measured from the fourth quarter of 1993 to the fourth quarter of 1994. The Committee anticipated that developments contributing to unusual velocity increases could persist during the year and that money growth within these ranges would be consistent with its broad policy objectives. The monitoring range for growth of total domestic nonfinancial debt was set at 4 to 8 percent for the year. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

In the implementation of policy for the immediate future, the Committee seeks to increase slightly the existing degree of pressure on reserve positions. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, slightly greater reserve restraint or slightly lesser reserve restraint might be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with moderate growth in M2 and M3 over the first half of 1994.

Votes for this action: Messrs. Greenspan, McDonough, Forrestal, Kelley, LaWare, Lindsey, Parry, and Ms. Phillips. Votes against this action: Messrs. Broaddus and Jordan.

Messrs. Broaddus and Jordan dissented because they preferred a stronger move toward a more neutral policy stance. In their view, the recent sharp increases in longer-term interest rates indicated clearly that inflationary expectations were rising and that the principal policy risk had become one of remaining accommodative for too long a period. In this environment, they believed that a more aggressive move would underscore the Committee's commitment to fostering sustainable longer-term growth and reduce the risk that a highly restrictive policy might be required at a later date to contain inflation.

The Committee then turned to a discussion of the desirability of making an immediate announcement of today's policy decision. All the members favored prompt disclosure in principle, but some expressed reservations about announcing today's decision immediately after the meeting. These members preferred to consider a decision on announcements of policy actions in the context of a broad range of disclosure issues, some of which had yet to be fully explored. Some stressed that they remained concerned about the inhibiting effects of some types of disclosures on the Committee's deliberations, and one member emphasized that the Committee also needed to consider the implications of immediate announcements of changes in open market policy for the role of the discount rate. Several members commented that announcing a decision reached at this meeting, because it would come after a similar announcement following the most recent meeting in early February, would in effect set a precedent that would tend to limit the Committee's future options. A majority of the members concluded, however, that while the Committee was not making a formal, binding decision on this issue at this meeting, the Chairman would be authorized to release a short press statement regarding today's policy decision. A useful purpose would be served in reducing or eliminating potential misinterpretation of the Committee's policy decision and the related risk of overreactions in financial markets at a time of considerable uncertainty and volatility in those markets. The news of the Committee's action would be conveyed unambiguously to the entire public at once and not filtered through the financial markets' interpretation of open market operations. Moreover, the Committee would retain the option of specifying the exact contents and timing of future policy announcements, including intermeeting policy actions. Most of the members concluded that the advantages to the public of prompt release today outweighed the potential disadvantages.

It was agreed that the next meeting of the Committee would be held on Tuesday, May 17, 1994. This meeting adjourned at 2:05 p.m.

At a telephone conference held on March 24, 1994, the Committee approved a temporary increase, from $700 million to $3.0 billion, in the

Federal Reserve System's reciprocal currency ("swap") arrangement with the Bank of Mexico. Concurrently, the U.S. Treasury announced a $3 billion swap arrangement between the U.S. Exchange Stabilization Fund and the Bank of Mexico and the Mexican Ministry of Finance. The System's action was effective immediately and, subject to certain conditions, it authorized the Bank of Mexico to draw on the enlarged arrangement until April 29, 1994, with full repayment of any drawings to be made by July 29, 1994.

A permanent increase in the System's swap arrangement with the Bank of Mexico had been discussed at the Committee's recent meeting on March 22, and it had been contemplated at that meeting that the Committee would vote on such an increase during April in the context of the establishment of a consultative mechanism involving the finance ministries and central banks of Canada, Mexico, and the United States. However, the assassination of a major candidate for the presidency of Mexico on the evening of March 23 had prompted the closing of Mexican financial markets on March 24 and had given rise to concerns regarding possible financial market disorder in reaction to unfolding political developments when those markets reopened. Against this background, the Committee decided to join the U.S. Treasury in an action that would help confirm continued U.S. support for Mexico's economic policies at a potentially critical time for Mexican financial markets.

Votes for this action: Messrs. Greenspan, McDonough, Forrestal, Jordan, Kelley, LaWare, Lindsey, Parry, and Ms. Phillips. Vote against this action: Mr. Broaddus.

Effective April 26, 1994, the Committee by notation vote approved a recommendation by Chairman Greenspan to establish an enlarged swap arrangement of $3 billion on a permanent basis. As is the case for all swap arrangements, this arrangement is subject to periodic annual review after an initial maturity date of December 15, 1995. Simultaneously, the maturity date of the System's swap facility with the Bank of Canada was extended by one year to December 15, 1995.

Votes for this action: Messrs. Greenspan, McDonough, Forrestal, Jordan, Kelley, LaWare, Lindsey, Parry, and Ms. Phillips. Vote against this action: Mr. Broaddus.

The enlarged foreign exchange swap arrangement with the Bank of Mexico constituted part of a new trilateral foreign exchange swap facility established in connection with the newly formed consultative group called the North American Financial Group and comprised of the Finance Ministers and Central Bank Governors of Canada, Mexico, and the United States. The purpose of this standing facility is to expand the pool of potential resources available to the monetary authorities of each country to maintain orderly exchange markets. Its establishment at this time was deemed desirable in light of the outlook for expanding and increasingly interdependent economic relationships among the three economies after the successful conclusion of the North American Free Trade Agreement.

The components of the trilateral facility include (1) swap agreements between the United States and Mexico for up to $6.0 billion, with the Treasury and the Federal Reserve each participating up to $3.0 billion; (2) an expansion of the swap agreement between the Bank of Canada and the Bank of Mexico to CAN$1.0 billion; and (3) a reaffirmation of the existing swap agreement between the Bank of Canada and the Federal Reserve in the amount of $2.0 billion, with the above-noted maturity extension.

Mr. Broaddus dissented because he was concerned about the appropriateness of the System's involvement in this type of foreign currency operation. In his view, the System's swap network raised a number of broad issues that he felt the Committee needed to review at some point. Accordingly, he would not favor increasing any existing swap arrangement until such a review had taken place.

At a telephone conference on April 18, Committee members reviewed economic and financial developments since the March meeting and discussed the desirability of taking further action to move policy away from its still accommodative stance. Broad indicators of economic activity, supported by widespread anecdotal evidence, pointed to considerable momentum in economic activity and further reductions in already limited margins of unutilized labor and other production resources. In financial markets, sharp declines in bond and stock prices suggested that speculative excesses had been reduced, and ongoing portfolio realignments probably were shifting long-term financial assets to firmer hands. As a result, financial markets now appeared to be less likely to overreact to adverse developments or to policy actions. In the circumstances, the members supported the Chairman's decision to reduce the degree of accommodation in reserve markets slightly further at this time rather than to await the next regularly scheduled meeting in mid-May. Some members expressed the view that an increase in the discount rate would provide a desirable supplement to this policy action.

Donald L. Kohn
Secretary

Legal Developments

FINAL RULE—AMENDMENT TO REGULATION H

The Board of Governors is amending 12 C.F.R. Part 208, its Regulation H (Membership of State Banking Institutions in the Federal Reserve System), to allow a state member bank that meets certain conditions to invest in its premises in an amount up to 50 percent of its Tier 1 capital without obtaining specific approval. The Board believes that a general approval for a state member bank to invest an amount not exceeding 50 percent of its Tier 1 capital is appropriate for a bank that meets those conditions. This action will significantly reduce the number of applications to invest in bank premises that are filed with the Board and will thereby reduce regulatory burden.

Effective June 30, 1994, 12 C.F.R. Part 208 is amended as follows:

Part 208—Membership of State Banking Institutions in the Federal Reserve System (Regulation H)

1. The authority citation for part 208 continues to read as follows:

Authority: 12 U.S.C. 36, 248(a), 248(c), 321–338a, 371d, 461, 481–486, 601, 611, 1814, 1823(j), 1828(o), 1831o, 1831p-1, 3105, 3310, 3331–3351, and 3906-3909; 15 U.S.C. 1(b), 1(g), 1(i), 78b, 78o-4(c)(5), 78q, 78q-1, and 78w; 31 U.S.C. 5318.

2. Section 208.22 is added to subpart A to read as follows:

Section 208.22—Investment in bank premises.

(a) Under Section 24A of the Federal Reserve Act, state member bank investments in bank premises or in the stock, bonds, debentures, or other such obligations of any corporation holding the premises of the bank, and loans on the security of the stock of such corporation, do not require the approval of the Board if the aggregate of all such investments and loans, together with the indebtedness incurred by any such corporation that is an affiliate of the bank (as defined in section 2 of the Banking Act of 1933, as amended, 12 U.S.C. 221a):

(1) Does not exceed the capital stock account of the bank; or

(2) Does not exceed 50 percent of the bank's Tier 1 capital and the bank:

(i) Is well capitalized as defined in section 208.33(b)(1) of this part;

(ii) Received a composite CAMEL rating of "1" or "2" as of its most recent examination by the relevant Federal Reserve Bank or state regulatory authority; and

(iii) Is not subject to any written agreement, cease and desist order, capital directive, or prompt corrective action directive issued by the Board or a Federal Reserve Bank.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

BankAmerica Corporation
San Francisco, California

Order Approving Acquisition of a Bank

BankAmerica Corporation, San Francisco, California ("BankAmerica"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Liberty Bank, Honolulu, Hawaii ("Liberty"), through a merger of Liberty into Bank of America, FSB, Portland, Oregon ("Bank of America FSB"), a wholly owned subsidiary of BankAmerica, with Bank of America FSB surviving the merger.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (58 *Federal Register* 67,411 (1993)). The time for filing comments has expired, and the Board has considered all comments received in light of the factors set forth in section 3(c) of the BHC Act.

BankAmerica, with total consolidated assets of approximately $197.2 billion,[1] is the second largest commercial banking organization in the United States and controls banking or savings association subsidiaries in Alaska, Arizona, California, Idaho, Nevada, New Mexico, New York, Oregon, Texas, and Washington. BankAmerica is the third largest commercial banking organization in Hawaii, controlling deposits of $1.6 billion, representing approximately 11.4 percent of total deposits in commercial banks in the state.[2] Liberty is the seventh largest commercial banking organization in Hawaii, controlling deposits of $265.8 million, representing 1.9 percent of total deposits in commercial banks in the state. Upon consummation of this proposal, BankAmerica would remain the third largest commercial banking organization in Hawaii, controlling deposits of $1.8 billion, representing approximately 13.3 percent of total deposits in commercial banks in the state.

Douglas Amendment Analysis

Section 3(d) of the BHC Act ("Douglas Amendment") prohibits the Board from approving an application by a bank holding company to acquire control of a bank located outside of the state in which the operations of such bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which such company became a bank holding company, whichever is later, "unless the acquisition of . . . a State bank by an out-of-State bank holding company is specifically authorized by the statute laws of the State in which such bank is located, by language to that effect and not merely by implication."[3] For purposes of the Douglas Amendment, on the relevant date, the banking operations of BankAmerica were principally conducted in California. Thus, in reviewing whether BankAmerica may acquire a bank in a state other than California, the Board must consider whether the laws of the state in which the bank is located specifically authorize the acquisition.

BankAmerica would not operate Liberty as a bank upon consummation of this transaction. Instead, BankAmerica would acquire Liberty by merging Liberty into Bank of America FSB, its existing thrift operating in Hawaii.[4] Hawaiian law provides that a federal thrift whose operations are conducted principally in Hawaii may, with the approval of the Hawaii Commissioner of financial institutions (the "Commissioner"), merge with a Hawaii financial institution if the merger is permitted by federal law.[5] Liberty is a Hawaii financial institution,[6] and Bank of America FSB's operations are principally conducted in Hawaii for purposes of this statute.[7] Furthermore, the merger is permitted under federal law because the Home Owners' Loan Act permits Bank of America FSB, as a federal savings bank, to merge with Liberty, a depository institution insured by the Federal Deposit Insurance Corporation (the "FDIC"), upon obtaining prior approval of the OTS.[8]

The Commissioner has indicated that this proposal is authorized by section 412:3-609(c) of Hawaii's banking law.[9] In light of all the facts of record, the Board has determined that its approval of this proposal is not prohibited by the Douglas Amendment.[10] Ap-

1. Asset data are as of March 31, 1994.

2. All deposit data are as of June 30, 1993.

3. 12 U.S.C. § 1842(d). Under the Douglas Amendment, the operations of a bank holding company are considered principally conducted in the state in which the total deposits of its banking subsidiaries were largest on the date in question. The operations of BankAmerica were principally conducted in California on April 1, 1969, the date on which it became a bank holding company.

4. Bank of America FSB is a federal savings association organized under the provisions of the Home Owners' Loan Act (12 U.S.C. § 1461 *et seq.*), and it operates 31 full-service branch offices in Hawaii. BankAmerica acquired Bank of America FSB (successor to The Benjamin Franklin Federal Savings and Loan Association) in 1990 in an assisted emergency transaction pursuant to section 13(k) of the Federal Deposit Insurance Act (the "FDI Act"). 12 U.S.C. § 1823(k). In approving that transaction, the Office of Thrift Supervision ("OTS") granted Bank of America FSB the authority to branch into three states, one of which was Hawaii, for as long as the bank maintained total deposits of at least $1 billion. *See* OTS Order No. 90-1659 (Sept. 7, 1990) (the "OTS Order"). Bank of America FSB exercised that authority in 1992 by acquiring the branch offices of HonFed Bank, a federal savings bank in Honolulu, Hawaii ("HonFed"). The Board concluded that the acquisition of HonFed by Bank of America FSB was permitted under the branching authorization for federal savings associations and was consistent with the regulatory framework of savings association acquisitions under the BHC Act. *See BankAmerica Corporation*, 78 *Federal Reserve Bulletin* 707 (1992). As noted above, Bank of America FSB currently meets the total deposit requirements in the OTS Order.

5. Haw. Rev. Stat. § 412:3-609(c).

6. Liberty is a Hawaii financial institution since it is chartered under Hawaiian law and authorized to accept deposits, make loans, or engage in the business of a trust company. Haw. Rev. Stat. § 412:1-109.

7. The term "operations are principally conducted" is defined under Hawaiian law to mean the state where total deposits are largest. Haw. Rev. Stat. § 412:1-109. The largest amount of deposits of Bank of America FSB is located in Hawaii, and the Commissioner has determined that this "principally conducted" provision of Haw. Rev. Stat. § 412:3-609(c) has been satisfied.

8. 12 U.S.C. § 1467a(s). In addition, Bank of America FSB may establish additional branches in Hawaii with the prior approval of the OTS. *See* the OTS Order. *See also* 12 C.F.R. 556.5.

9. Both sections 412:3-609(c) and (d) of Hawaii's banking law permit a merger of a Hawaii financial institution with a federal savings bank with the resulting institution to be operated as a thrift. Furthermore, section 412:3-609(d) permits financial institutions chartered or licensed under the laws of another state, or whose operations are conducted principally in any state other than Hawaii, to merge with a Hawaii financial institution if the resulting institution conducts its operations principally in Hawaii.

10. If the institution resulting from the merger were to be a bank rather than a thrift, it does not appear that this proposal would be permitted under the Douglas Amendment.

proval of this proposal is specifically conditioned upon BankAmerica and Bank of America FSB receiving all required state regulatory approvals and the approval of the OTS under section 18(c) of the FDI Act (12 U.S.C. § 1828(c)).

Competitive Considerations

The BHC Act provides that the Board may not approve a proposal submitted under section 3 of the BHC Act if the proposal would result in a monopoly or the effect of the proposal would be substantially to lessen competition in any relevant market. The Board has received comments opposing the proposal from organizations in Hawaii (the "Hawaii Protestants") maintaining that approval of the transaction would have a substantially adverse effect on the competitive environment for mortgage lending services in Hawaii,[11] and that post-merger increases in the Herfindahl–Hirschman Index ("HHI") and the lack of mitigating factors indicate that the proposed merger would be anticompetitive.

BankAmerica and Liberty compete directly in the Honolulu banking market.[12] BankAmerica is the third largest depository institution[13] in this market, with deposits of $1.5 billion, representing 11.6 percent of total deposits in depository institutions in the market ("market deposits"). Liberty is the seventh largest depository institution in the Honolulu banking market, with deposits of $265.8 million, representing 2.1 percent of market deposits. Upon consummation of this proposal, BankAmerica would remain the third largest depository institution in the Honolulu banking market, controlling deposits of $1.7 billion, representing 13.7 percent of market deposits. BankAmerica's market share would increase from 11.6 percent to 13.7 percent, and the HHI for the market would increase by 49 points to 2293.[14] There are a number of depository institution competitors in the Honolulu banking market, and ten depository institutions will remain in this market following consummation of this proposal.

The Board also has considered the views of the Justice Department on the likely competitive effects of this proposal. The Justice Department has advised the Board that BankAmerica's acquisition of Liberty is not likely to have a significantly adverse effect on competition.

Based on all the facts of record, including the comments submitted by the Hawaii Protestants and BankAmerica's response to those comments, the Board's previous consideration of the Honolulu banking market, and the relatively small increase in market share and market concentration in this market as measured by the HHI, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition in the Honolulu banking market.

Convenience and Needs Considerations

In acting on an application to acquire a depository institution as proposed in these applications, the Board must consider the convenience and needs of the communities to be served, and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with

11. The Board has long held that the product market for evaluating bank mergers and acquisitions is the cluster of products and services offered by banking organizations, and the Supreme Court has emphasized that it is this cluster of products and services that, as a matter of trade reality, makes banking a distinct line of commerce. *See First Hawaiian, Inc.*, 79 *Federal Reserve Bulletin* 966 (1993) ("*First Hawaiian Order*") and authorities cited therein; *see also United States v. Philadelphia National Bank*, 374 U.S. 321, 357 (1963). The Board also has found that the ability of thrifts and banks to offer their products and services in combination distinguishes them from other institutions. *First Hawaiian Order*, p. 967. After considering all the facts of record in light of relevant Board and judicial precedents, the Board believes that the appropriate product market in this case is the cluster of banking products and services.

Even assuming that mortgage lending constitutes a separate product market as maintained by the Hawaii Protestants, the record does not demonstrate that this proposal would result in significantly adverse competitive effects in that product market. The Board notes that a number of other institutions, including finance companies, offer mortgage products in Hawaiian banking markets. *See First Hawaiian Order*, p. 967.

12. The Honolulu banking market is approximated by Honolulu County, Hawaii, which is coextensive with the Island of Oahu.

13. In this context, depository institutions include commercial banks, savings banks and savings associations. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50 percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991). Because Bank of America FSB is controlled by a commercial banking organization, its deposits are included at 100 percent in the calculation of market share.

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

the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of this application.[15]

The Board has received comments from the Hawaii Protestants and an individual in California ("California Protestant") (the California Protestant and the Hawaii Protestants to be referred to collectively as "Protestants") critical of the efforts of BankAmerica, its subsidiary banks, and Liberty to meet the credit and banking needs of their communities. The Hawaii Protestants allege that Bank of America FSB has not generally met the convenience and needs of minority and low- and moderate-income individuals, and in particular, illegally discriminates in its efforts to meet the credit needs of native Hawaiians and Filipinos residing in its banking communities.[16] The California Protestant alleges generally that Bank of America National Trust and Savings Association ("Bank of America - California"), BankAmerica's subsidiary bank operating in California, has not met the banking and credit needs of minorities, and in particular, Hispanics, and low- and moderate-income individuals in five counties in California.

In its consideration of the convenience and needs factor, the Board has carefully reviewed the entire record of CRA performance of BankAmerica, its subsidiary banks, and Liberty; all comments received on this application, and BankAmerica's response to those comments; and all the other relevant facts of record, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[17]

The Board also has evaluated the CRA performance record of Bank of America FSB, taking into consideration the fact that BankAmerica did not commence its activities in Hawaii until August 1992, and that the bank's overall volume of lending decreased in 1993 due, in part, to BankAmerica's reorganization of HonFed's operations and loan programs.

15. 12 U.S.C. § 2903.

16. The Hawaii Protestants maintain that data required to be filed by Bank of America FSB under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA") indicate that the bank's lending policies result in discriminatory treatment of individuals of Hawaiian and Filipino ancestry, and that the outreach efforts of both Bank of America FSB and Liberty are targeted primarily to nonminorities.

17. 54 *Federal Register* 13,742 (1989).

Record of CRA Performance

A. CRA Performance Examinations

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record, and that these reports will be given great weight in the applications process.[18] In this case, the Board notes that all of BankAmerica's subsidiary banks evaluated for CRA performance received "outstanding" or "satisfactory" ratings from their primary regulators during their most recent examinations. Bank of America FSB received a "satisfactory" rating from its primary federal regulator, the OTS, at its most recent examination for CRA performance as of September 7, 1993, and Bank of America — California received an "outstanding" rating from its primary federal regulator, the Office of the Comptroller of the Currency (the "OCC"), at its most recent examination for CRA performance as of January 28, 1994. Liberty received a "satisfactory" rating from its primary federal regulator, the FDIC, at its most recent examination for CRA performance as of May 27, 1992.

B. CRA Record of Performance of Bank of America FSB

HMDA Data. The Hawaii Protestants allege that 1992 HMDA data filed by Bank of America FSB indicate that the bank's lending policies resulted in discriminatory treatment of individuals of Hawaiian and Filipino ancestry.[19] The Board has carefully reviewed these comments and the 1992 data in light of the preliminary 1993 HMDA data for the bank which represents the first full year of data accumulated under BankAmerica's ownership of the former HonFed. These data indicate that the volume of loan applications received from individuals within the Asian/Pacific Islander group[20] was proportional to that group's representation in the community, and that denial rates for that group were lower than denial rates for white applicants.[21]

18. *Id.* at 13,745.

19. The Hawaii Protestants also allege that Bank of America FSB has "redlined" the islands of Molokai and Lanai, which have large populations of Filipinos and native Hawaiians, by excluding them from the bank's delineated lending area. The OTS reviewed these exclusions in its most recent examination and determined that they were reasonable, noting that the primary owner of land on Lanai is converting the land to an affluent resort area, and that Molokai has a limited population to sustain a market presence.

20. Under the HMDA, separate reporting of loans made to native Hawaiians or Filipinos is not required, because these ethnic groups are included in the category of Asian/Pacific Islander for reporting purposes.

21. In 1993, the bank received 62 percent of HMDA-related loan applications from Asian/Pacific Islanders (60 percent of the population), with 65 percent of the banks' HMDA-related loans originated to

The Board also notes, however, that the 1993 preliminary data and the OTS's most recent CRA performance examination indicate that Bank of America FSB had a low level of lending to African-Americans and Hispanic applicants, and to individuals in low- and moderate-income areas.[22] The Board is concerned when an institution's record indicates disparities in lending to minority or low- and moderate-income applicants, and believes that all banks are obligated to ensure that their lending practices are based on criteria that assure not only safe and sound lending, but also equal access to credit by creditworthy applicants regardless of race. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community. The Board also recognizes that HMDA data have limitations that make the data an inadequate basis, absent other information, for conclusively determining that an institution has engaged in illegal discrimination in making lending decisions.

The Board notes that the most recent examination of Bank of America FSB found no evidence of illegal discrimination or policies that discourage applicants from pursuing credit applications. Examiners did find numerous technical violations to the recordkeeping and notice requirements of fair lending regulations, many of which, according to the OTS, resulted from staffing and control issues that were in the process of being addressed through a new compliance program at the bank.[23] This program includes staff training and periodic reviews of fair lending issues. In addition, BankAmerica intends to perform an on-site review of the bank's CRA program within 60 days of the merger, and to monitor responses by the bank to any concerns raised in OTS's recent examination.[24]

Bank of America FSB also has initiated steps to improve its lending record to minority and low- and moderate-income borrowers. For example, the bank has implemented a program whereby all residential mortgage applications that are recommended for denial receive a second review to insure that the recommendation is appropriate.[25] Furthermore, the bank has established employee incentive programs to encourage the origination of loans in low- and moderate-income areas and to low- and moderate-income individuals.

Loan Programs. Bank of America FSB intends to expand its presence in all markets in Hawaii, and has introduced two new loan products to assist in meeting the credit needs of the bank's community, including low- and moderate-income individuals. In May 1993, the bank introduced its "Neighborhood Advantage" program, which offers mortgage loans with low down payments and flexible underwriting criteria.[26] The bank indicates that as of December 31, 1993, it had approved 39 loans totalling approximately $5.4 million under this program.

The bank also introduced its "BASIC" consumer loan program in the last half of 1993. Loans under this program offer favorable financing terms and flexible underwriting criteria.[27] The bank indicates that as of December 31, 1993, it had approved 69 loans totalling $542,255 under this program.

The OTS's recent CRA performance examination of Bank of America FSB found that the bank had established a productive relationship with the Office of Hawaiian Affairs in an effort to become involved in its programs for native Hawaiians. During 1992 and 1993, the bank originated or booked as agent 44 mortgages totalling approximately $2.9 million under the Department of Hawaiian Home Lands "Panaewa" project for native Hawaiians. The bank also has made 14 low-interest construction loans totalling approximately $1.3 million to low- and moderate-income families assisting in the construction of their own homes. In addition, the bank has a 10 percent investment in a $55 million loan fund established by the Hawaii Community Reinvestment Corporation, a non-profit consortium providing financing for affordable housing projects.[28]

this group. The denial rate for this group was 17 percent, and the denial rate for white applicants was 19 percent.

22. As previously noted, the bank's overall loan volume decreased significantly in 1993 while BankAmerica was revising HonFed's operations and loan programs. OTS examiners found that this decrease cut across all census tracts and involved all types of loans, and concluded that this was an acceptable short-term strategy to strengthen the bank's long-term ability to assist in addressing unmet credit needs.

23. Examiners did not find that these violations had a disproportionate effect on members of protected groups.

24. In this regard, the OTS examiners have questioned whether a credit program offered by the bank's California consumer lending division could have a disparate impact on certain groups. Bank management represented that issues relating to this program, which existed prior to the bank's acquisition of the program, would be addressed.

25. All consumer loan applications recommended for denial for reasons other than credit history or debt-to-income ratios also receive a second review.

26. Loans can be made for a maximum loan-to-value ratio of 95 percent, and underwriting criteria allow for higher than normal debt-to-income ratios. In acknowledgement of the high cost of housing in Hawaii, the bank offers this program to individuals with up to 150 percent of median income, and individuals acquiring properties located in low- and moderate-income census tracts. BankAmerica represents that the utilization of 150 percent of median income is consistent with the affordability programs of the Federal National Mortgage Association.

27. The savings bank has been offering a discounted interest rate under this program, and personal loans for as low as $1,000 are available. Unsecured loans under the program are available to individuals with incomes equal to 80 percent or less of median income, and secured loans are available to individuals residing in low- and moderate-income census tracts or with incomes equal to 150 percent or less of median income.

28. The bank also has committed to take part in the development of the Hawaii Housing Development Corporation, a non-profit organization that will focus on producing rental housing for low-income individuals.

Bank of America FSB recently announced a comprehensive program to enhance service to the native Hawaiian and Filipino communities. The program includes a four-year commitment to provide $150 million in residential mortgage loans for native Hawaiians seeking housing on Department of Hawaiian Home Lands. The bank also has appointed two community lending specialists to develop and implement outreach programs for the Hawaiian and Filipino communities, and has committed $100,000 over three years for use by nonprofit organizations that provide affordable housing for Filipinos. In a separate program, the bank, through its community development division, has committed $30 million over the next two years to Kauai County's efforts to build affordable housing in Kauai in the aftermath of Hurricane Iniki.[29]

In September 1993, Bank of America FSB launched its new business banking initiative, which focuses on lending to small businesses. In connection with this initiative, the bank established its Advantage Business Credit program which provides loans to small businesses in the amount of $2,500 to $100,000. In addition, the bank has committed $650,000 to a new Hawaii Small Business Loan Program, which will provide loans guaranteed by the Small Business Administration (the "SBA").

In 1992, BankAmerica established corporate-wide CRA-related goals, committing to provide $12 billion over a ten-year period for housing loans in low- and moderate-income census tracts and for lower-income and minority borrowers, funding for the development and long-term financing of low-income housing, consumer loans for lower-income households, and government-guaranteed and conventional small business loans.[30] Bank of America FSB booked loans totalling approximately $11 million as of September 30, 1993, representing 92 percent of its $12 million 1993 goal under this corporate-wide initiative. The bank plans to double that goal in 1994.

Other Aspects of CRA Performance. The OTS found that Bank of America FSB's efforts to ascertain community credit needs generally have been successful considering the limited time that the bank has been in the Hawaiian market. The bank's CRA officer communicates with a variety of community-based and non-profit organizations, business organizations, and state governmental entities. Bank of America FSB has a formal call program in place, and its employees serve on the boards of organizations involved in the development of affordable housing in Hawaii. The bank has established an advisory board to inform its board of directors about local credit needs. This advisory board is composed of residents who are involved in local business, government and/or community activities.

Bank of America FSB has sponsored credit-education fairs with the International Credit Association, and "Better Home Shows" that include information on new affordable housing projects sponsored by the State of Hawaii. The bank also co-sponsored two events in 1993 relating to community-based and small business lending. These events were targeted to the native Hawaiian community.[31]

C. Record of Performance of Bank of America - California

The Board has carefully reviewed the 1992 and preliminary 1993 data filed by Bank of America - California under HMDA in light of the California Protestant's allegations that the bank does not lend to minorities, particularly Hispanics, and low- and moderate-income individuals in five counties in California.[32] These data show that Bank of America - California does make loans to minorities and to residents of low- and moderate-income areas of San Joaquin, Stanislaus and Merced Counties.[33] In addition, the bank's originations to African-Americans and Hispanics and low- and moderate-income census tracts, as a percentage of total originations, met or exceeded the performance of its peers in 1992. Furthermore, Bank of America

29. Loans under this program will be offered at below market rates to projects serving low- and very-low-income families.

30. BankAmerica has allocated $8 billion of this commitment to California, and $4 billion to all other states.

31. The Hawaii Protestants have alleged that the outreach efforts of Liberty are targeted primarily to nonminorities. The FDIC's most recent CRA performance evaluation of Liberty found that diverse ethnic groups were targeted by advertisements in local media in various languages, including Chinese, Japanese, Korean, Tagalog and Vietnamese. The FDIC also found that the bank demonstrated a strong record of helping to meet the credit needs of its entire community, and that mapping of loan activity indicated a reasonable penetration of all segments of the bank's community, including low- and moderate-income neighborhoods.

32. The California Protestant specifically alleges that Bank of America - California

(1) has "redlined" Hispanic individuals and businesses in Stanislaus, Merced, Madera, Tuolumne and San Joaquin counties (the "Target Counties");

(2) has closed branches in downtown areas of the Target Counties that were accessible to minorities, particularly Hispanics;

(3) has not provided sufficient marketing to the Hispanic community; and

(4) has not provided sufficient assistance or other support to individuals and organizations working with the Hispanic community.

33. For example, the bank made 35 mortgage loans to African-Americans and 227 mortgage loans to Hispanics in these three counties in 1992, and made 45 and 236 mortgage loans to African-Americans and Hispanics, respectively in these counties in 1993. Furthermore, in 1992 and 1993, the bank made 275 and 288 HMDA-related loans to low- and moderate-income census tracts in San Joaquin, Stanislaus and Merced Counties.

Madera and Tuolumne counties are located outside metropolitan statistical areas and, therefore, loans made to individuals in these counties are not separately reported under HMDA.

Community Development Bank generated a total of 376 units of low- and very-low-income housing for residents of San Joaquin, Merced and Stanislaus counties during the three year period ending in 1993.

As noted above, Bank of America - California received an "outstanding" rating from the OCC at its 1994 examination for CRA performance, which included a fair lending examination of residential loan files. The OCC found no evidence of illegal discrimination or other practices designed to discourage credit.[34]

Bank of America - California also offers a variety of credit products and services designed to meet the credit needs of low- and moderate-income and minority neighborhoods within its delineated communities, including the "Neighborhood Advantage" and "BASIC" loan programs. The bank also offers a low-cost checking account to lower-income customers. The bank participates in a number of government sponsored credit programs by offering Farmers Home Administration loans, SBA loans, and federally insured student loans.[35] Furthermore, in November 1993, the bank introduced a loan program offering flexible underwriting criteria and a simplified application process for minority and women business owners.

In its most recent CRA examination of Bank of America - California, the OCC found that the bank had a program of ongoing, productive communications with a wide range of community-based and social service organizations and small business associations. In addition, the OCC indicated that the bank's marketing programs are designed to reach wide segments of the delineated community and include multilingual advertisements appearing in general circulation newspapers and magazines, as well as community and ethnic newspapers. In 1991, the bank introduced a Spanish language promotional kit including posters, print advertisements, brochures and video for use in branches. The bank also has targeted advertising campaigns to the African-American community.

The bank supports the Stanislaus County Hispanic Chamber of Commerce's Banking Community Outreach project, and Desarollo Latino Americano (formerly the Hispanic Task Force of Stanislaus County), a community-based non-profit organization created to provide low-income housing in Stanislaus County. The bank also has contributed to Spanish-language radio broadcasts that educate individuals in the Target Counties about banking services.[36]

Conclusion Regarding Convenience and Needs Factors

In considering the overall CRA performance records of BankAmerica, its subsidiary banks, and Liberty, the Board has carefully considered the entire record, including the public comments in this case.[37] Based on a review of the entire record of performance, including Protestant's comments, BankAmerica's response to those comments, and relevant reports of examination, the Board concludes that convenience and needs considerations, including the CRA performance records of BankAmerica, its subsidiary banks, and Liberty are consistent with approval of this application.[38] As dis-

34. The California Protestant alleged that the bank's appraisal practices discriminate against minorities and low income individuals. Bank of America - California has in place a second-review process when appraised values for homes in low- and moderate-income census tracts are less than the amount of financing requested, and in 1993, the bank hired an "appraisal ombudsperson" for Northern California to independently investigate complaints about appraisals.

The Board has also considered a housing discrimination complaint filed with the Department of Housing and Urban Development ("HUD") by an individual alleging discrimination on the basis of his Hispanic origin. The complainant contends that he received a low appraisal on his house when he applied for a refinancing through Bank of America - California. The Board has carefully reviewed this complaint in light of all facts of record, including relevant examination information. The Board notes that HUD's investigation of this complaint is in its early stages, and will provide the individual with an opportunity to fully assert his claims and obtain a remedy if his allegations are proved and a remedy is appropriate. Based on all the facts of record, the Board believes that this matter does not warrant denial of this application.

35. During 1993, the bank made 334 small business loans totalling $27.5 million in the Target Counties.

36. The California Protestant alleges that Bank of America - California recently has closed branches in downtown areas of the Target Counties that are accessible to minorities, particularly Hispanics. In the 1994 CRA examination of Bank of America - California, the OCC found that the bank's branch closure process included actions taken to minimize the impact on the local community. Another California-based organization has raised concerns that BankAmerica is not in compliance with commitments made to the Board regarding the transfer by Bank of America - California of a branch to a community-based, non-profit organization in lieu of closure. Bank of America - California responds that no decision on the disposition of the branch in question has been made and that it fully intends to comply with commitments regarding the disposition of branches.

37. The Hawaii Protestants have alleged that the terms of this proposal were not negotiated on an arm's length basis and the legal rights and interests of account holders and borrowers were not given proper recognition and protection. BankAmerica disputes this assertion and maintains that the proposed merger was negotiated at all times on an arm's length basis, and that it has fully recognized and addressed safety and soundness issues relative to the customers of Bank of America FSB and Liberty.

The Hawaii Protestants also have alleged that shareholders of Liberty were not given full disclosure of all the ramifications of the proposal. The Board notes that BankAmerica filed a Registration Statement with the Securities and Exchange Commission (the "SEC") relating to its shares of common stock to be distributed in connection with the proposed merger, and Liberty issued a Proxy Statement/Prospectus to its shareholders describing the terms of the merger. Both documents are subject to SEC regulations requiring complete and accurate disclosure of all material terms of the merger transaction, and both Bank of America FSB and Liberty would be subject to action by the SEC if they failed to comply with these regulations.

38. Several commenters from Texas have expressed concern over the reduction of staff in the SBA department at BankAmerica's Texas subsidiary, and the impact this will have on the availability of loans to minority businesses in Houston. BankAmerica responds that, while the bank has made some personnel and organizational changes to streamline its SBA lending activities, it is committed to providing the

cussed in this order, BankAmerica plans to increase its CRA-related lending in Hawaii. The Board believes that these plans, when viewed in the context of the outstanding or satisfactory performance ratings for BankAmerica's subsidiary banks, support approval of this application.

The Board expects Bank of America FSB to implement fully its CRA initiatives and to continue to improve its CRA performance, including its housing-related lending, in all of its delineated communities, and to address the issues raised by the OTS in its most recent CRA performance examination. The Board will continue to monitor implementation by Bank of America FSB of an effective CRA program in Hawaii, and will take this review into account in future applications by BankAmerica to establish a depository facility. In this regard, the Board requires as a condition of its action in this case, that BankAmerica submit to the Federal Reserve Bank of San Francisco copies of any reports submitted to the OTS in connection with Bank of America FSB's CRA performance, including the results of its lending programs and initiatives and its progress in increasing the levels of its lending to low- and moderate-income and minority individuals and communities.

Other Considerations

The financial and managerial resources and future prospects of BankAmerica, Bank of America FSB, and Liberty, and other supervisory factors the Board must consider under section 3 of the BHC Act, are consistent with approval of this proposal.

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved.[39] The Board's approval is specifically conditioned upon compliance with all of the commitments made by BankAmerica in connection with this application and with the conditions referred to in this order. This approval is further subject to BankAmerica obtaining the approval of the OTS under the FDI Act, and the approval of the Commissioner under applicable state law. For purposes of this action, the commitments and conditions relied on in reaching this decision shall be deemed to be conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

The acquisition of Liberty 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 Federal Reserve Bank of San Francisco acting pursuant to delegated authority.

By order of the Board of Governors, effective May 31, 1994.

Voting for this action: Chairman Greenspan and Governors Kelley, LaWare, and Phillips. Absent and not voting: Governor Lindsey.

JENNIFER J. JOHNSON
Associate Secretary of the Board

BB&T Financial Corporation
Wilson, North Carolina

Order Approving the Acquisition of a Bank Holding Company

BB&T Financial Corporation, Wilson, North Carolina ("BB&T"), and its wholly owned subsidiary, BB&T Financial Corporation of South Carolina, Greenville, South Carolina ("BB&T-SC"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to merge with L.S.B. Bancshares, Inc. of South Carolina, Lexington, South Carolina ("LSB"), and thereby indirectly acquire LSB's subsidiary banks, The Lexington State Bank, Lexington, South Carolina, and The Community Bank of South Carolina, Varnville, South Carolina.[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 13,323 (1994)). The time for filing comments has expired, and the Board

Houston community with SBA loans, as well as conventional lines of credit. In support of this assertion, BankAmerica notes that since entering the Texas market in 1991, its Texas subsidiary has introduced several new business products to help meet the credit needs of small businesses, including the Advantage Business Credit and the Minority-Owned Business Enterprise/Women-Owned Business Enterprise Credit, to enhance its ability to provide financing for small businesses that traditionally have not had access to credit.

39. Protestants have criticized the employment practices of Bank of America - California, Bank of America FSB and Liberty. Specifically, the California Protestant believes that Bank of America - California should hire more Spanish speaking personnel and should be using more Hispanic businesses to perform contract services. The Hawaii Protestants have commented on the absence of minorities in decision making positions at both Bank of America FSB and Liberty. In this regard, the Board notes that because these three institutions each employ more than 50 people and act as agents to sell or redeem U.S. savings bonds and notes, they are required by Treasury Department regulations to:
(1) file annual reports with the Equal Employment Opportunity Commission; and
(2) have in place a written affirmative action compliance program which states their efforts and plans to achieve equal opportunity in the employment, hiring, promotion and separation of personnel.

1. BB&T-SC will merge with and into LSB, with BB&T-SC surviving the merger.

has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

BB&T, with total deposits of $6.3 billion, controls two banking subsidiaries located in North Carolina and South Carolina. BB&T is the ninth largest bank holding company in South Carolina, controlling total deposits of $437.3 million, representing approximately 2.1 percent of total deposits in commercial banking organizations in the state.[2] LSB is the sixth largest commercial banking organization in South Carolina, controlling $573.7 million in deposits, representing 2.8 percent of total deposits in commercial banks in the state. Upon consummation of BB&T's acquisition of LSB, BB&T would become the fifth largest commercial banking organization in South Carolina, controlling $1 billion in deposits, representing 4.9 percent of the total deposits in commercial banks in South Carolina.

Douglas Amendment

Section 3(d) of the BHC Act, the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside of the bank holding company's home state, unless such acquisition is "specifically authorized by the statute laws of the State in which such bank is located, by language to that effect and not merely by implication."[3] For purposes of the Douglas Amendment, the home state of BB&T is North Carolina.

The Board previously has determined that the interstate statutes of North and South Carolina permit a bank holding company located in North Carolina to acquire a banking organization in South Carolina.[4] In light of the foregoing, the Board concludes that approval of the proposal is not prohibited by the Douglas Amendment. Approval of this proposal is conditioned upon BB&T receiving all required state regulatory approvals.

Competitive, Financial, Managerial and Supervisory Considerations

BB&T and LSB compete directly in the Columbia, South Carolina banking market.[5] BB&T is the 17th largest depository institution in that market, controlling $20.8 million in deposits, representing less than 1 percent of the total deposits in depository institutions in the market ("market deposits").[6] LSB is the third largest depository institution in the market, controlling $456.8 million in deposits, representing 10.4 percent of market deposits. Upon consummation of this proposal, BB&T would control $477.6 million in deposits, representing 10.9 percent of market deposits. The Herfindahl-Hirschman Index ("HHI") for the market would increase by 10 points to 1813.[7]

In light of all the facts of record, including the number of competitors that would remain in the Columbia market, and the small increase in market share and market concentration as measured by the HHI, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition in the Columbia banking market or any relevant banking market.

The Board also concludes that the financial and managerial resources and future prospects of BB&T, LSB, and their respective subsidiaries and the other supervisory factors the Board must consider under section 3 of the BHC Act are consistent with approval of this proposal. In addition, the Board has determined that convenience and needs considerations are consistent with approval of this application for the reasons more fully discussed in the Board's approval of BB&T's acquisition of three savings-associations under section 5(d)(3) of the FDI Act and incorporated by reference in this order.[8]

Based on the foregoing and all other facts of record, the Board has determined that this application should be, and hereby is, approved. This approval is subject to BB&T obtaining all necessary regulatory approvals for the proposed acquisition. The Board's approval of this application also is conditioned upon BB&T's compliance with the commitments made in connection

2. State deposit data are as of December 31, 1993.

3. 12 U.S.C. § 1842(d).

4. *See Wachovia Corporation*, 77 *Federal Reserve Bulletin* 1011 (1991); *First Union Corporation*, 72 *Federal Reserve Bulletin* 263 (1986); and *NCNB Corporation*, 72 *Federal Reserve Bulletin* 57 (1986).

5. The Columbia, South Carolina, banking market is approximated by the Columbia Rand McNally Area and by the remainder of Lexington and Richland Counties, South Carolina.

6. In this context, depository institutions include commercial banks, savings banks, and savings associations. Market deposit data are as of June 30, 1993, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

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

8. *BB&T Financial Corporation*, 80 *Federal Reserve Bulletin* 667 (1994).

with this application. For purposes of this action, the commitments and conditions relied on in reaching this decision are conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

This acquisition may not be consummated before the thirtieth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended by the Board or the Federal Reserve Bank of Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 23, 1994.

Voting for this action: Chairman Greenspan, Governors Kelley, Lindsey, and Phillips. Absent and not voting: Governor LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

First Michigan Bank Corporation
Holland, Michigan

Order Approving the Merger of Bank Holding Companies

First Michigan Bank Corporation, Holland, Michigan ("First Michigan"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3(a)(5) of the BHC Act (12 U.S.C. § 1842(a)(5)) to merge with Old State Bank Corporation ("Old State"), and thereby indirectly acquire Old State's bank subsidiary, Old State Bank of Fremont ("Old State Bank"), both of Fremont, Michigan.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 6261 (1994)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

First Michigan, with total assets of approximately $2.3 billion, controls 11 subsidiary banks in Michigan.[1] First Michigan is the seventh largest commercial banking organization in Michigan, controlling deposits of $1.7 billion, representing approximately 2.3 percent of total deposits in commercial banking organizations in the state.[2] Old State is the 92d largest commercial banking organization in Michigan, controlling deposits of $50.4 million, representing less than 1 percent of the total deposits in commercial banking organizations in the state. Upon consummation of the proposal, First Michigan would remain the seventh largest depository institution in Michigan, controlling deposits of $1.7 billion, representing approximately 2.4 percent of total deposits in commercial banks in the state.

The bank subsidiaries of First Michigan and Old State do not compete in any relevant banking market. Based on all the facts of record, the Board concludes that First Michigan's acquisition of Old State and its subsidiary bank would not result in any significant adverse effects on competition in any relevant banking market.

Convenience and Needs Considerations

In acting on an application to acquire a depository institution under the BHC Act, the Board must consider the convenience and needs of the communities to be served, and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of applications.[3]

In connection with this application, the Board has received comments from the Muskegon Heights Neighborhood Association ("Protestant") alleging that First Michigan's subsidiary bank, FMB-Lumberman's Bank, Muskegon, Michigan ("Lumberman Bank"), as well as all other banks in the area, has failed to meet the home mortgage needs of Muskegon Heights residents. In particular, Protestant alleges, on the basis of 1992 data collected under the Home Mortgage Disclosure Act ("HMDA"), that Lumberman Bank has demonstrated a pattern of illegally discriminating against Muskegon Heights and other low- income and minority areas of Muskegon County by making fewer housing-related loans in these areas than in the higher-income and non-minority areas of Muskegon County. Protestant also alleges that Lumberman Bank has not adequately marketed its lending products to all segments of its community.

1. Asset data are as of September 30, 1993.
2. State deposit data are as of June 30, 1992.
3. *See* 12 U.S.C. § 2903.

During the processing of this application, First Michigan provided the Board with a number of comments from public officials, community development organizations, businesses, and members of the public, that support Lumberman Bank's CRA efforts in Muskegon Heights. These commenters noted with approval Lumberman Bank's activities in areas such as lending programs, community development programs, employment outreach efforts, and funding for low-income and first-time homebuyers.

In its consideration of the convenience and needs factor, the Board has carefully reviewed the entire CRA performance record of First Michigan, all comments received regarding the application and First Michigan's response to these comments, and all the other relevant facts of record, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[4]

Record of CRA Performance

A. Evaluation of CRA Performance

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record, and that these reports will be given great weight in the applications process.[5] In this case, the Board notes that all of First Michigan's subsidiary banks received "outstanding" or "satisfactory" ratings at their most recent CRA performance examinations. In particular, Lumberman Bank received a "satisfactory" rating from its primary regulator, the Federal Deposit Insurance Corporation ("FDIC"), at its most recent CRA performance examination as of January 4, 1993 ("1993 Examination"). Old State Bank also received a "satisfactory" rating from the FDIC at its most recent CRA performance examination as of December 7, 1992.

B. Home Mortgage Disclosure Act ("HMDA") Data and Lending Practices

The Board has carefully reviewed the 1992 HMDA data for Lumberman Bank in light of Protestant's comments regarding the bank's lending activities in Muskegon Heights and other areas included within the Muskegon, Michigan, Metropolitan Statistical Area ("MSA"). In this regard, these data show that Lumberman Bank has achieved higher penetration rates in the low- to moderate-income area of Muskegon Heights in comparison to the other three high-income areas in the Muskegon MSA. The Board also notes that Lumberman Bank is the leading lender in low- and moderate-income and minority areas in the Muskegon MSA. The 1992 HMDA data, however, also indicate that the bank makes a larger absolute number of loans in areas in the Muskegon MSA other than Muskegon Heights.

The Board is concerned when an institution's record indicates disparities in lending to minority applicants and believes that all banks are obligated to ensure that their lending practices are based on criteria that assure not only safe and sound lending, but also assure equal access to credit by creditworthy applicants regardless of race. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community. The Board also recognizes that HMDA data have limitations that make the data an inadequate basis, absent other information, for concluding that an institution has engaged in illegal discrimination in making lending decisions.

The Board notes that the 1993 Examination found no evidence of prohibited discriminatory or other illegal practices at the bank and that the Lumberman Bank is in compliance with applicable fair housing and fair credit laws and regulations. Moreover, no practices intended to discourage applications for the types of credit listed in the bank's CRA Statement or actual lending were noted. In connection with this examination, the examiners reviewed 1991 HMDA data and commented favorably on the bank's overall distribution of housing-related credit extensions.

Lumberman Bank also has initiated a number of steps to assist in meeting the housing-related credit needs in low- to moderate-income areas of Muskegon Heights. For example, in January 1994, the bank introduced the FMB Affordable Mortgage Program to its banking market. The loan program, which targets low- to moderate-income borrowers, offers relaxed underwriting standards to assist borrowers who might not otherwise qualify for mortgage credit and allows for a down payment as low as 5 percent, a portion of which may be borrowed or otherwise acquired from outside sources.

In addition, Lumberman Bank offers low-interest home-improvement loans through the Michigan State Housing Authority ("MSHA") to assist low-income homeowners, and a MSHA Mortgage Credit Certificate that is designed to promote home ownership for low- and moderate-income and first-time home buyers. Lumberman Bank also has pledged $300,000 to the Muskegon Oceana Community Reinvestment Corpo-

4. 54 *Federal Register* 13,742 (1989).
5. *Id.* at 13,745.

ration (the "Corporation"). The Corporation will sponsor a mortgage pool for the acquisition and rehabilitation of homes by low- and moderate-income persons.

Lumberman Bank participates in numerous government-sponsored lending programs including the Small Business Administration ("SBA"), Michigan Strategic Fund ("MSF"), and the City of Muskegon Revolving Fund. In this regard, the bank has outstanding six SBA loans totalling $4.6 million, and, as of December 1992, had extended 19 MSF loans totalling over $800,000. Lumberman Bank also extended 12 loans totalling over $690,000 through the City of Muskegon Revolving Fund.[6] The bank also has initiated a second review program designed to ensure that all lending decisions are made in accordance with fair lending laws.

C. Marketing and Outreach Activities

Lumberman Bank's marketing programs are designed to ensure that all segments of its community, including low- and moderate-income and minority residents, are informed of the bank's products and services. For example, in January 1994, Lumberman Bank, in conjunction with the Greater Muskegon Urban League (the "Urban League") and the Muskegon YFCA (the "YFCA"), introduced its Home Mortgage Target Program in which the bank accepts mortgage applications at the Muskegon and Muskegon Heights offices of the Urban League and the YFCA. This pilot program allows the bank to familiarize low- and moderate-income applicants with the credit-application process. Direct mailers advertising this service will be sent to all low- and moderate-income areas in Muskegon and Muskegon Heights.

Lumberman Bank also markets its products through its officer call program and "town meetings". In this regard, the bank has worked closely with many area organizations to market its credit products under the bank's Turn Key Program. Pursuant to this program, the bank has presented seminars at several local churches regarding the process of applying for a mortgage.

D. Community Development Activities

Lumberman Bank participates in a number of community development activities and projects. For example, Lumberman Bank was chosen to participate in a pilot program, sponsored by the State of Michigan, to help families on public assistance move toward self-sufficiency. As part of the program, Lumberman Bank provides direct-deposit services and financial counseling in the areas of budgeting and financial management to participating families. Lumberman Bank also provides training to participants on the consumer and mortgage loan application process.[7] In addition, Lumberman Bank recently contributed to the Spring Street Community Services Project, which facilitates community projects such as vocational training, neighborhood development, elderly care, and consumer counseling. The bank also works with Catholic Family Services in providing financial counseling to teenage mothers.

E. Conclusion Regarding Convenience and Needs Factors

The Board has carefully considered all the facts of record, including the comments filed in this case, in reviewing the convenience and needs factor under the BHC Act. Based on a review of the entire record of this application, including the most recent CRA performance examination of Lumberman Bank, the Board believes that the efforts of First Michigan to help meet the credit needs of all segments of the communities it serves, including low- and moderate-income neighborhoods, and all other convenience and needs considerations, are consistent with approval of this application.[8]

Other Considerations

The Board also finds that the financial and managerial resources and future prospects of First Michigan and Old State, and their respective subsidiaries and the

6. In addition, Lumberman Bank participates in the Michigan Economic Growth Alliance ("M.E.G.A.") Micro-Loan Program, which is designed to assist unemployed or displaced workers starting a small business. The bank also participates in M.E.G.A.'s L.E.A.P. Program, which allows lenders to advise small businesses on all stages of business development including start-up, financing, and relocation.

7. The bank has completed eight training sessions to date, and expects to have 50 families trained under this program by May 1994.

8. Protestant has requested that the Board hold a public meeting or hearing on these applications. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the Board has not received such a recommendation.

Generally, under its rules, the Board may, in its discretion, hold a public meeting or hearing on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered Protestant's request. In the Board's view, the protestant has had ample opportunity to present written submissions, and the protestant has submitted substantial written comments that have been considered by the Board. In light of the foregoing and all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record on these applications, or otherwise warranted in this case. Accordingly, the request for a public meeting or hearing on these applications is hereby denied.

other supervisory factors the Board must consider under section 3 of the BHC Act are consistent with approval of this proposal.

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

This 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 Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 9, 1994.

Voting for this action: Governors Kelley, LaWare, Lindsey, and Phillips. Absent and not voting: Chairman Greenspan.

WILLIAM W. WILES
Secretary of the Board

United Community Banks, Inc.
Blairsville, Georgia

Order Approving Acquisition of a Controlling Interest in a Bank

United Community Banks, Inc., Blairsville, Georgia ("United Community"), a bank holding company within the meaning of the Bank Holding Company Act (BHC Act"), has applied for the Board's approval under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire up to 51 percent of the voting shares of White County Bank, Cleveland, Georgia ("Bank").[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 7998 (1994)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

United Community, which controls four subsidiary banks in Georgia and North Carolina, is the 15th largest commercial banking organization in Georgia, controlling $251.1 million in deposits, representing less than 1 percent of the total deposits in commercial banking organizations in the state.[2] Bank is the 75th largest commercial bank in Georgia, controlling $69.2 million in deposits, representing less than 1 percent of the total deposits in commercial banking organizations in the state. Upon consummation of this transaction, United Community would become the 12th largest commercial banking organization in Georgia, controlling $320.3 million in deposits, representing less than 1 percent of the total deposits in commercial banking organizations in the state. United Community and Bank do not compete directly in any relevant banking market. Based on all the facts of record, the Board concludes that this proposal would not result in any significantly adverse effects on competition in any relevant banking market.

The Board has received several comments objecting to this proposal on the basis that shareholder value in Bank has diminished and that Bank has not been effectively operated by its board of directors and management.[3] These commenters also suggest that alternative purchasers for Bank should have been solicited. The Board has carefully reviewed these comments in light of the factors required to be considered under the BHC Act.

In considering the financial factors in this case, the Board has reviewed the financial condition of Bank, and considered United Community's proposal to provide substantial new capital to Bank. Bank is subject to a formal agreement with state and federal banking regulators to raise capital to address financial problems Bank has encountered in recent years. To satisfy the requirements of this agreement, management of Bank offered existing shareholders of Bank the opportunity to buy additional shares of Bank, and then offered the subject debenture to a number of bank

1. United Community proposes to acquire a debenture of the bank holding company parent of Bank, White County Bancshares, Inc., Cleveland, Georgia ("WCB"). This debenture is convertible into approximately 51 percent of Bank's outstanding voting shares, and United Community projects that conversion will require up to two years to complete.

Existing shareholders of WCB were first offered the opportunity to purchase additional shares of WCB in lieu of WCB's entering into this debenture arrangement with United Community.

2. Deposit data are as of June 30, 1993.

3. In addition to these allegations, one commenter alleges that Bank's management has engaged in insider transactions to the detriment of Bank. Another commenter believes that Bank's policies of protecting confidential loan and credit information are deficient. The Board has carefully reviewed these comments in light of the most recent examinations by Bank's primary regulator, the Federal Deposit Insurance Corporation. On the basis of all facts of record, including the examiners' assessment of managerial resources and compliance with applicable laws and procedures, the Board does not believe that these comments warrant denial of this application.

holding companies.[4] United Community's proposal should permit Bank to restore its capital to the levels required by these regulators.[5] In considering the managerial factors in this case, the record indicates that management of Bank has taken positive steps to address identified weaknesses, including hiring new personnel and devising a plan for improving the financial condition of Bank. The Board also notes that United Community has an established record of improving the financial condition of acquired troubled institutions and monitoring the performance of its subsidiary banks.[6]

In this light, and based on all facts of record, including the comments filed in this case, the Board concludes that the financial and managerial resources and future prospects of United Community, its subsidiaries, and Bank, are consistent with approval of this proposal.[7] Considerations relating to the convenience and needs of the communities to be served and other supervisory factors the Board must consider under section 3 of the BHC Act also are consistent with approval of this proposal.

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

The purchase of the debenture of WCB 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 Atlanta, acting pursuant to delegated authority.

4. Bank management has represented that two bank holding companies expressed interest in purchasing this debenture, including United Community, and Bank management decided to sell the debenture to United Community because of United Community's strong financial condition and outstanding record of bank management.

5. The Georgia Department of Banking and Finance has approved this proposal.

6. One commenter maintains that a subsidiary bank of United Community assumed the accounting responsibilities of Bank prior to regulatory approval of this proposal. The record indicates that United Community provides (on a fee basis) data processing services to Bank, as well as to other unaffiliated banks, but has not acquired any of Bank's operations or departments, or otherwise engaged in any conduct that would constitute prior control of Bank.

7. *See, e.g., Western Bancshares, Inc. v. Board of Governors*, 480 F.2d 749 (10th Cir. 1973).

By order of the Board of Governors, effective May 9, 1994.

Voting for this action: Governors Kelley, LaWare, Lindsey, and Phillips. Absent and not voting: Chairman Greenspan.

WILLIAM W. WILES
Secretary of the Board

NBT Northwest Bancorp
Tukwila, Washington

Order Approving the Formation of a Bank Holding Company

NBT Northwest Bancorp, Tukwila, Washington ("NBT Northwest"), has applied under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1) *et seq.*) ("BHC Act"), to become a bank holding company by acquiring all the voting shares of the National Bank of Tukwila, Tukwila, Washington ("Tukwila Bank").[1] Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 11,606 (1994)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

NBT Northwest is a nonoperating company formed for the purpose of acquiring Tukwila Bank. Tukwila Bank is the 68th largest commercial banking institution in Washington, controlling deposits of $25.5 million, representing less than 1 percent of total deposits in commercial banking institutions in the state.[2] Tukwila Bank operates in the Seattle banking market,[3] controlling less than 1 percent of the total deposits in commercial banking organizations in this market. Based on all the facts of record, the Board believes that consummation of the proposal would not result in any significantly adverse effects on competition or the concentration of banking resources in any relevant banking market. Accordingly, the Board concludes that competitive considerations are consistent with approval.

The Board also concludes that the financial and managerial resources and future prospects of NBT

1. NBT Northwest proposes to merge Tukwila Bank with Tukwila Interim National Bank, Tukwila, Washington ("Interim Bank"), a newly chartered national bank and wholly owned subsidiary of NBT Northwest, with Interim Bank surviving the merger and operating under the name of National Bank of Tukwila. On April 25, 1994, Tukwila Bank's primary regulator, the Office of the Comptroller of the Currency ("OCC"), approved this proposal.

2. Market and deposit data are as of June 30, 1993.

3. The Seattle, Washington, banking market is approximated by the Seattle Rand-McNally Metropolitan Area.

Northwest and Tukwila Bank, and the convenience and needs and other supervisory factors that the Board is required to consider under section 3 of the BHC Act, are consistent with approval of this proposal.[4]

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

This transaction should 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 Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 31, 1994.

Voting for this action: Chairman Greenspan and Governors Kelley, LaWare, and Phillips. Absent and not voting: Governor Lindsey.

JENNIFER J. JOHNSON
Associate Secretary of the Board

United Bankers' Bancorporation
Bloomington, Minnesota

Order Approving the Formation of a Bank Holding Company

United Bankers' Bancorporation, Bloomington, Minnesota ("UBB"), has applied 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 by acquiring at least 85 percent of United Bankers' Bank, Bloomington, Minnesota ("Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (58 *Federal Register* 60,858 (1993)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

UBB is a company formed for the purpose of becoming a bank holding company by acquiring Bank, a state member "bankers' bank" chartered under Minnesota law, which will perform correspondent services for other depository institutions.[1] Bankers' banks are "banks" within the meaning of the BHC Act and national and state member banks may hold stock of these institutions or their parent holding companies.[2] Bank will be engaged exclusively in providing services for other depository institutions and their officers, directors and employees. These correspondent services include discounting bills, notes and other evidences of debt and receiving deposits from and through banks. Bank will compete only with other banks that offer similar services to banks. Based on all facts of record, the Board has determined that consummation of this proposal would not have a significant adverse effect on competition or banking resources in any relevant banking market.

The financial and managerial resources of UBB and Bank are consistent with approval, in view of the nature of the activities of a bankers' bank, and the prospects of each are consistent with approval. Factors relating to the convenience and needs of the community to be served and other supervisory factors the Board must consider under section 3 of the BHC Act also are consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is specifically conditioned upon compliance with all conditions imposed in connection with this approval, including the condition that the activities of Bank are conducted in accordance with the limitations imposed on bankers' banks under applicable law, and all commitments made by UBB and Bank in connection with

4. The Board has carefully reviewed comments from NBT Bancorp, Norwich, New York ("Protestant"), a registered bank holding company, maintaining that investors and customers will be confused by the similarity between the names of Protestant and NBT Northwest. NBT Northwest has provided specific notice in its stock offering circular disclaiming any relationship with Protestant. The Securities and Exchange Commission ("SEC") has reviewed similar comments from Protestant and determined that this issue presented no substantive violation of the Securities and Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*). In addition, the Washington Supervisor of Banking has indicated that Protestant's comments do not raise an issue under state law. Based on these and all facts of record, in light of the significant geographic separation between these companies' relevant banking markets, and the relatively small amount of public trading in NBT Northwest's stock, and the written disclaimer provided by NBT Northwest, the Board does not believe that Protestant's comments warrant denial of this application.

1. The Federal Reserve Act also imposes reserve requirements on bankers' banks under certain circumstances. *See* section 19(b)(9) of the Federal Reserve Act (12 U.S.C. § 461(b)(9)), as implemented by the Board's Interpretation on Bankers' Banks, 12 C.F.R. 204.121. In this case, Bank has complied with the System's reserve requirements as a condition of its approval for membership.

2. Section 24(Seventh) of the National Bank Act (12 U.S.C. § 24(Seventh)), as amended by the Depository Institutions Deregulation and Monetary Control Act of 1980 (P.L. 96–221) and the Garn–St Germain Depository Institutions Act of 1982 (P.L. 97–320). State member banks may invest in stock subject to the same limitations as national banks. 12 U.S.C. § 335. UBB will be owned by national and state member banks.

the application. For purposes of this action, the conditions and commitments relied on in reaching this decision shall be deemed to be conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

This transaction shall not be consummated before the thirtieth 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 Minneapolis, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 11, 1994.

Voting for this action: Chairman Greenspan and Governors Kelley, LaWare, Lindsey, and Phillips.

WILLIAM W. WILES
Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

Banque Nationale de Paris
Paris, France

Order Approving an Application to Engage in Various Investment Advisory and Related Activities Through a Joint Venture

Banque Nationale de Paris, Paris, France ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)), and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), to acquire a 50 percent voting equity interest in a *de novo* joint venture company ("Company") that would engage in a variety of investment advisory activities, including discretionary management services. The remaining 50 percent voting equity interest in Company would be held by Neuberger & Berman, L.P., New York, New York ("N&B"), a registered broker-dealer that underwrites and deals in securities.

Specifically, Company would engage in the following activities:

(1) Acting as investment or financial advisor, including the discretionary purchase and sale of securities on behalf of an institutional customer, as permitted under sections 225.25(b)(4)(ii), (iii) and (iv) of Regulation Y;[1]

(2) Providing foreign exchange advisory and transactional services as permitted under section 225.25(b)(17) of Regulation Y; and

(3) Acting as a commodities trading advisor with respect to financial futures and options on futures as permitted under section 225.25(b)(19) of Regulation Y.

In connection with this proposal, Applicant also seeks authority to acquire a nonvoting, non-controlling limited partnership interest in N&B.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (58 *Federal Register* 13,782 (1993)). 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 4(c)(8) of the BHC Act.

Applicant, with total consolidated assets equivalent to approximately $284 billion, is the 13th largest bank in the world, and the third largest banking organization in France.[2] In the United States, Applicant controls a bank in California; operates branches in New York and Chicago; and maintains agencies in Los Angeles, San Francisco, Miami, and Houston.[3] Applicant would hold its limited partnership interest in Company through its existing New York Article 12 Corporation,[4] French-American Banking Corporation, and would form a special purpose subsidiary, US JV Based Holdings Inc., to hold its general partnership interest in Company.

N&B is registered with the Securities and Exchange Commission as a broker-dealer under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*), and as an investment adviser under the Investment Advisers Act of 1940 (15 U.S.C. § 80b-1 *et seq.*) ("Investment Advisers Act") with offices in New York, Chicago, and San Francisco. N&B engages in activities involving bank-ineligible securities that are not generally permissible for bank holding companies.[5] N&B would hold its limited partnership interest in Company directly, and would form a special purpose subsidiary, Neuberger & Berman Global Asset Management Inc., to hold its general partnership interest in Company.

1. *See also* 12 C.F.R. 225.25(b)(15), note 17.

2. Data are as of June 30, 1993.

3. Applicant's subsidiary bank is Bank of the West, San Francisco, California, a state-chartered non-member bank.

4. *See* N.Y. Banking Law § 508 *et seq.* (Consol. 1990) (investment companies).

5. The term "bank-ineligible securities" refers to all types of debt and equity securities that a bank may not underwrite or deal in directly under the Glass–Steagall Act. *See* 12 U.S.C. §§ 24(7) and 335. N&B's securities activities include underwriting and dealing in bank-ineligible securities, the management and distribution of mutual funds, risk arbitrage, over-the-counter market making, and option sales.

Company would engage only in activities permissible for bank holding companies under the Board's Regulation Y and would provide these services only to institutional customers as that term is defined in Regulation Y.[6] Applicant anticipates that Company would register with the Securities and Exchange Commission as an investment adviser under the Investment Advisers Act, and with the Commodity Futures Trading Commission as a commodities trading advisor under the Commodity Exchange Act (7 U.S.C. § 1 *et seq.*). Applicant and N&B have entered into a joint venture arrangement overseas, BNP-N&B Global Asset Management S.A., Paris, France ("French Joint Venture"), that engages in activities similar to those in which Company would engage.[7]

The Board has previously determined, by regulation, that the investment advisory, discretionary management and other activities proposed for Company are closely related to banking within the meaning of section 4 of the BHC Act. Applicant has committed that Company will conduct these activities pursuant to the conditions and limitations specified in the Board's regulations. In every case under section 4 of the BHC Act, the Board also must determine whether the performance of the proposed activities by the applicant can reasonably be expected to produce benefits to the public that outweigh the possible adverse effects.

In prior cases, the Board has expressed concern that joint ventures not lead to a matrix of relationships between co-venturers that could break down the legally mandated separation of banking and commerce.[8] The Board has stated that this concern is particularly acute where the joint venture involves a relationship between a bank holding company and a securities firm, and the potential exists for the mingling of permissible and impermissible securities activities.[9] In this case, Applicant would engage in the proposed activities in a manner consistent with previously approved joint venture proposals, except to the extent discussed below, and has made a number of commitments similar to those the Board has relied upon in prior joint venture cases intended to separate the activities of a bank holding company and the joint venture from the impermissible activities of a securities co-venturer.[10]

These include a commitment that Applicant and N&B will conduct their business on an arm's-length, non-preferential basis with no solicitation of business for, nor referral of customers to, each other. In addition, Applicant will not make any investments in or loans to N&B or any N&B partner, except as proposed in this application, without prior Board approval. Other commitments relate specifically to N&B's impermissible activities such as Applicant's commitment not to engage in the public sale or distribution of N&B securities, including shares of any N&B mutual fund, and not to purchase for its own account any of the mutual funds N&B distributes or from N&B any securities as to which N&B is acting as underwriter or dealer.[11] Applicant also will not extend credit to a N&B mutual fund nor accept a N&B mutual fund as collateral for a loan to purchase shares of a N&B mutual fund. Applicant will not extend credit to Company or customers of Company on favorable terms.[12] Moreover, Company will not act as an investment adviser to a N&B mutual fund, solicit N&B mutual fund customers or have access to lists of such customers.

Company's proposed investment advisory and discretionary investment management services would include recommending and the discretionary purchase and sale of bank-ineligible securities that N&B underwrites or deals in, and recommending shares of mutual funds and insurance company investment funds[13] (collectively, "N&B Funds") that N&B or its affiliates manage or distribute.

In its 1984 *AmRo* decision, the Board permitted a joint venture between a banking organization and a mutual fund advisor and distributor to provide investment advice subject to limitations on advice relating to those mutual funds and the use of common employees of the mutual fund co-venturer. In *Chuo Trust*, the joint venture did not propose to recommend the mutual funds of the co-venturer.

6. *See* 12 C.F.R. 225.2(g).

7. The French Joint Venture, formerly BNP Investment Management S.A., is registered with the Securities and Exchange Commission as an investment adviser under the Investment Advisers Act. Company would retain the French Joint Venture as a sub-adviser on occasion, and vice versa. In addition, Applicant, N&B, and their respective affiliates may independently contract sub-advisory services with Company, as they currently do with the French Joint Venture. Finally, Applicant and Company would continue to engage the other as a sub-adviser from time to time. Applicant has committed that all such transactions would be conducted on an arm's-length, non-exclusive, and non-preferential basis.

8. *See, e.g., The Maybaco Company and Equitable Bancorporation*, 69 *Federal Reserve Bulletin* 375 (1983).

9. *See Amsterdam-Rotterdam Bank, N.V.*, 70 *Federal Reserve Bulletin* 835 (1984) ("*AmRo*"); *The Chuo Trust and Banking Company, Limited*, 78 *Federal Reserve Bulletin* 446 (1992) ("*Chuo Trust*").

10. A complete list of these commitments is set forth in the appendix to this order.

11. In addition, no U.S. branch, agency or subsidiary of Applicant will engage in the public sale or distribution of, nor purchase, directly or indirectly, for their own account any security as to which N&B is acting as underwriter.

12. In this regard, transactions between Applicant's U.S. bank or thrift subsidiaries and Company are subject to the limitations imposed under sections 23A and 23B of the Federal Reserve Act (12 U.S.C. § 371c and 371c-1), and Company, as a subsidiary of Applicant, will observe the anti-tying restrictions imposed by the Bank Holding Company Act Amendments of 1970 (12 U.S.C. § 1971-1978).

13. The insurance company investment funds are invested primarily in variable rate annuities.

The Board believes that the types of commitments made in these cases should be re-examined in light of significant developments with respect to the securities activities of bank affiliates. In this regard, the Board has allowed bank holding company subsidiaries to provide investment advisory and discretionary management services with respect to securities underwritten or dealt in by an affiliated section 20 subsidiary subject to certain conditions to prevent conflicts of interests and unsafe banking practices.[14] These conditions include disclosure of the relationship between the investment adviser and the section 20 subsidiary and limitations on the purchase of bank-ineligible securities in a fiduciary capacity. Applicant has committed that Company's investment advisory activities involving securities underwritten or dealt in by N&B would comply with the same safeguards that apply when banks recommend securities underwritten or marketed by their section 20 affiliates.[15]

In addition, the Board has recently amended its interpretive rule on investment advisory activities to permit a bank holding company to recommend and broker shares of a mutual fund that is advised by an affiliate.[16] Company has committed to comply with the terms of the Board's interpretive rule with respect to shares of the N&B Funds.[17] Consistent with the Board's interpretive rule, Company will not purchase in its sole discretion in a fiduciary capacity any securities of the N&B Funds. Although Applicant's relationship in this case with the N&B Funds is through its joint venture affiliation with N&B, and not as a direct subsidiary of a bank holding company advising a mutual fund, the Board believes that the framework under the Board's interpretive rule appropriately addresses the issues raised by such an affiliation when Company is engaging in investment advisory and discretionary investment management activities that involve the N&B Funds.

In view of these commitments to comply with the section 20 limitations and the limitations in the Board's interpretive rule on investment advisory activities, the Board believes that Applicant should be permitted to recommend and make discretionary purchases of bank-ineligible securities underwritten and dealt in by N&B.[18]

N&B would also have certain common officers and employees with Company. The Board has permitted a joint venture to have common employees who were involved in strategic planning for the co-venturer's mutual fund but has required that the joint venture refrain from recommending that mutual fund to its customers.[19] In this case, Company's proposed activities with respect to securities underwritten and dealt in by N&B will be conducted under the limitations discussed above. In addition, Applicant has committed that no partner, officer, or employee of N&B who is involved in the selling or marketing of the N&B Funds or responsible for underwriting or dealing in any bank-ineligible securities will serve concurrently as an officer or employee of Company. Applicant has also committed that the N&B dual employees will not sell, market or recommend the shares of the N&B Funds to Company's customers, or have any role in marketing any security as to which N&B acts as underwriter or dealer. Under these circumstances, the Board does not believe that the proposed officer and employee interlocks would cause Applicant to be involved in impermissible securities activities.

The Board has also carefully reviewed Applicant's proposed 10 to 13 percent nonvoting limited partnership interest in N&B in light of the joint venture, placing particular emphasis on the structure of the investment and its significance relative to the assets and revenues of N&B. The Board notes that the proposed limited partnership interest complies with guidelines used by the Board in approving nonvoting equity investments and that the proposal is insignificant in terms of both N&B's total assets and revenues. In this light, and based on all the facts of record and subject to Applicant's commitments, the Board does not believe that the proposed nonvoting equity investment would permit Applicant to exercise a controlling influence over the management, policies or affairs of N&B.

14. *Citicorp, J.P. Morgan & Co. Incorporated, and Bankers Trust New York Corporation*, 73 *Federal Reserve Bulletin* 473, 498 (1987).

15. In particular, neither Company, nor any affiliated U.S. bank, thrift, branch or agency shall express an opinion on the value or advisability of the purchase or the sale of ineligible securities underwritten or dealt in by N&B unless Company or the affiliate notifies the customer that N&B is underwriting, making a market, distributing or dealing in the security, and that Company is affiliated with N&B. Company and its affiliates also would refrain from purchasing for a customer in a fiduciary capacity securities that N&B underwrites (during the period of the underwriting or selling syndicate and for a period of 60 days after the termination thereof) or makes a market in unless the purchase is specifically authorized by the fiduciary instrument, by court order, or by local law.

16. 57 *Federal Register* 30,387 (1992); 12 C.F.R. 225.125. *See also Norwest Corporation*, 76 *Federal Reserve Bulletin* 79 (1990).

17. Under the Board's interpretive rule, bank holding companies are required to disclose these dual roles to customers, to caution customers to read the prospectus of a mutual fund before investing in the mutual fund, and to advise customers in writing that the mutual fund's shares are not deposits, are not obligations of any bank, are not insured by the Federal Deposit Insurance Corporation, and are not endorsed or guaranteed in any way by any bank (unless such is the case).

18. As noted above, Company's commitment to comply with the Board's interpretive rule on investment adviser activities would not permit Company to purchase in its sole discretion in a fiduciary capacity shares of the N&B Funds.

19. *Chuo Trust, supra.*

Applicant and N&B do not compete with each other in any relevant market. Accordingly, consummation of the proposed transaction would not eliminate any existing competition between Applicant and N&B.

In every case under section 4 of the BHC Act, the Board also must consider the financial condition and resources of the applicant and its subsidiaries and the effect of the proposal on these resources.[20] In this case, the Board notes that Applicant meets the relevant risk-based capital standards established under the Basle Accord, and has capital equivalent to that which would be required of a United States banking organization. In view of these and other facts of record, the Board has determined that the financial factors are consistent with approval of this application. The managerial resources of Applicant also are consistent with approval.

The Board expects that the *de novo* entry of Applicant into the market for the proposed services in the United States would provide added convenience to Applicant's customers, and would increase the level of competition among existing providers of these services. Accordingly, the Board has determined that performance of the proposed activities by Company can reasonably be expected to produce benefits to the public.

For the reasons discussed above, and in reliance on all the commitments made in connection with this application, and the conditions in this order, the Board believes that the proposal is not likely to result in decreased or unfair competition, conflicts of interests, unsound banking practices, concentration of resources or other adverse effects, and that the balance of public interest factors that the Board is required to consider under section 4 of the BHC Act is favorable.

Based on the foregoing and all the facts of record, including the commitments discussed above and all commitments made in connection with the application, the Board has determined to, and hereby does, approve the application subject to all the terms and conditions set forth in this order, and in the above-noted Board regulations and orders that relate to these activities. The Board's determination is also subject to all of the terms and conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all of the commitments made in this application, including the commitments discussed in this order, and with the conditions set forth in this order and in the above-noted Board regulations and orders. These commitments and conditions shall both be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective May 12, 1994.

Voting for this action: Chairman Greenspan and Governors Kelley, LaWare, Lindsey, and Phillips.

WILLIAM W. WILES
Secretary of the Board

Appendix

A. *Joint Venture Commitments*[1]

1. The name of Company will not include the words "Neuberger & Berman".
2. Neither Neuberger & Berman nor a partner, officer, or employee of Neuberger & Berman ("N&B") will acquire stock in, or serve concurrently as a director, officer, or employee of, Applicant or any subsidiary of Applicant (other than Company and the French Joint Venture). In addition, Applicant will not acquire any stock in or interest in (other than the proposed equity investment), or have any directors or management officials on the board or committees of, N&B (other than Company and the French Joint Venture); nor shall Applicant's name be used by N&B or N&B's name by Applicant or any of its affiliates.
3. Applicant will apply for the Board's prior approval to retain its investment in Company should N&B expand into a line of business other than the businesses it currently engages in. If required by the Board in such circumstances, Applicant will divest its investment in Company.
4. The offices of N&B and Company will have separate entrances.

20. 12 C.F.R. 225.24; *The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

1. For the purpose of these commitments, the name Neuberger & Berman or, as abbreviated, N&B, refers to Neuberger & Berman as well as any subsidiary or affiliate of Neuberger & Berman.

5. The names of customers of Bank of the West and of any of Applicant's United States branches or agencies will not be furnished to N&B.
6. Applicant and its subsidiaries will not act as registrar, transfer agent or custodian for any of the N&B mutual funds.
7. Applicant and its subsidiaries will not, directly or indirectly, (a) engage in the public sale or distribution of, or purchase for their account, any shares of the N&B Funds, or (b) whether as underwriter, dealer, or in any other capacity, purchase for their account from N&B any securities as to which N&B is acting as underwriter or dealer. In addition, the United States branches, agencies and subsidiaries of Applicant will not, directly or indirectly, engage in the public sale or distribution of, or purchase for their account, any security as to which N&B is acting as an underwriter.
8. Neither Applicant nor any of its subsidiaries (including Company) will purchase in its sole discretion any securities of the N&B Funds in a fiduciary capacity, extend credit to any such N&B Mutual Fund, or accept securities of any such N&B Mutual Fund as collateral for a loan which is for the purpose of purchasing securities of any such N&B Mutual Fund.
9. Applicant and any subsidiary of Applicant will obtain the Board's prior approval before making further investments in or loans to N&B or any N&B partner, other than the investment proposed in the application as approved by the Board, and will not nominate any general partner of N&B.
10. No United States office of Applicant nor any of Applicant's United States subsidiaries will take into account the fact that a potential borrower competes with Company or N&B in determining whether to extend credit to that borrower.
11. No office of Applicant nor any of Applicant's subsidiaries will extend credit directly or indirectly to Company or any customer of Company on terms more favorable than those afforded similar borrowers in similar circumstances.
12. Company will not solicit customers of the N&B Funds and Company will not request or accept access to the customer lists of any such N&B Fund.
13. Company will not act as investment adviser to any investment company organized and advised by N&B (or any other investment company that may in the future be so organized and advised).
14. Company will provide advice only to "institutional customers" as that term is defined in section 225.2(g) of Regulation Y.
15. None of the dual employees of Company and N&B will be engaged at N&B in bank-ineligible securities activities, or activities that are impermissible for bank holding companies.
16. No partner, officer, or employee of N&B whose responsibility consists of, or who is involved in, selling, marketing, distributing, underwriting or dealing in any bank-ineligible securities, including the shares of any of the N&B Funds (or any other open-end investment company that may be established by N&B), or whose responsibility consists of overseeing the corporate affairs of any of the N&B Funds, will serve concurrently as an officer or employee of Company.
17. Any partners, officers or employees of Company who are also partners, officers or employees of N&B will have no role in marketing the N&B Funds, or any other security as to which N&B acts as underwriter, or as to which N&B directly or indirectly acts as dealer, and will not sell, market, or recommend shares of the N&B Funds to Company's customers.
18. The non-officer employees of Company who are also employees of N&B will perform only clerical or administrative functions, and will be limited in number.
19. As a subsidiary of a bank holding company, Company will observe the anti-tying provisions of the BHC Amendments of 1970 as required under section 225.4(d) of the Board's Regulation Y (12 C.F.R. 225.4(d)). Company is an affiliate of Applicant's United States bank and thrift subsidiaries for purposes of sections 23A and 23B of the Federal Reserve Act.
20. In the event that Applicant or any of its United States nonbank subsidiaries (including Company) provides either brokerage or investment advisory services to customers in the United States with respect to the shares of an investment company for which Applicant, any of its nonbank subsidiaries (including Company), N&B or any of N&B's subsidiaries acts as an investment adviser:

(i) Applicant will instruct its officers and employees, and the officers and employees of such United States nonbank subsidiaries, to:

(A) caution customers to read the prospectus of the investment company before investing, and
(B) advise customers in writing that the investment company's shares:

(1) are not insured by the Federal Deposit Insurance Corporation, are not deposits, and are not obligations of, or endorsed or guaranteed in any way by, any bank, unless that is the case; and
(2) are subject to investment risks, including possible loss of the principal invested; and

(ii) Applicant or such United States nonbank subsidiary will disclose in writing to the customer the appropriate entity's role as adviser to the investment company, as well as the existence of any fees, penalties and surrender charges with respect to the investment company's shares; provided that the disclosures described in this commitment (ii) may be made orally so long as written disclosure is provided to the customer immediately thereafter.

21. Neither Company nor any affiliated United States bank, thrift, branch, or agency shall express an opinion on the value or the advisability of the purchase or the sale of ineligible securities underwritten or dealt in by N&B unless Company or the affiliate notifies the customer that N&B is underwriting, making a market, distributing or dealing in the security, and that Company is an affiliate of N&B.

22. Neither Company nor any affiliated United States bank, thrift, branch, agency, trust, or investment advisor shall purchase, as a trustee or in any other fiduciary capacity, for accounts over which it has investment discretion ineligible securities (a) underwritten by N&B as lead underwriter or syndicate member during the period of any underwriting or selling syndicate, and for a period of 60 days after the termination thereof, and (b) from N&B if it makes a market in that security, unless, in either case, such purchase is specifically authorized under the instrument creating the fiduciary relationship, by court order, or by the law of the jurisdiction under which the relationship is administered.

23. All business transactions between Applicant and N&B will be on an arm's-length, non-exclusive, and non-preferential basis. Applicant will not solicit any business for N&B or vice versa. There will be no advertising or marketing of each other's services. Neither Applicant nor its subsidiaries will refer customers to N&B, and N&B will not refer customers to Applicant or its subsidiaries, in each case except for referrals to and by Company and the French Joint Venture.

24. Applicant commits that it will waive any right to select general partners of N&B under New York law and that the voting arrangements under the limited partnership agreement will provide that Applicant will not have the right to vote for or participate in the selection of N&B's general partners or other management officials or vote for or direct other policies of N&B; provided, however, that, consistent with existing Board interpretation (12 C.F.R. 225.2(p)(2)), this commitment shall not affect or limit any voting rights accorded to Applicant solely of the type customarily provided by statute with regard to matters that would significantly and adversely affect the rights or preference of Applicant's limited partnership interest in N&B such as the issuance of additional amounts or classes of senior securities or other matters referenced in the Board's interpretation.

25. N&B's limited partnership agreement will provide that, in the event that the Board finds, in accordance with section 225.31(c) of Regulation Y, that Applicant has the power to exercise a controlling influence over N&B and unless the situation which resulted in such a finding is eliminated:

(i) Applicant's investment in N&B, including its limited partnership interest, will be promptly terminated; and

(ii) any amounts then owing by N&B to Applicant in connection with such investment will be promptly paid. Applicant and N&B understand that such termination and payment will be considered to have been effected "promptly" if accomplished within two years following such Board finding, provided that, prior to such termination and payment, Applicant and N&B will implement measures reasonably available in light of the circumstances to further separate the parties.

26. Applicant and its subsidiaries (except for Company and the French Joint Venture) will not distribute prospectuses or sales literature for N&B's Funds or make any such literature available to the public at any of their offices.

27. None of N&B's mutual funds will have offices in any building which is likely to be identified in the public's mind with Applicant or its subsidiaries (except for Company and the French Joint Venture).

28. Applicant commits that the French Joint Venture will conduct its activities in accordance with all of the joint venture commitments, with the exception of commitments 10 and 11.

B. Investment Advisory Commitments

1. Except as authorized by a client of Company or French Joint Venture, no confidential information supplied by the client to Company and not to Applicant or a subsidiary of Applicant will be made available to Applicant or any of its subsidiaries or N&B. This commitment would not apply to information sharing between Company and French Joint Venture.
2. Company will disclose to each client of Company that Company is an affiliate of Applicant and N&B.
3. Advice by Company to any client on an explicit fee basis will be rendered without regard to correspondent balances maintained by that client at Applicant or any depository institution subsidiary of Applicant.
4. Company's financial advisory activities will not encompass the performance of routine tasks or operations for a client on a daily or continuous basis.
5. Company will not act as broker in connection with the purchase or sale of, and will not purchase in its sole discretion in a fiduciary capacity, any securities of any Neuberger & Berman Fund which invests in variable or fixed rate annuities.

CoreStates Financial Corp. Philadelphia, Pennsylvania

Order Approving Application to Acquire Nonbanking Company and Engage in Certain Investment Advisory Activities

CoreStates Financial Corp, Philadelphia, Pennsylvania ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to acquire all of the voting shares of Rittenhouse Financial Services, Inc., Radnor, Pennsylvania ("Company"). Applicant proposes that Company continue serving as investment adviser to investment companies and providing portfolio investment advice and management services, including discretionary investment management services, to institutional customers, pursuant to sections 225.25(b)(4)(ii) and (iii) of Regulation Y.[1] Applicant also proposes that Company continue to provide discretionary investment management services to customers who do not qualify as institutional customers under Regulation Y.[2]

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (59 *Federal Register* 19,722 (1994)). 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 4(c)(8) of the BHC Act.

Applicant, with total consolidated assets of $25.9 billion, is the 33d largest commercial banking organization in the United States, and operates bank subsidiaries in Delaware, New Jersey and Pennsylvania.[3] Applicant engages through its subsidiaries in a broad range of banking and permissible nonbanking activities. Company is registered as an investment adviser under the Investment Advisers Act of 1940 (15 U.S.C. § 80b-1 *et seq.*) ("Investment Advisers Act").

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval, engage in any activity that the Board determines to be "closely related to banking or managing or controlling banks." The Board also must determine that the activity is a proper incident to banking. In judging whether the performance of an activity meets the proper incident to banking test, the Board must determine whether the proposed activity may be reasonably expected to produce public benefits that outweigh any possible adverse effects.

The Board has previously determined, by regulation, that acting as investment adviser to registered investment companies and providing portfolio investment advice are closely related to banking.[4] Applicant has committed that, except as discussed below, Company will conduct these activities pursuant to the conditions and limitations specified in the Board's regulations.[5]

With respect to the proper incident to banking standard under section 4(c)(8) of the BHC Act, the Board has authorized bank holding companies to provide discretionary investment management services only to institutional customers, and only at the request of the customer, due to the potential for adverse effects arising from this activity.[6] The Board's concern about abuse and conflicts of interest, such as account churning or biased investment advice, is heightened when a bank holding company exercising discretion also provides execution services for the discretionary account customer.[7] In determining to limit discretionary investment management activities to institutional customers, the Board reasoned that institutional customers are generally financially sophisticated, less likely in general than retail customers to place undue reliance on investment advice, and better able to monitor the activities of, and potential conflicts of interest from, a nonbank subsidiary providing discretionary investment management services.[8]

In this case, the Board notes that, as a registered investment adviser under the Investment Advisers Act, enforceable fiduciary responsibilities govern Company's activities.[9] In addition, Applicant has provided certain commitments intended to mitigate any potential for abuse, conflicts of interest or customer confusion arising from the proposed activity.[10]

1. Applicant proposes to effect the acquisition by organizing a first-tier subsidiary, RFS Target Corporation, and merging RFS Target Corporation with and into Company, with Company as the surviving corporation. Applicant intends to maintain Company as a separate and distinct entity, which will not hold itself out to the public as being affiliated with Applicant.

2. 12 C.F.R. 225.2(g).

3. Asset data are as of December 31, 1993.

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

5. *See id.*; 12 C.F.R. 225.125.

6. *See* 12 C.F.R. 225.25(b)(15) n.17; 57 *Federal Register* 41,381 (1992).

7. *See, e.g., J.P. Morgan & Co., Incorporated*, 73 *Federal Reserve Bulletin* 810 (1987).

8. *See* 57 *Federal Register* 41,381 (1992).

9. The Securities and Exchange Commission ("SEC") has determined that investment advisers are fiduciaries who owe their clients a series of fiduciary duties, including the duty of full disclosure of conflicts of interest, the duty of utmost and exclusive loyalty, the duty of best execution, and the duty to provide only suitable investment advice. *See* 59 *Federal Register* 13,464 (1994) (citing regulatory precedent). In addition, the SEC has determined that an investment adviser's fiduciary duty to provide only suitable investment advice is enforceable under the anti-fraud provision in section 206 of the Investment Advisers Act (15 U.S.C. § 80b-6). The SEC has sanctioned investment advisers for violating this duty and, recently, has proposed to make this duty explicit in a new rule. *Id.*

10. A list of these commitments is set forth in the appendix to this order.

These include a commitment that Company would not, without prior Board approval, execute trades for non-institutional discretionary account customers through Applicant, any affiliate of Applicant, or any entity currently affiliated with Company. Applicant also has committed that Rittenhouse would not purchase, for discretionary investment advisory accounts, securities that are underwritten, dealt in, or privately placed by Applicant or any of its affiliates, other than obligations of the United States, unless directed to do so in writing by the customer prior to each such transaction and after disclosure of any such affiliated relationship involved in the transaction. In the Board's view, these commitments substantially minimize the potential for adverse effects.

In addition, Applicant has committed that Company would not alter its name to one similar to that of Applicant, would operate exclusively out of offices that are not in the same building as, or otherwise geographically proximate to, any branch of Applicant's depository subsidiaries, and would not market Company's investment advisory services through any such branch. Applicant also has committed that none of Applicant's depository institution subsidiaries would make referrals of non-institutional customers to Company. These commitments should minimize potential confusion by non-institutional customers about the nature of the products and services they are receiving, as well as the difference between Company and any CoreStates depository affiliate.

In every case involving a nonbanking acquisition under section 4 of the BHC Act, the Board also must consider the financial condition and resources of the applicant and its subsidiaries and the effect of the proposal on these resources.[11] Based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of this proposal.

The Board also expects that Company's conduct of the proposed activities would enable Applicant to provide added convenience and services to its customers, and would not significantly reduce the level of competition among existing providers of these services.[12] Accordingly, based on all of the facts of record, including the commitments provided by Applicant, the Board has concluded that the performance of the proposed activities by Company can reasonably be expected to produce public benefits that would outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the foregoing and all the facts of record, including the commitments discussed above and all other commitments made in connection with the application, the Board has determined to, and hereby does, approve the application.[13] The Board's approval is specifically conditioned upon compliance with the commitments made in connection with this application and with the conditions referred to in this order. The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in section 225.4(d) and 225.23(b) of Regulation Y, and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective May 25, 1994.

Voting for this action: Action Committee composed of Chairman Greenspan and Governors LaWare, and Phillips. Absent and not voting: Governors Kelley and Lindsey.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Appendix

Commitments

1. No investment transactions will be effected by Company through Rittenhouse Financial Securities, Inc., Applicant or any affiliate of Applicant on behalf of discretionary investment advisory accounts maintained for customers who do not qualify as "institutional customers" as defined in the Board's Regula-

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

12. Although Company engages in investment advisory activities that are also provided by Applicant's affiliates, such activities have a national market with numerous alternative outlets for service. Therefore, the Board believes that the proposal is not likely to result in decreased or unfair competition.

13. This approval is limited to Applicant's proposal to acquire Company and for Company to engage in providing discretionary investment management services subject to the terms and conditions of this order. This order does not otherwise authorize Applicant to engage in providing discretionary investment management services to non-institutional customers without prior Board approval.

tion Y (such customers hereinafter referred to, collectively, as "Non-Institutional Customers" and, individually, as a "Non-Institutional Customer").

2. Fees charged by Company for its discretionary investment advisory services to Non-Institutional Customers will not be based upon the number of account transactions executed.

3. Company will not adopt a name which is the same or similar to Applicant's name, and its affiliation with Applicant will not be advertised or promoted, unless and to the extent disclosure is required by law.

4. Company's offices will not be located in any of the branches of Applicant's depository institution subsidiaries and will not be located in the same building as, or be geographically proximate to, any of such branches.

5. The services of Company will not be advertised, promoted or otherwise marketed through any branches of Applicant's depository institution subsidiaries, and no depository institution subsidiary of Applicant will refer any Non-Institutional Customers to Company.

6. Company, Applicant and affiliates of Applicant will not share confidential information regarding their respective customers without the customer's consent.

7. Company will not purchase, for discretionary investment advisory accounts, securities for which Applicant or any affiliate of Applicant acts as underwriter, dealer, distributor, or placement agent, other than obligations of the United States, unless directed to do so in writing by the customer prior to each such transaction and after disclosure of any such affiliated relationships involved in the particular transaction.

Société Générale
Paris, France

Order Approving an Application to Engage De Novo in Certain Interest Rate and Currency Swap, "Riskless Principal," and Foreign-Exchange-Related Activities

Société Générale, Paris, France ("Applicant"), a foreign bank subject to the provisions of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to engage *de novo* through its subsidiary, FIMAT Futures USA, Inc., Chicago, Illinois ("Company"),[1] in the following nonbanking activities:

(1) Acting as agent in arranging, and providing investment advice in connection with, interest rate swap and currency swap transactions and certain interest rate and currency risk-management products, such as caps, floors and collars;

(2) Buying and selling, on the order of investors as "riskless principal," foreign government securities issued by nations that are full members of the Organization of Economic Cooperation and Development; and

(3) Acting as agent in executing, and providing investment advice in connection with, spot, forward and over-the-counter options transactions in the foreign exchange market.

Notice of this application, affording interested persons an opportunity to submit comments, has been published (58 *Federal Register* 19,175 (1994)). 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 4(c)(8) of the BHC Act.

Applicant, with total consolidated assets equivalent to approximately $259.9 billion, is the fourth largest commercial banking organization in France.[2] In the United States, Applicant operates branches in New York, New York; Chicago, Illinois; and Los Angeles, California; and operates an agency in Dallas, Texas, and representative offices in Houston, Texas, and San Francisco, California.

Company is a futures commission merchant registered with the Commodity Futures Trading Commission ("CFTC") and a member of the National Futures Association ("NFA"), and as such, is subject to the recordkeeping, reporting, fiduciary standards, and other requirements of the Commodity Exchange Act (7 U.S.C. § 1 *et seq.*), the CFTC, and the NFA.[3] Company also intends to register as a broker-dealer with the Securities and Exchange Commission ("SEC"), and to seek admission to the National Association of Securities Dealers Inc. ("NASD"). Upon such registration with the SEC and admission to the NASD, Company would be subject to the recordkeeping, reporting, fiduciary standards, and other re-

1. Company is wholly owned by FIMAT International, Paris, France, a wholly owned subsidiary of Applicant. Company also maintains an office in New York, New York.

2. Asset data are as of June 30, 1993.

3. The Board has previously authorized Company to engage in the following activities:
(1) Executing without clearing, executing and clearing, and providing investment advisory services with regard to exchange-traded derivative securities;
(2) Providing securities brokerage and investment advisory services, both separately and on a combined basis, with respect to certain securities; and
(3) Buying and selling "bank-eligible" securities on the order of investors as a "riskless principal".
See Société Générale, 80 *Federal Reserve Bulletin* 156 (1993).

quirements of the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*), the SEC, and the NASD.

Riskless Principal Activities

"Riskless principal" is the term used in the securities business to refer to a transaction in which a broker-dealer, after receiving an order to buy (or sell) a security from a customer, purchases (or sells) the security for its own account to offset a contemporaneous sale to (or purchase from) the customer.[4] "Riskless principal" transactions are understood in the industry to include only transactions in the secondary market. Thus, Applicant proposes that Company would not act as a "riskless principal" in selling securities at the order of a customer that is the issuer of the securities to be sold, or in any transaction where Company has a contractual agreement to place the securities as agent of the issuer. Company also would not act as a "riskless principal" in any transaction involving a security for which it makes a market.

The Board previously has determined that, subject to a number of prudential limitations that address the potential for conflicts of interests, unsound banking practices, and other adverse effects, the proposed riskless principal activities are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[5] In those orders, the Board also found that purchasing and selling securities on the order of investors as a "riskless principal" does not constitute underwriting and dealing in securities for purposes of section 20 of the Glass-Steagall Act (12 U.S.C. § 377), and that revenue derived from such activities is not subject to the 10-percent revenue limitation on underwriting and dealing in ineligible securities.[6] In order to address the potential for conflicts of interests, unsound banking practices, or other adverse effects, Applicant has committed that Company will conduct its "riskless principal" activities in a manner consistent with the limitations, methods, and procedures established by the Board in prior orders,[7] as modified to reflect Applicant's status as a foreign bank.[8]

Swap Activities

Applicant proposes to act as agent in arranging, and providing investment advice in connection with, interest rate swap and currency swap transactions and certain interest rate and currency risk-management products, such as caps, floors and collars. The Board has determined, by order, that these proposed activities are closely related to banking and permissible for bank holding companies within the meaning of section 4(c)(8) of the BHC Act.[9] Applicant will not act as a principal or originator with respect to these instruments, but will act solely as agent or broker. Applicant proposes to engage in these activities in accordance with all the provisions and conditions set forth in the Board's prior orders relating to the proposed swap and swap advisory activities.[10]

4. *See* Securities Exchange Commission Rule 10b-10. 17 C.F.R. 240.10(a)(8)(i).

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

6. *Id.*

7. *Id.*

8. *See Sumitomo Bank Limited, 77 Federal Reserve Bulletin* 339 (1991); *Creditanstalt-Bankverein, 77 Federal Reserve Bulletin* 183 (1991); The *Royal Bank of Scotland Group PLC, 76 Federal Reserve Bulletin* 866 (1990). As detailed more fully in these orders, in addition to the commitments imposed by the Board in connection with underwriting and dealing in securities, Applicant has made a number of commitments regarding the conduct of this activity. In particular, Applicant has committed that Company will maintain specific records that will clearly identify all "riskless principal" transactions, and that Company will not engage in any "riskless principal" transactions for any securities carried in its inventory. When acting as a "riskless principal", Company will only engage in transactions in the secondary market, and not at the order of a customer that is the issuer of the securities to be sold; will not act as "riskless principal" in any transaction involving a security for which it makes a market; and will not hold itself out as making a market in the securities that it buys and sells as a "riskless principal". Moreover, Company will not engage in "riskless principal" transactions on behalf of its foreign affiliates that engage in securities dealing activities outside the United States and will not act as "riskless principal" for registered investment company securities. In addition, Company will not act as a "riskless principal" with respect to any securities of investment companies that are advised by Applicant or any of its affiliates.

9. *The Sanwa Bank, Limited, 77 Federal Reserve Bulletin* 64 (1991); *C&S/Sovran Corporation, 76 Federal Reserve Bulletin* 857 (1990); *The Fuji Bank, Limited, 76 Federal Reserve Bulletin* 768 (1990); *The Sumitomo Bank, Limited, 75 Federal Reserve Bulletin* 582 (1989).

10. In order to minimize any possible conflicts of interests between Company's role as agent or broker in swaps and related transactions and its role as advisor to potential counterparties, Applicant has committed that Company will disclose to each customer the fact that Company may have an interest as a counterparty agent or broker in the course of action ultimately taken by the customer. Also, in any case in which an affiliate of Company has an interest in a specific transaction as a principal or intermediary, Company will advise its customer of that fact before recommending participation in that transaction. In any transaction in which Company arranges a swaps transaction between an affiliate and a third party, Company will inform the third party that it is acting on behalf of the affiliate. In addition, Company's advisory services will be offered only to sophisticated customers who would be unlikely to place undue reliance on investment advice received and would be better able to detect investment advice motivated by self-interest. Moreover, Company will not make available to Applicant or any of its subsidiaries confidential information received from Company's clients except with the consent of the client, and disclosure will always be made to each potential client of Company that Company is an affiliate of Applicant. Advice rendered by Company on an explicit fee basis will be rendered without regard to correspondent balances maintained by the customer of Company at Applicant or any depository subsidiary of Applicant. Finally, Company's financial advisory activities shall not encompass the daily or continuous performance of routine tasks or operations for a customer.

Foreign Exchange Advisory and Execution Services

Section 225.25(b)(17) of the Board's Regulation Y authorizes bank holding companies to engage in foreign exchange advisory and transactional services, provided the activities are conducted in a separately incorporated subsidiary that does not execute foreign exchange transactions.[11] This regulation does not authorize a foreign exchange advisory company simultaneously to execute transactions, because of concerns regarding potential conflicts of interests that could arise from combining the functions of giving advice and executing transactions relating to that advice.[12] The Board has, by order, permitted an applicant in limited circumstances to combine the functions of providing foreign exchange advisory services and executing transactions in foreign exchange in the same subsidiary. In approving *Banca Commerciale,* the Board concluded that the potential adverse effects that could result from the proposal were limited because Banca Commerciale was conducting the proposed foreign exchange activities as a relatively small part of its securities brokerage business, and would be executing transactions in foreign exchange only for sophisticated customers, and only for purposes of hedging customer positions in foreign securities.[13]

Applicant proposes in this case to provide investment advice relating to, and execute transactions in, foreign exchange on behalf of customers for other than hedging purposes.[14] Applicant asserts that its proposal, as structured, would pose no more risk to Company, or potential for abusing client accounts, than permitting the execution of foreign exchange transactions for customers' hedging needs. In this regard, the Board notes that the proposed services are analogous to the full-service brokerage activities conducted by bank holding companies.[15]

11. *See* 12 C.F.R. 225.25(b)(17).
12. *See Banca Commerciale Italiana S.p.A.,* 76 *Federal Reserve Bulletin* 649, (1990) ("*Banca Commerciale*").
13. *See id.* Specifically, Banca Commerciale proposed that its subsidiary:
(1) Would provide foreign exchange services on behalf of customers as necessary to facilitate securities brokerage transactions for international customers and to permit these customers to hedge foreign exchange risks related to positions in foreign securities;
(2) Would not hold itself out as a foreign exchange business, except in connection with its securities brokerage services; and
(3) Did not expect to execute foreign exchange transactions on behalf of its customers for investment or speculative purposes or to advise its customers with respect to foreign exchange transactions for such purposes.
14. Company would not engage in any foreign exchange activities for its own account.
15. In particular, a full-service brokerage subsidiary of a bank holding company may advise a client to buy a particular security for investment purposes, then purchase the security on behalf of the customer. *See* 12 C.F.R. 225.25(b)(15).

In order to address the potential for conflicts of interests that could arise from conducting the proposed foreign exchange activities, Applicant has committed that Company would only provide such services to sophisticated institutional customers with sufficient expertise to monitor trading activity and prevent churning. In addition, Company will not exercise any investment discretion on behalf of such customers in foreign exchange-related matters, and will only execute a foreign exchange transaction with the prior authorization of the client. Finally, Company will receive a fee for investment services it provides, but will not charge its customers a fee for executing transactions in foreign exchange.

Other Considerations

In every case involving a nonbanking acquisition under section 4 of the BHC Act, the Board considers the financial condition and resources of Applicant and its subsidiaries and the effect of the proposal on these resources.[16] Applicant's consolidated Tier 1 and total risk-based capital ratios meet applicable risk-based standards under the Basle Accord. In view of these and other facts of record, the Board has determined that the financial factors are consistent with approval of this application. Managerial resources of Applicant and its subsidiaries also are consistent with approval.

Consummation of the proposal would provide added convenience to Applicant's customers. In addition, the Board also expects that the *de novo* entry of Applicant into the market for these services would increase the level of competition among providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by Company can reasonably be expected to produce benefits to the public.

Under the framework established in this and prior decisions, the Board believes that the public benefits resulting from this proposal can reasonably be expected to outweigh any adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that may result from the proposal.

Based on the above, the Board has determined to, and hereby does, approve this application subject to all the terms and conditions set forth in this order and in the above-noted Board orders that relate to these activities. The Board's determination also is subject to all the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b)(3),

16. 12 C.F.R. 225.24; *Fuji Bank, Limited,* 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG,* 73 *Federal Reserve Bulletin* 155 (1987).

and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law. This transaction shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 16, 1994.

Voting for this action: Chairman Greenspan and Governors Kelley, LaWare, Lindsey, and Phillips.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Société Générale
Paris, France

Order Approving an Application to Engage in Futures Commission Merchant Activities

Société Générale, Paris, France ("Applicant"), a foreign bank subject to the provisions of the Bank Holding Company Act ("BHC Act"), has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), to engage through its indirect subsidiary, FIMAT Futures USA, Inc., Chicago, Illinois ("Company").[1] In providing futures commission merchant ("FCM") execution, clearance, and advisory services to customers with respect to futures and options on futures on non-financial commodities.[2] A complete list of the proposed contracts is set forth in the Appendix to this order. Company would not trade in the proposed derivative instruments for its own account for any purpose, and would not trade in the physical commodities themselves, except when necessary to assist in the orderly resolution of an account.[3] Company would provide the proposed FCM services only to institutional customers and natural persons whose individual net worth (or joint net worth with spouse) exceeds $1 million.[4] Company would not provide such services to retail brokerage customers, locals, or market makers.

1. Company is wholly owned by FIMAT International Bank, Paris, France, a wholly owned subsidiary of Applicant. Company, which also maintains an office in New York, New York, currently engages in various futures commission merchant and securities-related activities. *See Société Générale* 80 *Federal Reserve Bulletin* 646 (1994).

2. Company may conduct the proposed FCM activities through omnibus trading accounts established in its own name with clearing members of exchanges on which Company would not itself be a clearing member. *See Northern Trust Corporation, 79 Federal Reserve Bulletin* 723, 724 (1993) ("*Northern Trust*"). Applicant has committed that, with respect to Company's omnibus account customers, Company will employ the same credit approval and risk management procedures developed for its executing and clearing activities.

Consistent with previously approved proposals to engage in these activities, Applicant must provide at least 20 days prior written notice to the Federal Reserve System before:

(i) Engaging in FCM activities with respect to additional exchange-traded derivative contracts on agricultural, energy, or non-precious metal commodities (unless the Board has approved the contracts for any other bank holding company under the BHC Act) to assure that such contracts are comparable to previously approved contracts; or

(ii) Becoming a clearing or non-clearing member of any commodities exchange that previously has been reviewed and approved by the Board under the BHC Act.

However, Applicant must obtain prior Board approval before becoming a clearing or non-clearing member of any commodities exchange that has not been reviewed and approved by the Board under the BHC Act.

Applicant also proposes to provide execution-only and clearing-only services to customers pursuant to customer agreements and "give-up agreements" that would afford the clearing FCM the right to refuse to clear customer trades that the clearing FCM reasonably deems unsuitable in light of market conditions or a customer's financial situation or objectives. These activities have been approved by the Board. *See Northern Trust; J.P. Morgan & Co. Incorporated,* 80 *Federal Reserve Bulletin* 151 (1994) ("*J.P. Morgan*"). Company would conduct its proposed execution-only and clearing-only activities subject to the limitations, conditions and commitments relied on by the Board in *J.P. Morgan*. In this regard, Applicant has committed that Company will not serve as the primary or qualifying clearing firm for any unaffiliated parties, and will subject its clearing-only and execution-only customers to the same credit review procedures set forth in *J.P. Morgan*.

3. In those circumstances when a customer defaults on a contract after the contract expires and Company is required to make or take delivery of the underlying commodity, or where Company exercises its rights to liquidate a customer's account, Company is permitted to take those actions necessary to mitigate its damages, including acting for its own account in retendering or redelivering the commodity, entering into an exchange-for-physical transaction, or entering into an offsetting transaction in the cash market, provided these or other appropriate actions are taken as soon as commercially practicable.

4. Applicant anticipates that following consummation of the proposal, a small percentage of Company's business would be conducted on behalf of managed commodity funds (or commodity pools), which are regulated by the Commodity Futures Trading Corporation and the National Futures Association. With the exception of commodity pools organized abroad, owned entirely by non-U.S. persons, and that conduct substantially all of their business outside of the United States, none of Company's managed commodity fund customers would be owned or sponsored by, or otherwise affiliated with, Applicant. Company will not act as a commodity pool operator without prior Board approval, and Applicant will not engage in commodity pool operator activities of any kind inside the United States without prior Board approval. Company will apply its standard credit approval procedures to its commodity pool customers. Applicant has committed to provide the Federal Reserve System with prior notice of any material change in the characteristics of Company's customer base.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 19,175 (1994)). 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 4(c)(8) of the BHC Act.

Applicant, with total consolidated assets equivalent to approximately $260 billion, is the fourth largest commercial banking organization in France.[5] In the United States, Applicant operates branches in New York, New York; Chicago, Illinois; and Los Angeles, California; an agency in Dallas, Texas; and representative offices in Houston, Texas; and San Francisco, California.

Company[6] is an FCM registered with the Commodity Futures Trading Commission ("CFTC"), and a member of the National Futures Association ("NFA"), and, therefore, is subject to the recordkeeping, reporting, fiduciary standards, and other requirements of the Commodity Exchange Act (7 U.S.C. § 1 *et seq.*), the CFTC, and the NFA. In addition, the Board recently granted Company authority to engage in certain securities-related activities,[7] and, in connection therewith, Company intends to become a broker-dealer registered with the Securities and Exchange Commission ("SEC"), and a member of the National Association of Securities Dealers, Inc. ("NASD"). Accordingly, Company will become subject to the recordkeeping, reporting, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*), the SEC, and the NASD.

The Board previously has determined that providing FCM execution, clearance and advisory services with respect to non-financial commodity derivatives are activities closely related to banking within the meaning of section 4 of the BHC Act, and are, therefore, permissible activities for bank holding companies.[8] In order to approve this application, the Board also must determine that the performance of the proposed activities by Applicant can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition and gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, and unsound banking practices.

The Board expects that the *de novo* entry of Applicant into the market for the proposed services would provide added convenience to Applicant's customers, and would increase the level of competition among existing providers of these services. To address the potential adverse effects of the proposed activities, Applicant has committed to conduct the proposed activities subject to the same rules and procedures imposed by the Board on FCM activities in derivatives of financial commodities.[9] In addition, in order to minimize risks associated with the delivery of non-financial commodities, Applicant has committed to take a number of steps in the event one of Company's customers has an open position in a contract after the contract has expired, and the customer is unable or unwilling to make or take delivery.[10]

Based on the commitments made by Applicant regarding its conduct of the proposed activities, the limitations on the activities noted in this order, and all the facts of record, the Board has determined that the performance of the proposed activities by Applicant could reasonably be expected to produce public benefits that would outweigh the possible adverse effects that may result from the proposal.

In every case under section 4 of the BHC Act, the Board must consider the financial condition and resources of the applicant and its subsidiaries and the effect of the proposal on these resources.[11] Based on the facts of this case, the Board concludes that financial considerations are consistent with approval of this application. The managerial resources of Applicant also are consistent with approval.

Based on the foregoing and all the facts of record, the Board has determined to, and hereby does, approve the application subject to all the terms and conditions set forth in this order, and in the Board regulations and orders that relate to these activities. The Board's determination also is subject to all the terms and conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank

5. Asset data are as of June 30, 1993.

6. Company is currently a clearing member on the Chicago Board of Trade and Chicago Mercantile Exchange, and Company intends to seek membership on the New York Mercantile Exchange to conduct the proposed activities.

7. *See Société Générale*, 80 *Federal Reserve Bulletin* 156 (1994).

8. *See J.P. Morgan*.

9. *See* 12 C.F.R. 225.25(b)(18). Applicant also has committed that Company will not enter into any impermissible tying arrangements with any lending affiliates, and that all customer trading positions of Company will be marked to market at least daily.

10. Among the steps Applicant will take are:

(1) Retendering the commodity;

(2) Offsetting the customer's open position through an exchange-for-physical transaction;

(3) Offsetting the commodity in the cash market; and

(4) Seeking to avoid delivery through some other mechanism. *See Bank of Montreal*, 79 *Federal Reserve Bulletin* 1049, 1052 n.21 (1993).

11. 12 C.F.R. 225.24; *The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act, and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all the commitments made by Applicant in this application, including the commitments discussed in this order and the conditions set forth in this order and in the above noted Board regulations and orders. For purposes of this action, these commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective May 23, 1994.

Voting for this action: Chairman Greenspan and Governors Kelley, Lindsey, and Phillips. Absent and not voting: Governor LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Appendix

Chicago Board of Trade

Corn Futures
Options on Corn Futures
Wheat Futures
Options on Wheat Futures
Soybean Futures
Options on Soybean Futures

Chicago Mercantile Exchange:

Live Cattle Futures
Options on Live Cattle Futures
Feeder Cattle Futures
Options on Feeder Cattle Futures
Live Hog Futures
Options on Live Hog Futures

New York Mercantile Exchange:

Light Sweet Crude Oil Futures
Options on Light Sweet Crude Oil Futures
Sour Crude Oil Futures
Gulf Coast Unleaded Gasoline Futures
New York Harbor Unleaded Gasoline Futures
Options on New York Harbor Unleaded Gasoline Futures
Heating Oil Futures
Options on Heating Oil Futures
Propane Futures
Natural Gas Futures
Options on Natural Gas Futures

Singapore International Monetary Exchange Limited:

High Sulphur Fuel Oil Futures
Gas Oil Futures

Stichting Prioriteit ABN AMRO Holding
Stichting Administratiekantoor ABN AMRO Holding
ABN AMRO Holding N.V.
ABN AMRO Bank N.V.
all of Amsterdam, The Netherlands
ABN AMRO North America, Inc.
Chicago, Illinois

Order Approving the Acquisition of a Savings and Loan Holding Company

Stichting Prioriteit ABN AMRO Holding, Stichting Administratiekantoor ABN AMRO Holding, and ABN AMRO Holding N.V., all of Amsterdam, The Netherlands, foreign banking organizations subject to the Bank Holding Company Act ("BHC Act"); and ABN AMRO Bank N.V., Amsterdam, The Netherlands, and ABN AMRO North America, Inc., Chicago, Illinois ("AMRO North America"), bank holding companies within the meaning of the BHC Act (collectively, "Applicant"), have applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to acquire Cragin Financial Corp., Chicago, Illinois ("Cragin"), and thereby indirectly acquire Cragin's savings association subsidiary, Cragin Federal Bank for Savings, Chicago, Illinois ("Cragin Federal").[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (58 *Federal Register* 57,612 (1993)). The

1. Applicant would acquire Cragin by merging Cragin with and into Cragin Acquisition Company ("Company"), a Delaware corporation that is a wholly owned subsidiary of AMRO North America, with Company surviving the merger. After its acquisition by Applicant, Cragin Federal would change its name to LaSalle Cragin Bank, F.S.B. The Office of Thrift Supervision, Cragin Financial's primary federal regulator, has not yet acted on this proposal.

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 4(c)(8) of the BHC Act.

The Board has determined that the operation of a savings association by a bank holding company is closely related to banking for purposes of section 4(c)(8) of the BHC Act. 12 C.F.R. 225.25(b)(9). In making this determination, the Board requires savings associations acquired by bank holding companies to conform their direct and indirect activities to those permissible for bank holding companies under section 4 of the BHC Act and Regulation Y.[2] Applicant has committed to conform all activities of Cragin to the requirements of section 4 of the BHC Act and Regulation Y.[3]

In considering an application under section 4(c)(8) of the BHC Act, the Board is required to determine that the applicant's ownership and operation of the acquired company "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[4]

Applicant, with total consolidated assets of approximately $253 billion,[5] controls eight depository institutions[6] in Illinois and one commercial bank in New York. Applicant is the third largest depository institution in Illinois, controlling deposits of $10.2 billion, representing 5.5 percent of total deposits in depository institutions in the state.[7] Cragin is the third largest thrift organization in Illinois, controlling deposits of $2.1 billion, representing 4.1 percent of total deposits in thrift institutions in the state. Upon consummation of this proposal, Applicant would remain the third largest depository organization in Illinois. Applicant and Cragin compete in the Chicago, Illinois, banking market.[8] After considering the competition offered by other depository institutions in this market,[9] the number of competitors that would remain in the market, the small increase in market concentration as measured by the Herfindahl–Hirschman Index ("HHI"),[10] and other facts of record, the Board has concluded that consummation of the proposal would not result in a significantly adverse effect on competition in the Chicago banking market or any other relevant banking market.

Community Reinvestment Act Considerations

In considering an application to acquire a savings association under section 4 of the BHC Act, the Board reviews the records of performance of the relevant institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA").[11] The CRA requires the Federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate,

2. Cragin engages in the sale as agent of insurance products in Illinois under the Home Owners' Loan Act that would not be permissible for bank holding companies under section 4 of the BHC Act. These activities include the sale of life, health, and property and casualty insurance and will be transferred to a subsidiary of Applicant's thrift subsidiary, LaSalle Talman Bank, F.S.B., Chicago, Illinois ("Talman"), upon consummation of the proposal. The Board has determined that Talman is a Qualified Savings Association within the meaning of section 4(i)(3) of the BHC Act and is, therefore, entitled to engage in these types of insurance agency activities in Illinois. *See Stichting Prioriteit ABN AMRO Holding*, 78 *Federal Reserve Bulletin* 296 (1992) (*"AMRO/Talman"*).

3. Cragin engages in real estate activities that are not permissible for bank holding companies under the BHC Act. Applicant has committed that all impermissible real estate activities will be divested or terminated within two years of consummation of the proposal, that no new impermissible projects or investments will be undertaken during this period, and that capital adequacy guidelines will be met excluding specified real estate investments. Applicant also has committed that any impermissible securities activities conducted by Cragin or its subsidiaries will cease on or before consummation of this proposal.

4. 12 U.S.C. § 1843(c)(8).

5. Asset data are as of December 31, 1993.

6. In this context, depository institution includes commercial banks, savings banks, and savings associations.

7. State commercial bank and thrift deposit data are as of June 30, 1992.

8. The Chicago banking market is defined as Cook, Lake, and DuPage Counties, all in Illinois.

9. Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Because the deposits of Cragin would be controlled by a commercial banking organization upon consummation of this proposal, these deposits are included at 100 percent in the calculation of Applicant's post-consummation share of market deposits. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669, 670 n.9 (1990).

10. The HHI would increase by 16 points to 569. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is below 1000 is considered unconcentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

11. The Board has determined that the CRA by its terms generally does not apply to applications by bank holding companies to acquire nonbanking companies under section 4(c)(8) of the BHC Act. *The Mitsui Bank, Ltd.*, 76 *Federal Reserve Bulletin* 381 (1990). The Board also has stated that, unlike other companies that may be acquired by bank holding companies under section 4(c)(8) of the BHC Act, savings associations are depository institutions, as that term is defined in the CRA, and thus, acquisitions of savings associations are subject to review under the express terms of the CRA. *Norwest Corporation*, 76 *Federal Reserve Bulletin* 873 (1990).

consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate Federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of bank holding company applications.[12]

In connection with this application, the Board has reviewed comments received from several organizations ("Protestants") alleging that Applicant and Cragin have failed to meet the credit needs of residents of low- and moderate-income census tracts in Chicago, Illinois, with predominately minority populations.[13] Specifically, Protestants contend that the percentage of loans made by Cragin and Talman in predominately minority census tracts is disproportionately small in light of the number of minority residents in those tracts. Protestants also maintain that Talman's ascertainment efforts do not include groups representative of low- and moderate-income communities in Chicago. In addition, Protestants allege that Cragin Federal does not maintain lending offices at its deposit-taking facilities located in low- and moderate-income areas of Chicago and that its CRA service area is drawn to exclude minority areas of Chicago.

The Board has carefully reviewed the CRA performance records of Applicant and Cragin and their subsidiary depository institutions, the comments received and Applicant's responses to those comments, and all other relevant facts of record in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[14]

A. CRA Performance Examinations

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that these reports will be given great weight in the applications process.[15] In this regard, the Board notes that Talman received an "outstanding" rating from its primary federal regulator, the Office of Thrift Supervision ("OTS"), at its most recent examination for CRA performance as of March 1, 1993. In addition, LaSalle National Bank ("LaSalle National"), the lead bank of AMRO North America, received a "satisfactory" rating from its primary federal regulator, the Office of the Comptroller of the Currency ("OCC"), at its most recent CRA examination as of May 7, 1993.[16] All the other AMRO North America subsidiary banks received "outstanding" or "satisfactory" ratings from their primary regulators in their most recent CRA examinations. Cragin Federal received a "satisfactory" CRA rating in its most recent examination by its primary regulator, the OTS, as of June 1, 1993.[17]

B. Applicant's CRA Performance Record

Lending in low- and moderate-income areas. Talman's most recent CRA performance examination concluded that the geographic distribution of its credit extensions reflected a reasonable penetration in all segments of its delineated community, including low- and moderate-income neighborhoods.[18] This examination also found no evidence of any pattern or practice of illegal discriminatory credit practices or other practices designed to discourage credit applications.

Housing-related lending data indicate that Talman made 68.9 percent of its total loans within its delineated community in 1992. Of these loans, 21 percent were to minority borrowers, and approximately 32 percent were to low- or moderate-income borrowers. Data submitted under the Home Mortgage Disclosure Act ("HMDA") indicate that the number of loan applications received from African-Americans and the number of loans made to African-Americans increased from 1991 to 1992,[19] and the denial rate for African-Ameri-

12. 12 U.S.C. § 2903.

13. The Board also received comments from other commenters opposing this application. After discussions with Applicant, these commenters withdrew their protests and supported the application.

14. 54 *Federal Register* 13,742 (1989).

15. *Id.* at 13,745.

16. The OCC raised LaSalle National's performance rating from its previous rating of "needs to improve." LaSalle National's progress in addressing the weaknesses in its CRA performance through the initiatives previously discussed by the Board in *AMRO/Talman, supra*, has been monitored through quarterly reporting by Applicant to the Federal Reserve Bank of Chicago ("Reserve Bank"). The Board believes that these steps have satisfactorily resolved the bank's CRA performance issues, and, therefore, Applicant is no longer required to submit quarterly reports to the Reserve Bank.

17. This examination concluded that Cragin Federal's delineated CRA community did not exclude low- and moderate-income neighborhoods and that loan origination data indicated reasonable penetration of all segments of its community. Examiners noted that more than one-third of the thrift's housing-related loans were made to borrowers located in low- and moderate-income zip codes, and no evidence of illegal discriminatory practices or practices intended to discourage applications were found. Although loan applications are accepted at only seven out of 26 of Cragin Federal's branch offices, each office makes loan application kits available. In addition, loan originators are available to meet loan applicants at any of the thrift's 27 offices or at the applicant's home.

18. The examiners noted that Talman's 1992 analysis of the geographic distribution of its credit extensions and denials focused only on Cook County.

19. The number of housing-related loans applications from African-Americans increased by 16.2 percent from 1991 to 1992, and the number of loans made to African-Americans increased by 53 percent from 1991 to 1992.

cans decreased from 32 to 14 percent over the same period. HMDA data also show that Talman makes loans in low- and moderate-income census tracts with ethnically diverse populations.[20] In 1992, 37 percent of the housing-related loans originated by Talman in low- and moderate-income census tracts were made in predominantly minority census tracts and 61 percent were made in integrated census tracts. In addition, Talman made a higher percentage of its housing-related loans to African-Americans and to borrowers in low- and moderate-income census tracts in 1992 than lenders reporting HMDA data in the market in the aggregate.[21]

Talman has in place steps designed to increase the number of loans made to low- and moderate-income and minority borrowers. Under its "second look" program, all denied loans are carefully documented to explain the reason for the decision. A denied loan can be resubmitted to the underwriting department (where the denial decision is initially made) with the recommendations of the loan officer and manager. An underwriting supervisor will review the loan application file, and if the loan is a marginal risk but might still qualify, it is sent to a member of the credit committee for a final decision. From January to June 1993, approximately 20 percent of originally denied loan applications were approved.

Access to Talman's lending services is provided through Talman's 27 financial and mortgage offices. Loan applications are accepted at each office.[22] The thrift's most recent CRA performance examination concluded that Talman had branch offices accessible to all segments of the institution's local community.

Talman participates in a number of other programs designed to assist in meeting credit needs for housing-related loans. For example, Talman was a co-developer of the FNMA Community Home Buyers Program, which began as a five city pilot program and is now national. This program permits low down payments and higher-than-normal debt-to-income ratios. From January 1 through October 31, 1993, Talman originated loans totalling $25.5 million under this program. Talman is also an active participant in government guaranteed loan programs. Talman originated 553 FHA/VA loans totalling $45.4 million during the period January 1991 to February 1993. The thrift is the leading lender under the various programs of the Illinois Housing Development Authority, originating 467 loans totalling $36.2 million during 1991 and 1992. In addition, in the first 9 months of its participation in the Illinois State Treasurer's HomeStart program, which is targeted to first-time home buyers and low- and moderate-income individuals, Talman originated 269 loans totaling $21.9 million.

Talman also is a participant in several new lending programs such as the Federal Home Loan Bank of Chicago's Affordable Housing Program/Neighborhood Housing Services of Chicago, Inc., Program, which provides for the acquisition of properties from the Department of Housing and Urban Development, the Resolution Trust Corporation, and the Veterans Administration.[23] Talman also has a $10 million investment in Community Investment Corporation, a not-for-profit mortgage banker engaged in the acquisition and rehabilitation of multi-unit apartment buildings whose tenants are primarily minority and low- and moderate-income individuals.

LaSalle National has made special efforts to increase its lending to small businesses within its delineated community. The bank's Business Banking Division makes use of the contacts developed by the bank's Community Development Department, which is responsible for ascertaining the credit needs of small businesses in its community through a variety of calling programs, focus groups, and market research. In response to its ascertainment efforts, LaSalle National developed a line of credit for businesses with under $1 million in annual sales and began to offer bridge financing for affordable housing tax credit syndications. At the end of 1992, LaSalle National also had $100.4 million of housing rehabilitation loans outstanding.

Ascertainment and community group contact. Talman's most recent CRA performance examination characterized its ascertainment efforts as excellent, and commended the thrift's meaningful, ongoing contact with a wide range of individuals, groups and organizations representing the local community, governmental units, and not-for-profit housing organizations. In Chicago, these groups include the Greater Southwest Development Corporation, Eighteenth Street Development Corporation, Pilsen Neighbors Community Council, and the North River Commission. Talman also has an ongoing working relationship

20. Applicant states that Talman made 35 loans totalling $2.3 million in the predominantly African-American South Lawndale neighborhood of Chicago in 1992, and made 4.6 percent of all loans in that neighborhood from 1986-1991.

21. In 1992, Talman made 5.3 percent of all housing-related loans that were made by all lenders in the Chicago MSA, but it made 9 percent of the total number of such loans made to African-Americans in the Chicago MSA and it made 6.1 percent of the total number of such loans made in low- and moderate-income census tracts in the Chicago MSA.

22. Talman also maintains a staff of 78 loan originators who actively solicit loan applications throughout its delineated community.

23. The acquired properties are rehabilitated and leased to low- and moderate-income borrowers under a lease-purchase agreement in which borrowers acquire direct ownership in three years. Through October 1993, Talman had made over $1 million in loans under this program.

with the National Training and Information Center ("NTIC"), an umbrella group of community organizations focused on affordable housing and CRA. Talman worked with NTIC and FNMA to develop the Community Home Buyers Program. In addition, Talman assisted in the formation of Neighborhood Housing Services of Chicago, Inc. ("NHS"), a not-for-profit partnership that addresses neighborhood preservation and low- and moderate-income housing needs.[24]

These ascertainment efforts have identified a need for more affordable housing programs for low- and moderate-income individuals and for first-time home buyers. Talman has responded to these needs by participating in a number of special loan programs sponsored by government or not-for-profit organizations discussed above. Talman also conducts home buying and home improvement seminars in conjunction with community-based organizations. In addition, from January 1991 to October 1992, Talman conducted 11 seminars and a direct mailing of brochures (in Spanish and English language versions) to promote its Affordable Home Ownership Program.

Talman's marketing efforts were also considered excellent in its most recent CRA performance examination. Talman sponsors a weekly one-hour cable television program, *Chicago: Passport to the World.* The program, which is produced and hosted by Talman's CRA officer, is a forum for neighborhood and community groups to present their programs and solicit contributions and volunteers. Talman also advertises its credit products and services during this program. In addition, Talman advertises its credit products over television and radio stations and in the print media, including community organization publications and media directed to the African-American and Hispanic communities.[25]

Other aspects of CRA performance. Applicant has a variety of CRA policies and procedures designed to ensure an effective CRA program at each of its depository institution subsidiaries. As noted above, all of Applicant's subsidiaries have "satisfactory" or "outstanding" CRA ratings, and the ratings of two of these subsidiaries improved after their acquisition by Applicant. After consummation of this proposal, Applicant would coordinate the programs of Cragin Federal. AMRO North America has an internal monitoring and compliance program pursuant to which each subsidiary must submit a CRA action plan describing goals for training and lending. As a subsidiary of AMRO North America, Cragin Federal would develop such a plan, and personnel from AMRO North America and Talman would assume oversight responsibilities for Cragin Federal's CRA activities.

The record indicates that Cragin Federal plans to adopt specific outreach programs currently used by Talman to reach low- and moderate-income areas of Chicago, including:

(1) CRA Community Contact Program,

(2) Community Outreach Program, and

(3) LaSalle Talman Home Mortgage Corporation's Loan Originator Call Program in several predominantly minority and low- and moderate-income communities. In addition, Applicant plans to make credit products such as FHA/VA loans and home-improvement loans available through Cragin Federal. Talman will also provide Cragin with assistance in making loans under various Illinois-sponsored home loan programs such as the Illinois Housing Development Authority and State Treasurer's home loan program.

C. Conclusion Regarding Convenience and Needs Factor

The Board has carefully considered all the facts of record, including the comments received, in reviewing the convenience and needs factor under the BHC Act. Based on a review of the entire record of performance by Applicant, Cragin, and their subsidiary depository institutions, the Board believes that the efforts of Applicant, Cragin, and their subsidiary banks to help meet the convenience and needs of all segments of the communities they serve, including the credit needs of low- and moderate-income neighborhoods, are consistent with approval of this proposal.[26]

24. A subsidiary of NHS has acquired and rehabilitated more than 300 units of rental housing for the benefit of low- and moderate-income tenants.

25. Of the 21 newspapers in which Talman advertises, the *Chicago Defender* is directed to the African-American community and *Lazara* and *Extra* are directed to the Hispanic community. Talman also advertises on three radio stations directed to the African-American community.

26. Protestants have requested that the Board hold a public meeting or hearing on this application regarding the CRA records of Applicant and Cragin. The Board's rules provide that a hearing is required under section 4 of the BHC Act only if there are disputed issues of material fact that cannot be resolved in some other manner. In addition, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application, and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e), 262.25(d), and 225.23(g). The Board has carefully considered this request. In the Board's view, interested parties have had a sufficient opportunity to present written submissions, and they have submitted detailed written comments that have been considered by the Board. On the basis of all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in this application or otherwise required under the Board's rules. Accordingly, the request for a public meeting or hearing on this application is hereby denied.

Other Considerations

The Board concludes that the financial[27] and managerial resources of Applicant and Cragin and their respective subsidiaries are consistent with approval. In addition, the record does not indicate that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices that are not likely to be outweighed by the public benefits of this proposal. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of the application.

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is specifically conditioned upon compliance with all the commitments made by Applicant in connection with this application. The Board's determination also is subject to all the conditions set forth in Regulation Y, including those in sections 225.4(d) and 225.23(b) of Regulation Y, and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these commitments and conditions will be considered conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective May 23, 1994.

Voting for this action: Chairman Greenspan and Governors Kelley, Lindsey, and Phillips. Absent and not voting: Governor LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

27. Protestants also assert that Applicant's capital levels are inconsistent with approval of this application. The Board has carefully reviewed these comments in light of Applicant's reports of examinations and other confidential financial information from the Applicant. The Board notes that Applicant is currently in compliance with all capital requirements and would remain so upon consummation of this proposal. Based on all facts of record, the Board concludes that these comments do not warrant denial of this application.

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

CoreStates Financial Corp
Philadelphia, Pennsylvania

Order Approving the Merger of Bank Holding Companies

CoreStates Financial Corp, Philadelphia, Pennsylvania ("CoreStates"), a bank holding company within the meaning of the Bank Holding Company Act (the "BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to merge with Independence Bancorp, Inc. ("IBI"), and thereby indirectly acquire Bucks County Bank and Trust Company, both of Perkasie; Cheltenham Bank, Cheltenham; Lehigh Valley Bank, Bethlehem; and Third National Bank and Trust Company of Scranton, Scranton; all of Pennsylvania.[1] CoreStates also has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) to acquire IBI's wholly owned insurance subsidiary, Independence Life Insurance Company, Phoenix, Arizona, and thereby act as a principal in reinsuring credit life, accident, and health insurance that is directly related to extensions of credit by its bank subsidiaries pursuant to section 225.25(b)(8)(i) of the Board's Regulation Y.

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 11,078 and 14,165 (1994)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

CoreStates, with total deposits of approximately $18.4 billion, controls three banking subsidiaries in Delaware, New Jersey, and Pennsylvania. CoreStates is the third largest commercial banking organization in Pennsylvania, controlling deposits of approximately $11.8 billion, representing 8.5 percent of total deposits in commercial banks in the state.[2] IBI is the 11th largest commercial banking organization in Pennsylvania, controlling deposits of approximately $2.2 billion, representing 1.6 percent of total deposits in commercial banks in the state. Upon consummation of this proposal, CoreStates would remain the third largest commercial banking organization in Pennsylvania, with approximately $14 billion in total deposits, repre-

1. In connection with this application, CoreStates has requested approval to acquire approximately 9.8 percent of IBI, upon certain triggering events. This option will become moot upon consummation of the merger of the bank holding companies.

2. Deposit and market data are as of June 30, 1992.

senting 10.1 percent of total deposits in commercial banks in the state.

Competitive Considerations

CoreStates and IBI compete directly in the Philadelphia-Trenton, banking market.[3] Upon consummation of this proposal, CoreStates would remain the largest depository institution in the market, controlling deposits of $13.8 billion, representing 20.1 percent of total deposits in depository institutions in the market.[4] After considering the number of competitors that would remain in the market and the relatively small increase in concentration as measured by the Herfindahl–Hirschman Index ("HHI"),[5] and all other facts of record, the Board concludes that consummation of this proposal would not result in a significantly adverse effect on competition in the Philadelphia-Trenton banking market or any other relevant banking market.

Other Considerations

Based on all the facts of record, the Board concludes that financial and managerial resources and future prospects of CoreStates, IBI and their subsidiaries and the other supervisory factors that the Board must consider under section 3 of the BHC Act are consistent with approval of this proposal.[6] Considerations relating to the convenience and needs of the communities to be served also are consistent with approval.[7]

CoreStates also has applied for approval to acquire Independence Life Insurance Company and thereby engage as a principal in credit related insurance activities. The Board previously has determined that this activity is permissible for bank holding companies under section 4(c)(8) of the BHC Act, and under the Board's Regulation Y, and CoreStates will conduct this activity in accordance with the relevant Board regulations and orders. The record in this case indicates that there are numerous providers of this service, and there is no evidence in the record to indicate that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that would outweigh the public benefits of this proposal. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of these applications.

Conclusion

Based on the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved. The Board's approval is expressly conditioned upon compliance with all the commitments made by CoreStates in connection with these applications. The determination as to the nonbanking activities is subject to all the conditions in the Board's Regulation Y including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasions of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on by the Board in reaching this decision are both deemed to be conditions imposed in writing by

3. The Philadelphia-Trenton banking market is approximated by Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties in Pennsylvania and Burlington, Camden, Gloucester, and Mercer Counties in New Jersey.

4. When used in this context, depository institutions include commercial banks and savings associations. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

5. The HHI for the market is currently 890 and will increase by 73 points to 963 as a result of this transaction. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)), a market in which the post-merger HHI is less than 1000 is considered unconcentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anti-competitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anti-competitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

6. The Board has carefully reviewed comments from an individual about the trading activity in IBI stock before this proposal was announced. In this regard, the Securities Exchange Commission has announced an investigation of IBI stock purchases by certain individuals immediately prior to the public announcement of the transaction. Based on all the facts of record, including the scope of the investigation and reports of examination on the managerial resources of the institutions involved, the Board does not believe that this matter warrants denial of the applications.

7. This commenter has also raised issues regarding the effect of the merger of CoreStates and IBI on the local services presently offered by Bucks County Bank and Trust Company ("Bank"). CoreStates has stated that current management and staff of Bank will be responsible for the Bucks County branches of CoreStates after consummation of the proposal, and CoreStates will place the Bank's directors on CoreStates's regional advisory board. In addition, a review of the records of performance by CoreStates banks under the Community Reinvestment Act ("CRA") indicates that all the banks have received a rating of "satisfactory" or "outstanding" in meeting the credit needs of their communities. In light of these and all facts of record, the Board concludes that these comments do not warrant denial of this proposal.

the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

The acquisition of the subsidiary banks shall not be consummated before the thirtieth calendar day following the effective date of this order, and the acquisition of the banks and nonbanking subsidiary shall not be consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Philadelphia, acting under delegated authority.

By order of the Board of Governors, effective May 23, 1994.

Voting for this action: Chairman Greenspan, Governors Kelley, Lindsey, and Phillips. Absent and not voting: Governor LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

ORDERS ISSUED UNDER BANK MERGER ACT

Bank of Mid-Jersey Bordentown, New Jersey

Order Approving the Merger of Banks

Bank of Mid-Jersey, Bordentown, New Jersey ("BMJ"), a state member bank, has applied for the Board's approval under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act"), to merge with Mount Holly State Bank, Mount Holly, New Jersey ("Mount Holly"). BMJ and Mount Holly are both subsidiaries of B.M.J. Financial Corp., Bordentown, New Jersey ("B.M.J. Financial"), a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*). BMJ also has applied for the Board's approval to establish branches at the sites of the current Mount Holly branches pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321) and to make an additional investment in bank premises pursuant to section 24A of the Federal Reserve Act (12 U.S.C. § 371(d)).

Notice of the applications, affording interested persons an opportunity to submit comments, has been given in accordance with the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. 262.3(b)). As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. The time for filing comments has expired, and the Board has considered the applications and all the comments received in light of the factors set forth in the Bank Merger Act and the Federal Reserve Act.

BMJ is the 23d largest commercial banking organization in New Jersey, controlling deposits of approximately $402.2 million, representing less than 1 percent of the total deposits in commercial banking organizations in the state.[1] Mount Holly is the 51st largest commercial banking organization in the state, controlling deposits of approximately $127 million, representing less than 1 percent of total deposits in commercial banks in the state. B.M.J. Financial currently owns BMJ and Mount Holly, and thus this transaction represents a reorganization of B.M.J. Financial's corporate structure. Based on the facts of record, the Board has determined that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of resources in any relevant market.

Convenience and Needs Considerations

In acting on an application under the Bank Merger Act, the Board is required to consider the convenience and needs of the communities to be served, and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution" and to take that record into account in its evaluation of applications under the Bank Merger Act or under the Federal Reserve Act to establish domestic branches.[2]

In this regard, the Board has received comments from New Jersey Citizens Action ("Protestant") critical of the efforts of BMJ to meet the credit and banking needs of the communities it serves. In particular, Protestant maintains that BMJ's performance under the CRA is deficient in the following respects:

(1) Providing products and services that meet the credit needs of the bank's entire community;

1. Data are as of June 30, 1993.
2. 12 U.S.C. § 2903.

(2) Participating in local community development and redevelopment projects; and
(3) Ascertaining the credit needs of, and marketing its products and services to, the bank's entire community.

In its consideration of the convenience and needs factor, the Board has carefully reviewed the entire record of CRA performance of BMJ and Mount Holly, all comments received regarding this application, including the response to the comments by B.M.J. Financial, and all the other relevant facts of record, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[3]

The Board has also carefully considered the scope of BMJ's CRA-related activities, discussed in greater detail below, in light of information contained in reports of examination assessing the financial and managerial resources of the bank. The Board notes that management has recently devoted substantial efforts to improving the financial condition of BMJ Financial's subsidiary banks, and that these efforts have had a positive effect on the financial resources of both BMJ and Mount Holly. The Board believes that these efforts are an important consideration in assessing BMJ's overall record of performance under the CRA and that these efforts will enhance the ability of BMJ to assist in meeting the credit needs of all its communities, including low- and moderate-income areas in the future.

Record of CRA Performance

Examination Record. The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record, and that these reports will be given great weight in the applications process.[4] In this regard, the Board notes that BMJ received a "satisfactory" rating from the Federal Reserve Bank of Philadelphia at its most recent examination for CRA performance as of September 30, 1992. Mount Holly also received a "satisfactory" rating from its primary regulator, the Federal Deposit Insurance Corporation, at its most recent examination for CRA performance as of October 10, 1993. Examiners at both banks found no evidence of illegal discrimination or of illegal credit practices, and also that both banks were in substantial compliance with the provisions of antidiscrimination laws and regulations.

3. 54 *Federal Register* 13,742 (1989).
4. 54 *Federal Register* 13,745 (1989).

Lending and Community Development. BMJ has developed programs designed to address the special credit needs of low- and moderate-income borrowers. For example, in 1993, when the New Jersey Housing and Mortgage Finance Agency ("NJHMFA") temporarily suspended funding for its First Time Home Buyers and Community Home Buyers Programs, BMJ created an in-house mortgage plan. BMJ's program currently operates in conjunction with NJHMFA programs to offer up to 100 percent mortgage financing. In addition, BMJ has applied to be a full member of the Trenton Home Buyer Plan ("Plan") which is a cooperative reinvestment effort by financial institutions located in Trenton, New Jersey. Under the Plan, the Bank has committed $500,000 for below-market rate 30-year fixed-rate mortgages. BMJ has committed $15,000 to Burlington Housing Development Corporation's emergency loan program, which provides emergency home repairs loans to low- and moderate-income individuals in Burlington, New Jersey. The bank has also initiated a "second look" review of all denied, cancelled, or withdrawn mortgage and home improvement loan requests in an effort to improve its housing-related lending record.

BMJ also participates in local community development and redevelopment projects consistent with its financial resources. The 1992 CRA examination indicates that BMJ provided a line of credit to support a housing development project for low- and moderate-income residents in Burlington City, New Jersey. In addition, BMJ's investment department purchases local county and municipal bonds, and acts as underwriter for banks of various governmental entities. BMJ also provides financial assistance to various civic, educational and community service organizations in its area.

Ascertainment and Marketing. BMJ uses several methods to ascertain the credit needs of its community. The bank's branch managers, and its mortgage loan, consumer loan, and commercial loan officers are required to make CRA-related calls each quarter. Through its CRA Outreach Program, BMJ has contacted numerous civic and community organizations, including the Mercer County Hispanic Association, Mercer County Office of Housing, Neighborhood Housing Services, Inc., and Burlington County Community Action Program ("BCCAP").[5] In conjunction with BCCAP, BMJ has begun monthly seminar pro-

5. Protestant has asserted that certain organizations involved in BMJ's ascertainment efforts are not effective in ascertaining credit needs. BMJ has clarified that its officers and employees actively participate in the organizations discussed in Protestant's comments, but these organizations are not linked to the bank's ascertainment efforts.

grams for prospective homebuyers. BMJ also surveys its customers to determine their satisfaction with its products and services.

BMJ currently advertises in the largest newspapers in the Trenton, New Jersey area, and also uses radio advertisements and billboards to advertise its banking products. BMJ also has developed a brochure detailing its specific credit programs that are targeted for low- and moderate-income areas.

On the basis of all the facts of record, including comments provided by Protestant, BMJ's response to those comments, and information from relevant reports of examination, the Board concludes that considerations relating to the convenience and needs of the community to be served are consistent with approval.[6]

Other Considerations

The financial and managerial resources and future prospects of BMJ and Mount Holly are consistent with approval. The Board notes that the merger of BMJ and Mount Holly should result in a reduction of expenses for BMJ.

The Board also has considered the factors it is required to consider when reviewing applications for establishing branches pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321 *et seq.*) and finds those factors to be consistent with approval of the establishment of BMJ branches at the present sites of the Mount Holly branches.

In connection with the applications to establish these branches, BMJ also has requested permission under section 24A of the Federal Reserve Act (12 U.S.C. § 371d) to make an additional investment in bank premises. The Board concludes that BMJ's additional investment in bank premises is consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved. The Board's approval is specifically conditioned upon compliance by BMJ with all the commitments made in connection with this application. For the purpose of this action, these commitments and conditions are both considered conditions imposed in writing by the Board in connection with its findings and decisions, and as such, may be enforced by proceedings under applicable law. This 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 Philadelphia, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 24, 1994.

Voting for this action: Chairman Greenspan and Governors Kelley, Lindsey, and Phillips. Absent and not voting: Governor LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

6. Protestant has requested that the Board hold a public meeting or hearing on these applications. The Board is not required to hold a public hearing on these applications under the Bank Merger Act or the Federal Reserve Act. Under its rules, the Board may, in its discretion, hold a public meeting or hearing on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered Protestant's request, and its written comments. In the Board's view, interested parties have had ample opportunity to submit and have submitted substantial written comments that have been considered by the Board. In light of the foregoing and all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record on these applications, or otherwise warranted in this case. Accordingly, the request for a public meeting or hearing on these applications is hereby denied.

ORDERS ISSUED UNDER FEDERAL RESERVE ACT

First Virginia Bank of Tidewater
Norfolk, Virginia

Order Approving Establishment of a Branch

First Virginia Bank of Tidewater, Norfolk, Virginia ("Bank"), a state member bank, has applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321) to establish a branch office at the Shore Plaza Shopping Center, Route 13 By-Pass (Lankford Highway), Exmore, Virginia, to replace an existing branch at 3305 Main Street, in Exmore.

Notice of this application, affording interested persons an opportunity to submit comments, has been published. The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors contained in the Federal Reserve Act.

Bank, with assets of approximately $517.4 million,[1] has 41 branches, of which 37 are in the Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area (the "MSA"), and four are in rural Accomack and Northampton Counties on the Eastern Shore of Virginia.

1. Asset data are as of March 31, 1994.

In its evaluation of an application to establish a branch, the Board is required to take into account the institution's record of performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA").[2] The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of branch applications.[3]

In this light, the Board has considered comments from an individual ("Protestant") opposing the proposal. Protestant alleges that Bank does not adequately meet the credit needs of the agricultural community on the Eastern Shore of Virginia, which Protestant describes as an area of poverty and few job opportunities. In particular, Protestant contends that Bank is unwilling to implement flexible terms for loans to young farmers in this area. The Board has carefully reviewed the entire record of Bank's CRA performance in light of the Board's regulations and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act (the "Agency CRA Statement").[4]

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that these reports will be given great weight in the applications process. The Board notes that Bank received a "satisfactory" rating from the Federal Reserve Bank of Richmond at its most recent examination for CRA performance as of August 16, 1993 (the "1993 Examination"). In addition, the 1993 Examination found that Bank is in compliance with all provisions of antidiscrimination laws and regulations.[5]

Bank has a number of programs designed to assist in meeting the credit needs of low- and moderate-income borrowers. For example, in conjunction with the Virginia Beach Department of Housing, Bank has actively promoted its FHA Title I home improvement loan program, which provides funding to residents of substandard properties regardless of the borrower's equity in the property. Bank also has made loans to minority-owned and other developers to purchase and rehabilitate housing for lease to low- and moderate-income families in the MSA and on the Eastern Shore. Altogether, approximately 11 percent of Bank's total loans extended in 1992 were made in low- and moderate-income areas in the MSA.[6] In addition, both Bank and an affiliated bank, First Virginia Bank, Falls Church, Virginia, have purchased Virginia Housing Development Authority multifamily housing bonds that fund projects within Bank's service area.

Bank assists in meeting the credit needs of small businesses throughout its service area, including those located in low- and moderate-income areas. In the period reviewed in the 1993 Examination, Bank extended 488 loans aggregating $96 million for the establishment, expansion, and operation of small businesses.

Bank's Eastern Shore branches offer loans and lines of credit to farmers and agricultural loans. In 1992, 1993 and through April 1994, these branches made 50 installment loans aggregating $708,000 to farmers or for agricultural purposes. During the same period, these branches also made or made available 103 time and demand loans and lines of credit, representing a total commitment of $6,532,000 to farmers or for agricultural purposes. In addition, these branches made six real estate loans aggregating $306,000 to farmers or for agricultural purposes.

Bank ascertains community credit needs and markets its products and services in several ways. For example, Bank has appointed ten officers as CRA Coordinators, one in each of the eight cities and two rural counties in its delineated community. These officers maintain contact with local governments, economic development groups, and housing organizations to assist in identifying credit needs, and identify census tracts where Bank has a low penetration and needs to concentrate its outreach efforts. In addition, all branch managers and commercial/real estate loan officers have monthly quotas for calls on small business customers and prospects. Directors and senior officers participate in local trade and development organizations. Bank markets its products and services to its entire delineated community through local newspaper advertisements and mail solicitations.

2. *See* 12 U.S.C. §§ 2902(3)(C), 2903(2).
3. 12 U.S.C. § 2903.
4. 54 *Federal Register* 13,742, 13,745 (1989).
5. The 1993 Examination included a sampling of approved and denied mortgage loans to verify Bank's equal application of its credit criteria.

6. Accomack and Northampton Counties on the Eastern Shore of Virginia are predominantly rural. Accordingly, census tract data for low- and moderate-income areas are not available for these counties and Bank does not track loans made in these low- and moderate-income areas.

Bank has also formed an Eastern Shore Advisory Board, which includes local business people, members of the farming community, and a representative of the Virginia Department of Agriculture. The Advisory Board meets quarterly with Bank officers to review the performance of Bank and the Eastern Shore branches, including community reinvestment activities, and to provide input on how better to serve the needs of the Eastern Shore.

Bank is involved in a number of community development projects, including loans to a minority-owned import business and construction and development loans to a local minority church to build a youth training center and facilities to feed the homeless. Bank also helped found the Hampton Roads Development Corporation to promote affordable housing in the area, and has provided it with a $100,000 construction line of credit in addition to donations and technical assistance.

Based on all facts of record, including the relevant examination reports and information provided by Protestant and Bank, the Board believes that Protestant's comments do not warrant denial of this application and that Bank's record of performance under the CRA is consistent with approval. The Board also concludes on the basis of all facts of record that the factors required to be considered when approving applications for the establishment of branches, including the financial condition of Bank, the general character of its management, and the proposed exercise of corporate powers, are consistent with approval and the purposes of section 9 of the Federal Reserve Act.

Based on the foregoing and other facts of record, the Board has determined that this application should be, and hereby is, approved. The Board's approval is specifically conditioned upon compliance by Bank with all the commitments made in connection with these applications. For purposes of this action, these commitments and conditions are considered conditions imposed in writing by the Board in connection with its findings and decisions, and, as such, may be enforced in proceedings under applicable law.

This branch shall be in operation no later than one year after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 31, 1994.

Voting for this action: Chairman Greenspan and Governors Kelley, LaWare, and Phillips. Absent and not voting: Governor Lindsey.

JENNIFER J. JOHNSON
Associate Secretary of the Board

ORDERS ISSUED UNDER INTERNATIONAL BANKING ACT

MeesPierson N.V.
Amsterdam, The Netherlands

Order Approving Establishment of an Agency and a Representative Office

MeesPierson N.V. ("Bank"), Amsterdam, The Netherlands, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 7(d) of the IBA (12 U.S.C. § 3105(d)) to establish a state-licensed agency in New York, New York and section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in Dallas, Texas. A foreign bank must obtain the approval of the Board to establish a branch, agency, commercial lending company, or representative office in the United States under the Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"), which amended the IBA.

Notice of the applications, affording interested persons an opportunity to submit comments, has been published in newspapers of general circulation in New York, New York (*The New York Times*, May 6, 1993), and Dallas, Texas (*The Dallas Morning News*, March 16, 1993). The time for filing comments has expired and the Board has considered all comments received.

Bank is the surviving entity of the April 1993 merger of two Dutch banks, Bank Mees & Hope N.V. and Pierson, Heldring & Pierson N.V., both of which were wholly owned subsidiaries of ABN AMRO Bank N.V. ("ABN AMRO Bank"), the largest bank in the Netherlands. Bank had assets of $18.8 billion as of December 31, 1993, and remains a wholly owned subsidiary of ABN AMRO Bank. Bank is a merchant bank and provides corporate banking services (including specialized finance to the shipping, energy, and aircraft industries), trade and commodity finance, asset finance, securities trading, capital management services, and private banking and trust services.

Bank operates through an extensive worldwide network, with offices in approximately 20 countries in Europe, Asia and the Caribbean. Bank currently engages indirectly in permissible nonbanking activities in the United States through two wholly owned subsidiaries that are held through Bank's wholly owned U.S. holding company. Bank also has a representative office in New York City, which would be converted to the proposed agency. Bank would be a qualifying foreign banking organization as defined in Regulation K. 12 C.F.R. 211.23(b).

Bank's parent company, ABN AMRO Bank, is in turn owned by ABN AMRO Holding N.V. ("ABN

AMRO Holding").[1] ABN AMRO Holding, which operates in nearly 60 countries, reported total consolidated assets of $253 billion as of December 31, 1993.

ABN AMRO Bank operates an extensive worldwide network of offices, including five branches, five agencies, and a representative office in the United States. Through its U.S. holding company, ABN AMRO North America Inc., ABN AMRO Bank owns LaSalle National Corporation, Chicago, Illinois, and its subsidiary banks. In addition, ABN AMRO Bank owns 100 percent of European American Bank, New York, New York. ABN AMRO Bank's U.S. nonbanking subsidiaries engage in commercial finance, problem asset workouts and collections, brokerage and investment advisory services, and leasing. ABN AMRO Bank is a qualifying foreign banking organization as defined in Regulation K. 12 C.F.R. 211.23(b).

In order to approve an application by a foreign bank to establish an agency in the United States, the IBA and Regulation K require the Board to determine that the foreign bank engages directly in the business of banking outside of the United States and has furnished to the Board the information it needs to assess adequately the application. The Board also must determine that the foreign bank applicant and any foreign bank parent are subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor. 12 U.S.C. § 3105(d)(2), 12 C.F.R. 211.24(c)(1). The IBA and Regulation K also permit the Board to take into account additional standards. 12 U.S.C. § 3105(d)(3)-(4)), 12 C.F.R. 211.24(c)(2).[2]

Bank and ABN AMRO Bank engage directly in the business of banking outside of the United States through their extensive banking operations in Europe, Asia and elsewhere. Bank also has provided the Board with the information necessary to assess the application through submissions that address the relevant issues.

Regulation K provides that a foreign bank and any parent foreign bank will be considered to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised and regulated in such a manner that its home country supervisor receives sufficient information on the bank's worldwide operations, including its relationship to any affiliate, to assess the bank's overall financial condition and its compliance with law and regulation.[3] 12 C.F.R. 211.24(c)(1). In making its determination on these applications, the Board considered the following information.

De Nederlandsche Bank N.V. ("DNB") is the supervisory authority for Dutch credit institutions and, as such, is the home country supervisor of Bank and ABN AMRO Bank. DNB monitors the solvency, liquidity, profitability, and administrative and corporate organization of such institutions. With respect to the supervision of Bank and ABN AMRO Bank, DNB receives information on the worldwide operations of both Bank and ABN AMRO Bank, including domestic and foreign branches and affiliates, through the conduct of targeted on-site examinations, as well as through the review of audit reports and periodic financial reports.

DNB conducts on-site examinations of Dutch credit institutions such as Bank and ABN AMRO Bank, including their banking subsidiaries and branches, both in the Netherlands and abroad. The scope of on-site examinations of credit institutions, including Bank and ABN AMRO Bank, generally is determined according to the potential risks associated with an institution's activities, the significance of these risks in relation to its overall operations, and the internal controls and procedures utilized in relation to these risks. DNB also reviews compliance with applicable laws and regulations during its on-site examinations.

Bank and ABN AMRO Bank submit a variety of financial reports to DNB for supervisory purposes in the form prescribed by DNB regulations. Financial statements are consolidated to include generally the operations of domestic and foreign subsidiaries and companies over which significant economic or organizational control is exercised. The external auditors of Bank and ABN AMRO Bank must certify the accu-

1. ABN AMRO Holding is owned by two foundations: Stichting Prioriteit ABN AMRO Holding ("Stichting Prioriteit") and Stichting Administratiekantoor ABN AMRO Holding ("Stichting Administratiekantoor"). These foundations have no assets, liabilities, or capital other than the preferred and priority shares of ABN AMRO Holding.

2. In acting on an application to establish a representative office, the Board is required only to take into account the standards applicable to the establishment of a branch, agency or commercial lending company. 12 U.S.C. § 3107(a)(2), 12 C.F.R. 211.24(d)(2). Because Bank has applied to establish both an agency and a representative office, the Board has made its findings in accordance with the stricter standards applicable to agency applications.

3. In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisor:
(i) Ensures that the bank has adequate procedures for monitoring and controlling its activities worldwide;
(ii) Obtains information on the condition of the bank and its subsidiaries and offices outside the home country through regular examination reports, audit reports, or otherwise;
(iii) Obtains information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;
(iv) receives from the bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis;
(v) Evaluates prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis. These are indicia of comprehensive, consolidated supervision. No single factor is essential, and other elements may inform the Board's determination.

racy and sufficiency of the financial statements on an annual basis, and verify the accuracy and consistency of Bank's implementation of DNB guidelines. DNB also meets with Bank's external auditors to discuss particular matters, such as asset quality, administrative organization and internal controls.

DNB imposes certain investment and lending limits on credit institutions, such as Bank and ABN AMRO Bank, that are applicable to affiliates. The lending limits are expressed as a percentage of a bank's total capital and are monitored by DNB through reporting requirements. Prior DNB approval is required for various investments and changes in the structure of Dutch banks.

Bank's significant domestic subsidiaries are engaged in banking and securities activities. Bank's securities affiliates are supervised by the Securities Board of the Netherlands (the "Securities Board"), which obtains information on the operations and activities of these subsidiaries through the securities exchanges to which the subsidiaries belong as well as through on-site examinations and reports filed directly with the Securities Board. Bank indicates that the Securities Board shares information with DNB.

Based on all the facts of record, which include the information described above, the Board concludes that Bank and ABN AMRO Bank are subject to comprehensive supervision on a consolidated basis by their home country supervisor.

In considering these applications, the Board also has taken into account the additional standards set forth in section 7 of the IBA. 12 U.S.C. § 3105(d)(3)-(4). Bank's home country supervisor, DNB, has indicated that it has no objection to the establishment by Bank of the proposed agency or representative office. In addition, subject to certain conditions, DNB has agreed to cooperate in providing the Board with information on Bank's and ABN AMRO Bank's operations.

The Netherlands is a signatory to the Basle risk-based capital standards, and Dutch risk-based capital standards meet those established by the Basle Capital Accord and the European Union. Bank's capital is in excess of the minimum levels that would be required by the Basle Capital Accord and is considered equivalent to capital that would be required of a U.S. banking organization.

Managerial and financial resources of Bank are also considered consistent with approval. Bank, which has a number of branches and subsidiaries outside the Netherlands, appears to have the experience and capacity to conduct banking operations in the United States through the proposed agency and to conduct the business of the proposed representative office. In addition, Bank has established controls and procedures for its U.S. offices to ensure compliance with U.S. law. Under the IBA, the proposed state-licensed agency may not engage in any type of activity that is not permissible for a federally licensed branch without the Board's approval.

Finally, with respect to access to information regarding Bank's operations, the Board has reviewed relevant provisions of Dutch law and has communicated with the appropriate government authorities. Bank, ABN AMRO Bank and its parent companies have committed that they will make available to the Board such information on the operations of Bank and any affiliate of Bank that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited or impeded by law, Bank, ABN AMRO Bank and its parent companies have committed to cooperate with the Board in obtaining any necessary consents or waivers that might be required from third parties in connection with disclosure of certain necessary information. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, ABN AMRO Bank and its parent companies, as well as the terms and conditions set forth in this order, the Board has determined that Bank's applications to establish an agency and a representative office should be, and hereby are, approved. Should any restrictions on access to information on the operations or activities of Bank and any of its affiliates subsequently interfere with the Board's ability to determine the safety and soundness of Bank's U.S. operations or the compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on compliance by Bank with the commitments made in connection with this application, and with the conditions contained in this order.[4] The commitments and conditions referred to above are conditions imposed in writing by the Board in connec-

4. The Board's authority to approve the establishment of the proposed agency parallels the continuing authority of the New York State Banking Department to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of New York, and its agent, the New York State Banking Department, to license the proposed agency of Bank in accordance with any terms or conditions that the New York State Banking Department may impose.

The prior approval of the Texas Commissioner of Banking is not required to establish the Dallas representative office.

tion with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 or 12 U.S.C. § 1847 against Bank, its offices and its affiliates.

By order of the Board of Governors, effective May 23, 1994.

Voting for this action: Chairman Greenspan and Governors Kelley, Lindsey, and Phillips. Absent and not voting: Governor LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Société Générale
Paris, France

Order Approving Establishment of a Representative Office

Société Générale, Paris, France ("Bank"), a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in Atlanta, Georgia. The Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States.

Notice of the application, affording interested persons an opportunity to comment, has been published in a newspaper of general circulation in Atlanta (*The Atlanta Journal and Constitution,* February 21, 1994). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank, with $254.2 billion in consolidated assets,[1] is a commercial bank chartered in France. Bank ranks fifteenth among the world's largest banks in terms of total assets, and in France, Bank ranks fourth in terms of total assets.

Bank's domestic activities include commercial banking, securities activities, leasing, real estate investment and marketing of data processing services. Bank has a significant presence in the United States in the form of branches, agencies and representative offices.[2] Bank's loan operations in the southern United States are currently conducted through representatives based in its New York branch and Texas agency. Bank believes that the establishment of a representative office in Atlanta, Georgia would help solidify its market position in the southeastern United States.

The proposed representative office in Atlanta would perform loan solicitation functions similar to those performed by Bank's existing representative offices in Texas and California. These activities may include the taking of loan applications, soliciting loans, and other activities central to the loan origination process. All credit decisions and funding of any loans originated at the proposed office, however, would occur at a licensed domestic branch or agency of Bank that is authorized to engage in such activities.

In acting on an application to establish a representative office, the IBA and Regulation K provide that the Board shall take into account whether the foreign bank engages directly in the business of banking outside the United States, has furnished to the Board the information it needs to assess adequately the application, and is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3105(d)(2); 12 C.F.R. 211.24). The Board may also take into account additional standards as set forth in the IBA (12 U.S.C. § 3105(d)(3) - (4)) and Regulation K (12 C.F.R. 211.24(c)).

The Board has previously stated that the standards that apply to the establishment of a branch or agency need not in every case apply to the establishment of a representative office because representative offices do not engage in a banking business and cannot take deposits or make loans (*see* 58 *Federal Register* 6348, 6351 (1993)). In evaluating an application to establish a representative office under the IBA and Regulation K, the Board will take into account the standards that apply to establishment of branches and agencies, subject to the following considerations. With respect to supervision by home country authorities, a foreign bank that proposes to establish a representative office must be subject to a significant degree of supervision by its home country supervisor. Among the factors the Board may consider are the extent to which there is regular review of a substantial portion of the bank's operations by the home country supervisor through examination, review of external audits, or a comparable method, submission of periodic reports relating to financial performance, and assurance that the bank itself has a system of internal monitoring and control that enables bank management to administer properly the bank's operations. The home country supervisor must also have indicated that it does not object to the establishment of the representative office in the United States.

A foreign bank's financial and managerial resources will be reviewed to determine whether its financial condition and performance demonstrate that it is capable of complying with applicable laws and has an operating record that would be consistent with the

1. Data are as of June 30, 1993, unless otherwise noted.

2. Applicant currently operates branches in New York, New York; Chicago, Illinois; and Los Angeles, California; an agency in Dallas, Texas; and representative offices in San Francisco, California and Houston, Texas. In addition, Bank has a number of non-bank subsidiaries engaged in permissible activities.

establishment of a representative office in the United States. If the financial condition of the foreign bank significantly differs from international norms, the foreign bank would be evaluated to determine whether such difference can be justified in the context of the operations of the applicant and the proposed representative office. All foreign banks, whether operating through branches, agencies or representative offices, will be required to provide adequate assurances of access to information on the operations of bank and its affiliates necessary to determine compliance with U.S. laws.

In this case, with respect to the issue of supervision by home country authorities, the Board has considered the following information. Bank is subject to the supervisory authority of the Bank of France, the Commission Bancaire ("Commission"), the French Ministry of Finance, the National Credit Counsel, and the Credit Establishment Committee. The Bank of France, which has authority for, *inter alia,* the proposed expansion of operations of credit institutions, has indicated that it does not object to Bank's establishment of the representative office. The Commission, which has primary responsibility for supervising Bank, monitors its compliance with French law and regulatory standards as well as its financial condition. The Commission reviews periodic financial reports submitted by Bank and annual reports prepared by independent auditors.[3] Bank is required to file annual, semi-annual and quarterly financial reports with the Commission. Audited consolidated financial statements of Bank are submitted to the Commission annually. Bank's quarterly and semi-annual reports include unaudited balance sheets and income statements, and basic financial statements and key financial ratios covering such areas as risk-based capital, liquidity, foreign exchange, and concentration of credit. In addition to reviewing these reports, the Commission meets regularly with Bank management.

Examiners from the Bank of France perform on-site examinations of Bank on behalf of the Commission. The examinations are performed once every five years and take approximately three months to complete. A written report is provided to Bank, and Bank is requested to forward a copy of the report to its statutory auditors. Bank's board of directors is required to meet to discuss the examination's findings. The examiners also meet with bank's statutory auditors during the examination. The examination includes review of Bank's loan portfolio, deposit composition, banking services, securities and portfolio management activities, operations and profitability. If any problems are detected, the Commission has the authority to conduct more frequent examinations and to require additional information from Bank at any time.

Bank is required to maintain records on all of its subsidiaries and operations worldwide. Bank represents that it has procedures in place to monitor and control its worldwide activities in accordance with regulatory requirements. Bank conducts annual internal audits of its offices and subsidiaries. Based on all the facts of record, which include the information described above, the Board concludes that factors relating to the supervision of Bank by its home country supervisors are consistent with approval of the proposed representative office.

The Board has also found that Bank engages directly in the business of banking outside the United States through its commercial banking operations in France. Bank has provided the Board with the information necessary to assess the application through submissions that address the relevant issues.

The Board has also taken into account the additional standards set forth in section 7 of the IBA and Regulation K (*see* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). The Bank of France has given its consent to Bank's establishment of the proposed representative office.

The Board has determined that financial and managerial factors are consistent with approval of the proposed representative office. Bank appears to have the experience and capacity to support the proposed office and has also established controls and procedures for the proposed representative office to ensure compliance with U.S. law.

Bank has committed that it will make available to the Board such information on the operations of Bank and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable Federal law. If the disclosure of such information is prohibited by law, Bank has committed to cooperate with the Board to obtain approvals or consents that may be required for the Board to gain access to information that the Board may request. The Board has reviewed the restrictions on disclosure of information in France, and has communicated with certain government authorities regarding access to information. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has

3. Bank's auditors are chosen from a list of firms approved by the Commission. Representatives from these firms meet frequently with the Commission to discuss general banking issues.

determined that Bank's application to establish a representative office should be, and hereby is, approved. If any restrictions on access to information on the operations or activities of Bank and any of its affiliates subsequently interfere with the Board's ability to determine the compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on compliance by Bank with the commitments made in connection with this application, and with the conditions contained in this order. The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 or 12 U.S.C. § 1847 against Bank, its officers, and its affiliates.

By order of the Board of Governors, effective May 16, 1994.

Voting for this action: Chairman Greenspan and Governors Kelley, LaWare, Lindsey, and Phillips.

JENNIFER J. JOHNSON
Associate Secretary of the Board

ACTIONS TAKEN UNDER THE FEDERAL DEPOSIT INSURANCE CORPORATION IMPROVEMENT ACT

By the Board

BB&T Financial Corporation
Wilson, North Carolina

Order Approving the Merger of Savings Associations With a Commercial Bank

BB&T Financial Corporation, Wilson, North Carolina ("BB&T"), proposes to merge its savings-association subsidiaries, Citizens Savings Bank, S.S.B., Inc., Newton, ("Newton"); Mutual Savings Bank of Rockingham County, Inc., S.S.B., Reidsville, ("Reidsville"); and Citizens Savings Bank, Inc., S.S.B., Mooresville, ("Mooresville"); all of North Carolina, with and into Branch Banking and Trust Company, Wilson, North Carolina ("BB&T-NC"), a wholly owned state chartered bank subsidiary of BB&T.[1] BB&T has requested the Board's approval of these transactions pursuant to section 5(d)(3) of the Federal Deposit Insurance Act (12 U.S.C. § 1815(d)(3) ("FDI Act")), as amended by the Federal Deposit Insurance Corporation Improvement Act of 1991 (Pub. L. 102–242, § 501, 105 Stat. 2236, 2388-2392 (1991)).

Section 5(d)(3) of the FDI Act requires the Board to review any proposed merger between a SAIF member and any BIF member if the acquiring or resulting institution is a BIF insured subsidiary of a bank holding company, and, in reviewing these proposals, to follow the procedures and consider the factors set forth in section 18(c) of the FDI Act, (12 U.S.C. § 1828(c)) (the "Bank Merger Act").[2] The proposed mergers also are subject to review under the Bank Merger Act by the Federal Deposit Insurance Corporation (the "FDIC"), the primary banking regulator for BB&T-NC, and the FDIC has approved these transactions.

Notice of the applications, affording interested persons an opportunity to submit comments, has been given in accordance with the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. 262.3(b)). In addition, reports on the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency, the FDIC, and the Office of Thrift Supervision. The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in the Bank Merger Act and section 5(d)(3) of the FDI Act.

BB&T is the fourth largest bank holding company in North Carolina, controlling total deposits of $5.8 billion, representing approximately 9.6 percent of total deposits in commercial banking organizations in the state.[3] BB&T currently owns and controls Newton, Reidsville, and Mooresville, and the proposed transaction represents a reorganization of BB&T's corporate structure. The Federal Reserve Bank of Richmond reviewed the competitive effects of the affiliation of these savings banks and BB&T-NC at the time that BB&T acquired these savings banks, and determined that the competitive effects were not significantly adverse in any relevant market.[4] The Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or the con-

1. The proposed transaction would be completed through a series of mergers with interim institutions in accordance with North Carolina law. The first step would result in each of the state savings banks becoming interim SAIF-insured, state-chartered savings and loan associations. These interim associations would then be converted into interim SAIF-insured, state-chartered commercial banks under applicable state and federal law. *See* N.C. Gen. Stat. Section 53–17.2 and 12 U.S.C. § 1815(d)(2)(G). Each of these steps would occur sequentially, but in effect simultaneously, so that none of the interim institutions would ever operate or conduct business with the public.

2. 12 U.S.C. § 1815(d)(3)(E). These factors include considerations relating to competition, financial and managerial resources, future prospects of the existing and proposed institutions, and the convenience and needs of the communities to be served. 12 U.S.C. § 1828(c).

3. State deposit data are as of December 30, 1993.

4. 79 *Federal Reserve Bulletin* 985 (1993) and 80 *Federal Reserve Bulletin* 64 (1994).

centration of banking resources in any relevant banking market.

The Board is also required under section 5(d)(3) of the FDI Act to consider the effect of the proposal on the convenience and needs of the communities to be served, and to take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The Board notes that all of BB&T's subsidiary banks received "satisfactory" ratings from their primary regulators at their most recent CRA performance examinations. BB&T-NC received a "satisfactory" rating from the FDIC at its most recent CRA performance examination as of April 12, 1993 ("1993 Examination").[5] The 1993 Examination, however, also noted substantive but isolated instances of disparate treatment involving three of the bank's minority loan applicants in apparent violation of the Fair Housing Act and the Equal Credit Opportunity Act.

In light of this examination, BB&T has initiated a number of steps to strengthen its compliance with fair lending laws. For example, BB&T has implemented a Fair Lending Policy to ensure that loan applications at all of its subsidiary banks will be processed in full compliance with fair lending laws.[6] The BB&T-NC's second-level review program has been expanded to include all denied and withdrawn applications for mortgages and home loans.[7] BB&T-NC also has implemented an extensive training program, which includes an examination in fair lending compliance, for mortgage, retail, and business loans that must be successfully completed before a prospective lender has the authority to make housing-related loans.[8] BB&T has also adopted a new Non-Discrimination Policy Statement which requires each officer and employee of the BB&T-NC to certify annually that he or she has read the statement and will comply with its terms. To support these and other CRA-related initiatives, BB&T has filled 15 out of 17 new positions for full-time employees working in the area of compliance and CRA matters.

BB&T-NC's CRA-related initiatives include programs to increase its lending to low- and moderate-income and minority borrowers. For example, the bank has developed the Community Homeownership Incentive Program which provides home mortgages with a flexible credit history evaluation, a higher qualifying "debt-to-equity" ratio, reduced down payment requirements, lower closing costs, and no required mortgage insurance. BB&T-NC has also invested in an apartment complex for low-income renters in Charlotte and Durham, North Carolina. In addition, the bank has provided assistance for the creation of a $1 million loan pool with other banks to help economic development for Shelby, North Carolina. BB&T-NC is a participating lender in the city of High Point Homeownership Assistance Program, which provides loans to low- and moderate-income first-time home buyers.

BB&T-NC's CRA initiatives emphasize participation by the board of directors and an improved method of market delineation. BB&T also met with outside advertising agencies and marketing specialists in an effort to increase the number of loan applications from minorities, especially African-Americans.[9]

Based on these and all the facts of record, the Board believes that the convenience and needs considerations under the CRA are consistent with approval of these applications. The Board expects BB&T-NC to fully implement all its CRA-related initiatives, and, in particular, the steps designed to address compliance with fair lending laws. The Board will continue to monitor BB&T-NC's progress in these areas and in future applications to establish depository facilities.

After considering these efforts, the FDIC determined under the Bank Merger Act that the convenience and needs factors raised by these mergers are consistent with approval. On this basis, the FDIC approved these transactions under the Bank Merger Act.

The Board also concludes that the financial and managerial resources and future prospects of BB&T and its subsidiaries are consistent with approval of these applications. Moreover, the record in this case shows that:

(1) The transactions will not result in the transfer of any federally insured depository institution's federal

5. BB&T's South Carolina subsidiary, Branch Banking & Trust Company, Greenville, South Carolina, was rated "outstanding" by the FDIC at its most recent examination, July 20, 1992. Newton and Mooresville received "satisfactory" ratings in their most recent examinations, July, 1991. Reidsville was formed in 1992, and no CRA/compliance examination has been performed.

6. As part of this initiative, BB&T-NC has instituted a standardized "Quality of Assistance/Loan Counseling Contact Log" to assist in ensuring consistency in credit counseling and in the amount of assistance offered to applicants. The bank's mortgage and retail divisions also use a work sheet to assist in evaluating the consistency in the treatment of all applicants. Adverse action notices have been centralized as a safeguard to monitor whether these forms are being completed properly and whether notification is made within the prescribed time period. Mitigating factors to be considered for applicants not meeting all standard underwriting criteria are now formally incorporated into the loan evaluation process.

7. This program has been in place since February 7, 1994, and is staffed with experienced lenders who have the authority to reverse an initial decision and approve a previously denied loan.

8. As of April 21, 1994, 1345 employees have attended one of the three training courses.

9. These meetings resulted in the launching of a three-month media campaign in February 1994, which focused on home ownership for African-Americans. The advertisements appeared in minority-owned newspapers in metropolitan markets.

deposit insurance from one federal deposit insurance fund to the other;
(2) Newton, Reidsville, Mooresville, and BB&T-NC currently meet, and upon consummation of the proposed transaction will continue to meet, all applicable capital standards; and
(3) Because BB&T-NC is located in North Carolina and is merging with an institution located in North Carolina, the proposed transaction complies with the interstate banking provisions of the Bank Holding Company Act (12 U.S.C. § 1842(d)). *See* 12 U.S.C. § 1815(d)(3).

Based on the foregoing and all other facts of record, the Board has determined that these applications should be, and hereby are, approved. These approvals are subject to BB&T-NC obtaining all necessary regulatory approvals for the proposed merger transactions. The Board's approval of these applications also is conditioned upon BB&T's compliance with the commitments made in connection with these applications. For purposes of this action, the commitments and conditions relied on in reaching this decision are conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

These transactions may not be consummated before the thirtieth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended by the Board or the Federal Reserve Bank of Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 23, 1994.

Voting for this action: Chairman Greenspan and Governors Kelley, Lindsey, and Phillips. Absent and not voting: Governor LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

SouthTrust Corporation
Birmingham, Alabama

Order Approving Application to Acquire Branches of a Savings Bank

SouthTrust Corporation, Birmingham, Alabama ("SouthTrust"), and SouthTrust of Georgia, Inc., Atlanta, Georgia (collectively, "Applicants"), propose to purchase certain assets and assume certain liabilities of the seven branch offices of HomeBanc, FSB, Atlanta, Georgia ("HomeBanc"), by merging these offices with SouthTrust Bank of Georgia, N.A., Atlanta, Georgia ("SouthTrust-Georgia"), a wholly owned subsidiary of SouthTrust of Georgia, Inc. Applicants seek Board approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act (12 U.S.C. § 1815(d)(3) ("FDI Act")), as amended by the Federal Deposit Insurance Corporation Improvement Act of 1991 (Pub. L. No. 102–242, § 501, 105 Stat. 2236, 2388-2392 (1991)).

Section 5(d)(3) of the FDI Act requires the Board to review any proposed merger between a Savings Association Insurance Fund member and any Bank Insurance Fund ("BIF") member if the acquiring or resulting institution is a BIF insured subsidiary of a bank holding company, and, in reviewing these proposals, to follow the procedures and consider the factors set forth in section 18(c) of the FDI Act (12 U.S.C. § 1828(c) ("the Bank Merger Act")).[1] The proposed transaction also is subject to review under the Bank Merger Act by the Office of the Comptroller of the Currency, SouthTrust-Georgia's primary regulator.

Notice of the application, affording interested persons an opportunity to submit comments, has been given in accordance with the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. 262.3(b)). Reports on the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency ("OCC"), and the Federal Deposit Insurance Corporation ("FDIC"). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in the Bank Merger Act and section 5(d)(3) of the FDI Act.

SouthTrust, with consolidated assets of $14.7 billion, controls 40 banks in Alabama, Florida, Georgia, North Carolina, South Carolina, and Tennessee.[2] SouthTrust is the seventh largest depository institution in Georgia, controlling total deposits of $2.1 billion, representing approximately 3.4 percent of total deposits in depository institutions in the state.[3] HomeBanc

1. 12 U.S.C. § 1815(d)(3)(E). These factors include considerations relating to competition, financial and managerial resources, and future prospects of the existing and proposed institutions, and the convenience and needs of the communities to be served. 12 U.S.C. § 1828(c).

2. Asset data are as of December 31, 1993.

3. Deposit data are as of June 30, 1993. In this context, depository institutions include commercial banks, savings banks, and savings associations. Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Because the deposits of HomeBanc would be transferred to a commercial bank under this proposal, those deposits are included at 100 percent in the calculation of *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669 (1990).

is the 40th largest depository institution in Georgia, controlling deposits of $265.3 million, representing less than 1 percent of total deposits in depository institutions in Georgia. Upon consummation of the proposed transaction, SouthTrust would remain the seventh largest depository institution in Georgia, controlling deposits of $2.4 billion, representing 3.8 percent of total deposits in depository institutions in the state.

SouthTrust and HomeBanc compete directly in the Atlanta banking market.[4] SouthTrust is the sixth largest depository institution in that market, controlling deposits of $2.2 billion, representing approximately 6.7 percent of total deposits in depository institutions in the market ("market deposits"). HomeBanc is the 16th largest depository institution in the market, controlling deposits of $265.3 million, representing less than 1 percent of market deposits. Upon consummation of this proposal, SouthTrust would control $2.5 billion in deposits, representing approximately 7.5 percent of market deposits. The Herfindahl–Hirschman Index ("HHI") for this market would increase 1 point to 1178.[5] Based on all the facts of record in this case, including the *de minimis* effect on market concentration as measured by the HHI and the number of competitors that would remain in the market after consummation of the proposal, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in the Atlanta banking market. The Board also concludes that consummation of this proposal would not have a significantly adverse effect on competition in any other relevant banking market.

Convenience and Needs Considerations

The Board also is required under section 5(d)(3) of the FDI Act to consider the effect of the proposal on the convenience and needs of the communities to be served. Accordingly, the Board has reviewed the comments submitted to the Board by the Alabama Community Reinvestment Alliance, Birmingham, Alabama ("Protestant"). Protestant alleges that SouthTrust has not met the convenience and needs of low- and moderate-income African-American residents in Jefferson County and Birmingham, Alabama. In light of these comments, the Board has carefully considered SouthTrust's record of performance under the CRA and the programs that SouthTrust has in place to serve community needs.

All of SouthTrust's subsidiary banks that have been evaluated for CRA performance received "outstanding" or "satisfactory" ratings from their primary regulators in their most recent examinations for CRA performance. SouthTrust's lead bank, SouthTrust Bank of Alabama, N.A., Birmingham, Alabama ("SouthTrust-Alabama"), which includes Birmingham and Jefferson County in its delineated area, received a "satisfactory" rating for CRA performance from the OCC in November 1993 (the "1993 examination").[6] In addition, SouthTrust-Georgia received a satisfactory rating from the OCC in June 1993.

The Board has carefully reviewed the data filed by SouthTrust-Alabama and its wholly owned subsidiaries, SouthTrust Mortgage Corporation ("STMC") and SouthTrust Mobile Services ("STMS"), under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA") for 1992 and 1993.[7] These data, particularly for STMC, show some improvement in lending to low- and moderate-income individuals and African-Americans in the Birmingham Metropolitan Statistical Area ("MSA").[8] However, these data also indicate some disparities in approvals and denials of loan applications according to racial group and income status in the MSA.

The Board is concerned when an institution's record indicates disparities in lending to minority applicants and believes that all banks are obligated to ensure that their lending practices are based on criteria that assure not only safe and sound lending, but also equal access to credit by creditworthy applicants regardless of race. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community, and also have limita-

4. The Atlanta banking market is approximated by Bartow, Cherokee, Clayton, Cobb, Coweta, DeKalb, Douglas, Fayette, Forsyth, Fulton, Gwinett, Henry, Newton, Paulding, Rockdale, and Walton Counties, plus the towns of Auburn and Winder in Barrow County, and the town of Flowery Branch in Hall County, all in Georgia.

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

6. The Board notes that SouthTrust-Alabama's CRA performance rating as of October 1991 was "outstanding," and that the recent rating reflects issues regarding the accuracy of data reported under the Home Mortgage Disclosure Act ("HMDA") for 1992. SouthTrust-Alabama has submitted corrected 1992 HMDA data and has prepared a plan acceptable to the OCC for assuring the accuracy of its 1993 data and its future data submissions.

7. STMC specializes in FHA-type loans, conventional mortgages, and refinancing of home purchase loans. STMS provides financing for mobile homes.

8. SouthTrust's delineated community comprises 82.7 percent of the Birmingham MSA, and includes both the City of Birmingham and Jefferson County, Alabama.

tions that make the data an inadequate basis, absent other information, for concluding that an institution has engaged in illegal discrimination in making lending decisions.

The Board notes that none of the recent CRA performance examinations for SouthTrust-Alabama found any evidence of illegal discrimination or illegal credit practices. In addition, the OCC recently performed a targeted fair lending review of STMC's residential mortgage lending and found no violation of fair lending laws. The OCC examiners reviewed all denied conventional mortgage applications and 75 percent of denied government-insured mortgage applications received from minorities during a 12-month period. The OCC found no evidence of disparate treatment based on race or ethnicity. SouthTrust-Alabama and STMC also have instituted a secondary review process in which a committee reviews the file of every mortgage application recommended for denial to ensure that the recommendation is appropriate. Furthermore, the 1993 examination indicated that the geographic distribution of the bank's credit extensions, applications, and denials reflected a reasonable penetration of all segments of the local community, including low- and moderate-income tracts.

The Board notes that SouthTrust-Alabama and its subsidiary, STMC, have undertaken a number of steps to increase their lending activities in low- and moderate-income areas in the Birmingham MSA. For example, in April 1993, SouthTrust-Alabama introduced its Blueprint Loan Program in response to an ascertained need for affordable home purchase and home improvement products designed to meet the specific housing needs of low- and moderate-income individuals. The home purchase product has low down payment requirements, and both the home purchase and home improvement products offer financing of closing costs and flexible underwriting criteria.[9] As of October 1993, SouthTrust-Alabama has extended 44 Blueprint Program loans totalling over $774,000. SouthTrust, through STMC, also offers residential loans with flexible lending criteria under the Birmingham Residential Mortgage Plan.[10] STMC has closed 59 loans totalling $1.4 million under this program as of November 1993.[11] In addition, the 1993 examination found that SouthTrust-Alabama has developed special marketing initiatives to ensure that low- and moderate-income neighborhoods are informed about credit services offered by the bank. The programs include advertising in newspapers and on radio stations that target the minority populations living in these communities.

SouthTrust-Alabama's participation in a variety of projects that support community development activities in providing housing for low- and moderate-income individuals was noted in the 1993 examination. STMC has committed to provide $300,000 in first mortgage financing at favorable interest rates for the purchase by eligible low- and moderate-income families of housing units being developed by the Rosedale Community Development Corporation. In addition, in April 1993, STMC committed $350,000 for residential first mortgage loans to be used in conjunction with down payment funding provided through the City of Birmingham to Smithfield Neighborhood, Inc.[12] SouthTrust-Alabama also has provided $1 million in construction and permanent financing in connection with the rehabilitation of a 64-unit, multi-family housing project located in a low-income area of Birmingham.[13] Subsequent to that investment, the SouthTrust Community Reinvestment Corporation, a corporation established by SouthTrust-Alabama,[14] made a $1 million equity investment for land acquisition and construction of a 24-unit apartment complex designed to provide housing for low- and moderate-income families.

Examiners also noted that as further evidence of its support for the community, SouthTrust-Alabama joined with eight banks to form a Community Development Corporation to provide financial assistance to small businesses that are considered "disadvantaged" under the City of Birmingham's Disadvantaged Business Enterprise Program. SouthTrust-Alabama has committed to provide 29.8 percent of the $1.5 million annual budget. As of May 1993, loans totalling $3.8 million have been made under the program. SouthTrust-Alabama also provides loans through the Small Business Administration ("SBA"). As of year end 1992, SouthTrust-Alabama had 154 outstanding SBA loans totalling approximately $14.5 million.[15]

The 1993 examination concluded that SouthTrust-Alabama has in place many of the elements of an

9. Low- and moderate-income neighborhoods were specifically targeted under this program through a direct mail campaign in the first quarter of 1993.

10. The Birmingham Mortgage Plan was initiated by SouthTrust-Alabama and eight other lenders in the Birmingham area who committed to provide a total of $25 million in FHA and VA loans to low-income area residents.

11. SouthTrust-Alabama, through STMC and STMS, also offers FHA and VA home mortgage loans under its own auspices. In 1992, the bank and its subsidiaries originated 257 FHA and VA loans in the Birmingham MSA totalling almost $16 million.

12. Loans under this program offer flexible underwriting criteria and special financing terms.

13. Groundbreaking for this project occurred on October 9, 1993.

14. This organization was formed on February 2, 1993, to provide low-income housing in cities with SouthTrust bank subsidiaries.

15. SouthTrust-Alabama is a charter member of the Alabama Small Business Investment Company, Inc., a Minority Enterprise Small Investment Company with over $2 million in loans to minority-owned small businesses.

effective CRA program. The board of directors of SouthTrust-Alabama has approved a comprehensive CRA policy that outlines goals, objectives, and levels of responsibility and accountability for management and employees of the bank. STMC has implemented a formal community outreach program, which includes calls on area realtors and seminars on the availability and use of mortgage loan products. In addition, STMC employs a full-time Community Development Officer who meets with government officials and nonprofit and neighborhood associations in an effort to create products that meet the credit needs of low- and moderate-income communities.

For the foregoing reasons, and based on all the facts of record in this case, including Protestant's comments and SouthTrust's response to these comments, the Board concludes that convenience and needs considerations, including the records of SouthTrust, SouthTrust-Alabama, and SouthTrust-Georgia under the CRA, are consistent with approval of this application.

The Board also concludes that the financial and managerial resources and future prospects of SouthTrust and HomeBanc are consistent with approval of this application. Moreover, the record in this case shows that:

(1) The transaction will not result in the transfer of any federally insured depository institution's federal deposit insurance from one federal deposit insurance fund to the other;

(2) Applicants and SouthTrust-Georgia currently meet, and upon consummation of the proposed transaction will continue to meet, all applicable capital standards; and

(3) The proposed transaction would comply with the interstate banking provision of the Bank Holding Company Act (12 U.S.C. § 1842(d)) if HomeBanc were a state bank that SouthTrust was applying to acquire directly. *See* 12 U.S.C. § 1815(d)(3).

Based on the foregoing and all the facts of record, the Board has determined that this application should be, and hereby is, approved. The Board's approval of this application is conditioned upon SouthTrust's compliance with the commitments made in connection with this application. This approval is further subject to SouthTrust obtaining the OCC's approval for the proposed transaction. For purposes of this action, the commitments and conditions relied on in reaching this decision are both conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law. This approval is limited to the proposal presented to the Board by SouthTrust, and may not be construed as applying to any other transaction.

This transaction may not be consummated before the thirtieth calendar day after the effective date of this order, or later than three months after the effective date of this order, unless such period is extended by the Board or the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors, effective May 31, 1994.

Voting for this action: Chairman Greenspan, and Governors Kelley, LaWare, and Phillips. Absent and not voting: Governor Lindsey.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Actions Taken Under the Federal Deposit Insurance Corporation Improvement Act of 1991

By the Secretary of the Board

Copies are available upon request to the Freedom of Information Office, Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Bank Holding Company	Acquired Thrift	Acquiring Bank(s)	Approval Date
First Interstate Bancorp, Los Angeles, California	Great American Federal Savings Association, San Diego, California	First Interstate Bank of Washington, N.A., Seattle, Washington	May 13, 1994

By the Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board

Copies are available upon request to the Freedom of Information Office, Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Bank Holding Company	Acquired Thrift	Acquiring Bank(s)	Approval Date
Carolina First Bank, Greenville, South Carolina	Citadel Federal Savings & Loan Association, Charleston, South Carolina	Carolina First Corporation, Greenville, South Carolina	April 29, 1994
First-Citizens Bank & Trust Company, Raleigh, North Carolina	Edgecombe Homestead Savings Bank, Inc., SSB, Tarboro, North Carolina	First Citizens BancShares, Inc., Raleigh, North Carolina	May 4, 1994
First Union National Bank of Florida, Jacksonville, Florida	Citizens Federal Savings Association, Jacksonville, Florida	First Union Corporation, Charlotte, North Carolina	April 29, 1994
Shawmut National Corporation, Hartford, Connecticut	Northeast Savings, F.A., Hartford, Connecticut	Shawmut Bank Connecticut, N.A., Hartford, Connecticut Shawmut Bank, N.A., Boston, Massachusetts	May 9, 1994

Applications Approved Under Bank Holding Company Act

By the Secretary of the Board

Recent applications have been approved by the Secretary of the Board as listed below. Copies are available upon request to the Freedom of Information Office, Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant(s)	Bank(s)	Effective Date
Union Planters Corporation, Memphis, Tennessee	Union Planters Bank of Middle Tennessee, N.A., Nashville, Tennessee Union Planters Bank of Jackson, N.A. Jackson, Tennessee Union Planters Bank of East Tennessee, N.A., Knoxville, Tennessee Union Planters Bank of Chattanooga, N.A., Chattanooga, Tennessee	May 31, 1994

Section 3—Continued

Applicant(s)	Bank(s)	Effective Date
USBANCORP, Inc., Johnstown, Pennsylvania	Johnstown Savings Bank, Johnstown, Pennsylvania	May 9, 1994

Section 4

Applicant(s)	Bank(s)	Effective Date
Signet Banking Corporation, Richmond, Virginia	Pioneer Financial Corporation, Chester, Virginia	May 12, 1994

Applications Approved Under Bank Holding Company Act

By Federal Reserve Banks

Recent applications have been approved by the Federal Reserve Banks as listed below. Copies are available upon request to the Reserve Banks.

Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Bren-Mar Properties, Inc., Columbia, Missouri	Jack's Fork Bancorporation, Inc., Columbia, Missouri First Missouri Bancorporation, Inc., Columbia, Missouri First Heritage National Bank, Davis, Oklahoma	St. Louis	May 3, 1994
Citizens Development Company, Billings, Montana	Western Bank, N.A., Chinook, Montana Citizens State Bank, Hamilton, Montana First National Bank of Lewistown, Lewistown, Montana	Minneapolis	May 12, 1994
Citizens State Bancshares, Inc., Wichita, Kansas	Citizens State Bank of Cheney, Cheney, Kansas	Kansas City	May 17, 1994
CNB Holdings, Inc., Pulaski, Virginia	Community National Bank, Pulaski, Virginia	Richmond	May 13, 1994
Commercial Investment Company, Inc., Ainsworth, Nebraska	Springview Bancorporation, Springview, Nebraska	Kansas City	May 18, 1994
Community Charter Corporation, St. Louis, Missouri	Missouri State Bank and Trust Company, St. Louis, Missouri	St. Louis	April 29, 1994

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Community Corporation, Cannelton, Indiana	First National Bank of Perry County, Indiana, Cannelton, Indiana	St. Louis	April 26, 1994
Community Grain Company, Coon Rapids, Iowa	Farmers National Bank, Bayard, Iowa	Chicago	May 5, 1994
Community Investment Services, Inc., North Branch, Minnesota	A&P Bank Holding Company, North Branch, Minnesota Community National Bank, North Branch, Minnesota	Minneapolis	April 29, 1994
Employee Stock Ownership Plan for Employees of Payne County Bank, Perkins, Oklahoma	Payne County Bancshares, Inc., Perkins, Oklahoma	Kansas City	May 19, 1994
Farmers State Bank of Hardtner Employee Stock Ownership Plan, Hardtner, Kansas	B-K Agency, Inc., Hardtner, Kansas	Kansas City	May 12, 1994
First Alabama Bancshares, Inc., Birmingham, Alabama	First Fayette Bancshares, Inc., Fayette, Alabama	Atlanta	May 16, 1994
First Bancorporation of Ohio, Akron, Ohio	Peoples National Bank, Wooster, Ohio	Cleveland	April 29, 1994
First Community Corporation, Rogersville, Tennessee	First Community Bank of East Tennessee, Rogersville, Tennessee	Atlanta	April 29, 1994
First National Bank of Bemidji Employee Stock Ownership Plan, Bemidgi, Minnesota	First Bemidji Holding Company, Bemidji, Minnesota	Minneapolis	May 24, 1994
First National Bank Shares, Ltd., Great Bend, Kansas	Urban Bancshares, Inc., Kansas City, Missouri	Kansas City	May 4, 1994
First Sleepy Eye Bancorporation, Inc., Sioux Falls, South Dakota	First Security Bank of Benson, Benson, Minnesota	Minneapolis	May 6, 1994
Fulton Financial Corporation, Lancaster, Pennsylvania	Mid-Atlantic Bankcorp, Hagerstown, Maryland	Philadelphia	May 12, 1994
Harrisburg Bancshares, Inc., Houston, Texas Harrisburg Bancshares (Nevada), Inc., Reno, Nevada	Westside National Bank, Pearland, Texas	Dallas	May 2, 1994
Heritage Financial Services, Inc., Tinley Park, Illinois	Midlothian State Bank, Midlothian, Illinois	Chicago	May 24, 1994
Hibernia Corporation, New Orleans, Louisiana	Commercial Bancshares, Inc., Abbeville, Louisiana	Atlanta	May 26, 1994
HSB Financial Corporation, Harwood, North Dakota	Harwood State Bank, Harwood, North Dakota	Minneapolis	May 10, 1994
Ida Grove Bancshares, Inc., Ida Grove, Iowa	P.S.B. Bancorporation, Inc., West Des Moines, Iowa	Chicago	April 29, 1994
Jefferson County Bancshares, Inc., Daykin, Nebraska	Plymouth Investment Company, Plymouth, Nebraska	Kansas City	May 18, 1994

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Ohio State Bancshares, Inc., Marion, Ohio	The Marion Bank, Marion, Ohio	Cleveland	April 29, 1994
Olney Bancshares of Texas, Inc., Olney, Texas	Thirdtier, Inc., Wilmington, Delaware Olney Bancshares, Inc., Olney, Texas Olney Bancorp of Delaware, Inc., Wilmington, Delaware First Coleman National Bank, Coleman, Texas Graham National Bank, Graham, Texas The First National Bank of Olney, Olney, Texas Farmers National Bank, Seymour, Texas	Dallas	May 18, 1994
Pipestone Bancshares, Inc., Pipestone, Minnesota	Upper Midwest Financial Corporation, Garretson, South Dakota	Minneapolis	May 10, 1994
Raton Capital Corporation, Raton, New Mexico	Farmers & Stockmens Bancorporation, Clayton, New Mexico	Kansas City	May 19, 1994
Southwide Financial Group, Inc., Fayetteville, Georgia	The Citizens Bank and Trust of Fayette County, Fayetteville, Georgia	Atlanta	May 18, 1994
State Financial Investments, Inc., Winfield, Kansas	Holroyd Insurance Agency, Winfield, Kansas	Kansas City	May 12, 1994
Stockgrowers State Banc Corporation, Ashland, Kansas	Peoples Bank, N.A., Coldwater, Kansas	Kansas City	May 18, 1994
Thirdtier, Inc., Wilmington, Delaware	Olney Bancshares, Inc., Olney, Texas Olney Bancorp of Delaware, Inc., Wilmington, Delaware First Coleman National Bank, Coleman, Texas Graham National Bank, Graham, Texas The First National Bank of Olney, Olney, Texas Farmers National Bank, Seymour, Texas	Dallas	May 18, 1994
UJB Financial Corp., Princeton, New Jersey	VSB Bancorp, Inc., Closter, New Jersey	New York	May 11, 1994
United Nebraska Financial Company, Grand Island, Nebraska	United Nebraska Bank, Grand Island, Nebraska	Kansas City	April 28, 1994

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Community First Bankshares, Inc., Fargo, North Dakota	Key Insurance, Inc., Gettysburg, South Dakota	Minneapolis	May 24, 1994
The Sumitomo Trust & Banking Co., Ltd., Osaka, Japan	Boullioun Aviation Services, Inc., Bellevue, Washington	New York	May 13, 1994
The Summit Bancorporation, Chatham, New Jersey	Lancaster Financial Ltd., Inc., Parsippany, New Jersey	New York	May 18, 1994

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Capitol Bancorp, Ltd., Lansing, Michigan	Financial Center Corporation, Holland, Michigan Paragon Bank & Trust, Holland, Michigan Consolidated Bank Services, Inc., Holland, Michigan	Chicago	May 25, 1994
Liberty Bancorp of Georgia, Inc., Clayton, Georgia	The Gordon Bank, F.S.B., Gordon, Georgia The Gordon Bank, Gordon, Georgia	Atlanta	April 29, 1994

Applications Approved Under Bank Merger Act

By Federal Reserve Banks

Recent applications have been approved by the Federal Reserve Banks as listed below. Copies are available upon request to the Reserve Banks.

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Chemical Bank and Trust Company, Midland, Michigan	First of America Bank-MidMichigan, Bay City, Michigan	Chicago	May 4, 1994
First State Bank of Taos, Taos, New Mexico	First State Bank of Santa Fe, Santa Fe, New Mexico	Kansas City	May 2, 1994
First Virginia Bank-Shenandoah Valley, Woodstock, Virginia	First Virginia Bank of Augusta, Staunton, Virginia First Virginia Bank-Planters, Bridgewater, Virginia	Richmond	May 24, 1994
Wilmington Trust of Pennsylvania, West Chester, Pennsylvania	Wilmington Trust Company, Wilmington, Delaware	Philadelphia	April 29, 1994

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.

National Title Resource Agency v. Board of Governors, No. 94-2050 (8th Cir., filed April 28, 1994). Petition for review of Board's order, issued under section 4 of the Bank Holding Company Act, approving the application of Norwest Corp., Minneapolis, Minnesota, to acquire Double Eagle Financial Corp., Phoenix, Arizona, and its subsidiary, and thereby engage in title insurance agency activities and real estate settlement services (80 *Federal Reserve Bulletin* 453 (1994)).

Scott v. Board of Governors, No. 94-4117 (10th Cir.), filed April 28, 1994. Appeal of dismissal of action against Board and others for damages and injunctive relief for alleged constitutional and statutory violations caused by issuance of Federal Reserve notes.

Beckman v. Greenspan, No. CV 94-41-BCG-RWA (D. Mont., filed April 13, 1994). Action against Board and others seeking damages for alleged violations of constitutional and common law rights. The Board's motion to dismiss was filed May 19, 1994.

DLG Financial Corp. v. Board of Governors, No. 94-10078 (5th Cir., filed January 20, 1994). Appeal of district court dismissal of appellants' action to enjoin the Board and the Federal Reserve Bank of Dallas from taking certain enforcement actions, and for money damages on a variety of tort and contract theories. The case has been consolidated on appeal with *Board of Governors v. DLG Financial Corp.,* Nos. 93-2944 and 94-20013 (5th Cir., filed December 14, 1993, and December 31, 1993), an appeal of a temporary restraining order and a preliminary injunction obtained by the Board freezing assets of a corporation and an individual pending administrative adjudication of civil money penalty assessments by the Board. Oral argument on the consolidated appeal is scheduled for June 1, 1994.

Richardson v. Board of Governors, et al., No. 94-4020 (10th Cir.), filed January 14, 1994. Appeal of dismissal of action against Board and others for damages and injunctive relief for alleged constitutional and statutory violations caused by issuance of Federal Reserve notes. The Board's brief is due June 3, 1994.

Board of Governors v. Oppegard, No. 93-3706 (8th Cir., filed November 1, 1993). Appeal of district court order ordering appellant Oppegard to comply with prior order requiring compliance with Board removal, prohibition, and civil money penalty order. Oral argument is scheduled for June 16, 1994.

Jackson v. Board of Governors, No. CV-N-93-401-ECR (D. Nev., filed June 14, 1993). *Pro se* action for violation of a prisoner's civil rights. On November 26, 1993, the Board filed a motion to dismiss.

First National Bank of Bellaire v. Board of Governors, No. H-93-1708 (S.D. Texas, filed June 8, 1993). Action to enjoin possible enforcement actions by Board of Governors and other bank regulatory agencies. On March 8, 1994, the district court granted the agencies' motion to dismiss; plaintiff's motion for reconsideration was filed March 22, 1994.

Kubany v. Board of Governors, et al., No. 93-1428 (D. D.C., filed July 9, 1993). Action challenging Board determination under the Freedom of Information Act. The Board's motion to dismiss was filed on October 15, 1993.

Bennett v. Greenspan, No. 93-1813 (D. D.C., filed April 20, 1993). Employment discrimination action. Trial is scheduled to commence August 1, 1994.

Amann v. Prudential Home Mortgage Co., et al., No. 93-10320 WD (D. Massachusetts, filed February 12, 1993). Action for fraud and breach of contract arising out of a home mortgage. On April 17, 1993, the Board filed a motion to dismiss.

Adams v. Greenspan, No. 93-0167 (D. D.C., filed January 27, 1993). Action by former employee under the Civil Rights Act of 1964 and the Rehabilitation Act of 1973 concerning termination of employment. The Board's motion for partial summary judgment was filed on January 4, 1994.

CBC, Inc. v. Board of Governors, No. 93-1458 (U.S. Supreme Court, filed March 17, 1994). Petition for review of civil money penalty assessment against a bank holding company and three of its officers and directors for failure to comply with reporting requirements. On November 30, 1993, the Court of Appeals for the 10th Circuit denied the petition for review. On March 17, 1994, CBC filed a petition for *certiorari.* The Solicitor General has waived opposition on behalf of the Board.

Zemel v. Board of Governors, No. 92-1056 (D. D.C., filed May 4, 1992). Age Discrimination in Employment Act case. The parties' cross-motions for summary judgment are pending.

Board of Governors v. Ghaith R. Pharaon, No. 91-CIV-6250 (S.D. New York, filed September 17, 1991). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On September 17, 1991, the court issued an order temporarily restraining the transfer or disposition of the individual's assets.

Final Enforcement Orders Issued by the Board of Governors

Edwin M. Bergsmark
Toledo, Ohio

The Federal Reserve Board announced on May 16, 1994, the issuance of a Consent Order against Edwin M. Bergsmark, the former Executive Vice-President and General Counsel of Trustcorp, Inc., Toledo, Ohio, a former bank holding company, and of Trustcorp's former subsidiary State member bank, the Trustcorp Bank, Toledo, Ohio. Mr. Bergsmark also was a director of the Trustcorp Bank.

Robert F. Bruning and Robert C. Richmond
Pemberville, Ohio

The Federal Reserve Board announced on May 12, 1994, the issuance of a combined Order to Cease and Desist and Order of Prohibition against Robert F. Bruning, former President of The Citizens Savings Bank Company, Pemberville, Ohio, and an Order of Prohibition against Robert C. Richmond, a former officer of The Citizens Savings Bank Company.

Pacific Inland Bancorp and Pacific Inland Bank
Anaheim, California

Pacific Inland Mortgage Company
San Jose, California

The Federal Reserve Board announced on May 12, 1994, the issuance of a Cease and Desist Order against Pacific Inland Bancorp, and the Pacific Inland Bank, both of Anaheim, California, and Pacific Inland Mortgage Company, San Jose, California.

Bruno Zbinden
New York, New York

The Federal Reserve Board announced on May 16, 1994, the issuance of a combined Order to Cease and Desist and Order of Prohibition against Bruno Zbinden, a former officer of the New York branch of Swiss Bank Corporation, Basle, Switzerland.

Written Agreements Approved by Federal Reserve Banks

Garfield Bank
Montebello, California

The Federal Reserve Board announced on May 12, 1994, the execution of a Written Agreement between the Federal Reserve Bank of San Francisco and the Garfield Bank, Montebello, California.

Pioneer Bancorp
Fullerton, California

The Federal Reserve Board announced on May 23, 1994, the execution of a Written Agreement between the Federal Reserve Bank of San Francisco and Pioneer Bancorp, Fullerton, California.

Financial and Business Statistics

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Guide to Tabular Presentation

SYMBOLS AND ABBREVIATIONS

c	Corrected
e	Estimated
n.a.	Not available
n.e.c.	Not elsewhere classified
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
. . .	Cell not applicable
ATS	Automatic transfer service
BIF	Bank insurance fund
CD	Certificate of deposit
CMO	Collateralized mortgage obligation
FFB	Federal Financing Bank
FHA	Federal Housing Administration
FHLBB	Federal Home Loan Bank Board
FHLMC	Federal Home Loan Mortgage Corporation
FmHA	Farmers Home Administration
FNMA	Federal National Mortgage Association
FSLIC	Federal Savings and Loan Insurance Corporation
G-7	Group of Seven
G-10	Group of Ten
GNMA	Government National Mortgage Association
GDP	Gross domestic product
HUD	Department of Housing and Urban Development
IMF	International Monetary Fund
IO	Interest only
IPCs	Individuals, partnerships, and corporations
IRA	Individual retirement account
MMDA	Money market deposit account
MSA	Metropolitan statistical area
NOW	Negotiable order of withdrawal
OCD	Other checkable deposit
OPEC	Organization of Petroleum Exporting Countries
OTS	Office of Thrift Supervision
PO	Principal only
REIT	Real estate investment trust
REMIC	Real estate mortgage investment conduit
RP	Repurchase agreement
RTC	Resolution Trust Corporation
SAIF	Savings Association Insurance Fund
SCO	Securitized credit obligation
SDR	Special drawing right
SIC	Standard Industrial Classification
VA	Department of Veterans Affairs

GENERAL INFORMATION

In many of the tables, components do not sum to totals because of rounding.

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

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

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1993			1994	1993	1994			
	Q2	Q3	Q4	Q1	Dec.	Jan.	Feb.r	Mar.	Apr.
Reserves of depository institutions[2]									
1 Total	10.4	12.5	14.2	3.1	3.1	2.5	3.2	−3.4	−7.4
2 Required	12.0	12.4	14.1	2.5	3.9	−5.2	9.5	.0r	−11.2
3 Nonborrowed	10.2	11.0	15.6	3.7	3.2	2.7	3.3	−3.1	−8.8
4 Monetary base[3]	10.1	10.6	9.8	10.2	5.7	11.7	13.4	9.3	6.2
Concepts of money, liquid assets, and debt[4]									
5 M1	10.7	12.0	9.4	6.0	6.4	5.4	5.4	4.0r	−1.3
6 M2	2.2	2.4	1.9	1.8r	2.3	2.0r	−1.4	4.9r	2.7
7 M3	2.1	1.0	2.2	.2r	3.5r	1.2r	−7.5	2.8r	2.6
8 L	3.1	.9	1.5r	2.6	4.4	4.8r	−2.1	1.9	n.a.
9 Debt	4.5	5.7	5.0r	5.3	7.1r	4.4r	4.4	5.8	n.a.
Nontransaction components									
10 In M2[5]	−1.4	−1.7	−1.4	−.1r	.4	.4r	−4.6	5.4r	4.6
11 In M3 only[6]	1.6	−6.7	3.8r	−8.5r	10.1r	−3.1r	−40.2	−9.4r	2.3
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	5.1	4.9	3.6	4.3r	4.4	7.3	1.5	−1.2r	−3.8
13 Small time[7]	−9.2	−10.6	−7.4	−5.2	−2.6	−7.7	−4.1	−3.4r	−2.1
14 Large time[8,9]	−.7	−7.7	−.5	−3.4r	4.8	8.7r	−24.1	−8.8r	−8.0
Thrift institutions									
15 Savings, including MMDAs	.7	2.3	−.4	.4r	2.0	.0	−1.4	5.3r	1.9
16 Small time[7]	−11.9	−14.4	−11.9	−11.2r	−15.8	−9.9	−12.7	−5.4	−3.9
17 Large time[8,9]	−8.5	−4.5	−6.7	−9.3	−32.1	3.9	−5.8	−15.6	5.9
Money market mutual funds									
18 General purpose and broker–dealer	.2	−1.8	1.2	.0	6.2	−3.4	−14.1	17.1	45.8
19 Institution-only	−2.2	−10.5	8.8	−26.7	13.6	−26.2	−98.4	3.4	−2.7
Debt components[4]									
20 Federal	10.4	9.2	5.5	7.0	13.3	2.8	4.9	9.1	n.a.
21 Nonfederal	2.4	4.5	4.8r	4.7	4.8r	4.9r	4.3	4.7	n.a.

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding during preceding month or quarter.

2. Figures incorporate adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.20.)

3. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits, and Vault Cash" and for all weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

4. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of depository institutions, (2) travelers checks of nonbank issuers, (3) demand deposits at all commercial banks other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float, and (4) other checkable deposits (OCDs), consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. Seasonally adjusted M1 is computed by summing currency, travelers checks, demand deposits, and OCDs, each seasonally adjusted separately.

M2: M1 plus (1) overnight (and continuing-contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, (2) savings (including MMDAs) and small time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in both taxable and tax-exempt general-purpose and broker–dealer money market funds. Excludes individual retirement accounts (IRAs) 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. Seasonally adjusted M2 is computed by adjusting its non-M1 component as a whole and then adding this result to seasonally adjusted M1.

M3: M2 plus (1) large time deposits and term RP liabilities (in amounts of $100,000 or more) issued by all depository institutions, (2) 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 (3) balances in both taxable and tax-exempt, institution-only money market funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also excluded is the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. Seasonally adjusted M3 is computed by adjusting its non-M2 component as a whole and then adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: 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. Data are derived from the Federal Reserve Board's flow of funds accounts. Data on debt of domestic nonfinancial sectors are monthly averages, derived by averaging adjacent month-end levels. Growth rates for debt reflect adjustments for discontinuities over time in the levels of debt presented in other tables.

5. Sum of (1) overnight RPs and Eurodollars, (2) money market fund balances (general purpose and broker–dealer), (3) savings deposits (including MMDAs), and (4) small time deposits.

6. Sum of (1) large time deposits, (2) term RPs, (3) term Eurodollars of U.S. residents, and (4) money market fund balances (institution-only), less (5) a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. This sum is seasonally adjusted as a whole.

7. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits.

8. Large time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

9. Large time deposits at commercial banks less those held by money market funds, depository institutions, U.S. government and foreign banks and official institutions.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT[1]

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated							
	1994			1994							
	Feb.	Mar.	Apr.	Mar. 16	Mar. 23	Mar. 30	Apr. 6	Apr. 13	Apr. 20	Apr. 27
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	373,196	375,629	382,420	375,627	375,371[r]	375,885[r]	382,405	380,871	384,496	382,062
U.S. government securities[2]										
2 Bought outright—System account	332,397	335,371	341,226	334,014	336,682	337,265	338,049	338,384	343,611	343,561
3 Held under repurchase agreements	2,565	2,721	2,452	4,494	1,293	1,145	4,924	3,975	2,366	0
Federal agency obligations										
4 Bought outright	4,401	4,235	4,115	4,237	4,237	4,228	4,184	4,145	4,101	4,076
5 Held under repurchase agreements	214	261	99	291	236	173	171	131	143	0
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	56	41	61	35	24	48	115	54	35	67
8 Seasonal credit	15	24	55	18	27	37	38	42	53	74
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	1,226	585	628	269	343[r]	282[r]	1,419	452	335	400
11 Other Federal Reserve assets	32,323	32,391	33,783	32,268	32,529	32,705	33,504	33,689	33,850	33,872
12 Gold stock	11,053	11,053	11,052	11,053	11,052	11,052	11,052	11,052	11,052	11,052
13 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
14 Treasury currency outstanding	22,200	22,265	22,327	22,260	22,274	22,288	22,302	22,316	22,330	22,344
ABSORBING RESERVE FUNDS										
15 Currency in circulation	363,796	366,753	370,738	366,654	366,961	367,541	369,669	371,284	371,152	370,552
16 Treasury cash holdings	372	377	376	378	382	374	371	376	378	378
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	6,263	5,122	5,701	5,463	4,971	4,847	6,073	3,965	6,568	5,473
18 Foreign	260	189	248	171	176	185	304	209	330	213
19 *Service-related balances and adjustments*	6,988	6,565	6,371	6,742	6,654	6,334	6,232	6,231	6,714	6,308
20 Other	313	358	311	354	396	313	333	303	297	309
21 Other Federal Reserve liabilities and capital	9,784	10,066	10,386	10,015	9,982	9,970	10,654	10,740	10,144	10,132
22 Reserve balances with Federal Reserve Banks[3]	26,691	27,536[r]	29,685	27,181	27,193[r]	27,678[r]	30,140	29,149	30,313	30,111
	End-of-month figures			Wednesday figures						
	Feb.	Mar.	Apr.	Mar. 16	Mar. 23	Mar. 30	Apr. 6	Apr. 13	Apr. 20	Apr. 27
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	375,262	381,272[r]	381,576	378,908	378,934[r]	380,314[r]	383,490	378,045	384,970	382,112
U.S. government securities[2]										
2 Bought outright—System account	333,404	337,260	343,079	335,800	336,824	337,620	340,054	338,513	343,454	343,160
3 Held under repurchase agreements	4,925	5,300	0	5,729	3,725	4,634	4,423	374	3,034	0
Federal agency obligations										
4 Bought outright	4,335	4,227	4,047	4,237	4,237	4,227	4,177	4,102	4,098	4,047
5 Held under repurchase agreements	160	150	0	505	550	510	200	0	0	0
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	34	426	151	99	24	37	12	187	60	75
8 Seasonal credit	14	37	82	19	37	37	39	43	67	83
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	382	448[r]	48	129	673[r]	244[r]	964	1,313	169	753
11 Other Federal Reserve assets	32,008	33,424	34,168	32,389	32,863	33,004	33,621	33,513	34,086	33,971
12 Gold stock	11,053	11,052	11,053	11,053	11,052	11,052	11,052	11,052	11,053	11,052
13 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
14 Treasury currency outstanding	22,232	22,302	22,358	22,260	22,274	22,288	22,302	22,316	22,330	22,344
ABSORBING RESERVE FUNDS										
15 Currency in circulation	364,947	369,016	370,677	367,503	367,748	369,184	371,369	372,074	371,389	371,556
16 Treasury cash holdings	365	370	378	383	375	370	375	378	378	378
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	4,886	6,181	7,965	8,193	3,952	5,562	4,308	3,904	9,166	7,543
18 Foreign	191	454	171	173	187	198	209	209	235	200
19 Service-related balances and adjustments	7,226	6,235	6,322	6,742	6,654	6,334	6,232	6,231	6,714	6,308
20 Other	373	316	312	382	513	300	318	274	305	308
21 Other Federal Reserve liabilities and capital	10,337	10,618	10,189	9,820	9,835	9,835	10,535	9,955	9,993	9,989
22 Reserve balances with Federal Reserve Banks[3]	28,240	29,455[r]	26,990	27,042	31,014[r]	29,889[r]	31,515	26,405	28,190	27,245

1. For amounts of cash held as reserves, see table 1.12.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Excludes required clearing balances and adjustments to compensate for float.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1991	1992	1993	1993			1994			
	Dec.	Dec.	Dec.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
1 Reserve balances with Reserve Banks[2]	26,659	25,368	29,374	28,297	29,018	29,374	27,817	26,922	27,396[r]	29,613
2 Total vault cash[3]	32,509	34,542	36,812	35,184	35,655	36,812	37,907	36,295	35,585	35,216
3 Applied vault cash[4]	28,872	31,172	33,484	31,739	32,278	33,484	34,254	32,671	32,208	32,026
4 Surplus vault cash[5]	3,637	3,370	3,328	3,445	3,377	3,328	3,653	3,624	3,377	3,189
5 Total reserves[6]	55,532	56,540	62,858	60,036	61,296	62,858	62,072	59,593	59,605	61,639
6 Required reserves	54,553	55,385	61,795	58,947	60,195	61,795	60,624	58,454	58,638[r]	60,491
7 Excess reserve balances at Reserve Banks[7]	979	1,155	1,063	1,089	1,101	1,063	1,448	1,140	967[r]	1,148
8 Total borrowings at Reserve Banks[8]	192	124	82	285	89	82	73	70	55	124
9 Seasonal borrowings	38	18	31	192	75	31	15	15	24	57
10 Extended credit[9]	1	1	0	0	0	0	0	0	0	0
	Biweekly averages of daily figures for weeks ending on date indicated									
	1994									
	Jan. 5	Jan. 19	Feb. 2	Feb. 16	Mar. 2	Mar. 16	Mar. 30	Apr. 13[r]	Apr. 27	May 11
1 Reserve balances with Reserve Banks[2]	30,367	28,745	25,672	26,339	27,811	27,139	27,434	29,641	30,212	26,693
2 Total vault cash[3]	36,489	38,241	38,108	37,475	34,617	36,654	34,667	35,434	34,749	36,447
3 Applied vault cash[4]	33,279	34,691	34,152	33,651	31,282	33,105	31,440	32,268	31,598	32,980
4 Surplus vault cash[5]	3,210	3,550	3,957	3,824	3,335	3,549	3,227	3,167	3,151	3,467
5 Total reserves[6]	63,646	63,435	59,824	59,989	59,093	60,244	58,874	61,909	61,810	59,673
6 Required reserves	62,405	61,759	58,557	58,878	57,942	59,192	58,013[r]	61,012	60,353	58,880
7 Excess reserve balances at Reserve Banks[7]	1,241	1,676	1,267	1,112	1,151	1,052	861[r]	897	1,457	793
8 Total borrowings at Reserve Banks[8]	142	74	45	95	45	39	68	125	114	170
9 Seasonal borrowings	16	11	18	15	15	17	32	40	64	102
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover.
2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.
3. Total "lagged" vault cash held by depository institutions subject to reserve requirements. Dates refer to the maintenance periods during which the vault cash can be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.
4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.
5. Total vault cash (line 2) less applied vault cash (line 3).
6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).
7. Total reserves (line 5) less required reserves (line 6).
8. Also includes adjustment credit.
9. Consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Banks[1]

Millions of dollars, averages of daily figures

	Source and maturity	1994, week ending Monday								
		Feb. 28	Mar. 7	Mar. 14	Mar. 21	Mar. 28	Apr. 4	Apr. 11	Apr. 18	Apr. 25
	Federal funds purchased, repurchase agreements, and other selected borrowings									
	From commercial banks in the United States									
1	For one day or under continuing contract	67,817	72,061	70,228	66,607	64,511	72,139	71,680	69,568	63,721
2	For all other maturities	12,273	11,227	12,393	12,080	11,902	13,350	11,423	12,784	13,225
	From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3	For one day or under continuing contract	22,806	25,708	24,179	26,751	27,318	23,688	24,751	21,512	22,305
4	For all other maturities	17,384	18,524	20,512	17,679	18,003	20,146	19,158	19,909	21,662
	Repurchase agreements on U.S. government and federal agency securities									
	Brokers and nonbank dealers in securities									
5	For one day or under continuing contract	19,883	23,111	26,200	26,058	23,828	20,969	26,002	25,591	23,001
6	For all other maturities	31,065	30,796	33,244	32,636	32,874	36,030	35,477	37,190	34,276
	All other customers									
7	For one day or under continuing contract	30,743	30,570	30,966	30,044	30,789	28,186	31,750	31,907	29,831
8	For all other maturities	17,615	17,038	17,372	16,986	16,946	19,496	16,099	16,396	16,464
	MEMO									
	Federal funds loans and resale agreements in immediately available funds in maturities of one day or under continuing contract									
9	To commercial banks in the United States	41,945	44,037	42,657	43,880	44,544	52,960	43,928	45,846	48,620
10	To all other specified customers[2]	24,834	25,409	25,143	24,335	23,888	23,638	25,634	24,176	21,753

1. Banks with assets of $4 billion or more as of Dec. 31, 1988.
Data in this table also appear in the Board's H.5 (507) weekly statistical release. For ordering address, see inside front cover.

2. Brokers and nonbank dealers in securities, other depository institutions, foreign banks and official institutions, and U.S. government agencies.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit[1]			Seasonal credit[2]			Extended credit[3]		
	On 6/3/94	Effective date	Previous rate	On 6/3/94	Effective date	Previous rate	On 6/3/94	Effective date	Previous rate
Boston	3.5	5/17/94	3.0	4.35	5/26/94	4.05	4.85	5/26/94	4.55
New York		5/17/94			5/26/94			5/26/94	
Philadelphia		5/17/94			5/26/94			5/26/94	
Cleveland		5/18/94			5/26/94			5/26/94	
Richmond		5/17/94			5/26/94			5/26/94	
Atlanta		5/17/94			5/26/94			5/26/94	
Chicago		5/17/94			5/26/94			5/26/94	
St. Louis		5/17/94			5/26/94			5/26/94	
Minneapolis		5/17/94			5/26/94			5/26/94	
Kansas City		5/17/94			5/26/94			5/26/94	
Dallas		5/17/94			5/26/94			5/26/94	
San Francisco	3.5	5/17/94	3.0	4.35	5/26/94	4.05	4.85	5/26/94	4.55

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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6	1981—May 5	13–14	14	1986—Aug. 21	5.5–6	5.5
			8	14	14	22	5.5	5.5
1978—Jan. 9	6–6.5	6.5	Nov. 2	13–14	13			
20	6.5	6.5	6	13	13	1987—Sept. 4	5.5–6	6
May 11	6.5–7	7	Dec. 4	12	12	11	6	6
12	7	7						
July 3	7–7.25	7.25	1982—July 20	11.5–12	11.5	1988—Aug. 9	6–6.5	6.5
10	7.25	7.25	23	11.5	11.5	11	6.5	6.5
Aug. 21	7.75	7.75	Aug. 2	11–11.5	11			
Sept. 22	8	8	3	11	11	1989—Feb. 24	6.5–7	7
Oct. 16	8–8.5	8.5	16	10.5	10.5	27	7	7
20	8.5	8.5	27	10–10.5	10			
Nov. 1	8.5–9.5	9.5	30	10	10	1990—Dec. 19	6.5	6.5
3	9.5	9.5	Oct. 12	9.5–10	9.5			
			13	9.5	9.5	1991—Feb. 1	6–6.5	6
1979—July 20	10	10	Nov. 22	9–9.5	9	4	6	6
Aug. 17	10–10.5	10.5	26	9	9	Apr. 30	5.5–6	5.5
20	10.5	10.5	Dec. 14	8.5–9	9	May 2	5.5	5.5
Sept. 19	10.5–11	11	15	8.5–9	8.5	Sept. 13	5–5.5	5
21	11	11	17	8.5	8.5	17	5	5
Oct. 8	11–12	12				Nov. 6	4.5–5	4.5
10	12	12	1984—Apr. 9	8.5–9	9	7	4.5	4.5
			13	9	9	Dec. 20	3.5–4.5	3.5
1980—Feb. 15	12–13	13	Nov. 21	8.5–9	8.5	24	3.5	3.5
19	13	13	26	8.5	8.5			
May 29	12–13	13	Dec. 24	8	8	1992—July 2	3–3.5	3
30	12	12				7	3	3
June 13	11–12	11	1985—May 20	7.5–8	7.5			
16	11	11	24	7.5	7.5			
29	10	10				In effect June 3, 1994	3.5	3.5
July 28	10–11	10	1986—Mar. 7	7–7.5	7			
Sept. 26	11	11	10	7	7			
Nov. 17	12	12	Apr. 21	6.5–7	6.5			
Dec. 5	12–13	13	July 11	6	6			

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

2. Available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intrayearly movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates on market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period; however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

4. For earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, and *1941–1970*; and the *Annual Statistical Digest, 1970–1979*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment-credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. A surcharge of 2 percent was reimposed on Nov. 17, 1980; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981, the formula for applying the surcharge was changed from a calendar quarter to a moving thirteen-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Type of deposit[2]	Requirement	
	Percentage of deposits	Effective date
Net transaction accounts[3]		
1 $0 million–$51.9 million	3	12/21/93
2 More than $51.9 million[4]	10	12/21/93
3 Nonpersonal time deposits[5]	0	12/27/90
4 Eurocurrency liabilities[6]	0	12/27/90

1. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmember institutions may maintain reserve balances with a Federal Reserve Bank indirectly on a pass-through basis with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* or the *Federal Reserve Bulletin*. Under 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. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97-320) requires that $2 million of reservable liabilities of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 21, 1993, the exemption was raised from $3.8 million to $4.0 million. The exemption applies in the following order: (1) net negotiable order of withdrawal (NOW) accounts (NOW accounts less allowable deductions); and (2) net other transaction accounts. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement.

3. Includes all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers for the purpose of making payments to third persons or others, other than money market deposit accounts (MMDAs) and similar accounts that permit no more than six preauthorized, automatic, or other transfers per month, of which no more than three may be checks. Accounts subject to such limits are savings deposits.

The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 each year. Effective Dec. 21, 1993, for institutions reporting quarterly and weekly, the amount was increased from $46.8 million to $51.9 million.

4. The reserve requirement was reduced from 12 percent to 10 percent on Apr. 2, 1992, for institutions that report weekly, and on Apr. 16, 1992, for institutions that report quarterly.

5. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to 1½ percent for the maintenance period that began Dec. 13, 1990, and to zero for the maintenance period that began Dec. 27, 1990. The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan. 17, 1991.

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as was the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

	Type of transaction and maturity	1991	1992	1993	1993				1994		
					Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
	U.S. TREASURY SECURITIES										
	Outright transactions (excluding matched transactions)										
	Treasury bills										
1	Gross purchases	20,158	14,714	17,717	366	1,396	5,911	1,394	0	1,264	900
2	Gross sales	120	1,628	0	0	0	0	0	0	0	0
3	Exchanges	277,314	308,699	332,229	31,128	25,783	27,641	33,536	28,986	28,709	33,163
4	Redemptions	1,000	1,600	468	0	468	0	0	0	0	0
	Others within one year										
5	Gross purchases	3,043	1,096	1,223	411	0	0	189	0	0	147
6	Gross sales	0	0	0	0	0	0	0	0	0	0
7	Maturity shifts	24,454	36,662	31,368	3,074	913	5,158	2,910	0	0	0
8	Exchanges	−28,090	−30,543	−36,582	−1,861	−1,566	−7,641	−2,910	0	0	0
9	Redemptions	1,000	0	0	0	0	0	0	0	0	0
	One to five years										
10	Gross purchases	6,583	13,118	10,350	2,400	0	100	2,619	0	0	1,413
11	Gross sales	0	0	0	0	0	0	0	0	0	0
12	Maturity shifts	−21,211	−34,478	−27,140	−3,074	−31	−4,689	−2,910	0	0	0
13	Exchanges	24,594	25,811	0	1,861	1,566	5,341	2,910	0	0	0
	Five to ten years										
14	Gross purchases	1,280	2,818	4,168	797	0	0	1,008	0	0	1,103
15	Gross sales	0	0	0	0	0	0	0	0	0	0
16	Maturity shifts	−2,037	−1,915	0	0	−882	−272	0	0	0	0
17	Exchanges	2,894	3,532	0	0	0	2,300	0	0	0	0
	More than ten years										
18	Gross purchases	375	2,333	3,457	717	0	0	826	0	0	618
19	Gross sales	0	0	0	0	0	0	0	0	0	0
20	Maturity shifts	−1,209	−269	0	0	0	−197	0	0	0	0
21	Exchanges	600	1,200	0	0	0	0	0	0	0	0
	All maturities										
22	Gross purchases	31,439	34,079	36,915	4,691	1,396	6,011	6,035	0	1,264	4,181
23	Gross sales	120	1,628	0	0	0	0	0	0	0	0
24	Redemptions	1,000	1,600	468	0	468	0	0	616	0	0
	Matched transactions										
25	Gross sales	1,570,456	1,482,467	1,475,085	124,898	115,160	109,941	137,645	132,872	124,125	155,950
26	Gross purchases	1,571,534	1,480,140	1,475,941	122,578	112,837	112,772	136,821	133,468	124,270	155,625
	Repurchase agreements										
27	Gross purchases	310,084	378,374	475,447	62,905	27,693	38,493	33,751	25,818	33,693	38,490
28	Gross sales	311,752	386,257	470,723	61,399	30,397	34,072	29,577	29,348	37,425	38,115
29	Net change in U.S. Treasury securities	29,729	20,642	42,027	3,878	−4,099	13,263	9,386	−3,550	−2,323	4,232
	FEDERAL AGENCY OBLIGATIONS										
	Outright transactions										
30	Gross purchases	0	0	0	0	0	0	0	0	0	0
31	Gross sales	5	0	0	0	0	0	0	0	0	0
32	Redemptions	292	632	1,072	35	70	15	81	202	102	108
	Repurchase agreements										
33	Gross purchases	22,807	14,565	35,063	9,810	3,812	2,841	2,211	2,600	3,277	3,160
34	Gross sales	23,595	14,486	34,669	7,734	5,509	2,861	1,615	3,106	3,636	3,170
35	Net change in federal agency obligations	−1,085	−554	−678	2,041	−1,767	−35	515	−708	−461	−118
36	**Total net change in System Open Market Account**	**28,644**	**20,089**	**41,348**	**5,919**	**−5,866**	**13,228**	**9,901**	**−4,258**	**−2,784**	**4,114**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

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

Millions of dollars

Account	Wednesday					End of month		
	1994					1994		
	Mar. 30	Apr. 6	Apr. 13	Apr. 20	Apr. 27	Feb. 28	Mar. 31	Apr. 30
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,052	11,052	11,052	11,053	11,052	11,053	11,052	11,053
2 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
3 Coin	431	424	417	418	415	446	435	429
Loans								
4 To depository institutions	75	52	230	127	158	48	463	234
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	4,227	4,177	4,102	4,098	4,047	4,335	4,227	4,047
8 Held under repurchase agreements	510	200	0	0	0	160	150	0
9 **Total U.S. Treasury securities**	**342,254**	**344,477**	**338,887**	**346,488**	**343,160**	**338,329**	**342,560**	**343,079**
10 Bought outright[2]	337,620	340,054	338,513	343,454	343,160	333,404	337,260	343,079
11 Bills	163,307	165,740	164,200	164,541	164,248	162,372	162,947	164,167
12 Notes	133,858	133,858	133,858	137,445	137,445	131,311	133,858	137,445
13 Bonds	40,455	40,455	40,455	41,467	41,467	39,721	40,455	41,467
14 Held under repurchase agreements	4,634	4,423	374	3,034	0	4,925	5,300	0
15 **Total loans and securities**	**347,066**	**348,905**	**343,219**	**350,713**	**347,365**	**342,872**	**347,400**	**347,360**
16 Items in process of collection	5,202	6,678	6,941	6,491	6,135	2,435	4,735	4,571
17 Bank premises	1,054	1,054	1,058	1,057	1,056	1,053	1,054	1,055
Other assets								
18 Denominated in foreign currencies[3]	22,640	23,313	23,225	23,098	23,115	22,769	23,297	23,149
19 All other[4]	9,283	9,247	9,207	9,919	9,808	8,209	9,021	9,967
20 **Total assets**	**404,746**	**408,692**	**403,136**	**410,767**	**406,964**	**396,855**	**405,013**	**405,602**
LIABILITIES								
21 Federal Reserve notes	347,697	349,867	350,554	349,856	350,006	343,526	347,520	349,127
22 **Total deposits**	**42,386**	**42,720**	**37,348**	**45,115**	**41,866**	**41,244**	**42,683**	**41,922**
23 Depository institutions	36,329	37,884	32,958	35,410	33,816	35,794	35,733	33,474
24 U.S. Treasury—General account	5,562	4,308	3,904	9,166	7,543	4,886	6,181	7,965
25 Foreign—Official accounts	198	209	209	235	200	191	454	171
26 Other	300	318	274	305	308	373	316	312
27 Deferred credit items	4,829	5,570	5,279	5,803	5,104	1,748	4,192	4,363
28 Other liabilities and accrued dividends[5]	2,625	2,659	2,705	2,749	2,705	2,514	2,684	2,763
29 **Total liabilities**	**397,537**	**400,816**	**395,885**	**403,523**	**399,681**	**389,031**	**397,080**	**398,176**
CAPITAL ACCOUNTS								
30 Capital paid in	3,445	3,445	3,456	3,468	3,479	3,437	3,445	3,479
31 Surplus	3,401	3,401	3,401	3,401	3,401	3,401	3,401	3,401
32 Other capital accounts	364	1,030	393	375	403	985	1,088	546
33 **Total liabilities and capital accounts**	**404,746**	**408,692**	**403,136**	**410,767**	**406,964**	**396,855**	**405,013**	**405,602**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	361,644	369,706	366,814	370,252	368,705	364,104	371,757	367,031
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	414,413	415,238	416,838	418,201	419,232	411,834	414,534	419,336
36 LESS: Held by Federal Reserve Banks	66,716	65,370	66,284	68,345	69,226	68,308	67,014	70,209
37 Federal Reserve notes, net	347,697	349,867	350,554	349,856	350,006	343,526	347,520	349,127
Collateral held against notes, net:								
38 Gold certificate account	11,052	11,052	11,052	11,053	11,052	11,053	11,052	11,053
39 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	328,627	330,797	331,483	330,785	330,935	324,455	328,450	330,056
42 **Total collateral**	**347,697**	**349,867**	**350,554**	**349,856**	**350,006**	**343,526**	**347,520**	**349,127**

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

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1994					1994		
	Mar. 30	Apr. 6	Apr. 13	Apr. 20	Apr. 27	Feb. 28	Mar. 31	Apr. 29
1 **Total loans**	**75**	**52**	**230**	**127**	**158**	**48**	**463**	**234**
2 Within fifteen days[1]	71	27	196	126	148	45	445	196
3 Sixteen days to ninety days	4	25	34	1	10	3	18	38
4 Ninety-one days to one year	0	0	0	0	0	0	0	0
5 **Total acceptances**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
6 Within fifteen days[1]	0	0	0	0	0	0	0	0
7 Sixteen days to ninety days	0	0	0	0	0	0	0	0
8 Ninety-one days to one year	0	0	0	0	0	0	0	0
9 **Total U.S. Treasury securities**	**342,253**	**344,477**	**338,887**	**346,488**	**343,160**	**333,404**	**337,260**	**343,079**
10 Within fifteen days[1]	23,556	22,727	13,795	20,800	17,576	9,168	9,213	11,062
11 Sixteen days to ninety days	77,339	83,833	83,479	79,338	79,084	84,699	77,058	89,445
12 Ninety-one days to one year	104,689	99,588	103,285	103,561	103,711	106,001	112,661	99,783
13 One year to five years	79,435	81,093	81,093	84,250	84,250	77,654	81,093	84,250
14 Five years to ten years	24,553	24,553	24,553	24,961	24,961	23,818	24,553	24,961
15 More than ten years	32,682	32,682	32,682	33,578	33,578	32,064	32,682	33,578
16 **Total federal agency obligations**	**4,837**	**4,377**	**4,102**	**4,098**	**4,047**	**4,335**	**4,227**	**4,047**
17 Within fifteen days[1]	935	319	55	156	130	318	325	130
18 Sixteen days to ninety days	527	684	638	533	528	565	527	528
19 Ninety-one days to one year	960	960	955	955	955	954	960	955
20 One year to five years	1,913	1,913	1,853	1,853	1,833	1,921	1,913	1,833
21 Five years to ten years	477	477	477	577	577	552	477	577
22 More than ten years	25	25	25	25	25	25	25	25

1. Holdings under repurchase agreements are classified as maturing within fifteen days in accordance with maximum maturity of the agreements.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1990 Dec.	1991 Dec.	1992 Dec.	1993 Dec.	1993 Sept.	1993 Oct.	1993 Nov.	1993 Dec.	1994 Jan.	1994 Feb.	1994 Mar.	1994 Apr.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	41.77	45.53	54.34	60.48	58.81	59.75	60.32	60.48	60.60	60.76	60.59	60.21
2 Nonborrowed reserves[4]	41.44	45.34	54.22	60.39	58.39	59.46	60.23	60.39	60.53	60.69	60.53	60.09
3 Nonborrowed reserves plus extended credit[5]	41.47	45.34	54.22	60.39	58.39	59.46	60.23	60.39	60.53	60.69	60.53	60.09
4 Required reserves	40.11	44.55	53.19	59.41	57.72	58.66	59.22	59.41	59.16	59.62	59.62[r]	59.07
5 Monetary base[6]	293.16	317.12	350.61	385.86	378.08	381.40	384.03	385.86	389.61	393.96	397.00[r]	399.06
	Not seasonally adjusted											
6 Total reserves[7]	43.07	46.98	56.06	62.37	58.65	59.48	60.67	62.37	62.04	59.53	59.50	61.40
7 Nonborrowed reserves	42.74	46.78	55.93	62.29	58.22	59.20	60.58	62.29	61.96	59.46	59.44	61.27
8 Nonborrowed reserves plus extended credit[5]	42.77	46.78	55.93	62.29	58.22	59.20	60.58	62.29	61.96	59.46	59.44	61.27
9 Required reserves[8]	41.40	46.00	54.90	61.31	57.56	58.39	59.57	61.31	60.59	58.39	58.53	60.25
10 Monetary base[9]	296.68	321.07	354.55	390.59	377.72	380.80	384.29	390.59	391.00	390.86	394.14[r]	399.73
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	59.12	55.53	56.54	62.86	59.14	60.04	61.30	62.86	62.07	59.59	59.61	61.64
12 Nonborrowed reserves	58.80	55.34	56.42	62.78	58.71	59.75	61.21	62.78	62.00	59.52	59.55	61.52
13 Nonborrowed reserves plus extended credit[5]	58.82	55.34	56.42	62.78	58.71	59.75	61.21	62.78	62.00	59.52	59.55	61.52
14 Required reserves	57.46	54.55	55.39	61.80	58.05	58.95	60.20	61.80	60.62	58.45	58.64	60.49
15 Monetary base[12]	313.70	333.61	360.90	397.62	384.25	387.51	391.14	397.62	397.89	397.93	400.77[r]	406.29
16 Excess reserves[13]	1.66	.98	1.16	1.06	1.09	1.09	1.10	1.06	1.45	1.14	.97[r]	1.15
17 Borrowings from the Federal Reserve	.33	.19	.12	.08	.43	.29	.09	.08	.07	.07	.06	.12

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data and estimates of the impact on required reserves of changes in reserve requirements are available from the Monetary and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.10)

3. Seasonally adjusted, break-adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).

4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).

5. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.

6. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).

8. To adjust required reserves for discontinuities that are due to regulatory changes in reserve requirements, a multiplicative procedure is used to estimate what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves include required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).

9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since the introduction of changes in reserve requirements (CRR), currency and vault cash figures have been measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item	1990 Dec.	1991 Dec.	1992 Dec.	1993 Dec.	1994 Jan.	1994 Feb.[r]	1994 Mar.[r]	1994 Apr.
	Seasonally adjusted							
Measures[2]								
1 M1	826.4	897.7	1,024.8	1,128.4	1,133.5	1,138.6	1,142.4	1,141.2
2 M2	3,353.0	3,455.3	3,509.0	3,563.1	3,569.0[r]	3,564.7	3,579.4	3,587.5
3 M3	4,125.7	4,180.4	4,183.0	4,225.3[r]	4,229.5[r]	4,203.1	4,212.8	4,222.1
4 L	4,974.8	4,992.9	5,057.1	5,122.8[r]	5,143.4[r]	5,134.5	5,142.6	n.a.
5 Debt	10,670.1	11,147.3	11,721.5	12,309.6[r]	12,354.4[r]	12,400.2	12,460.6	n.a.
M1 components								
6 Currency[3]	246.7	267.1	292.2	321.4	325.2[r]	329.2	332.4	334.7
7 Travelers checks[4]	7.8	7.7	8.1	7.9	7.9	7.9	8.0	8.1
8 Demand deposits[5]	277.9	290.0	339.6	384.8	388.3[r]	390.3	390.0	388.9
9 Other checkable deposits[6]	294.0	332.8	384.9	414.3	412.0	411.2	411.9	409.4
Nontransaction components								
10 In M2[7]	2,526.6	2,557.6	2,484.3	2,434.7	2,435.5[r]	2,426.1	2,437.0	2,446.3
11 In M3[8]	772.7	725.2	674.0	662.2[r]	660.5[r]	638.4	633.4	634.6
Commercial banks								
12 Savings deposits, including MMDAs	582.1	665.5	754.6	785.3	790.1	791.1	790.3	787.8
13 Small time deposits[9]	611.3	602.9	508.7	468.5	465.5	463.9	462.6	461.8
14 Large time deposits[10, 11]	368.6	342.4	292.8	277.0	279.0[r]	273.4	271.4	269.6
Thrift institutions								
15 Savings deposits, including MMDAs	338.3	375.6	429.0	430.2	430.2	429.7	431.6	432.3
16 Small time deposits[9]	563.2	464.5	361.8	314.3	311.7	308.4	307.0	306.0
17 Large time deposits[10]	120.9	83.4	67.5	61.8	62.0	61.7	60.9	61.2
Money market mutual funds								
18 General purpose and broker–dealer	355.5	370.4	352.0	348.8	347.8	343.7	348.6	361.9
19 Institution-only	135.0	181.0	201.5	197.0	192.7	176.9	177.4	177.0
Debt components								
20 Federal debt	2,490.7	2,763.8	3,068.4	3,327.9	3,335.6	3,349.3	3,374.7	n.a.
21 Nonfederal debt	8,179.4	8,383.5	8,653.1	8,981.8[r]	9,018.8[r]	9,050.9	9,086.0	n.a.
	Not seasonally adjusted							
Measures[2]								
22 M1	843.8	916.7	1,046.7	1,153.8	1,142.8	1,124.7	1,131.9	1,153.2
23 M2	3,366.0	3,470.4	3,527.6	3,585.7	3,575.7[r]	3,552.6	3,577.8	3,604.8
24 M3	4,135.5	4,191.9	4,198.2	4,244.7[r]	4,230.4[r]	4,193.9	4,212.7	4,237.7
25 L	4,997.2	5,018.0	5,087.6	5,157.5[r]	5,157.6[r]	5,126.1	5,146.4	n.a.
26 Debt	10,667.7	11,144.6	11,723.3	12,309.6[r]	12,340.0[r]	12,374.0	12,437.3	n.a.
M1 components								
27 Currency[3]	249.5	269.9	295.0	324.9	324.0	327.3	330.7	334.4
28 Travelers checks[4]	7.4	7.4	7.8	7.6	7.7	7.7	7.8	7.8
29 Demand deposits[5]	289.9	303.1	355.1	402.6	393.1[r]	380.6	380.7	390.3
30 Other checkable deposits[6]	297.0	336.3	388.9	418.6	417.9	409.1	412.9	420.8
Nontransaction components								
31 In M2[7]	2,522.3	2,553.7	2,480.9	2,431.9[r]	2,432.9[r]	2,427.9	2,445.8	2,451.6
32 In M3[8]	769.5	721.6	670.5	659.0[r]	654.7[r]	641.3	635.0	632.9
Commercial banks								
33 Savings deposits, including MMDAs	580.8	664.0	752.9	783.9	786.1	787.7	791.3	790.2
34 Small time deposits[9]	610.5	601.9	507.8	467.6	465.6	463.8	462.1	461.4
35 Large time deposits[10, 11]	367.7	341.3	291.7	275.8[r]	276.0[r]	271.7	271.2	268.9
Thrift institutions								
36 Savings deposits, including MMDAs	337.6	374.8	428.1	429.4	428.0	427.9	432.2	433.6
37 Small time deposits[9]	562.4	463.8	361.2	313.6	311.8	308.3	306.7	305.7
38 Large time deposits[10]	120.6	83.1	67.2	61.6	61.4	61.3	60.9	61.0
Money market mutual funds								
39 General purpose and broker–dealer	353.8	368.5	350.2	347.2	348.1	349.4	357.6	367.6
40 Institution-only	134.7	180.4	200.4	195.8	196.2	186.1	180.5	176.2
Repurchase agreements and Eurodollars								
41 Overnight	77.3	80.6	80.7	90.3	93.3[r]	90.8	95.8	93.1
42 Term	158.3	130.1	126.7	141.3[r]	136.2[r]	137.5	138.7	142.5
Debt components								
43 Federal debt	2,491.3	2,765.0	3,069.8	3,329.5	3,333.0	3,345.4	3,374.4	n.a.
44 Nonfederal debt	8,176.3	8,379.7	8,653.5	8,980.1[r]	9,007.0[r]	9,028.7	9,062.8	n.a.

Footnotes appear on following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data are available from the Money and Reserves Projection Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of depository institutions, (2) travelers checks of nonbank issuers, (3) demand deposits at all commercial banks other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float, and (4), other checkable deposits (OCDs), consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. Seasonally adjusted M1 is computed by summing currency, travelers checks, demand deposits, and OCDs, each seasonally adjusted separately.

M2: M1 plus (1) overnight (and continuing-contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, (2) savings (including MMDAs) and small time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in both taxable and tax-exempt general-purpose and broker–dealer money market funds. Excludes individual retirement accounts (IRAs) 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. Seasonally adjusted M2 is computed by adjusting its non-M1 component as a whole and then adding this result to seasonally adjusted M1.

M3: M2 plus (1) large time deposits and term RP liabilities (in amounts of $100,000 or more) issued by all depository institutions, (2) 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 (3) balances in both taxable and tax-exempt, institution-only money market funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also excluded is the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. Seasonally adjusted M3 is computed by adjusting its non-M2 component as a whole and then adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: 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. Data are derived from the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages. This sum is seasonally adjusted as a whole.

3. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of depository institutions.

4. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

5. Demand deposits at commercial banks and foreign-related institutions other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float.

6. Consists of NOW and ATS account balances at all depository institutions, credit union share draft account balances, and demand deposits at thrift institutions.

7. Sum of (1) overnight RPs and overnight Eurodollars, (2) money market fund balances (general purpose and broker–dealer), (3) savings deposits (including MMDAs), and (4) small time deposits.

8. Sum of (1) large time deposits, (2) term RPs, (3) term Eurodollars of U.S. residents, and (4) money market fund balances (institution-only), less (5) a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds.

9. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRAs and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.

10. Large time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

11. Large time deposits at commercial banks less those held by money market funds, depository institutions, U.S. government, and foreign banks and official institutions.

1.22 DEPOSIT INTEREST RATES AND AMOUNTS OUTSTANDING Commercial and BIF-insured saving banks[1]

Item	1991 Dec.	1992 Dec.	1993 Aug.	1993 Sept.	1993 Oct.	1993 Nov.	1993 Dec.	1994 Jan.	1994 Feb.	1994 Mar.	1994 Apr.
	Interest rates (annual effective yields)										
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts	3.76	2.33	2.01	1.96	1.92	1.89	1.86	1.84	1.82	1.82[r]	1.81
2 Savings deposits[2]	4.30	2.88	2.55	2.51	2.49	2.48	2.46	2.46	2.43	2.43	2.45
Interest-bearing time deposits with balances of less than $100,000, by maturity											
3 7 to 91 days	4.18	2.90	2.66	2.63	2.63	2.64	2.65	2.65	2.68	2.76	2.87
4 92 to 182 days	4.41	3.16	2.96	2.92	2.91	2.92	2.91	2.90	2.94	3.02	3.13
5 183 days to 1 year	4.59	3.37	3.17	3.13	3.11	3.13	3.13	3.14	3.18	3.27	3.42
6 More than 1 year to 2½ years	4.95	3.88	3.63	3.55	3.54	3.54	3.55	3.56	3.61	3.69	3.87
7 More than 2½ years	5.52	4.77	4.40	4.28	4.27	4.28	4.29	4.31	4.35	4.46	4.66
BIF-INSURED SAVINGS BANKS[3]											
8 Negotiable order of withdrawal accounts	4.44	2.45	2.07	2.01	1.98	1.95	1.87	1.89	1.88	1.83	1.85
9 Savings deposits[2]	4.97	3.20	2.80	2.73	2.68	2.65	2.63	2.62	2.64	2.63	2.65
Interest-bearing time deposits with balances of less than $100,000, by maturity											
10 7 to 91 days	4.68	3.13	2.79	2.76	2.75	2.73	2.70	2.69	2.69	2.71	2.72
11 92 to 182 days	4.92	3.44	3.12	3.05	3.05	3.03	3.02	3.03	3.04	3.08	3.13
12 183 days to 1 year	4.99	3.61	3.37	3.33	3.34	3.32	3.31	3.33	3.34	3.37	3.47
13 More than 1 year to 2½ years	5.23	4.02	3.73	3.69	3.68	3.69	3.66	3.72	3.76	3.85	3.96
14 More than 2½ years	5.98	5.00	4.73	4.62	4.57	4.60	4.62	4.61	4.66	4.75	4.85
	Amounts outstanding (millions of dollars)										
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts	244,637	286,541	287,675	286,056	289,813	297,329	305,223	293,806	295,573	297,496[r]	293,712
16 Savings deposits[2]	652,058	738,253	761,919	758,835	765,372	770,609	766,413	771,559	776,204	779,340[r]	770,909
17 Personal	508,191	578,757	593,318	592,028	595,715	598,200	597,838	606,615	611,725	615,875[r]	610,963
18 Nonpersonal	143,867	159,496	168,601	166,807	169,657	172,408	168,575	164,944	164,479	163,465[r]	159,945
Interest-bearing time deposits with balances of less than $100,000, by maturity											
19 7 to 91 days	47,094	38,474	30,017	30,384	30,022	29,730	29,455	29,312	29,578	29,539[r]	29,447
20 92 to 182 days	158,605	127,831	109,603	108,574	108,504	109,228	110,069	109,110	109,444	107,407[r]	105,562
21 183 days to 1 year	209,672	163,098	155,074	152,501	149,758	147,334	146,565	144,037	143,624	144,022[r]	146,615
22 More than 1 year to 2½ years	171,721	152,977	141,377	139,406	139,042	139,315	141,223	141,204	141,006	139,946[r]	139,166
23 More than 2½ years	158,078	169,708	181,762	184,414	183,790	180,972	181,528	182,193	181,240	180,973[r]	181,833
24 IRA/Keogh Plan deposits	147,266	147,350	145,955	145,636	144,776	145,002	143,985	143,875	143,409	142,002[r]	142,107
BIF-INSURED SAVINGS BANKS[3]											
25 Negotiable order of withdrawal accounts	9,624	10,871	10,468	10,471	10,548	10,852	11,151	10,796	10,870	11,078	10,913
26 Savings deposits[2]	71,215	81,786	78,387	78,182	77,995	77,948	80,115	78,660	78,016	78,701[r]	78,547
27 Personal	68,638	78,695	75,153	74,978	74,737	74,664	77,035	75,445	74,756	75,444[r]	75,314
28 Nonpersonal	2,577	3,091	3,234	3,204	3,258	3,284	3,079	3,215	3,260	3,257	3,234
Interest-bearing time deposits with balances of less than $100,000, by maturity											
29 7 to 91 days	4,146	3,867	2,928	2,886	2,839	2,778	2,793	2,737	2,735	2,671	2,678
30 92 to 182 days	21,686	17,345	13,525	13,261	13,131	12,926	12,946	13,094	13,165	13,177	12,945
31 183 days to 1 year	29,715	21,780	18,143	17,798	17,441	17,178	17,426	17,418	17,436	17,511	17,325
32 More than 1 year to 2½ years	25,379	18,442	16,200	16,161	16,124	15,995	16,546	16,281	16,338	16,180[r]	16,289
33 More than 2½ years	18,665	18,845	19,331	19,610	19,657	19,645	20,464	20,630	20,939	21,110[r]	21,308
34 IRA/Keogh Plan accounts	23,007	21,713	19,802	19,766	19,601	19,382	19,356	19,395	19,474	19,447	19,906

1. BIF, Bank Insurance Fund. Data in this table also appear in the Board's H.6 (508) Special Supplementary Table monthly statistical release. For ordering address, see inside front cover. Estimates are based on data collected by the Federal Reserve System from a stratified random sample of about 460 commercial banks and 80 savings banks on the last Wednesday of each period. Data are not seasonally adjusted and include IRA/Keogh deposits and foriegn currency denominated deposits. Data exclude retail repurchase agreements and deposits held in U.S. branches and agencies of foreign banks.
2. Includes personal and nonpersonal money market deposits.
3. BIF-insured savings banks include both mutual and federal savings banks.

1.23 BANK DEBITS AND DEPOSIT TURNOVER[1]

Debits are in billions of dollars; turnover is ratio of debits to deposits; monthly data are at annual rates

Bank group, or type of customer	1991[2]	1992[2]	1993[2]	1993 Sept.	1993 Oct.	1993 Nov.	1993 Dec.	1994 Jan.[r]	1994 Feb.
DEBITS	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	277,741.7	313,251.6	334,793.7	353,605.3	329,586.5	358,503.0	367,734.8	349,711.9	371,997.3
2 Major New York City banks	137,337.2	165,484.5	171,312.0	180,532.6	168,055.5	187,022.4	189,024.1	183,246.0	200,049.3
3 Other banks	140,404.5	147,767.2	163,481.7	173,072.7	161,530.9	171,480.6	178,710.7	166,465.8	171,948.0
4 Other checkable deposits[4]	3,643.1	3,781.5	3,486.8	3,461.0	3,348.0	3,598.6	3,809.5	3,453.3	3,816.8
5 Savings deposits (including MMDAs)[5]	3,206.4	3,310.6	3,507.3	3,619.2	3,403.1	3,740.5	3,933.6	3,596.6	4,058.2
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	803.7	826.0	786.5	808.5	741.7	803.0	826.9	771.7	823.6
7 Major New York City banks	4,267.1	4,794.5	4,200.6	4,178.0	3,937.7	4,352.2	4,550.0	4,268.3	4,674.4
8 Other banks	448.1	428.9	424.8	439.1	402.1	425.0	443.3	405.8	420.5
9 Other checkable deposits[4]	16.2	14.4	11.9	11.6	11.1	12.0	12.6	11.4	12.7
10 Savings deposits (including MMDAs)[5]	5.2	4.7	4.6	4.7	4.4	4.8	5.1	4.6	5.2
DEBITS	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	277,752.4	313,416.8	334,775.6	347,783.4	336,009.2	344,140.1	380,187.5	349,807.5	345,709.2
12 Major New York City banks	137,307.2	165,595.0	171,283.5	179,869.7	172,675.6	180,990.2	194,541.0	181,971.7	187,904.4
13 Other banks	140,445.2	147,821.9	163,492.1	167,913.7	163,333.6	163,149.9	185,646.4	167,835.7	157,804.8
14 Other checkable deposits[4]	3,645.2	3,784.4	3,485.2	3,493.2	3,323.3	3,370.1	3,888.9	3,774.3	3,509.4
15 Savings deposits (including MMDAs)[5]	3,209.2	3,310.0	3,505.8	3,534.2	3,336.0	3,511.8	4,066.4	3,782.2	3,618.0
DEPOSIT TURNOVER									
Demand deposits[3]									
16 All insured banks	803.6	826.3	786.5	798.6	750.0	754.8	820.6	759.8	783.4
17 Major New York City banks	4,269.0	4,803.5	4,197.9	4,196.6	4,059.2	4,129.6	4,387.8	4,047.8	4,319.0
18 Other banks	448.1	429.0	424.9	427.7	402.8	395.9	443.1	404.0	396.7
19 Other checkable deposits[4]	16.2	14.4	11.9	11.8	11.2	11.2	12.7	12.2	11.7
20 Savings deposits (including MMDAs)[5]	5.2	4.7	4.6	4.6	4.3	4.5	5.2	4.8	4.6

1. Historical tables containing revised data for earlier periods can be obtained from the Publications Section, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, DC 20551.
Data in this table also appear in the Board's G.6 (406) monthly statistical release. For ordering address, see inside front cover.
2. Annual averages of monthly figures.
3. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.
4. As of January 1994, other checkable deposits (OCDs) previously defined as automatic transfer to demand deposits (ATSs) and negotiable order of withdrawal (NOW) accounts, were expanded to include telephone and preauthorized transfer accounts. This change redefined OCDs for debits data to be consistent with OCDs for deposits data.
5. Money market deposit accounts.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1993	1993[r]			1994				1994[r]			
	Apr.[r]	Oct.	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.[r]	Apr.	Apr. 6	Apr. 13	Apr. 20	Apr. 27
ALL COMMERCIAL BANKING INSTITUTIONS	Seasonally adjusted											
Assets												
1 Bank credit	2,991.9	3,075.1	3,091.1	3,104.6	3,124.1	3,138.3	3,165.6	3,193.1	3,201.5	3,192.4	3,185.3	3,197.9
2 Securities in bank credit	878.8	900.0	903.1	910.9	924.8	930.1	950.0	967.6	971.7	969.8	965.0	966.0
3 U.S. government securities	697.2	717.1	720.3	726.7	732.3	732.3	747.7	758.9	764.4	763.9	756.4	754.4
4 Other securities	181.6	182.9	182.8	184.2	192.5	197.8	202.2	208.7	207.4	205.8	208.6	211.6
5 Loans and leases in bank credit[2]	2,113.1	2,175.1	2,188.0	2,193.8	2,199.2	2,208.1	2,215.7	2,225.5	2,229.8	2,222.6	2,220.3	2,231.9
6 Commercial and industrial	587.8	586.0	584.4	583.6	588.7	591.0	595.7	602.3	601.2	599.1	604.4	603.3
7 Real estate	902.8	927.0	933.8	940.9	942.1	940.9	940.8	943.0	943.0	943.3	942.5	942.9
8 Revolving home equity	75.1	73.8	73.5	73.2	73.0	73.1	73.1	73.2	73.1	73.2	73.2	73.2
9 Other	827.8	853.2	860.3	867.7	869.1	867.8	867.6	869.8	869.9	870.1	869.3	869.7
10 Consumer	367.0	384.6	388.2	390.9	393.8	397.1	401.3	407.3	405.6	406.3	407.4	408.6
11 Security[3]	63.6	81.6	87.9	87.3	80.9	82.2	83.3	76.9	82.8	78.3	69.5	80.9
12 Other	191.8	195.8	193.7	191.0	193.8	197.0	194.7	196.1	197.3	195.6	196.4	196.2
13 Interbank loans[4]	147.9	151.7	154.0	153.0	153.7	153.5	145.9	146.0	139.3	147.9	134.4	161.0
14 Cash assets[5]	209.9	220.4	218.8	219.2	219.6	225.4	216.9	210.3	217.7	209.4	211.5	205.0
15 Other assets[6]	219.2	219.0	217.5	214.6	220.7	223.5	223.5	230.0	229.1	228.4	233.6	227.7
16 **Total assets**[7]	**3,508.0**	**3,606.8**	**3,622.6**	**3,633.1**	**3,660.4**	**3,683.3**	**3,694.6**	**3,722.1**	**3,730.3**	**3,720.7**	**3,707.4**	**3,734.2**
Liabilities												
17 Deposits	2,494.4	2,524.2	2,533.2	2,537.9	2,537.2	2,530.9	2,515.9	2,505.5	2,509.2	2,506.4	2,496.9	2,509.3
18 Transaction	753.8	810.3	816.5	819.1	815.9	818.1	814.4	801.5	810.5	802.7	792.5	802.8
19 Nontransaction	1,740.7	1,713.9	1,716.7	1,718.8	1,721.2	1,712.8	1,701.5	1,704.1	1,698.7	1,703.7	1,704.4	1,706.6
20 Large time	364.3	346.2	347.4	349.8	348.2	339.9	331.7	334.3	327.8	332.2	337.4	337.0
21 Other	1,376.4	1,367.7	1,369.3	1,368.9	1,373.0	1,372.8	1,369.8	1,369.8	1,371.0	1,371.5	1,366.9	1,369.5
22 Borrowings	496.1	516.9	515.7	522.4	544.2	542.1	552.8	577.1	568.6	585.3	577.7	581.1
23 From banks in the U.S.	147.3	152.6	153.3	152.5	150.1	149.5	141.5	144.7	140.5	148.8	132.0	156.9
24 From nonbanks in the U.S.	348.8	364.4	362.5	370.0	394.0	392.6	411.3	432.5	428.2	436.5	445.7	424.2
25 Net due to related foreign offices	88.3	124.1	121.9	119.6	116.3	136.3	157.8	172.6	182.6	170.5	177.1	164.1
26 Other liabilities[8]	149.8	144.7	144.1	143.1	155.1	162.0	159.0	165.7	167.3	165.2	165.2	164.2
27 **Total liabilities**	**3,228.7**	**3,309.9**	**3,314.9**	**3,323.0**	**3,352.7**	**3,371.2**	**3,385.6**	**3,421.0**	**3,427.7**	**3,427.4**	**3,416.9**	**3,418.7**
28 Residual (assets less liabilities)[9]	279.2	297.0	307.6	310.2	307.7	312.1	309.1	301.1	302.5	293.3	290.5	315.5
	Not seasonally adjusted											
Assets												
29 Bank credit	2,990.7	3,077.7	3,101.9	3,120.2	3,125.1	3,136.9	3,164.4	3,191.5	3,197.7	3,191.6	3,191.2	3,187.9
30 Securities in bank credit	880.6	902.2	908.5	910.4	920.8	930.1	953.3	968.5	977.2	971.2	966.9	961.8
31 U.S. government securities	699.2	718.8	724.4	726.2	728.3	731.1	751.4	761.0	769.6	765.8	759.8	753.2
32 Other securities	181.3	183.4	184.1	184.2	192.4	199.0	201.9	207.5	207.6	205.3	207.1	208.6
33 Loans and leases in bank credit[2]	2,110.1	2,175.6	2,193.4	2,209.9	2,204.3	2,206.8	2,211.1	2,223.0	2,220.6	2,220.5	2,224.3	2,226.1
34 Commercial and industrial	590.7	584.0	585.2	585.6	587.9	590.2	598.6	605.2	604.0	600.6	608.4	606.0
35 Real estate	900.3	929.5	936.3	944.1	940.6	937.4	937.0	941.0	940.2	942.8	940.5	939.8
36 Revolving home equity	74.5	74.5	74.0	73.5	73.1	72.9	72.5	72.7	72.3	72.4	72.8	73.0
37 Other	825.7	855.0	862.3	870.6	867.5	864.5	864.5	868.4	867.8	870.4	867.7	866.8
38 Consumer	364.1	384.5	388.4	395.2	398.2	398.4	398.5	404.1	400.9	402.2	404.4	406.8
39 Security[3]	66.0	80.4	87.8	89.3	83.2	86.8	85.5	79.6	79.7	82.8	76.6	82.4
40 Other	189.0	197.2	195.7	195.7	194.5	194.0	191.6	193.0	195.8	192.1	194.4	191.2
41 Interbank loans[4]	149.3	150.7	155.6	161.3	157.9	154.3	145.7	147.4	149.0	150.5	138.4	151.6
42 Cash assets[5]	207.2	219.7	226.3	232.5	224.6	219.9	211.6	207.7	212.8	209.3	210.4	197.7
43 Other assets[6]	215.7	221.4	220.3	218.6	223.1	223.0	222.0	226.4	225.8	225.0	227.7	224.4
44 **Total assets**[7]	3,502.2	3,610.6	3,645.0	3,673.9	3,673.2	3,676.4	3,686.0	3,715.8	3,728.1	3,719.2	3,710.4	3,704.5
Liabilities												
45 Deposits	2,501.0	2,516.1	2,544.0	2,566.7	2,540.5	2,520.6	2,507.6	2,512.2	2,533.0	2,529.5	2,504.2	2,483.7
46 Transaction	761.8	804.4	828.1	853.6	825.5	809.0	802.8	809.8	826.8	823.3	805.4	786.4
47 Nontransaction	1,739.3	1,711.8	1,715.9	1,713.1	1,714.9	1,711.6	1,704.7	1,702.4	1,706.2	1,706.2	1,698.8	1,697.3
48 Large time	365.7	342.4	344.3	346.0	344.7	340.3	334.3	335.5	329.5	332.5	338.4	338.1
49 Other	1,373.6	1,369.4	1,371.6	1,367.1	1,370.3	1,371.3	1,370.4	1,367.0	1,376.7	1,373.7	1,360.4	1,359.2
50 Borrowings	490.0	525.2	526.6	532.4	546.0	546.4	546.9	561.9	550.7	550.2	569.8	573.7
51 From banks in the U.S.	149.3	149.8	154.2	159.6	155.8	152.0	143.0	146.2	146.1	147.6	138.4	151.6
52 From nonbanks in the U.S.	340.7	375.5	372.4	372.8	390.2	394.4	403.9	415.7	404.6	402.6	431.4	422.1
53 Net due to related foreign offices	86.1	124.6	124.7	126.7	124.4	139.3	162.5	171.6	170.2	167.4	170.6	178.6
54 Other liabilities[8]	145.0	147.4	150.0	146.6	157.3	162.1	158.8	160.1	162.7	159.6	157.7	159.2
55 **Total liabilities**	**3,222.1**	**3,313.4**	**3,345.4**	**3,372.4**	**3,368.2**	**3,368.4**	**3,375.7**	**3,405.7**	**3,416.6**	**3,406.7**	**3,402.3**	**3,395.1**
56 Residual (assets less liabilities)[9]	280.1	297.2	299.6	301.5	305.0	308.0	310.3	310.0	311.6	312.5	308.1	309.4

Footnotes appear on last page.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]—Continued

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1993	1993[r]			1994				1994[r]			
	Apr.[r]	Oct.	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.[r]	Apr.	Apr. 6	Apr. 13	Apr. 20	Apr. 27
DOMESTICALLY CHARTERED COMMERCIAL BANKS	Seasonally adjusted											
Assets												
57 Bank credit	2,665.1	2,738.5	2,756.1	2,771.9	2,792.7	2,801.0	2,825.8	2,841.3	2,848.3	2,841.3	2,835.0	2,842.8
58 Securities in bank credit	807.1	822.5	826.1	833.6	846.3	850.1	869.2	877.4	884.1	879.2	874.5	873.9
59 U.S. government securities	650.2	665.0	668.2	673.3	678.4	676.8	691.2	695.5	700.7	698.7	693.2	691.6
60 Other securities	156.9	157.6	158.0	160.3	167.9	173.3	177.9	181.9	183.4	180.6	181.3	182.4
61 Loans and leases in bank credit[2]	1,858.0	1,916.0	1,930.0	1,938.3	1,946.4	1,950.9	1,956.6	1,963.9	1,964.2	1,962.1	1,960.5	1,968.9
62 Commercial and industrial	436.6	433.8	434.2	435.6	440.4	442.5	444.3	448.2	447.1	446.8	449.4	448.5
63 Real estate	852.9	879.7	886.8	894.7	897.3	896.4	896.9	900.4	899.9	901.0	900.2	900.3
64 Revolving home equity	75.0	73.8	73.5	73.2	73.0	73.1	73.1	73.2	73.1	73.2	73.2	73.2
65 Other	777.9	805.9	813.3	821.5	824.3	823.3	823.7	827.3	826.8	827.8	827.0	827.1
66 Consumer	367.0	384.6	388.2	390.9	393.8	397.1	401.3	407.3	405.6	406.3	407.4	408.6
67 Security[3]	44.7	56.6	60.0	57.9	54.4	54.5	55.5	49.5	52.3	50.7	44.5	52.5
68 Other	156.7	161.2	160.8	159.2	160.6	160.4	158.7	158.4	159.3	157.3	158.9	158.9
69 Interbank loans[4]	129.8	129.9	132.9	133.6	135.3	130.4	125.9	124.3	118.8	124.9	116.0	136.8
70 Cash assets[5]	183.0	193.7	193.2	193.8	194.5	200.9	191.5	184.2	192.4	183.5	185.5	177.6
71 Other assets[6]	173.1	173.2	172.4	171.6	175.4	175.8	177.0	182.8	180.7	181.9	185.1	183.1
72 **Total assets[7]**	**3,090.3**	**3,176.0**	**3,195.9**	**3,212.5**	**3,240.3**	**3,251.0**	**3,263.0**	**3,275.3**	**3,282.8**	**3,274.4**	**3,264.3**	**3,283.1**
Liabilities												
73 Deposits	2,339.8	2,371.6	2,378.9	2,379.4	2,381.6	2,381.4	2,375.2	2,362.1	2,368.8	2,364.2	2,351.4	2,365.0
74 Transaction	743.0	798.0	804.9	808.2	805.0	806.7	802.9	790.7	798.7	792.6	781.6	792.1
75 Nontransaction	1,596.8	1,573.7	1,574.0	1,571.2	1,576.6	1,574.7	1,572.3	1,571.4	1,570.1	1,571.7	1,569.8	1,573.0
76 Large time	223.9	211.8	210.8	208.9	210.4	208.6	207.2	207.5	204.9	206.3	208.5	209.0
77 Other	1,373.0	1,361.8	1,363.2	1,362.3	1,366.3	1,366.1	1,365.0	1,364.0	1,365.3	1,365.4	1,361.3	1,363.9
78 Borrowings	378.3	411.9	410.3	417.2	437.4	440.2	455.2	475.1	470.8	481.8	474.6	475.9
79 From banks in the U.S.	107.7	120.5	121.5	121.9	119.2	120.7	115.8	116.1	114.0	122.8	103.9	123.7
80 From nonbanks in the U.S.	270.6	291.4	288.9	295.3	318.2	319.6	339.4	359.0	356.7	359.0	370.7	352.2
81 Net due to related foreign offices	9.2	-6.2	-2.7	1.7	3.4	3.2	14.0	21.1	20.1	20.3	26.5	18.5
82 Other liabilities[8]	106.3	105.6	104.9	104.7	113.1	119.0	117.9	123.4	125.9	122.8	122.9	121.9
83 **Total liabilities**	**2,815.2**	**2,882.9**	**2,891.4**	**2,903.0**	**2,935.5**	**2,943.9**	**2,962.2**	**2,981.7**	**2,985.6**	**2,989.2**	**2,975.4**	**2,981.4**
84 Residual (assets less liabilities)[9]	275.1	293.1	304.5	309.6	304.7	307.1	300.8	293.6	297.3	285.2	288.8	301.7
	Not seasonally adjusted											
Assets												
85 Bank credit	2,665.3	2,743.5	2,764.9	2,778.6	2,785.8	2,797.2	2,820.7	2,841.9	2,848.0	2,843.5	2,840.2	2,836.2
86 Securities in bank credit	809.6	825.3	830.2	830.9	840.0	849.4	869.9	879.6	889.3	882.5	878.0	872.1
87 U.S. government securities	653.3	666.7	670.8	670.6	672.3	675.6	692.8	699.1	706.5	702.8	698.3	692.2
88 Other securities	156.2	158.6	159.4	160.3	167.7	173.7	177.0	180.6	182.8	179.7	179.7	179.8
89 Loans and leases in bank credit[2]	1,855.8	1,918.2	1,934.6	1,947.7	1,945.8	1,947.8	1,950.9	1,962.3	1,958.7	1,961.0	1,962.1	1,964.2
90 Commercial and industrial	439.2	433.3	435.0	435.6	437.9	441.7	446.2	450.9	449.4	448.0	452.8	451.3
91 Real estate	850.4	882.0	889.1	898.0	895.9	892.8	893.1	898.6	897.1	900.6	898.1	897.5
92 Revolving home equity	74.5	74.5	74.0	73.5	73.1	72.9	72.5	72.7	72.3	72.4	72.8	73.0
93 Other	775.9	807.5	815.2	824.6	822.8	819.9	820.5	825.9	824.8	828.1	825.3	824.5
94 Consumer	364.1	384.5	388.4	395.2	398.2	398.4	398.5	404.1	400.9	402.2	404.4	406.8
95 Security[3]	47.0	55.8	59.8	57.2	53.9	56.6	56.7	52.1	52.3	54.9	49.2	53.4
96 Other	155.0	162.6	162.3	161.7	159.9	158.3	156.5	156.6	159.0	155.4	157.7	155.1
97 Interbank loans[4]	131.8	128.4	134.6	138.9	138.4	132.6	126.5	126.3	129.1	128.9	120.6	127.2
98 Cash assets[5]	181.2	191.9	200.6	206.8	199.7	196.0	186.6	182.4	188.4	184.4	185.0	171.7
99 Other assets[6]	170.6	175.6	173.7	173.7	176.5	175.0	176.1	180.1	179.0	179.4	180.3	180.3
100 **Total assets[7]**	3,088.3	3,180.5	3,214.7	3,239.3	3,243.0	3,243.2	3,252.4	3,273.6	3,287.3	3,279.1	3,268.9	3,258.4
Liabilities												
101 Deposits	2,344.9	2,369.3	2,394.0	2,411.4	2,386.6	2,370.2	2,363.7	2,367.6	2,391.8	2,387.0	2,358.1	2,337.0
102 Transaction	751.2	791.8	816.5	842.5	814.3	797.6	791.8	799.2	815.7	813.0	795.1	775.4
103 Nontransaction	1,593.7	1,577.4	1,577.5	1,569.0	1,572.2	1,572.7	1,571.9	1,568.4	1,576.0	1,574.0	1,563.0	1,561.6
104 Large time	223.1	212.9	211.3	207.5	208.8	208.7	206.6	206.8	204.6	205.8	207.5	207.9
105 Other	1,370.6	1,364.5	1,366.2	1,361.4	1,363.4	1,364.0	1,365.3	1,361.6	1,371.4	1,368.2	1,355.5	1,353.7
106 Borrowings	373.7	417.5	420.1	425.8	439.1	446.1	449.9	461.4	451.5	448.3	467.4	473.5
107 From banks in the U.S.	110.5	117.7	121.3	126.7	123.9	123.9	117.2	118.5	118.3	121.9	110.7	122.2
108 From nonbanks in the U.S.	263.2	299.8	298.8	299.1	315.2	322.2	332.7	342.9	333.2	326.4	356.7	351.4
109 Net due to related foreign offices	-9.9	6.6	-3.3	-1.8	3.0	5.4	16.0	20.6	15.9	18.7	22.5	24.8
110 Other liabilities[8]	102.5	108.6	109.6	107.3	114.4	118.5	117.9	118.8	550.7	550.2	569.8	573.7
111 **Total liabilities**	**2,811.2**	**2,888.7**	**2,920.5**	**2,942.8**	**2,943.1**	**2,940.3**	**2,947.5**	**2,968.4**	**2,981.7**	**2,972.6**	**2,964.7**	**2,952.9**
112 Residual (assets less liabilities)[9]	277.1	291.8	294.2	296.5	299.9	302.9	304.8	305.2	305.6	306.5	304.1	305.5

Footnotes appear on following page.

NOTES TO TABLE 1.26

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic); other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks; New York State investment companies, and Edge Act and agreement corporations (foreign-related institutions). Excludes international banking facilities. Data are Wednesday values, or pro rata averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign-related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.

2. Excludes federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

3. Consists of reserve repurchase agreements with broker–dealers and loans to purchase and carry securities.

4. Consists of federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

5. Includes vault cash, cash items in process of collection, demand balances due from depository institutions in the United States, balances due from Federal Reserve Banks, and other cash assets.

6. Excludes the due-from position with related foreign offices, which is included in lines 25, 53, 81, and 109.

7. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.

8. Excludes the due-to position with related foreign offices, which is included in lines 25, 53, 81, and 109.

9. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS

Millions of dollars, Wednesday figures

Account	1994								
	Mar. 2	Mar. 9	Mar. 16	Mar. 23	Mar. 30	Apr. 6	Apr. 13	Apr. 20	Apr. 27
ASSETS									
1 Cash and balances due from depository institutions	124,236[r]	107,898[r]	115,500[r]	109,986[r]	112,186[r]	113,279	108,545	110,876	101,279
2 U.S. Treasury and government securities	314,056	316,955	317,115	316,554	318,573	325,948	322,845	319,316	313,008
3 Trading account	26,601	29,208	29,948	26,217	24,755	29,031	27,778	27,129	24,357
4 Investment account	287,455	287,747	287,167	290,337	293,818	296,917	295,067	292,186	288,650
5 Mortgage-backed securities[1]	90,970	90,722	90,259	91,528	91,372	92,804	92,051	90,318	87,385
All others, by maturity									
6 One year or less	49,925	49,525	49,234	49,605	50,975	48,993	48,288	49,409	50,401
7 One year through five years	76,778	77,161	78,156	79,733	80,349	83,142	82,957	80,758	79,559
8 More than five years	69,783	70,339	69,517	69,471	71,122	71,978	71,771	71,701	71,305
9 Other securities	88,460	88,794	89,039	84,715	87,892[r]	94,213	90,677	90,765	90,449
10 Trading account	1,841	1,764	1,640	1,838	1,940	1,970	1,638	1,773	1,784
11 Investment account	57,469	57,572	57,562	57,423	57,847	58,000	58,311	58,075	57,771
12 State and political subdivisions, by maturity	21,518	21,679	21,650	21,624	21,748	21,701	21,796	21,819	21,842
13 One year or less	4,220	4,247	4,266	4,229	4,231	4,172	4,407	4,387	4,412
14 More than one year	17,298	17,432	17,384	17,395	17,517	17,529	17,389	17,432	17,430
15 Other bonds, corporate stocks, and securities	35,952	35,893	35,912	35,799	36,099	36,299	36,515	36,256	35,929
16 Other trading account assets	29,150	29,457	29,837	25,454	28,105[r]	34,243	30,728	30,917	30,893
17 Federal funds sold[2]	97,923	91,513	93,922	89,669	92,762	91,996	96,296	91,330	100,447
18 To commercial banks in the United States	58,892	52,556	58,354	56,008	61,388[r]	56,739	59,596	59,165	65,794
19 To nonbank brokers and dealers	32,412	32,511	30,232	27,890	25,950[r]	29,412	31,140	26,209	29,398
20 To others[3]	6,618	6,447	5,335	5,770	5,423	5,845	5,560	5,956	5,256
21 Other loans and leases, gross	1,042,418[r]	1,037,224[r]	1,041,200[r]	1,040,806[r]	1,041,609[r]	1,043,921	1,043,222	1,048,448	1,047,488
22 Commercial and industrial	284,104	283,194	286,627	285,974	287,670[r]	288,806	286,890	290,830	290,281
23 Bankers acceptances and commercial paper	3,122	3,174	2,951	2,608	2,663	2,688	2,858	2,972	2,882
24 All other	280,981	280,020	283,676	283,366	285,007[r]	286,118	284,032	287,858	287,399
25 U.S. addressees	278,969	278,007	281,696	281,318	282,991[r]	284,191	282,120	285,920	285,604
26 Non-U.S. addressees	2,013	2,013	1,980	2,049	2,016	1,927	1,912	1,938	1,795
27 Real estate loans	417,914[r]	419,213[r]	418,806[r]	417,310[r]	419,208[r]	422,239	424,571	421,970	421,099
28 Revolving, home equity	43,569	43,521	43,436	43,559	43,482	43,433	43,546	43,759	43,850
29 All other	374,346[r]	375,692[r]	375,370[r]	373,751[r]	375,726[r]	378,806	381,025	378,211	377,249
30 To individuals for personal expenditures	208,802[r]	208,193[r]	208,669[r]	209,730	209,579[r]	209,440	210,225	211,357	212,447
31 To financial institutions	37,539	37,223	36,436	36,065	35,517	37,167	35,775	35,871	35,948
32 Commercial banks in the United States	15,590	15,685	15,759	15,522	14,898	15,107	14,930	15,424	16,078
33 Banks in foreign countries	3,064	3,040	2,406	2,769	2,519	3,011	2,580	2,443	2,233
34 Nonbank financial institutions	18,885	18,499	18,271	17,775	18,099	19,049	18,266	18,004	17,638
35 For purchasing and carrying securities	21,946	20,872	21,064	22,988	19,836	16,491	17,565	17,216	18,286
36 To finance agricultural production	5,846	5,854	5,837	5,880	5,945	6,017	6,019	6,106	6,097
37 To states and political subdivisions	12,128	12,076	12,087	12,027	11,972	11,904	11,914	11,921	11,882
38 To foreign governments and official institutions	1,039	1,075	1,028	1,069	1,064	1,034	986	1,075	1,011
39 All other loans[4]	26,393	22,999	24,052	23,095	24,073	24,068	22,485	25,201	23,525
40 Lease-financing receivables	26,707	26,526	26,595	26,667	26,746	26,756	26,792	26,901	26,910
41 LESS: Unearned income	1,834	1,624	1,613	1,610	1,605	1,590	1,588	1,594	1,586
42 Loan and lease reserve[5]	35,327	35,424	35,417	35,374	34,971	34,826	34,797	34,704	34,585
43 Other loans and leases, net	1,005,258[r]	1,000,177[r]	1,004,170[r]	1,003,821[r]	1,005,033[r]	1,007,505	1,006,836	1,012,151	1,011,317
44 Other assets	164,780[r]	163,352[r]	165,279[r]	163,684[r]	162,158[r]	165,590	164,918	164,417	162,953
45 **Total assets**	**1,794,713[r]**	**1,768,688[r]**	**1,785,025[r]**	**1,768,429[r]**	**1,778,604[r]**	**1,798,529**	**1,790,116**	**1,788,854**	**1,779,452**

Footnotes appear on the following page.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS—Continued

Millions of dollars, Wednesday figures

Account	1994								
	Mar. 2	Mar. 9	Mar. 16	Mar. 23	Mar. 30	Apr. 6	Apr. 13	Apr. 20	Apr. 27
LIABILITIES									
46 Deposits	1,153,459	1,136,360r	1,144,993	1,123,396	1,129,390	1,149,060	1,147,134	1,131,055	1,119,976
47 Demand deposits	308,249	289,264	300,543	284,299	293,288	300,862	300,322	292,226	286,899
48 Individuals, partnerships, and corporations	253,666	242,266	249,377	233,647r	243,567	250,299	252,570	243,520	236,501
49 Other holders	54,583	46,998	51,166	50,651	49,721	50,563	47,752	48,706	50,398
50 States and political subdivisions	9,095	8,236	8,868	8,853	8,734	8,468	8,763	10,032	10,148
51 U.S. government	2,830	2,162	3,733	1,585	2,073	2,169	2,255	3,420	3,061
52 Depository institutions in the United States	24,539	20,872	22,301	19,642	20,789	22,213	21,010	20,288	20,235
53 Banks in foreign countries	5,159	5,084	4,985	5,027	5,444	6,566	5,030	5,195	5,304
54 Foreign governments and official institutions	679	778	894	1,018	593	648	737	589	1,030
55 Certified and officers' checks	12,281	9,867	10,385	14,526	12,088	10,499	9,957	9,182	10,619
56 Transaction balances other than demand deposits[4]	125,826	125,415	124,701	123,384	123,769	129,064	128,424	127,229	122,056
57 Nontransaction balances	719,383r	721,681	719,749	715,713	712,332	719,134	718,388	711,600	711,020
58 Individuals, partnerships, and corporations	696,453r	698,852r	697,178r	693,662r	690,993r	698,781	698,080	689,177	688,411
59 Other holders	22,931r	22,829r	22,571r	22,051r	21,339	20,353	20,308	22,423	22,609
60 States and political subdivisions	18,729	18,600	18,368	17,962	17,818	17,915	17,788	17,676	17,755
61 U.S. government	2,122r	2,105r	1,996r	1,887r	1,513	622	610	2,832	2,800
62 Depository institutions in the United States	1,787	1,831	1,910	1,898	1,707	1,514	1,611	1,614	1,757
63 Foreign governments, official institutions, and banks	292	293	298	304	301	301	300	301	299
64 Liabilities for borrowed money[5]	339,511r	326,201r	337,276r	345,261r	345,776r	340,208	337,390	351,964	351,752
65 Borrowings from Federal Reserve Banks	0	0	0	0	0	0	150	0	0
66 Treasury tax and loan notes	25,981	6,036	15,315	18,585	14,291	6,466	9,166	31,776	33,420
67 Other liabilities for borrowed money[6]	98,722r	113,778r	108,567r	108,229r	112,716r	118,482	114,595	97,485	95,763
68 Other liabilities (including subordinated notes and debentures)	137,715r	141,269r	138,363r	135,083r	139,480r	144,361	140,534	141,006	142,801
69 **Total liabilities**	**1,630,686r**	**1,603,830r**	**1,620,632r**	**1,603,740r**	**1,614,646r**	**1,633,628**	**1,625,059**	**1,624,025**	**1,614,529**
70 Residual (total assets less total liabilities)[7]	164,027	164,859	164,393	164,689	163,958	164,901	165,058	164,829	164,924
MEMO									
71 Total loans and leases, gross, adjusted, plus securities[8]	1,468,375r	1,466,245r	1,467,162r	1,460,213r	1,464,549r	1,484,231	1,478,514	1,475,269	1,469,519
72 Time deposits in amounts of $100,000 or more	97,341r	97,118	95,233	94,084	91,561	92,382	93,488	95,373	95,477
73 Loans sold outright to affiliates[9]	752	751	750	735	697	694	694	693	695
74 Commercial and industrial	373	373	373	368	334	329	329	329	329
75 Other	378	378	377	367	363	365	365	364	366
76 Foreign branch credit extended to U.S. residents[10]	20,435	20,277	21,869	22,110	21,882	21,774	21,958	22,026	22,107
77 Net owed to related institutions abroad	7,031	11,076	6,453	12,682	16,171r	10,625	13,663	17,644	19,806

1. Includes certificates of participation, issued or guaranteed by agencies of the U.S. government, in pools of residential mortgages.
2. Includes securities purchased under agreements to resell.
3. Includes allocated transfer risk reserve.
4. Includes negotiable order of withdrawal accounts (NOWs), automatic transfer service (ATS), and telephone and preauthorized transfers of savings deposits.
5. Includes borrowings only from other than directly related institutions.
6. Includes federal funds purchased and securities sold under agreements to repurchase.
7. This balancing item is not intended as a measure of equity capital for use in capital-adequacy analysis.
8. Excludes loans to and federal funds transactions with commercial banks in the United States.
9. Affiliates include 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.
10. Credit extended by foreign branches of domestically chartered weekly reporting banks to nonbank U.S. residents. Consists mainly of commercial and industrial loans, but includes an unknown amount of credit extended to other than nonfinancial businesses.

NOTE. Data that formerly appeared in table 1.28, Assets and Liabilities of Large Weekly Reporting Commercial Banks in New York City, can be obtained from the Board's H.4.2 (504) weekly statistical release. For ordering address, see inside front cover.

1.28 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS Assets and Liabilities[1]

Millions of dollars, Wednesday figures

Account	1994 Mar. 2	Mar. 9	Mar. 16	Mar. 23	Mar. 30	Apr. 6	Apr. 13	Apr. 20	Apr. 27
ASSETS									
1 Cash and balances due from depository institutions	15,896	16,815	17,045	17,042	16,412	15,670	16,016	16,309	16,790
2 U.S. Treasury and government agency securities	35,844	37,562	37,150	39,154	38,776	41,128	41,176	40,089	39,920
3 Other securities	8,676	8,608	8,625	8,388	8,670	8,567	8,887	9,478	9,956
4 Federal funds sold[1]	23,563	21,621	22,293	24,023	27,290	25,055	26,813	24,234	28,989
5 To commercial banks in the United States	6,677	3,929	4,433	5,853	7,438	5,344	6,509	4,374	8,204
6 To others[2]	16,885	17,692	17,861	18,170	19,852	19,711	20,304	19,860	20,785
7 Other loans and leases, gross	156,601	157,031	159,436	158,693	160,813	159,447	157,353	159,567	159,526
8 Commercial and industrial	94,189	94,894	97,476	97,456	98,505	98,704	97,613	99,407	99,039
9 Bankers acceptances and commercial paper	2,971	3,123	3,269	3,170	3,380	3,812	3,582	3,820	3,794
10 All other	91,218	91,771	94,207	94,286	95,125	94,892	94,031	95,586	95,245
11 U.S. addressees	87,898	88,333	90,755	90,725	91,451[r]	91,191	90,466	92,002	91,595
12 Non-U.S. addressees	3,321	3,438	3,452	3,561	3,674[r]	3,701	3,565	3,584	3,650
13 Loans secured by real estate	29,062	29,091	28,924	28,804	28,428	28,180	27,694	27,751	27,781
14 To financial institutions	21,298	21,320	21,779	21,564	23,251	23,931	23,608	23,341	23,649
15 Commercial banks in the United States	4,807	4,790	5,050	4,838	5,449	5,660	5,477	5,392	5,448
16 Banks in foreign countries	1,556	1,664	1,572	1,565	2,349	2,237	2,069	2,026	1,965
17 Nonbank financial institutions	14,935	14,865	15,157	15,161	15,453	16,034	16,063	15,922	16,237
18 For purchasing and carrying securities	7,605	7,341	6,914	6,407	6,121	4,233	3,819	4,577	4,446
19 To foreign governments and official institutions	612	601	579	599	545	666	815	656	629
20 All other	3,834	3,784	3,764	3,864	3,963	3,733	3,804	3,836	3,982
21 Other assets (claims on nonrelated parties)	33,648	32,771	30,557	32,338	31,934	32,413	31,569	33,541	31,044
22 **Total assets**[3]	**295,578**	**293,886**	**295,133**	**299,193**	**301,457**	**300,952**	**300,787**	**303,882**	**303,278**
LIABILITIES									
23 Deposits or credit balances owed to other than directly-related institutions	89,980	87,661	89,286	89,858	90,288	87,282	87,936	91,200	90,056
24 Demand deposits[4]	4,834	4,369	4,559	4,506	5,194	4,688	4,210	4,275	4,611
25 Individuals, partnerships, and corporations	3,820	3,563	3,627	3,604	3,891	3,728	3,498	3,550	3,497
26 Other	1,013	806	932	902	1,303	961	713	725	1,115
27 Nontransaction accounts	85,147	83,292	84,727	85,353	85,094	82,594	83,725	86,925	85,445
28 Individuals, partnerships, and corporations	59,179	57,873	58,867	59,025	58,123	55,941	56,861	58,999	58,004
29 Other	25,967	25,419	25,860	26,328	26,971	26,653	26,865	27,926	27,441
30 Borrowings from other than directly-related institutions	70,642	69,305	72,398	67,932	65,572	70,869	72,973	72,192	68,760
31 Federal funds purchased[5]	35,343	33,201	38,777	34,987	31,944	37,749	37,648	37,172	35,753
32 From commercial banks in the United States	9,689	6,581	10,800	7,344	7,015	9,435	8,093	8,161	8,068
33 From others	25,653	26,620	27,977	27,643	24,929	28,314	29,555	29,011	27,685
34 Other liabilities for borrowed money	35,299[r]	36,104[r]	33,620[r]	32,945[r]	33,628[r]	33,121	35,325	35,020	33,007
35 To commercial banks in the United States	5,115	5,590	6,109	6,231	5,948	6,029	5,969	5,718	6,225
36 To others	30,185	30,514	27,511	26,714	27,681	27,091	29,356	29,302	26,782
37 Other liabilities to nonrelated parties	30,320	29,289	26,595	28,172	28,801	27,876	28,479	29,303	29,268
38 **Total liabilities**[6]	**295,578**	**293,886**	**295,133**	**299,193**	**301,457**	**300,952**	**300,787**	**303,882**	**303,278**
MEMO									
39 Total loans (gross) and securities, adjusted[7]	213,199	216,102	218,020	219,567	222,662	223,194	222,243	223,602	224,739
40 Net owed to related institutions abroad	83,286	88,152	86,828	93,675	99,233	96,254	92,426	90,524	98,140

1. Includes securities purchased under agreements to resell.
2. Includes transactions with nonbank brokers and dealers in securities.
3. Includes net due from related institutions abroad for U.S. branches and agencies of foreign banks having a net "due from" position.
4. Includes other transaction deposits.
5. Includes securities sold under agreements to repurchase.
6. Includes net owed to related institutions abroad for U.S. branches and agencies of foreign banks having a net "due to" position.
7. Excludes loans to and federal funds transactions with commercial banks in the United States.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1993			1994		
	1989	1990	1991	1992	1993	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**525,831**	**562,656**	**528,832**	**545,619**	**555,075**	**547,425**	**547,982**	**555,075**	**559,443r**	**560,352**	
Financial companies[1]											
Dealer-placed paper[2]											
2 Total	183,622	214,706	212,999	226,456	218,947	218,822	216,887	218,947	219,350r	221,649	
3 Bank-related (not seasonally adjusted)[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Directly placed paper[4]											
4 Total	210,930	200,036	182,463	171,605	180,389	172,489	175,868	180,389	182,075	186,318	
5 Bank-related (not seasonally adjusted)[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
6 Nonfinancial companies[5]	131,279	147,914	133,370	147,558	155,739	156,114	155,227	155,739	158,018r	152,385	
	Bankers dollar acceptances (not seasonally adjusted)[6]										
7 **Total**	**62,972**	**54,771**	**43,770**	**38,194**	**32,348**	**33,069**	**31,997**	**32,348**	**31,792**	**30,994**	**31,061**
By holder											
8 Accepting banks	9,433	9,017	11,017	10,555	12,325	12,332	12,475	12,325	11,317	11,159	11,623
9 Own bills	8,510	7,930	9,347	9,097	10,611	10,886	10,853	10,611	9,860	10,149	10,653
10 Bills bought from other banks	924	1,087	1,670	1,458	1,714	1,446	1,622	1,714	1,457	1,010	969
Federal Reserve Banks[7]											
11 Foreign correspondents	1,066	918	1,739	1,276	725	582	650	725	869	753	693
12 Others	52,473	44,836	31,014	26,364	19,298	20,155	18,872	19,298	19,605	19,082	18,746
By basis											
13 Imports into United States	15,651	13,095	12,843	12,209	10,217	10,810	10,368	10,217	10,649	10,707	10,554
14 Exports from United States	13,683	12,703	10,351	8,096	7,293	7,101	7,054	7,293	7,123	6,872	6,708
15 All other	33,638	28,973	20,577	17,890	14,838	15,158	14,575	14,838	14,020	13,414	13,800

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
2. Includes all financial-company paper sold by dealers in the open market.
3. Series were discontinued in January 1989.
4. As reported by financial companies that place their paper directly with investors.
5. Includes public utilities and firms engaged primarily in such activities as *communications, construction, manufacturing, mining, wholesale and retail trade,* transportation, and services.
6. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January.
7. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1991—Jan. 1	10.00						
2	9.50	1991	8.46	1992—Jan.	6.50	1993—Jan.	6.00
Feb. 4	9.00	1992	6.25	Feb.	6.50	Feb.	6.00
May 1	8.50	1993	6.00	Mar.	6.50	Mar.	6.00
Sept. 13	8.00			Apr.	6.50	Apr.	6.00
Nov. 6	7.50	1991—Jan.	9.52	May	6.50	May	6.00
Dec. 23	6.50	Feb.	9.05	June	6.50	June	6.00
		Mar.	9.00	July	6.02	July	6.00
1992—July 2	6.00	Apr.	9.00	Aug.	6.00	Aug.	6.00
		May	8.50	Sept.	6.00	Sept.	6.00
1994—Mar. 24	6.25	June	8.50	Oct.	6.00	Oct.	6.00
Apr. 19	6.75	July	8.50	Nov.	6.00	Nov.	6.00
May 17	7.25	Aug.	8.50	Dec.	6.00	Dec.	6.00
		Sept.	8.20				
		Oct.	8.00			1994—Jan.	6.00
		Nov.	7.58			Feb.	6.00
		Dec.	7.21			Mar.	6.06
						Apr.	6.45
						May	6.99

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most recent Call Report. Data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Averages, percent per year; figures are averages of business day data unless otherwise noted

Item	1991	1992	1993	1994				1994, week ending				
				Jan.	Feb.	Mar.	Apr.	Apr. 1	Apr. 8	Apr. 15	Apr. 22	Apr. 29
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	5.69	3.52	3.02	3.05	3.25	3.34	3.56	3.49	3.69	3.37	3.59	3.59
2 Discount window borrowing[2,4]	5.45	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Commercial paper[3,5,6]												
3 1-month	5.89	3.71	3.17	3.14	3.39	3.63	3.81	3.68	3.77	3.71	3.88	3.89
4 3-month	5.87	3.75	3.22	3.19	3.49	3.85	4.05	3.88	3.99	3.96	4.11	4.15
5 6-month	5.85	3.80	3.30	3.30	3.62	4.08	4.40	4.13	4.28	4.27	4.49	4.56
Finance paper, directly placed[3,5,7]												
6 1-month	5.73	3.62	3.12	3.07	3.30	3.53	3.71	3.60	3.67	3.60	3.78	3.81
7 3-month	5.71	3.65	3.16	3.11	3.40	3.71	3.94	3.75	3.87	3.84	4.01	4.07
8 6-month	5.60	3.63	3.15	3.15	3.39	3.70	4.03	3.77	3.94	3.96	4.09	4.15
Bankers acceptances[3,5,8]												
9 3-month	5.70	3.62	3.13	3.10	3.40	3.73	3.96	3.75	3.88	3.84	4.04	4.06
10 6-month	5.67	3.67	3.21	3.21	3.56	3.96	4.27	4.02	4.18	4.17	4.37	4.39
Certificates of deposit, secondary market[3,9]												
11 1-month	5.82	3.64	3.11	3.08	3.31	3.56	3.75	3.64	3.71	3.66	3.79	3.84
12 3-month	5.83	3.68	3.17	3.15	3.43	3.77	4.01	3.84	3.93	3.90	4.08	4.12
13 6-month	5.91	3.76	3.28	3.29	3.62	4.03	4.38	4.15	4.29	4.29	4.46	4.50
14 Eurodollar deposits, 3-month[3,10]	5.86	3.70	3.18	3.15	3.43	3.75	4.00	3.80	3.90	3.89	4.09	4.14
U.S. Treasury bills												
Secondary market[3,5]												
15 3-month	5.38	3.43	3.00	2.98	3.25	3.50	3.68	3.50	3.60	3.57	3.73	3.85
16 6-month	5.44	3.54	3.12	3.15	3.43	3.78	4.09	3.81	3.97	3.98	4.18	4.26
17 1-year	5.52	3.71	3.29	3.39	3.69	4.11	4.57	4.21	4.49	4.46	4.64	4.72
Auction average[3,5,11]												
18 3-month	5.42	3.45	3.02	3.02	3.21	3.52	3.74	3.50	3.71	3.63	3.76	3.85
19 6-month	5.49	3.57	3.14	3.19	3.38	3.79	4.13	3.85	4.02	4.03	4.21	4.25
20 1-year	5.54	3.75	3.33	3.52	3.59	4.03	4.30	n.a.	4.30	n.a.	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	5.86	3.89	3.43	3.54	3.87	4.32	4.82	4.46	4.71	4.70	4.90	4.99
22 2-year	6.49	4.77	4.05	4.14	4.47	5.00	5.55	5.18	5.44	5.45	5.66	5.67
23 3-year	6.82	5.30	4.44	4.48	4.83	5.40	5.99	5.62	5.92	5.91	6.09	6.08
24 5-year	7.37	6.19	5.14	5.09	5.40	5.94	6.52	6.19	6.47	6.47	6.60	6.56
25 7-year	7.68	6.63	5.54	5.43	5.72	6.28	6.80	6.53	6.81	6.78	6.85	6.77
26 10-year	7.86	7.01	5.87	5.75	5.97	6.48	6.97	6.72	6.97	6.93	7.03	6.96
27 20-year	n.a.	n.a.	6.29	6.39	6.57	7.00	7.40	7.18	7.41	7.39	7.44	7.34
28 30-year	8.14	7.67	6.59	6.29	6.49	6.91	7.27	7.06	7.29	7.26	7.31	7.22
Composite												
29 More than 10 years (long-term)	8.16	7.52	6.45	6.24	6.44	6.90	7.32	7.10	7.34	7.31	7.36	7.27
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
30 Aaa	6.56	6.09	5.38	5.14	5.06	5.29	n.a.	5.39	5.39	n.a.	n.a.	n.a.
31 Baa	6.99	6.48	5.82	5.60	5.52	5.74	n.a.	5.83	5.83	n.a.	n.a.	n.a.
32 *Bond Buyer* series[14]	6.92	6.44	5.60	5.31	5.40	5.91	6.23	6.07	6.34	6.22	6.19	6.16
CORPORATE BONDS												
33 Seasoned issues, all industries[15]	9.23	8.55	7.54	7.25	7.39	7.78	8.17	7.95	8.21	8.16	8.21	8.11
Rating group												
34 Aaa	8.77	8.14	7.22	6.92	7.08	7.48	7.88	7.65	7.90	7.87	7.93	7.81
35 Aa	9.05	8.46	7.40	7.12	7.29	7.69	8.08	7.86	8.11	8.06	8.11	8.01
36 A	9.30	8.62	7.58	7.30	7.44	7.82	8.22	8.00	8.25	8.21	8.25	8.14
37 Baa	9.80	8.98	7.93	7.65	7.76	8.13	8.52	8.30	8.56	8.51	8.55	8.46
38 A-rated, recently offered utility bonds[16]	9.32	8.52	7.46	7.24	7.45	7.82	8.20	8.04	8.22	8.25	8.18	8.27
MEMO												
Dividend–price ratio[17]												
39 Preferred stocks	8.17	7.46	6.89	6.97	7.00	7.07	7.33	7.27	7.29	7.27	7.42	7.34
40 Common stocks	3.24	2.99	2.78	2.69	2.70	2.78	2.90	2.90	2.88	2.90	2.93	2.88

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year or bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.
7. An average of offering rates on paper directly placed by finance companies.
8. Representative closing yields for acceptances of the highest-rated money center banks.
9. An average of dealer offering rates on nationally traded certificates of deposit.
10. Bid rates for Eurodollar deposits at 11:00 a.m. London time. Data are for indication purposes only.
11. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Treasury.
13. General obligations based on Thursday figures; Moody's Investors Service.
14. General obligations only, with twenty years to maturity, issued by twenty state and local governmental units of mixed quality. Based on figures for Thursday.
15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
16. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
17. Standard & Poor's corporate series. Preferred stock ratio is based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratio is based on the 500 stocks in the price index.

NOTE. Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1991	1992	1993	1993 Aug.	1993 Sept.	1993 Oct.	1993 Nov.	1993 Dec.	1994 Jan.	1994 Feb.	1994 Mar.	1994 Apr.
	Prices and trading volume (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	206.35	229.00	249.71	251.93	254.86	257.53	255.93	257.73	262.11	261.97	257.32	247.97
2 Industrial	258.16	284.26	300.10	298.83	300.92	306.61	310.84	313.22	320.92	322.41	318.08	304.48
3 Transportation	173.97	201.02	242.68	250.82	247.74	254.04	262.96	268.11	278.29	276.67	265.68	250.43
4 Utility	92.64	99.48	114.55	118.72	122.32	120.49	115.08	114.97	112.67	116.22	107.72	105.04
5 Finance	150.84	179.29	216.55	224.96	229.35	228.18	214.08	216.00	218.71	217.12	211.02	208.12
6 Standard & Poor's Corporation (1941–43 = 10)[1]	376.20	415.75	451.63	454.13	459.24	463.90	462.89	465.95	472.99	471.58	463.81	447.23
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	360.32	391.28	438.77	444.75	454.91	472.73	472.41	465.95	481.14	476.25	465.72	437.01
Volume of trading (thousands of shares)												
8 New York Stock Exchange	179,411	202,558	263,374	247,324	261,770	280,503	277,886	259,457	313,223	307,269	311,096	301,242
9 American Stock Exchange	12,486	14,171	n.a.	19,352	18,889	21,279	18,436	17,461	19,211	19,630	19,481	15,805
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[3]	**36,660**	**43,990**	**60,310**	**52,760**	**53,700**	**56,690**	**59,760**	**60,310**	**61,250**	**62,020**	**61,960**	**60,700**
Free credit balances at brokers[4]												
11 Margin accounts[5]	8,290	8,970	12,360	9,480	10,030	10,270	10,940	12,360	12,125	12,890	13,185	13,175
12 Cash accounts	19,255	22,510	27,715	21,915	23,170	22,450	23,560	27,715	26,020	25,665	26,190	24,800

	Margin requirements (percent of market value and effective date)[6]					
	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.
3. Since July 1983, under the revised Regulation T, margin credit at broker–dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
4. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.
5. New series since June 1984.
6. These requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities other than options are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

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

Effective June 8, 1988, margins were set to be the price of the option plus 20 percent of the market value of the stock underlying the option (or 15 percent in the case of stock-index options).

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year			Calendar year					
				1993		1994			
	1991	1992	1993	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
U.S. budget[1]									
1 Receipts, total	1,054,272	1,090,453	1,153,226	83,107	125,408	122,966	72,874	93,108	141,326
2 On-budget	760,388	788,027	841,292	58,700	99,714	94,396	46,879	64,612	104,311
3 Off-budget	293,885	302,426	311,934	24,407	25,694	28,570	25,995	28,496	37,015
4 Outlays, total	1,323,793	1,380,856	1,407,910	121,488	133,660	107,718	114,440	125,423	123,872
5 On-budget	1,082,106	1,128,518	1,141,323	96,724	121,977	83,527	88,523	100,260	100,625
6 Off-budget	241,687	252,339	266,587	24,764	11,682	24,191	25,918	25,163	23,247
7 Surplus or deficit (−), total	−269,521	−290,403	−254,684	−38,381	−8,252	15,248	−41,566	−32,315	17,454
8 On-budget	−321,719	−340,490	−300,031	−38,024	−22,263	10,869	−41,644	−35,648	3,686
9 Off-budget	52,198	50,087	45,347	−357	14,012	4,379	77	3,333	13,768
Source of financing (total)									
10 Borrowing from the public	276,802	310,918	248,619	71,028	13,995	−6,933	31,633	26,511	−21,801
11 Operating cash (decrease, or increase (−))	−1,329	−17,305	6,283	−13,450	−17,413	−8,089	19,666	−6,461	−4,124
12 Other[2]	−5,952	−3,210	−218	−19,197	11,670	−226	−9,733	12,265	8,471
MEMO									
13 Treasury operating balance (level, end of period)	41,484	58,789	52,506	32,310	49,723	57,812	38,146	44,607	48,731
14 Federal Reserve Banks	7,928	24,586	17,289	6,334	14,809	21,541	4,886	6,181	7,965
15 Tax and loan accounts	33,556	34,203	35,217	25,977	34,914	36,271	33,259	38,426	40,766

1. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, all former off-budget entries are now presented on-budget. Federal Financing Bank (FFB) activities are now shown as separate accounts under the agencies that use the FFB to finance their programs. The act has also moved two social security trust funds, (federal old-age survivors insurance and federal disability insurance) off-budget. The Postal Service is included as an off-budget item in the *Monthly Treasury Statement* beginning in 1990.

2. Includes special drawing rights (SDRs); reserve position on the U.S. quota in the International Monetary Fund (IMF); loans to the IMF; other cash and monetary assets; accrued interest payable to the public; allocations of SDRs; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain or loss for U.S. currency valuation adjustment; net gain or loss for IMF loan-valuation adjustment; and profit on sale of gold.

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

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year		Calendar year						
	1992	1993[r]	1992		1993		1994		
			H1	H2	H1	H2	Feb.	Mar.	Apr.
RECEIPTS									
1 **All sources**	**1,090,453**	**1,153,226**	**560,318**	**540,484**	**593,212**	**582,054**	**72,874**	**93,108**	**141,326**
2 Individual income taxes, net	475,964	509,680	236,576	246,938	255,556	262,073	28,107	29,917	60,038
3 Withheld	408,352	430,331	198,868	215,584	209,649[r]	228,429	37,335	42,805	34,979
4 Presidential Election Campaign Fund	30	28	20	10	25	2	10	14	17
5 Nonwithheld	149,342	154,868	110,995	39,288	113,501[r]	41,765	1,151	4,434	47,201
6 Refunds	81,760	75,546	73,308	7,942	67,468	8,114	10,388	17,336	22,160
Corporation income taxes									
7 Gross receipts	117,951	131,548	61,682	58,022	69,044	68,266	2,888	17,234	21,994
8 Refunds	17,680	14,027	9,403	7,219	7,198	6,514	1,294	1,660	1,408
9 Social insurance taxes and contributions, net	413,689	428,300	224,569	192,599	227,177	206,174	35,989	36,957	50,323
10 Employment taxes and contributions[2]	385,491	396,939	208,110	180,758	208,776	192,749	32,957	35,976	47,348
11 Self-employment taxes and contributions[3]	24,421	20,604	20,434	3,988	16,270	4,335	1,577	1,630	13,754
12 Unemployment insurance	23,410	26,556	14,070	9,397	16,074	11,010	2,664	522	2,605
13 Other net receipts[4]	4,788	4,805	2,389	2,445	2,326	2,417	367	459	370
14 Excise taxes	45,569	48,057	22,389	23,456	23,398	25,994	3,249	5,285	4,050
15 Customs deposits	17,359	18,802	8,146	9,497	8,860	10,215	1,419	1,745	1,479
16 Estate and gift taxes	11,143	12,577	5,701	5,733	6,494	6,617	1,093	1,211	2,378
17 Miscellaneous receipts[5]	26,459	18,273	10,658	11,458	9,879	9,227	1,424	2,418	2,472
OUTLAYS									
18 **All types**	**1,380,856[r]**	**1,407,910**	**704,266**	**723,527**	**673,340**	**728,200[r]**	**114,440**	**125,423**	**123,872**
19 National defense	298,350	291,086	147,065	155,231	140,535	146,177	21,830[r]	24,476	24,501
20 International affairs	16,107	16,826	8,540	9,916	6,565	10,534	948	696	1,554
21 *General science, space, and technology*	16,409	17,030	7,951	8,521	7,996	8,904	1,269	1,685	1,238
22 Energy	4,500[r]	4,319	1,442	3,109	2,462	1,641	159	510	316
23 Natural resources and environment	20,025	20,239	8,594	11,467	8,592	11,077	1,449	1,631	1,463
24 Agriculture	15,205	20,443	7,526	8,852	11,872	7,335	1,817	1,439	1,641
25 Commerce and housing credit	10,083[r]	−22,725	15,615	−7,697	−15,112	−1,724	−4,608	1,260	−702
26 Transportation	33,333	35,004	15,651	18,425	16,082[r]	20,375	2,784	2,845	2,620
27 Community and regional development	6,838	9,051	3,903	4,464	4,929	5,606	445	1,276	938
28 Education, training, employment, and social services	45,248[r]	50,012	23,767	21,241	24,036[r]	25,515	2,666	2,285	3,694
29 Health	89,497	99,415	44,164	47,232	49,882	52,631	8,229	10,014	8,410
30 Social security and Medicare	406,569	435,137	205,500	232,109	195,933	223,735	37,224	40,350	37,872
31 Income security	196,958[r]	207,257	104,537	98,382	108,046[r]	103,163	22,466	20,549	20,957
32 Veterans benefits and services	34,138[r]	35,720	15,597	18,561	16,385	19,848	3,135	2,793	3,930
33 Administration of justice	14,426	14,955	7,435	7,238	7,482[r]	7,448	1,105	1,760	1,230
34 General government	12,990[r]	13,009	5,050	8,223	5,205	6,565	782	779	−148
35 Net interest[6]	199,421[r]	198,811	100,161	98,692	99,635	99,963	15,524	16,594	17,080
36 Undistributed offsetting receipts[7]	−39,280	−37,386	−18,229	−20,628	−17,035	−20,407	−2,815	−2,999	−2,721

1. Functional details do not sum to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for outlays does not correspond to calendar year data because revisions from the *Budget* have not been fully distributed across months.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Old-age, disability, and hospital insurance.
4. Federal employee retirement contributions and civil service retirement and disability fund.
5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
6. Includes interest received by trust funds.
7. Consists of rents and royalties for the outer continental shelf, U.S. government contributions for employee retirement, and certain asset sales.

SOURCES. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government,* and the U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1995.*

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1992				1993				1994
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
1 **Federal debt outstanding**	**3,897**	**4,001**	**4,083**	**4,196**	**4,250**	**4,373**	**4,436**	**4,562**	**4,576**
2 Public debt securities	3,881	3,985	4,065	4,177	4,231	4,352	4,412	4,536	
3 Held by public	2,918	2,977	3,048	3,129	3,188	3,252	3,295	3,382	
4 Held by agencies	964	1,008	1,016	1,048	1,043	1,100	1,117	1,154	
5 Agency securities	16	16	18	19	20	21	25	27	n.a.
6 Held by public	16	16	18	19	20	21	25	27	
7 Held by agencies	0	0	0	0	0	0	0	0	
8 **Debt subject to statutory limit**	**3,784**	**3,891**	**3,973**	**4,086**	**4,140**	**4,256**	**4,316**	**4,446**	**4,491**
9 Public debt securities	3,783	3,890	3,972	4,085	4,139	4,256	4,315	4,445	4,491
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,145	4,145	4,145	4,145	4,145	4,370	4,900	4,900	4,900

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

SOURCES. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin*.

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

Billions of dollars, end of period

Type and holder	1990	1991	1992	1993	1993			1994
					Q2	Q3	Q4	Q1
1 **Total gross public debt**	**3,364.8**	**3,801.7**	**4,177.0**	**4,535.7**	**4,352.0**	**4,411.5**	**4,535.7**	n.a.
By type								
2 Interest-bearing	3,362.0	3,798.9	4,173.9	4,532.3	4,349.0	4,408.6	4,532.3	4,572.6
3 Marketable	2,195.8	2,471.6	2,754.1	2,989.5	2,860.6	2,904.9	2,989.5	3,042.9
4 Bills	527.4	590.4	657.7	714.6	659.3	658.4	714.6	721.2
5 Notes	1,265.2	1,430.8	1,608.9	1,764.0	1,698.7	1,734.2	1,764.0	1,802.5
6 Bonds	388.2	435.5	472.5	495.9	487.6	497.4	495.9	504.2
7 Nonmarketable[1]	1,166.2	1,327.2	1,419.8	1,542.9	1,488.4	1,503.7	1,542.9	1,529.7
8 State and local government series	160.8	159.7	153.5	149.5	152.8	149.5	149.5	145.5
9 Foreign issues[2]	43.5	41.9	37.4	43.5	43.0	42.5	43.5	42.7
10 Government	43.5	41.9	37.4	43.5	43.0	42.5	43.5	42.7
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	124.1	135.9	155.0	169.4	164.4	167.0	169.4	172.6
13 Government account series[3]	813.8	959.2	1,043.5	1,150.0	1,097.8	1,114.3	1,150.0	1,138.4
14 Non-interest-bearing	2.8	2.8	3.1	3.4	2.9	2.9	3.4	3.3
By holder[4]								
15 U.S. Treasury and other federal agencies and trust funds	828.3	968.7	1,047.8	1,153.5	1,099.8	1,116.7	1,153.5	
16 Federal Reserve Banks	259.8	281.8	302.5	334.2	328.2	325.7	334.2	
17 Private investors	2,288.3	2,563.2	2,839.9	3,047.7	2,938.4	2,983.0	3,047.7	
18 Commercial banks	171.5	233.4	294.0	316.0	306.5[r]	313.3[r]	316.0	
19 Money market funds	45.4	80.0	79.4	80.5	76.2	75.2	80.5	
20 Insurance companies	142.0	168.7	197.5	216.0	210.2[r]	215.5[r]	216.0	
21 Other companies	108.9	150.8	192.5	213.0	206.1	215.6	213.0	
22 State and local treasuries	490.4	520.3	534.8	564.0	553.9	558.0	564.0	n.a.
Individuals								
23 Savings bonds	126.2	138.1	157.3	171.9	166.5	169.1	171.9	
24 Other securities	107.6	125.8	131.9	137.9	136.4	136.7	137.9	
25 Foreign and international[5]	458.4	491.8	549.7	623.3	568.2	592.3	623.3	
26 Other miscellaneous investors[6]	637.7	651.3	702.4	725.0	714.3[r]	707.2[r]	725.0	

1. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.
3. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Consists of investments of foreign balances and international accounts in the United States.
6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally sponsored agencies.

SOURCES. U.S. Treasury Department, data by type of security, *Monthly Statement of the Public Debt of the United States;* data by holder, *Treasury Bulletin.*

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Millions of dollars, daily averages

	Item	1994			1994, week ending								
		Jan.	Feb.	Mar.	Mar. 2	Mar. 9	Mar. 16	Mar. 23	Mar. 30	Apr. 6	Apr. 13	Apr. 20	Apr. 27
	IMMEDIATE TRANSACTIONS[2]												
	By type of security												
	U.S. Treasury securities												
1	Bills	51,660	53,692	54,077	53,580	53,776	50,653	46,672	63,400	64,117	46,593	55,007	38,570
	Coupon securities, by maturity												
2	Less than 3.5 years	52,525	68,772	60,771	63,646	57,132	58,004	66,157	58,870	69,629	46,897	56,159	53,447
3	3.5 to 7.5 years	41,483	48,599	45,280	50,142	42,912	43,675	48,436	43,769	47,199	35,305	43,142	37,946
4	7.5 to 15 years	26,382	34,565	31,297[r]	32,128	31,527	31,005	29,040	31,054	42,450	28,702	27,106	21,636
5	15 years or more	18,752	22,524	19,964	20,234	19,682	21,105	19,341	19,170	22,206	12,728	14,610	14,960
	Federal agency securities												
	Debt, by maturity												
6	Less than 3.5 years	11,346	11,177	12,927	12,548	12,109	12,609	13,288	13,740	13,503	13,398	13,663	10,952
7	3.5 to 7.5 years	724[r]	695	664	602	730	615	740	613	572	667	413	404
8	7.5 years or more	558	525	536	509	693	392	440	601	674	530	854	487
	Mortgage-backed												
9	Pass-throughs	25,587	23,264[r]	24,765	25,878	27,178	27,923	21,108	22,319	25,199	35,887	28,898	14,921
10	All others[3]	3,661[r]	3,807	3,411[r]	4,098	3,746	3,450	2,794	3,359	3,502	3,577	3,041	2,399
	By type of counterparty												
	Primary dealers and brokers												
11	U.S. Treasury securities	117,681	144,393	137,235	140,529	135,634	134,528	135,073	138,966	154,331	109,384	128,265	107,150
	Federal agency securities												
12	Debt	1,763	1,666	2,023	2,041	2,248	1,907	1,911	1,961	2,301	2,206	2,176	1,774
13	Mortgage-backed	12,886[r]	11,377[r]	12,317[r]	13,855	12,146	11,650	11,879	12,896	12,735	17,002	14,977	8,402
	Customers												
14	U.S. Treasury securities	73,120	83,759	74,155[r]	79,201	69,395	69,913	74,575	77,296	91,270	60,841	67,760	59,408
	Federal agency securities												
15	Debt	10,866[r]	10,731	12,104	11,618	11,283	11,709	12,557	12,993	12,448	12,389	12,754	10,069
16	Mortgage-backed	16,362	15,693[r]	15,858[r]	16,121	18,778	19,723	12,023	12,782	15,966	22,461	16,962	8,918
	FUTURES AND FORWARD TRANSACTIONS[4]												
	By type of deliverable security												
	U.S. Treasury securities												
17	Bills	2,250	3,094	3,733[r]	5,586	2,581	4,386	3,547	2,865	7,797	3,246	3,701	1,899
	Coupon securities, by maturity												
18	Less than 3.5 years	2,232	3,197	3,399	4,162	3,546	3,059	4,444	2,265	3,288	1,747	2,336	2,680
19	3.5 to 7.5 years	1,905	2,836	2,444[r]	3,895	2,411	1,841	3,034	1,927	2,354	1,326	1,873	2,209
20	7.5 to 15 years	3,238	5,007	5,031	6,383	4,791	5,129	5,489	4,018	5,804	3,870	4,038	3,741
21	15 years or more	11,933	13,903	14,204[r]	15,534	14,095	15,945	13,061	12,808	16,078	10,396	13,279	11,295
	Federal agency securities												
	Debt, by maturity												
22	Less than 3.5 years	123	237	181	220	94	100	264	269	85	90	211	30
23	3.5 to 7.5 years	127	211	133	194	202	186	92	36	99	255	178	6
24	7.5 years or more	70	201	80	92	99	147	28	49	37	6	33	70
	Mortgage-backed												
25	Pass-throughs	26,028[r]	24,752[r]	25,161[r]	21,282	33,885	34,079	17,339	15,597	31,634	29,053	18,667	12,785
26	Others[3]	1,891	2,198	1,522	1,289	1,032	2,030	2,281	887	1,276	983	747	1,141
	OPTIONS TRANSACTIONS[5]												
	By type of underlying security												
	U.S. Treasury, coupon securities, by maturity												
27	Less than 3.5 years	2,216	3,329	3,428	2,948	3,185	3,538	3,450	3,134	6,423	3,387	2,884	3,171
28	3.5 to 7.5 years	808	899	1,253	839	1,200	1,197	1,340	1,388	1,522	735	589	912
29	7.5 to 15 years	1,262	1,613	1,297	1,262	1,118	680	1,403	1,907	1,766	1,079	711	1,041
30	15 years or more	2,086	2,554	2,096	2,113	1,684	2,724	1,919	2,081	1,933	1,510	1,539	1,610
	Federal agency, mortgage-backed securities												
31	Pass-throughs	954	952	801	1,341	997	899	372	600	1,390	979	514	308

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Averages are based on the number of trading days in the period. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Transactions for immediate delivery include purchases or sales of securities (other than mortgage-backed agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

3. Includes such securities as collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), interest-only securities (IOs), and principal-only securities (POs).

4. Futures transactions are standardized agreements arranged on an exchange. Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. All futures transactions are included regardless of time to delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

5. Options transactions are purchases or sales of put-and-call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. In tables 1.42 and 1.43, "n.a." indicates that data are not published because of insufficient activity.

Data for several types of options transactions—U.S. Treasury securities, bills; Federal agency securities, debt; and federal agency securities, mortgage-backed, other than pass-throughs—are no longer available because activity is insufficient.

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

Millions of dollars

Item	1994			1994, week ending							
	Jan.	Feb.	Mar.	Mar. 2	Mar. 9	Mar. 16	Mar. 23	Mar. 30	Apr. 6	Apr. 13	Apr. 20
	Positions[2]										
NET IMMEDIATE POSITIONS[3]											
By type of security											
U.S. Treasury securities											
1 Bills	6,629	3,681	4,792	1,714	2,447	7,711	7,110	1,838	11,375	14,931	9,561
Coupon securities, by maturity											
2 Less than 3.5 years	−8,303	−9,169	−18,921r	−15,782	−15,355	−21,683	−19,226	−19,779	−22,696	−28,330	−20,993
3 3.5 to 7.5 years	−20,637	−24,417	−25,482r	−22,189	−26,847	−27,341	−23,722	−25,156	−24,087	−25,521	−28,030
4 7.5 to 15 years	−3,361	−2,424	−4,212r	−3,417	−3,685	−4,530	−2,508	−5,893	−7,414	−7,110	−7,028
5 15 years or more	8,246	5,994	2,016r	4,386	4,794	2,795	1,364	−1,151	−889	−2,258	−3,008
Federal agency securities											
Debt, by maturity											
6 Less than 3.5 years	10,272	12,031	8,925	11,686	10,740	9,321	7,993	6,919	8,500	7,982	7,924
7 3.5 to 7.5 years	2,888	3,226	4,707	4,039	4,205	4,803	4,881	5,009	5,542	5,834	5,792
8 7.5 years or more	4,987	3,798	4,174	3,685	4,087	4,606	4,363	3,695	4,775	5,211	5,133
Mortgage-backed											
9 Pass-throughs	50,003	51,071	51,257	47,180	63,827	61,349	51,511	31,442	37,717	55,359	46,279
10 All others[4]	29,844	28,837	32,642r	32,761	32,118	30,945	29,650	37,396	35,632	33,098	33,640
Other money market instruments											
11 Certificates of deposit	3,650	3,925	2,431	4,198	2,761	2,457	2,264	1,840	1,702	2,240	2,177
12 Commercial paper	6,313	7,619	5,489	8,265	5,795	5,450	5,212	4,799	4,839	4,409	5,774
13 Bankers acceptances	935	777	553	599	598	758	390	475	383	498	479
FUTURES AND FORWARD POSITIONS[5]											
By type of deliverable security											
U.S. Treasury securities											
14 Bills	−2,569	−1,382	2,030r	1,076	1,415	1,941	2,793	2,384	1,058	3,029	3,092
Coupon securities, by maturity											
15 Less than 3.5 years	−1,123	−175	2,739r	3,535	2,144	2,020	3,792	2,863	2,116	868	1,995
16 3.5 to 7.5 years	1,639r	2,608r	3,115r	2,444	2,213	2,933	3,722	3,879	2,458	2,230	1,711
17 7.5 to 15 years	5,687r	8,091r	10,679r	8,801	9,247	8,750	11,494	13,719	10,982	8,847	7,178
18 15 years or more	−4,171r	−6,634r	−10,013r	−10,088	−10,394	−11,054	−10,941	−7,813	−8,809	−7,581	−8,150
Federal agency securities											
Debt, by maturity											
19 Less than 3.5 years	246	3	126r	−53	64	11	309	161	206	117	38
20 3.5 to 7.5 years	303	123	127	−54	318	343	−51	−50	138	176	91
21 7.5 years or more	−93	438	−157r	567	395	−545	−626	−56	−173	−144	24
Mortgage-backed											
22 Pass-throughs	−28,772r	−37,532r	−39,342r	−33,954r	−48,048	−52,098	−40,445	−20,327	−25,255	−43,303	−34,266
23 All others[4]	3,294	8,687	9,561r	7,424	8,774	11,900	12,590	6,053	6,314	8,012	7,984
24 Certificates of deposit	−225,011	−241,652	−186,475	−237,312	−247,206	−170,162	−154,511	−164,886	−148,732	−159,956	−135,904
	Financing[6]										
Reverse repurchase agreements											
25 Overnight and continuing	250,861	274,179	296,274	290,102	300,486	308,744	304,633	273,517	292,619	295,517	289,758
26 Term	401,867	409,887	398,163	379,608	395,569	400,875	400,260	406,468	361,633	400,928	402,640
Repurchase agreements											
27 Overnight and continuing	461,215	483,847	479,210	492,811	489,948	497,689	488,715	438,311	467,253	483,478	472,957
28 Term	372,657	382,705	375,510	342,902	364,255	381,800	382,725	390,186	322,254	363,039	375,200
Securities borrowed											
29 Overnight and continuing	143,505	147,476	151,645	150,726	149,201	152,565	152,911	152,127	151,914	156,126	153,458
30 Term	51,583	45,587	39,793	41,215	42,796	39,941	37,953	38,661	35,702	35,907	35,552
Securities loaned											
31 Overnight and continuing	5,113	5,444	4,579	4,636	4,560	4,631	4,887	4,316	3,914	3,617	3,735
32 Term	167	294	348	416	339	338	369	346	201	302	132
Collateralized loans											
33 Overnight and continuing	16,169	16,243	20,074	15,229	16,722	20,122	19,540	24,751	23,876	26,035	25,339
MEMO: Matched book[7]											
Reverse repurchase agreements											
34 Overnight and continuing	175,650	182,784	200,306	188,596	194,285	202,241	207,929	199,853	202,131	204,543	213,257
35 Term	361,748	359,530	348,058	332,157	351,434	350,853	348,948	350,977	309,999	349,530	348,351
Repurchase agreements											
36 Overnight and continuing	238,867	240,887	244,375	249,763	249,052	247,667	245,543	234,106	241,528	255,676	253,576
37 Term	281,109	290,676	286,309	256,051	275,308	289,605	292,353	302,695	243,751	281,812	284,981

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data; monthly figures are averages of weekly data.
2. Securities positions are reported at market value.
3. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions of mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.
4. Includes such securities as collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), interest-only securities (IOs), and principal-only securities (POs).
5. Futures positions reflect standardized agreements arranged on an exchange. Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. All futures positions are included regardless of time to delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.
6. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day.
7. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched-book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or different types of collateralization.

NOTE. Data for futures and forward commercial paper and bankers acceptances and for term financing of collateralized loans are no longer available because of insufficient activity.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1989	1990	1991	1992	1993			1994	
					Oct.	Nov.	Dec.	Jan.	Feb.
1 **Federal and federally sponsored agencies**	**411,805**	**434,668**	**442,772**	**483,970**	**564,956**	**568,021**	**570,711**	**581,886**	**592,751**
2 Federal agencies	35,664	42,159	41,035	41,829	43,796	44,055	45,193	44,988	44,753
3 Defense Department[1]	7	7	7	7	7	7	6	6	6
4 Export-Import Bank[2,3]	10,985	11,376	9,809	7,208	5,801	5,801	5,315	5,315	5,315
5 *Federal Housing Administration*[4]	328	393	397	374	243	255	255	80	99
6 Government National Mortgage Association certificates of participation[5]	0	0	0	0	0	0	0	0	0
7 Postal Service[6]	6,445	6,948	8,421	10,660	9,732	9,732	9,732	9,732	9,732
8 Tennessee Valley Authority	17,899	23,435	22,401	23,580	28,016	28,260	29,885	29,855	29,601
9 United States Railway Association[6]	0	0	0	0	0	0	0	0	0
10 Federally sponsored agencies[7]	375,428	392,509	401,737	442,141	521,160	523,966	525,518	536,898	547,998
11 Federal Home Loan Banks	136,108	117,895	107,543	114,733	133,365	139,364	141,577	139,241	137,862
12 Federal Home Loan Mortgage Corporation	26,148	30,941	30,262	29,631	63,427	56,809	49,993	61,245	70,482
13 Federal National Mortgage Association	116,064	123,403	133,937	166,300	193,925	195,165	201,112	203,013	206,493
14 Farm Credit Banks[8]	54,864	53,590	52,199	51,910	51,759	51,861	53,123	52,621	52,839
15 Student Loan Marketing Association[9]	28,705	34,194	38,319	39,650	38,790	40,840	39,784	40,861	40,407
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	847	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	4,522	23,055	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt**[13]	**134,873**	**179,083**	**185,576**	**154,994**	**127,348**	**126,490**	**128,187**	**125,182**	**123,304**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	10,979	11,370	9,803	7,202	5,795	5,795	5,309	5,309	5,309
21 Postal Service[6]	6,195	6,698	8,201	10,440	9,732	9,732	9,732	9,732	9,732
22 Student Loan Marketing Association	4,880	4,850	4,820	4,790	4,760	4,760	4,760	2,760	1,760
23 Tennessee Valley Authority	16,519	14,055	10,725	6,975	6,325	6,325	6,325	6,075	6,075
24 United States Railway Association[6]	0	0	0	0	0	0	0	0	0
Other lending[14]									
25 Farmers Home Administration	53,311	52,324	48,534	42,979	38,619	38,619	38,619	38,619	38,619
26 Rural Electrification Administration	19,265	18,890	18,562	18,172	17,561	17,561	17,578	17,511	17,512
27 Other	23,724	70,896	84,931	64,436	44,556	43,698	45,864	45,176	43,667

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. On-budget since Sept. 30, 1976.
4. *Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.*
5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans' Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, shown on line 17.
9. Before late 1982, the Association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.
12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, undertook its first borrowing in October 1989.
13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.
14. Includes FFB purchases of agency assets and guaranteed loans; the latter are loans guaranteed by numerous agencies, with the amounts guaranteed by any one agency generally being small. The Farmers Home Administration entry consists exclusively of agency assets, whereas the Rural Electrification Administration entry consists of both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1991	1992	1993	1993 Sept.	1993 Oct.	1993 Nov.	1993 Dec.	1994 Jan.	1994 Feb.	1994 Mar.	1994 Apr.
1 **All issues, new and refunding**[1]	**154,402**	**215,191**	**279,945**	**23,504**	**21,900**	**18,094**	**24,520**	**16,560**	**14,698**	**15,461**	**10,129**
By type of issue											
2 General obligation	55,100	78,611	90,599	5,884	7,495	6,422	6,542	4,622	4,365	7,371	3,469
3 Revenue	99,302	136,580	189,346	17,620	14,405	11,672	17,978	11,000	8,553	8,090	6,660
By type of issuer											
4 State	24,939	25,295	28,285	2,758	3,216	885	1,265	1,235	921	3,302	n.a.
5 Special district or statutory authority[2]	80,614	129,686	164,169	13,113	9,875	10,992	16,485	10,672	10,263	6,145	n.a.
6 Municipality, county, or township	48,849	60,210	84,972	7,476	8,418	4,528	6,770	4,653	3,514	6,014	n.a.
7 **Issues for new capital**	**116,953**	**120,272**	**91,434**	**8,759**	**7,261**	**6,734**	**9,543**	**5,558**[r]	**8,774**[r]	**10,114**	**7,724**
By use of proceeds											
8 Education	21,121	22,071	17,098	1,886	547	1,416	1,227	1,573	2,292	1,859	2,102
9 Transportation	13,395	17,334	9,571	789	304	979	429	293	1,223	401	1,453
10 Utilities and conservation	21,039	20,058	11,802	1,255	593	687	1,454	480	243	540	707
11 Social welfare	25,648	21,796	n.a.	2,199	1,764	n.a.	2,171	825	1,660	1,670	n.a.
12 Industrial aid	8,376	5,424	6,381	329	518	673	1,272	392	1,316	470	n.a.
13 Other purposes	30,275	33,589	29,519	2,362	3,737	1,820	2,990	5,558	8,774	n.a.	n.a.

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

SOURCES. Securities Data Company beginning January 1993; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1991	1992	1993	1993 Aug.	1993 Sept.	1993 Oct.	1993 Nov.	1993 Dec.	1994 Jan.[r]	1994 Feb.	1994 Mar.
1 **All issues**[1]	**465,246**	**559,827**[r]	**765,721**	**52,955**	**64,495**[r]	**56,143**	**54,813**[r]	**44,394**[r]	**57,649**	**47,918**[r]	**53,623**
2 **Bonds**[2]	**389,822**	**471,502**[r]	**642,543**	**43,688**	**53,837**	**45,608**	**43,214**	**33,863**[r]	**51,612**	**39,177**[r]	**43,030**
By type of offering											
3 Public, domestic	286,930	378,058[r]	487,924[r]	40,447	49,132	42,645	39,525	32,282[r]	46,168	31,860[r]	40,492
4 Private placement, domestic[3]	74,930	65,853	116,240	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	27,962	27,591	38,379[r]	3,241	4,705	2,963	3,689	1,582	5,444	7,317[r]	2,538
By industry group											
6 Manufacturing	86,628	82,058	88,002[r]	6,132	4,036	3,273	3,334	3,068	4,635	3,511[r]	1,716
7 Commercial and miscellaneous	36,666	43,111[r]	60,443[r]	2,331	2,378	6,306	3,078	2,525	2,869	2,362[r]	3,419
8 Transportation	13,598	9,979	10,756[r]	723	288	1,416	648	895	693	100	870
9 Public utility	23,944	48,055	56,272[r]	3,474	5,163	2,585	1,763	2,336	2,566	1,868[r]	1,489
10 Communication	9,431	15,394	31,950[r]	2,979	2,237	2,991	1,015	2,001	2,495	2,212	2,090
11 Real estate and financial	219,555	272,904[r]	395,121[r]	28,049	39,735	29,039	33,376	23,039[r]	38,354	29,124[r]	33,447
12 **Stocks**[2]	**75,424**	**88,325**	**123,009**	**9,267**	**10,658**[r]	**10,535**	**11,599**[r]	**10,531**	**5,727**[r]	**7,702**[r]	**9,099**[r]
By type of offering											
13 Public preferred	17,085	21,339	20,533	3,319	1,358	2,549	1,385	650	1,592	1,318	1,969
14 Common	48,230	57,118	90,559	5,948	9,336	7,987	10,209	9,881	4,135	6,383	7,131
15 Private placement[3]	10,109	9,867	11,917	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
16 Manufacturing	24,111	22,723	22,271	1,961	2,274	2,121	2,169	2,267	↑	↑	↑
17 Commercial and miscellaneous	19,418	20,231	25,761	1,457	2,242	1,842	3,061	1,970			
18 Transportation	2,439	2,595	2,237	466	153	128	221	162	n.a.	n.a.	n.a.
19 Public utility	3,474	6,532	7,050	582	908	1,103	371	129			
20 Communication	475	2,366	3,439	115	248	18	1,074	1,603	↓	↓	↓
21 Real estate and financial	25,507	33,879	49,889	4,675	4,666	5,323	4,486	4,381	2,397	3,800	4,360

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data cover only public offerings.
3. Monthly data are not available.

SOURCES. *IDD Information Services, Inc., Securities Data Company*, and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1992	1993	1993 Aug.	1993 Sept.	1993 Oct.	1993 Nov.	1993 Dec.	1994 Jan.	1994 Feb.[r]	1994 Mar.
1 **Sales of own shares**[2]	**647,055**		**73,032**	**69,938**	**74,490**	**72,865**	**89,775**	**98,679**	**78,032**	**87,373**
2 Redemptions of own shares	447,140		46,382	49,270	47,168	51,306	62,764	61,829	56,235	73,864
3 Net sales[3]	199,915	n.a.	26,650	20,667	27,322	21,559	27,011	36,849	21,797	13,509
4 **Assets**[4]	**1,056,310**		**1,343,920**	**1,370,654**	**1,411,628**	**1,416,841**	**1,510,047**	**1,572,907**	**1,561,705**	**1,501,156**
5 Cash[5]	73,999		92,771	96,848	104,301	103,352	100,209	110,022	113,975	111,540
6 Other	982,311		1,251,149	1,273,807	1,307,327	1,303,489	1,409,838	1,462,879	1,447,730	1,389,616

1. Data on sales and redemptions exclude money market mutual funds but include limited-maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited-maturity municipal bond funds.
2. Includes reinvestment of net income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes sales and redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.
4. Market value at end of period, less current liabilities.
5. Includes all U.S. Treasury securities and other short-term debt securities.

SOURCE. Investment Company Institute. Data based on reports of membership, which comprises substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect underwritings of new companies.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1991	1992	1993[r]	1992 Q2	1992 Q3	1992 Q4	1993 Q1	1993 Q2	1993 Q3	1993 Q4	1994 Q1
1 Profits with inventory valuation and capital consumption adjustment	369.5	407.2	466.6	411.7	367.5	439.5	432.1	458.1	468.5	507.9	n.a.
2 Profits before taxes	362.3	395.4	449.4	409.5	357.9	409.9	419.8	445.6	443.8	488.4	n.a.
3 Profits tax liability	129.8	146.3	174.0	153.0	130.1	155.0	160.9	173.3	169.5	192.5	n.a.
4 Profits after taxes	232.5	249.1	275.4	256.5	227.8	254.9	258.9	272.3	274.3	295.9	n.a.
5 Dividends	137.4	150.5	169.0	146.1	155.2	162.9	167.5	168.5	169.7	170.3	171.7
6 Undistributed profits	95.2	98.6	106.4	110.4	72.7	92.0	91.4	103.9	104.6	125.6	n.a.
7 Inventory valuation	4.9	−5.3	−7.1	−13.7	−7.8	4.9	−12.7	−12.2	1.0	−4.3	−17.7
8 Capital consumption adjustment	2.2	17.1	24.3	16.0	17.4	24.7	25.1	24.7	23.8	23.9	20.6

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.50 NONFARM BUSINESS EXPENDITURES New Plant and Equipment

Billions of dollars; quarterly data at seasonally adjusted annual rates

Industry	1992	1993	1994[1]	1992 Q3	1992 Q4	1993 Q1	1993 Q2	1993 Q3	1993 Q4	1994 Q1	1994 Q2[1]
1 **Total nonfarm business**	**546.60**	**585.64**	**632.76**	**547.40**	**559.24**	**564.13**	**579.79**	**594.11**	**604.51**	**621.28**	**624.99**
Manufacturing											
2 Durable goods industries	73.32	81.33	89.09	72.09	73.30	79.11	80.88	81.99	83.35	91.81	87.68
3 Nondurable goods industries	100.69	97.84	103.60	100.77	103.56	95.94	96.21	100.18	99.04	99.42	101.41
Nonmanufacturing											
4 Mining	8.88	10.03	10.63	8.98	8.47	8.89	9.10	11.14	10.98	10.84	11.51
Transportation											
5 Railroad	6.67	6.23	6.30	6.70	7.04	6.00	6.00	5.91	7.01	5.67	5.91
6 Air	8.93	6.43	4.69	9.69	7.60	7.30	6.54	6.92	4.95	5.58	5.38
7 Other	7.04	9.22	10.27	7.52	6.97	9.17	9.04	8.88	9.78	8.81	9.27
Public utilities											
8 Electric	48.22	52.26	52.96	48.17	49.57	49.92	50.51	52.74	55.88	51.14	53.66
9 Gas and other	23.99	23.46	25.32	24.01	24.50	23.59	24.04	22.88	23.33	22.55	23.94
10 Commercial and other[2]	268.84	298.83	329.90	269.46	278.24	284.21	297.46	303.47	310.20	325.47	326.23

1. Figures are amounts anticipated by business.
2. "Other" consists of construction, wholesale and retail trade, finance and insurance, personal and business services, and communication.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1991	1992	1993	1992			1993			
				Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASSETS										
1 Accounts receivable, gross[2]	480.6	482.1	476.1	476.7	473.9	482.1	469.6	469.3	467.6	476.1
2 Consumer	121.9	117.1	117.5	116.7	116.7	117.1	111.9	111.3	112.6	117.5
3 Business	292.9	296.5	290.1	293.2	288.5	296.5	289.6	290.7	287.8	290.1
4 Real estate	65.8	68.4	68.6	66.8	68.8	68.4	68.1	67.2	67.2	68.6
5 LESS: Reserves for unearned income	55.1	50.8	49.0[r]	51.2	50.8	50.8	47.4	47.5	47.9	49.0[r]
6 Reserves for losses	12.9	15.8	11.0[r]	12.3	12.0	15.8	15.5	13.8	11.1	11.0[r]
7 Accounts receivable, net	412.6	415.5	416.1[r]	413.2	411.1	415.5	406.6	408.0	408.6	416.1[r]
8 All other	149.0	150.6	177.3[r]	139.4	146.5	150.6	155.0	156.6	169.7	177.3[r]
9 **Total assets**	**561.6**	**566.1**	**593.4[r]**	**552.6**	**557.6**	**566.1**	**561.6**	**564.6**	**578.3**	**593.4[r]**
LIABILITIES AND CAPITAL										
10 Bank loans	42.3	37.6	25.3	37.8	38.1	37.6	34.1	29.5	25.8	25.3
11 Commercial paper	159.5	156.4	159.2	147.7	153.2	156.4	149.8	144.5	149.9	159.2
Debt										
12 Other short-term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Long-term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 Owed to parent	34.5	37.8	46.1	34.8	34.9	37.8	41.9	46.4	47.9	46.1
15 Not elsewhere classified	191.3	195.3	199.9	191.9	191.4	195.3	195.1	195.8	198.1	199.9
16 All other liabilities	69.0	71.2	91.1	73.4	73.7	71.2	74.2	81.3	87.6	91.1
17 Capital, surplus, and undivided profits	64.8	67.8	71.7	67.1	68.1	67.8	66.6	67.1	68.9	71.7
18 ***Total liabilities and capital***	***561.2***	***566.1***	***593.4***	***552.7***	***559.4***	***566.1***	***561.7***	***564.6***	***578.3***	***593.4***

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are amounts carried on the balance sheets of finance companies; securitized pools are not shown, as they are not on the books.

2. Before deduction for unearned income and losses.

1.52 DOMESTIC FINANCE COMPANIES Consumer, Real Estate, and Business Credit[1]

Millions of dollars, amounts outstanding, end of period

Type of credit	1991	1992	1993	1993			1994		
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
	Seasonally adjusted								
1 **Total**	**519,910**	**534,845**	**532,828**	**529,310**	**532,687**	**532,828**	**535,567**	**539,513[r]**	**545,601**
2 Consumer	154,822	157,707	159,791	155,700	157,438	159,791	159,313	160,371[r]	159,704
3 Real estate[2]	65,383	68,011	68,174	67,983	68,540	68,174	69,441	69,543[r]	69,650
4 Business	299,705	309,127	304,863	305,627	306,709	304,863	306,813	309,599[r]	316,246
	Not seasonally adjusted								
5 **Total**	**523,192**	**538,158**	**536,124**	**528,869**	**532,354**	**536,124**	**535,138**	**537,278[r]**	**545,779**
6 Consumer	155,713	158,631	160,734	156,712	157,848	160,734	159,186	158,543[r]	158,331
7 Motor vehicles	63,415	57,605	55,274	54,324	55,337	55,274	56,509	56,963	56,431
8 Other consumer[3]	58,522	59,522	62,189	58,278	59,463	62,189	61,427	61,132[r]	62,515
9 Securitized motor vehicles[4]	23,166	29,775	34,659	35,212	34,301	34,659	32,924	32,280	31,439
10 Securitized other consumer[4]	10,610	11,729	8,611	8,898	8,747	8,611	8,325	8,168	7,946
11 Real estate[2]	65,760	68,410	68,577	68,425	68,718	68,577	69,385	69,446[r]	69,051
12 Business	301,719	311,118	306,814	303,732	305,788	306,814	306,568	309,289[r]	318,397
13 Motor vehicles	90,613	87,456	90,172	86,129	88,510	90,172	88,377	90,668[r]	95,644
14 Retail[5]	22,957	19,303	16,024	16,599	16,723	16,024	16,965	17,514[r]	19,087
15 Wholesale[6]	31,216	29,962	31,067	27,144	29,260	31,067	27,975	29,435	31,070
16 Leasing	36,440	38,191	43,081	42,386	42,526	43,081	43,437	43,720	45,487
17 Equipment	141,399	151,607	148,858	148,357	146,703	148,858	147,915	147,425	149,721
18 Retail	30,962	32,212	33,266	33,357	32,360	33,266	33,109	33,033	33,861
19 Wholesale[6]	9,671	8,669	8,007	8,091	7,802	8,007	7,996	7,972	8,281
20 Leasing	100,766	110,726	107,585	106,909	106,541	107,585	106,810	106,420	107,579
21 Other business[7]	60,900	57,464	51,054	53,969	53,886	51,054	50,821	51,489[r]	53,596
22 Securitized business assets[4]	8,807	14,590	16,730	15,277	16,690	16,730	19,456	19,707	19,436
23 Retail	576	1,118	1,830	1,690	1,953	1,830	1,696	1,593	1,486
24 Wholesale	5,285	8,756	9,697	8,785	9,407	9,697	12,358	13,006	12,866
25 Leasing	2,946	4,716	5,203	4,802	5,330	5,203	5,402	5,108	5,084

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are before deductions for unearned income and losses. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

2. Includes all loans secured by liens on any type of real estate, for example, first and junior mortgages and home equity loans.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, general merchandise, and recreation vehicles.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Passenger car fleets and commercial land vehicles for which licenses are required.

6. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

7. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1991	1992	1993	1993			1994			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	155.0	158.1	163.1	169.2	174.4	167.9	168.1	157.9	167.8	166.1
2 Amount of loan (thousands of dollars)	114.0	118.1	123.0	128.4	134.0	128.7	127.9	124.1	131.0	127.6
3 Loan-to-price ratio (percent)	75.0	76.6	78.0	78.0	79.1	79.2	78.0	80.2	80.2	79.3
4 Maturity (years)	26.8	25.6	26.1	26.7	26.9	26.8	27.2	27.0	27.6	26.7
5 Fees and charges (percent of loan amount)[2]	1.71	1.60	1.30	1.23	1.23	1.10	1.18	1.16	1.20	1.16
Yield (percent per year)										
6 Contract rate[1]	9.02	7.98	7.02	6.61	6.61	6.74	6.77	6.67	6.81	7.13
7 Effective rate[1,3]	9.30	8.25	7.24	6.80	6.80	6.92	6.95	6.85	6.99	7.31
8 Contract rate (HUD series)[4]	9.20	8.43	7.37	7.05	7.38	7.26	7.13	7.54	8.31	n.a.
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	9.25	8.46	7.46	7.08	7.51	7.52	7.05	7.59	8.57	n.a.
10 GNMA securities[6]	8.59	7.71	6.65	6.11	6.61	6.58	6.45	6.72	7.40	7.93
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	122,837	142,833	172,791	182,524	185,463	190,861	194,441	196,078	197,770	201,542
12 FHA/VA insured	21,702	22,168	22,876	22,978	23,334	23,857	23,796	23,789	24,226	25,088
13 Conventional	101,135	120,664	149,914	159,546	162,129	167,004	170,645	172,289	173,544	176,454
Mortgage transactions (during period)										
14 Purchases	37,202	75,905	92,037	8,780	8,979	12,123	7,919	5,427	5,820	6,677
Mortgage commitments (during period)										
15 Issued[7]	40,010	74,970	92,537	7,515	11,144	8,461	6,159	4,858	8,683	4,788
16 To sell[8]	7,608	10,493	5,097	0	0	209	664	525	136	90
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	24,131	29,959	42,789	50,108	52,933	55,012	56,067	57,245	58,498	57,352
18 FHA/VA insured	484	408	327	321	324	321	319	318	315	n.a.
19 Conventional	23,283	29,552	42,462	49,787	52,610	54,691	55,747	56,928	59,184	n.a.
Mortgage transactions (during period)										
20 Purchases	99,965	191,125	229,242	18,658	27,062	29,396	22,611	17,840	15,970	14,589
21 Sales	92,478	179,208	208,723	15,985	24,028	26,607	21,253	16,719	14,486	14,175
Mortgage commitments (during period)[9]										
22 Contracted	114,031	261,637	274,599	24,614	39,977	24,176	31,393	12,880	22,533	22,765

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.
4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.
5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.
6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.
7. Does not include standby commitments issued, but includes standby commitments converted.
8. Includes participation loans as well as whole loans.
9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1990	1991	1992	1992	1993			
				Q4	Q1	Q2	Q3	Q4[p]
1 **All holders**	**3,761,525**	**3,923,371**	**4,042,645**	**4,042,645**	**4,059,199**	**4,099,591**	**4,155,690**	**4,218,693**
By type of property								
2 One- to four-family residences	2,615,435	2,778,803	2,953,527	2,953,527	2,975,134	3,024,789	3,085,698	3,146,381
3 Multifamily residences	309,369	306,410	294,976	294,976	294,042	291,178	290,679	292,052
4 Commercial	758,313	759,023	713,701	713,701	708,966	702,210	698,299	699,488
5 Farm	78,408	79,136	80,441	80,441	81,057	81,414	81,014	80,772
By type of holder								
6 Major financial institutions	1,914,315	1,846,726	1,769,187	1,769,187	1,753,045	1,765,176	1,768,931	1,777,772
7 Commercial banks[2]	844,826	876,100	894,513	894,513	891,755	910,989	922,492	940,547
8 One- to four-family	455,931	483,623	507,780	507,780	507,497	526,817	538,906	556,778
9 Multifamily	37,015	36,935	38,024	38,024	37,425	38,058	37,621	38,150
10 Commercial	334,648	337,095	328,826	328,826	326,853	325,519	325,124	324,749
11 Farm	17,231	18,447	19,882	19,882	19,980	20,595	20,841	20,870
12 Savings institutions[3]	801,628	705,367	627,972	627,972	617,163	612,458	609,584	603,559
13 One- to four-family	600,154	538,358	489,622	489,622	480,415	480,722	478,297	472,492
14 Multifamily	91,806	79,881	69,791	69,791	70,608	68,303	68,649	68,533
15 Commercial	109,168	86,741	68,235	68,235	65,808	63,111	62,318	62,214
16 Farm	500	388	324	324	332	322	320	319
17 Life insurance companies	267,861	265,258	246,702	246,702	244,128	241,729	236,855	233,667
18 One- to four-family	13,005	11,547	11,441	11,441	11,316	11,195	10,967	10,814
19 Multifamily	28,979	29,562	27,770	27,770	27,466	27,174	26,620	26,248
20 Commercial	215,121	214,105	198,269	198,269	196,100	194,012	190,061	187,403
21 Farm	10,756	10,044	9,222	9,222	9,246	9,348	9,206	9,201
22 Federal and related agencies	239,003	266,146	286,263	286,263	287,081	298,991	309,579	321,907
23 Government National Mortgage Association	20	19	30	30	45	45	43	43
24 One- to four-family	20	19	30	30	37	38	37	37
25 Multifamily	0	0	0	0	8	7	7	7
26 Farmers Home Administration[4]	41,439	41,713	41,695	41,695	41,529	41,446	41,424	41,386
27 One- to four-family	18,527	18,496	16,912	16,912	16,536	16,133	15,714	15,303
28 Multifamily	9,640	10,141	10,575	10,575	10,650	10,739	10,830	10,940
29 Commercial	4,690	4,905	5,158	5,158	5,187	5,250	5,347	5,406
30 Farm	8,582	8,171	9,050	9,050	9,156	9,324	9,533	9,739
31 Federal Housing and Veterans' Administrations	8,801	10,733	12,581	12,581	13,027	12,945	11,797	12,215
32 One- to four-family	3,593	4,036	5,153	5,153	5,631	5,635	4,850	5,364
33 Multifamily	5,208	6,697	7,428	7,428	7,396	7,311	6,947	6,851
34 Resolution Trust Corporation	32,600	45,822	32,045	32,045	27,331	21,973	19,925	17,284
35 One- to four-family	15,800	14,535	12,960	12,960	11,375	8,955	8,381	7,202
36 Multifamily	8,064	15,018	9,621	9,621	8,070	6,743	6,002	5,284
37 Commercial	8,736	16,269	9,464	9,464	7,886	6,275	5,543	4,797
38 Farm	0	0	0	0	0	0	0	0
39 Federal National Mortgage Association	104,870	112,283	137,584	137,584	141,192	151,513	160,721	166,642
40 One- to four-family	94,323	100,387	124,016	124,016	127,252	137,340	146,009	151,310
41 Multifamily	10,547	11,896	13,568	13,568	13,940	14,173	14,712	15,332
42 Federal Land Banks	29,416	28,767	28,664	28,664	28,536	28,592	28,810	28,860
43 One- to four-family	1,838	1,693	1,687	1,687	1,679	1,682	1,695	1,698
44 Farm	27,577	27,074	26,977	26,977	26,857	26,909	27,115	27,162
45 Federal Home Loan Mortgage Corporation	21,857	26,809	33,665	33,665	35,421	42,477	46,859	55,476
46 One- to four-family	19,185	24,125	31,032	31,032	32,831	39,905	44,315	52,929
47 Multifamily	2,672	2,684	2,633	2,633	2,589	2,572	2,544	2,547
48 Mortgage pools or trusts[5]	1,079,103	1,250,666	1,425,546	1,425,546	1,462,181	1,473,323	1,514,002	1,546,818
49 Government National Mortgage Association	403,613	425,295	419,516	419,516	421,514	413,166	415,076	414,066
50 One- to four-family	391,505	415,767	410,675	410,675	412,798	404,425	405,963	404,864
51 Multifamily	12,108	9,528	8,841	8,841	8,716	8,741	9,113	9,202
52 Federal Home Loan Mortgage Corporation	316,359	359,163	407,514	407,514	420,932	422,882	430,089	439,029
53 One- to four-family	308,369	351,906	401,525	401,525	415,279	417,646	425,154	434,494
54 Multifamily	7,990	7,257	5,989	5,989	5,654	5,236	4,935	4,535
55 Federal National Mortgage Association	299,833	371,984	444,979	444,979	457,316	465,220	481,880	495,525
56 One- to four-family	291,194	362,667	435,979	435,979	448,483	456,645	473,599	486,804
57 Multifamily	8,639	9,317	9,000	9,000	8,833	8,575	8,281	8,721
58 Farmers Home Administration[4]	66	47	38	38	34	32	30	28
59 One- to four-family	17	11	8	8	7	6	6	5
60 Multifamily	0	0	0	0	0	0	0	0
61 Commercial	24	19	17	17	16	15	14	13
62 Farm	26	17	13	13	11	11	10	10
63 Private mortgage conduits	59,232	94,177	153,499	153,499	162,385	172,023	186,927	198,171
64 One- to four-family	53,335	84,000	132,000	132,000	137,000	145,000	158,000	164,000
65 Multifamily	731	3,698	6,305	6,305	6,665	7,407	7,991	8,701
66 Commercial	5,166	6,479	15,194	15,194	18,720	19,616	20,936	25,469
67 Farm	0	0	0	0	0	0	0	0
68 Individuals and others[6]	529,104	559,833	561,649	561,649	556,892	562,101	563,178	572,196
69 One- to four-family	348,638	367,633	372,708	372,708	366,998	372,645	373,805	382,288
70 Multifamily	85,969	83,796	85,430	85,430	86,023	86,140	86,428	87,000
71 Commercial	80,761	93,410	88,538	88,538	88,396	88,412	88,956	89,438
72 Farm	13,737	14,994	14,973	14,973	15,474	14,904	13,990	13,471

1. Based on data from various institutional and governmental sources; figures for some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCES. Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required, are estimated mainly by the Federal Reserve. Line 64, from Inside Mortgage Securities.

1.55 CONSUMER INSTALLMENT CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1991	1992	1993	1993 Oct.	1993 Nov.	1993 Dec.	1994 Jan.	1994 Feb.[r]	1994 Mar.
	Seasonally adjusted								
1 **Total**	**733,510**	**741,093**	**790,082**	**775,620**	**782,561**	**790,082**	**796,458**	**800,440**	**807,865**
2 Automobile	260,898	259,627	278,321	273,822	276,853	278,321	279,046	280,444	282,897
3 Revolving	243,564	254,299	281,474	277,125	279,273	281,474	284,898	287,414	288,685
4 Other	229,048	227,167	230,288	224,673	226,435	230,288	232,514	232,582	236,283
	Not seasonally adjusted								
5 **Total**	**749,052**	**756,944**	**807,298**	**776,101**	**784,148**	**807,298**	**801,883**	**798,387**	**800,256**
By major holder									
6 Commercial banks	340,713	331,869	367,140	352,559	358,429	367,140	365,607	365,136	368,816
7 Finance companies	121,937	117,127	117,464	112,602	114,800	117,464	117,937	118,095	118,946
8 Credit unions	92,681	97,641	114,451	110,830	112,342	114,451	115,055	116,034	118,031
9 Retailers	39,832	42,079	47,382	40,310	42,047	47,382	44,986	43,164	43,088
10 Savings institutions	45,965	43,461	33,000	34,251	33,500	33,000	32,500	32,000	31,751
11 Gasoline companies	4,362	4,365	4,212	4,599	4,507	4,212	4,189	3,952	3,769
12 Pools of securitized assets[2]	103,562	120,402	123,649	120,950	118,523	123,649	121,609	120,006	115,855
By major type of credit[3]									
13 Automobile	261,219	259,964	278,690	275,882	277,060	278,690	278,265	278,733	280,351
14 Commercial banks	112,666	109,743	123,734	122,162	122,989	123,734	123,916	124,491	126,900
15 Finance companies	63,415	57,605	55,274	54,324	55,337	55,274	56,509	56,963	56,431
16 Pools of securitized assets[2]	28,915	33,878	36,781	37,630	36,569	36,781	34,947	34,217	33,275
17 Revolving	256,876	267,949	296,445	275,109	280,080	296,445	290,197	286,351	284,874
18 Commercial banks	138,005	132,582	148,698	137,844	142,382	148,698	144,874	143,633	145,114
19 Retailers	34,712	36,629	41,378	34,668	36,319	41,378	39,057	37,293	37,191
20 Gasoline companies	4,362	4,365	4,212	4,599	4,507	4,212	4,189	3,952	3,769
21 Pools of securitized assets[2]	63,595	74,243	77,416	73,556	72,357	77,416	77,280	76,581	73,612
22 Other	230,957	229,031	232,162	225,110	227,008	232,162	233,420	233,303	235,031
23 Commercial banks	90,042	89,544	94,708	92,553	93,058	94,708	96,817	97,012	96,802
24 Finance companies	58,522	59,522	62,189	58,278	59,463	62,189	61,427	61,132	62,515
25 Retailers	5,120	5,450	6,004	5,642	5,728	6,004	5,929	5,871	5,897
26 Pools of securitized assets[2]	11,052	12,281	9,452	9,764	9,597	9,452	9,382	9,208	8,968

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments.
Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.
3. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent per year except as noted

Item	1991	1992	1993	1993 Sept.	1993 Oct.	1993 Nov.	1993 Dec.	1994 Jan.	1994 Feb.	1994 Mar.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	11.14	9.29	8.09	n.a.	n.a.	7.63	n.a.	n.a.	7.54	n.a.
2 24-month personal	15.18	14.04	13.47	n.a.	n.a.	13.22	n.a.	n.a.	12.89	n.a.
3 120-month mobile home	13.70	12.67	11.87	n.a.	n.a.	11.55	n.a.	n.a.	11.56	n.a.
4 Credit card	18.23	17.78	16.83	n.a.	n.a.	16.30	n.a.	n.a.	16.06	n.a.
Auto finance companies										
5 New car	12.41	9.93	9.48	9.21	9.25	8.96	8.80	7.55	8.93	9.13
6 Used car	15.60	13.80	12.79	12.52	12.58	12.41	12.33	12.02	12.23	12.68
OTHER TERMS[3]										
Maturity (months)										
7 New car	55.1	54.0	54.5	54.7	55.0	54.5	54.0	52.9	54.4	54.0
8 Used car	47.2	47.9	48.8	48.8	48.2	48.4	48.3	50.0	50.3	50.1
Loan-to-value ratio										
9 New car	88	89	91	91	90	91	90	91	91	92
10 Used car	96	97	98	98	98	98	98	98	99	99
Amount financed (dollars)										
11 New car	12,494	13,584	14,332	14,348	14,650	14,839	15,097	15,330	14,904	14,821
12 Used car	8,884	9,119	9,875	9,808	9,969	10,230	10,349	10,434	10,449	10,427

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Data are available for only the second month of each quarter.
3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1989	1990	1991	1992	1993	1992 Q2	1992 Q3	1992 Q4	1993 Q1	1993 Q2	1993 Q3	1993 Q4
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**723.0**	**631.0**	**475.5**	**582.4**	**606.5**	**586.2**	**611.1**	**529.5**	**404.5**	**677.6**	**577.0**	**767.0**
By sector and instrument												
2 U.S. government	146.4	246.9	278.2	304.0	256.1	352.9	299.1	240.1	229.6	348.2	177.2	269.6
3 Treasury securities	144.7	238.7	292.0	303.8	248.3	352.5	290.1	237.4	226.4	344.1	160.9	261.9
4 Budget agency issues and mortgages	1.6	8.2	−13.8	.2	7.8	.4	9.0	2.7	3.2	4.1	16.2	7.7
5 Private	576.6	384.1	197.3	278.4	350.4	233.3	312.0	289.4	175.0	329.3	399.8	497.4
By instrument												
6 Tax-exempt obligations	65.3	57.3	69.6	65.7	59.4	76.6	75.8	42.4	62.4	67.2	48.3	59.9
7 Corporate bonds	73.8	47.1	78.8	67.5	71.3	77.8	61.7	54.0	82.0	72.0	68.0	63.0
8 Mortgages	269.1	188.7	165.1	120.8	172.2	69.6	134.8	94.0	101.3	134.4	201.5	251.5
9 Home mortgages	212.5	177.2	166.0	176.0	192.7	111.6	203.3	172.8	121.8	174.2	226.9	247.9
10 Multifamily residential	12.0	3.4	−2.5	−11.1	−4.4	−16.9	−11.2	−27.8	−4.7	−12.4	−4.0	3.6
11 Commercial	47.3	8.9	.9	−45.5	−16.5	−25.7	−57.8	−51.5	−18.2	−28.9	−19.8	1.0
12 Farm	−2.7	−.8	.7	1.3	.3	.6	.6	.5	2.5	1.4	−1.6	−1.0
13 Consumer credit	49.5	13.4	−13.1	9.3	49.0	−14.7	13.5	48.3	19.2	22.9	60.7	93.3
14 Bank loans n.e.c.	36.4	4.2	−46.8	−5.6	4.7	27.7	−24.0	21.3	−39.7	31.7	7.3	19.7
15 Commercial paper	21.4	9.7	−18.4	8.6	10.0	−2.6	9.3	25.4	−27.1	33.7	23.8	9.7
16 Other loans	61.0	63.6	−37.8	12.1	−16.3	−1.0	40.8	4.1	−23.1	−32.5	−9.8	.4
By borrowing sector												
17 Household	276.7	207.7	168.4	215.0	251.2	176.5	217.9	266.5	130.8	213.7	321.7	338.5
18 Nonfinancial business	236.3	121.9	−33.4	4.0	34.5	−10.1	20.6	−12.2	−27.6	46.6	26.0	93.2
19 Farm	.5	1.8	2.4	1.2	2.0	3.5	−.2	−1.9	−.3	3.8	2.0	2.6
20 Nonfarm noncorporate	49.4	19.4	−24.5	−39.4	−19.3	−47.4	−37.3	−51.0	−32.7	−31.4	−23.1	9.9
21 Corporate	186.5	100.7	−11.3	42.1	51.9	33.8	58.2	40.7	5.4	74.3	47.1	80.6
22 State and local government	63.5	54.5	62.3	59.4	64.7	66.9	73.5	35.1	71.7	69.1	52.1	65.7
23 Foreign net borrowing in United States	10.2	23.9	13.9	24.2	46.5	57.7	37.8	−.6	50.3	40.1	81.8	13.8
24 Bonds	4.9	21.4	14.1	17.3	60.5	21.9	20.3	22.2	75.6	42.4	83.7	40.3
25 Bank loans n.e.c.	−.1	−2.9	3.1	2.3	.5	14.1	3.9	−10.3	1.6	6.5	1.0	−7.0
26 Commercial paper	13.1	12.3	6.4	5.2	−9.0	27.8	13.1	−12.1	−21.7	−.6	−1.6	−12.0
27 U.S. government and other loans	−7.6	−7.0	−9.8	−.6	−5.6	−6.1	.5	−.4	−5.3	−8.2	−1.3	−7.5
28 **Total domestic plus foreign**	**733.1**	**654.9**	**489.4**	**606.6**	**653.0**	**643.9**	**649.0**	**528.8**	**454.8**	**717.6**	**658.8**	**780.8**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**213.7**	**193.5**	**150.4**	**216.4**	**239.1**	**211.6**	**304.1**	**174.8**	**146.1**	**131.6**	**386.1**	**292.8**
By instrument												
30 U.S. government-related	149.5	167.4	145.7	155.8	157.2	195.2	169.3	131.8	165.8	62.7	273.7	126.4
31 Government-sponsored enterprises securities	25.2	17.1	9.2	40.3	80.6	48.3	67.7	33.6	32.2	68.8	167.8	53.4
32 Mortgage pool securities	124.3	150.3	136.6	115.6	76.6	146.9	101.6	98.4	133.5	−6.1	105.9	73.0
33 Loans from U.S. government	.0	−.1	.0	.0	.0	.0	.0	−.1	.0	.0	.0	.0
34 Private	64.2	26.1	4.6	60.6	82.0	16.3	134.8	42.9	−19.6	68.9	112.4	166.3
35 Corporate bonds	37.3	40.8	56.8	65.3	69.0	64.4	81.2	79.4	55.3	55.8	97.7	67.1
36 Mortgages	.5	.4	.8	.0	3.9	.1	.4	.0	.9	2.7	6.2	5.7
37 Bank loans n.e.c.	6.0	1.1	17.1	−4.8	−7.9	−39.1	17.5	−19.8	−21.2	−5.9	−14.0	9.4
38 Open market paper	31.3	8.6	−32.0	−.7	−6.2	−14.8	17.5	−6.5	−73.1	−17.3	−9.7	75.5
39 Loans from Federal Home Loan Banks	−11.0	−24.7	−38.0	.8	23.3	5.8	18.1	−10.1	18.6	33.5	32.3	8.6
By borrowing sector												
40 Government sponsored enterprises	25.2	17.0	9.1	40.2	80.6	48.3	67.7	33.5	32.2	68.8	167.8	53.4
41 Federally related mortgage pools	124.3	150.3	136.6	115.6	76.6	146.9	101.6	98.4	133.5	−6.1	105.9	73.0
42 Private	64.2	26.1	4.6	60.6	82.0	16.3	134.8	42.9	−19.6	68.9	112.4	166.3
43 Commercial banks	−1.4	−.7	−11.7	8.8	5.7	5.5	12.1	14.5	5.4	10.1	6.2	.9
44 Bank holding companies	6.2	−27.7	−2.5	2.3	7.1	−9.2	6.6	.8	21.1	1.3	−2.1	7.9
45 Funding corporations	13.8	12.5	−13.6	1.6	−10.6	29.2	−7.7	−31.1	−51.9	8.2	−13.2	14.3
46 Savings institutions	−15.1	−30.2	−44.5	−6.7	11.2	−5.4	11.2	−14.4	7.9	17.7	18.4	.7
47 Credit unions	.0	.0	.0	.0	.2	.0	.0	.1	.0	.3	.3	.1
48 Life insurance companies	.0	.0	.0	.0	.2	.0	.2	−.2	.1	.6	−.1	.4
49 Finance companies	27.4	24.0	18.6	−3.6	−5.0	−20.1	21.2	19.9	−33.1	−38.6	16.0	35.8
50 Mortgage companies	3.0	−4.0	5.7	.1	6.0	−35.3	14.4	−6.4	−10.4	15.9	2.4	16.0
51 Real estate investment trusts (REITs)	1.3	1.0	1.6	.1	3.3	1.3	2.3	−5.1	−1.4	2.5	6.1	6.1
52 Issuers of asset-backed securities (ABSs)	28.9	51.1	51.0	58.0	64.0	50.3	74.3	64.8	42.6	50.8	78.4	84.2

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Transaction category or sector	1989	1990	1991	1992	1993	1992 Q2	1992 Q3	1992 Q4	1993 Q1	1993 Q2	1993 Q3	1993 Q4
	All sectors											
53 **Total net borrowing, all sectors**	**946.8**	**848.4**	**639.8**	**822.9**	**892.1**	**855.5**	**953.1**	**703.6**	**600.9**	**849.2**	**1,044.9**	**1,073.5**
54 U.S. government securities	295.8	414.4	424.0	459.8	413.3	548.1	468.5	372.0	395.3	410.9	450.9	396.0
55 Tax-exempt securities	65.3	57.3	69.6	65.7	59.4	76.6	75.8	42.4	62.4	67.2	48.3	59.9
56 Corporate and foreign bonds	116.0	109.2	149.6	150.1	200.7	164.1	163.3	155.6	212.9	170.2	249.4	170.5
57 Mortgages	269.6	189.1	165.8	120.8	176.0	69.7	135.3	93.9	102.2	137.1	207.7	257.1
58 Consumer credit	49.5	13.4	−13.1	9.3	49.0	−14.7	13.5	48.3	19.2	22.9	60.7	93.3
59 Bank loans n.e.c.	42.3	2.4	−26.6	−8.1	−2.7	2.8	−2.5	−8.8	−59.3	32.3	−5.8	22.1
60 Open market paper	65.9	30.7	−44.0	13.1	−5.1	10.3	39.9	6.8	−121.9	15.7	12.5	73.2
61 Other loans	42.4	31.8	−85.6	12.2	1.4	−1.3	59.3	−6.6	−9.9	−7.2	21.2	1.5
	Funds raised through mutual funds and corporate equities											
62 **Total net share issues**	**−59.6**	**22.2**	**210.6**	**284.0**	**432.4**	**264.1**	**297.7**	**300.3**	**300.7**	**470.7**	**502.1**	**456.0**
63 Mutual funds	38.5	67.9	150.5	206.7	310.7	199.5	235.2	217.7	240.9	357.5	337.6	306.9
64 Corporate equities	−98.1	−45.7	60.1	77.3	121.6	64.5	62.5	82.6	59.7	113.2	164.5	149.1
65 Nonfinancial corporations	−124.2	−63.0	18.3	27.0	23.0	36.0	12.0	14.0	9.0	25.0	30.0	28.0
66 Financial corporations	8.8	9.9	11.2	19.6	33.1	17.4	15.7	21.1	18.8	34.2	37.1	42.5
67 Foreign shares purchased in United States	17.2	7.4	30.7	30.6	65.5	11.2	34.8	47.5	31.9	54.0	97.5	78.7

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.5. For ordering address, see inside front cover.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

Billions of dollars except as noted; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1988	1989	1990	1991	1992	1992			1993			
						Q2	Q3	Q4	Q1	Q2	Q3	Q4
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**998.8**	**946.8**	**848.4**	**639.8**	**822.9**	**855.5**	**953.1**	**703.6**	**600.9**	**849.2**	**1,044.9**	**1,073.5**
2 Private domestic nonfinancial sectors	196.1	122.6	162.8	−16.1	65.3	145.6	−105.4	87.0	−93.1	−95.8	−126.2	−14.2
3 Households	170.3	78.6	140.1	−49.7	37.0	99.8	−135.7	66.6	−88.6	−91.9	−139.6	−18.5
4 Nonfarm noncorporate business	3.1	−.7	−1.7	−4.2	−2.4	−2.7	−2.0	−1.0	−3.7	−3.0	−2.2	−1.0
5 Nonfinancial corporate business	5.7	13.6	−5.3	4.3	36.3	36.8	46.5	36.9	−12.6	6.7	40.1	10.0
6 State and local governments	17.1	31.1	29.6	33.5	−5.7	11.7	−14.1	−15.5	11.8	−7.5	−24.6	−4.7
7 U.S. government	−10.6	−3.1	33.7	10.5	−12.0	−23.0	−26.7	−13.3	−24.7	−27.8	−15.2	−11.3
8 Foreign	108.6	84.4	82.1	25.6	100.8	140.8	78.1	87.8	73.2	92.6	140.8	220.8
9 Financial sectors	704.8	742.9	569.9	619.8	668.8	592.1	1,006.9	542.1	645.6	880.1	1,045.5	878.2
10 Government sponsored enterprises	33.2	−4.1	16.4	14.2	69.0	38.6	73.0	71.7	14.6	134.1	157.7	59.7
11 Federally related mortgage pools	74.9	124.3	150.3	136.6	115.6	146.9	101.6	98.4	133.5	−6.1	105.9	73.0
12 Monetary authority	10.5	−7.3	8.1	31.1	27.9	19.0	15.7	48.3	44.5	32.6	28.2	39.5
13 Commercial banking	156.5	177.2	125.1	84.3	94.8	72.7	148.0	73.3	86.4	153.4	131.9	201.1
14 U.S. commercial banks	126.4	146.1	94.9	39.2	69.8	13.3	123.5	66.0	100.4	142.0	147.0	219.2
15 Foreign banking offices	29.4	26.7	28.4	48.5	16.5	56.7	5.2	4.8	−12.5	−.7	−17.2	−14.5
16 Bank holding companies	−.1	2.8	−2.8	−1.5	5.6	−.4	16.4	−.6	−4.3	9.5	−.4	−5.8
17 Banks in U.S. affiliated areas	.8	1.6	4.5	−1.9	2.9	3.2	3.0	3.0	2.9	2.6	2.5	2.3
18 Private nonbank finance	429.7	452.9	270.0	353.7	361.6	314.9	668.6	250.4	366.5	566.0	621.8	504.9
19 Thrift institutions	114.8	−86.6	−153.3	−123.0	−59.5	−75.7	−42.6	−15.0	−33.3	−5.2	12.2	−.1
20 Insurance	199.0	257.4	181.6	234.3	177.9	190.4	261.4	161.6	257.0	172.9	261.6	115.9
21 Life insurance companies	104.0	101.8	94.4	83.2	82.4	66.9	85.1	103.7	122.1	108.0	117.1	125.3
22 Other insurance companies	29.2	29.7	26.5	32.3	12.7	16.4	−2.8	8.3	8.9	10.6	8.6	9.7
23 Private pension funds	29.2	81.1	17.2	85.3	37.3	74.1	99.9	8.4	118.0	11.1	91.9	−62.1
24 State and local government retirement funds	36.6	44.7	43.5	33.5	45.5	33.0	79.2	41.2	8.0	43.2	44.0	42.9
25 Finance n.e.c.	115.9	282.2	241.7	242.3	243.2	200.2	449.7	103.8	142.8	398.3	347.9	389.0
26 Finance companies	38.1	32.0	28.4	−12.1	1.7	−16.0	4.0	24.0	−34.0	−22.8	8.1	27.2
27 Mortgage companies	−7.4	6.1	−8.0	11.4	.1	−38.5	28.9	−12.8	−20.8	31.7	−1.9	23.0
28 Mutual funds	11.9	23.8	41.4	90.3	123.7	123.7	156.9	119.2	130.2	193.4	168.4	160.7
29 Closed-end funds	19.8	6.3	.0	15.2	12.3	9.4	8.7	13.1	8.9	13.0	11.0	12.7
30 Money market funds	10.7	67.1	80.9	30.1	1.3	3.8	8.5	−26.1	−65.0	51.5	11.5	48.8
31 Real estate investment trusts (REITs)	.9	.5	−.7	−1.0	.4	2.6	−.3	−.1	2.9	.8	1.0	1.7
32 Brokers and dealers	−8.2	96.3	34.9	49.0	40.2	73.0	180.3	−90.2	79.5	66.7	69.0	4.9
33 Asset-backed securities issuers (ABSs)	35.9	27.7	49.9	49.0	55.5	50.5	72.0	59.2	42.1	49.7	81.3	87.9
34 Bank personal trusts	14.3	22.4	14.8	10.4	8.0	−8.4	−9.3	17.3	−.9	14.4	−.5	22.2
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
35 **Net flows through credit markets**	**998.8**	**946.8**	**848.4**	**639.8**	**822.9**	**855.5**	**953.1**	**703.6**	**600.9**	**849.2**	**1,044.9**	**1,073.5**
Other financial sources												
36 Official foreign exchange	4.0	24.8	2.0	−5.9	−1.6	−6.5	−8.5	5.1	3.4	−4.0	1.7	−3.4
37 Treasury currency and special drawing rights certificates	.5	4.1	2.5	.0	−1.8	.3	.2	−7.7	.3	.4	.4	.7
38 Life insurance reserves	25.3	28.8	25.7	25.7	27.3	15.6	41.5	26.3	53.6	39.5	59.5	69.6
39 Pension fund reserves	140.1	309.7	158.1	358.8	227.8	208.0	291.7	267.0	325.2	223.0	296.1	123.3
40 Interbank claims	2.9	−16.5	34.2	−3.7	48.1	36.9	79.8	50.0	19.8	49.5	−19.8	46.2
41 Deposits at financial institutions	278.6	284.8	98.1	48.2	9.3	6.3	174.1	−142.7	−.4	219.6	−5.3	134.0
42 Checkable deposits and currency	43.2	6.1	44.2	75.8	122.8	110.8	200.4	93.5	25.0	232.2	96.3	126.1
43 Small time and savings deposits	121.6	100.4	59.0	16.7	−60.8	−81.8	−83.6	−37.8	−155.9	−57.3	−72.6	−36.2
44 Large time deposits	53.1	13.9	−65.7	−60.8	−80.0	−109.9	−52.9	−84.2	1.9	−17.5	−57.3	9.6
45 Money market fund shares	21.9	90.1	70.3	41.2	3.9	26.7	−22.4	−32.9	−37.7	66.5	−15.8	49.3
46 Security repurchase agreements	23.7	77.8	−24.2	−16.5	33.6	103.7	89.6	−67.1	180.3	17.6	78.7	−2.9
47 Foreign deposits	15.2	−3.6	14.6	−8.2	−10.2	−43.2	43.0	−14.2	−13.9	−21.9	−34.6	−12.0
48 Mutual fund shares	6.1	38.5	67.9	150.5	206.7	199.5	235.2	217.7	240.9	357.5	337.6	306.9
49 Corporate equities	−104.7	−98.1	−45.7	60.1	77.3	64.5	62.5	82.6	59.7	113.2	164.5	149.1
50 Security credit	3.0	15.6	3.5	51.4	4.2	−4.9	82.8	5.5	39.7	38.3	77.2	80.7
51 Trade debt	89.6	59.4	32.1	−2.2	54.9	54.7	54.0	33.0	26.9	37.4	47.8	54.6
52 Taxes payable	5.3	2.0	−4.5	−8.5	7.9	6.2	6.7	10.3	7.6	2.2	4.2	5.2
53 Noncorporate proprietors' equity	−24.0	−31.1	−35.5	−12.5	−5.7	15.9	−27.5	10.5	−12.5	−21.0	−6.7	−59.4
54 Investment in bank personal trusts	7.2	23.1	21.5	29.8	−7.5	20.2	−55.4	−35.2	−10.1	35.8	−23.0	40.8
55 Miscellaneous	199.2	292.1	98.2	169.9	195.7	273.5	202.6	211.8	213.4	385.1	93.5	341.9
56 **Total financial sources**	**1,632.0**	**1,883.8**	**1,306.5**	**1,501.3**	**1,665.5**	**1,745.8**	**2,092.8**	**1,437.9**	**1,568.5**	**2,325.7**	**2,072.7**	**2,363.5**
Floats not included in assets (−)												
57 U.S. government checkable deposits	1.6	8.4	3.3	−13.1	.7	−9.5	4.4	−3.6	.1	6.2	−6.4	−7.7
58 Other checkable deposits	.8	−3.2	2.5	2.0	1.6	2.0	−11.7	2.3	−1.8	−1.4	−5.6	−6.3
59 Trade credit	−6.2	−1.9	2.5	8.1	18.5	9.5	40.2	1.2	−20.1	5.1	10.4	−.1
Liabilities not identified as assets (−)												
60 Treasury currency	−.1	−.2	.2	−.6	−.2	−.2	−.2	−.1	−.2	−.2	−.2	−.2
61 Interbank claims	−3.0	−4.4	1.6	26.2	−4.9	−18.2	−7.8	−1.7	11.4	−5.7	−16.5	27.6
62 Security repurchase agreements	−29.6	32.4	−31.5	5.2	31.1	84.1	43.5	23.4	155.2	16.5	67.7	46.8
63 Taxes payable	6.3	2.3	.5	.4	6.9	7.1	24.1	4.0	−13.2	14.1	8.3	−6.0
64 Miscellaneous	47.3	−77.8	−23.6	−32.1	−21.1	−65.9	1.2	49.3	−7.8	−36.1	−34.9	9.0
65 **Total identified to sectors as assets**	**1,614.8**	**1,928.2**	**1,351.0**	**1,505.2**	**1,632.8**	**1,736.9**	**1,999.2**	**1,363.1**	**1,444.9**	**2,327.3**	**2,049.9**	**2,300.4**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.6 and F.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

Transaction category or sector	1989	1990	1991	1992	1992 Q2	1992 Q3	1992 Q4	1993 Q1	1993 Q2	1993 Q3	1993 Q4
	Nonfinancial sectors										
1 Total credit market debt owed by domestic nonfinancial sectors	**10,054.3**	**10,692.0**	**11,160.6**	**11,747.2**	**11,427.2**	**11,580.6**	**11,747.2**	**11,824.7**	**11,983.4**	**12,128.9**	**12,354.4**
By lending sector and instrument											
2 U.S. government	2,251.2	2,498.1	2,776.4	3,080.3	2,923.3	2,998.9	3,080.3	3,140.2	3,201.2	3,247.3	3,336.5
3 Treasury securities	2,227.0	2,465.8	2,757.8	3,061.6	2,907.4	2,980.7	3,061.6	3,120.6	3,180.6	3,222.6	3,309.9
4 Budget agency issues and mortgages	24.2	32.4	18.6	18.8	15.9	18.1	18.8	19.6	20.6	24.7	26.6
5 Private	7,803.1	8,193.9	8,384.3	8,666.9	8,503.9	8,581.7	8,666.9	8,684.5	8,782.1	8,881.7	9,018.0
By instrument											
6 Tax-exempt obligations	1,004.7	1,062.1	1,131.6	1,197.3	1,163.7	1,186.4	1,197.3	1,210.0	1,225.7	1,241.8	1,256.8
7 Corporate bonds	961.1	1,008.2	1,086.9	1,154.4	1,125.5	1,140.9	1,154.4	1,174.9	1,192.9	1,209.9	1,225.7
8 Mortgages	3,512.8	3,715.4	3,880.4	4,001.6	3,941.3	3,979.4	4,001.6	4,017.9	4,057.6	4,112.2	4,173.7
9 Home mortgages	2,380.5	2,580.6	2,746.6	2,922.7	2,825.6	2,880.8	2,922.7	2,944.1	2,993.8	3,054.7	3,115.4
10 Multifamily residential	304.3	305.5	303.0	291.9	301.7	298.9	291.9	290.7	287.6	286.6	287.5
11 Commercial	747.6	750.8	751.7	706.5	733.8	719.4	706.5	702.0	694.8	689.8	690.0
12 Farm	80.5	78.4	79.1	80.4	80.2	80.3	80.4	81.1	81.4	81.0	80.8
13 Consumer credit	799.5	813.0	799.9	809.2	776.9	784.5	809.2	793.7	802.3	821.7	858.3
14 Bank loans n.e.c.	750.8	747.8	701.0	695.6	694.0	686.2	695.6	683.0	691.8	691.6	700.3
15 Commercial paper	107.1	116.9	98.5	107.1	112.0	108.2	107.1	113.9	124.0	123.2	117.8
16 Other loans	667.0	730.6	685.9	701.6	690.5	696.1	701.6	691.1	687.7	681.2	685.4
By borrowing sector											
17 Household	3,371.4	3,594.8	3,762.7	3,978.0	3,837.3	3,900.1	3,978.0	3,980.6	4,044.6	4,132.7	4,229.2
18 Nonfinancial business	3,615.7	3,728.5	3,688.7	3,696.7	3,705.6	3,698.6	3,696.7	3,696.7	3,714.2	3,708.5	3,731.9
19 Farm	134.4	134.9	134.8	136.0	136.8	137.6	136.0	133.7	137.1	138.5	138.0
20 Nonfarm noncorporate	1,199.6	1,219.0	1,192.3	1,154.5	1,177.3	1,165.1	1,154.5	1,145.3	1,139.3	1,130.8	1,135.2
21 Corporate	2,281.7	2,374.6	2,361.6	2,406.1	2,391.5	2,395.8	2,406.1	2,417.8	2,437.8	2,439.2	2,458.7
22 State and local government	816.1	870.5	932.8	992.2	961.0	983.1	992.2	1,007.2	1,023.4	1,040.5	1,056.9
23 Foreign credit market debt held in United States	**261.2**	**285.1**	**298.9**	**313.8**	**304.7**	**312.9**	**313.8**	**324.8**	**336.5**	**355.6**	**360.3**
24 Bonds	94.1	115.4	129.5	146.9	136.2	141.3	146.9	165.8	176.4	197.3	207.4
25 Bank loans n.e.c.	21.4	18.5	21.6	23.9	25.5	26.5	23.9	24.3	25.9	26.2	24.4
26 Commercial paper	63.0	75.3	81.8	77.7	77.4	80.7	77.7	72.3	72.1	71.7	68.7
27 U.S. government and other loans	82.7	75.8	66.0	65.4	65.6	64.4	65.4	62.5	62.0	60.4	59.8
28 Total credit market debt owed by nonfinancial sectors, domestic and foreign	**10,315.5**	**10,977.1**	**11,459.5**	**12,061.0**	**11,732.0**	**11,893.5**	**12,061.0**	**12,149.5**	**12,319.8**	**12,484.5**	**12,714.8**
	Financial sectors										
29 Total credit market debt owed by financial sectors	**2,362.7**	**2,559.4**	**2,709.7**	**2,941.7**	**2,815.2**	**2,889.3**	**2,941.7**	**2,974.3**	**3,010.3**	**3,104.7**	**3,186.2**
By instrument											
30 U.S. government-related	1,247.8	1,418.4	1,564.2	1,720.0	1,641.6	1,683.5	1,720.0	1,755.8	1,774.5	1,842.2	1,877.1
31 Government-sponsored enterprises securities	373.3	393.7	402.9	443.1	417.8	434.7	443.1	451.2	468.4	510.3	523.7
32 Mortgage pool securities	869.5	1,019.9	1,156.5	1,272.0	1,219.0	1,244.0	1,272.0	1,299.8	1,301.3	1,327.1	1,348.6
33 Loans from U.S. government	5.0	4.9	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8
34 Private	1,114.8	1,140.9	1,145.6	1,221.7	1,173.6	1,205.8	1,221.7	1,218.5	1,235.8	1,262.5	1,309.1
35 Corporate bonds	509.1	549.9	606.6	678.2	638.0	658.3	678.2	692.0	706.0	730.4	747.2
36 Mortgages	4.0	4.3	5.1	5.1	5.0	5.1	5.1	5.4	6.0	7.6	9.0
37 Bank loans n.e.c.	50.9	52.0	69.1	64.2	63.1	67.5	64.2	56.9	55.8	52.4	56.3
38 Open market paper	409.1	417.7	385.7	394.3	390.5	394.6	394.3	379.2	375.9	373.2	393.5
39 Loans from Federal Home Loan Banks	141.8	117.1	79.1	79.9	76.9	80.2	79.9	85.0	92.1	98.9	103.1
By borrowing sector											
40 Government-sponsored enterprises	378.3	398.5	407.7	447.9	422.6	439.5	447.9	456.0	473.2	515.1	528.5
41 Federally related mortgage pools	869.5	1,019.9	1,156.5	1,272.0	1,219.0	1,244.0	1,272.0	1,299.8	1,301.3	1,327.1	1,348.6
42 Private financial sectors	1,114.8	1,140.9	1,145.6	1,221.7	1,173.6	1,205.8	1,221.7	1,218.5	1,235.8	1,262.5	1,309.1
43 Commercial banks	77.4	76.7	65.0	73.8	66.2	69.0	73.8	73.1	76.6	77.9	79.5
44 Bank holding companies	142.5	114.8	112.3	114.6	112.7	114.4	114.6	119.9	120.2	119.7	121.6
45 Funding corporations	125.4	137.9	124.3	135.2	144.9	143.0	135.2	127.6	129.7	126.4	130.0
46 Savings institutions	169.2	139.1	94.6	87.8	87.6	89.2	87.8	90.3	93.4	96.8	99.0
47 Credit unions	.0	.0	.0	.0	.0	.0	.0	.0	.1	.2	.2
48 Life insurance companies	.0	.0	.0	.0	.0	.0	.0	.0	.2	.1	.2
49 Finance companies	350.4	374.4	393.0	389.4	377.4	382.7	389.4	379.1	369.8	373.9	384.4
50 Mortgage companies	11.3	7.3	13.0	13.0	11.0	14.6	13.0	10.4	14.4	15.0	19.0
51 Real estate investment trusts (REITs)	11.4	12.4	14.0	14.1	14.8	15.3	14.1	13.7	14.4	15.9	17.4
52 Issuers of asset-backed securities (ABSs)	227.3	278.3	329.4	393.7	358.9	377.5	393.7	404.3	417.1	436.7	457.7
	All sectors										
53 Total credit market debt, domestic and foreign	**12,678.2**	**13,536.5**	**14,169.3**	**15,002.7**	**14,547.1**	**14,782.8**	**15,002.7**	**15,123.8**	**15,330.1**	**15,589.3**	**15,900.9**
54 U.S. government securities	3,494.1	3,911.7	4,335.7	4,795.5	4,560.1	4,677.6	4,795.5	4,891.2	4,970.9	5,084.7	5,208.8
55 Tax-exempt securities	1,004.7	1,062.1	1,131.6	1,197.3	1,163.7	1,186.4	1,197.3	1,210.0	1,225.7	1,241.8	1,256.8
56 Corporate and foreign bonds	1,564.3	1,673.5	1,823.1	1,979.5	1,899.8	1,940.6	1,979.5	2,032.7	2,075.3	2,137.6	2,180.2
57 Mortgages	3,516.8	3,719.7	3,885.5	4,006.7	3,946.3	3,984.5	4,006.7	4,023.3	4,063.7	4,119.7	4,182.7
58 Consumer credit	799.5	813.0	799.9	809.2	776.9	784.5	809.2	793.7	802.3	821.7	858.3
59 Bank loans n.e.c.	823.0	818.3	791.7	783.7	782.7	780.2	783.7	764.3	773.5	770.2	781.1
60 Open market paper	579.2	609.9	565.9	579.0	579.9	583.6	579.0	565.4	572.0	568.2	580.0
61 Other loans	896.5	928.4	835.8	851.7	837.7	845.5	851.7	843.4	846.7	845.3	853.1

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

Transaction category or sector	1989	1990	1991	1992	1992 Q2	1992 Q3	1992 Q4	1993 Q1	1993 Q2	1993 Q3	1993 Q4
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**12,678.2**	**13,536.5**	**14,169.3**	**15,002.7**	**14,547.1**	**14,782.8**	**15,002.7**	**15,123.8**	**15,330.1**	**15,589.3**	**15,900.9**
2 Private domestic nonfinancial sectors	2,096.4	2,246.8	2,205.8	2,288.3	2,231.4	2,209.1	2,288.3	2,257.0	2,215.3	2,187.7	2,226.4
3 Households	1,326.8	1,454.6	1,380.0	1,434.2	1,392.5	1,369.4	1,434.2	1,412.7	1,365.9	1,341.7	1,370.0
4 Nonfarm noncorporate business	56.5	54.9	50.7	48.3	48.7	48.1	48.3	47.0	46.3	45.6	45.8
5 Nonfinancial corporate business	181.2	175.8	180.1	216.4	192.6	199.5	216.4	205.9	211.7	217.1	227.5
6 State and local governments	531.9	561.5	595.1	589.4	597.5	592.1	589.4	591.5	591.4	583.4	583.1
7 U.S. government	205.4	239.1	247.0	235.0	246.3	239.2	235.0	229.2	223.2	218.9	215.3
8 Foreign	778.7	897.5	936.2	1,031.6	995.9	1,015.5	1,031.6	1,041.3	1,064.5	1,099.7	1,154.9
9 Financial sectors	9,597.7	10,153.1	10,780.3	11,447.8	11,073.5	11,319.0	11,447.8	11,596.2	11,827.1	12,083.0	12,304.3
10 Government-sponsored enterprises	355.4	371.8	397.7	466.7	429.0	446.3	466.7	464.1	496.7	535.1	552.4
11 Federally related mortgage pools	869.5	1,019.9	1,156.5	1,272.0	1,219.0	1,244.0	1,272.0	1,299.8	1,301.3	1,327.1	1,348.6
12 Monetary authority	233.3	241.4	272.5	300.4	282.6	285.2	300.4	303.6	318.2	324.2	336.7
13 Commercial banking	2,647.4	2,772.5	2,856.8	2,951.6	2,887.6	2,928.2	2,951.6	2,960.9	3,003.2	3,040.2	3,094.8
14 U.S. commercial banks	2,371.9	2,466.7	2,506.0	2,575.7	2,525.2	2,560.0	2,575.7	2,594.6	2,633.8	2,674.7	2,727.9
15 Foreign banking offices	242.3	270.8	319.2	335.8	328.2	328.9	335.8	326.7	327.1	322.3	324.5
16 Bank holding companies	16.2	13.4	11.9	17.5	13.1	17.5	17.5	16.4	18.4	18.6	17.3
17 Banks in U.S. affiliated areas	17.1	21.6	19.7	22.5	21.0	21.8	22.5	23.3	23.9	24.5	25.1
18 Private nonbank finance	5,491.9	5,747.4	6,096.7	6,457.1	6,255.4	6,415.3	6,457.1	6,567.7	6,707.8	6,856.4	6,971.9
19 Thrift institutions	1,475.4	1,324.6	1,197.3	1,140.9	1,153.8	1,144.9	1,140.9	1,130.0	1,129.8	1,134.4	1,134.4
20 Insurance	2,320.7	2,473.7	2,708.0	2,874.9	2,789.3	2,854.5	2,874.9	2,943.9	2,992.3	3,057.5	3,076.7
21 Life insurance companies	1,022.0	1,116.5	1,199.6	1,282.0	1,243.6	1,264.7	1,282.0	1,317.3	1,349.5	1,378.6	1,400.1
22 Other insurance companies	317.5	344.0	376.3	389.0	387.6	386.9	389.0	391.2	393.8	396.0	398.4
23 Private pension funds	590.2	607.4	692.7	719.0	703.3	728.2	719.0	748.5	751.3	774.3	758.7
24 State and local government retirement funds	390.9	405.9	439.4	484.9	454.8	474.6	484.9	486.9	497.7	508.7	519.5
25 Finance n.e.c.	1,695.9	1,949.1	2,191.5	2,441.2	2,312.3	2,415.9	2,441.2	2,493.8	2,585.7	2,664.4	2,760.8
26 Finance companies	468.6	497.0	484.9	486.6	480.5	477.8	486.6	473.7	473.5	472.0	481.3
27 Mortgage companies	22.6	14.6	25.9	26.1	22.1	29.3	26.1	20.9	28.8	28.3	34.1
28 Mutual funds	307.2	360.2	450.5	574.2	510.2	550.2	574.2	611.4	659.9	703.6	737.4
29 Closed-end funds	37.1	37.1	52.4	64.6	59.2	61.3	64.6	66.9	70.1	72.8	76.0
30 Money market funds	291.8	372.7	402.7	404.1	412.0	408.2	404.1	404.5	403.9	400.6	415.8
31 Real estate investment trusts (REITs)	8.4	7.7	6.8	7.4	7.5	7.4	7.4	8.1	8.3	8.6	9.0
32 Brokers and dealers	142.9	177.9	226.9	267.1	244.6	289.6	267.1	287.0	303.6	320.9	322.1
33 Asset-backed securities issuers (ABSs)	219.3	269.1	318.1	379.9	347.1	365.1	379.9	390.4	402.8	423.1	445.1
34 Bank personal trusts	198.0	212.9	223.3	231.2	229.2	226.9	231.2	231.0	234.6	234.5	240.0
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
35 **Total credit market debt**	**12,678.2**	**13,536.5**	**14,169.3**	**15,002.7**	**14,547.1**	**14,782.8**	**15,002.7**	**15,123.8**	**15,330.1**	**15,589.3**	**15,900.9**
Other liabilities											
36 Official foreign exchange	53.6	61.3	55.4	51.8	54.4	55.4	51.8	54.5	53.9	55.6	53.4
37 Treasury currency and special drawing rights certificates	23.8	26.3	26.3	24.5	26.4	26.5	24.5	24.6	24.7	24.8	25.0
38 Life insurance reserves	354.3	380.0	405.7	433.0	416.0	426.4	433.0	446.4	456.2	471.1	488.5
39 Pension fund reserves	3,356.1	3,400.3	4,056.5	4,357.8	4,115.0	4,250.0	4,357.8	4,492.2	4,555.3	4,701.7	4,775.9
40 Interbank claims	32.4	64.0	65.2	113.1	68.5	100.7	113.1	109.5	116.8	127.7	136.8
41 Deposits at financial institutions	4,736.7	4,836.8	4,885.2	4,892.1	4,870.6	4,909.3	4,892.1	4,887.8	4,930.0	4,926.1	4,979.8
42 *Checkable deposits and currency*	888.6	932.8	1,008.5	1,131.0	1,032.9	1,072.0	1,131.0	1,092.2	1,169.1	1,182.6	1,250.9
43 Small time and savings deposits	2,277.4	2,336.3	2,353.0	2,292.2	2,325.8	2,303.7	2,292.2	2,262.0	2,242.2	2,223.1	2,211.7
44 Large time deposits	603.4	537.7	476.9	397.2	427.5	418.4	397.2	398.3	389.9	379.7	381.3
45 Money market fund shares	428.1	498.4	539.6	543.6	556.9	552.9	543.6	556.6	549.8	547.9	559.1
46 Security repurchase agreements	396.5	372.3	355.8	389.4	393.5	417.6	389.4	443.5	448.4	470.9	457.9
47 Foreign deposits	142.8	159.4	151.3	138.8	133.9	144.6	138.8	135.3	130.5	121.9	118.9
48 Mutual fund shares	566.2	602.1	813.9	1,042.1	924.4	965.6	1,042.1	1,134.6	1,225.8	1,342.4	1,426.8
49 Security credit	133.9	137.4	188.9	217.3	193.3	214.5	217.3	225.1	234.7	254.5	276.3
50 Trade debt	904.2	936.4	926.7	978.1	945.5	965.1	978.1	975.8	984.5	1,002.8	1,020.9
51 Taxes payable	81.8	77.4	68.9	76.8	70.7	74.6	76.8	81.0	77.2	80.7	81.6
52 Investment in bank personal trusts	503.2	509.9	596.7	619.1	612.7	610.9	619.1	625.0	635.6	643.6	658.6
53 Miscellaneous	2,591.1	2,732.4	2,884.3	3,053.7	2,958.0	3,026.7	3,053.7	3,074.7	3,153.0	3,193.8	3,276.6
54 **Total liabilities**	**26,015.5**	**27,300.7**	**29,143.0**	**30,862.1**	**29,802.8**	**30,408.2**	**30,862.1**	**31,255.0**	**31,777.7**	**32,413.9**	**33,101.1**
Financial assets not included in liabilities (+)											
55 Gold and special drawing rights	21.0	22.0	22.3	19.6	22.7	23.2	19.6	19.8	20.0	20.3	20.1
56 Corporate equities	3,812.9	3,543.7	4,869.4	5,540.6	4,837.0	4,995.4	5,540.6	5,721.3	5,741.9	6,006.6	6,120.7
57 Household equity in noncorporate business	2,508.1	2,440.6	2,344.6	2,274.5	2,340.3	2,320.3	2,274.5	2,259.2	2,260.3	2,252.2	2,221.2
Floats not included in assets (−)											
58 U.S. government checkable deposits	6.1	15.0	3.8	6.8	1.4	4.0	6.8	3.4	3.5	2.2	5.7
59 Other checkable deposits	26.5	28.9	30.9	32.5	32.6	23.3	32.5	27.2	29.6	21.7	28.7
60 Trade credit	−148.6	−146.0	−144.1	−128.5	−155.6	−149.6	−128.5	−138.1	−148.1	−149.3	−128.6
Liabilities not identified as assets (−)											
61 Treasury currency	−4.3	4.1	−4.8	−4.9	−4.9	−4.9	−4.9	−5.0	−5.0	−5.1	−5.1
62 Interbank claims	−31.0	−32.0	−4.2	−9.3	−4.0	−5.0	−9.3	−5.6	−5.7	−7.8	−4.8
63 Security repurchase agreements	13.7	−17.7	12.5	18.6	19.6	33.1	18.6	71.8	79.5	101.6	90.2
64 Taxes payable	20.6	17.8	15.5	22.4	13.1	18.2	22.4	12.2	19.4	20.3	30.7
65 Miscellaneous	−210.7	−213.4	−254.6	−254.9	−285.0	−273.2	−254.9	−300.7	−294.5	−329.7	−345.3
66 **Total identified to sectors as assets**	**32,685.1**	**33,658.6**	**36,749.2**	**39,014.1**	**37,385.4**	**38,101.2**	**39,014.1**	**39,590.2**	**40,121.3**	**41,039.1**	**41,791.6**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.6 and L.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1987=100, except as noted

Measure	1991	1992	1993	1993						1994		
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.
1 **Industrial production**[1]	**104.1**	**106.5**	**110.9**	**111.1**	**111.3**	**111.9**	**112.8**	**114.0**	**114.6**	**115.1**	**115.7**	**116.0**
Market groupings												
2 Products, total	103.2	105.7	110.2	110.4	110.6	111.2	112.1	113.0	113.6	114.3	114.7	115.0
3 Final, total	105.3	108.0	112.7	112.7	113.1	113.8	114.6	115.4	116.2	117.4	117.7	117.9
4 Consumer goods	102.8	105.7	108.7	108.6	108.5	109.2	109.7	110.1	110.9	111.9	112.1	112.0
5 Equipment	108.9	111.2	118.5	118.6	119.8	120.4	121.8	123.1	123.9	125.3	125.9	126.5
6 Intermediate	96.8	99.0	102.6	103.3	103.0	103.5	104.3	105.4	105.7	105.1	105.3	106.1
7 Materials	105.4	107.7	111.9	112.1	112.2	112.8	113.9	115.5	116.0	116.2	117.2	117.4
Industry groupings												
8 Manufacturing	103.7	106.8	111.7	111.8	112.1	112.9	114.0	115.4	115.6	116.2	117.1	117.5
9 Capacity utilization, manufacturing (percent)[2]	77.8	78.6	80.6	80.3	80.4	80.8	81.5	82.3	82.2	82.5	82.9	83.0
10 Construction contracts[3]	89.7	97.7	99.8[r]	99.0	101.0	103.0	105.0	102.0	103.0	107.0	110.0	n.a.
11 Nonagricultural employment, total[4]	106.2	106.4	108.1	108.2	108.4	108.5	108.8	109.0	109.0	109.2	109.7	109.9
12 Goods-producing, total	96.6	94.9	93.1	92.8	92.8	93.0	93.2	93.3	93.3	93.3	93.7	94.0
13 Manufacturing, total	97.1	95.8	93.7	93.3	93.2	93.2	93.4	93.4	93.5	93.6	93.7	93.7
14 Manufacturing, production workers	96.0	94.5	93.7	93.2	93.2	93.3	93.6	93.7	94.0	94.2	94.4	94.5
15 Service-producing	109.4	110.5	112.8	113.1	113.4	113.5	113.7	114.0	113.9	114.3	114.8	115.0
16 Personal income, total	127.6	135.3	141.7	142.9	143.1	144.1	145.0	145.9	144.7	147.3	148.2	n.a.
17 Wages and salary disbursements	124.5	131.5	136.2	138.2	138.0	138.8	139.2	139.9	141.1	141.4	142.1	n.a.
18 Manufacturing	113.7	117.8	117.8	118.6	119.1	119.1	119.9	120.7	120.8	121.8	122.0	n.a.
19 Disposable personal income[5]	128.6	136.8	143.1	144.1	144.4	145.4	146.3	147.3	145.6	148.5	149.4	n.a.
20 Retail sales[6]	121.1	126.9	135.2	136.0	136.0	138.7	139.6	141.1	139.3	141.9	144.3	143.2
Prices[7]												
21 Consumer (1982–84=100)	136.2	140.3	144.5	144.8	145.1	145.7	145.8	145.8	146.2	146.7	147.2	147.4
22 Producer finished goods (1982=100)	121.7	123.2	124.7	124.2	123.8	124.6	124.5	124.1	124.4	124.8	125.0	125.0

1. A major revision of the industrial production index and the capacity utilization rates was released in April 1990. See "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.
2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.
3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F.W. Dodge Division.
4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.
5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.
6. Based on data from U.S. Department of Commerce, *Survey of Current Business*.
7. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

NOTE. Basic data (not indexes) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 can also be found in the *Survey of Current Business*.

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79, (June 1993), pp. 590–605.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted except as noted

Category	1991	1992	1993	1993					1994		
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	125,303	126,982	128,040	128,108	128,580	128,662	128,898	130,667	130,776	130,580	130,747
Employment											
2 Nonagricultural industries[3]	114,644	114,391	116,232	116,475	116,920	117,218	117,565	118,639	118,867	118,611	118,880
3 Agriculture	3,233	3,207	3,074	3,093	3,021	3,114	3,096	3,331	3,391	3,426	3,459
Unemployment											
4 Number	8,426	9,384	8,734	8,540	8,639	8,330	8,237	8,696	8,518	8,543	8,408
5 Rate (percent of civilian labor force)	6.7	7.4	6.8	6.7	6.7	6.5	6.4	6.7	6.5	6.5	6.4
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**108,256**	**108,519**	**110,171**	**110,502**	**110,664**	**110,880**	**111,110**	**111,079**	**111,357**	**111,821**	**112,088**
7 Manufacturing	18,455	18,192	17,804	17,698	17,709	17,735	17,738	17,769	17,783	17,796	17,799
8 Mining	689	631	599	596	596	595	605	602	599	597	594
9 Contract construction	4,650	4,471	4,571	4,592	4,629	4,664	4,665	4,653	4,650	4,732	4,796
10 Transportation and public utilities	5,762	5,709	5,710	5,692	5,693	5,700	5,697	5,708	5,719	5,732	5,665
11 Trade	25,365	25,391	25,849	25,953	25,968	25,982	26,082	26,079	26,153	26,242	26,338
12 Finance	6,646	6,571	6,605	6,616	6,632	6,651	6,660	6,656	6,666	6,679	6,688
13 Service	28,336	29,053	30,193	30,433	30,534	30,649	30,709	30,683	30,853	31,079	31,225
14 Government	18,402	18,653	18,841	18,922	18,903	18,904	18,954	18,929	18,934	18,964	18,983

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.
2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.
2. Includes self-employed, unpaid family, and domestic service workers.
3. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE. Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1993			1994	1993			1994	1993			1994
	Q2	Q3	Q4	Q1[r]	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1[r]
	Output (1987=100)				Capacity (percent of 1987 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**110.3**	**111.1**	**112.9**	**115.1**	**135.9**	**136.5**	**137.2**	**138.0**	**81.2**	**81.4**	**82.3**	**83.4**
2 Manufacturing	111.2	111.8	114.1	116.3	138.4	139.2	140.0	140.9	80.3	80.3	81.5	82.5
3 Primary processing[3]	107.0	107.7	109.9	110.6	127.9	128.3	128.6	129.0	83.6	83.9	85.5	85.7
4 Advanced processing[4]	113.2	113.8	116.1	119.0	143.4	144.4	145.4	146.6	78.9	78.8	79.9	81.2
5 Durable goods	113.2	114.2	118.1	121.2	144.5	145.4	146.3	147.6	78.4	78.5	80.7	82.2
6 Lumber and products	98.0	100.8	104.9	104.1	114.8	115.0	115.2	115.4	85.4	87.6	91.1	90.2
7 Primary metals	105.2	106.7	109.6	108.8	123.3	123.0	122.6	122.4	85.3	86.8	89.4	88.9
8 Iron and steel	109.7	112.3	115.6	113.1	127.4	126.9	126.3	126.0	86.1	88.6	91.5	89.7
9 Nonferrous	99.0	98.9	101.4	103.1	117.6	117.6	117.6	117.5	84.1	84.1	86.2	87.7
10 Nonelectrical machinery	141.7	147.2	152.7	158.6	173.1	175.7	178.2	181.7	81.8	83.8	85.7	87.3
11 Electrical machinery	125.9	129.7	132.6	136.7	153.8	155.7	157.7	160.3	81.9	83.2	84.1	85.3
12 Motor vehicles and parts	118.1	112.0	131.7	144.7	153.4	154.8	156.1	157.8	76.9	72.3	84.4	91.7
13 Aerospace and miscellaneous transportation equipment	90.3	87.4	85.2	82.4	133.7	133.2	132.8	132.2	67.6	65.6	64.2	62.4
14 Nondurable goods	108.7	108.9	109.2	110.3	131.0	131.6	132.1	132.7	83.0	82.8	82.6	83.1
15 Textile mill products	108.4	108.0	107.7	108.7	118.8	119.4	119.9	120.5	91.3	90.5	89.8	90.2
16 Paper and products	113.2	111.7	114.2	114.3	124.3	124.8	125.3	125.8	91.1	89.6	91.2	90.9
17 Chemicals and products	117.7	118.6	118.6	120.0	145.1	145.9	146.8	147.7	81.2	81.2	80.8	81.3
18 Plastics materials	112.8	111.5	114.4	. . .	130.1	131.1	132.0	. . .	86.7	85.1	86.6	. . .
19 Petroleum products	104.0	104.0	107.7	105.0	115.8	115.7	115.6	115.4	89.8	89.9	93.2	91.0
20 Mining	97.5	96.8	97.3	98.3	111.4	111.1	110.8	110.6	87.5	87.1	87.8	88.9
21 Utilities	114.1	117.5	115.6	119.4	133.6	134.0	134.3	134.7	85.4	87.8	86.1	88.7
22 Electric	114.8	118.0	114.8	117.6	130.8	131.2	131.7	132.2	87.7	89.9	87.2	89.0

Series	1973	1975	Previous cycle[5]		Latest cycle[6]		1993	1993		1994			
	High	Low	High	Low	High	Low	Apr.	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.[r]	Apr.[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**99.0**	**82.7**	**87.3**	**71.8**	**84.8**	**78.3**	**81.4**	**82.2**	**82.9**	**83.2**	**83.4**	**83.6**	**83.6**
2 Manufacturing	99.0	82.7	87.3	70.0	85.1	76.6	80.6	81.5	82.3	82.2	82.5	82.9	83.0
3 Primary processing[3]	99.0	82.7	89.7	66.8	89.1	77.9	83.6	85.5	86.4	85.9	85.3	85.9	86.3
4 Advanced processing[4]	99.0	82.7	86.3	71.4	83.3	76.1	79.3	79.8	80.6	80.7	81.3	81.6	81.6
5 Durable goods	99.0	82.7	86.9	65.0	83.9	73.8	78.7	80.6	81.9	81.9	82.2	82.4	82.4
6 Lumber and products	99.0	82.7	87.6	60.9	93.3	76.8	85.7	91.0	91.3	91.2	89.2	90.1	90.5
7 Primary metals	99.0	82.7	102.4	46.8	92.9	74.3	85.0	89.5	92.2	90.3	88.0	88.4	89.4
8 Iron and steel	99.0	82.7	110.4	38.3	95.7	72.3	85.3	90.6	94.5	91.9	88.6	88.7	89.5
9 Nonferrous	99.0	82.7	90.5	62.2	88.9	75.9	84.6	88.0	88.9	87.9	87.2	88.0	89.3
10 Nonelectrical machinery	99.0	82.7	92.1	64.9	83.7	73.0	81.3	85.3	87.0	86.7	87.0	88.1	88.6
11 Electrical machinery	99.0	82.7	89.4	71.1	84.9	76.8	82.0	83.7	84.8	84.7	85.2	86.0	86.8
12 Motor vehicles and parts	99.0	82.7	93.0	44.5	84.5	57.9	79.1	84.8	88.5	90.5	94.4	90.4	87.4
13 Aerospace and miscellaneous transportation equipment	99.0	82.7	81.1	66.9	88.3	78.1	68.6	64.5	63.7	63.0	61.9	62.2	62.2
14 Nondurable goods	99.0	82.7	87.0	76.9	86.8	80.4	83.1	82.6	82.9	82.7	82.9	83.6	83.7
15 Textile mill products	99.0	82.7	91.7	73.8	92.1	78.7	90.4	90.0	89.4	89.6	90.1	90.9	90.5
16 Paper and products	99.0	82.7	94.2	82.0	94.9	86.0	91.3	91.4	92.1	90.4	91.3	91.1	91.7
17 Chemicals and products	99.0	82.7	85.1	70.1	85.9	78.5	81.0	81.0	81.2	81.0	81.3	81.6	81.4
18 Plastics materials	99.0	82.7	90.9	63.4	97.0	75.5	87.2	85.2	90.3	87.3	88.2	. . .	. . .
19 Petroleum products	99.0	82.7	89.5	68.2	88.5	84.2	89.9	93.3	92.7	90.8	90.6	91.6	93.6
20 Mining	99.0	82.7	96.6	80.6	87.0	86.8	87.4	87.5	87.5	87.6	89.2	89.8	89.9
21 Utilities	99.0	82.7	88.3	76.2	92.6	83.4	85.8	86.4	86.2	90.6	88.8	86.6	86.0
22 Electric	99.0	82.7	88.3	78.7	94.8	87.4	87.8	87.5	87.6	90.2	89.3	87.4	87.0

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For ordering address, see inside front cover. For a detailed description of the series, see "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization Since 1987," *Federal Reserve Bulletin*, vol. 79, (June 1993), pp. 590–605.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper; industrial chemicals; petroleum refining; rubber and plastics; stone, clay, and glass; and primary and fabricated metals.

4. Advanced processing includes food, tobacco, apparel, furniture, printing, chemical products such as drugs and toiletries, leather and products, machinery, transportation equipment, instruments, miscellaneous manufacturing, and ordnance.

5. Monthly highs, 1978 through 1980; monthly lows, 1982.

6. Monthly highs, 1988–89; monthly lows, 1990–91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1987 proportion	1993 avg.	1993 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1994 Jan.[r]	Feb.[r]	Mar.[r]	Apr.[p]
			Index (1987 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**110.9**	**110.5**	**110.0**	**110.4**	**110.9**	**111.1**	**111.3**	**111.9**	**112.8**	**114.0**	**114.6**	**115.1**	**115.7**	**116.0**
2 Products	60.8	110.2	109.8	109.3	109.6	110.4	110.4	110.6	111.2	112.1	113.0	113.6	114.3	114.7	115.0
3 Final products	46.0	112.7	112.3	111.8	112.1	112.8	112.7	113.1	113.8	114.6	115.4	116.2	117.4	117.7	117.9
4 Consumer goods, total	26.0	108.7	108.6	107.8	108.1	108.9	108.6	108.5	109.2	109.7	110.1	110.9	111.9	112.1	112.0
5 Durable consumer goods	5.6	110.5	110.9	109.0	107.2	108.2	107.3	108.7	112.7	115.8	118.2	119.0	122.2	119.6	118.4
6 Automotive products	2.5	111.6	112.7	110.4	106.5	104.3	103.9	106.7	113.8	120.2	124.9	127.7	134.8	127.9	124.9
7 Autos and trucks	1.5	112.2	114.3	110.1	105.0	100.3	99.2	104.1	114.9	124.9	131.5	134.6	146.2	135.9	131.0
8 Autos, consumer	.9	86.1	90.2	86.5	83.5	78.2	71.8	75.4	85.2	95.4	98.8	102.0	110.6	105.7	100.8
9 Trucks, consumer	.6	157.3	155.9	150.9	142.3	138.6	146.7	153.9	166.4	176.0	188.0	191.0	207.9	188.2	183.3
10 Auto parts and allied goods	1.0	110.6	110.1	110.8	109.1	111.0	111.8	111.1	111.9	112.3	113.9	116.3	115.7	114.6	114.7
11 Other	3.1	109.5	109.3	107.8	107.7	111.6	110.2	110.4	111.8	112.0	112.2	111.3	111.2	112.3	112.7
12 Appliances, A/C, and TV	.8	122.9	123.1	116.6	115.5	130.6	124.9	126.4	130.4	130.7	130.5	123.7	123.2	126.0	128.8
13 Carpeting and furniture	.9	102.2	100.7	101.6	103.3	103.8	103.2	102.4	104.1	102.5	102.8	104.0	105.5	105.4	105.3
14 Miscellaneous home goods	1.4	106.7	106.9	106.7	106.1	105.8	106.4	106.4	106.3	107.5	108.0	109.1	108.0	109.0	108.3
15 Nondurable consumer goods	20.4	108.2	108.0	107.4	108.3	109.1	109.0	108.4	108.2	107.9	107.9	108.6	109.0	109.9	110.2
16 Foods and tobacco	9.1	106.1	105.9	105.9	106.2	107.0	107.0	105.9	105.9	105.2	105.8	106.1	106.9	108.8	108.3
17 Clothing	2.6	94.9	95.9	95.8	96.0	95.2	94.3	93.3	93.3	94.3	95.1	93.8	94.0	95.2	96.6
18 Chemical products	3.5	122.5	122.7	122.2	123.0	123.9	123.7	124.1	122.6	122.3	122.0	121.6	124.1	125.3	125.5
19 Paper products	2.5	103.2	103.8	103.7	104.7	103.7	103.1	103.2	104.0	103.3	102.6	102.6	102.4	102.7	104.4
20 Energy	2.7	113.7	110.8	107.6	111.1	114.8	115.8	115.3	114.6	115.2	113.1	119.7	116.7	114.4	114.4
21 Fuels	.7	106.6	104.9	104.9	104.7	104.0	103.8	108.0	111.3	110.6	108.6	105.1	104.3	106.8	108.5
22 Residential utilities	2.0	116.5	113.0	108.6	113.6	119.0	120.4	118.2	115.9	117.0	114.9	125.4	121.5	117.3	116.6
23 Equipment	20.0	118.5	117.7	117.7	118.0	118.5	118.6	119.8	120.4	121.8	123.1	123.9	125.3	125.9	126.5
24 Business equipment	13.9	134.6	133.1	133.5	133.9	134.6	134.8	136.3	137.7	139.7	141.8	142.9	145.1	146.0	146.7
25 Information processing and related	5.6	155.8	151.0	153.5	155.6	158.1	158.2	160.6	162.0	164.5	167.2	170.1	172.7	176.1	178.2
26 Office and computing	1.9	223.1	209.2	215.6	221.4	226.5	230.6	234.8	241.8	248.6	256.1	261.5	267.5	274.8	280.8
27 Industrial	4.0	112.2	112.3	111.8	112.4	113.6	113.3	113.2	112.5	113.0	114.8	114.0	114.5	115.4	115.8
28 Transit	2.5	136.7	141.2	138.2	133.0	127.5	126.2	129.8	136.1	141.5	142.8	145.2	150.5	144.5	141.7
29 Autos and trucks	1.2	134.5	136.2	133.1	127.2	118.9	119.6	126.5	139.6	150.5	154.9	161.0	172.3	161.1	156.1
30 Other	1.9	115.6	114.0	113.2	114.8	116.2	119.1	119.1	119.4	119.3	120.8	119.4	120.8	121.3	122.7
31 Defense and space equipment	5.4	74.8	76.9	75.6	74.9	74.6	74.0	73.7	72.7	72.5	71.5	71.0	69.7	69.5	69.6
32 Oil and gas well drilling	.6	82.5	75.2	78.2	81.2	83.5	87.0	89.7	86.5	82.9	82.3	82.4	87.4	88.6	89.6
33 Manufactured homes	.2	118.9	112.6	110.7	111.6	115.8	115.5	120.7	123.4	130.4	141.1	145.3	139.7	143.6	...
34 Intermediate products, total	14.7	102.6	102.2	101.7	101.8	102.9	103.3	103.0	103.5	104.3	105.4	105.7	105.1	105.3	106.1
35 Construction supplies	6.0	96.8	94.8	95.9	95.3	96.4	97.3	97.8	98.6	99.5	101.3	100.5	98.9	100.2	100.9
36 Business supplies	8.7	106.5	107.2	105.5	106.1	107.3	107.2	106.4	106.7	107.5	108.1	109.2	109.2	108.8	109.5
37 Materials	39.2	111.9	111.4	111.1	111.7	111.7	112.1	112.2	112.8	113.9	115.5	116.0	116.2	117.2	117.4
38 Durable goods materials	19.4	115.5	114.3	114.4	114.5	115.1	115.6	116.5	117.5	119.1	121.5	122.2	122.0	123.8	124.5
39 Durable consumer parts	4.2	113.9	112.5	111.7	111.0	110.3	111.4	112.6	116.0	120.4	125.7	126.7	125.9	127.3	126.1
40 Equipment parts	7.3	123.4	121.8	122.4	123.0	123.8	124.7	126.0	127.0	127.5	128.6	130.7	132.0	134.3	136.1
41 Other	7.9	109.7	109.0	109.1	109.0	110.1	109.9	110.4	110.3	111.6	113.6	113.2	112.0	113.5	114.2
42 Basic metal materials	2.8	112.5	111.5	112.1	112.0	112.0	111.2	111.7	112.9	114.7	117.6	116.2	113.3	113.7	115.0
43 Nondurable goods materials	9.0	113.8	113.5	113.7	114.3	113.7	114.6	113.6	114.1	115.3	116.6	115.4	116.1	117.0	116.7
44 Textile materials	1.2	104.2	103.9	104.7	104.9	105.5	106.1	103.1	104.0	103.7	102.1	103.2	104.3	106.2	105.4
45 Pulp and paper materials	1.9	113.7	115.9	114.2	115.7	112.4	111.5	112.7	113.2	115.2	115.2	114.0	116.0	117.5	117.1
46 Chemical materials	3.8	116.9	115.2	116.7	117.3	116.9	118.6	117.1	117.2	119.1	119.9	119.7	120.0	120.1	119.8
47 Other	2.1	113.8	113.7	112.8	112.6	113.8	114.9	114.1	115.1	114.9	120.2	115.6	115.4	116.9	117.0
48 Energy materials	10.9	103.7	104.1	102.9	104.4	103.6	103.7	103.1	103.0	103.1	103.2	104.8	105.5	105.0	104.8
49 Primary energy	7.2	99.1	100.8	101.0	100.7	98.0	98.0	98.4	98.2	97.6	97.5	97.3	100.2	99.9	100.1
50 Converted fuel materials	3.7	112.7	110.7	106.6	111.9	114.4	114.9	112.3	112.6	113.8	114.5	119.6	115.8	114.8	114.1
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.3	110.6	110.1	109.8	110.3	111.0	111.2	111.2	111.5	112.2	113.2	113.7	113.9	114.8	115.3
52 Total excluding motor vehicles and parts	95.3	110.4	109.9	109.6	110.2	110.9	111.1	111.1	111.3	111.8	112.7	113.2	113.4	114.3	114.8
53 Total excluding office and computing machines	97.5	108.2	108.1	107.5	107.8	108.1	108.2	108.3	108.8	109.6	110.6	111.1	111.5	111.9	112.0
54 Consumer goods excluding autos and trucks	24.5	108.5	108.2	107.6	108.3	109.5	109.3	108.8	108.8	108.6	108.7	109.3	109.6	110.4	110.7
55 Consumer goods excluding energy	23.3	108.2	108.3	107.8	107.7	108.2	107.8	107.7	108.6	109.0	109.8	109.9	111.4	111.8	111.7
56 Business equipment excluding autos and trucks	12.7	134.6	132.8	133.5	134.5	136.0	136.1	137.2	137.5	138.7	140.6	141.3	142.8	144.7	145.9
57 Business equipment excluding office and computing equipment	12.0	119.7	120.3	119.6	119.2	119.2	118.7	119.8	120.2	121.3	122.5	123.0	124.6	124.4	124.2
58 Materials excluding energy	28.4	115.0	114.1	114.2	114.4	114.7	115.3	115.6	116.5	118.0	120.0	120.1	120.2	121.7	122.1

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Group	SIC code[2]	1987 proportion	1993 avg.	1993 Apr.	1993 May	1993 June	1993 July	1993 Aug.	1993 Sept.	1993 Oct.	1993 Nov.	1993 Dec.	1994 Jan.[r]	1994 Feb.[r]	1994 Mar.[r]	1994 Apr.[p]
				Index (1987 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	...	**100.0**	**110.9**	**110.5**	**110.0**	**110.4**	**110.9**	**111.1**	**111.3**	**111.9**	**112.8**	**114.0**	**114.6**	**115.1**	**115.7**	**116.0**
60 Manufacturing	...	84.3	111.7	111.3	111.1	111.2	111.6	111.8	112.1	112.9	114.0	115.4	115.6	116.2	117.1	117.5
61 Primary processing	...	27.1	107.6	106.8	106.9	107.3	107.4	107.9	107.7	108.5	109.9	111.3	110.7	110.1	111.0	111.6
62 Advanced processing	...	57.1	113.7	113.5	113.1	113.0	113.6	113.6	114.2	115.0	116.0	117.4	117.9	119.2	120.0	120.3
63 Durable goods	...	46.5	114.3	113.5	113.2	113.0	113.7	113.9	115.0	116.2	118.0	120.1	120.4	121.2	122.0	122.5
64 Lumber and products	24	2.1	100.6	98.3	98.2	97.6	99.6	100.9	101.8	104.6	104.9	105.2	105.2	103.0	104.1	104.6
65 Furniture and fixtures	25	1.5	103.3	102.4	101.5	102.7	103.5	105.2	105.2	104.8	104.2	106.3	105.4	107.3	107.8	107.6
66 Clay, glass, and stone products	32	2.4	98.7	97.8	97.9	98.2	98.8	98.4	99.9	99.7	100.5	104.6	101.1	100.6	103.1	103.4
67 Primary metals	33	3.3	106.5	105.0	105.0	105.6	105.6	107.2	107.3	106.1	109.8	113.0	110.5	107.8	108.2	109.4
68 Iron and steel	331,2	1.9	111.6	108.9	109.1	111.1	111.9	112.8	112.4	113.3	114.4	119.1	115.8	111.6	111.7	112.7
69 Raw steel	...	.1	105.7	103.5	105.5	106.6	106.9	106.3	105.9	107.2	106.2	110.9	102.0	105.8	...	...
70 Nonferrous	333–6,9	1.4	99.5	99.5	99.2	98.1	97.0	99.4	100.3	96.2	103.5	104.5	103.3	102.4	103.4	104.9
71 Fabricated metal products	34	5.4	99.5	99.2	98.5	98.3	99.6	99.6	99.6	100.7	102.1	102.6	103.9	103.2	104.3	104.9
72 Industrial and commercial machinery and computer equipment	35	8.5	144.1	140.1	141.6	143.3	146.1	147.1	148.4	150.3	152.0	155.7	156.3	158.1	161.4	163.7
73 Office and computing machines	357	2.3	223.1	209.2	215.6	221.4	226.5	230.6	234.8	241.8	248.6	256.1	261.5	267.5	274.8	280.8
74 *Electrical machinery*	36	6.9	127.5	125.6	125.7	126.4	128.6	129.5	130.9	131.4	132.1	134.3	134.8	136.6	138.8	140.9
75 Transportation equipment	37	9.9	104.2	105.9	104.2	101.2	98.9	98.5	100.4	104.2	108.3	110.7	111.9	114.4	111.6	109.6
76 Motor vehicles and parts	371	4.8	120.7	120.9	118.5	114.7	110.2	110.6	115.1	124.1	132.4	138.5	142.1	149.0	143.1	139.0
77 Autos and light trucks	...	2.2	118.4	120.9	116.4	111.2	106.0	104.0	109.2	120.8	131.7	138.4	141.8	154.0	143.6	138.2
78 Aerospace and miscellaneous transportation equipment	372–6,9	5.1	88.7	91.7	90.7	88.6	88.3	87.2	86.7	85.5	85.7	84.5	83.4	81.9	82.0	81.9
79 Instruments	38	5.1	104.0	105.3	104.6	104.4	104.8	103.2	104.0	102.7	102.4	102.3	103.7	104.1	104.4	104.1
80 Miscellaneous	39	1.3	109.3	110.6	109.4	108.5	108.8	108.8	110.3	109.6	110.1	110.3	110.7	109.8	110.8	111.7
81 Nondurable goods	...	37.8	108.7	108.7	108.5	108.9	109.1	109.2	108.5	108.8	109.1	109.7	109.6	110.1	111.1	111.5
82 Foods	20	8.8	108.6	108.2	107.9	108.8	108.8	109.6	109.0	109.0	108.4	109.0	109.2	110.1	111.9	111.2
83 Tobacco products	21	1.0	91.0	92.6	94.1	89.4	97.3	90.3	85.4	86.4	83.3	84.3	88.2	87.2	88.8	90.1
84 Textile mill products	22	1.8	107.8	107.3	108.7	109.3	108.5	108.8	106.6	107.7	108.0	107.4	107.8	108.6	109.7	109.5
85 Apparel products	23	2.3	93.1	93.3	93.5	93.6	93.6	93.2	92.1	92.1	92.6	93.1	92.4	92.4	93.7	94.6
86 Paper and products	26	3.6	112.3	113.4	112.1	114.1	111.7	112.1	111.4	112.7	114.5	115.5	113.5	114.8	114.7	115.7
87 Printing and publishing	27	6.5	101.3	102.6	101.1	101.3	101.6	100.9	101.1	101.6	101.7	101.9	101.7	102.2	102.8	103.5
88 Chemicals and products	28	8.8	117.8	117.3	117.6	118.3	118.6	118.8	118.3	117.8	118.8	119.3	119.3	120.1	120.7	120.8
89 Petroleum products	29	1.3	104.9	104.1	103.7	104.2	103.2	103.5	105.3	108.2	107.8	107.1	104.8	104.5	105.8	108.0
90 Rubber and plastic products	30	3.2	115.9	115.0	115.4	115.1	116.9	117.5	116.7	116.5	117.8	119.3	120.3	119.7	121.2	122.2
91 Leather and products	31	.3	85.0	85.8	85.6	84.7	83.8	83.6	83.5	83.9	83.5	85.1	84.8	83.1	84.8	85.3
92 Mining	...	8.0	97.3	97.4	97.1	97.9	96.4	96.6	97.4	98.0	96.9	96.9	97.0	98.7	99.3	99.4
93 Metal	10	.3	167.6	165.7	171.2	169.7	170.4	152.9	159.4	175.8	168.5	177.3	177.8	167.3	171.1	171.5
94 Coal	11,12	1.2	103.8	104.6	102.9	106.9	100.9	98.5	104.4	104.4	101.1	104.7	104.0	114.4	120.4	120.7
95 Oil and gas extraction	13	5.8	92.2	92.7	92.1	92.6	91.6	93.3	92.6	92.6	91.8	90.9	91.0	91.8	91.2	91.4
96 Stone and earth minerals	14	.7	93.8	91.6	93.4	91.3	92.7	94.1	94.5	94.1	98.2	93.9	94.9	95.5	95.3	93.3
97 Utilities	...	7.7	116.2	114.5	112.4	115.4	118.0	118.4	116.2	114.9	116.1	115.8	121.9	119.6	116.8	116.1
98 Electric	491,3PT	6.1	115.9	114.7	114.2	115.5	118.8	119.5	115.8	113.7	115.2	115.5	119.1	118.1	115.7	115.4
99 Gas	492,3PT	1.6	117.2	113.9	105.7	115.1	115.0	114.4	118.0	119.1	119.4	117.0	132.6	125.2	120.8	118.7
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	...	79.5	111.2	110.7	110.6	110.9	111.7	111.8	111.9	112.2	112.9	114.0	114.0	114.3	115.6	116.2
101 Manufacturing excluding office and computing machines	...	81.9	108.6	108.5	108.1	108.0	108.3	108.4	108.6	109.2	110.2	111.4	111.4	111.9	112.6	112.9
		Gross value (billions of 1987 dollars, annual rates)														
MAJOR MARKETS																
102 **Products, total**	...	**1,707.0**	**1,886.9**	**1,879.5**	**1,868.0**	**1,871.8**	**1,878.8**	**1,878.2**	**1,886.3**	**1,908.8**	**1,928.2**	**1,943.9**	**1,955.4**	**1,969.5**	**1,969.1**	**1,973.0**
103 *Final*	...	1,314.6	1,480.7	1,475.2	1,466.1	1,468.2	1,471.4	1,470.0	1,479.5	1,498.9	1,514.9	1,525.7	1,535.0	1,553.6	1,552.4	1,552.4
104 Consumer goods	...	866.6	944.1	941.8	933.6	936.1	939.2	937.3	940.2	953.1	960.2	963.7	968.7	978.6	977.6	976.3
105 Equipment	...	448.0	536.7	533.4	532.5	532.1	532.2	532.7	539.2	545.7	554.7	561.9	566.3	575.1	574.8	576.1
106 Intermediate	...	392.5	406.1	404.3	401.9	403.7	407.4	408.2	406.9	410.0	413.3	418.2	420.4	415.9	416.7	420.6

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For ordering address, see inside front cover.

A revision of the industrial production index and the capacity utilization rates was released in May 1993. See "Industrial Production, Capacity, and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590–605.

2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1991	1992	1993	1993 June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1994 Jan.[r]	Feb.[r]	Mar.
	Private residential real estate activity (thousands of units except as noted)												
New Units													
1 Permits authorized	949	1,095	1,199[r]	1,122[r]	1,169[r]	1,234[r]	1,265[r]	1,298[r]	1,363[r]	1,474[r]	1,312	1,252	1,313
2 One-family	754	911	986[r]	926[r]	973[r]	1,004[r]	1,036[r]	1,078[r]	1,132[r]	1,181[r]	1,071	1,054	1,068
3 Two-or-more-family	195	184	213[r]	196[r]	196[r]	230[r]	229[r]	220[r]	231[r]	293[r]	241	198	245
4 Started	1,014	1,200	1,288	1,238	1,245	1,319	1,359	1,409	1,406	1,612	1,271	1,328	1,492
5 One-family	840	1,030	1,126	1,067	1,076	1,178	1,160	1,231	1,248	1,383	1,125	1,121	1,260
6 Two-or-more-family	174	169	162	171	169	141	199	178	158	229	146	207	232
7 Under construction at end of period[1]	606	612	680	649	658	662	678	686	699	713	716	723	736
8 One-family	434	473	543	518	526	534	544	551	564	574	577	580	589
9 Two-or-more-family	173	140	137	131	132	128	134	135	135	139	139	143	147
10 Completed	1,091	1,158	1,193	1,168	1,097	1,248	1,172	1,248	1,248	1,289	1,216	1,326	1,251
11 One-family	838	964	1,040	997	955	1,068	1,041	1,081	1,107	1,139	1,075	1,177	1,090
12 Two-or-more-family	253	194	153	171	142	180	131	167	141	150	141	149	161
13 Mobile homes shipped	171	210	254	238	246	247	254	260	283	308	316	301	308
Merchant builder activity in one-family units													
14 Number sold	507	610	666	641	647	645	738	723	766	817[r]	640	665	739
15 Number for sale at end of period[1]	284	266	294[r]	274	277	286	288	291	294	294[r]	297	302	304
Price of units sold (thousands of dollars)[2]													
16 Median	120.0	121.3	126.1	124.5	123.9	126.6	129.4	125.0	130.0	125.0	125.8	129.9	130.0
17 Average	147.0	144.9	147.6	145.7	143.4	150.6	150.1	146.9	152.5	146.4[r]	152.5	153.5	154.5
Existing Units (one-family)													
18 Number sold	3,219	3,520	3,800	3,700	3,850	3,860	3,990	4,030	4,120	4,350	4,250	3,840	4,070
Price of units sold (thousands of dollars)[2]													
19 Median	99.7	103.6	106.5	109.2	108.4	108.8	107.2	106.6	107.1	107.4	107.9	107.2	107.6
20 Average	127.4	130.8	133.1	137.3	135.8	135.4	133.6	133.0	133.1	133.7	134.6	133.3	134.4
	Value of new construction (millions of dollars)[3]												
Construction													
21 Total put in place	**403,439**	**436,043**	**470,118**	**460,680**	**466,593**	**468,547**	**477,125**	**488,661**	**497,875**	**508,720**	**496,907**	**491,713**	**495,377**
22 Private	293,536	317,256	342,953	335,028	337,909	341,351	345,572	354,506	364,512	371,444	366,146	361,313	368,467
23 Residential	157,837	187,820	208,092	200,496	204,631	206,594	209,520	215,934	222,797	229,245	230,190	231,021	234,367
24 Nonresidential	135,699	129,436	134,861	134,532	133,278	134,757	136,052	138,572	141,715	142,199	135,956	130,292	134,100
25 Industrial buildings	22,281	20,720	20,654	19,316	19,799	20,126	21,346	21,251	22,194	21,767	21,265	20,522	20,482
26 Commercial buildings	48,482	41,523	43,145	42,723	41,524	42,342	42,225	44,224	45,967	48,160	45,407	41,984	44,813
27 Other buildings	20,797	21,494	23,405	23,849	23,817	25,047	24,487	24,609	23,998	24,140	22,936	22,582	23,662
28 Public utilities and other	44,139	45,699	47,657	48,644	48,138	47,242	47,994	48,488	49,556	48,132	46,348	45,204	45,143
29 Public	109,900	118,784	127,166	125,652	128,684	127,196	131,553	134,155	133,362	137,276	130,761	130,400	126,911
30 Military	1,837	2,502	2,448	2,234	2,493	2,583	2,492	2,315	2,237	2,310	2,759	2,464	2,235
31 Highway	32,026	34,929	37,299	37,649	37,376	35,148	39,147	40,644	41,341	40,857	40,966	38,435	38,856
32 Conservation and development	4,861	5,918	5,937	6,103	5,661	5,620	6,307	5,951	5,249	5,311	5,681	6,829	5,256
33 Other	71,176	75,435	81,482	79,666	83,154	83,845	83,607	85,245	84,535	88,798	81,355	82,672	80,564

1. Not at annual rates.
2. Not seasonally adjusted.
3. Recent data on value of new construction may not be strictly comparable with data for previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes, see *Construction Reports* (C-30-76-5), issued by the Census Bureau in July 1976.

SOURCE. Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 17,000 jurisdictions beginning in 1984.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, Mar. 1994[1]
	1993 Mar.	1994 Mar.	1993			1994	1993		1994[1]			
			June	Sept.	Dec.	Mar.	Nov.	Dec.	Jan.	Feb.	Mar.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**3.2**	**2.4**	**2.5**	**2.0**	**3.3**	**2.5**	**.2**	**.0**	**.3**	**.3**	**.1**	**147.4**
2 Food	1.8	2.0	2.3	2.6	4.9	−1.1	.5	−.1	−.3	.1	.1	143.4
3 Energy items	3.6	−1.1	−3.8	−4.2	1.2	4.7	−.7	−.8	1.6	.4	−.4	102.0
4 All items less food and energy	3.5	2.8	3.2	2.1	3.4	2.9	.2	.1	.3	.3	.2	155.9
5 Commodities	2.7	.9	.9	.0	2.4	.6	.1	.0	−.1	.3	.1	137.2
6 Services	3.8	3.7	4.1	3.5	3.7	4.2	.3	.2	.4	.4	.2	166.6
PRODUCER PRICES (1982=100)												
7 Finished goods	2.5	−.4	.0	−2.5	−.3	3.9	−.1	.2	.5	.2	−.1	125.0
8 Consumer foods	3.0	.4	1.3	3.2	5.2	−.9	.6	−.3	−.4	.5	−.5	127.0
9 Consumer energy	3.8	−3.7	−5.4	−7.4	−15.6	16.6	−2.9[r]	1.1[r]	2.8	.0	−.1	75.4
10 Other consumer goods	2.2	−1.0	.6	−6.4	1.5	2.3	.2[r]	.2[r]	.2	.1	−.1	138.6
11 Capital equipment	1.6	2.1	.6	2.2	.3	4.6	.2[r]	.8[r]	.1	.3	.4	133.9
Intermediate materials												
12 Excluding foods and feeds	2.3	.2	.3	−1.0	−.3	2.8	−.3[r]	.1[r]	.4	.2	.0	116.8
13 Excluding energy	1.9	1.0	.0	1.0	1.6	1.6	.2	.2	.0	.2	.2	125.3
Crude materials												
14 Foods	4.6	2.4	−3.0	13.1	18.4	−4.8	1.0[r]	−1.5[r]	1.2	−1.0	−1.1	113.1
15 Energy	4.0	−6.4	17.5	−28.1	−22.1	18.9	−5.9[r]	2.1[r]	−6.4	9.3	−.1	73.0
16 Other	9.0	9.1	11.2	−4.5	15.4	23.4	1.2[r]	2.5[r]	2.0	.9	−.3	153.5

1. Not seasonally adjusted.
2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE. U.S. Department of Labor, Bureau of Labor Statistics.

2.16 GROSS DOMESTIC PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1991	1992	1993[r]	1992	1993			
				Q4	Q1	Q2	Q3	Q4[r]
GROSS DOMESTIC PRODUCT								
1 **Total**	**5,722.9**	**6,038.5**	**6,377.9**	**6,261.6**	**6,327.6**	**6,395.9**	**6,526.5**	**6,609.4**
By source								
2 Personal consumption expenditures	3,906.4	4,139.9	4,391.8	4,296.2	4,359.9	4,419.1	4,492.0	4,549.4
3 Durable goods	457.8	497.3	537.9	515.3	531.6	541.9	562.8	577.4
4 Nondurable goods	1,257.9	1,300.9	1,350.0	1,335.3	1,344.8	1,352.4	1,367.5	1,376.1
5 Services	2,190.7	2,341.6	2,503.9	2,445.5	2,483.4	2,524.8	2,561.8	2,595.9
6 Gross private domestic investment	736.9	796.5	891.7	874.1	874.1	884.0	934.5	978.0
7 Fixed investment	745.5	789.1	876.1	839.5	861.0	876.3	927.6	943.8
8 Nonresidential	555.9	565.5	623.7	594.7	619.1	624.9	656.0	664.7
9 Structures	182.6	172.6	178.7	172.4	177.6	179.1	185.8	178.9
10 Producers' durable equipment	373.3	392.9	445.0	422.2	441.6	445.8	470.2	485.8
11 Residential structures	189.6	223.6	252.4	244.9	241.9	251.3	271.6	279.1
12 Change in business inventories	−8.6	7.3	15.6	34.6	13.1	7.7	6.9	34.2
13 Nonfarm	−8.6	2.3	21.1	33.0	16.8	22.6	12.0	33.7
14 Net exports of goods and services	−19.6	−29.6	−63.6	−48.3	−65.1	−71.9	−69.1	−82.4
15 Exports	601.5	640.5	661.7	651.3	660.0	653.2	682.4	668.8
16 Imports	621.1	670.1	725.3	699.6	725.0	725.1	751.5	751.2
17 Government purchases of goods and services	1,099.3	1,131.8	1,158.1	1,139.7	1,158.6	1,164.8	1,169.1	1,164.4
18 Federal	445.9	448.8	443.4	442.7	447.5	443.6	440.0	434.0
19 State and local	653.4	683.0	714.6	697.0	711.1	721.2	729.2	730.3
By major type of product								
20 Final sales, total	5,731.6	6,031.2	6,362.3	6,227.1	6,314.5	6,388.2	6,519.6	6,575.2
21 Goods	2,227.0	2,305.5	2,406.4	2,362.9	2,395.0	2,401.7	2,465.8	2,485.5
22 Durable	934.3	975.8	1,037.0	1,003.5	1,037.8	1,032.9	1,073.7	1,087.9
23 Nondurable	1,292.8	1,329.6	1,369.3	1,359.3	1,357.1	1,368.8	1,392.1	1,397.6
24 Services	3,032.7	3,221.1	3,410.5	3,341.8	3,388.1	3,437.8	3,474.3	3,516.5
25 Structures	471.9	504.7	545.5	522.4	531.5	548.7	579.5	573.1
26 Change in business inventories	−8.6	7.3	15.6	34.6	13.1	7.7	6.9	34.2
27 Durable goods	−12.9	2.1	10.9	15.0	2.7	14.8	11.0	30.1
28 Nondurable goods	4.3	5.3	4.7	19.5	10.4	−7.2	−4.1	4.1
MEMO								
29 **Total GDP in 1987 dollars**	**4,861.4**	**4,986.3**	**5,136.0**	**5,078.2**	**5,102.1**	**5,138.3**	**5,225.6**	**5,259.0**
NATIONAL INCOME								
30 **Total**	**4,598.3**	**4,836.6**	**5,140.3[r]**	**5,038.9**	**5,104.0**	**5,143.2**	**5,275.0[r]**	n.a.
31 Compensation of employees	3,402.4	3,582.0	3,772.2	3,705.1	3,750.6	3,793.9	3,839.2	3,907.2
32 Wages and salaries	2,814.9	2,953.1	3,100.5	3,054.3	3,082.7	3,115.4	3,149.6	3,200.7
33 Government and government enterprises	545.3	567.5	589.7	584.1	586.3	592.8	595.4	602.0
34 Other	2,269.6	2,385.6	2,510.8	2,470.2	2,496.3	2,522.6	2,554.2	2,598.8
35 Supplement to wages and salaries	587.5	629.0	671.7	650.7	668.0	678.5	689.6	706.5
36 Employer contributions for social insurance	290.6	306.3	321.0	312.2	321.4	323.8	326.7	334.5
37 Other labor income	296.9	322.7	350.7	338.5	346.6	354.7	362.9	371.9
38 Proprietors' income[1]	376.4	414.3	443.2	444.1	439.4	422.5	467.0	475.6
39 Business and professional[1]	339.5	370.6	397.3	388.4	392.4	397.6	410.6	415.6
40 Farm[1]	36.8	43.7	46.0	55.7	47.0	24.8	56.4	60.0
41 Rental income of persons[2]	−12.8	−8.9	12.6	7.5	12.7	13.7	16.4	3.5
42 Corporate profits[1]	369.5	407.2	466.6[r]	432.1	458.1	468.5	507.9[r]	n.a.
43 Profits before tax[3]	362.3	395.4	449.4[r]	419.8	445.6	443.8	488.4[r]	n.a.
44 Inventory valuation adjustment	4.9	−5.3	−7.1	−12.7	−12.2	1.0	−4.3	−17.7
45 Capital consumption adjustment	2.2	17.1	24.3	25.1	24.7	23.8	23.9	20.6
46 Net interest	462.8	442.0	445.6	450.1	443.2	444.6	444.5	n.a.

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars except as noted; quarterly data at seasonally adjusted annual rates

Account	1991	1992	1993[r]	1992	1993			
				Q4	Q1	Q2	Q3	Q4[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**4,850.9**	**5,144.9**	**5,388.3**	**5,254.7**	**5,373.2**	**5,412.7**	**5,512.7**	**5,578.1**
2 Wage and salary disbursements	2,815.0	2,973.1	3,080.5	2,974.3	3,082.7	3,115.4	3,149.6	3,200.7
3 Commodity-producing industries	738.1	756.5	763.6	740.7	765.1	769.4	779.3	789.5
4 Manufacturing	557.2	577.6	577.3	559.7	580.3	581.5	587.8	595.8
5 Distributive industries	648.0	682.0	706.6	682.9	709.1	714.4	720.1	733.5
6 Service industries	883.5	967.0	1,020.6	966.6	1,022.2	1,038.8	1,054.7	1,075.8
7 Government and government enterprises	545.4	567.5	589.7	584.1	586.3	592.8	595.4	602.0
8 Other labor income	296.9	322.7	350.7	338.5	346.6	354.7	362.9	371.9
9 Proprietors' income[1]	376.4	414.3	443.2	444.1	439.4	422.5	467.0	475.6
10 Business and professional[1]	339.5	370.6	397.3	388.4	392.4	397.6	410.6	415.6
11 Farm[1]	36.8	43.7	46.0	55.7	47.0	24.8	56.4	60.0
12 Rental income of persons[2]	−12.8	−8.9	12.6	7.5	12.7	13.7	16.4	3.5
13 Dividends	127.9	140.4	158.3	157.0	157.8	159.0	159.4	160.7
14 Personal interest income	715.6	694.3	695.2	695.4	693.1	695.7	696.7	700.2
15 Transfer payments	769.9	858.4	912.1	894.4	905.5	918.5	929.8	944.6
16 Old-age survivors, disability, and health insurance benefits	382.3	413.9	438.4	433.1	435.0	439.4	446.1	457.6
17 LESS: Personal contributions for social insurance	237.8	249.3	264.3	256.6	264.5	266.8	269.2	279.1
18 EQUALS: Personal income	4,850.9	5,144.9	5,388.3	5,254.7	5,373.2	5,412.7	5,512.7	5,578.1
19 LESS: Personal tax and nontax payments	620.4	644.8	681.6	657.1	681.0	689.0	699.2	715.7
20 EQUALS: Disposable personal income	4,230.5	4,500.2	4,706.7	4,597.5	4,692.2	4,723.7	4,813.5	4,862.4
21 LESS: Personal outlays	4,029.0	4,261.5	4,516.8	4,419.7	4,483.6	4,544.0	4,620.1	4,680.4
22 EQUALS: Personal saving	201.5	238.7	189.9	177.9	208.7	179.7	193.4	182.0
MEMO								
Per capita (1987 dollars)								
23 Gross domestic product	19,237.9	19,518.0	19,887.4	19,744.4	19,785.4	19,868.8	20,150.1	20,230.9
24 Personal consumption expenditures	12,895.2	13,080.9	13,371.3	13,234.2	13,311.6	13,416.2	13,522.7	13,617.3
25 Disposable personal income	13,965.0	14,219.0	14,330.0	14,163.0	14,326.0	14,341.0	14,491.0	14,554.0
26 Saving rate (percent)	4.8	5.3	4.0	3.9	4.4	3.8	4.0	3.7
GROSS SAVING								
27 **Gross saving**	**733.7**	**717.8**	**780.2[r]**	**762.0**	**766.7**	**774.3**	**817.8[r]**	n.a.
28 Gross private saving	929.9	986.9	1,004.8[r]	1,024.8	988.3	988.7	1,017.5[r]	n.a.
29 Personal saving	201.5	238.7	189.9	177.9	208.7	179.7	193.4	182.0
30 Undistributed corporate profits[1]	102.3	110.4	123.6[r]	103.7	116.3	129.3	145.1[r]	n.a.
31 Corporate inventory valuation adjustment	4.9	−5.3	−7.1	−12.7	−12.2	1.0	−4.3	−17.7
Capital consumption allowances								
32 Corporate	383.2	396.6	408.8	402.2	405.2	414.0	413.9	432.8
33 Noncorporate	242.8	261.3	262.5	261.0	258.1	265.7	265.1	301.7
34 Government surplus, or deficit (−), national income and product accounts	−196.2	−269.1	−224.6[r]	−262.8	−221.5	−214.4	−199.7[r]	n.a.
35 Federal	−203.4	−276.3	−226.4[r]	−263.5	−222.6	−212.7	−207.0[r]	n.a.
36 State and local	7.3	7.2	1.8[r]	.8	1.1	−1.7	7.2[r]	n.a.
37 **Gross investment**	**743.3**	**741.4**	**795.4**	**796.5**	**778.7**	**787.6**	**819.0**	n.a.
38 Gross private domestic	736.9	796.5	891.7	874.1	874.1	884.0	934.5	978.0
39 Net foreign	6.4	−55.1	−96.2	−77.6	−95.4	−96.4	−115.5	n.a.
40 **Statistical discrepancy**	**9.6**	**23.6**	**15.2[r]**	**34.4**	**12.0**	**13.3**	**1.2[r]**	n.a.

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted except as noted[1]

Item credits or debits	1991	1992	1993	1992	1993			
				Q4	Q1	Q2	Q3	Q4[p]
1 *Balance on current account*	−8,324	−66,400	−109,242	−23,687	−22,375	−27,235	−28,091	−31,539
2 Merchandise trade balance[2]	−73,802	−96,138	−132,478	−25,962	−29,325	−34,398	−35,972	−32,783
3 Merchandise exports	416,937	440,138	456,766	113,992	111,480	113,067	111,935	120,284
4 Merchandise imports	−490,739	−536,276	−589,244	−139,954	−140,805	−147,465	−147,907	−153,067
5 Military transactions, net	−5,851	−2,751	−1,027	−836	−145	−226	−128	−528
6 Other service transactions, net	51,733	59,163	56,706	14,265	14,799	14,716	13,983	13,209
7 Investment income, net	13,021	6,222	66	−806	−112	−27	1,617	−1,411
8 U.S. government grants	24,073	−14,688	−14,438	−5,883	−3,242	−2,730	−3,029	−5,437
9 U.S. government pensions and other transfers	−3,461	−3,735	−3,946	−846	−985	−986	−985	−989
10 Private remittances and other transfers	−14,037	−14,473	−14,126	−3,619	−3,365	−3,584	−3,577	−3,600
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	2,905	−1,609	−106	−737	535	−275	−180	−186
12 Change in U.S. official reserve assets (increase, −)	5,763	3,901	−1,379	1,542	−983	822	−545	−673
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−177	2,316	−537	2,829	−140	−166	−118	−113
15 *Reserve position in International Monetary Fund*	−367	−2,692	−44	−2,685	−228	313	−48	−80
16 Foreign currencies	6,307	4,277	−797	1,398	−615	675	−378	−480
17 Change in U.S. private assets abroad (increase, −)	−68,643	−53,253	−142,388	−31,243	−12,267	−30,244	−42,674	−57,203
18 Bank-reported claims[3]	3,278	24,948	34,582	−3,481	28,055	5,317	8,487	−7,277
19 Nonbank-reported claims	1,932	4,551	n.a.	1,132	−4,774	443	2,982	. . .
20 U.S. purchases of foreign securities, net	−44,740	−47,961	−125,377	−17,405	−26,889	−24,098	−45,794	−28,596
21 U.S. direct investments abroad, net	−29,113	−34,791	−50,244	−11,489	−8,659	−11,906	−8,349	−21,330
22 Change in foreign official assets in United States (increase, +)	17,564	40,684	71,225	5,931	10,929	17,699	19,237	23,360
23 U.S. Treasury securities	14,846	18,454	48,700	−7,379	1,039	5,668	19,098	22,895
24 Other U.S. government obligations	1,301	3,949	4,091	874	710	1,082	1,345	954
25 Other U.S. government liabilities[4]	1,542	2,542	1,890	943	−395	396	1,105	784
26 Other U.S. liabilities reported by U.S. banks[3]	−1,484	16,427	13,959	11,219	8,171	9,454	−2,495	−1,171
27 Other foreign official assets[5]	1,359	−688	2,585	274	1,404	1,099	184	−102
28 Change in foreign private assets in United States (increase, +)	65,876	88,895	155,154	32,914	14,946	24,838	52,400	62,970
29 *U.S. bank-reported liabilities*[3]	−11,371	18,609	12,208	−1,171	−18,862	−1,381	24,941	7,510
30 U.S. nonbank-reported liabilities	−699	741	n.a.	−2,717	2,057	1,361	4,069	. . .
31 Foreign private purchases of U.S. Treasury securities, net	18,826	36,893	24,328	21,232	13,599	−623	3,474	7,878
32 Foreign purchases of other U.S. securities, net	35,144	30,274	79,612	12,478	9,394	15,025	17,257	37,936
33 Foreign direct investments in United States, net	23,975	2,378	31,519	3,092	8,758	10,456	2,659	9,646
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	−15,140	−12,218	26,735	15,280	9,215	14,395	−148	3,271
36 Due to seasonal adjustment	. . .	. . .	. . .	1,222	6,082	943	−7,319	292
37 Before seasonal adjustment	−15,140	−12,218	26,735	14,058	3,133	13,452	7,171	2,979
MEMO *Changes in official assets*								
38 U.S. official reserve assets (increase, −)	5,763	3,901	−1,379	1,542	−983	822	−544	−673
39 Foreign official assets in United States, excluding line 25 (increase, +)	16,022	38,142	69,335	4,988	11,324	17,303	18,132	22,576
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	−4,882	5,857	−3,968	2,336	463	−916	−3,244	−271

1. Seasonal factors are not calculated for lines 12–16, 18–20, 22–34, and 38–40.
2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.
3. Reporting banks include all types of depository institution as well as some brokers and dealers.
4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1991	1992	1993	1993				1994		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[r]	Mar.[p]
1 Goods and services, balance	−27,920	−39,727	−76,761	−8,183	−8,460	−7,455	−4,148	−6,643[r]	−9,153	−7,459
2 Merchandise	−73,802	−96,138	−132,439	−12,568	−12,644	−11,351	−8,748	−11,349[r]	−13,516	−12,039
3 Services	45,882	56,411	55,678	4,385	4,184	3,896	4,600	4,706	4,363	4,580
4 Goods and services, exports	581,197	619,848	643,563	53,660	54,957	54,735	57,250	54,295	53,239	58,331
5 Merchandise	416,937	440,138	456,771	38,134	39,371	39,451	41,469	38,528	37,406	42,169
6 Services	164,260	179,710	186,792	15,526	15,586	15,284	15,781	15,767	15,833	16,162
7 Goods and services, imports	−609,117	−659,575	−720,324	−61,843	−63,417	−62,190	−61,398	−60,938[r]	−62,392	−65,790
8 Merchandise	−490,739	−536,276	−589,210	−50,702	−52,015	−50,802	−50,217	−49,877[r]	−50,922	−54,208
9 Services	−118,378	−123,299	−131,114	−11,141	−11,402	−11,388	−11,181	−11,061	−11,470	−11,582
MEMO										
10 **Balance on merchandise trade, Census basis**	**−66,723**	**−84,501**	**−115,738**	**−10,621**	**−10,897**	**−9,679**	**−7,367**	**−10,169**	**−11,990**	**−10,121**

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. FT900, U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1990	1991	1992	1993			1994			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[p]
1 **Total**	**83,316**	**77,719**	**71,323**	**74,550**	**74,042**	**73,442**	**74,243**	**75,766**	**76,809**	**76,565**
2 Gold stock, including Exchange Stabilization Fund[1]	11,058	11,057	11,056	11,056	11,054	11,053	11,053	11,053	11,052	11,053
3 Special drawing rights[2,3]	10,989	11,240	8,503	9,038	9,091	9,039	9,070	9,295	9,383	9,440
4 Reserve position in International Monetary Fund[2]	9,076	9,488	11,759	11,908	11,827	11,818	11,906	11,974	12,135	11,899
5 Foreign currencies[4]	52,193	45,934	40,005	42,548	42,070	41,532	42,214	43,444	44,239	44,173

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce.
2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.
3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million; 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Asset	1990	1991	1992	1993			1994			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[p]
1 Deposits	369	968	205	390	596	386	257	190	454	171
Held in custody										
2 U.S. Treasury securities[2]	278,499	281,107	314,481	358,975	373,864	379,394	388,065	393,238	399,817	396,495
3 Earmarked gold[3]	13,387	13,303	13,118	12,464	12,381	12,327	12,302	12,238	12,145	12,104

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities at face value.
3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1991	1992	1993				1994		
			Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[r]	Mar.[p]
1 **Total**[1]	**360,530**	**398,816**	**445,693**	**444,107**	**457,129**	**468,825**	**478,608[r]**	**477,817[r]**	**479,084**
By type									
2 Liabilities reported by banks in the United States[2]	38,396	54,967	70,220	65,668	67,964	69,633	78,546[r]	77,822[r]	79,269
3 U.S. Treasury bills and certificates[3]	92,692	104,596	139,638	140,525	144,865	150,900	146,940	143,222	148,707
U.S. Treasury bonds and notes									
4 Marketable	203,677	210,553	200,346	201,965	208,188	211,825	216,109[r]	220,154[r]	215,271
5 Nonmarketable[4]	4,858	4,532	5,542	5,579	5,615	5,652	5,689	5,725	5,762
6 U.S. securities other than U.S. Treasury securities[5]	20,907	24,168	29,947	30,370	30,497	30,815	31,324	30,894	30,075
By area									
7 Europe[1]	171,317	191,708	198,254	193,676	208,790	209,229	216,794[r]	210,751[r]	217,244
8 Canada	7,460	7,920	8,260	9,441	8,657	9,505	10,084	9,844	8,328
9 Latin America and Caribbean	33,554	40,025	54,704	54,275	50,410	57,950	57,661[r]	61,127[r]	55,124
10 Asia	139,465	152,276	177,164	178,889	182,437	185,289	187,337	189,025	191,704
11 Africa	2,092	3,565	3,888	3,665	3,650	3,894	3,681	4,043	3,559
12 Other countries[6]	6,640	3,320	3,421	4,159	3,183	2,956	3,049	3,025	3,123

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; zero coupon bonds are included at current value.
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.

SOURCE. 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 and on the 1984 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1990	1991	1992	1993			
				Mar.	June	Sept.	Dec.
1 Banks' liabilities	70,477	75,129	72,796	81,091	75,206	81,205	77,627
2 Banks' claims	66,796	73,195	62,799	64,256	55,533	59,116	60,271
3 Deposits	29,672	26,192	24,240	23,142	20,464	20,930	19,379
4 Other claims	37,124	47,003	38,559	41,114	35,069	38,186	40,892
5 Claims of banks' domestic customers[2]	6,309	3,398	4,432	2,625	3,234	2,640	3,145

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

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Item	1991	1992	1993	1993 Sept.	1993 Oct.	1993 Nov.	1993 Dec.	1994 Jan.	1994 Feb.	1994 Mar.[p]
HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**756,066**	**810,259**	**906,003[r]**	**875,947**	**877,062**	**893,284**	**906,003[r]**	**889,604[r]**	**914,239[r]**	**947,255**
2 Banks' own liabilities	575,374	606,444	620,689	615,305	610,744	616,209	620,689	608,947[r]	630,692[r]	648,343
3 Demand deposits	20,321	21,828	21,576[r]	25,376	22,014	25,462	21,576[r]	23,488[r]	24,217[r]	22,728
4 Time deposits[2]	159,649	160,385	174,984	154,405	159,375	156,994	174,984	158,943[r]	159,413[r]	176,608
5 Other[3]	66,305	93,237	109,873	112,096	128,942	126,845	109,873	129,423[r]	135,769[r]	112,053
6 Own foreign offices[4]	329,099	330,994	314,256[r]	323,428	300,413	306,908	314,256[r]	297,093[r]	311,293[r]	336,954
7 Banks' custodial liabilities[5]	180,692	203,815	285,314[r]	260,642	266,318	277,075	285,314[r]	280,657[r]	283,547[r]	298,912
8 U.S. Treasury bills and certificates[6]	110,734	127,644	176,430	165,151	164,365	169,729	176,430	170,694	166,977	173,133
9 Other negotiable and readily transferable instruments[7]	18,664	21,974	36,078	30,879	37,562	38,555	36,078	37,329	41,829	41,635
10 Other	51,294	54,197	72,806[r]	64,612	64,391	68,791	72,806[r]	72,634[r]	74,741[r]	84,144
11 Nonmonetary international and regional organizations[8]	8,981	9,350	10,846	11,409	10,994	12,965	10,846	10,869	6,999	7,768
12 Banks' own liabilities	6,827	6,951	5,550	7,995	6,790	9,091	5,550	6,855	5,624	5,323
13 Demand deposits	43	46	15	21	71	34	15	21	120	22
14 Time deposits[2]	2,714	3,214	2,780	4,062	2,978	2,863	2,780	3,305	2,503	2,424
15 Other[3]	4,070	3,691	2,755	3,912	3,741	6,194	2,755	3,529	3,001	2,877
16 Banks' custodial liabilities[5]	2,154	2,399	5,296	3,414	4,204	3,874	5,296	4,014	1,375	2,445
17 U.S. Treasury bills and certificates[6]	1,730	1,908	4,275	3,199	3,566	3,201	4,275	3,497	1,321	2,097
18 Other negotiable and readily transferable instruments[7]	424	486	1,021	215	638	672	1,021	517	54	338
19 Other	0	5	0	0	0	1	0	0	0	10
20 Official institutions[9]	131,088	159,563	220,533	209,858	206,193	212,829	220,533	225,486[r]	221,044[r]	227,976
21 Banks' own liabilities	34,411	51,202	64,056	63,619	60,995	62,168	64,056	71,531[r]	67,193[r]	66,568
22 Demand deposits	2,626	1,302	1,601	1,951	2,121	2,089	1,601	1,631	1,406	1,757
23 Time deposits[2]	16,504	17,939	21,634	20,825	14,885	17,188	21,634	20,237[r]	19,958[r]	23,713
24 Other[3]	15,281	31,961	40,821	40,843	43,989	42,891	40,821	49,663[r]	45,829[r]	41,098
25 Banks' custodial liabilities[5]	96,677	108,361	156,477	146,239	145,198	150,661	156,477	153,955	153,851	161,408
26 U.S. Treasury bills and certificates[6]	92,692	104,596	150,900	139,638	140,525	144,865	150,900	146,940	143,222	148,707
27 Other negotiable and readily transferable instruments[7]	3,879	3,726	5,482	6,149	4,491	5,614	5,482	6,855	10,527	12,414
28 Other	106	39	95	452	182	182	95	160	102	287
29 Banks[10]	522,265	547,320	573,924[r]	558,092	553,351	562,372	573,924[r]	549,192[r]	579,543[r]	606,772
30 Banks' own liabilities	459,335	476,117	474,642	470,946	461,827	468,526	474,642	451,260[r]	479,125[r]	497,530
31 Unaffiliated foreign banks	130,236	145,123	160,386[r]	147,518	161,414	161,618	160,386[r]	154,167[r]	167,832[r]	160,576
32 Demand deposits	8,648	10,170	9,719[r]	12,809	9,948	13,369	9,719[r]	11,025[r]	11,986[r]	10,609
33 Time deposits[2]	82,857	90,296	105,192	83,484	95,704	92,265	105,192	87,788[r]	92,301[r]	104,847
34 Other[3]	38,731	44,657	45,475	51,225	55,762	55,984	45,475	55,354	63,545[r]	45,120
35 Own foreign offices[4]	329,099	330,994	314,256[r]	323,428	300,413	306,908	314,256[r]	297,093[r]	311,293[r]	336,954
36 Banks' custodial liabilities[5]	62,930	71,203	99,282[r]	87,146	91,524	93,846	99,282[r]	97,932[r]	100,418[r]	109,242
37 U.S. Treasury bills and certificates[6]	7,471	11,087	10,707	11,794	10,046	10,539	10,707	9,832	11,051	10,745
38 Other negotiable and readily transferable instruments[7]	5,694	7,555	16,810	12,688	19,106	17,124	16,810	17,136	17,010	17,383
39 Other	49,765	52,561	71,765[r]	62,664	62,372	66,183	71,765[r]	70,964[r]	72,357[r]	81,114
40 Other foreigners	93,732	94,026	100,700	96,588	106,524	105,118	100,700	104,057	106,653[r]	104,739
41 Banks' own liabilities	74,801	72,174	76,441	72,745	81,132	76,424	76,441	79,301	78,750[r]	78,922
42 Demand deposits	9,004	10,310	10,241	10,595	9,874	9,970	10,241	10,811	10,705	10,340
43 Time deposits[2]	57,574	48,936	45,378	46,034	45,808	44,678	45,378	47,613	44,651	45,624
44 Other[3]	8,223	12,928	20,822	16,116	25,450	21,776	20,822	20,877	23,394[r]	22,958
45 Banks' custodial liabilities[5]	18,931	21,852	24,259	23,843	25,392	28,694	24,259	24,756	27,903	25,817
46 U.S. Treasury bills and certificates[6]	8,841	10,053	10,548	10,520	10,228	11,124	10,548	10,425	11,383	11,584
47 Other negotiable and readily transferable instruments[7]	8,667	10,207	12,765	11,827	13,327	15,145	12,765	12,821	14,238	11,500
48 Other	1,423	1,592	946	1,496	1,837	2,425	946	1,510	2,282	2,733
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	7,456	9,111	17,567	11,264	17,533	17,089	17,567	17,509	17,888	18,675

1. Reporting banks include all types of depository institution, as well as some brokers and dealers.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in Consolidated Report of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued

Item	1991	1992	1993	1993				1994		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[r]	Mar.[p]
AREA										
1 **Total, all foreigners**	**756,066**	**810,259**	**906,003[r]**	**875,947**	**877,062**	**893,284**	**906,003[r]**	**889,604[r]**	**914,239[r]**	**947,255**
2 **Foreign countries**	**747,085**	**800,909**	**895,157[r]**	**864,538**	**866,068**	**880,319**	**895,157[r]**	**878,735[r]**	**907,240[r]**	**939,487**
3 Europe	249,097	307,670	376,642[r]	340,430	357,848	369,534	376,642[r]	368,736[r]	393,522[r]	398,847
4 Austria	1,193	1,611	1,907	1,672	1,808	1,797	1,907	2,567	2,159	2,515
5 Belgium and Luxembourg	13,337	20,567	28,650	23,635	24,641	27,541	28,650	29,402	30,624	31,827
6 Denmark	937	3,060	4,517	3,135	5,084	4,151	4,517	5,089	4,831	3,093
7 Finland	1,341	1,299	1,872	2,347	2,712	2,250	1,872	1,843	1,737	1,495
8 France	31,808	41,411	39,705	40,622	43,034	36,638	39,705	32,244	38,429	42,009
9 Germany	8,619	18,630	26,617	22,530	22,820	27,025	26,617	27,576	30,249	31,771
10 Greece	765	913	1,530	1,378	1,366	1,704	1,530	1,361	1,481	1,425
11 Italy	13,541	10,041	11,561	11,285	10,466	10,734	11,561	10,702	12,742	12,786
12 Netherlands	7,161	7,365	16,031	11,429	13,368	14,737	16,031	17,532	17,083	17,687
13 Norway	1,866	3,314	2,975	2,901	2,796	3,199	2,975	2,533	2,350	2,429
14 Portugal	2,184	2,465	3,366	3,180	3,215	3,229	3,366	3,131	3,170	3,131
15 Russia	241	577	2,511	2,229	2,623	2,530	2,511	2,208	2,017	1,971
16 Spain	11,391	9,793	20,494	20,496	20,182	19,705	20,494	19,652	18,119	19,618
17 Sweden	2,222	2,953	2,573	3,474	2,355	2,672	2,573	2,301	2,429	1,067
18 Switzerland	37,238	39,440	41,588	41,909	43,195	42,506	41,588	40,854[r]	41,065[r]	39,043
19 Turkey	1,598	2,666	3,228	2,553	2,897	2,947	3,228	3,120	3,242	2,922
20 United Kingdom	100,292	111,805	133,788	116,267	130,941	135,712	133,788	130,778	148,083	150,528
21 Yugoslavia[11]	622	504	570	524	541	546	570	549	428	414
22 Other Europe and former U.S.S.R.[12]	12,741	29,256	33,159[r]	28,864	23,804	29,911	33,159[r]	35,294[r]	33,290[r]	33,116
23 Canada	21,605	22,420	20,228	24,711	27,452	24,152	20,228	20,589	23,126	21,212
24 Latin America and Caribbean	345,529	317,228	342,781[r]	340,502	327,666	331,875	342,781[r]	338,524[r]	340,762[r]	356,355
25 Argentina	7,753	9,477	14,493	14,052	14,320	13,695	14,493	14,495	14,451	13,990
26 Bahamas	100,622	82,284	73,077	79,363	76,557	78,354	73,077	71,687[r]	72,579	77,424
27 Bermuda	3,178	7,079	7,875	7,239	8,021	7,287	7,875	7,794	6,750	6,181
28 Brazil	5,704	5,584	5,307	5,268	5,057	5,069	5,307	5,127	5,385[r]	5,243
29 British West Indies	163,620	153,033	175,710[r]	169,550	159,434	166,637	175,710[r]	171,892[r]	170,564[r]	186,595
30 Chile	3,283	3,035	3,197[r]	3,867	3,952	3,455	3,197[r]	3,576	3,755	3,572
31 Colombia	4,661	4,580	3,173	3,988	3,025	3,101	3,173	3,587	3,287	3,416
32 Cuba	2	3	33	6	7	7	33	34	30	38
33 Ecuador	1,232	993	881	819	868	851	881	891	858	822
34 Guatemala	1,594	1,377	1,207	1,278	1,275	1,243	1,207	1,258	1,223	1,163
35 Jamaica	231	371	410	375	376	401	410	387	420	419
36 Mexico	19,957	19,454	28,060	24,487	24,249	21,947	28,060	27,667	30,693	27,523
37 Netherlands Antilles	5,592	5,205	4,206	4,695	5,283	4,725	4,206	5,139	6,230	5,531
38 Panama	4,695	4,177	3,625	3,743	3,567	3,468	3,625	3,592	3,474	3,424
39 Peru	1,249	1,080	926	903	873	890	926	880	907	864
40 Uruguay	2,096	1,955	1,617	1,752	1,716	1,643	1,617	1,727	1,537	1,472
41 Venezuela	13,181	11,387	12,806	12,868	12,903	13,076	12,806	12,460	12,438	12,670
42 Other	6,879	6,154	6,178	6,249	6,183	6,026	6,178	6,331	6,181	6,008
43 Asia	120,462	143,540	144,653	147,672	141,363	144,476	144,653	140,096	139,600	152,639
China										
44 People's Republic of China	2,626	3,202	4,011	3,261	3,280	3,187	4,011	4,075	4,535	5,294
45 Republic of China (Taiwan)	11,491	8,408	10,634	9,969	9,804	10,960	10,634	9,960	9,506	9,306
46 Hong Kong	14,269	18,499	17,233	16,388	16,389	18,673	17,233	18,675	17,763	18,721
47 India	2,418	1,399	1,113	1,288	1,251	1,425	1,113	1,436	1,127	1,658
48 Indonesia	1,463	1,480	1,986	1,715	1,504	1,674	1,986	1,807	1,659	2,366
49 Israel	2,015	3,773	4,436	3,241	5,450	4,582	4,436	4,138	4,630	4,579
50 Japan	47,069	58,435	61,483	65,650	60,171	58,866	61,483	58,606	60,112	66,530
51 Korea (South)	2,587	3,337	4,913	4,356	3,889	4,409	4,913	4,721	4,856	4,808
52 Philippines	2,449	2,275	2,035	2,735	2,192	1,902	2,035	1,912	1,820	2,542
53 Thailand	2,252	5,582	6,137	5,846	6,446	6,231	6,137	6,156	5,838	5,985
54 Middle Eastern oil-exporting countries[13]	15,752	21,437	15,825	17,255	14,681	15,489	15,825	13,131	11,921	13,323
55 Other	16,071	15,713	14,847	15,968	16,306	17,078	14,847	15,479	15,833	17,527
56 Africa	4,825	5,884	6,638	6,127	6,179	5,762	6,638	5,823	6,329	5,745
57 Egypt	1,621	2,472	2,209	2,457	2,220	2,089	2,209	1,961	2,060	1,658
58 Morocco	79	76	99	86	87	110	99	94	73	89
59 South Africa	228	190	451	275	367	272	451	214	294	285
60 Zaire	31	19	12	16	15	10	12	13	8	11
61 Oil-exporting countries[14]	1,082	1,346	1,303	1,281	1,271	1,446	1,303	1,186	1,433	1,139
62 Other	1,784	1,781	2,564	2,012	2,219	1,835	2,564	2,355	2,461	2,563
63 Other	5,567	4,167	4,215[r]	5,096	5,560	4,520	4,215[r]	4,967	3,901	4,689
64 Australia	4,464	3,043	3,308	4,045	4,434	3,317	3,308	3,809	2,511	3,006
65 Other	1,103	1,124	907[r]	1,051	1,126	1,203	907[r]	1,158	1,390	1,683
66 Nonmonetary international and regional organizations	8,981	9,350	10,846	11,409	10,994	12,965	10,846	10,869	6,999	7,768
67 International[15]	6,485	7,434	6,761	7,679	7,350	9,094	6,761	6,357	5,760	6,055
68 Latin American regional[16]	1,181	1,415	3,218	2,448	2,539	3,050	3,218	3,402	357	332
69 Other regional[17]	1,315	501	867	1,282	1,105	821	867	1,110	882	1,381

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
12. Includes the Bank for International Settlements. *Since December 1992,* includes all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
14. Comprises Algeria, Gabon, Libya, and Nigeria.
15. Principally the International Bank for Reconstruction and Development. *Excludes "holdings of dollars" of the International Monetary Fund.*
16. Principally the Inter-American Development Bank.
17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1991	1992	1993	1993 Sept.	1993 Oct.	1993 Nov.	1993 Dec.	1994 Jan.	1994 Feb.	1994 Mar.^p
1 **Total, all foreigners**	**514,339**	**499,437**	**483,152^r**	**477,188**	**465,861**	**468,770**	**483,152^r**	**470,679^r**	**477,339**	**481,232**
2 **Foreign countries**	**508,056**	**494,355**	**480,747^r**	**474,809**	**464,618**	**466,569**	**480,747^r**	**467,566^r**	**475,645**	**479,518**
3 Europe	114,310	123,377	121,036	124,259	124,593	120,650	121,036	114,390^r	124,661	129,682
4 Austria	327	331	413	457	568	501	413	720^r	598	489
5 Belgium and Luxembourg	6,158	6,404	6,535	6,589	5,516	5,911	6,535	5,169^r	6,327	6,762
6 Denmark	686	707	382	631	1,056	1,261	382	507	600	612
7 Finland	1,907	1,418	598	594	730	606	598	699	725	570
8 France	15,112	14,723	11,490	10,974	11,516	11,622	11,490	11,705	11,033	11,484
9 Germany	3,371	4,222	7,683	7,994	7,570	6,961	7,683	7,364	7,966	8,164
10 Greece	553	717	679	629	592	684	679	653^r	669	736
11 Italy	8,242	9,047	8,876	8,971	8,035	8,402	8,876	8,950	8,477	7,666
12 Netherlands	2,546	2,468	3,064	3,383	3,163	3,607	3,064	3,878	2,761	2,939
13 Norway	669	355	396	841	779	598	396	738	777	531
14 Portugal	344	325	720	787	826	787	720	805	918	936
15 Russia	1,970	3,147	2,295	2,547	2,581	2,295	2,295	2,142	2,005	1,957
16 Spain	1,881	2,755	2,763	3,652	4,747	4,388	2,763	3,299	2,688	2,668
17 Sweden	2,335	4,923	4,100	4,630	4,111	3,531	4,100	3,704	3,608	3,443
18 Switzerland	4,540	4,717	6,567	5,216	4,647	5,946	6,567	7,177	4,535	8,602
19 Turkey	1,063	962	1,287	1,418	1,638	1,790	1,287	1,118	1,627	1,559
20 United Kingdom	60,395	63,430	60,930	62,508	64,044	59,403	60,930	53,219^r	66,993	68,137
21 Yugoslavia[2]	825	569	536	542	535	549	536	470	414	376
22 Other Europe and former U.S.S.R.[3]	1,386	2,157	1,722	1,896	1,939	1,808	1,722	2,073	1,940	2,051
23 Canada	15,113	13,845	18,432	19,007	15,697	15,478	18,432	19,126	16,884	16,985
24 Latin America and Caribbean	246,137	218,078	223,967^r	215,660	212,002	216,687	223,967^r	226,041^r	226,228	226,951
25 Argentina	5,869	4,958	4,425	4,715	4,390	4,518	4,425	4,569	4,459	4,633
26 Bahamas	87,138	60,835	65,045	60,906	60,350	63,242	65,045	66,411	65,439	66,023
27 Bermuda	2,270	5,935	8,032	5,550	8,915	7,565	8,032	10,234	9,969	8,322
28 Brazil	11,894	10,773	11,803	11,294	11,675	11,677	11,803	12,719	12,841	12,907
29 British West Indies	107,846	101,507	97,930^r	97,409	90,041	92,621	97,930^r	94,348^r	95,230	99,243
30 Chile	2,805	3,397	3,614	3,832	3,857	3,728	3,614	3,546	3,763	3,659
31 Colombia	2,425	2,750	3,179	2,921	2,957	3,040	3,179	3,241	3,053	3,057
32 Cuba	0	0	0	0	0	0	0	0	2	0
33 Ecuador	1,053	884	673	701	707	704	673	679	722	702
34 Guatemala	228	262	286	244	269	286	286	316	294	288
35 Jamaica	158	162	195	183	175	186	195	180	176	162
36 Mexico	16,567	14,991	15,833	15,750	16,155	16,073	15,833	16,466^r	16,827	15,974
37 Netherlands Antilles	1,207	1,379	2,367	3,155	3,310	3,048	2,367	3,115	3,093	2,406
38 Panama	1,560	4,654	2,913	2,370	2,491	2,625	2,913	2,843	2,983	2,474
39 Peru	739	730	651	617	636	620	651	693	726	748
40 Uruguay	599	936	951	926	926	918	951	793	742	530
41 Venezuela	2,516	2,525	2,904^r	2,835	2,815	3,054	2,904^r	2,763^r	2,709	2,644
42 Other	1,263	1,400	3,166	2,252	2,333	2,782	3,166	3,125	3,200	3,179
43 Asia	125,262	131,789	110,684	109,020	105,497	107,541	110,684	101,406^r	101,501	98,890
China										
44 People's Republic of China	747	906	2,299	700	773	706	2,299	881	842	796
45 Republic of China (Taiwan)	2,087	2,046	2,628	1,594	1,674	2,003	2,628	2,611	1,487	2,158
46 Hong Kong	9,617	9,642	10,864	11,155	9,640	10,449	10,864	10,224^r	9,990	11,662
47 India	441	529	589	585	635	657	589	638	664	737
48 Indonesia	952	1,189	1,522	1,330	1,268	1,474	1,522	1,556	1,532	1,605
49 Israel	860	820	826	747	752	787	826	947^r	798	675
50 Japan	84,807	79,172	59,576	60,163	60,283	59,934	59,576	54,164	54,583	49,838
51 Korea (South)	6,048	6,179	7,556	7,106	7,133	7,148	7,556	7,373	7,503	7,464
52 Philippines	1,910	2,145	1,408	1,143	1,168	1,265	1,408	1,132	1,183	1,307
53 Thailand	1,713	1,867	2,154	2,143	2,145	2,110	2,154	2,375^r	2,543	2,651
54 Middle Eastern oil-exporting countries[4]	8,284	18,540	14,398	14,251	13,580	13,853	14,398	12,903	13,190	14,153
55 Other	7,796	8,754	6,864	8,103	6,446	7,155	6,864	6,602^r	7,186	5,844
56 Africa	4,928	4,279	3,819	4,023	3,919	3,799	3,819	3,746	3,770	3,690
57 Egypt	294	186	196	176	160	218	196	198	222	205
58 Morocco	575	441	444	454	433	437	444	489	521	511
59 South Africa	1,235	1,041	633	713	663	664	633	581	558	564
60 Zaire	4	4	4	3	3	4	4	4	6	4
61 Oil-exporting countries[5]	1,298	1,002	1,128	1,206	1,187	1,119	1,128	1,169	1,197	1,210
62 Other	1,522	1,605	1,414	1,471	1,473	1,357	1,414	1,305	1,266	1,196
63 Other	2,306	2,987	2,809	2,840	2,910	2,414	2,809	2,857	2,601	3,320
64 Australia	1,665	2,243	2,072	2,414	2,401	1,873	2,072	2,030	1,692	1,684
65 Other	641	744	737	426	509	541	737	827	909	1,636
66 Nonmonetary international and regional organizations[6]	6,283	5,082	2,405	2,379	1,243	2,201	2,405	3,113	1,694	1,714

1. Reporting banks include all types of depository institutions, as well as some brokers and dealers.
2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
3. Includes the Bank for International Settlements. Since December 1992, includes all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Claim	1991	1992	1993	1993				1994		
				Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.	Mar.[p]
1 **Total**	**579,683**	**559,495**	**523,562[r]**	**518,469**	...	...	**523,562[r]**	...	...	...
2 Banks' claims	514,339	499,437	483,152[r]	477,188	465,861	468,770	483,152[r]	470,679	477,339	481,232
3 Foreign public borrowers	37,126	31,367	28,814[r]	31,925	31,320	29,761	28,814[r]	30,677	26,649	25,494
4 Own foreign offices[2]	318,800	303,991	286,848[r]	286,710	269,968	279,876	286,848[r]	275,478	273,611	287,901
5 Unaffiliated foreign banks	116,602	109,342	98,018[r]	96,000	91,888	92,030	98,018[r]	90,994	97,724	94,101
6 Deposits	69,018	61,550	46,875[r]	44,928	43,777	44,005	46,875[r]	40,662	45,813	44,068
7 Other	47,584	47,792	51,143	51,072	48,111	48,025	51,143	50,332	51,911	50,033
8 All other foreigners	41,811	54,737	69,472	62,553	72,685	67,103	69,472	73,530	79,355	73,736
9 Claims of banks' domestic customers[3]	65,344	60,058	40,410	41,281	...	...	40,410	...	...	...
10 Deposits	15,280	15,452	9,619	9,343	...	...	9,619	...	...	...
11 Negotiable and readily transferable instruments[4]	37,125	31,474	17,155	18,475	...	...	17,155	...	...	...
12 Outstanding collections and other claims	12,939	13,132	13,636	13,463	...	...	13,636	...	...	...
MEMO										
13 Customer liability on acceptances	8,974	8,655	7,871	8,190	...	...	7,871	...	...	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	43,024	36,213	22,733	24,507	27,002	21,830	22,733	21,569	21,350	...

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are quarterly.
Reporting banks include all types of depository institution, as well as some brokers and dealers.
2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in Consolidated Report of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
3. Assets held by reporting banks in the accounts of their domestic customers.
4. Principally negotiable time certificates of deposit and bankers acceptances.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see *Federal Reserve Bulletin*, vol. 65 (July 1979), p. 550.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area[2]	1990	1991	1992	1993			
				Mar.	June	Sept.	Dec.
1 **Total**	**206,903**	**195,302**	**195,119**	**182,205**	**182,975**	**189,716**	**194,838**
By borrower							
2 Maturity of one year or less	165,985	162,573	163,325	151,986	154,312	162,005	166,288
3 Foreign public borrowers	19,305	21,050	17,813	21,239	17,962	21,211	17,447
4 All other foreigners	146,680	141,523	145,512	130,747	136,350	140,794	148,841
5 Maturity of more than one year	40,918	32,729	31,794	30,219	28,663	27,711	28,550
6 Foreign public borrowers	22,269	15,859	13,266	12,214	11,255	10,507	10,828
7 All other foreigners	18,649	16,870	18,528	18,005	17,408	17,204	17,722
By area							
Maturity of one year or less							
8 Europe	49,184	51,835	53,300	54,838	54,372	57,238	56,273
9 Canada	5,450	6,444	6,091	7,874	7,893	9,833	7,564
10 Latin America and Caribbean	49,782	43,597	50,376	45,082	48,552	51,619	56,686
11 Asia	53,258	51,059	45,709	37,741	38,654	37,624	40,274
12 Africa	3,040	2,549	1,784	1,677	1,712	1,916	1,783
13 All other[3]	5,272	7,089	6,065	4,774	3,129	3,775	3,708
Maturity of more than one year							
14 Europe	3,859	3,878	5,367	4,896	4,579	4,433	4,327
15 Canada	3,290	3,595	3,287	3,120	2,909	2,549	2,553
16 Latin America and Caribbean	25,774	18,277	15,312	14,574	13,828	13,519	13,877
17 Asia	5,165	4,459	5,038	5,063	4,808	4,732	5,412
18 Africa	2,374	2,335	2,380	2,130	2,050	2,049	1,934
19 All other[3]	456	185	410	436	489	429	447

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Maturity is time remaining to maturity.
3. 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	1989	1990	1991	1992				1993			
			Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.[p]
1 **Total**	**340.9**	**320.1**	**343.6**	**351.7**	**358.7**	**344.5**	**346.5**	**361.0**	**377.1**	**388.1**	**403.3**
2 G-10 countries and Switzerland	152.9	132.2	137.6	130.9	135.6	136.0	132.9	142.4	150.1	153.4	160.9
3 Belgium and Luxembourg	6.3	5.9	6.0	5.3	6.2	6.2	5.6	6.1	7.0	7.1	7.4
4 France	11.7	10.4	11.0	10.0	11.9	15.3	15.3	13.5	14.0	12.3	11.7
5 Germany	10.5	10.6	8.3	8.4	8.8	10.9	9.3	9.9	10.8	12.4	12.6
6 Italy	7.4	5.0	5.6	5.4	8.0	6.4	6.5	6.7	7.9	8.7	7.6
7 Netherlands	3.1	3.0	4.7	4.3	3.3	3.7	2.8	3.6	3.7	3.7	4.7
8 Sweden	2.0	2.2	1.9	2.0	1.9	2.2	2.3	3.0	2.5	2.5	2.5
9 Switzerland	7.1	4.4	3.4	3.2	4.6	5.2	4.8	5.3	4.7	5.6	5.9
10 United Kingdom	67.2	60.9	68.5	64.7	65.6	61.0	60.8	65.7	73.5	74.7	84.4
11 Canada	5.4	5.9	5.8	6.5	6.5	6.3	6.3	8.2	8.1	9.7	6.6
12 Japan	32.3	24.0	22.6	21.1	18.7	18.9	19.3	20.4	17.9	16.9	17.4
13 Other industrialized countries	21.0	22.9	22.8	21.4	25.5	25.0	24.0	25.4	27.2	26.0	24.6
14 Austria	1.5	1.4	.6	.8	.8	.7	1.2	1.2	1.3	.6	.4
15 Denmark	1.1	1.1	.9	.8	1.3	1.5	.9	.8	1.0	1.1	1.0
16 Finland	1.0	.7	.7	.8	.8	1.0	.7	.7	.9	.6	.4
17 Greece	2.5	2.7	2.6	2.3	2.8	3.0	3.0	2.7	3.1	3.2	3.2
18 Norway	1.4	1.6	1.4	1.5	1.7	1.6	1.2	1.8	1.8	2.1	1.7
19 Portugal	.4	.6	.6	.5	.5	.5	.4	.7	.9	1.0	.8
20 Spain	7.1	8.3	8.3	7.7	10.1	9.7	8.9	9.5	10.5	9.3	8.9
21 Turkey	1.2	1.7	1.4	1.2	1.5	1.5	1.3	1.4	2.1	2.1	2.1
22 Other Western Europe	1.0	1.2	1.8	1.5	2.0	1.5	1.7	2.0	1.7	2.2	2.6
23 South Africa	2.0	1.8	1.9	1.8	1.7	1.7	1.7	1.6	1.3	1.2	1.1
24 Australia	1.6	1.8	2.7	2.3	2.2	2.3	2.9	2.9	2.5	2.8	2.3
25 OPEC[2]	17.1	12.8	14.5	15.8	16.2	15.9	16.1	16.8	15.9	14.9	16.9
26 Ecuador	1.3	1.0	.7	.7	.7	.7	.6	.6	.6	.5	.5
27 Venezuela	7.0	5.0	5.4	5.4	5.3	5.4	5.2	5.3	5.6	5.6	5.3
28 Indonesia	2.0	2.7	2.7	3.0	3.0	3.0	3.0	3.1	3.1	2.8	3.2
29 Middle East countries	5.0	2.5	4.2	5.3	5.9	5.4	6.2	6.6	5.4	4.9	6.7
30 African countries	1.7	1.7	1.5	1.4	1.4	1.4	1.1	1.1	1.1	1.1	1.2
31 Non-OPEC developing countries	77.5	65.4	63.9	69.7	68.1	72.8	72.1	74.4	76.6	76.9	82.5
Latin America											
32 Argentina	6.3	5.0	4.8	5.0	5.1	6.2	6.6	7.0	6.6	7.2	7.7
33 Brazil	19.0	14.4	9.6	10.8	10.6	10.8	10.8	11.6	12.3	11.6	12.0
34 Chile	4.6	3.5	3.6	3.9	4.0	4.2	4.4	4.6	4.6	4.7	4.7
35 Colombia	1.8	1.8	1.7	1.6	1.6	1.7	1.8	1.9	1.9	2.0	2.1
36 Mexico	17.7	13.0	15.5	17.7	16.3	17.1	16.0	16.8	16.8	17.5	17.7
37 Peru	.6	.5	.4	.4	.4	.5	.5	.4	.4	.3	.4
38 Other	2.8	2.3	2.1	2.2	2.2	2.5	2.6	2.6	2.7	2.6	3.0
Asia											
China											
39 Peoples Republic of China	.3	.2	.3	.3	.3	.3	.7	.6	1.6	.5	2.0
40 Republic of China (Taiwan)	4.5	3.5	4.1	4.8	4.6	5.0	5.2	5.3	5.9	6.4	7.3
41 India	3.1	3.3	3.0	3.6	3.8	3.6	3.2	3.1	3.1	2.9	3.2
42 Israel	.7	.5	.5	.4	.4	.4	.4	.5	.4	.4	.5
43 Korea (South)	5.9	6.2	6.8	6.9	6.9	7.4	6.6	6.5	6.9	6.5	6.7
44 Malaysia	1.7	1.9	2.3	2.5	2.7	3.0	3.1	3.4	3.7	4.1	4.4
45 Philippines	4.1	3.8	3.7	3.6	3.1	3.6	3.6	3.4	2.9	2.6	3.1
46 Thailand	1.3	1.5	1.7	1.7	1.9	2.2	2.2	2.2	2.4	2.8	3.1
47 Other Asia[3]	1.0	1.7	2.0	2.3	2.5	2.7	2.7	2.7	2.6	3.0	2.9
Africa											
48 Egypt	.4	.4	.4	.3	.5	.3	.2	.2	.2	.2	.4
49 Morocco	.9	.8	.7	.7	.7	.6	.6	.5	.6	.6	.6
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	1.0	1.0	.7	.7	.6	.9	1.0	.8	.9	.8	.8
52 Eastern Europe	3.5	2.3	2.4	2.9	3.0	3.1	3.1	2.9	3.2	3.0	3.0
53 Russia	.7	.2	.9	1.4	1.7	1.8	1.9	1.7	1.9	1.7	1.6
54 Yugoslavia	1.6	1.2	.9	.8	.7	.7	.6	.6	.6	.6	.6
55 Other	1.3	.9	.7	.6	.6	.7	.6	.7	.7	.7	.9
56 Offshore banking centers	38.4	44.7	54.2	63.0	61.4	54.5	58.3	60.1	57.8	67.5	72.0
57 Bahamas	5.5	2.9	11.9	15.3	12.9	8.9	6.9	9.6	6.9	12.4	12.6
58 Bermuda	1.7	4.4	2.3	3.9	5.1	3.8	6.2	4.1	4.5	5.5	8.1
59 Cayman Islands and other British West Indies	9.0	11.7	15.8	18.6	19.3	16.9	21.8	17.6	15.6	15.1	16.5
60 Netherlands Antilles	2.3	7.9	1.2	1.0	.8	.7	1.1	1.6	2.5	2.8	2.3
61 Panama[4]	1.4	1.4	1.4	1.6	1.9	2.0	1.9	2.0	2.1	2.1	2.4
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	11.3	9.7	14.4	14.0	14.9	15.2	13.8	16.7	16.9	19.1	18.7
64 Singapore	7.0	6.6	7.1	8.5	6.4	6.8	6.5	8.4	9.3	10.4	11.2
65 Other[5]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.1
66 Miscellaneous and unallocated[6]	30.5	39.9	48.0	47.8	48.6	36.8	39.7	38.8	46.2	46.3	43.3

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. U.S. office data include other types of U.S.-owned depository institutions as well as some types of brokers and dealers. 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).

Since June 1984, 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. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).

3. Excludes Liberia.

4. Includes Canal Zone.

5. Foreign branch claims only.

6. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type of liability and area or country	1990	1991	1992	1992		1993			
					Sept.	Dec.	Mar.	June	Sept.	Dec.[p]
1	**Total**	**46,043**	**44,708**	**45,351**	**47,089**	**45,351**	**46,181**	**46,424**	**48,674**	**49,453**
2	Payable in dollars	40,786	39,029	37,209	38,344	37,209	37,823	37,014	39,280	37,804
3	Payable in foreign currencies	5,257	5,679	8,142	8,745	8,142	8,358	9,410	9,394	11,649
	By type									
4	Financial liabilities	21,066	22,518	23,380	24,518	23,380	23,947	24,714	26,067	27,445
5	Payable in dollars	16,979	18,104	16,623	17,453	16,623	17,021	16,870	18,635	18,112
6	Payable in foreign currencies	4,087	4,414	6,757	7,065	6,757	6,926	7,844	7,432	9,333
7	Commercial liabilities	24,977	22,190	21,971	22,571	21,971	22,234	21,710	22,607	22,008
8	Trade payables	10,683	9,252	9,886	10,234	9,886	10,005	9,687	9,483	9,011
9	Advance receipts and other liabilities	14,294	12,938	12,085	12,337	12,085	12,229	12,023	13,124	12,997
10	Payable in dollars	23,807	20,925	20,586	20,891	20,586	20,802	20,144	20,645	19,692
11	Payable in foreign currencies	1,170	1,265	1,385	1,680	1,385	1,432	1,566	1,962	2,316
	By area or country									
	Financial liabilities									
12	Europe	10,978	12,003	13,101	14,334	13,101	13,461	14,060	16,341	17,862
13	Belgium and Luxembourg	394	216	414	256	414	306	268	278	175
14	France	975	2,106	1,608	2,785	1,608	1,610	2,216	2,074	2,323
15	Germany	621	682	810	738	810	820	787	779	902
16	Netherlands	1,081	1,056	606	980	606	639	585	573	534
17	Switzerland	545	408	569	627	569	503	491	378	634
18	United Kingdom	6,357	6,528	8,424	8,146	8,424	9,029	9,058	11,669	12,690
19	Canada	229	292	516	345	516	576	492	663	859
20	Latin America and Caribbean	4,153	4,784	4,053	3,997	4,053	4,299	4,199	3,719	3,359
21	Bahamas	371	537	369	230	369	521	426	1,301	1,148
22	Bermuda	0	114	114	115	114	114	124	114	0
23	Brazil	0	6	19	18	19	18	18	18	18
24	British West Indies	3,160	3,524	2,860	2,933	2,860	2,970	2,951	1,600	1,533
25	Mexico	5	7	12	12	12	13	11	15	17
26	Venezuela	4	4	6	5	6	5	5	5	5
27	Asia	5,295	5,381	5,676	5,752	5,676	5,550	5,793	5,194	5,203
28	Japan	4,065	4,116	4,608	4,678	4,608	4,539	4,611	4,165	4,134
29	Middle East oil-exporting countries[2]	5	13	19	17	19	24	19	23	23
30	Africa	2	6	6	5	6	6	130	132	133
31	Oil-exporting countries[3]	0	4	0	0	0	0	123	124	123
32	All other[4]	409	52	28	85	28	55	40	18	29
	Commercial liabilities									
33	Europe	10,310	8,701	7,377	7,478	7,377	6,985	6,801	7,045	6,809
34	Belgium and Luxembourg	275	248	296	173	296	262	267	255	238
35	France	1,218	1,039	697	756	697	705	773	640	646
36	Germany	1,270	1,052	717	851	717	650	603	571	684
37	Netherlands	844	710	535	601	535	537	577	601	687
38	Switzerland	775	575	349	482	349	471	440	535	373
39	United Kingdom	2,792	2,297	2,503	2,268	2,503	2,117	2,185	2,319	2,053
40	Canada	1,261	1,014	1,002	1,114	1,002	1,005	941	847	881
41	Latin America and Caribbean	1,672	1,355	1,532	1,515	1,532	1,776	1,828	1,759	1,661
42	Bahamas	12	3	3	3	3	11	6	4	21
43	Bermuda	538	310	307	325	307	429	356	340	348
44	Brazil	145	219	209	121	209	236	226	214	216
45	British West Indies	30	107	33	85	33	34	16	36	26
46	Mexico	475	307	457	326	457	553	659	577	485
47	Venezuela	130	94	142	147	142	171	172	173	126
48	Asia	9,483	9,334	10,917	11,026	10,917	11,067	10,823	11,736	11,620
49	Japan	3,651	3,721	3,951	3,918	3,951	4,035	3,715	4,546	5,097
50	Middle Eastern oil-exporting countries[2,5]	2,016	1,498	1,889	1,813	1,889	1,796	1,815	1,934	1,543
51	Africa	844	715	568	675	568	675	665	641	445
52	Oil-exporting countries[3]	422	327	309	335	309	322	378	320	153
53	Other[4]	1,406	1,071	575	763	575	726	652	579	592

1. For a description of the changes in the international statistics tables, see *Federal Reserve Bulletin*, vol. 65, (July 1979), 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	1990	1991	1992	1992		1993			
					Sept.	Dec.	Mar.	June	Sept.	Dec.[p]
1	**Total**	**35,348**	**45,262**	**41,894**	**46,271**	**41,894**	**45,784**	**41,470**	**42,003**	**42,552**
2	Payable in dollars	32,760	42,564	39,287	43,297	39,287	42,904	38,346	38,732	39,022
3	Payable in foreign currencies	2,589	2,698	2,607	2,974	2,607	2,880	3,124	3,271	3,530
	By type									
4	Financial claims	19,874	27,882	23,532	28,573	23,532	26,064	21,808	23,324	23,047
5	Deposits	13,577	20,080	15,100	19,524	15,100	16,508	11,646	13,286	12,981
6	Payable in dollars	12,552	19,080	14,302	18,387	14,302	15,450	10,728	12,307	12,171
7	Payable in foreign currencies	1,025	1,000	798	1,137	798	1,058	918	979	810
8	Other financial claims	6,297	7,802	8,432	9,049	8,432	9,556	10,162	10,038	10,066
9	Payable in dollars	5,280	6,910	7,667	8,028	7,667	8,803	9,238	9,279	9,096
10	Payable in foreign currencies	1,017	892	765	1,021	765	753	924	759	970
11	Commercial claims	15,475	17,380	18,362	17,698	18,362	19,720	19,662	18,679	19,505
12	Trade receivables	13,657	14,468	15,804	14,755	15,804	17,364	17,180	15,698	16,291
13	Advance payments and other claims	1,817	2,912	2,558	2,943	2,558	2,356	2,482	2,981	3,214
14	Payable in dollars	14,927	16,574	17,318	16,882	17,318	18,651	18,380	17,146	17,755
15	Payable in foreign currencies	548	806	1,044	816	1,044	1,069	1,282	1,533	1,750
	By area or country									
	Financial claims									
16	Europe	9,645	13,441	9,310	11,301	9,310	10,321	9,620	8,251	8,042
17	Belgium and Luxembourg	76	13	8	16	8	6	13	9	131
18	France	371	269	762	768	762	905	781	708	749
19	Germany	367	283	326	292	326	388	383	361	472
20	Netherlands	265	334	515	750	515	544	499	485	483
21	Switzerland	357	581	490	587	490	478	460	454	506
22	United Kingdom	7,971	11,534	6,234	8,078	6,234	6,968	6,550	5,227	4,535
23	Canada	2,934	2,642	1,709	2,281	1,709	2,007	1,781	1,593	1,810
24	Latin America and Caribbean	6,201	10,717	11,122	13,837	11,122	9,718	6,704	10,067	10,868
25	Bahamas	1,090	827	658	1,248	658	320	697	494	452
26	Bermuda	3	8	40	65	40	79	258	197	125
27	Brazil	68	351	686	589	686	592	590	590	599
28	British West Indies	4,635	9,056	9,266	11,492	9,266	8,266	4,650	8,109	8,614
29	Mexico	177	212	286	239	286	235	270	385	634
30	Venezuela	25	40	29	26	29	23	24	25	161
31	Asia	860	640	807	717	807	3,263	2,961	2,709	1,751
32	Japan	523	350	643	471	643	3,066	2,444	2,199	1,063
33	Middle East oil-exporting countries[2]	8	5	3	4	3	3	10	5	3
34	Africa	37	57	79	71	79	128	125	88	99
35	Oil-exporting countries[3]	0	1	9	1	9	1	1	1	1
36	All other[4]	195	385	505	366	505	627	617	616	477
	Commercial claims									
37	Europe	7,044	8,193	8,401	8,196	8,401	8,744	8,885	7,975	8,418
38	Belgium and Luxembourg	212	194	189	174	189	170	172	163	182
39	France	1,240	1,585	1,525	1,825	1,525	1,476	1,488	1,394	1,754
40	Germany	807	955	931	900	931	974	979	898	953
41	Netherlands	555	645	551	589	551	730	560	399	387
42	Switzerland	301	295	362	308	362	436	442	376	417
43	United Kingdom	1,775	2,086	2,081	2,011	2,081	2,326	2,514	2,213	2,176
44	Canada	1,074	1,121	1,258	1,155	1,258	1,312	1,330	1,326	1,284
45	Latin America and Caribbean	2,375	2,655	3,024	3,225	3,024	3,431	3,414	3,023	3,145
46	Bahamas	14	13	28	12	28	18	17	20	11
47	Bermuda	246	264	255	256	255	195	239	225	173
48	Brazil	326	427	356	410	356	834	786	406	442
49	British West Indies	40	41	40	43	40	17	43	39	69
50	Mexico	661	842	920	977	920	985	898	848	925
51	Venezuela	192	203	344	307	344	341	314	282	293
52	Asia	4,127	4,591	4,764	4,328	4,764	5,360	5,113	5,439	5,689
53	Japan	1,460	1,899	1,879	1,779	1,879	2,145	1,853	2,496	2,338
54	Middle Eastern oil-exporting countries[2]	460	620	682	513	682	761	659	446	645
55	Africa	488	430	552	439	552	457	510	487	488
56	Oil-exporting countries[3]	67	95	78	60	78	75	98	107	71
57	Other[4]	367	390	363	355	363	416	410	429	481

1. For a description of the changes in the international statistics tables, see *Federal Reserve Bulletin*, vol. 65, (July 1979), 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

Transaction and area or country	1992	1993	1994	1993				1994		
			Jan.–Mar.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	221,367	319,449	103,012	23,892	32,350	31,924	32,843	32,238	34,428	36,346
2 Foreign sales	226,503	297,913	96,748	23,023	27,840	28,755	28,362	28,965	30,709	37,074
3 **Net purchases or sales (–)**	**–5,136**	**21,536**	**6,264**	**869**	**4,510**	**3,169**	**4,481**	**3,273**	**3,719**	**–728**
4 **Foreign countries**	**–5,169**	**21,264**	**6,333**	**951**	**4,598**	**3,099**	**4,457**	**3,273**	**3,786**	**–726**
5 Europe	–4,927	10,615	6,789	434	3,095	1,407	2,415	2,951	3,447	391
6 France	–1,350	–103	–278	–152	198	45	61	119	190	–587
7 Germany	–80	1,647	1,942	112	328	130	266	1,170	440	332
8 Netherlands	–262	–603	224	69	134	–767	183	169	210	–155
9 Switzerland	168	2,986	857	–259	409	205	338	254	505	98
10 United Kingdom	–3,301	4,510	2,218	570	1,709	1,470	1,078	614	1,215	389
11 Canada	1,407	–3,213	–29	–596	–300	11	–110	314	–284	–59
12 Latin America and Caribbean	2,203	5,709	1,827	139	1,245	941	1,058	948	910[r]	–31
13 Middle East[1]	–88	–311	–56	10	–77	53	11	–100	–17	61
14 Other Asia	–3,943	8,199	–2,583	977	602	601	965	–911	–379[r]	–1,293
15 Japan	–3,598	3,826	–1,362	1,016	349	488	681	–800	–447	–115
16 Africa	10	63	6	3	5	6	20	10	–17	13
17 Other countries	169	202	379	–16	28	80	98	61	126	192
18 **Nonmonetary international and regional organizations**	**33**	**272**	**–69**	**–82**	**–88**	**70**	**24**	**0**	**–67**	**–2**
BONDS[2]										
19 Foreign purchases	214,922	283,745	77,205	24,845	27,565	28,947	28,395	24,607	22,233[r]	30,365
20 Foreign sales	175,842	217,481	63,476	16,294	18,938	21,545	17,427	19,418	18,309	25,749
21 **Net purchases or sales (–)**	**39,080**	**66,264**	**13,729**	**8,551**	**8,627**	**7,402**	**10,968**	**5,189**	**3,924[r]**	**4,616**
22 **Foreign countries**	**37,964**	**65,726**	**13,627**	**7,865**	**8,488**	**7,375**	**10,901**	**5,205**	**3,893[r]**	**4,529**
23 Europe	17,435	22,055	7,448	3,913	3,973	1,534	3,118	2,742	2,680[r]	2,026
24 France	1,203	2,346	28	13	512	110	145	53	–57	32
25 Germany	2,480	883	–75	–419	913	–231	–62	–101	90	–64
26 Netherlands	540	–290	504	219	–518	49	95	75	99	330
27 Switzerland	–579	–627	364	–204	203	–80	28	176	57	131
28 United Kingdom	12,421	19,158	7,584	4,059	2,666	2,300	2,853	1,676	2,761	3,147
29 Canada	237	1,653	–17	249	95	54	319	23	–141	101
30 Latin America and Caribbean	9,300	16,493	4,397	846	1,727	2,650	3,681	1,638	909	1,850
31 Middle East[1]	3,166	3,257	137	171	375	432	383	161	–83	59
32 Other Asia	7,545	20,846	1,567	2,373	2,256	2,765	3,137	670	480	417
33 Japan	–450	11,569	–421	993	1,574	1,478	2,477	–95	37	–363
34 Africa	354	1,149	–51	236	47	–2	119	–51	10	–10
35 Other countries	–73	273	146	77	15	–58	144	22	38	86
36 **Nonmonetary international and regional organizations**	**1,116**	**538**	**102**	**686**	**139**	**27**	**67**	**–16**	**31**	**87**
	Foreign securities									
37 Stocks, net purchases or sales (–)[3]	–32,259	–63,320	–17,819	–5,236	–7,474	–6,931	–6,503	–5,860	–6,248[r]	–5,711
38 Foreign purchases	150,051	246,011	107,714	21,475	24,740	28,408	31,135	32,432	38,374[r]	36,908
39 Foreign sales[3]	182,310	309,331	125,533	26,711	32,214	35,339	37,638	38,292	44,622[r]	42,619
40 Bonds, net purchases or sales (–)	–15,605	–61,023	–10,957	–9,903	–2,479	–54	–8,158	–9,483[r]	–4,728[r]	3,254
41 Foreign purchases	513,589	839,118	288,925	80,145	76,034	87,459	79,334	84,223	85,847[r]	118,855
42 Foreign sales	529,194	900,141	299,882	90,048	78,513	87,513	87,492	93,706[r]	90,575[r]	115,601
43 **Net purchases or sales (–), of stocks and bonds**	**–47,864**	**–124,343**	**–28,776**	**–15,139**	**–9,953**	**–6,985**	**–14,661**	**–15,343[r]**	**–10,976[r]**	**–2,457**
44 **Foreign countries**	**–51,274**	**–124,504**	**–28,664**	**–15,215**	**–10,302**	**–6,994**	**–14,691**	**–15,386[r]**	**–10,844[r]**	**–2,434**
45 Europe	–31,350	–81,175	–1,969	–13,217	–5,004	–4,530	–4,351	–5,512	–3,599[r]	7,142
46 Canada	–6,893	–14,649	–4,511	–1,404	–949	709	–1,733	–2,741	–2,416[r]	646
47 Latin America and Caribbean	–4,340	–9,549	–6,325	1,905	–1,280	–2,248	–4,566	–3,124[r]	–327[r]	–2,874
48 Asia	–7,923	–15,044	–15,102	–2,221	–2,002	–502	–3,555	–3,171[r]	–4,450[r]	–7,481
49 Africa	–13	–185	–244	14	14	0	13	–60	18	–202
50 Other countries	–755	–3,902	–513	–292	–1,081	–423	–499	–778	–70	335
51 **Nonmonetary international and regional organizations**	**3,410**	**161**	**–112**	**76**	**349**	**9**	**30**	**43**	**–132**	**–23**

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. In a July 1989 merger, the former stockholders of a U.S. company received \$5,453 million in shares of the new combined U.K. company. This transaction is not reflected in the data.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

	Country or area	1992	1993	1994	1993				1994		
				Jan.–Mar.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[p]
		Transactions, net purchases or sales (–) during period[1]									
1	**Estimated total**	**39,288**	**24,294**	**13,973**	**–10,890**	**3,925**	**15,203**	**507**	**1,853[r]**	**12,995[r]**	**–875**
2	Foreign countries	37,935	24,091	13,585	–10,748	5,055	14,584	696	1,592[r]	12,884[r]	–891
3	Europe	19,625	–2,311	6,167	–5,917	3,500	–841	499	114	3,552	2,501
4	Belgium and Luxembourg	1,985	1,218	334	207	–205	22	–65	–63	128	269
5	Germany	2,076	–9,977	543	1,209	1,176	–750	571	2,327	–1,055	–729
6	Netherlands	–2,959	–515	–501	137	–506	206	–189	52	418	–971
7	Sweden	–804	1,421	259	53	47	141	–31	–4	229	34
8	Switzerland	488	–1,501	2,253	–209	448	573	–70	313	555	1,385
9	United Kingdom	24,184	6,266	1,423	–8,201	833	–1,900	–412	–1,888	2,455	856
10	Other Europe and former U.S.S.R.	–5,345	777	1,856	887	1,707	867	695	–623	822	1,657
11	Canada	562	11,252	927	–1,119	–342	1,358	846	32	168[r]	727
12	Latin America and Caribbean	–3,222	–4,692	7,806	–3,311	3,701	2,070	–4,830	3,677[r]	7,512	–3,383
13	Venezuela	539	389	–30	32	–102	19	56	–358[r]	235	93
14	Other Latin America and Caribbean	–1,956	–5,925	1,772	–1,700	676	–36	–1,061	3,118	2,860	–4,206
15	Netherlands Antilles	–1,805	844	6,064	–1,643	3,127	2,087	–3,825	917	4,417	730
16	Asia	23,517	20,532	–890	–574	–2,034	11,771	4,029	–2,152	1,191	71
17	Japan	9,817	17,070	–1,607	–1,809	156	5,661	649	–3,074	–1,403	2,870
18	Africa	1,103	1,156	–273	616	74	35	115	–135	–120	–18
19	Other	–3,650	–1,846	–152	–443	156	191	37	56	581	–789
20	Nonmonetary international and regional organizations	1,353	203	388	–142	–1,130	619	–189	261	111[r]	16
21	International	1,018	–302	517	–99	–874	855	124	455	1[r]	61
22	Latin American regional	533	654	86	18	–23	40	–1	7	116	–37
	MEMO										
23	Foreign countries	37,935	24,091	13,585	–10,748	5,055	14,584	696	1,592[r]	12,884[r]	–891
24	Official institutions	6,876	1,272	3,446	3,181	1,619	6,223	3,637	4,284[r]	4,045	–4,883
25	Other foreign[2]	31,059	22,819	10,139	–13,929	3,436	8,361	–2,941	–2,692	8,839[r]	3,992
	Oil-exporting countries										
26	Middle East[2]	4,317	–8,836	–585	–980	–820	–6	84	–1,518	900	33
27	Africa[3]	11	–5	0	0	0	0	–9	0	0	0

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year

Country	Rate on May 31, 1994		Country	Rate on May 31, 1994		Country	Rate on May 31, 1994	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	4.75	May 1994	Germany	4.5	May 1994	Norway	4.75	Feb. 1994
Belgium	4.50	May 1994	Italy	7.0	May 1994	Switzerland	3.5	Apr. 1994
Canada	6.59	May 1994	Japan	1.75	Sept. 1993	United Kingdom	12.0	Sept. 1992
Denmark	5.25	May 1994	Netherlands	4.5	May 1994			
France[2]	5.40	May 1994						

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1991	1992	1993	1993		1994				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
1 Eurodollars	5.86	3.70	3.18	3.36	3.26	3.15	3.43	3.75	4.00	4.51
2 United Kingdom	11.47	9.56	5.88	5.52	5.29	5.34	5.15	5.12	5.14	5.13
3 Canada	9.07	6.76	5.14	4.34	4.09	3.89	3.89	4.45	6.07	6.38
4 Germany	9.15	9.42	7.17	6.20	5.99	5.76	5.78	5.73	5.48	5.07
5 Switzerland	8.01	7.67	4.79	4.44	4.10	3.90	4.04	3.99	3.96	3.94
6 Netherlands	9.19	9.25	6.73	5.85	5.50	5.12	5.19	5.23	5.22	5.04
7 France	9.49	10.14	8.30	6.56	6.39	6.19	6.18	6.11	5.89	5.52
8 Italy	12.04	13.91	10.09	8.94	8.56	8.38	8.42	8.36	8.07	7.76
9 Belgium	9.30	9.31	8.10	7.93	7.03	6.88	6.39	6.10	5.84	5.27
10 Japan	7.33	4.39	2.96	2.31	2.06	2.13	2.21	2.26	2.26	2.17

1. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills; and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar except as noted

Country/currency unit	1991	1992	1993	1993	1994				
				Dec.	Jan.	Feb.	Mar.	Apr.	May
1 Australia/dollar[2]	77.872	73.521	67.993	67.364	69.608	71.611	71.087	71.565	72.433
2 Austria/schilling	11.686	10.992	11.639	12.025	12.252	12.200	11.896	11.948	11.651
3 Belgium/franc	34.195	32.148	34.581	35.694	36.206	35.768	34.862	34.979	34.108
4 Canada/dollar	1.1460	1.2085	1.2902	1.3308	1.3173	1.3424	1.3644	1.3830	1.3808
5 China, P.R./yuan	5.3337	5.5206	5.7795	5.8210	8.7219	8.7249	8.7241	8.7251	8.6859
6 Denmark/krone	6.4038	6.0372	6.4863	6.7042	6.7697	6.7668	6.6296	6.6642	6.4857
7 Finland/markka	4.0521	4.4865	5.7251	5.7602	5.7004	5.5930	5.5436	5.4997	5.4194
8 France/franc	5.6468	5.2935	5.6669	5.8477	5.9207	5.8955	5.7647	5.8170	5.6728
9 Germany/deutsche mark	1.6610	1.5618	1.6545	1.7105	1.7426	1.7355	1.6909	1.6984	1.6565
10 Greece/drachma	182.63	190.81	229.64	245.51	250.29	250.48	246.71	249.08	245.41
11 Hong Kong/dollar	7.7712	7.7402	7.7357	7.7245	7.7251	7.7353	7.7268	7.7269	7.7262
12 India/rupee	22.712	28.156	31.291	31.440	31.440	31.449	31.415	31.391	31.375
13 Ireland/pound[2]	161.39	170.42	146.47	141.82	143.03	141.91	143.40	143.42	147.12
14 Italy/lira	1,241.28	1,232.17	1,573.41	1,687.17	1,699.45	1,685.96	1,666.63	1,626.07	1,594.56
15 Japan/yen	134.59	126.78	111.08	109.91	111.44	106.30	105.10	103.48	103.75
16 Malaysia/ringgit	2.7503	2.5463	2.5738	2.5737	2.7160	2.7624	2.7171	2.6887	2.6169
17 Netherlands/guilder	1.8720	1.7587	1.8585	1.9162	1.9516	1.9464	1.9006	1.9074	1.8597
18 New Zealand/dollar[2]	57.832	53.792	54.127	55.631	56.263	57.436	57.093	56.908	58.347
19 Norway/krone	6.4912	6.2142	7.0979	7.4211	7.5064	7.4885	7.3419	7.3680	7.1789
20 Portugal/escudo	144.77	135.07	161.08	174.58	176.04	175.15	174.00	173.54	171.15
21 Singapore/dollar	1.7283	1.6294	1.6158	1.5975	1.6037	1.5873	1.5819	1.5628	1.5464
22 South Africa/rand	2.7633	2.8524	3.2729	3.3788	3.4107	3.4520	3.4586	3.5789	3.6346
23 South Korea/won	736.73	784.58	805.75	812.57	813.55	812.24	810.69	811.71	809.79
24 Spain/peseta	104.01	102.38	127.48	140.42	143.04	141.08	138.78	138.14	136.62
25 Sri Lanka/rupee	41.200	44.013	48.205	49.322	49.460	49.113	48.931	48.925	49.067
26 Sweden/krona	6.0521	5.8258	7.7956	8.3501	8.1184	7.9869	7.9156	7.8850	7.7181
27 Switzerland/franc	1.4356	1.4064	1.4781	1.4634	1.4716	1.4565	1.4292	1.4383	1.4125
28 Taiwan/dollar	26.759	25.160	26.416	26.768	26.495	26.440	26.414	26.389	26.792
29 Thailand/baht	25.528	25.411	25.333	25.460	25.543	25.382	25.325	25.268	25.212
30 United Kingdom/pound[2]	176.74	176.63	150.16	149.13	149.23	147.92	149.19	148.23	150.42
MEMO									
31 United States/dollar[3]	89.84	86.61	93.18	95.73	96.54	95.79	94.35	94.39	92.79

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.
2. Value in U.S. cents.
3. Index of weighted-average exchange value of U.S. dollar against the currencies of ten industrial countries. The weight for each of the ten countries is the 1972–76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).

Guide to Statistical Releases and Special Tables

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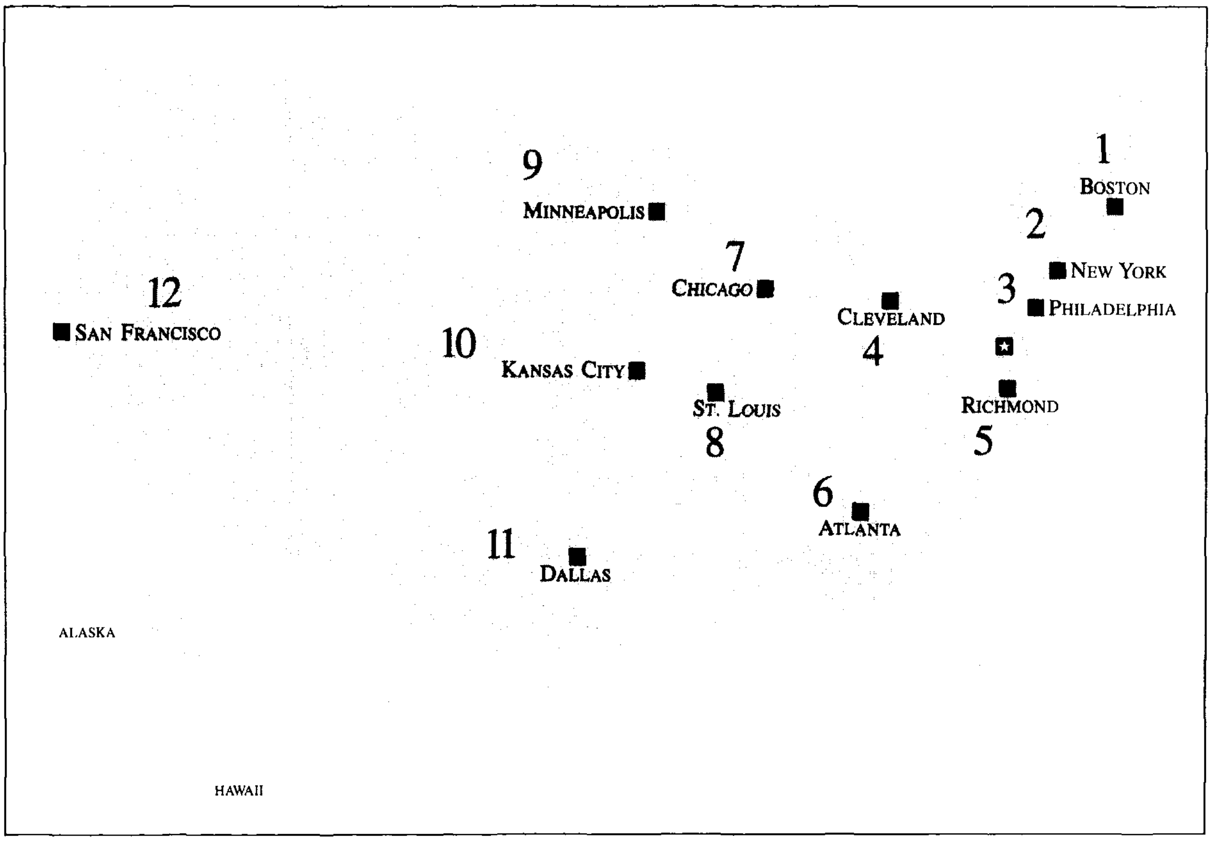

LEGEND

Both pages

- ■ Federal Reserve Bank city
- ◘ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

- • Federal Reserve Branch city
- — Branch boundary

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The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

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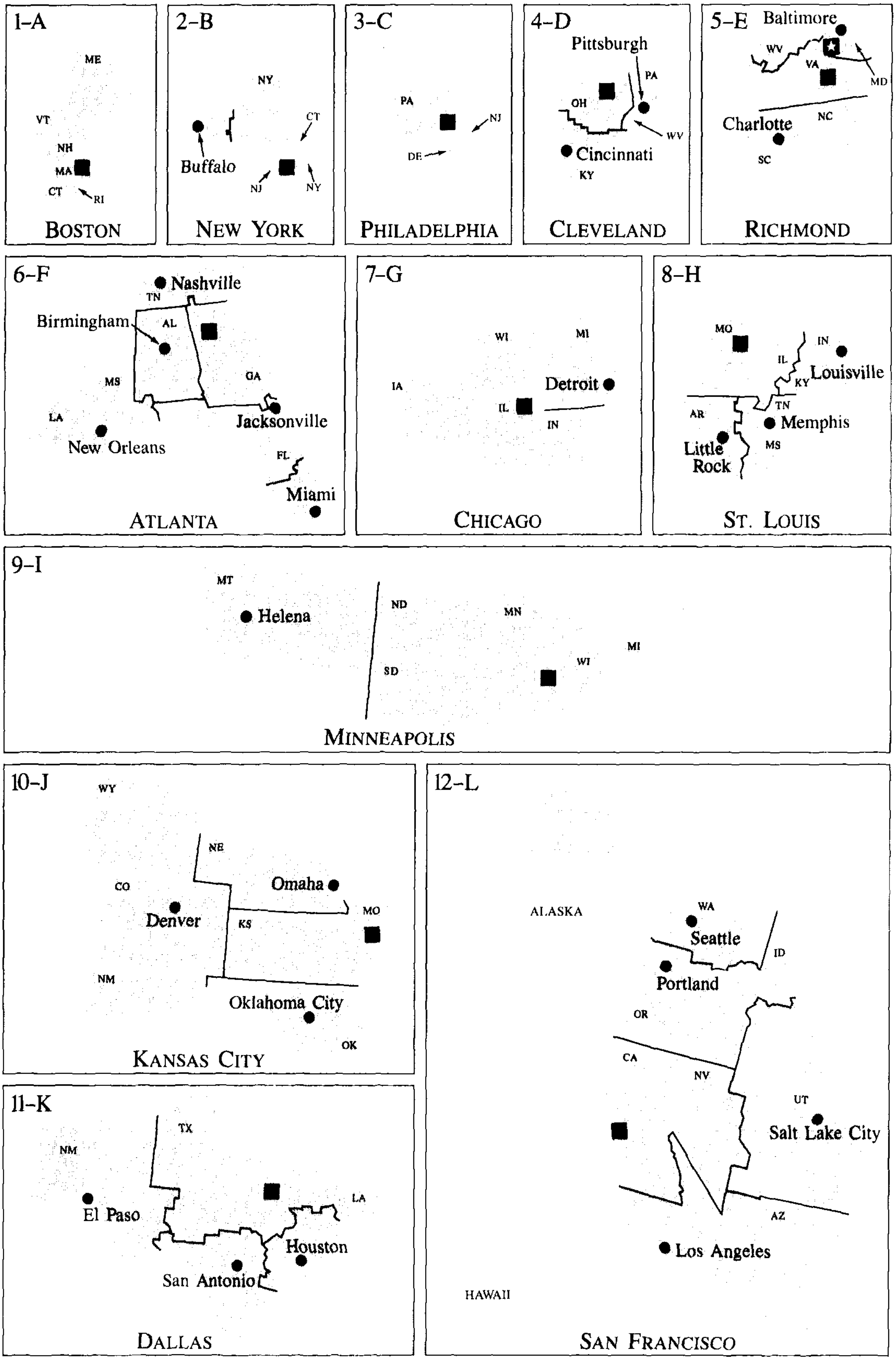
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